UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission file number 001-34018

GRAN TIERRA ENERGY INC.

(Exact name of registrant as specified in its charter)

Nevada	**98-0479924**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
300, 625 11 Avenue S.W. Calgary, Alberta, Canada	T2R 0E1
(Address of principal executive offices)	(Zip code)

(403) 265-3221
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐	(do not check if a smaller reporting company) Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

On August 2, 2012, the following numbers of shares of the registrant's capital stock were outstanding: 268,043,064 shares of the registrant's Common Stock, $0.001 par value; one share of Special A Voting Stock, $0.001 par value, representing 6,223,810 shares of Gran Tierra Goldstrike Inc., which are exchangeable on a 1-for-1 basis into the registrant's Common Stock; and one share of Special B Voting Stock, $0.001 par value, representing 7,421,891 shares of Gran Tierra Exchangeco Inc., which are exchangeable on a 1-for-1 basis into the registrant's Common Stock.

Gran Tierra Energy Inc.

Quarterly Report on Form 10-Q

Six Months Ended June 30, 2012

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STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, particularly in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q, including without limitation statements in the Management's Discussion and Analysis of Financial Condition and Results of Operations, regarding our financial position, estimated quantities and net present values of reserves, business strategy, plans and objectives of our management for future operations, covenant compliance, capital spending plans and those statements preceded by, followed by or that otherwise include the words "believe", "expect", "anticipate", "intend", "estimate", "project", "target", "goal", "plan", "objective", "should", or similar expressions or variations on these expressions are forward-looking statements. We can give no assurances that the assumptions upon which the forward-looking statements are based will prove to be correct or that even if correct, intervening circumstances will not occur to cause actual results to be different than expected. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements, including, but not limited to, those set out in Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q. The information included herein is given as of the filing date of this Form 10-Q with the Securities and Exchange Commission ("SEC") and, except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

GLOSSARY OF OIL AND GAS TERMS

In this document, the abbreviations set forth below have the following meanings:

bbl	barrel	BOPD	barrels of oil per day
Mbbl	thousand barrels	Mcf	thousand cubic feet
MMbbl	million barrels	MMcf	million cubic feet
BOE	barrels of oil equivalent	Bcf	billion cubic feet
MMBOE	million barrels of oil equivalent	NGL	natural gas liquids
BOEPD	barrels of oil equivalent per day	NAR	net after royalty

In the discussion that follows we discuss our interests in wells and/or acres in gross and net terms. Gross oil and natural gas wells or acres refer to the total number of wells or acres in which we own a working interest. Net oil and natural gas wells or acres are determined by multiplying gross wells or acres by the working interest that we own in such wells or acres. Working interest refers to the interest we own in a property, which entitles us to receive a specified percentage of the proceeds of the sale of oil and natural gas, and also requires us to bear a specified percentage of the cost to explore for, develop and produce that oil and natural gas. A working interest owner that owns a portion of the working interest may participate either as operator, or by voting its percentage interest to approve or disapprove the appointment of an operator, in drilling and other major activities in connection with the development of a property.

We also refer to royalties and farm-in or farmout transactions. Royalties include payments to governments on the production of oil and gas, either in kind or in cash. Royalties also include overriding royalties paid to third parties. Our reserves, production volumes and sales are reported net after deduction of royalties. Production volumes are also reported net of inventory adjustments. Farm-in or farmout transactions refer to transactions in which a portion of a working interest is sold by an owner of an oil and gas property. The transaction is labeled a farm-in by the purchaser of the working interest and a farmout by the seller of the working interest. Payment in a farm-in or farmout transaction can be in cash or in kind by committing to perform and/or pay for certain work obligations.

In the petroleum industry, geologic settings with proven petroleum source rocks, migration pathways, reservoir rocks and traps are referred to as petroleum systems.

Several items that relate to oil and gas operations, including aeromagnetic and aerogravity surveys, seismic operations and several kinds of drilling and other well operations, are also discussed in this document.

Aeromagnetic and aerogravity surveys are a remote sensing process by which data is gathered about the subsurface of the earth.

An airplane is equipped with extremely sensitive instruments that measure changes in the earth's gravitational and magnetic field. Variations as small as 1/1,000th in the gravitational and magnetic field strength and direction can indicate structural changes below the ground surface. These structural changes may influence the trapping of hydrocarbons. These surveys are an inexpensive way of gathering data over large regions.

Seismic data is used by oil and natural gas companies as their principal source of information to locate oil and natural gas deposits, both for exploration for new deposits and to manage or enhance production from known reservoirs. To gather seismic data, an energy source is used to send sound waves into the subsurface strata. These waves are reflected back to the surface by underground formations, where they are detected by geophones which digitize and record the reflected waves. Computer software applications are then used to process the raw data to develop an image of underground formations. 2-D seismic is the standard acquisition technique used to image geologic formations over a broad area. 2-D seismic data is collected by a single line of energy sources which reflect seismic waves to a single line of geophones. When processed, 2-D seismic data produces an image of a single vertical plane of sub-surface data. 3-D seismic data is collected using a grid of energy sources, which are generally spread over several square miles. A 3-D seismic survey produces a three dimensional image of the subsurface geology by collecting seismic data along parallel lines and creating a cube of information that can be divided into various planes, thus improving visualization. Consequently, 3-D seismic data is generally considered a more reliable indicator of potential oil and natural gas reservoirs in the area evaluated.

Wells drilled are classified as exploration, development or stratigraphic. An exploration well is a well drilled in search of a previously undiscovered hydrocarbon-bearing reservoir. A development well is a well drilled to develop a hydrocarbon-bearing reservoir that is already discovered. Exploration and development wells are tested during and after the drilling process to determine if they have oil or natural gas that can be produced economically in commercial quantities. If they do, the well will be completed for production, which could involve a variety of equipment, the specifics of which depend on a number of technical geological and engineering considerations. If there is no oil or natural gas (a “dry” well), or there is oil and natural gas but the quantities are too small and/or too difficult to produce, the well will be abandoned. Abandonment is a completion operation that involves closing or “plugging” the well and remediating the drilling site. An injector well is a development well that will be used to inject fluid into a reservoir to increase production from other wells. A stratigraphic well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. These wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as “exploratory type” if drilled in an unknown area or “development type” if drilled in a known area.

Workover is a term used to describe remedial operations on a previously completed well to clean, repair and/or maintain the well for the purposes of increasing or restoring production. It could include well deepening, plugging portions of the well, working with cementing, scale removal, acidizing, fracture stimulation, changing tubulars or installing/changing equipment to provide artificial lift.

The SEC definitions related to oil and natural gas reserves, per Regulation S-X, reflecting our use of deterministic reserve estimation methods, are as follows:

- *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

- *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

    i. The area of the reservoir considered as proved includes:

        A. The area identified by drilling and limited by fluid contacts, if any, and

B. Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

ii. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

iii. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

iv. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

A. Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

B. The project has been approved for development by all necessary parties and entities, including governmental entities.

v. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

- *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

i. When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

ii. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

iii. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

iv. See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of section 210.4-10(a) of Regulations S-X.

- *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

i. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

ii. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

iii. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

iv. The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

v. Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

vi. Pursuant to paragraph (a)(22)(iii) of section 210.4-10(a) of Regulations S-X, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

- *Reasonable Certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and as changes due to increased availability of geoscience (geological, geophysical and geochemical), engineering and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

- *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

PART 1

Item 1 - Financial Statements

Gran Tierra Energy Inc.
Condensed Consolidated Statements of Operations and Retained Earnings (Unaudited)
(Thousands of U.S. Dollars, Except Share and Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
REVENUE AND OTHER INCOME				
Oil and natural gas sales	**$ 114,542**	$ 161,664	**$ 269,790**	$ 283,960
Interest income	**608**	456	**1,311**	679
	115,150	162,120	**271,101**	284,639
EXPENSES				
Operating	**27,333**	23,160	**51,820**	39,556
Depletion, depreciation, accretion and impairment (Note 5)	**32,571**	46,965	**92,938**	110,322
General and administrative	**17,599**	16,410	**33,498**	30,048
Equity tax (Note 8)	**—**	221	**—**	8,271
Financial instruments gain (Notes 3 and 6)	**—**	(1,292)	**—**	(1,522)
Gain on acquisition (Note 3)	**—**	2,601	**—**	(21,699)
Foreign exchange loss	**4,807**	14,495	**29,182**	19,694
	82,310	102,560	**207,438**	184,670
INCOME BEFORE INCOME TAXES	**32,840**	59,560	**63,663**	99,969
Income tax expense (Note 8)	**(19,736)**	(27,993)	**(50,872)**	(54,689)
NET INCOME AND COMPREHENSIVE INCOME	**13,104**	31,567	**12,791**	45,280
RETAINED EARNINGS, BEGINNING OF PERIOD	**184,701**	71,810	**185,014**	58,097
RETAINED EARNINGS, END OF PERIOD	**$ 197,805**	$ 103,377	**$ 197,805**	$ 103,377
NET INCOME PER SHARE — BASIC	**$ 0.05**	$ 0.11	**$ 0.05**	$ 0.17
NET INCOME PER SHARE — DILUTED	**$ 0.05**	$ 0.11	**$ 0.05**	$ 0.16
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC (Note 6)	***280,714,786***	*277,297,728*	***279,726,434***	*269,159,453*
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED (Note 6)	***284,141,287***	*284,451,536*	***283,500,228***	*277,530,126*

(See notes to the condensed consolidated financial statements)

Gran Tierra Energy Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(Thousands of U.S. Dollars, Except Share and Per Share Amounts)

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ **128,528**	$ 351,685
Restricted cash	**4,034**	1,655
Accounts receivable	**95,004**	69,362
Inventory (Note 5)	**27,055**	7,116
Taxes receivable	**19,267**	21,485
Prepaids	**3,444**	3,597
Deferred tax assets (Note 8)	**3,223**	3,029
Total Current Assets	**280,555**	457,929
Oil and Gas Properties (using the full cost method of accounting)		
Proved	**665,346**	618,982
Unproved	**425,922**	417,868
Total Oil and Gas Properties	**1,091,268**	1,036,850
Other capital assets	**8,875**	7,992
Total Property, Plant and Equipment (Note 5)	**1,100,143**	1,044,842
Other Long-Term Assets		
Restricted cash	**33,854**	13,227
Deferred tax assets (Note 8)	**7,974**	4,747
Other long-term assets	**9,299**	3,454
Goodwill	**102,581**	102,581
Total Other Long-Term Assets	**153,708**	124,009
Total Assets	$ **1,534,406**	$ 1,626,780
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ **51,556**	$ 82,189
Accrued liabilities	**55,101**	66,832
Taxes payable	**13,117**	95,482
Asset retirement obligation (Note 7)	**167**	326
Total Current Liabilities	**119,941**	244,829
Long-Term Liabilities		
Deferred tax liability (Note 8)	**196,241**	186,799
Equity tax payable (Note 8)	**5,294**	6,484
Asset retirement obligation (Note 7)	**12,504**	12,343
Other long-term liabilities	**2,119**	2,007
Total Long-Term Liabilities	**216,158**	207,633
Commitments and Contingencies (Note 9)		
Shareholders' Equity		
Common shares (Note 6) (267,819,245 and 264,256,159 common shares and 13,869,520 and 13,869,520 exchangeable shares, par value $0.001 per share, issued and outstanding as at June 30, 2012 and December 31, 2011, respectively)	**7,986**	7,510
Additional paid in capital	**992,516**	980,014
Warrants (Note 6)	—	1,780
Retained earnings	**197,805**	185,014
Total Shareholders' Equity	**1,198,307**	1,174,318
Total Liabilities and Shareholders' Equity	$ **1,534,406**	$ 1,626,780

(See notes to the condensed consolidated financial statements)

Gran Tierra Energy Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Thousands of U.S. Dollars)

	Six Months Ended June 30,	
	2012	**2011**
Operating Activities		
Net income	**$ 12,791**	$ 45,280
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depletion, depreciation, accretion and impairment	**92,938**	110,322
Deferred taxes (Note 8)	**(10,050)**	(5,406)
Stock-based compensation (Note 6)	**6,922**	5,945
Unrealized gain on financial instruments (Note 3)	—	(1,354)
Unrealized foreign exchange loss	**16,164**	16,102
Settlement of asset retirement obligation (Note 7)	**(404)**	(309)
Equity tax	**(1,785)**	6,251
Gain on acquisition (Note 3)	—	(21,699)
Net change in assets and liabilities from operating activities		
Accounts and other receivables	**(17,668)**	(100,955)
Inventory	**(13,485)**	(213)
Prepaids	**154**	(211)
Accounts payable and accrued and other liabilities	**(28,567)**	(2,508)
Taxes receivable and payable	**(82,262)**	(18,120)
Net cash (used in) provided by operating activities	**(25,252)**	33,125
Investing Activities		
Increase in restricted cash	**(23,006)**	(8,139)
Additions to property, plant and equipment	**(178,644)**	(182,408)
Proceeds from disposition of oil and gas property (Note 5)	—	3,253
Cash acquired on acquisition (Note 3)	—	7,747
Proceeds on sale of asset-backed commercial paper (Note 3)	—	22,679
Net cash used in investing activities	**(201,650)**	(156,868)
Financing Activities		
Settlement of bank debt (Note 3)	—	(22,853)
Proceeds from issuance of common shares	**3,745**	2,523
Net cash provided by (used in) financing activities	**3,745**	(20,330)
Net decrease in cash and cash equivalents	**(223,157)**	(144,073)
Cash and cash equivalents, beginning of period	**351,685**	355,428
Cash and cash equivalents, end of period	**$ 128,528**	$ 211,355
Cash	**$ 78,929**	$ 135,142
Term deposits	**49,599**	76,213
Cash and cash equivalents, end of period	**$ 128,528**	$ 211,355
Supplemental cash flow disclosures:		
Cash paid for interest	**$ —**	$ 1,344
Cash paid for income taxes	**$ 139,482**	$ 64,205
Non-cash investing activities:		
Non-cash working capital related to property, plant and equipment, end of period	**$ 18,447**	$ 39,118

(See notes to the condensed consolidated financial statements)

Gran Tierra Energy Inc.
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(Thousands of U.S. Dollars)

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
Share Capital		
Balance, beginning of period	**$ 7,510**	$ 4,797
Issue of common shares	**476**	2,713
Balance, end of period	**7,986**	7,510
Additional Paid in Capital		
Balance, beginning of period	**980,014**	821,781
Issue of common shares	**2,902**	142,109
Exercise of warrants (Note 6)	**1,590**	411
Expiry of warrants (Note 6)	**190**	—
Exercise of stock options (Note 6)	**367**	1,990
Stock-based compensation (Note 6)	**7,453**	13,723
Balance, end of period	**992,516**	980,014
Warrants		
Balance, beginning of period	**1,780**	2,191
Exercise of warrants (Note 6)	**(1,590)**	(411)
Expiry of warrants (Note 6)	**(190)**	—
Balance, end of period	**—**	1,780
Retained Earnings		
Balance, beginning of period	**185,014**	58,097
Net income	**12,791**	126,917
Balance, end of period	**197,805**	185,014
Total Shareholders' Equity	**$ 1,198,307**	$ 1,174,318

(See notes to the condensed consolidated financial statements)

1. Description of Business

Gran Tierra Energy Inc., a Nevada corporation (the “Company” or “Gran Tierra”), is a publicly traded oil and gas company engaged in the acquisition, exploration, development and production of oil and natural gas properties. The Company’s principal business activities are in Colombia, Argentina, Peru and Brazil.

2. Significant Accounting Policies

These interim unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The information furnished herein reflects all normal recurring adjustments that are, in the opinion of management, necessary for the fair presentation of results for the interim periods.

The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for interim unaudited condensed consolidated financial statements. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2011 included in the Company’s 2011 Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on February 27, 2012.

The Company’s significant accounting policies are described in Note 2 of the consolidated financial statements which are included in the Company’s 2011 Annual Report on Form 10-K and are the same policies followed in these interim unaudited condensed consolidated financial statements, except as disclosed below. The Company has evaluated all subsequent events through to the date these interim unaudited condensed consolidated financial statements were issued. Certain amounts for 2011 have been reclassified to conform to the 2012 presentation. The reclassifications had no effect on net income.

Revenue Recognition

Revenue from the production of oil and natural gas is recognized when title passes to the customer and when collection of the revenue is reasonably assured. On February 1, 2012, the sales point for the majority of the Company’s Colombian oil sales in the Putumayo basin changed. Gran Tierra’s customer, Ecopetrol S.A. (“Ecopetrol”), now takes title at the Port of Tumaco on the Pacific coast of Colombia rather than at the entry into the Ecopetrol-operated Trans-Andean oil pipeline (“the OTA pipeline”) at the Orito station in the Putumayo basin.

Inventory

Inventory consists of oil in tanks and pipelines and supplies and is valued at the lower of cost or market value. The cost of inventory is determined using the weighted average method. Oil inventories include expenditures incurred to produce, upgrade and transport the product to the storage facilities and includes operating, depletion and depreciation expenses and cash royalties.

Adopted Accounting Pronouncements

Goodwill

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-08, "Intangibles – Goodwill and Other (Topic 350)." The update is intended to simplify how entities test goodwill for impairment. The update permits entities to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and whether it is necessary to perform the two-step goodwill impairment test. This ASU was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The implementation of this update did not materially impact the Company’s consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements

Disclosure about Offsetting Assets and Liabilities

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet – Disclosure about Offsetting Assets and Liabilities (Topic 210)." The update requires an entity to disclose information about offsetting assets and liabilities and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after January 1, 2013. The implementation of this update is not expected to materially impact the Company's disclosure.

3. Business Combination

On March 18, 2011 (the "Acquisition Date"), Gran Tierra completed its acquisition of all the issued and outstanding common shares and warrants of Petrolifera Petroleum Limited ("Petrolifera"), a Canadian corporation, pursuant to the terms and conditions of an arrangement agreement dated January 17, 2011 (the "Arrangement"). Petrolifera is a Calgary based oil, natural gas and natural gas liquids exploration, development and production company active in Argentina, Colombia and Peru. The transaction contemplated by the Arrangement was effected through a court approved plan of arrangement in Canada. The Arrangement was approved at a special meeting of Petrolifera shareholders on March 17, 2011 and by the Court of Queen's Bench of Alberta on March 18, 2011.

Under the Arrangement, Petrolifera shareholders received, for each Petrolifera share held, 0.1241 of a share of Gran Tierra common stock, and Petrolifera warrant holders received, for each Petrolifera warrant held, 0.1241 of a warrant (a "Replacement Warrant") to purchase a share of Gran Tierra common stock at an exercise price of $9.67 Canadian ("CDN") dollars per share. The Replacement Warrants expired unexercised on August 28, 2011.

Gran Tierra acquired all the issued and outstanding Petrolifera shares and warrants through the issuance of 18,075,247 Gran Tierra common shares, par value $0.001, and 4,125,036 Replacement Warrants. Upon completion of the transaction on the Acquisition Date, Petrolifera became an indirect wholly-owned subsidiary of Gran Tierra. On a diluted basis, upon the closing of the Arrangement, Petrolifera and Gran Tierra security holders owned approximately 6.6% and 93.4% of the Company, respectively, immediately following the transaction. The total consideration for the transaction was approximately $143 million.

The fair value of Gran Tierra's common shares was determined as the closing price of the common shares of Gran Tierra as at the Acquisition Date.

The fair value of the Replacement Warrants was estimated on the Acquisition Date using the Black-Scholes option pricing model with the following assumptions:

Exercise price (CDN dollars per warrant)	$	9.67
Risk-free interest rate		1.3%
Expected life		0.45 Years
Volatility		44%
Expected annual dividend per share		Nil
Estimated fair value per warrant (CDN dollars)	$	0.32

The acquisition is accounted for using the acquisition method, with Gran Tierra being the acquirer, whereby Petrolifera's assets acquired and liabilities assumed are recognized at their fair values as at the Acquisition Date and the results of Petrolifera have been consolidated with those of Gran Tierra from that date.

The following table shows the allocation of the consideration transferred based on the fair values of the assets and liabilities acquired:

(Thousands of U.S. Dollars)		
Consideration Transferred:		
Common shares issued net of share issue costs	$	141,690
Replacement Warrants		1,354
	$	143,044
Allocation of Consideration Transferred:		
Oil and gas properties		
Proved	$	58,457
Unproved		161,278
Other long-term assets		4,417
Net working capital (including cash acquired of $7.7 million and accounts receivable of $6.4 million)		(17,223)
Asset retirement obligation		(4,901)
Bank debt		(22,853)
Other long-term liabilities		(14,432)
Gain on acquisition		(21,699)
	$	143,044

As shown above, the fair value of identifiable assets acquired and liabilities assumed exceeded the fair value of the consideration transferred. Consequently, Gran Tierra reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that all acquired assets and assumed liabilities were recognized and that the valuation procedures and resulting measures were appropriate. As a result, Gran Tierra recognized a gain of $21.7 million, which was reported as "Gain on acquisition", in the condensed consolidated statement of operations. The gain reflected the impact on Petrolifera's pre-acquisition market value of a lack of liquidity and capital resources required to maintain current production and reserves and further develop and explore their inventory of prospects. Subsequent to the initial allocation of the consideration reported in the first quarter of 2011, further assessment of Petrolifera's tax position resulted in a reduction of the gain on acquisition to $21.7 million from $24.3 million previously reported. A corresponding adjustment was made to the net working capital deficiency assumed.

As part of the assets acquired and included in the net working capital in the allocation of the consideration transferred, the Company assigned $22.5 million in fair value to investments in notes that Petrolifera received in exchange for asset-backed commercial paper ("ABCP") with a face value of $31.3 million. On March 28, 2011, these notes were sold to an unrelated party for proceeds of $22.7 million after the associated line of credit was settled. When combined with the gain arising on expiry of the Replacement Warrants, the financial instruments gain for the six months ended June 30, 2011 was $1.5 million.

The associated ABCP line of credit that Gran Tierra assumed was with a Canadian chartered bank, to a maximum of CDN $23.2 million with an initial expiry in April 2012. Gran Tierra settled this line of credit immediately after the completion of the acquisition of Petrolifera for the face value of CDN $22.5 million in borrowings plus accrued interest.

Also upon the acquisition of Petrolifera, Gran Tierra assumed a second line of credit agreement ("Second ABCP line of credit") with the same Canadian chartered bank to a maximum of CDN $5.0 million, which was fully drawn as at the Acquisition Date. This Second ABCP line of credit, which expired on April 8, 2011, was secured by ineligible master asset vehicles Classes 1 & 2 ("MAV IA 1 & 2") notes with a face value of $6.6 million. Gran Tierra retained the option to settle the Second ABCP line of credit of CDN $5.0 million through delivery to the lender of the MAV IA 1 & 2 notes. Subsequent to the acquisition, Gran Tierra elected to record this second line of credit at fair value and planned at that time to settle the debt through delivery of the MAV IA 1 & 2 notes. Accordingly, a value of $nil was recorded for the debt upon its acquisition. Gran Tierra settled such borrowings by delivery of the MAV IA 1 & 2 notes on April 8, 2011.

Gran Tierra also assumed a reserve-backed credit facility upon the Petrolifera acquisition with an outstanding balance of $31.3 million. The amount outstanding under this credit facility was included as part of net working capital in the allocation of consideration transferred. The credit facility bore interest at LIBOR plus 8.25% and was partially secured by the pledge of the shares of Petrolifera's subsidiaries. The outstanding balance was repaid when the Argentine restriction preventing its repayment expired on August 5, 2011.

Interest expense on the reserve-backed credit facility for the 104-day period from the Acquisition Date to June 30, 2011 was $0.8 million. This amount is recorded on the condensed consolidated statements of operations as part of general and administrative (“G&A”) expenses.

Pro forma results for the three and six months ended June 30, 2011 are shown below, as if the acquisition had occurred on January 1, 2010. Pro forma results are not indicative of actual results or future performance.

	Six Months Ended June 30,	
(Thousands of U.S. Dollars except per share amounts)	**2011**	
Revenue and other income	$	293,834
Net income	$	12,457
Net income per share - basic	$	0.05
Net income per share - diluted	$	0.04

The supplemental pro forma earnings of Gran Tierra for the six months ended June 30, 2011 were adjusted to exclude $4.4 million of acquisition costs recorded in G&A expenses and the $21.7 million gain on acquisition because they are not expected to have a continuing impact on Gran Tierra’s results of operations. The condensed consolidated statement of operations for the six months ended June 30, 2011 included revenue of $10.9 million from Petrolifera for the period subsequent to the Acquisition Date. Net income from Petrolifera for the period from the Acquisition Date to June 30, 2011 was not material.

4. Segment and Geographic Reporting

The Company is primarily engaged in the exploration and production of oil and natural gas. The Company’s reportable segments are Colombia, Argentina and Peru based on geographic organization. The level of activity in Brazil was not significant at June 30, 2012 or December 31, 2011; however, the Company has separately disclosed its results of operations in Brazil as a reportable segment. The All Other category represents the Company’s corporate activities.

The accounting policies of the reportable segments are the same as those described in Note 2. The Company evaluates reportable segment performance based on income or loss before income taxes. The segmented results include the operations of Petrolifera subsequent to March 18, 2011, the Acquisition Date (Note 3).

The following tables present information on the Company's reportable segments and other activities:

	Three Months Ended June 30, 2012					
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	**$ 92,018**	**$ 21,482**	**$ —**	**$ 1,042**	**$ —**	**$ 114,542**
Interest income	**223**	**39**	**—**	**272**	**74**	**608**
Depletion, depreciation, accretion and impairment	**23,084**	**7,990**	**991**	**266**	**240**	**32,571**
Depletion, depreciation, accretion and impairment - per unit of production	**24.61**	**23.78**	**—**	**23.14**	**—**	**25.34**
Income (loss) before income taxes	**42,481**	**1,268**	**(2,573)**	**(1,228)**	**(7,108)**	**32,840**
Segment capital expenditures	**$ 42,247**	**$ 2,739**	**$ 16,007**	**$ 5,442**	**$ 169**	**$ 66,604**

	Three Months Ended June 30, 2011					
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	$ 148,473	$ 12,857	$ —	$ 334	$ —	$ 161,664
Interest income	158	28	134	—	136	456
Depletion, depreciation, accretion and impairment	39,609	5,505	1,530	156	165	46,965
Depletion, depreciation, accretion and impairment - per unit of production	28.49	21.45	—	38.87	—	28.45
Income (loss) before income taxes	73,729	(3,099)	(2,371)	(1,376)	(7,323)	59,560
Segment capital expenditures	$ 54,216	$ 7,138	$ 11,287	$ 28,287	$ 561	$ 101,489

	Six Months Ended June 30, 2012					
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	**$ 230,651**	**$ 36,851**	**$ —**	**$ 2,288**	**$ —**	**$ 269,790**
Interest income	**427**	**86**	**15**	**567**	**216**	**1,311**
Depletion, depreciation, accretion and impairment	**55,370**	**13,915**	**1,106**	**22,074**	**473**	**92,938**
Depletion, depreciation, accretion and impairment - per unit of production	**25.29**	**23.35**	**—**	**919.14**	**—**	**33.08**
Income (loss) before income taxes	**102,601**	**791**	**(3,300)**	**(23,297)**	**(13,132)**	**63,663**
Segment capital expenditures	**$ 62,596**	**$ 16,844**	**$ 32,662**	**$ 41,698**	**$ 395**	**$ 154,195**

	Six Months Ended June 30, 2011					
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	$ 265,777	$ 17,849	$ —	$ 334	$ —	$ 283,960
Interest income	245	28	134	11	261	679
Depletion, depreciation, accretion and impairment	69,645	6,652	33,463	252	310	110,322
Depletion, depreciation, accretion and impairment - per unit of production	26.75	18.85	—	62.80	—	37.27
Income (loss) before income taxes	131,615	(3,529)	(34,996)	(2,744)	9,623	99,969
Segment capital expenditures (1)	$ 96,480	$ 18,760	$ 25,574	$ 28,674	$ 1,104	$ 170,592

(1) Net of proceeds from the farm out of a 50% interest in the Santa Victoria Block in Argentina in March 2011 (Note 5).

The Company’s revenues are derived principally from uncollateralized sales to customers in the oil and natural gas industry. The concentration of credit risk in a single industry affects the Company’s overall exposure to credit risk because customers may be similarly affected by changes in economic and other conditions.

The Company has one significant customer in Colombia, Ecopetrol. Sales to Ecopetrol accounted for 75% and 88% of the Company’s revenues for the three months ended June 30, 2012 and 2011, and 81% and 89% for the six months ended June 30, 2012 and 2011, respectively.

The Company has two significant customers in Argentina, Shell C.A.P.S.A. (“Shell”) and Refineria del Norte S.A. (“Refiner”). Sales to Shell and Refiner accounted for 2% and 8% of the Company’s oil and natural gas sales for the three months ended June 30, 2012, and 3% and 5% for the six months ended June 30, 2012, respectively. In the three months ended June 30, 2011, sales to Shell and Refiner accounted for 7% and 2%, and in the six months ended June 30, 2011, accounted for 4% and 3%, respectively.

(Thousands of U.S. Dollars)	As at June 30, 2012					
	Colombia	Argentina	Peru	Brazil	All Other	Total
Property, plant and equipment	$ 817,431	$ 132,190	$ 65,860	$ 81,546	$ 3,116	$ 1,100,143
Goodwill	102,581	—	—	—	—	102,581
Other assets	170,076	46,260	11,712	11,719	91,915	331,682
Total Assets	$ 1,090,088	$ 178,450	$ 77,572	$ 93,265	$ 95,031	$ 1,534,406

	As at December 31, 2011					
(Thousands of U.S. Dollars)	Colombia	Argentina	Peru	Brazil	All Other	Total
Property, plant and equipment	$ 816,396	$ 129,072	$ 34,305	$ 61,875	$ 3,194	$ 1,044,842
Goodwill	102,581	—	—	—	—	102,581
Other assets	269,843	34,672	9,597	17,065	148,180	479,357
Total Assets	$ 1,188,820	$ 163,744	$ 43,902	$ 78,940	$ 151,374	$ 1,626,780

5. Property, Plant and Equipment and Inventory

Property, Plant and Equipment

	As at June 30, 2012			As at December 31, 2011		
(Thousands of U.S. Dollars)	Cost	Accumulated depletion, depreciation and impairment	Net book value	Cost	Accumulated depletion, depreciation and impairment	Net book value
Oil and natural gas properties						
Proved	$ 1,325,336	$ (659,990)	$ 665,346	$ 1,181,503	$ (562,521)	$ 618,982
Unproved	425,922	—	425,922	417,868	—	417,868
	1,751,258	(659,990)	1,091,268	1,599,371	(562,521)	1,036,850
Furniture and fixtures and leasehold improvements	7,649	(4,551)	3,098	6,973	(4,002)	2,971
Computer equipment	10,076	(4,968)	5,108	8,443	(4,174)	4,269
Automobiles	1,295	(626)	669	1,295	(543)	752
Total Property, Plant and Equipment	$ 1,770,278	$ (670,135)	$ 1,100,143	$ 1,616,082	$ (571,240)	$ 1,044,842

Depletion and depreciation expense on property, plant and equipment for the six months ended June 30, 2012 was $77.8 million (six months ended June 30, 2011 - $77.2 million) and for the three months ended June 30, 2012 was $35.1 million (three months ended June 30, 2011 - $45.0 million). A portion of depletion and depreciation expense was recorded as inventory in each period.

On August 7, 2012, the Company announced that Costayaco Field reserves as of June 30, 2012, net after royalty ("NAR"), calculated in accordance with SEC rules, increased, after production, from year-end 2011 reserves as follows: total proved reserves increased to approximately 19.6 million barrels of oil. The reserve revisions were due to a successful waterflood program and reservoir management.

On June 5, 2012, the Company received regulatory approval of a farm-in agreement on a block in Colombia. This approval triggered a payment of $21.1 million related to drilling costs for a previously drilled oil exploration well, which was recorded as a capital expenditure in the second quarter of 2012.

Effective June 1, 2012, the Company entered into an agreement to acquire the remaining 40% working interest in a block in Peru. The block is an unproved property. Purchase consideration was $5.4 million and was recorded as a capital expenditure in the three months ended June 30, 2012. The agreement is subject to government approval.

On August 26, 2010, the Company entered into an agreement to acquire a 70% participating interest in four blocks in Brazil. With the exception of one block which has a producing well, the remaining blocks are unproved properties. The agreement was effective September 1, 2010, subject to regulatory approvals, and the transaction was completed on June 15, 2011. Purchase consideration was $40.1 million and was recorded as a capital expenditure in 2011 and 2010. The 70% share of all benefits and costs with respect to the period between the effective date and the completion of the transaction were an adjustment to the consideration paid for the four blocks. On January 20, 2012, the Company entered into an agreement to acquire the remaining 30% participating interest in these four blocks. The completion of the transaction is subject to regulatory approval.

In September 2011, the Company announced two farmout agreements with Statoil do Brasil Ltda. ("Statoil") in a joint venture with PetróleoBrasileiro S.A., in Brazil's deepwater offshore Camamu-Almada Basin, pursuant to which, the Company would receive an assignment of a non-operated 10% working interest in Block BM-CAL-7 and a non-operated 15% working interest in Block BM-CAL-10. Both blocks are located in the Camamu Basin, offshore Bahia, Brazil.

During the first quarter of 2012, the Company received regulatory approval from Agência Nacional de Petróleo, Gás Natural e Biocombustíveis ("ANP") for the Block BM-CAL-7 farmout agreement. Purchase consideration of $0.7 million was paid and the assignment became effective on April 3, 2012. This block is an unproved property.

On February 17, 2012, in accordance with the terms of the farmout agreement for BM-CAL-10, the Company gave notice to Statoil that it would not enter into and assume its share of the work obligations of the second exploration period of the block. As a result, the farmout agreement has terminated and the Company will not receive any interest in the block. Pursuant to the farmout agreement, the Company was obligated to make payment for a certain percentage of the costs relating to Block BM-CAL-10, which relate primarily to a well that was drilled during the term of the farmout agreement. The notice of withdrawal was a trigger for payment of amounts that would otherwise have been due if the farmout agreement had closed and the Company had acquired a participating interest. In the three months ended March 31, 2011, the Company recorded a ceiling test impairment loss in the Company's Brazil cost center of $20.2 million. This impairment charge resulted from the recognition of $23.8 million of capital expenditures in relation to the Block BM-CAL-10 farmout agreement in the first quarter of 2012.

In the six months ended June 30, 2011, the Company recorded a ceiling test impairment loss in the Company's Peru cost center of $33.4 million (three months ended June 30, 2011 - $1.5 million). This impairment charge related to seismic and drilling costs from a dry well.

In March 2011, the Company recorded proceeds of $3.3 million from the farmout of a 50% interest in the Santa Victoria Block in Argentina to Apache Corporation.

The amounts capitalized in each of the Company's cost centers during the six months ended June 30, 2012 and 2011, respectively, were as follows:

	Six Months Ended June 30, 2012				
(Thousands of U.S. Dollars)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**Total**
Capitalized G&A, including stock-based compensation	**$ 4,219**	**$ 1,915**	**$ 1,623**	**$ 2,107**	**$ 9,864**
Capitalized stock-based compensation	**$ 190**	**$ 148**	**$ —**	**$ 193**	**$ 531**

	Six Months Ended June 30, 2011				
(Thousands of U.S. Dollars)	**Colombia**	**Argentina**	**Peru**	**Brazil**	**Total**
Capitalized G&A, including stock-based compensation	$ 4,121	$ 1,022	$ 824	$ 228	$ 6,195
Capitalized stock-based compensation	$ 189	$ 114	$ —	$ —	$ 303

Unproved oil and natural gas properties consist of exploration lands held in Colombia, Argentina, Peru and Brazil. As at June 30, 2012, the Company had $261.9 million (December 31, 2011 - $274.8 million) of unproved assets in Colombia, $49.9 million (December 31, 2011 - $57.0 million) of unproved assets in Argentina, $65.2 million (December 31, 2011 - $33.7 million) of unproved assets in Peru, and $48.9 million (December 31, 2011 - $52.4 million) of unproved assets in Brazil for a total of $425.9 million (December 31, 2011 - $417.9 million). These properties are being held for their exploration value and are not being depleted pending determination of the existence of proved reserves. Gran Tierra will continue to assess the unproved properties over the next several years as proved reserves are established and as exploration dictates whether or not future areas will be developed.

Inventories

As at June 30, 2012, oil and supplies inventories were $24.6 million and $2.5 million, respectively (December 31, 2011 - $4.7 million and $2.4 million, respectively).

6. Share Capital

The Company's authorized share capital consists of 595,000,002 shares of capital stock, of which 570 million are designated as common stock, par value $0.001 per share, 25 million are designated as preferred stock, par value $0.001 per share, and two shares are designated as special voting stock, par value $0.001 per share.

As at June 30, 2012, outstanding share capital consists of 267,819,245 common voting shares of the Company, 7,645,710 exchangeable shares of Gran Tierra Exchange Co., automatically exchangeable on November 14, 2013, and 6,223,810 exchangeable shares of Goldstrike Exchange Co., automatically exchangeable on November 10, 2012. The exchangeable shares of Gran Tierra Exchange Co., were issued upon acquisition of Solana Resources Limited ("Solana"). The exchangeable shares of Gran Tierra Goldstrike Inc. were issued upon the business combination between Gran Tierra Energy Inc., an Alberta corporation, and Goldstrike, Inc., which is now the Company. Each exchangeable share is exchangeable into one common voting share of the Company.

The holders of common voting shares are entitled to one vote for each share on all matters submitted to a stockholder vote and are entitled to share in all dividends that the Company's board of directors, in its discretion, declares from legally available funds. The holders of common voting shares have no pre-emptive rights, no conversion rights, and there are no redemption provisions applicable to the common voting shares. Holders of exchangeable shares have substantially the same rights as holders of common voting shares.

Stock Options

For the six months ended June 30, 2012, the stock-based compensation expense was $7.4 million (six months ended June 30, 2011- $6.2 million) of which $6.3 million (six months ended June 30, 2011 - $5.4 million) was recorded in G&A expenses, $0.6 million was recorded in operating expense (six months ended June 30, 2011 – $0.5 million) and $0.5 million was capitalized as part of exploration and development costs (six months ended June 30, 2011 – $0.3 million).

For the three months ended June 30, 2012, the stock-based compensation expense was $4.0 million (three months ended June 30, 2011- $2.7 million) of which $3.4 million (three months ended June 30, 2011 - $2.2 million) was recorded in G&A expenses, $0.3 million was recorded in operating expense (three months ended June 30, 2011 – $0.3 million) and $0.3 million was capitalized as part of exploration and development costs (three months ended June 30, 2011 – $0.2 million).

At June 30, 2012, there was $14.3 million (December 31, 2011 - $11.7 million) of unrecognized compensation cost related to unvested stock options which is expected to be recognized over the next three years.

On June 27, 2012, the shareholders of Gran Tierra approved an amendment to the Company's 2007 Equity Incentive Plan, which increased the number of shares of common stock available for issuance thereunder from 23,306,100 shares to 39,806,100 shares. The following table provides information about stock option activity for the six months ended June 30, 2012:

	Number of Outstanding Options		Weighted Average Exercise Price $/Option
Balance, December 31, 2011	12,864,002	$	4.90
Granted in 2012	3,260,650		5.80
Exercised in 2012	(267,673)		(3.14)
Forfeited in 2012	(197,314)		(6.99)
Balance, June 30, 2012	15,659,665	$	5.09

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model based on assumptions noted in the following table.

	Three Months Ended June 30, 2012
Dividend yield (per share)	**nil**
Volatility	**75%**
Risk-free interest rate	**0.4%**
Expected term	**4-6 years**

The weighted average grant date fair value for options granted in the six months ended June 30, 2012 was $5.80 (six months ended June 30, 2011 - $5.07) and for the three months ended June 30, 2012 was $5.29 (three months ended June 30, 2011 - $7.28) .

Warrants

At December 31, 2011, the Company had 6,298,230 warrants outstanding to purchase 3,149,115 common shares for $1.05 per share, expiring between June 20, 2012 and June 30, 2012. During the six months ended June 30, 2012, 2,775,334 common shares were issued upon the exercise of 5,550,668 warrants (six months ended June 30, 2011, 525,817 common shares were issued upon the exercise of 1,051,634 warrants), 26,190 common shares were issued with 7,143 shares withheld in lieu of a cashless exchange upon the exercise of 66,666 warrants, and 680,896 warrants expired unexercised.

The Company issued 4,125,036 Replacement Warrants in connection with its acquisition of Petrolifera during March 2011 (Note 3). The Replacement Warrants expired unexercised in August 2011.The fair value of the Replacement Warrants as of June 30, 2011, was determined using the Black-Scholes option pricing model with the following assumptions:

Exercise price (CDN dollars per warrant)	$	9.67
Risk-free interest rate		1.2%
Expected life		0.16 Years
Volatility		42%
Expected annual dividend per share		Nil
Estimated fair value per warrant (CDN dollars)	$	0.003

During the three months ended June 30, 2011, a financial instruments gain resulting from the change in fair value of the Replacement Warrants of $1.3 million was recorded.

Weighted Average Shares Outstanding

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Weighted average number of common and exchangeable shares outstanding	**280,714,786**	277,297,728	279,726,434	269,159,453
Shares issuable pursuant to warrants	**170,145**	2,728,361	339,495	2,789,122
Shares issuable pursuant to stock options	**5,942,583**	5,191,288	6,078,405	6,079,268
Shares to be purchased from proceeds of stock options	**(2,686,227)**	(765,841)	(2,644,106)	(497,717)
Weighted average number of diluted common and exchangeable shares outstanding	**284,141,287**	284,451,536	283,500,228	277,530,126

For the three month period ended June 30, 2012, 9,726,917 options were excluded from the diluted income per share calculation as the instruments were anti-dilutive (for the three months ended June 30, 2011, 3,815,996 options and 4,125,036 Replacement Warrants were excluded from the diluted income per share calculation for the same reason).

For the six month period ended June 30, 2012, 9,731,230 options were excluded from the diluted income per share calculation as the instruments were anti-dilutive (for the six months ended June 30, 2011, 3,219,996 options and 4,125,036 Replacement Warrants were excluded from the diluted income per share calculation).

7. Asset Retirement Obligation

As at June 30, 2012, the Company's asset retirement obligation comprised a Colombian obligation in the amount of $5.9 million (December 31, 2011 - $5.5 million), an Argentine obligation in the amount of $6.1 million (December 31, 2011 - $6.7 million), a Brazilian obligation in the amount of $0.5 million (December 31, 2011 - $0.5 million) and a Peruvian obligation in the amount of $0.2 million (December 31, 2011 - $nil). As at June 30, 2012, the undiscounted asset retirement obligation was $32.6 million (December 31, 2011 - $29.9 million). Revisions to estimated liabilities relate primarily to changes in estimates of asset retirement costs and include, but are not limited to, revisions of estimated inflation rates, changes in property lives and the expected timing of settling the asset retirement obligation. Changes in the carrying amounts of the asset retirement obligation associated with the Company's oil and natural gas properties were as follows:

(Thousands of U.S. Dollars)	Six Months Ended 2012	Year Ended 2011
Balance, beginning of period	**$ 12,669**	$ 4,807
Settlements	**(404)**	(345)
Disposal	**—**	(172)
Liability incurred	**513**	867
Liability assumed in a business combination (Note 3)	**—**	4,901
Foreign exchange	**9**	17
Accretion	**500**	673
Revisions in estimated liability	**(616)**	1,921
Balance, end of period	**$ 12,671**	$ 12,669
Asset retirement obligation - current	**$ 167**	$ 326
Asset retirement obligation - long-term	**12,504**	12,343
Balance, end of period	**$ 12,671**	$ 12,669

8. Taxes

The income tax expense reported differs from the amount computed by applying the U.S. statutory rate to income before income taxes for the following reasons:

	Six Months Ended June 30,			
(Thousands of U.S. Dollars)	**2012**		**2011**	
Income before income taxes	**$**	**63,663**	$	99,969
		35%		35%
Income tax expense expected		**22,282**		34,989
Foreign currency translation adjustments		**8,101**		4,956
Impact of foreign taxes		**(86)**		(3,134)
Stock-based compensation		**2,326**		1,825
Increase in valuation allowance		**5,457**		24,065
Branch and other foreign loss pick-up in the United States and Canada		**(2,159)**		(2,898)
Non-deductible third party royalty in Colombia		**7,140**		4,115
Non-taxable gain on acquisition		**—**		(7,595)
Other permanent differences		**7,811**		(1,634)
Total income tax expense	**$**	**50,872**	$	54,689
Current income tax		**60,922**		63,439
Deferred tax recovery		**(10,050)**		(8,750)
Total income tax expense	**$**	**50,872**	$	54,689

For the six months ended June 30, 2012, other permanent differences include $8.2 million of loss adjustments which are fully offset by a change in the valuation allowance.

	As at			
(Thousands of U.S. Dollars)	**June 30, 2012**		**December 31, 2011**	
Deferred Tax Assets				
Tax benefit of loss carryforwards	**$**	**71,805**	$	63,910
Tax basis in excess of book basis		**15,261**		17,065
Foreign tax credits and other accruals		**27,445**		27,164
Capital losses		**5,510**		2,433
Deferred tax assets before valuation allowance		**120,021**		110,572
Valuation allowance		**(108,824)**		(102,796)
	$	**11,197**	$	7,776
Deferred tax assets - current	**$**	**3,223**	$	3,029
Deferred tax assets - long-term		**7,974**		4,747
		11,197		7,776
Deferred Tax Liabilities				
Long-term - book value in excess of tax basis		**(196,241)**		(186,799)
Net Deferred Tax Liabilities	**$**	**(185,044)**	$	(179,023)

As at June 30, 2012, the Company had operating loss carryforwards of $388.8 million (December 31, 2011 - $361.6 million) and capital losses of $36.6 million (December 31, 2011 – $13.7 million) before valuation allowance. Of these losses, $391.9 million (December 31, 2011 - $339.8 million) were losses generated by the foreign subsidiaries of the Company, including $119.2 million relating to a Barbadian subsidiary taxable at 1.75% which are expected to be extinguished by the end of 2012. In certain jurisdictions, the operating loss carryforwards expire between 2013 and 2032 and the capital losses expire between 2013 and 2017, while certain other jurisdictions allow operating losses to be carried forward indefinitely. Of the total operating loss carryforwards, $3.5 million will expire in 2013.

As at June 30, 2012, the total amount of Gran Tierra's unrecognized tax benefit was approximately $20.5 million (December 31, 2011 - $20.5 million), a portion of which, if recognized, would affect the Company's effective tax rate. To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and are classified as a component of income taxes in the condensed consolidated statement of operations. As at June 30, 2012, the amount of interest and penalties on the unrecognized tax benefit included in current income tax liabilities in the condensed consolidated balance sheet was approximately $1.6 million (December 31, 2011 - $1.6 million). The Company had no material interest or penalties included in the condensed consolidated statement of operations for the three and six months ended June 30, 2012 and 2011, respectively.

Changes in the Company's unrecognized tax benefit are as follows:

	Six Months Ended June 30,	
	2012	**2011**
(Thousands of U.S. Dollars)		
Unrecognized tax benefit at January 1	**$ 20,500**	$ 4,175
Changes for positions relating to prior year	—	(257)
Additions to tax position related to the current year	—	9,190
Unrecognized tax benefit at June 30	**$ 20,500**	$ 13,108

The Company and its subsidiaries file income tax returns in the U.S. and certain other foreign jurisdictions. The Company is potentially subject to income tax examinations for the tax years 2005 through 2011 in certain jurisdictions. The Company does not anticipate any material changes to the unrecognized tax benefit disclosed above within the next twelve months.

Equity tax for the six months ended June 30, 2011 of $8.3 million represented a Colombian tax of 6% and was calculated based on the Company's Colombian segment's balance sheet equity for tax purposes at January 1, 2011. The tax is payable in eight semi-annual installments over four years, but was expensed in the first quarter of 2011 at the commencement of the four-year period. The equity tax liability at June 30, 2012 and December 31, 2011 was also partially related to an equity tax liability assumed upon the acquisition of Petrolifera.

9. Commitments and Contingencies

Purchase Obligations, Firm Agreements and Leases

The following is a schedule by year of purchase obligations, future minimum payments for firm agreements and leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2012:

	As at June 30, 2012				
	Payments Due in Period				
	Total	**Less than 1 Year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
(Thousands of U.S. Dollars)					
Oil transportation services	**$ 32,560**	$ 8,710	$ 7,100	$ 7,100	$ 9,650
Drilling and geological and geophysical	**39,480**	38,374	1,106	—	—
Completions	**30,828**	24,560	6,268	—	—
Facility construction	**31,000**	17,049	13,951	—	—
Operating leases	**6,882**	2,861	3,003	1,018	—
Software and telecommunication	**8,093**	3,685	4,408	—	—
Consulting	**1,058**	1,058	—	—	—
Total	**$ 149,901**	**$ 96,297**	**$ 35,836**	**$ 8,118**	**$ 9,650**

Indemnities

Corporate indemnities have been provided by the Company to directors and officers for various items including, but not limited to, all costs to settle suits or actions due to their association with the Company and its subsidiaries and/or affiliates, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably estimated.

The Company may provide indemnifications in the normal course of business that are often standard contractual terms to counterparties in certain transactions such as purchase and sale agreements. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

Letters of credit

At June 30, 2012, the Company had provided promissory notes totaling $34.4 million (December 31, 2011 - $20.7 million) as security for letters of credit relating to work commitment guarantees contained in exploration contracts.

Contingencies

Ecopetrol and Gran Tierra Energy Colombia Ltd. ("Gran Tierra Colombia"), the contracting parties of the Guayuyaco Association Contract, are engaged in a dispute regarding the interpretation of the procedure for allocation of oil produced and sold during the long-term test of the Guayuyaco-1 and Guayuyaco-2 wells. There is a material difference in the interpretation of the procedure established in Clause 3.5 of Attachment-B of the Guayuyaco Association Contract. Ecopetrol interprets the contract to provide that the extended test production up to a value equal to 30% of the direct exploration costs of the wells is for Ecopetrol's account only and serves as reimbursement of its 30% back-in to the Guayuyaco discovery. Gran Tierra Colombia's contention is that this amount is merely the recovery of 30% of the direct exploration costs of the wells and not exclusively for the benefit of Ecopetrol. There has been no agreement between the parties, and Ecopetrol has filed a lawsuit in the Contravention Administrative Court in the District of Cauca regarding this matter. Gran Tierra Colombia filed a response on April 29, 2008 in which it refuted all of Ecopetrol's claims and requested a change of venue to the courts in Bogota. At this time no amount has been accrued in the financial statements as the Company does not consider it probable that a loss will be incurred. Ecopetrol is claiming damages of approximately $5.8 million.

Gran Tierra's production from the Costayaco field is subject to an additional royalty that applies when cumulative gross production from a commercial field is greater than five million barrels. This additional royalty is calculated on the difference between a trigger price defined by the Agencia Nacional de Hidrocarburos (National Hydrocarbons Agency) ("ANH") and the sales price. The ANH has requested that the additional compensation be paid with respect to production from wells relating to the Moqueta discovery and has initiated a non-compliance procedure under the Chaza Contract. The Moqueta discovery is not located in the Costayaco Exploitation Area. Further, Gran Tierra views the Costayaco field and the Moqueta discovery as two clearly separate and independent hydrocarbon accumulations. Therefore, it is Gran Tierra's view that it is clear that, pursuant to the Chaza Contract, the additional compensation payments are only to be paid with respect to production from the Moqueta wells when the accumulated oil production from any new Exploitation Area created with respect to the Moqueta discovery exceeds five million barrels. Discussions with the ANH have not resolved this issue and Gran Tierra has sent notice to the ANH to initiate the dispute resolution process prescribed by the Chaza Contract. As at June 30, 2012, total cumulative production from the Moqueta field was 0.6 MMbbl. The estimated compensation which would be payable on cumulative production to date if the ANH's interpretation is successful is $10.3 million. At this time no amount has been accrued in the financial statements as Gran Tierra does not consider it probable that a loss will be incurred.

Gran Tierra is subject to a third party 10% net profits interest on 50% of Gran Tierra's production from the Chaza Block that arises from the original acquisition in 2006 of 50% of Gran Tierra's interest in the Chaza Block Contract. There was a disagreement between Gran Tierra and the third party as to the calculation of the net profits interest. Gran Tierra and the third party agreed to resolve this issue through arbitration. The arbitration was heard in Texas, in accordance with the rules of the American Arbitration Association, in the fourth quarter of 2011. Gran Tierra received the arbitrator's decision on May 24, 2012. The arbitrator ruled against Gran Tierra and as a result $10.9 million became payable in relation to past production. The arbitrator's decision will also increase future net profit interests payable to this third party, but is not expected to have a material impact on future results.

Gran Tierra has several lawsuits and claims pending for which the Company currently cannot determine the ultimate result. Gran Tierra records costs as they are incurred or become probable and determinable. Gran Tierra believes the resolution of these matters would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

10. Financial Instruments, Fair Value Measurements and Credit Risk

At June 30, 2012, the Company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities. The fair value of long-term restricted cash approximates its carrying value because interest rates are variable and reflective of market rates. The fair values of other financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets and liabilities and have the highest priority. Level 2 and 3 inputs are based on significant other observable inputs and significant unobservable inputs, respectively, and have lower priorities. The Company uses appropriate valuation techniques based on the available inputs to measure the fair values of assets and liabilities. At June 30, 2012, the Company did not have any financial assets or liabilities measured at fair value on the balance sheet and held no derivative instruments. The Company does not use derivative financial instruments for speculative purposes.

At June 30, 2011, the Replacement Warrants (Note 3) met the definition of a derivative. Because the exercise price of the Replacement Warrants was denominated in Canadian dollars, which is different from Gran Tierra's functional currency, the Replacement Warrants were not considered indexed to Gran Tierra's common shares and the Replacement Warrants could not be classified within equity. Therefore the Replacement Warrants were classified as a current liability on Gran Tierra's condensed consolidated balance sheet. Furthermore, these derivative instruments did not qualify as fair value hedges or cash flow hedges, and accordingly, changes in their fair value were recognized as income or expense in the condensed consolidated statement of operations with a corresponding adjustment to the fair value of derivative instruments recognized on the balance sheet. The fair value of the Replacement Warrants at June 30, 2011 was determined using Level 3 inputs (Note 6).

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivables. The carrying value of cash and accounts receivable reflects management's assessment of credit risk .

At June 30, 2012, cash and cash equivalents and restricted cash included balances in savings and checking accounts, as well as term deposits and certificates of deposit, placed primarily with governments and financial institutions with strong investment grade ratings, or the equivalent in the Company's operating areas. Any foreign currency transactions are conducted on a spot basis, with major financial institutions in the Company's operating areas.

Most of the Company's accounts receivable relate to uncollateralized sales to customers in the oil and natural gas industry and are exposed to typical industry credit risks. The concentration of revenues in a single industry affects the Company's overall exposure to credit risk because customers may be similarly affected by changes in economic and other conditions. The Company manages this credit risk by entering into sales contracts with only credit worthy entities and reviewing its exposure to individual entities on a regular basis. For the three and six months ended June 30, 2012, the Company had one significant customer for its Colombian oil, Ecopetrol, and in Argentina the Company had two significant customers, Shell and Refiner.

Additionally, foreign exchange gains and losses mainly result from fluctuation of the U.S. dollar to the Colombian peso due to Gran Tierra's current and deferred tax liabilities, monetary liabilities, which are mainly denominated in the local currency of the Colombian foreign operations. As a result, foreign exchange gains and losses must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the Colombian peso against the U.S. dollar results in foreign exchange losses, estimated at $105,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar .

11. Bank Debt and Credit Facilities

Effective July 30, 2010, a subsidiary of Gran Tierra, Solana, established a credit facility with BNP Paribas for a three-year term which may be extended or amended by agreement between the parties. This reserve-based facility has a maximum borrowing base up to $100 million and is supported by the present value of the petroleum reserves of two of the Company's subsidiaries with operating branches in Colombia, Gran Tierra Colombia and Solana Petroleum Exploration (Colombia) Ltd, and the Company's subsidiary in Brazil - Gran Tierra Energy Brasil Ltda. The initial committed borrowing base was $20 million. Effective August 2, 2012, the committed borrowing base was increased to $50 million. Amounts drawn down under the facility bear interest at the U.S. dollar LIBOR rate plus 3.5%. In addition, a stand-by fee of 1.5% per annum is charged on the unutilized balance of the committed borrowing base and is included in G&A expenses. Under the terms of the facility, the

Company is required to maintain and was in compliance with certain financial and operating covenants. As at June 30, 2012 and December 31, 2011, the Company had not drawn down any amounts under this facility. On May 17, 2012, BNP Paribas sold Solana's credit facility to Wells Fargo Bank National Association, as part of the sale of its North American reserve-based lending business, without any modification to the facility.

12. Related Party Transactions

On January 12, 2011, the Company entered into an agreement to sublease office space to a company of which Gran Tierra's President and Chief Executive Officer serves as an independent director. The term of the sublease runs from February 1, 2011 to January 30, 2013 and the sublease payment is $4,300 per month plus approximately $5,500 of operating and other expense.

On August 3, 2010, Gran Tierra entered into a contract related to the Peru drilling program with a company for which one of Gran Tierra's directors is a shareholder and director. During the three and six months ended June 30, 2011, $0.2 million and $2.2 million was incurred and capitalized under this contract. During the three and six months ended June 30, 2012, $nil was incurred and capitalized under this contract.

On February 1, 2009, the Company entered into a sublease for office space with a company, of which one of Gran Tierra's directors is a shareholder and director. The term of the sublease ran from February 1, 2009 to August 31, 2011 and the sublease payment was $8,000 per month plus approximately $4,700 for operating and other expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report, and in particular this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Please see the cautionary language at the very beginning of this Quarterly Report on Form 10-Q regarding the identification of and risks relating to forward-looking statements, as well as Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q.

The following discussion of our financial condition and results of operations should be read in conjunction with the Financial Statements as set out in Part I – Item 1 of this Quarterly Report on Form 10-Q as well as the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission ("SEC") on February 27, 2012.

Overview

We are an independent international energy company incorporated in the United States and engaged in oil and natural gas acquisition, exploration, development and production. Our operations are carried out in South America in Colombia, Argentina, Peru, and Brazil, and we are headquartered in Calgary, Alberta, Canada. For the six months ended June 30, 2012, 85% (six months ended June 30, 2011 - 94%) of our revenue and other income was generated in Colombia.

Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
Production (BOEPD) (1)	**14,127**	18,141	(22)	**15,435**	16,354	(6)
Prices Realized - per BOE	**$ 89.10**	$ 97.93	(9)	**$ 96.04**	$ 95.93	—
Revenue and Other Income ($000s)	**$ 115,150**	$ 162,120	(29)	**$ 271,101**	$ 284,639	(5)
Net Income ($000s)	**$ 13,104**	$ 31,567	(58)	**$ 12,791**	$ 45,280	(72)
Net Income Per Share - Basic	**$ 0.05**	$ 0.11	(55)	**$ 0.05**	$ 0.17	(71)
Net Income Per Share - Diluted	**$ 0.05**	$ 0.11	(55)	**$ 0.05**	$ 0.16	(69)
Funds Flow From Operations ($000s) (2)	**$ 37,633**	$ 88,572	(58)	**$ 116,576**	$ 155,132	(25)
Capital Expenditures ($000s)	**$ 66,604**	$ 101,489	(34)	**$ 154,195**	$ 170,592	(10)

	As at		
	June 30, 2012	**December 31, 2011**	**% Change**
Cash & Cash Equivalents ($000s)	**$ 128,528**	$ 351,685	(63)
Working Capital (including cash & cash equivalents) ($000s)	**$ 160,614**	$ 213,100	(25)
Property, Plant & Equipment ($000s)	**$ 1,100,143**	$ 1,044,842	5

(1) Production represents production volumes NAR adjusted for inventory changes. NGL volumes are converted to BOE on a one-to-one basis with oil. Gas volumes are converted to BOE at the rate of 6 Mcf of gas per bbl of oil, based upon the approximate relative energy content of gas and oil. The rate is not necessarily indicative of the relationship between oil and gas prices.

(2) Funds flow from operations is a non-GAAP measure which does not have any standardized meaning prescribed under generally accepted accounting principles in the United States of America ("GAAP"). Management uses this financial measure to analyze operating performance and the income generated by our principal business activities prior to the consideration of how non-cash items affect that income, and believes that this financial measure is also useful supplemental information for investors to analyze operating performance and our financial results. Investors should be cautioned that this measure should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with GAAP. Our method of calculating this measure may differ from other companies and, accordingly, it may not be comparable to similar measures used by other companies. Funds flow from operations, as presented, is net income adjusted for depletion, depreciation, accretion and impairment ("DD&A") expenses, deferred taxes, stock-based compensation, gain on financial instruments, unrealized foreign exchange gain or loss, settlement of asset retirement obligation, equity tax and gain on acquisition. A reconciliation from net income to funds flow from operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Funds Flow From Operations - Non-GAAP Measure ($000s)	**2012**	**2011**	**2012**	**2011**
Net income	**$ 13,104**	$ 31,567	**$ 12,791**	$ 45,280
Adjustments to reconcile net income to funds flow from operations				
DD&A expenses	**32,571**	46,965	**92,938**	110,322
Deferred taxes	**(4,800)**	(5,219)	**(10,050)**	(5,406)
Stock-based compensation	**3,730**	2,492	**6,922**	5,945
Unrealized gain on financial instruments	**—**	(1,292)	**—**	(1,354)
Unrealized foreign exchange (gain) loss	**(5,187)**	11,644	**16,164**	16,102
Settlement of asset retirement obligation	**—**	(305)	**(404)**	(309)
Equity tax	**(1,785)**	119	**(1,785)**	6,251
Gain on acquisition	**—**	2,601	**—**	(21,699)
Funds flows from operations	**$ 37,633**	$ 88,572	**$ 116,576**	$ 155,132

Highlights

- Effective June 30, 2012, Costayaco Field reserves, NAR, calculated in accordance with SEC rules, increased, adjusted for production from the first half of 2012, from year-end 2011 reserves as follows: total proved reserves increased 33% to approximately 19.6 MMbbl, total proved plus probable reserves increased 35% to approximately 22.2 MMbbl, and total proved plus probable plus possible reserves increased 18% to approximately 25.6 MMbbl.

- In the second quarter of 2012, oil and natural gas production, NAR and adjusted for inventory changes, averaged 14,127 BOEPD, a decrease of 22% over the second quarter of 2011. The decrease was primarily due to oil delivery restrictions during disruptions in the Ecopetrol-operated Trans-Andean oil pipeline ("the OTA pipeline") in Colombia, partially offset by production from new producing wells in Colombia. For the first half of 2012, oil and gas production, NAR and adjusted for inventory changes, decreased by 6% to 15,435 BOEPD compared with the first half of 2011. Production during the first half of 2012 was impacted by an increase in oil inventory in the OTA pipeline as a result of the change in the sales point in Colombia and pipeline disruptions.

- Revenue and other income decreased by 29% to $115.2 million in the second quarter of 2012 compared with $162.1 million in the second quarter of 2011 due to lower production and realized oil prices. The average price realized in the second quarter of 2012 was $89.10 per BOE, a decrease of 9% compared with $97.93 per BOE in the second quarter of 2011. The price was impacted by the settlement of a third party royalty dispute in Colombia which reduced the average realized price by $8.48 per BOE in the second quarter of 2012 and $3.88 per BOE in the first half of 2012. For the first half of 2012, the average price realized per BOE was consistent with the comparative period in 2011 at $96.04. The third party royalty settlement related to production from July 2009 to May 2012, represented less than 1% of the reported revenue for the periods under dispute, and is not expected to have a materially different effect on future revenue.

- Net income was $13.1 million in the second quarter of 2012, representing basic and diluted net income per share of $0.05. This compares with net income of $31.6 million, or $0.11 per share basic and diluted in the second quarter of 2011. In the second quarter of 2012, lower oil and natural gas sales due to reduced production resulting from pipeline restrictions and lower average realized oil prices, were partially offset by lower DD&A and income tax expense, and foreign exchange losses. Net income decreased by 72% to $12.8 million or $0.05 per share basic and diluted for the first half of 2012 compared with $45.3 million or $0.17 per share basic and $0.16 per share diluted recorded in the comparable period of 2011. In the first half of 2012, lower oil and natural gas sales due to reduced production, increased operating and G&A expenses, increased foreign exchange losses and the absence of the comparative period gain on acquisition were partially offset by lower impairment charges and the absence of the Colombian equity tax expense. Net income in the comparable period in 2011 included a gain on the acquisition of Petrolifera Petroleum Limited ("Petrolifera") of $21.7 million.

- Funds flow from operations decreased by 58% to $37.6 million in the second quarter of 2012 from $88.6 million in the comparable quarter of 2011. The decrease was primarily due to lower oil and natural gas sales due to reduced production and lower realized oil prices, increased operating expenses and realized foreign exchange losses, partially offset by lower income tax expense. For the first half of 2012, funds flow from operations decreased by 25% from $155.1 million to $116.6 million primarily due to lower oil and gas sales, increased operating and G&A expenses and realized foreign exchange losses.

- Cash and cash equivalents were $128.5 million at June 30, 2012, compared with $351.7 million at December 31, 2011. The change in cash and cash equivalents during the first half of 2012 was primarily the result of funds flow from operations of $116.6 million and proceeds from issuance of common shares of $3.7 million being more than offset by an increase in assets and liabilities from operating activities of $141.9 million, capital expenditures of $178.6 million and a $23.0 million increase in restricted cash.

- Working capital (including cash and cash equivalents) was $160.6 million at June 30, 2012, a $52.5 million decrease from December 31, 2011. The decrease was primarily a result of a $223.2 million decrease in cash and cash equivalents, partially offset by a $25.6 million increase in accounts receivable due to the timing of collection of receivables, a $19.9 million increase in inventory due to the new transportation agreement in Colombia, an $82.4 million decrease in taxes payable due to the payment of 2011 income taxes in Colombia, and a $42.8 million decrease in accounts payable, accrued liabilities and other.

- Property, plant and equipment at June 30, 2012 was $1.1 billion, an increase of $55.3 million from December 31, 2011, as a result of $154.2 million of capital expenditures (excluding changes in non-cash working capital), partially offset by $98.9 million of depletion, depreciation and impairment expenses.

Business Environment Outlook

Our revenues have been significantly affected by pipeline disruptions in Colombia and the continuing fluctuations in oil prices. Oil prices are volatile and unpredictable and are influenced by concerns about financial markets and the impact of the worldwide economy on oil demand growth.

In connection with curtailed production and lower commodity prices experienced this year, our capital program for 2012 has been revised to $396 million from $444 million. We believe that our current operations and revised 2012 capital expenditure program can be funded from cash flow from existing operations and cash on hand, with possible periodic draws from our credit facility. Should our operating cash flow decline further due to unforeseen events, including additional pipeline delivery restrictions in Colombia or a downturn in oil and gas prices, we would examine measures such as further capital expenditure program reductions, periodic draws from our revolving credit facility, issuance of debt, disposition of assets, or issuance of equity. The continuing uncertainty regarding the Middle East and continued economic instability in the United States and Europe is having an impact on world markets, and we are unable to determine the impact, if any, these events may have on oil prices and demand.

Our future growth and acquisitions may depend on our ability to raise additional funds through equity and debt markets. Should we be required to raise debt or equity financing to fund capital expenditures or other acquisition and development opportunities, such funding may be affected by the market value of our common shares. Our ability to utilize our common shares to raise capital may be negatively affected by declines in the price of our common shares. Also, raising funds by issuing shares or other equity securities would further dilute our existing shareholders, and this dilution would be exacerbated by a decline in our share price. Any securities we issue may have rights, preferences and privileges that are senior to our existing equity securities. Borrowing money may also involve further pledging of some or all of our assets and will expose us to interest rate risk. Depending on the currency used to borrow money, we may also be exposed to further foreign exchange risk. Our ability to borrow money and the interest rate we pay for any money we borrow will be affected by market conditions, and we cannot predict what price we may pay for any borrowed money.

Business Combination

On March 18, 2011, we completed the acquisition of all the issued and outstanding common shares and warrants of Petrolifera pursuant to the terms and conditions of an arrangement agreement dated January 17, 2011. Petrolifera is a Calgary-based oil, natural gas and NGL exploration, development and production company active in Argentina, Colombia and Peru. For further details reference should be made to Note 3 of the interim unaudited condensed consolidated financial statements.

The acquisition was accounted for using the acquisition method, with Gran Tierra being the acquirer, whereby Petrolifera's assets acquired and liabilities assumed were recorded at their fair values as at the acquisition date and the results of Petrolifera were consolidated with those of Gran Tierra from that date.

As indicated in the allocation of the consideration transferred, the fair value of identifiable assets acquired and liabilities assumed exceeded the fair value of the consideration transferred. Consequently, we reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that all acquired assets and assumed liabilities were recognized and that the valuation procedures and resulting measures were appropriate. As a result, we recognized a gain on acquisition of $21.7 million in the interim unaudited condensed consolidated statement of operations. The gain reflects the impact on Petrolifera's pre-acquisition market value resulting from their lack of liquidity and capital resources required to maintain current production and reserves and further develop and explore their inventory of prospects.

Consolidated Results of Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
(Thousands of U.S. Dollars)						
Oil and natural gas sales	**$ 114,542**	$ 161,664	(29)	**$ 269,790**	$ 283,960	(5)
Interest income	**608**	456	33	**1,311**	679	93
	115,150	162,120	(29)	**271,101**	284,639	(5)
Operating expenses	**27,333**	23,160	18	**51,820**	39,556	31
DD&A expenses	**32,571**	46,965	(31)	**92,938**	110,322	(16)
G&A expenses	**17,599**	16,410	7	**33,498**	30,048	11
Equity tax	—	221	(100)	—	8,271	(100)
Financial instruments gain	—	(1,292)	(100)	—	(1,522)	(100)
Loss (gain) on acquisition	—	2,601	(100)	—	(21,699)	(100)
Foreign exchange loss	**4,807**	14,495	(67)	**29,182**	19,694	48
	82,310	102,560	(20)	**207,438**	184,670	12
Income before income taxes	**32,840**	59,560	(45)	**63,663**	99,969	(36)
Income tax expense	**(19,736)**	(27,993)	(29)	**(50,872)**	(54,689)	(7)
Net income	**$ 13,104**	$ 31,567	(58)	**$ 12,791**	$ 45,280	(72)
Production						
Oil and NGL's, bbl	**1,223,289**	1,594,735	(23)	**2,684,693**	2,888,188	(7)
Natural gas, Mcf	**373,710**	336,837	11	**746,657**	431,154	73
Total production, BOE (1)	**1,285,574**	1,650,875	(22)	**2,809,136**	2,960,047	(5)
Average Prices						
Oil and NGL's per bbl	**$ 92.48**	$ 100.68	(8)	**$ 99.49**	$ 97.82	2
Natural gas per Mcf	**$ 3.78**	$ 3.32	14	**$ 3.60**	$ 3.31	9
Consolidated Results of Operations per BOE						
Oil and natural gas sales	**$ 89.10**	$ 97.93	(9)	**$ 96.04**	$ 95.93	—
Interest income	**0.47**	0.28	68	**0.47**	0.23	104
	89.57	98.21	(9)	**96.51**	96.16	—
Operating expenses	**21.26**	14.03	52	**18.45**	13.36	38
DD&A expenses	**25.34**	28.45	(11)	**33.08**	37.27	(11)
G&A expenses	**13.69**	9.94	38	**11.92**	10.15	17
Equity tax	—	0.13	(100)	—	2.79	(100)
Financial instruments gain	—	(0.78)	(100)	—	(0.51)	(100)
Loss (gain) on acquisition	—	1.58	(100)	—	(7.33)	(100)
Foreign exchange loss	**3.74**	8.78	(57)	**10.39**	6.65	56
	64.03	62.13	3	**73.84**	62.38	18
Income before income taxes	**25.54**	36.08	(29)	**22.67**	33.78	(33)
Income tax expense	**(15.35)**	(16.96)	(9)	**(18.11)**	(18.48)	(2)
Net income	**$ 10.19**	$ 19.12	(47)	**$ 4.56**	$ 15.30	(70)

(1) Production represents production volumes NAR adjusted for inventory changes. NGL volumes are converted to BOE on a one-to-one basis with oil. Gas volumes are converted to BOE at the rate of 6 Mcf of gas per bbl of oil, based upon the approximate relative energy content of gas and oil. The rate is not necessarily indicative of the relationship between oil and gas prices.

Net income was $13.1 million, or $0.05 per share basic and diluted, for the second quarter of 2012 compared with net income of $31.6 million, or $0.11 per share basic and diluted, for the comparable quarter in 2011. In the second quarter of 2012, lower oil and natural gas sales due to reduced production resulting from pipeline restrictions and lower average realized oil prices, were partially offset by lower DD&A and income tax expense, and foreign exchange losses.

For the first half of 2012, net income was $12.8 million, a 72% decrease from the comparable period in 2011. On a per share basis, net income decreased to $0.05 per share basic and diluted from $0.17 per share basic and $0.16 per share diluted in the comparable period in 2011. For the first half of 2012, lower oil and natural gas sales due to reduced production, increased operating and G&A expenses, increased foreign exchange losses and the absence of the comparative period gain on acquisition were partially offset by lower impairment charges and the absence of the Colombian equity tax expense. Net income in the comparable half in 2011 included a gain on the acquisition of Petrolifera of $21.7 million.

Oil and NGL production, NAR and adjusted for inventory changes, for the second quarter of 2012 decreased to 1.2 MMbbl compared with 1.6 MMbbl for the comparable quarter in 2011 primarily due to 59 days of oil delivery restrictions resulting from disruptions in the OTA pipeline in Colombia partially offset by increased production from new producing wells in Colombia. We continued production at a reduced rate while the OTA pipeline was down, selling a portion of our oil through trucking and storing excess oil. The disruptions resulted in a reduction in oil production, compared with our production capacity, of approximately 4,100 BOPD NAR, before inventory adjustments, for the second quarter of 2012. The reduced production of 4,100 BOPD NAR combined with the increase of inventory of approximately 2,000 BOPD NAR resulted in a negative effect on NAR production, net of inventory, of 6,100 BOPD NAR in the quarter.

We are working with the authorities, outside parties and Ecopetrol to look at multiple transportation and storage options to help mitigate the risk of pipeline disruptions. These include more continuous use of the Oleoducto San Miguel pipeline (Orito to Ecuador), additional storage at Orito in combination with higher capacity utilization of the OTA pipeline when it is operational, and higher volumes of trucking to other delivery points on a continuous basis.

Oil and NGL production, NAR and adjusted for inventory changes, for the first half of 2012 decreased to 2.7 MMbbl compared with 2.9 MMbbl for the comparable period in 2011 due to pipeline disruptions and the effect of a change in the sales point in Colombia. As a result of entering into new oil sales and transportation agreements with Ecopetrol as of February 1, 2012, which changed the sales point of produced oil from Orito station to the Port of Tumaco, our reported oil inventory increased representing ownership of oil in the OTA pipeline and associated Ecopetrol owned facilities. Production during the first half of 2012 reflects approximately 85 days of oil delivery restrictions in Colombia. The reduced production of approximately 2,500 BOPD NAR combined with the increase of inventory of approximately 1,700 BOPD NAR resulted in a negative effect on NAR production, net of inventory, of 4,200 BOPD in the first half of 2012.

Average realized oil prices in the second quarter of 2012 decreased by 8% to $92.48 per bbl from $100.68 per bbl in the second quarter of 2011 and increased by 2% to $99.49 per bbl from $97.82 per bbl for the first half of 2012. Average West Texas Intermediate ("WTI") oil prices for the three and six months ended June 30, 2012 were $93.48 and $98.19 per bbl, respectively, compared with $102.55 and $98.25 per bbl in the comparable periods in 2011. We received a premium to WTI in Colombia during the first half of 2012. Average Brent oil prices for the three and six months ended June 30, 2012, were $108.07 and $113.31 per bbl.

During the second quarter of 2012, the recognition of additional royalties resulting from an arbitrator's decision on a dispute with a third party relating to the calculation of the third party's net profits interest on 50% of production from the Chaza Block in Colombia resulted in a $10.9 million revenue reduction. This amount related to July 2009 to May 2012 production. The recognition of this royalty resulted in an $8.48 per BOE reduction in the average realized price in the second quarter of 2012 and $3.88 per BOE in the first half of 2012. The arbitrator's decision will increase future net profit interests payable to this third party. The royalty settlement represented less than 1% of the reported revenue for the periods under dispute and it is not expected to have a materially different effect on future revenue.

Reduced production and lower average realized oil prices resulted in a 29% decrease in ***revenue and other income*** to $115.2 million for the second quarter of 2012 compared with $162.1 million in the comparable quarter in 2011. Reduced production resulted in a 5% decrease in revenue and other income to $271.1 million for the first half of 2012 compared with the comparative 2011 period.

Operating expenses for the second quarter of 2012 amounted to $27.3 million, or $21.26 per BOE, compared with $23.2 million, or $14.03 per BOE, in the comparable quarter in 2011. The increase in operating expenses was due to an increase of $2.1 million in Colombia, $1.5 million in Argentina and $0.5 million in Brazil.

Operating expenses for the first half of 2012 increased to $51.8 million or $18.45 per BOE, from $39.6 million or $13.36 per BOE, in the comparable period of 2011. The increase in operating expenses for the first half of 2012 was due to an increase of $5.9 million in Colombia, $5.3 million in Argentina and $1.1 million in Brazil.

DD&A expenses for the second quarter of 2012 were $32.6 million compared with $47.0 million for the comparable quarter in 2011, primarily due to reduced production. On a per BOE basis, DD&A expenses in the second quarter of 2012 were $25.34 compared with $28.45 in the comparable period in 2011, representing an 11% decrease. The decrease resulted from increased reserves, lower production volumes and lower impairment charges which more than offset increased future development costs in the depletable base.

For the first half of 2012, DD&A expenses decreased to $92.9 million from $110.3 million in the comparable period in 2011. DD&A expenses for the first half of 2012 included a $20.2 million ceiling test impairment in our Brazil cost center. The impairment loss related to seismic and drilling costs on Block BM-CAL-10. The farmout agreement for that block terminated during the first quarter of 2012 when we provided notice that we would not enter into the second exploration period. DD&A expenses for the comparable period in 2011 included a $33.4 million ceiling test impairment in our Peru cost center relating to seismic and drilling costs from a dry well. On a per BOE basis, the depletion rate declined by 11% to $33.08 from $37.27 in the first half of 2011. The reduction was mainly due to lower impairment charges which were $7.53 per BOE in the first half of 2012 compared with $11.28 per BOE recorded in the comparable period in 2011.

G&A expenses of $17.6 million for the second quarter of 2012 increased by 7% from $16.4 million in the comparable quarter in 2011, primarily due to increased employee related costs reflecting expanded operations, partially offset by the absence of interest expense of $0.8 million on the Petrolifera debt, which was repaid in August 2011. G&A expenses per BOE were 38% higher than in the second quarter in 2012 at $13.69 per BOE due to the same factors and reduced production.

For the first half of 2012, G&A expenses of $33.5 million increased by 11% from $30.0 million in the comparable period in 2011. G&A expenses in the first half of 2011 included $1.2 million of expenses associated with the acquisition of Petrolifera. G&A expenses per BOE were 17% higher than in the first half of 2012, at $11.92 per BOE compared with $10.15 per BOE.

Equity tax in the first half of 2011 represented a Colombian tax of 6% which was calculated based on our Colombian segment's balance sheet equity at January 1, 2011. The tax is payable in eight semi-annual installments over four years, but was expensed in the first quarter of 2011 at the commencement of the four-year period.

Gain on acquisition of $21.7 million in the first half of 2011 related to the Petrolifera acquisition. The gain on acquisition was reduced by $2.6 million during the second quarter of 2011 as a result of further assessment of Petrolifera's tax position, subsequent to the initial allocation of the consideration reported in the first quarter of 2011.

The ***foreign exchange loss*** was $4.8 million in the second quarter of 2012 and included a realized foreign exchange loss of $10.0 million. The realized foreign exchange loss primarily arose upon payment of the 2011 Colombian income tax liability during the quarter. In the second quarter of 2011, we recorded a foreign exchange loss of $14.5 million, which included a realized foreign exchange loss of $2.9 million and an unrealized non-cash foreign exchange loss of $11.6 million. Unrealized non-cash foreign exchange losses primarily represent foreign exchange losses resulting from the translation of current and deferred tax liabilities in Colombia. The Colombian Peso strengthened by 0.4% and 5.3% against the U.S. dollar in the second quarters of 2012 and 2011, respectively.

For the first half of 2012 and 2011, the foreign exchange loss was $29.2 million and $19.7 million, respectively, of which $16.2 million and $16.1 million was an unrealized non-cash foreign exchange loss. The Colombian Peso strengthened by 8.1% and 7.0% against the U.S. dollar in the first half of 2012 and 2011, respectively.

Under GAAP, deferred taxes are considered a monetary liability and require translation from local currency to U.S. dollar functional currency at each balance sheet date. This translation results in the recognition of unrealized exchange losses or gains.

Income tax expense for the second quarter of 2012 was $19.7 million compared with $28.0 million recorded in the comparable quarter in 2011. Income tax expense was $50.9 million for the first half of 2012 compared with $54.7 million recorded in the comparable period in 2011. The decrease was primarily due to lower income. The effective tax rate was 80% in the first half of 2012 compared with 55% in the comparable period in 2011. The change was primarily due to a non-taxable gain on acquisition recorded in 2011, non-deductible royalty payments, the impact of foreign taxes, and an increase in the non-deductible foreign currency translation loss in 2012. The variance from the 35% U.S. statutory rate for the second quarter of 2012 results primarily from non-deductible foreign currency translation losses, non-deductible royalty payments and an increase in valuation allowances taken on losses incurred in Argentina, Peru and Brazil. The variance from the 35% U.S. statutory rate for the second quarter of 2011 was primarily attributable to non-deductible foreign currency translation losses, non-deductible royalty payments, and an increase in valuation allowances taken on losses incurred in the U.S., Canada, Argentina, Peru and Brazil, offset partially by the inclusion of a non-taxable gain on acquisition.

2012 Work Program and Capital Expenditure Program

Our capital expenditures during the second quarter of 2012 were $66.6 million, compared with $101.5 million in the comparable quarter in 2011, bringing total expenditures for the first half of 2012 to $154.2 million. In 2012, capital expenditures included drilling expenditures of $101.9 million, acquisitions of $12.5 million, geological and geophysical ("G&G") expenditures of $25.8 million, facilities expenditures of $7.1 million and other expenditures of $6.9 million.

As a result of production disruptions and lower commodity prices experienced this quarter, our capital program for 2012 has been revised to $396 million from our previously announced capital budget of $444 million. We had initially increased our 2012 capital budget during the second quarter of 2012 such that this represents an approximately $60 million reduction in the capital budget. Deferred expenditures are in areas which are not expected to impact production capacity or near term high value reserve addition projects. Our 2012 capital program consists of $171 million for Colombia; $111 million for Brazil; $44 million for Argentina; $68 million for Peru; and $2 million associated with corporate activities. Of this, $235 million is for drilling, $48 million is for acquisitions, $48 million is for facilities and pipelines and $65 million is for G&G expenditures. Of the $235 million allocated to drilling, approximately $130 million is for exploration and the balance is for delineation and development drilling.

Our 2012 work program is intended to create both growth and value through strategic acquisitions of working interests, by leveraging existing assets to increase reserves and production levels and through the construction of pipelines and facilities in the areas with proved reserves. We are financing our capital program through cash flows from operations, cash on hand and possible periodic draws from our credit facility, while retaining financial flexibility with a strong cash position, so that we can be positioned to undertake further development opportunities and pursue acquisitions. However, as a result of the nature of the oil and natural gas exploration, development and exploitation industry, budgets are regularly reviewed with respect to both the success of expenditures and other opportunities that become available. Accordingly, while we currently intend that funds will be expended as set forth in our 2012 work program, there may be circumstances where, for sound business reasons, actual expenditures may in fact differ.

Segmented Results – Colombia

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
(Thousands of U.S. Dollars)						
Oil and natural gas sales	**$ 92,018**	$ 148,473	(38)	**$ 230,651**	$ 265,777	(13)
Interest income	**223**	158	41	**427**	245	74
	92,241	148,631	(38)	**231,078**	266,022	(13)
Operating expenses	**17,721**	15,558	14	**34,195**	28,343	21
DD&A expenses	**23,084**	39,609	(42)	**55,370**	69,645	(20)
G&A expenses	**6,976**	5,426	29	**13,575**	8,739	55
Equity tax	**—**	221	(100)	**—**	8,271	(100)
Foreign exchange loss	**1,979**	14,088	(86)	**25,337**	19,409	31
	49,760	74,902	(34)	**128,477**	134,407	(4)
Income before income taxes	**$ 42,481**	$ 73,729	(42)	**$ 102,601**	$ 131,615	(22)
Production						
Oil and NGL's, bbl	**928,258**	1,380,210	(33)	**2,177,839**	2,583,825	(16)
Natural gas, Mcf	**58,686**	60,315	(3)	**68,160**	115,572	(41)
Total production, BOE (1)	**938,039**	1,390,263	(33)	**2,189,199**	2,603,087	(16)
Average Prices						
Oil and NGL's per bbl	**$ 98.96**	$ 107.39	(8)	**$ 105.82**	$ 102.68	3
Natural gas per Mcf	**$ 2.62**	$ 4.25	(38)	**$ 2.73**	$ 4.15	(34)
Segmented Results of Operations per BOE						
Oil and natural gas sales	**$ 98.10**	$ 106.79	(8)	**$ 105.36**	$ 102.10	3
Interest income	**0.24**	0.11	118	**0.20**	0.09	122
	98.34	106.90	(8)	**105.56**	102.19	3
Operating expenses	**18.89**	11.19	69	**15.62**	10.89	43
DD&A expenses	**24.61**	28.49	(14)	**25.29**	26.75	(5)
G&A expenses	**7.44**	3.90	91	**6.20**	3.36	85
Equity tax	**—**	0.16	(100)	**—**	3.18	(100)
Foreign exchange loss	**2.11**	10.13	(79)	**11.57**	7.46	55
	53.05	53.87	(2)	**58.68**	51.64	14
Income before income taxes	**$ 45.29**	$ 53.03	(15)	**$ 46.88**	$ 50.55	(7)

(1) Production represents production volumes NAR adjusted for inventory changes. NGL volumes are converted to BOE on a one-to-one basis with oil. Gas volumes are converted to BOE at the rate of 6 Mcf of gas per bbl of oil, based upon the approximate relative energy content of gas and oil. The rate is not necessarily indicative of the relationship between oil and gas prices.

For the three and six months ended June 30, 2012, ***income before income taxes*** from Colombia was $42.5 million and $102.6 million, respectively, compared with $73.7 million and $131.6 million in the comparable periods in 2011. The decreases were due to lower revenues due to pipeline disruptions, increased royalty expenses and increases in operating and G&A expenses, partially offset by reduced DD&A and the absence of equity tax. Foreign exchange losses decreased for the three months ended June 30, 2012, but increased for the six months ended June 30, 2012. Net income in the comparable half of 2011 included equity tax of $8.3 million.

For the second quarter of 2012, ***production of oil and NGLs***, NAR and adjusted for inventory changes, decreased by 33% to 0.9 MMbbl from 1.4 MMbbl in the comparable quarter in 2011. Increased production from new producing wells was offset by the impact of 59 days of oil delivery restrictions resulting from disruptions in the OTA pipeline in Colombia. Increases in production resulted from the development of the Moqueta field with six producing wells and production in the Garibay Block from the Jilguero-1 and -2 and Melero-1 wells. We continued production at a reduced rate while the OTA pipeline was down, selling a portion of our oil through trucking and storing excess oil. The disruptions resulted in a reduction in oil production compared with our production capacity of approximately 4,100 BOPD NAR, before and inventory adjustments, for the second quarter of 2012. The reduced production of 4,100 NAR BOPD combined with the increase of inventory of approximately 2,000 NAR BOPD resulted in a negative effect on NAR production, net of inventory of 6,100 BOPD in the quarter.

Oil and NGL production, NAR and adjusted for inventory changes, for the first half of 2012 decreased to 2.2 MMbbl compared with 2.6 MMbbl for the comparable period in 2011 due to pipeline disruptions and the effect of a change in the sales point. As a result of entering into new oil sales and transportation agreements with Ecopetrol as of February 1, 2012, which changed the sales point of produced oil from Orito station to the Port of Tumaco, our reported oil inventory increased representing ownership of oil in the OTA pipeline and associated Ecopetrol owned facilities. Production during the first half of 2012 reflects approximately 85 days of oil delivery restrictions in Colombia. The reduced oil production of approximately 2,500 BOPD NAR combined with the increase of inventory of approximately 1,700 NAR BOPD resulted in a negative effect on NAR production, net of inventory, of 4,200 BOPD in the first half of 2012.

Revenue and other income for the three and six months ended June 30, 2012 decreased by 38% to $92.2 million and 13% to $231.1 million, respectively, from the comparable periods in 2011.

The average realized price per bbl for oil in the three months ended June 30, 2012 decreased by 8% to $98.96. For the first half of 2012, the average realized price per bbl for oil increased by 3% to $105.82 from the comparable period in 2011. During the second quarter of 2012, the recognition of royalties resulting from an arbitrator's decision on a royalty dispute reduced the average realized price by $11.62 per BOE in the second quarter of 2012 and $4.98 per BOE in the first half of 2012.

O*perating expenses* increased by 14% to $17.7 million and 21% to $34.2 million for the three and six months ended June 30, 2012, respectively, from the comparable periods in 2011. On a per BOE basis, operating expenses increased by 69% to $18.89 and 43% to $15.62 for the three and six months ended June 30, 2012, respectively. Under the new sales agreements with Ecopetrol, effective February 1, 2012, the sales point for the majority of our oil moved from Orito to the Port of Tumaco. OTA transportation costs were previously factored into the price we received for oil, but, due to the changes in sales point, are now invoiced separately and included in operating costs. This resulted in an increase in OTA oil transportation costs of $3.63 per bbl during the second quarter of 2012 and is expected to increase transportation costs by $3.77 per bbl for the third quarter of 2012 but should be offset by an equivalent increase in the realized price. Operating expenses per BOE were higher due to OTA pipeline oil transportation costs now recorded as operating costs, increased trucking due to the pipeline disruptions, reduced production and a higher percentage of production being from the Moqueta, Jilguero and Melero fields which have higher per BOE operating costs. Workover costs were consistent with the comparable quarter in 2011.

DD&A expenses decreased by 42% to $23.1 million and 20% to $55.4 million for the three and six months ended June 30, 2012, respectively, from the comparable periods in 2011. The decrease in both periods resulted from lower production and depletion rates. On a per BOE basis, DD&A expenses decreased by 14% to $24.61 and 5% to $25.29 for the three and six months ended June 30, 2012, respectively. Increased costs in our depletable pools were more than offset by increased reserves.

G&A expenses for the second quarter of 2012 increased to $7.0 million ($7.44 per BOE) from $5.4 million ($3.90 per BOE) in the comparable quarter in 2011. The increase was mainly due to increased salaries resulting from an increased headcount due to expanded operations and increased bank charges. The increase per BOE was due to reduced production. For the first half of 2012, G&A expenses increased by 55% to $13.6 million ($6.20 per BOE) due to increased salaries, consulting fees and bank charges.

Equity tax in the first half of 2011 represented a Colombian tax of 6% on a legislated measure which is based on our Colombian segment's balance sheet equity at January 1, 2011.

The results for the second quarter of 2012 included a ***foreign exchange loss*** of $2.0 million, which included a realized foreign exchange loss of $7.1 million. The realized foreign exchange loss primarily arose upon payment of the 2011 Colombian income tax liability during the quarter. The settlement of this liability crystallized the previously unrealized losses associated with the taxes payable and the reduction of the unrealized foreign exchange loss balance appears as an unrealized foreign exchange gain in the quarter. For the comparable quarter in 2011, the foreign exchange loss was $14.1 million, of which $11.6 million was unrealized. Unrealized non-cash foreign exchange losses primarily represent foreign exchange losses resulting from the translation of current and deferred tax liabilities in Colombia. The Colombian Peso strengthened by 0.4% and 5.3% against the U.S. dollar in the second quarter of 2012 and 2011, respectively, resulting in the unrealized foreign exchange loss. A strengthening in the Colombian peso against the U.S. dollar results in foreign exchange losses, estimated at $105,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

For the first half of 2012 and 2011, the foreign exchange loss was $25.3 million and $19.4 million, respectively, of which $16.2 million and $16.0 million was an unrealized non-cash foreign exchange loss. The Colombian Peso strengthened by 8.1% and 7.0% against the U.S. dollar in the first half of 2012 and 2011, respectively.

Capital Program - Colombia

Capital expenditures in our Colombian segment during the second quarter of 2012 were $42.3 million bringing total expenditures for the first half of 2012 to $62.6 million. The following table provides a breakdown of capital expenditures in 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions of U.S. Dollars)	**2012**	**2011**	**2012**	**2011**
Drilling and completions	**$ 29.9**	$ 26.4	**$ 40.4**	$ 56.8
Facilities and equipment	**3.3**	9.9	**10.6**	15.0
G&G	**4.5**	4.3	**6.2**	5.1
Other	**4.6**	13.6	**5.4**	19.6
	$ 42.3	$ 54.2	**$ 62.6**	$ 96.5

On June 5, 2012, we received regulatory approval of a farm-in agreement on the Llanos-22 Block (45% working interest ("WI"), non-operated). This approval triggered a payment of $21.1 million for drilling costs related to the Ramiriqui-1 oil exploration well.

During the second quarter of 2012, we drilled 2 exploration wells and 1 development well in Colombia:

- Drilling commenced for the La Vega Este-1 oil exploration well on the Azar Block (40 % WI, operated).
- The Bordon-1 oil exploration well was drilled on the Garibay Block (50 % WI, non-operated). This well reached total depth ("TD") of 9,680 feet during June 2012, but was plugged and abandoned.
- The Costayaco-16 development well was successfully drilled and is intended to be a producing well.

Pre-drilling activities for the Moqueta-7 development well continued during the second quarter of 2012.

Additionally, 3D seismic was acquired and facilities work continued on the Costayaco and Moqueta fields.

Outlook - Colombia

The 2012 capital program in Colombia is $171 million with $106 million allocated to drilling, $27 million to facilities and pipelines and $38 million for G&G expenditures.

Our planned work program for the remainder of 2012 in Colombia includes drilling three development wells on the Costayaco and Moqueta fields, an oil exploration well on the Turpial Block (50 % WI, operated) and a natural gas development well on the Sierra Nevada Block (100 % WI, operated). Additionally, G&G expenditures are planned for the Putumayo-1 Block and facilities work for additional storage at Orito.

Segmented Results – Argentina

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
(Thousands of U.S. Dollars)						
Oil and natural gas sales	**$ 21,482**	$ 12,857	67	**$ 36,851**	$ 17,849	106
Interest income	**39**	28	39	**86**	28	207
	21,521	12,885	67	**36,937**	17,877	107
Operating expenses	**8,947**	7,428	20	**16,293**	10,975	48
DD&A expenses	**7,990**	5,505	45	**13,915**	6,652	109
G&A expenses	**2,759**	2,779	(1)	**5,010**	3,697	36
Foreign exchange loss	**557**	272	105	**928**	82	1,032
	20,253	15,984	27	**36,146**	21,406	69
Income (loss) before income taxes	**$ 1,268**	$ (3,099)	(141)	**$ 791**	$ (3,529)	(122)
Production						
Oil and NGL's, bbl	**283,538**	210,512	35	**482,838**	300,350	61
Natural gas, Mcf	**315,024**	276,522	14	**678,497**	315,582	115
Total production, BOE (1)	**336,042**	256,599	31	**595,921**	352,947	69
Average Prices						
Oil and NGL's per bbl	**$ 71.32**	$ 57.01	25	**$ 71.13**	$ 56.27	26
Natural gas per Mcf	**$ 4.00**	$ 3.11	29	**$ 3.69**	$ 3.00	23
Segmented Results of Operations per BOE						
Oil and natural gas sales	**$ 63.93**	$ 50.11	28	**$ 61.84**	$ 50.57	22
Interest income	**0.12**	0.11	9	**0.14**	0.08	75
	64.05	50.22	28	**61.98**	50.65	22
Operating expenses	**26.62**	28.95	(8)	**27.34**	31.10	(12)
DD&A expenses	**23.78**	21.45	11	**23.35**	18.85	24
G&A expenses	**8.21**	10.83	(24)	**8.41**	10.47	(20)
Foreign exchange loss	**1.66**	1.06	57	**1.56**	0.23	578
	60.27	62.29	(3)	**60.66**	60.65	—
Income (loss) before income taxes	**$ 3.78**	$ (12.07)	(131)	**$ 1.32**	$ (10.00)	(113)

(1) Production represents production volumes NAR adjusted for inventory changes. NGL volumes are converted to BOE on a one-to-one basis with oil. Gas volumes are converted to BOE at the rate of 6 Mcf of gas per bbl of oil, based upon the approximate relative energy content of gas and oil. The rate is not necessarily indicative of the relationship between oil and

gas prices.

For the three and six months ended June 30, 2012, ***income before income taxes*** in Argentina was $1.3 million and $0.8 million, respectively, compared with loss before income taxes of $3.1 million and $3.5 million in the comparable periods in 2011. In the second quarter and first half of 2012, increased oil and natural gas sales more than offset increased operating and DD&A expenses.

Oil and NGL production, NAR and adjusted for inventory changes, increased 35% to 0.3 MMbbl for the three months ended June 30, 2012 and increased 61% to 0.5 MMbbl for the first half of 2012 compared with the comparable periods in 2011. The increase in the second quarter of 2012 was due to production from the new well, Proa-2, in the Surubi block, partially offset by reduced production in the Puesto Morales Block due to landowner conflicts, now resolved.

The acquisition of Petrolifera on March 18, 2011, added seven blocks in the Neuquen Basin, including production from four blocks, to the Argentina segment. Production in the first half of 2012 included a full six months of Petrolifera production of 0.4 MMbbl, NAR and adjusted for inventory changes, compared with 104 days of post-acquisition Petrolifera production of 0.2 MMbbl in the first half of 2011.

Natural gas production NAR amounted to 0.3 Bcf in the second quarter of 2012 bringing natural gas production year to date to 0.7 Bcf.

Total production of oil and gas from the Argentina segment increased by 31% to 0.3 MMBOE in the second quarter of 2012 and by 69% to 0.6 MMBOE for the first half of 2012.

Revenue and other income increased by 67% to $21.5 million in the second quarter of 2012 and by 107% to $36.9 million for the first half of 2012 due to higher production and increased prices.

Average oil prices increased by 25% in the second quarter of 2012 and 26% in the first half of 2012 compared with the comparable periods in 2011. Due to the Argentine regulatory regime, the average oil price we received for production from our blocks during the second quarter of 2012 was $71.32 per bbl. Currently most oil and gas producers in Argentina are operating without sales contracts for periods longer than several months. We are continuing deliveries to refineries and are negotiating a price for those deliveries on a regular and short-term basis. We have been able to negotiate higher oil prices with refineries as a result of the Argentine government's decision to allow an increase in domestic petroleum product prices.

Operating expenses increased by 20% to $8.9 million and 48% to $16.3 million for the three and six months ended June 30, 2012, respectively, from the comparable periods in 2011. The increase was due to higher production volumes partially offset by a reduction in the per BOE cost. On a per BOE basis, operating expenses decreased by 8% to $26.62 and 12% to $27.34 for the three and six months ended June 30, 2012, respectively. The reduction in operating costs on a per BOE basis was due to increased production from blocks with lower per BOE operating costs, such as the Surubi Block.

DD&A expenses increased by 45% to $8.0 million and 109% to $13.9 million for the three and six months ended June 30, 2012, respectively, from the comparable periods in 2011. The increase was due to higher production volumes and an increase in the per BOE depletion rate. On a per BOE basis, DD&A expenses increased by 11% to $23.78 and 24% to $23.35 for the three and six months ended June 30, 2012, respectively, due to a reduction of reserves.

G&A expenses were $2.8 million ($8.21 per BOE) and $5.0 million ($8.41 per BOE) in the three and six months ended June 30, 2012, respectively, compared with $2.8 million ($10.83 per BOE) and $3.7 million ($10.47 per BOE) in the comparable periods. G&A expenses in the first half of 2011 included $0.8 million of interest expense on debt acquired on the Petrolifera acquisition which was repaid when the Argentine requirements allowed it to be repaid. For the first half of 2012, increased salaries and benefits due to an increased headcount as a result of expanded operations were partially offset by the absence of loan interest.

Capital Program - Argentina

Capital expenditures in our Argentine segment during the second quarter of 2012 were $2.7 million bringing total expenditures for the first half of 2012 to $16.8 million. Second quarter 2012 capital expenditures included drilling expenditures of $1.5 million, G&G expenses of $0.7 million, facilities expenses of $0.3 million and other expenditures of $0.2 million.

During the second quarter of 2012, we drilled two exploration wells and completed one development well in Argentina:

- The R.N. x-1008 oil exploration well on the Rinconada Norte Block (35% WI, non-operated) was drilled to a TD of 1,050 feet and completed as a producing well.
- The Los Incas-1 exploration well on the Puesto Guevera Block (100% WI, operated) was drilled, but was plugged and abandoned.
- On the Surubi Block (85% WI, operated), the Proa-2 oil development well reached TD of 12,894 feet in April 2012 and is currently producing.

Additionally, we successfully completed 2 workovers on the Puesto Morales Block (100% WI, operated).

Outlook – Argentina

The 2012 capital program in Argentina is $44 million with $32 million allocated to drilling, $6 million to facilities and pipelines, and $6 million to G&G expenditures.

Our planned work program for the remainder of 2012 in Argentina includes drilling eight development wells on the Puesto Morales Block, one gross exploration well and two gross development wells on the Rinconada Norte Block, workovers on existing wells and three well conversions. We also plan to acquire G&G on the Puesto Morales, Rinconada Norte and Valle Morado Blocks, perform facilities work on the Puesto Morales, El Chivil, Palmar Largo and Valle Morado Blocks and undertake an enhanced oil recovery pilot project on the Puesto Morales Block.

Segmented Results – Peru

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
(Thousands of U.S. Dollars)						
Interest income	**$ —**	$ 134	(100)	**$ 15**	$ 134	(89)
Operating expenses	**80**	108	(26)	**161**	$ 172	(6)
DD&A expenses	**991**	1,530	(35)	**1,106**	33,463	(97)
G&A expenses	**1,466**	1,000	47	**2,082**	1,565	33
Foreign exchange loss (gain)	**36**	(133)	(127)	**(34)**	(70)	(51)
	2,573	2,505	3	**3,315**	35,130	(91)
Loss before income taxes	**$ (2,573)**	$ (2,371)	9	**$ (3,300)**	$ (34,996)	(91)

DD&A expenses in the first half of 2011 of $33.5 million included a $33.4 million ceiling test impairment in our Peru cost center relating to seismic and drilling costs related to a dry hole. DD&A expenses in the second quarter of 2012 and 2011 and the first half of 2012 included $0.9 million, $1.5 million and $0.9 million, respectively, of impairment charges related to blocks which were relinquished in 2011.

G&A expenses were $1.5 million and $1.0 million in the second quarter of 2012 and 2011 and $2.1 million and $1.6 million in the first half of 2012 and 2011, respectively. The increases were due to higher salaries and stock-based compensation expense resulting from expanded operations.

Capital Program – Peru

Capital expenditures in our Peruvian segment during the second quarter of 2012 were $16.0 million, bringing total expenditures for the first half of 2012 to $32.7 million

Second quarter of 2012 capital expenditures included drilling expenditures of $4.4 million, and acquisitions of $5.4 million, G&G expenses of $6.0 million and other expenditures of $0.2 million.

During the second quarter of 2012, we entered into an agreement to acquire the remaining 40% working interest in Block 95 in Peru and continued civil construction of a drilling platform and dock facility on this block. Additionally, we acquired 2D seismic on Blocks 123 and 129 (20% WI, non-operated).

Outlook - Peru

The 2012 capital program in Peru is $68 million with $34 million allocated to drilling, $12 million to acquisitions, $1 million to facilities and pipelines and $21 million for G&G expenditures.

Our planned work program for the remainder of 2012 in Peru includes pre-drilling activities and the commencement of drilling for one gross exploration well on Block 95, an aeromagnetic and aerogravity survey and EIAs on Block 133 and environmental health and safety programs on all blocks.

Results - Operations in Brazil

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
(Thousands of U.S. Dollars)						
Oil and natural gas sales	**$ 1,042**	$ 334	212	**$ 2,288**	$ 334	585
Interest income	**272**	—	—	**567**	11	5,055
	1,314	334	293	**2,855**	345	728
Operating expenses	**585**	66	786	**1,171**	66	1,674
DD&A expenses	**266**	156	71	**22,074**	252	8,660
G&A expenses	**456**	1,396	(67)	**1,137**	2,665	(57)
Foreign exchange loss	**1,235**	92	1,242	**1,770**	106	1,570
	2,542	1,710	49	**26,152**	3,089	747
Loss before income taxes	**$ (1,228)**	$ (1,376)	(11)	**$ (23,297)**	$ (2,744)	749
Production (1)						
Oil and NGL's, bbl	**11,493**	4,013	186	**24,016**	4,013	498
Average Prices						
Oil and NGL's per bbl	**$ 90.66**	$ 83.23	9	**$ 95.27**	$ 83.23	14
Segmented Results of Operations per BOE						
Oil and natural gas sales	**$ 90.66**	$ 83.23	9	**$ 95.27**	$ 83.23	14
Interest income	**23.67**	—	—	**23.61**	2.74	762
	114.33	83.23	37	**118.88**	85.97	38
Operating expenses	**50.90**	16.45	209	**48.76**	16.45	196
DD&A expenses	**23.14**	38.87	(40)	**919.14**	62.80	1,364
G&A expenses	**39.68**	347.87	(89)	**47.34**	664.09	(93)
Foreign exchange loss	**107.46**	22.93	369	**73.70**	26.41	179
	221.18	426.12	(48)	**1,088.94**	769.75	41
Loss before income taxes	**$ (106.85)**	$ (342.89)	(69)	**$ (970.06)**	$ (683.78)	42

(1) Production represents production volumes NAR adjusted for inventory changes. NGL volumes are converted to BOE on a one-to-one basis with oil.

We began recording revenue from production in Brazil from Block 155 in the onshore Recôncavo Basin on June 15, 2011, the date regulatory approval was received for the purchase of our 70% participating interest in that block.

For the three months ended June 30, 2012, ***loss before taxes*** from Brazil was $1.2 million compared with loss before taxes of $1.4 million in the comparable period in 2011. For the six months ended June 30, 2012, loss before income taxes was $23.3 million compared with $2.7 million in the comparable period in 2011.

Oil and natural gas sales and ***operating expenses*** in 2012 represented sales and operating expenses from Block 155. Average Brent oil prices for the three and six months ended June 30, 2012 were $108.07 and $113.31 per bbl. The price we received during the quarter was at a discount to Brent due to a refining discount.

DD&A expenses in first half of 2012 included a ceiling test impairment loss of $20.2 million in our Brazil cost center. The impairment loss related to seismic and drilling costs on Block BM-CAL-10.

G&A expenses were $0.5 million and $1.4 million in the second quarter of 2012 and 2011 and $1.1 million and $2.7 million in the first half of 2012 and 2011, respectively. We began recognizing production in Brazil in June 2011 upon receipt of regulatory approval. This resulted in a significant increase in the costs that were directly attributable to operations and exploration and development and a reduction in G&A expenses compared with the same period in 2011.

The ***foreign exchange loss*** resulted from the translation of foreign currency denominated transactions to U.S. dollars.

Capital Program – Brazil

Capital expenditures in Brazil during the second quarter of 2012 were $5.4 million bringing total expenditures for the first half of 2012 to $41.7 million. Second quarter 2012 capital expenditures included $5.3 million of drilling expenditures and $0.1 million of other expenditures.

During the second quarter of 2012, we completed two development wells, 3-GTE-03D-BA and 3-GTE-4DPA-BA, on Block 155 (70% WI and operator, remaining 30% WI subject to approval) in Brazil. These wells had TD of 7,458 feet and 7,723 feet. Production from these wells will commence once oil sales agreements and gas flaring volume limits have been finalized.

On January 20, 2012, we entered into a purchase and sale agreement to acquire the remaining 30% participating interest in Blocks 129, 142, 155 and 224 in the Recôncavo Basin in Brazil from our partner. Closing of the transaction is subject to regulatory approval.

Outlook – Brazil

The 2012 capital program in Brazil is $111 million with $63 million allocated to drilling, $36 million to acquisitions costs and $12 million to facilities and pipelines expenditures.

Our planned work program for the remainder of 2012 in Brazil includes drilling two oil exploration wells on Blocks 155 and 142 (70% WI and operator, remaining 30% WI subject to approval) and facilities work on Block 155.

Results - Corporate Activities

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
(Thousands of U.S. Dollars)						
Interest income	**$ 74**	$ 136	(46)	**$ 216**	$ 261	(17)
DD&A expenses	**240**	165	45	**473**	310	53
G&A expenses	**5,942**	5,809	2	**11,694**	13,382	(13)
Financial instruments gain	**—**	(1,292)	(100)	**—**	(1,522)	(100)
Gain on acquisition	**—**	2,601	(100)	**—**	(21,699)	(100)
Foreign exchange loss	**1,000**	176	468	**1,181**	167	607
	7,182	7,459	(4)	**13,348**	(9,362)	(243)
Loss (income) before income taxes	**$ (7,108)**	$ (7,323)	(3)	**$ (13,132)**	$ 9,623	(236)

G&A expenses in the second quarter of 2012 of $5.9 million were comparable to the second quarter of 2011. For the first half of 2012, G&A expenses were $11.7 million compared with $13.4 million in the first half of 2011. In the first half of 2012, increases in salaries expenses due to expanded operations, were more than offset by an increase in the amount of costs recovered from business units and the absence of Petrolifera acquisition costs ($1.2 million in the first half of 2011).

Gain on acquisition in the first half of 2011 related to the acquisition of Petrolifera. The gain on acquisition was reduced by $2.6 million during the second quarter of 2011 as a result of further assessment of Petrolifera's tax position subsequent to the initial allocation of the consideration reported in the first quarter of 2011.

Liquidity and Capital Resources

At June 30, 2012, we had cash and cash equivalents of $128.5 million compared with $351.7 million at December 31, 2011.

We believe that our cash resources, including cash on hand, cash generated from operations and our revolving credit facility will provide us with sufficient liquidity to meet our strategic objectives and planned capital program for 2012, given current oil price trends and production levels. In accordance with our investment policy, cash balances are held in our primary cash management bank, HSBC Bank plc., in interest earning current accounts or are invested in U.S. or Canadian government-backed federal, provincial or state securities with the highest credit ratings and short-term liquidity. We believe that our current financial position provides us the flexibility to respond to both internal growth opportunities and those available through acquisitions.

At June 30, 2012, 73% of our cash and cash equivalents was held by our foreign subsidiaries. This balance is not available to fund domestic operations unless funds are repatriated. We do not intend to repatriate funds, but if we did we would have to accrue and pay taxes.

Effective July 30, 2010, we established a credit facility with BNP Paribas for a three-year term which may be extended or amended by agreement between the parties. This reserve based facility has a maximum borrowing base of up to $100 million and is supported by the present value of our Colombian petroleum reserves of two of our subsidiaries with operating branches in Colombia – Gran Tierra Energy Colombia Ltd. and Solana Petroleum Exploration (Colombia) Ltd. The initial committed borrowing base is $20 million and, effective August 2, 2012, the committed borrowing base was increased to $50 million. Amounts drawn down under the facility bear interest at the U.S. dollar LIBOR rate plus 3.5%. In addition, a stand-by fee of 1.5% per annum is charged on the unutilized balance of the committed borrowing base and is included in G&A expenses. Under the terms of the facility, we are required to maintain and were in compliance with certain financial and operating covenants. On May 17th, 2012, BNP Paribas sold Solana's credit facility to Wells Fargo Bank National Association, as part of the sale of its North American reserve-based lending business. At June 30, 2012 and December 31, 2011, we had not drawn down any amounts under this facility.

As part of the acquisition of Petrolifera, we assumed a reserve backed credit facility with outstanding balance as at the acquisition date of $31.3 million. The outstanding balance was repaid when the Argentine restriction preventing its repayment expired on August 5, 2011. The credit facility bore interest at LIBOR plus 8.25% and was partially secured by the pledge of the shares of Petrolifera's subsidiaries.

Cash Flows

During the six months ended June 30, 2012, our cash and cash equivalents decreased by $223.2 million as a result of cash used in operating activities of $25.3 million, cash used in investing activities of $201.6 million, partially offset by cash provided by financing activities of $3.7 million.

Cash used in operating activities in the six months ended June 30, 2012 was affected by decreased production, increased operating expenses and a $141.9 million impact from changes in assets and liabilities from operating activities. The main changes in assets and liabilities from operating activities were as follows: accounts receivable increased by $17.7 million due to increased oil and gas sales and the timing of collection of receivables; inventory increased by $13.5 million due to the new transportation agreement in Colombia; accounts payable and accrued liabilities decreased by $28.6 million; and taxes payable decreased by $82.3 million due to tax payments in Colombia. The decrease in accounts payable and accrued liabilities was primarily the result of a reduction in royalties payable due to the timing of royalty payments, a decrease in capital expenditure related liabilities due to lower activity and a reduction in VAT payable.

Cash outflows from investing activities in the second quarter of 2012 included capital expenditures of $178.6 million and an increase in restricted cash of $23.0 million.

Cash provided by financing activities in the second quarter of 2012 related to proceeds from issuance of common shares.

Off-Balance Sheet Arrangements

As at June 30, 2012, we had no off-balance sheet arrangements.

Contractual Obligations

The following is a schedule by year of purchase obligations, future minimum payments for firm agreements and leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2012:

	As at June 30, 2012				
	Payments Due in Period				
	Total	**Less than 1 Year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
(Thousands of U.S. Dollars)					
Oil transportation services	**$ 32,560**	$ 8,710	$ 7,100	$ 7,100	$ 9,650
Drilling and geological and geophysical	**39,480**	38,374	1,106	—	—
Completions	**30,828**	24,560	6,268	—	—
Facility construction	**31,000**	17,049	13,951	—	—
Operating leases	**6,882**	2,861	3,003	1,018	—
Software and telecommunication	**8,093**	3,685	4,408	—	—
Consulting	**1,058**	1,058	—	—	—
Total	**$ 149,901**	**$ 96,297**	**$ 35,836**	**$ 8,118**	**$ 9,650**

Contractual commitments increased from $146.2 million at December 31, 2011 mainly as a result of increased drilling cost commitments for Block 95 in Peru and the Recôncavo Basin Blocks in Brazil and increased facilities cost commitments for the Puesto Morales Block in Argentina.

At June 30, 2012, we had also provided promissory notes totaling $34.4 million as security for letters of credit relating to work commitment guarantees contained in exploration contracts.

Related Party Transactions

On January 12, 2011, we entered into an agreement to sublease office space to a company of which our President and Chief

Executive Officer serves as an independent director. The term of the sublease runs from February 1, 2011 to January 30, 2013 and the sublease payment is $4,300 per month plus approximately $5,500 of operating and other expense.

On August 3, 2010, we entered into a contract related to the Peru drilling program with a company for which one of our directors is a shareholder and director. During the three and six months ended June 30, 2011, $0.2 million and $2.2 million was incurred and capitalized under this contract. During the three and six months ended June 30, 2012, $nil was incurred and capitalized under this contract.

On February 1, 2009, we entered into a sublease for office space with a company, of which one of Gran Tierra's directors is a shareholder and director. The term of the sublease ran from February 1, 2009 to August 31, 2011 and the sublease payment was $8,000 per month plus approximately $4,700 for operating and other expenses.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in Item 7 of our 2011 Annual Report on Form 10-K, filed with the SEC on February 27, 2012, and have not changed materially since the filing of that document.

Item 3 - Quantitative and Qualitative Disclosures About Market risk

Our principal market risk relates to oil prices. Most of our revenues are from oil sales at prices which are defined by contract relative to WTI or Brent and adjusted for transportation and quality each month. In Argentina, a further discount factor which is related to a tax on oil exports establishes a common pricing mechanism for all oil produced in the country, regardless of its destination.

Foreign currency risk is a factor for our company but is ameliorated to a large degree by the nature of expenditures and revenues in the countries where we operate. We have not engaged in any formal hedging activity with regard to foreign currency risk. Our reporting currency is U.S. dollars and essentially 100% of our revenues are related to the U.S. dollar price of WTI or Brent oil.

In Colombia, we receive 100% of our revenues in U.S. dollars and the majority of our capital expenditures are in U.S. dollars. In Argentina and Brazil, prices for oil are in U.S. dollars, but revenues are received in local currency translated according to current exchange rates. The majority of our capital expenditures within Argentina and Brazil are based on U.S. dollar prices, but are paid in local currency translated according to current exchange rates. The majority of our capital expenditures in Peru are in U.S. dollars. The majority of income and value added taxes and G&A expenses in all locations are in local currency. While we operate in South America exclusively, the majority of our acquisition expenditures have been valued and paid in U.S. dollars.

Additionally, unrealized foreign exchange gains and losses result from the fluctuation of the U.S. dollar to the Colombian peso due to our current and deferred tax liabilities, which are monetary liabilities, which are mainly denominated in the local currency of the Colombian foreign operations. As a result, a foreign exchange gain or loss must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the Colombian peso against the U.S. dollar results in foreign exchange losses, estimated at $105,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

We consider our exposure to interest rate risk to be immaterial. Our interest rate exposures primarily relate to our investment portfolio. Our investment objectives are focused on preservation of principal and liquidity. By policy, we manage our exposure to market risks by limiting investments to high quality bank issues at overnight rates, or government securities of the United States or Canadian federal governments such as Guaranteed Investment Certificates or Treasury Bills. A 10% change in interest rates would not have a material effect on the value of our investment portfolio. We do not hold any of these investments for trading purposes. We do not hold equity investments, and we have no debt.

Item 4. - Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or Exchange Act). Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report, as required by Rule l3a-15(e) of the Exchange Act. Based on their evaluation, our principal executive and principal financial officers have concluded that Gran Tierra's disclosure controls and procedures were effective as of June 30, 2012 to provide reasonable assurance that the information required to be disclosed by Gran Tierra in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Gran Tierra’s production from the Costayaco field is subject to an additional royalty that applies when cumulative gross production from a commercial field is greater than five million barrels. This additional royalty is calculated on the difference between a trigger price defined by the Agencia Nacional de Hidrocarburos (National Hydrocarbons Agency) (“ANH”) and the sales price. The ANH has requested that the additional compensation be paid with respect to production from wells relating to the Moqueta discovery and has initiated a noncompliance procedure under the Chaza Contract. The Moqueta discovery is not located in the Costayaco Exploitation Area. Further, Gran Tierra views the Costayaco field and the Moqueta discovery as two clearly separate and independent hydrocarbon accumulations. Therefore, it is Gran Tierra’s view that it is clear that, pursuant to the Chaza Contract, the additional compensation payments are only to be paid with respect to production from the Moqueta wells when the accumulated oil production from any new Exploitation Area created with respect to the Moqueta discovery exceeds five million barrels. Discussions with the ANH have not resolved this issue and Gran Tierra has sent notice to the ANH to initiate the dispute resolution process prescribed by the Chaza Contract. As at June 30, 2012, total cumulative production from the Moqueta field was 0.6 MMbbl. The estimated compensation which would be payable on cumulative production to date if the ANH’s interpretation is successful is $10.3 million. At this time no amount has been accrued in the financial statements as Gran Tierra does not consider it probable that a loss will be incurred.

Gran Tierra is subject to a third party 10% net profits interest on 50% of Gran Tierra's production from the Chaza Block that arises from the original acquisition in 2006 of 50% of Gran Tierra's interest in the Chaza Block Contract. There was a disagreement between Gran Tierra and the third party as to the calculation of the net profits interest. Gran Tierra and the third party agreed to resolve this issue through arbitration. The arbitration was heard in Texas, in accordance with the rules of the American Arbitration Association, in the fourth quarter of 2011. Gran Tierra received the arbitrator's decision on May 24, 2012. The arbitrator ruled against Gran Tierra and as a result $10.9 million became payable in relation to past production. The arbitrator's decision will also increase future net profit interests payable to this third party, but is not expected to have a material impact on future results.

We have several other lawsuits and claims pending for which we currently cannot determine the ultimate result. We record costs as they are incurred or become probable and determinable. We believe the resolution of these matters would not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

The risks relating to our business and industry, as set forth in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission on February 27, 2012, are set forth below and are unchanged substantively at June 30, 2012, other than those designated by an asterisk “*”.

Risks Related to Our Business

*Guerrilla Activity in Colombia Has Disrupted and Delayed, and Could Continue to Disrupt or Delay, Our Operations and We Are Concerned About Safeguarding Our Operations and Personnel in Colombia.

During 2012, the guerrilla activity in Colombia has increased significantly. This increased activity creates a greater risk for our operations and our employees and our mitigation activities may not be adequate to alleviate the risks arising from such guerilla activity.

For over 40 years, the Colombian government has been engaged in a civil war with two main Marxist guerrilla groups: the Revolutionary Armed Forces of Colombia ("FARC") and the National Liberation Army ("ELN"). Both of these groups have been designated as terrorist organizations by the United States and the European Union. Another threat comes from criminal gangs formed from the former members of the United Self-Defense Forces of Colombia ("AUC") militia, a paramilitary group that originally sprouted up to combat FARC and ELN, which the Colombian government successfully dissolved.

We operate principally in the Putumayo Basin in Colombia, and have properties in other basins, including the Catatumbo, Cauca, Llanos, Middle Magdalena and Lower Magdalena basins. The Putumayo and Catatumbo regions have been the breeding place of guerrilla activity. Beginning in 1989, our predecessor company's facilities in one field were attacked by guerrillas and operations were briefly disrupted. In October 2010, two of our sites in the Putumayo/Cauca were attacked by FARC guerrillas causing some disruption to operations. Pipelines have also been primary targets because such pipelines cannot be adequately secured due to the sheer size of such pipelines and the remoteness of the areas in which the pipelines are laid. The Ecopetrol-operated OTA pipeline which transports oil from the Putumayo region and upon which we materially rely has been a target by these guerilla groups. In March and April of 2008, June, July, August and October of 2009, June, August, and September of 2010, February 2011 and February, March, April, May, June and July of 2012, sections of the OTA pipeline were sabotaged by guerrillas, which temporarily reduced our deliveries to Ecopetrol during the affected periods. In the first six months of 2012, the OTA pipeline was shutdown for over 70 days and the shutdown has had a material adverse effect on our deliveries to Ecopetrol and our financial performance for 2012 and such disruptions may continue indefinitely.

Continuing attempts by the Colombian government to reduce or prevent guerrilla activity may not be successful and guerrilla activity may continue to disrupt our operations in the future. Our efforts to increase security measures may not be successful and there can also be no assurance that we can maintain the safety of our field and Bogota head office personnel or operations in Colombia or that this violence will not continue to adversely affect our operations in the future and cause significant loss.

Our Lack of Diversification Will Increase the Risk of an Investment in Our Common Stock.

Our business focuses on the oil and gas industry in a limited number of properties in Colombia, Argentina, Peru, and Brazil. Most of our production is in one basin in Colombia and two basins in Argentina. As a result, we lack diversification, in terms of both the nature and geographic scope of our business. Accordingly, factors affecting our industry or the regions in which we operate, including the geographic remoteness of our operations and weather conditions, will likely impact us more acutely than if our business was more diversified. In particular, most of our production is from the Putumayo basin in Colombia, and we depend on the OTA pipeline to transport our oil to market. Cash flow from these sales funds a large part of our business. Disruptions to this pipeline, as described in the risk "We May Encounter Difficulties Storing and Transporting Our Production, Which Could Cause a Decrease in Our Production or an Increase in Our Expenses" could harm our business in Colombia and other countries.

We May Encounter Difficulties Storing and Transporting Our Production, Which Could Cause a Decrease in Our Production or an Increase in Our Expenses.

To sell the oil and natural gas that we are able to produce, we have to make arrangements for storage and distribution to the market. We rely on local infrastructure and the availability of transportation for storage and shipment of our products, but infrastructure development and storage and transportation facilities may be insufficient for our needs at commercially acceptable terms in the localities in which we operate. This could be particularly problematic to the extent that our operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping and/or pipeline facilities. In certain areas, we may be required to rely on only one gathering system, trucking company or pipeline, and, if so, our ability to market our production would be subject to their reliability and operations. These factors may affect our ability to explore and develop properties and to store and transport our oil and gas production, and may increase our expenses. Furthermore, future instability in one or more of the countries in which we operate, weather conditions or natural disasters, actions by companies doing business in those countries, labor disputes or actions taken by the international community may impair the distribution of oil and/or natural gas and in turn diminish our financial condition or ability to maintain our operations.

The majority of our oil in Colombia is delivered by a single pipeline to Ecopetrol and sales of oil has been and could continue to be disrupted by damage to this pipeline or displaced by Ecopetrol's use of the pipeline itself. Starting in February 2012, we are operating under a new transportation contract with Ecopetrol which changes the point at which Ecopetrol takes delivery of our oil. Previously, Ecopetrol took delivery of our oil at the beginning of the export pipeline. Under the new transportation contract, Ecopetrol takes delivery at the end of the export pipeline. This creates a risk of loss of oil due to sabotage by guerrillas or theft from the pipeline which may result in reduced revenues and increased clean-up or third party costs. We have attempted to mitigate the risk of increased costs with insurance and are investigating potential ways to mitigate the reduced revenue risk. Ecopetrol maintains responsibility for clean-up of any spilled oil and for pipeline repair.

Problems with these pipelines can cause interruptions to our producing activities if they are for a long enough duration that our storage facilities become full. For example, we experienced disruptions in transportation on this pipeline in March and April of 2008, June, July and August of 2009, June, August, and September 2010, February 2011 and February to July of 2012 as a result of sabotage by guerrillas. In addition, there is competition for space in these pipelines, and additional discoveries in our area of operations by other companies could decrease the pipeline capacity available to us. Trucking is an alternative to transportation by pipeline; however, it is generally more expensive and carries higher safety risks for us, our employees and the public.

As some of our oil production in Argentina is trucked to a local refinery, sales of oil in the Noroeste basin can be delayed by adverse weather and road conditions, particularly during the months November through February when the area is subject to periods of heavy rain and flooding. While storage facilities are designed to accommodate ordinary disruptions without curtailing production, delayed sales will delay revenues and may adversely impact our working capital position in Argentina. Furthermore, a prolonged disruption in oil deliveries could exceed storage capacities and shut-in production, which could have a negative impact on future production capability.

In addition, alternative transportation arrangements do not currently have capacity in order for us to deliver our regular volumes of sales. When disruptions are of a long enough duration, our sales volumes will be lower than normal, which will cause our cash flow to be lower than normal, and if our storage facilities become full, we can be forced to interrupt production.

Our Oil Sales Will Depend on a Relatively Small Group of Customers, Which Could Adversely Affect Our Financial Results.

Oil sales in Colombia are mainly to Ecopetrol. While oil prices in Colombia are related to international market prices, lack of competition and reliance on a limited number of customers for sales of oil may diminish prices and depress our financial results.

The entire Argentine domestic refining market is small and export opportunities are limited by available infrastructure. As a result, our oil and gas sales in Argentina will depend on a relatively small group of customers, and currently, on two significant customers. The lack of competition in this market could result in unfavorable sales terms which, in turn, could adversely affect our financial results. Currently all operators in Argentina are operating without long-term sales contracts. We cannot provide any certainty as to when the situation will be resolved or what the final outcome will be.

In Brazil, there are a number of potential customers for our oil, and we are working to establish relationships with as many as possible to ensure a stable market for our oil. Currently essentially all of our production in Brazil is sold to Petrobras. Petrobras' refinery in the area of our operations has had some technical difficulties which have restricted its ability to receive deliveries. Our second option in the area is at full capacity. This could mean that we cannot produce to full capacity in the area because of restrictions in being able to deliver our oil.

Our Business is Subject to Local Legal, Political and Economic Factors Which are Beyond Our Control, Which Could Impair Our Ability to Expand Our Operations or Operate Profitably.

We operate our business in Colombia, Argentina, Peru, and Brazil, and may eventually expand to other countries in the world. Exploration and production operations in foreign countries are subject to legal, political and economic uncertainties, including terrorism, military repression, social unrest, strikes by local or national labor groups, interference with private contract rights (such as privatization), extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates, changes in laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and natural gas industry, such as restrictions on production, price controls and export controls. For example, starting on November 21, 2008, we were forced to reduce production in Colombia on a gradual basis, culminating on December 11, 2008 when we suspended all production from the Santana, Guayuyaco and Chaza blocks in the Putumayo Basin. This temporary suspension of production operations was the result of a declaration of a state of emergency and force majeure by Ecopetrol due to a general strike in the region. In January 2009, the situation was resolved and we were able to resume production and sales shipments. Starting in 2010, there was an increased presence of illegitimate unionization activities in the Putumayo Basin by the *Sindicato de Trabajadores Petroleros del Putumayo*, which disrupted our operations from time to time and may do so in the future. During 2012 and 2011, Argentina has experienced increased union activity and this may create disruptions in our Argentine operations in the future. During 2012, we have also experienced related issues with landowners blocking access to our fields for short periods of time in Argentina. South America has a history of political and economic instability. This instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in termination of contract rights and expropriation of foreign-owned assets. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Argentina, Colombia, Peru or Brazil or other countries in which we intend to operate are beyond our control and may significantly hamper our ability to expand our operations or operate our business at a profit.

For instance, changes in laws in the jurisdiction in which we operate or expand into with the effect of favoring local enterprises, and changes in political views regarding the exploitation of natural resources and economic pressures, may make it more difficult for us to negotiate agreements on favorable terms, obtain required licenses, comply with regulations or effectively adapt to adverse economic changes, such as increased taxes, higher costs, inflationary pressure and currency fluctuations. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These licenses and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Property right transfers, joint ventures, licenses, license applications or other legal arrangements pursuant to which we operate may be adversely affected by the actions of government authorities and the effectiveness of and enforcement of our rights under such arrangements in these jurisdictions may be impaired.

In July 2012, the Argentine government mandated the creation of an oil planning commission that will set national energy goals and have the power to review private oil companies' investment plans. The committee will have the power to approve or reject annual investment plans that must be submitted by private companies by September 30 of each year. This decree is new and many details are yet to be announced. However, we believe there is a risk that this may cause delays in our operations in Argentina, or cause changes to our investment plans that could negatively effect our business in Argentina or the rest of our operations.

****We Have an Aggressive Business Plan, and if we do not Have the Resources to Execute on our Business Plan, We May Be Required to Curtail Our Operations.***

Our capital program for 2012 calls for approximately $396 million to fund our exploration and development, which we intend to fund through existing cash and cash flows from operations, with possible periodic draws from our revolving credit facility. Funding this program relies in part on oil prices remaining high and other factors to generate sufficient cash flow. If we are not able to generate the sales which, together with our current cash resources, are sufficient to fund our capital program, we will not be able to efficiently execute our business plan which would cause us to decrease our exploration and development, which could harm our business outlook, investor confidence and our share price.

Strategic and Business Relationships upon Which We May Rely are Subject to Change, Which May Diminish Our Ability to Conduct Our Operations.

Our ability to successfully bid on and acquire additional properties, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements will depend on developing and maintaining effective working relationships with industry participants and on our ability to select and evaluate suitable partners and to consummate transactions in a highly competitive environment. These relationships are subject to change and may impair our ability to grow.

To develop our business, we endeavor to use the business relationships of our management and board of directors to enter into strategic and business relationships, which may take the form of joint ventures with other private parties or with local government bodies, or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We also have an active business development program to develop those relationships and foster new relationships. We may not be able to establish these business relationships, or if established, we may choose the wrong partner or we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to take to fulfill our obligations to these partners or maintain our relationships. If we fail to make the cash calls required by our joint venture partners in the joint ventures we do not operate, we may be required to forfeit our interests in these joint ventures. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

In addition, in cases where we are the operator, our partners may not be able to fulfill their obligations, which would require us to either take on their obligations in addition to our own, or possibly forfeit our rights to the area involved in the joint venture. In addition, despite our partner's failure to fulfill its obligations, if we elect to terminate such relationship, we may be involved in litigation with such partners or may be required to pay amounts in settlement to avoid litigation despite such partner's failure to perform. Alternatively, our partners may be able to fulfill their obligations, but will not agree with our proposals as operator of the property. In this case there could be disagreements between joint venture partners that could be costly in terms of dollars, time, deterioration of the partner relationship, and/or our reputation as a reputable operator. These joint venture partners may not comply with their responsibilities or may engage in conduct that could result in liability to us.

In cases where we are not the operator of the joint venture, the success of the projects held under these joint ventures is substantially dependent on our joint venture partners. The operator is responsible for day-to-day operations, safety, environmental compliance and relationships with government and vendors.

We have various work obligations on our blocks that must be fulfilled or we could face penalties, or lose our rights to those blocks if we do not fulfill our work obligations. Failure to fulfill obligations in one block can also have implications on the ability to operate other blocks in the country ranging from delays in government process and procedure to loss of rights in other blocks or in the country as a whole. Failure to meet obligations in one particular country may also have an impact on our ability to operate in others.

***Disputes or Uncertainties May Arise in Relation to our Royalty Obligations**

Our production is subject to royalty obligations which may be prescribed by government regulation or by contract. These royalty obligations may be subject to changes in interpretation as business circumstances change.

In accordance with our Hydrocarbon Exploration and Exploitation Agreement with ANH for the Chaza Block in Colombia our oil production from each Exploitation Area on the Block is subject to the payment of additional compensation to the ANH over and above the basic sliding scale royalty that applies when cumulative gross production from an Exploitation Area exceeds five million barrels. Production from the Costayaco Exploitation Area on the Chaza Block became subject to this additional compensation in the fourth quarter of 2009 after cumulative production from the Costayaco field exceeded five million barrels.

The ANH has requested that the additional compensation be paid with respect to production from the recently drilled wells relating to the Moqueta discovery and has initiated a noncompliance procedure under the Chaza Contract. The Moqueta discovery is not located in the Costayaco Exploitation Area. Further, we view the Costayaco field and the Moqueta discovery as two clearly separate and independent hydrocarbon accumulations. Therefore, it is our view that it is clear that, pursuant to the Chaza Contract, the additional compensation payments are only to be paid with respect to production from the Moqueta wells when the accumulated oil production from any new Exploitation Area created with respect to the Moqueta discovery exceeds five million barrels. Discussions with the ANH have not resolved this issue and we have sent notice to the ANH to initiate the dispute resolution process prescribed by the Chaza Contract that stipulate formal negotiations between the parties, which if unsuccessful are followed by an arbitration conducted in accordance with Colombian law. No assurance can be made that our interpretation will prevail and, depending on the ultimate size of the cumulative production from the Moqueta field in the future, such amounts may be material if such additional compensation must be paid. As at June 30, 2012, total cumulative production from the Moqueta field was 0.6 MMbbl. The estimated compensation which would be payable on cumulative production to date if the ANH's interpretation is successful is $10.3 million. At this time no amount has been accrued in the financial statements as Gran Tierra does not consider it probable that a loss will be incurred.

In Brazil, a new regulatory regime was introduced; however, the royalty distribution between producing states has not been approved.

***Negative Political and Regulatory Developments in Argentina May Negatively Affect our Operations.**

The oil and natural gas industry in Argentina is subject to extensive regulation including land tenure, exploration, development, production, refining, transportation, and marketing, imposed by legislation enacted by various levels of government and, with respect to pricing and taxation of oil and natural gas, by agreements among the federal and provincial governments, all of which are subject to change and could have a material impact on our business in Argentina. The Federal Government of Argentina has implemented controls for domestic fuel prices and has placed a tax on oil and natural gas exports.

In October 2010, ENARGAS issued Regulation I-1410 aiming at securing the supply of natural gas to residential consumers and small industry given the decline in gas production and the expected growing demand for gas. The regulation includes all the procedures created by the authorities since 2004 (restrictions of exports, deviation of gas sales, to residential consumption) and gives ENARGAS power to control gas marketing in order to assure the supply of gas to residential consumers and small industry.

Any future regulations that limit the amount of oil and gas that we could sell or any regulations that limit price increases in Argentina and elsewhere could severely limit the amount of our revenue and affect our results of operations.

Currently most oil and gas producers in Argentina are operating without sales contracts. In 2008, a new withholding tax regime for exports was introduced without specific guidance as to its application. The domestic price was regulated in a similar way, so that both exported and domestically sold products were priced the same. Producers and refiners of oil in Argentina were unable to determine an agreed sales price for oil deliveries to refineries. In our case, the refineries' price offered to oil producers reflects their price received, less taxes and operating costs and their usual mark up. Along with most other oil producers in Argentina, we are continuing negotiating sales on a spot price basis with refiners and the price is negotiated on a month by month basis. The Provincial governments have also been hurt by these changes as their effective royalty take has been reduced and capital investment in oilfields has declined, and so they are lobbying to change the situation. We are working with other oil and gas producers in the area, as well as refiners, to lobby the federal government for change. The government introduced the Petro Plus and Gas Plus programs in 2009, which grant higher prices to producers that sell production from new reserves. This is a positive step forward that will hopefully lead to further opening of price regulation in Argentina.

Recently, the government of Argentina has been active in the oil and gas business. On April 16, 2012, the government announced their intention to acquire a 51% interest in YPF from Repsol S.A. (Respol S.A. holds 56.7% of YPF), and retain 51% control for the Federal Government and distribute 49% of the shares to Argentine provinces. Prior to this announcement, various provincial governments announced contract cancellations effecting YPF, Petrobras Argentina S.A., and Azabache Energy Inc., among others. The reason cited for the contract cancellations was lack of activity in the areas in question. We have experienced recent success in Argentina and have active programs in all areas, which we believe helps mitigate our risk. However, despite the fact that our operating entity in Argentina is a locally incorporated company the employees of which are all Argentine, we are viewed as a foreign company and could therefore face increased risk.

In July 2012, the Argentine government mandated the creation of an oil planning commission that will set national energy goals and have the power to review private oil companies' investment plans. The committee will have the power to approve or reject annual investment plans that must be submitted by private companies by September 30 of each year. This decree is new and many details are yet to be announced. However, we believe there is a risk that this may cause delays in our operations in Argentina, or cause changes to our investment plans that could negatively effect our business in Argentina or the rest of our operations.

Our Business May Suffer If We Do Not Attract and Retain Talented Personnel.

Our success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of our executive team and other personnel in conducting our business. The loss of any of these individuals or our inability to attract suitably qualified individuals to replace any of them could materially adversely impact our business. We are experiencing difficulties in finding and retaining suitably qualified staff in certain jurisdictions, particularly in Brazil, Argentina, Peru and Calgary, where experienced personnel in our industry are in high demand and competition for their talents is intense.

Our success depends on the ability of our management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, our key personnel may not continue their association or employment with us and we may not be able to find replacement personnel with comparable skills. If we are unable to attract and retain key personnel, our business may be adversely affected.

****Foreign Currency Exchange Rate Fluctuations May Affect Our Financial Results.***

We expect to sell our oil and natural gas production under agreements that will be denominated in United States dollars and foreign currencies. Many of the operational and other expenses we incur will be paid in the local currency of the country where we perform our operations. Our production in Argentina is primarily invoiced in United States dollars, but payment is made in Argentine pesos, at the then current exchange rate. As a result, we are exposed to translation risk when local currency financial statements are translated to United States dollars, our functional currency. Since September 1, 2005, exchange rates between the Colombian peso and U.S. dollar have varied between 1,648 pesos to one U.S. dollar to 2,632 pesos to one U.S. dollar, a fluctuation of approximately 60%. Since we began operating in Argentina (September 1, 2005), the rate of exchange between the Argentine peso and U.S. dollar has varied between 3.05 pesos to one U.S. dollar to 4.53 pesos to the U.S. dollar, a fluctuation of approximately 43%. Production in Brazil is invoiced and paid in Brazilian Reals. Since September 1, 2005, the exchange rate of the Brazilian Real has varied between 1.56 Real to one U.S. dollar to 2.45 Real to the U.S. dollar, a variance of 57%. Current and deferred tax liabilities in Colombia are denominated in Colombian pesos and the strengthening of 0.4% in the Colombian Peso against the U.S. dollar in the six months ended June 30, 2012 resulted in a foreign exchange loss.

Exchange Controls and New Taxes Could Materially Affect our Ability to Fund Our Operations and Realize Profits from Our Foreign Operations.

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends that we receive from foreign subsidiaries.

Exchange controls may prevent us from transferring funds abroad. For example, the Argentine government has imposed a number of monetary and currency exchange control measures that include restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad, with certain exceptions for transfers related to foreign trade and other authorized transactions approved by the Argentine Central Bank. The Central Bank may require prior authorization and may or may not grant such authorization for our Argentine subsidiaries to make dividend payments to us and there may be a tax imposed with respect to the expatriation of the proceeds from our foreign subsidiaries. The Brazilian government has similar regulations in place regarding foreign exchange controls.

Competition in Obtaining Rights to Explore and Develop Oil and Gas Reserves and to Market Our Production May Impair Our Business.

The oil and gas industry is highly competitive. Other oil and gas companies will compete with us by bidding for exploration and production licenses and other properties and services we will need to operate our business in the countries in which we expect to operate. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger companies, which, in particular, may have access to greater resources than us, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. In the event that we do not succeed in negotiating additional property acquisitions, our future prospects will likely be substantially limited, and our financial condition and results of operations may deteriorate.

Maintaining Good Community Relationships and Being a Good Corporate Citizen may be Costly and Difficult to Manage.

Our operations have a significant effect on the areas in which we operate. To enjoy the confidence of local populations and the local governments, we must invest in the communities where were operate. In many cases, these communities are impoverished and lack many resources taken for granted in North America. The opportunities for investment are large, many and varied; however, we must be careful to invest carefully in projects that will truly benefit these areas. Improper management of these investments and relationships could lead to a delay in operations, loss of license or major impact to our reputation in these communities, which could adversely affect our business.

****Our Operations Involve Substantial Costs and are Subject to Certain Risks Because the Oil and Gas Industries in the Countries in Which We Operate are Less Developed.***

The oil and gas industry in South America is not as efficient or developed as the oil and gas industry in North America. As a result, our exploration and development activities may take longer to complete and may be more expensive than similar operations in North America. The availability of technical expertise, specific equipment and supplies may be more limited than in North America. We expect that such factors will subject our international operations to economic and operating risks that may not be experienced in North American operations.

Further, we operate in remote areas and may rely on helicopter, boats or other transport methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays, serious injury or loss of life and could have a significant impact on our reputation.

Negative Political Developments in Peru May Negatively Affect our Proposed Operations.

Peru held a national election in June 2011 after which a new political regime was elected, led by the left-populist candidate, Ollante Humala, who was elected the President. Mr. Humala has noted that the past decade prioritized the strengthening of democracy with economic growth, while the new government will enhance social inclusion to benefit the neediest. This newly elected political regime may adopt new policies, laws and regulations that are more hostile toward foreign investment which may result in the imposition of additional taxes, the adoption of regulations that limit price increases, termination of contract rights, or the expropriation of foreign-owned assets. While we do not have any reserves or any producing wells in Peru at this time, we do hold significant land holdings in Peru and such actions by the newly elected political regime could limit the amount of our future revenue in that country and affect our results of operations.

The United States Government May Impose Economic or Trade Sanctions on Colombia That Could Result In A Significant Loss To Us.

Colombia is among several nations whose eligibility to receive foreign aid from the United States is dependent on its progress in stemming the production and transit of illegal drugs, which is subject to an annual review by the President of the United States. Although Colombia is currently eligible for such aid, Colombia may not remain eligible in the future. A finding by the President that Colombia has failed demonstrably to meet its obligations under international counternarcotics agreements may result in any of the following:

- all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended;
- the Export-Import Bank of the United States and the Overseas Private Investment Corporation would not approve financing for new projects in Colombia;
- United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes; and
- the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with our operations there. Any changes in the holders of significant government offices could have adverse consequences on our relationship with ANH and Ecopetrol and the Colombian government’s ability to control guerrilla activities and could exacerbate the factors relating to our foreign operations. Any sanctions imposed on Colombia by the United States government could threaten our ability to obtain necessary financing to develop the Colombian properties or cause Colombia to retaliate against us, including by nationalizing our Colombian assets.

Accordingly, the imposition of the foregoing economic and trade sanctions on Colombia would likely result in a substantial loss and a decrease in the price of our common stock. The United States may impose sanctions on Colombia in the future, and we cannot predict the effect in Colombia that these sanctions might cause.

We May Be Unable to Obtain Additional Capital That We Will Require to Implement Our Business Plan, Which Could Restrict Our Ability to Grow.

We expect that our existing cash resources and the availability to draw cash under our credit agreement will be sufficient to fund our currently planned activities. We may require additional capital to expand our exploration and development programs to additional properties. We may be unable to obtain additional capital required.

When we require additional capital, we plan to pursue sources of capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. We may not be successful in locating suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. If we do succeed in raising additional capital, future financings may be dilutive to our shareholders, as we could issue additional shares of common stock or other equity to investors. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertibles and warrants, which will adversely impact our financial results.

Our ability to obtain needed financing may be impaired by factors such as the capital markets (both generally and in the oil and gas industry in particular), the location of our oil and natural gas properties in South America, prices of oil and natural gas on the commodities markets (which will impact the amount of asset-based financing available to us), and/or the loss of key management. Further, if oil and/or natural gas prices on the commodities markets decrease, then our revenues will likely decrease, and such decreased revenues may increase our requirements for capital. Some of the contractual arrangements governing our exploration activity may require us to commit to certain capital expenditures, and we may lose our contract rights if we do not have the required capital to fulfill these commitments. If the amount of capital we are able to raise from financing activities, together with our cash flow from operations, is not sufficient to satisfy our capital needs (even to the extent that we reduce our activities), we may be required to curtail our operations.

We May Not Be Able To Effectively Manage Our Growth, Which May Harm Our Profitability.

Our strategy envisions continually expanding our business, both organically and through acquisition of other properties and companies. If we fail to effectively manage our growth or integrate successfully our acquisitions, our financial results could be adversely affected. Growth may place a strain on our management systems and resources. Integration efforts place a significant burden on our management and internal resources. The diversion of management attention and any difficulties encountered in the integration process could harm our business, financial condition and results of operations. In addition, we must continue to refine and expand our business development capabilities, our systems and processes and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new or acquired employees. We may not be able to:

- expand our systems effectively or efficiently or in a timely manner;
- allocate our human resources optimally;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that we may acquire in our effort to achieve growth.

If we are unable to manage our growth and our operations our financial results could be adversely affected by inefficiencies, which could diminish our profitability.

****Guerrilla Activity in Peru Could Disrupt or Delay Our Operations and We Are Concerned About Safeguarding Our Operations and Personnel in Peru.***

The Shining Path Guerilla group has been active in Peru since the early 1980's and, at one point, was active throughout the country. Recently, the group's activity has been confined to small areas of Peru and operations have been hampered by the capture of many high profile leaders and membership has fallen dramatically. During April 2012, 30 people working on the Camisea natural gas project in central Peru were kidnapped. Most of the workers were released after a short period of time, and the remainder were freed within a few days. The kidnapping was attributed to the Shining Path Guerilla group. Camisea is a very large, high profile project in an area where the group continues to be active. Our operations in Peru are in a different region, with no known activity by the group. Nevertheless, we are concerned about the security of our operations in Peru and mitigate our risks through good relationships with local communities and stakeholders as well as strong security procedures.

Risks Related to Our Industry

Unless We are Able to Replace Our Reserves, and Develop and Manage Oil and Gas Reserves and Production on an Economically Viable Basis, Our Reserves, Production and Cash Flows May Decline as a Result.

Our future success depends on our ability to find, develop and acquire additional oil and gas reserves that are economically recoverable. Without successful exploration, development or acquisition activities, our reserves and production will decline. We may not be able to find, develop or acquire additional reserves at acceptable costs.

To the extent that we succeed in discovering oil and/or natural gas, reserves may not be capable of production levels we project or in sufficient quantities to be commercially viable. On a long-term basis, our viability depends on our ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, our reserves and production will decline over time as reserves are produced. Our future reserves will depend not only on our ability to develop and effectively manage then-existing properties, but also on our ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas we develop and to effectively distribute our production into our markets. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and technical conditions. While we will endeavor to effectively manage these conditions, we may not be able to do so optimally, and we will not be able to eliminate them completely in any case. Therefore, these conditions could diminish our revenue and cash flow levels and result in the impairment of our oil and natural gas interests.

We are Required to Obtain Licenses and Permits to Conduct Our Business and Failure to Obtain These Licenses Could Cause Significant Delays and Expenses That Could Materially Impact Our Business.

We are subject to licensing and permitting requirements relating to exploring and drilling for and development of oil and natural gas, including seismic, environmental and many other operating permits. We may not be able to obtain, sustain or renew such licenses and permits on a timely basis or at all. Other drilling projects are being delayed because the Ministry of the Environment has not increased staffing levels to meet increased activity in the oil and gas industry in Colombia and so permit processing is taking longer than usual. These delays are also significantly impacting other industry participants . Regulations and policies relating to these licenses and permits may change, be implemented in a way that we do not currently anticipate or take significantly greater time to obtain. These licenses and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments. As we are not the operator of all the joint ventures we are currently involved in, we may rely on the operator to obtain all necessary permits and licenses. If we fail to comply with these requirements, we could be prevented from drilling for oil and natural gas, and we could be subject to civil or criminal liability or fines. Revocation or suspension of our environmental and operating permits could have a material adverse effect on our business, financial condition and results of operations. For example, currently in Brazil, we are subject to restriction on flaring natural gas, which have the impact of limiting our production capacity.

Our Exploration for Oil and Natural Gas Is Risky and May Not Be Commercially Successful, Impairing Our Ability to Generate Revenues from Our Operations.

Oil and natural gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. Our exploration expenditures may not result in new discoveries of oil or natural gas in commercially viable quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. If exploration costs exceed our estimates, or if our exploration efforts do not produce results which meet our expectations, our exploration efforts may not be commercially successful, which could adversely impact our ability to generate revenues from our operations.

Estimates of Oil and Natural Gas Reserves that We Make May Be Inaccurate and Our Actual Revenues May Be Lower and Our Operating Expenses may be Higher than Our Financial Projections.

We make estimates of oil and natural gas reserves, upon which we will base our financial projections. We make these reserve estimates using various assumptions, including assumptions as to oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Some of these assumptions are inherently subjective, and the accuracy of our reserve estimates relies in part on the ability of our management team, engineers and other advisors to make accurate assumptions. Economic factors beyond our control, such as interest rates and exchange rates, will also impact the value of our reserves. The process of estimating oil and gas reserves is complex, and will require us to use significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each property. As a result, our reserve estimates will be inherently imprecise. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those we estimate. If actual production results vary substantially from our reserve estimates, this could materially reduce our revenues and result in the impairment of our oil and natural gas interests.

Exploration, development, production, marketing (including distribution costs) and regulatory compliance costs (including taxes) will substantially impact the net revenues we derive from the oil and gas that we produce. These costs are subject to fluctuations and variation in different locales in which we operate, and we may not be able to predict or control these costs. If these costs exceed our expectations, this may adversely affect our results of operations. In addition, we may not be able to earn net revenue at our predicted levels, which may impact our ability to satisfy our obligations.

If Oil and Natural Gas Prices Decrease, We May be Required to Take Write-Downs of the Carrying Value of Our Oil and Natural Gas Properties.

We follow the full cost method of accounting for our oil and gas properties. A separate cost center is maintained for expenditures applicable to each country in which we conduct exploration and/or production activities. Under this method, the net book value of properties on a country-by-country basis, less related deferred income taxes, may not exceed a calculated "ceiling". The ceiling is the estimated after tax future net revenues from proved oil and gas properties, discounted at 10% per year. In calculating discounted future net revenues, oil and natural gas prices are determined using the average price during the 12 months period prior to the ending date of the period covered by the balance sheet, calculated as an unweighted arithmetic average of the first-day-of-the month price for each month within such period for that oil and natural gas. That average price is then held constant, except for changes which are fixed and determinable by existing contracts. The net book value is compared with the ceiling on a quarterly basis. The excess, if any, of the net book value above the ceiling is required to be written off as an expense. Under full cost accounting rules, any write-off recorded may not be reversed even if higher oil and natural gas prices increase the ceiling applicable to future periods. Future price decreases could result in reductions in the carrying value of such assets and an equivalent charge to earnings. In countries where we do not have proved reserves, dry wells drilled in a period would directly result in ceiling test impairment for that period.

In 2011, we recorded a ceiling test impairment loss of $42.0 million in our Peru cost center related to seismic and drilling costs on two blocks which were relinquished and a ceiling test impairment loss of $25.7 million in our Argentina cost center related to an increase in estimated future operating and capital costs to produce our remaining Argentine proved reserves and a decrease in reserve volumes. In the first half of 2012, we recorded a ceiling test impairment loss of $20.2 million in our Brazil cost center related to seismic and drilling costs on Block BM-CAL-10. The farmout agreement for that block terminated during the first quarter of 2012 when we provided notice that we would not enter into the second exploration period.

Drilling New Wells and Producing Oil and Natural Gas from Existing Facilities Could Result in New Liabilities, Which Could Endanger Our Interests in Our Properties and Assets.

There are risks associated with the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings, sour gas releases, fires and spills. Earthquakes or weather related phenomena such as heavy rain, landslides, storms and hurricanes can also cause problems in drilling new wells. There are also risks in producing oil and natural gas from existing facilities. For example, the Valle Morado GTE.St.VMor-2001 re-entry operations started in the third quarter of 2010, with integrity testing and remediation operations required for the sidetrack operations. Due to operational difficulties, the initial side-track attempt was not successful. The operation was placed on standby pending the arrival of additional side-track equipment and operations recommenced in the fourth quarter of 2010. In February 2011, these operations were suspended and the wellbore has been abandoned due to a number of operational challenges encountered. We continue to review alternatives associated with the field development. Also for example, on February 7, 2009 we experienced an incident at our Juanambu-1 well, involving a fire in a generator, resulting in total damage to equipment estimated at $500,000, and production in the amount of approximately $125,000 being deferred due to shutting down production facilities while dealing with the incident. The occurrence of any of these events could significantly reduce our revenues or cause substantial losses, impairing our future operating results. We may become subject to liability for pollution, blow-outs or other hazards. Incidents such as these can lead to serious injury, property damage and even loss of life. We generally obtain insurance with respect to these hazards, but such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. The payment of such liabilities could reduce the funds available to us or could, in an extreme case, result in a total loss of our properties and assets. Moreover, we may not be able to maintain adequate insurance in the future at rates that are considered reasonable. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Our Inability to Obtain Necessary Facilities and/or Equipment Could Hamper Our Operations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and our access to these facilities may be limited. To the extent that we conduct our activities in remote areas, needed facilities or equipment may not be proximate to our operations, which will increase our expenses. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment to us and may delay exploration and development activities. The quality and reliability of necessary facilities or equipment may also be unpredictable and we may be required to make efforts to standardize our facilities, which may entail unanticipated costs and delays. Shortages and/or the unavailability of necessary equipment or other facilities will impair our activities, either by delaying our activities, increasing our costs or otherwise.

Decommissioning Costs Are Unknown and May be Substantial; Unplanned Costs Could Divert Resources from Other Projects.

We are responsible for costs associated with abandoning and reclaiming some of the wells, facilities and pipelines which we use for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." We have determined that we require a reserve account for these potential costs in respect of our current properties and facilities at this time, and have booked such reserve on our financial statements. If decommissioning is required before economic depletion of our properties or if our estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, we may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy decommissioning costs could impair our ability to focus capital investment in other areas of our business.

****Prices and Markets for Oil and Natural Gas Are Unpredictable and Tend to Fluctuate Significantly, Which Could Reduce Our Profitability, Growth and Value.***

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond our control. World prices for oil and natural gas have fluctuated widely in recent years. The average price for WTI per barrel was $66 in 2006, $72 in 2007, $100 in 2008, $62 in 2009, $79 in 2010, $95 in 2011 and $98 for the six months ending June 30, 2012, demonstrating the inherent volatility in the market. Average Brent oil prices for the three and six months ended June 30, 2012 were $108.07 and $113.31 per bbl. Given the current economic environment and unstable conditions in the Middle East, North Africa, the United States and Europe, the oil price environment is increasingly unpredictable and unstable. We expect that prices will fluctuate in the future. Price fluctuations will have a significant impact upon our revenue, the return from our oil and gas reserves and on our financial condition generally. Price fluctuations for oil and natural gas commodities may also impact the investment market for companies engaged in the oil and gas industry. Furthermore, prices which we receive for our oil sales, while based on international oil prices, are established by contract with purchasers with prescribed deductions for transportation and quality differentials. These differentials can change over time and have a detrimental impact on realized prices. Future decreases in the prices of oil and natural gas may have a material adverse effect on our financial condition, the future results of our operations and quantities of reserves recoverable on an economic basis.

In addition, oil and natural gas prices in Argentina are effectively regulated and during 2009, 2010, 2011 and 2012 were substantially lower than those received in North America. Oil prices in Colombia are related to international market prices, but adjustments that are defined by contract with Ecopetrol, the purchaser of most of the oil that we produce in Colombia, may cause realized prices to be lower or higher than those received in North America. Oil prices in Brazil are defined by contract with the refinery and may be lower or higher than those received in North America.

Penalties We May Incur Could Impair Our Business.

Our exploration, development, production and marketing operations are regulated extensively under foreign, federal, state and local laws and regulations. Under these laws and regulations, we could be held liable for personal injuries, property damage, site clean-up and restoration obligations or costs and other damages and liabilities. We may also be required to take corrective actions, such as installing additional safety or environmental equipment, which could require us to make significant capital expenditures. Failure to comply with these laws and regulations may also result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties, including the assessment of natural resource damages. We could be required to indemnify our employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result of these laws and regulations, our future business prospects could deteriorate and our profitability could be impaired by costs of compliance, remedy or indemnification of our employees, reducing our profitability.

Policies, Procedures and Systems to Safeguard Employee Health, Safety and Security May Not be Adequate.

Oil and natural gas exploration and production is dangerous. Detailed and specialized policies, procedures and systems are required to safeguard employee health, safety and security. We have undertaken to implement best practices for employee health, safety and security; however, if these policies, procedures and systems are not adequate, or employees do not receive adequate training, the consequences can be severe including serious injury or loss of life, which could impair our operations and cause us to incur significant legal liability.

Environmental Risks May Adversely Affect Our Business.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require us to incur costs to remedy such discharge. The application of environmental laws to our business may cause us to curtail our production or increase the costs of our production, development or exploration activities.

Our Insurance May Be Inadequate to Cover Liabilities We May Incur.

Our involvement in the exploration for and development of oil and natural gas properties may result in our becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although we have insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, we may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to us. If we suffer a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, we could be required to divert funds from capital investment or other uses towards covering our liability for such events.

Challenges to Our Properties May Impact Our Financial Condition.

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. While we intend to make appropriate inquiries into the title of properties and other development rights we acquire, title defects may exist. In addition, we may be unable to obtain adequate insurance for title defects, on a commercially reasonable basis or at all. If title defects do exist, it is possible that we may lose all or a portion of our right, title and interest in and to the properties to which the title defects relate.

Furthermore, applicable governments may revoke or unfavorably alter the conditions of exploration and development authorizations that we procure, or third parties may challenge any exploration and development authorizations we procure. Such rights or additional rights we apply for may not be granted or renewed on terms satisfactory to us.

If our property rights are reduced, whether by governmental action or third party challenges, our ability to conduct our exploration, development and production may be impaired.

We Will Rely on Technology to Conduct Our Business and Our Technology Could Become Ineffective Or Obsolete.

We rely on technology, including geographic and seismic analysis techniques and economic models, to develop our reserve estimates and to guide our exploration and development and production activities. We will be required to continually enhance and update our technology to maintain its efficacy and to avoid obsolescence. The costs of doing so may be substantial, and may be higher than the costs that we anticipate for technology maintenance and development. If we are unable to maintain the efficacy of our technology, our ability to manage our business and to compete may be impaired. Further, even if we are able to maintain technical effectiveness, our technology may not be the most efficient means of reaching our objectives, in which case we may incur higher operating costs than we would were our technology more efficient.

Risks Related to Our Common Stock

The Market Price of Our Common Stock May Be Highly Volatile and Subject to Wide Fluctuations.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including but not limited to:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with acquisitions of other companies or assets;

- announcements of new acquisitions, reserve discoveries or other business initiatives by our competitors;
- fluctuations in revenue from our oil and natural gas business;
- changes in the market and/or WTI or Brent price for oil and natural gas commodities and/or in the capital markets generally;
- changes in the demand for oil and natural gas, including changes resulting from the introduction or expansion of alternative fuels;
- changes in the social, political and/or legal climate in the regions in which we will operate;
- changes in the valuation of similarly situated companies, both in our industry and in other industries;
- changes in analysts' estimates affecting us, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- announcements of technological innovations or new products available to the oil and natural gas industry;
- announcements by relevant governments pertaining to incentives for alternative energy development programs;
- fluctuations in interest rates, exchange rates and the availability of capital in the capital markets; and
- significant sales of our common stock, including sales by future investors in future offerings we expect to make to raise additional capital.

In addition, the market price of our common stock could be subject to wide fluctuations in response to various factors, which could include the following, among others:

- quarterly variations in our revenues and operating expenses; and
- additions and departures of key personnel.

These and other factors are largely beyond our control, and the impact of these risks, singularly or in the aggregate, may result in material adverse changes to the market price of our common stock and/or our results of operations and financial condition.

We Do Not Expect to Pay Dividends In the Foreseeable Future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and shareholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On eighteen separate dates beginning on April 1, 2012 and ending on June 30, 2012, we sold an aggregate of 2,693,021 common shares for an aggregate purchase price of $2,800,173. These shares were issued to twenty-four holders of warrants to purchase shares of our common stock upon exercise of the warrants. The shares were issued to these holders in reliance on Section 4(2) under the Securities Act, in that they were issued to the original purchasers of the warrants, who had represented to us in the private placement of the warrants that they were accredited investors as defined in Regulation D under the Securities Act.

Item 6. Exhibits

See Index to Exhibits at the end of this Report, which is incorporated by reference here. The Exhibits listed in the accompanying Index to Exhibits are filed as part of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAN TIERRA ENERGY INC.

Date: August 7, 2012	/s/ Dana Coffield
	By: Dana Coffield *Chief Executive Officer and President* *(Principal Executive Officer)*
Date: August 7, 2012	/s/ James Rozon
	By: James Rozon *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

EXHIBIT INDEX

Exhibit No.	Description	Reference
2.1	Arrangement Agreement, dated as of July 28, 2008, by and among Gran Tierra Energy Inc., Solana Resources Limited and Gran Tierra Exchangeco Inc.	Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (SEC File No. 001-34018), filed with the SEC on August 1, 2008.
2.2	Amendment No. 2 to Arrangement Agreement, which supersedes Amendment No. 1 thereto and includes the Plan of Arrangement, including appendices	Incorporated by reference to Exhibit 2.2 to the Registration Statement on Form S-3 (SEC File No. 333-153376), filed with the SEC on October 10, 2008.
2.3	Arrangement Agreement, dated January 17, 2011, by and between Gran Tierra Energy Inc. and Petrolifera Petroleum Limited. #	Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, filed with the SEC on January 21, 2011 (SEC File No. 001-34018).
3.1	Amended and Restated Articles of Incorporation.	Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q/A (SEC File No. 001-34018), filed with the SEC on January 6, 2010.
3.2	Amended and Restated Bylaws of Gran Tierra Energy Inc.	Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on September 22, 2008 (SEC File No. 000-52594).
4.1	Reference is made to Exhibits 3.1 to 3.2.	
4.2	Details of the Goldstrike Special Voting Share.	Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-KSB/A for the period ended December 31, 2005 and filed with the SEC on April 21, 2006 (SEC File No. 333-111656).
4.3	Goldstrike Exchangeable Share Provisions.	Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-KSB/A for the period ended December 31, 2005 and filed with the SEC on April 21, 2006 (SEC File No. 333-111656).
4.4	Provisions Attaching to the GTE–Solana Exchangeable Shares.	Incorporated by reference to Annex E to the Proxy Statement on Schedule 14A filed with the SEC on October 14, 2008 (SEC File No. 001-34018).
10.1	Amendment to Employment Agreement dated May 2, 2012 between Gran Tierra Energy Inc. and Martin Eden	Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q filed with the SEC on May 7, 2012, (SEC File No. 001-34018).
10.2	Amendment to Employment Agreement dated May 2, 2012 between Gran Tierra Energy Inc. and David Hardy	Incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q filed with the SEC on May 7, 2012, (SEC File No. 001-34018).
10.3	Executive Employment Agreement dated May 2, 2012 between Gran Tierra Energy Inc. and James Rozon	Incorporated by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q filed with the SEC on May 7, 2012, (SEC File No. 001-34018).
10.4	Resignation, Consent and Appointment Agreement and Amendment Agreement, effective May 17, 2012, assigning the Credit Agreement among Solana Resources Limited, Gran Tierra Energy Inc., BNP Paribas and Lenders, to Wells Fargo Bank, National Association	Filed herewith.
10.5	Fifth Amendment to Credit Agreement, dated as of May 18, 2012, among Solana Resources Limited, Gran Tierra Energy Inc. Wells Fargo Bank, National Association, and the Lenders	Filed herewith.
10.6	Amended and Restated 2007 Equity Incentive Plan	Filed herewith.

31.1	Certification of Principal Executive Officer	Filed herewith.
31.2	Certification of Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certifications.	Filed herewith.

101.INS* XBRL Instance Document
101.SCH* XBRL Taxonomy Extension Schema Document
101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB* XBRL Taxonomy Extension Label Linkbase Document
101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Gran Tierra undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

Exhibit 10.4

RESIGNATION, CONSENT AND APPOINTMENT AGREEMENT AND AMENDMENT AGREEMENT (Solana Resources Limited)

This Resignation, Consent and Appointment Agreement (this " Agreement") is effective as of May 17, 2012 (the "Effective Date"), by and among BNP PARIBAS ("BNP"), in its capacity as Administrative Agent and Global Coordinator (in such capacities, the "Existing Agent") and in its capacity as Issuing Bank, under that certain Credit Agreement and other Loan Documents referred to below, the Successor Agent (as defined below) , the Successor Issuing Bank (as defined below), the Successor Global Coordinator (as defined below) and the other parties hereto. Capitalized terms defined in the Credit Agreement have the same meanings when used herein unless otherwise defined herein.

RECITALS

WHEREAS, the Existing Agent serves as Administrative Agent and Global Coordinator under (a) the Credit Agreement dated as of July 30, 2010, as amended by that First Amendment to Credit Agreement dated as of August 31, 2010, that Second Amendment to Credit Agreement dated as of November 5, 2010, that Third Amendment to Credit Agreement dated as of January 20, 2011 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Solana Resources Limited (the " Borrower"), the Existing Agent and the other financial institutions party thereto, and Gran Tierra Energy Inc., as Parent Guarantor, and (b) the other Loan Documents (as defined in the Credit Agreement);

WHEREAS, the Existing Agent desires to resign as Administrative Agent and Global Coordinator under the Credit Agreement, the other Loan Documents (as defined in the Credit Agreement) and any other documents referred to in the Credit Agreement as to which the Existing Agent is acting as an administrative agent and/or global coordinator thereunder (collectively, as amended, restated, supplemented or otherwise modified, the "Loan Documents");

WHEREAS, the Majority Lenders and the Borrower, by entering into this Agreement, are consenting to the appointment of Wells Fargo Bank, National Association ("Wells Fargo") as successor Administrative Agent (in such capacity, the " Successor Agent") and successor Global Coordinator (in such capacity, the "Successor Global Coordinator") under the Credit Agreement and the other Loan Documents and each of the Successor Agent and Successor Global Coordinator, by entering into this Agreement, accepts such appointment;

WHEREAS, BNP serves as an Issuing Bank (the "Existing Issuing Bank") under the Credit Agreement and desires to resign as an Issuing Bank thereunder; and

WHEREAS, the Borrower, the Successor Agent, the Successor Global Coordinator and the Majority Lenders, by entering into this Agreement, are consenting to the appointment of Wells Fargo as a successor Issuing Bank (in such capacity, the " Successor Issuing Bank") under the Credit Agreement and the Successor Issuing Bank, by entering into this Agreement, accepts such appointment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

Section 1. Resignation, Consent and Appointment.

(a) As of the Effective Date (i) the Existing Agent hereby resigns as the Administrative Agent as provided under the Credit Agreement and shall have no further obligations in such capacity under the Credit Agreement and the other Loan Documents, except to the extent of any obligation expressly stated in the Credit Agreement or other Loan Documents as surviving any such resignation; (ii) the Existing Agent hereby resigns as the Global Coordinator as provided under the Credit Agreement and shall have no further obligations in such capacity under the Credit Agreement and the other Loan Documents, except to the extent of any obligation expressly stated in the Credit Agreement or other Loan Documents as surviving any such resignation; (iii) the Majority Lenders appoint Wells Fargo as successor Administrative Agent under the Credit Agreement and the other Loan Documents, and the Borrower hereby consents to such appointment; (iv) the Majority Lenders appoint Wells Fargo as successor Global Coordinator under the Credit Agreement and the other Loan Documents, and the Borrower hereby consents to such appointment; (v) Wells Fargo hereby accepts its appointment as Successor Agent under the Credit Agreement and the other Loan Documents; (vi) Wells Fargo hereby accepts its appointment as Successor Global Coordinator under the Credit Agreement and the other Loan Documents and (vii) the parties hereto authorize each of the Existing Agent, the Successor Agent and the Successor Global Coordinator to prepare, enter into, execute, record and/or file any and all notices, certificates, instruments, Uniform Commercial Code financing statements, Personal Property Security Act financing statements and/or other documents or agreements (including, without limitation, filings in respect of any collateral, and assignments, amendments or supplements to any UCC financing statements, Personal Property Security Act financing statements, mortgages, deeds of trust, security agreements, pledge agreements, intellectual property security agreements, certificates of title, stock powers, account control agreements, intercreditor agreements, or other Loan Documents), as the Existing Agent, the Successor Agent or the Successor Global Coordinator deems reasonably necessary or desirable to effect or evidence (of public record or otherwise) the transactions herein contemplated, including but not limited to the resignation of the Existing Agent and the appointment of the Successor Agent and the Successor Global Coordinator and any amendments to the Credit Agreement and Loan Documents set forth herein, and to maintain the validity, perfection, priority, of, or assign to the Successor Agent, any and all liens and security interests in respect of any and all collateral, and each of the Borrower, the Existing Agent, the Successor Agent and the Successor Global Coordinator hereby agrees to execute and deliver (and the Borrower agrees to cause each applicable Guarantor and/or other guarantor or grantor of collateral to execute and deliver) any documentation reasonably necessary or reasonably requested by the Existing Agent, the Successor Agent or Successor Global Coordinator to evidence such resignation and appointment or such amendments or to maintain the validity, perfection or priority of, or assign to the Successor Agent, any such liens or security interests, or to maintain the rights, powers and privileges afforded to the Administrative Agent or Global Coordinator under any of the Loan Documents.

(b) As of the Effective Date (i) BNP hereby resigns as an Issuing Bank as provided under the Credit Agreement and shall have no further obligations in such capacity under the Credit Agreement and the other Loan Documents, except (A) to the extent of any obligation expressly stated in the Credit Agreement or other Loan Documents as surviving any such resignation and (B) with respect to any Letter of Credit issued by it that is outstanding on the Effective Date (as set forth on Schedule 1 hereto, collectively, the "Residual Letters of Credit"), which until such Residual Letter of Credit is replaced, terminated or otherwise expired shall remain the obligation of the Existing Issuing Bank in accordance with the terms of the Credit Agreement; (ii) the Borrower, the Successor Agent and the Majority Lenders consent to the appointment of Wells Fargo as a successor Issuing Bank under the Credit Agreement; and (iii) Wells Fargo hereby accepts its appointment as Successor Issuing Bank under the Credit Agreement.

(c) The parties hereto hereby confirm that the Successor Agent succeeds to the rights and obligations of the Administrative Agent under the Credit Agreement and the other Loan Documents and becomes vested with all of the rights, powers, privileges and duties of the Administrative Agent under the Credit Agreement and the other Loan Documents, and the Existing Agent is discharged from all of its duties and obligations as the Administrative Agent under the Credit Agreement and the other Loan Documents (except to the extent of any obligation expressly stated in the Credit Agreement or other Loan Document as surviving any such resignation), in each case as of the Effective Date.

(d) The parties hereto hereby confirm that the Successor Global Coordinator succeeds to the rights and obligations of the Global Coordinator under the Credit Agreement and the other Loan Documents and becomes vested with all of the rights, powers, privileges and duties of the Global Coordinator under the Credit Agreement and the other Loan Documents, and the Existing Agent is discharged from all of its duties and obligations as the Global Coordinator under the Credit Agreement and the other Loan Documents (except to the extent of any obligation expressly stated in the Credit Agreement or other Loan Document as surviving any such resignation), in each case as of the Effective Date.

(e) The parties hereto hereby confirm that the Successor Issuing Bank succeeds to the rights and obligations of the Existing Issuing Bank under the Credit Agreement and becomes vested with all of the rights, powers, privileges and duties of the Existing Issuing Bank under the Credit Agreement, and the Existing Issuing Bank is discharged from all of its duties and obligations as an Issuing Bank under the Credit Agreement and the other Loan Documents (except (i) to the extent of any obligation expressly stated in the Credit Agreement or other Loan Document as surviving any such resignation and (ii) with respect to any Residual Letter of Credit, which until such Residual Letter of Credit is replaced, terminated or otherwise expired shall remain the obligation of the Existing Issuing Bank in accordance with the terms of the Credit Agreement), in each case as of the Effective Date.

(f) The parties hereto hereby confirm that, as of the Effective Date, all of the protective provisions, indemnities, and expense obligations under the Credit Agreement and the other Loan Documents continue in effect for the benefit of the Existing Agent, its sub-agents and their respective affiliates, officers, directors, trustees, employees, advisors, agents and controlling Persons in respect of any actions taken or omitted to be taken by any of them while the Existing Agent was acting as Administrative Agent or Global Coordinator or thereafter pursuant to or in furtherance of the provisions of this Agreement, and inure to the benefit of the Existing Agent. The parties hereto agree that the Successor Agent and the Successor Global Coordinator shall have no liability for any actions taken or omitted to be taken by the Existing Agent while it served as the Administrative Agent or Global Coordinator, as the case may be, under the Credit Agreement and the other Loan Documents or for any other event or action related to the Credit Agreement that occurred prior to the effectiveness of this Agreement. The parties hereto agree that the Existing Agent shall have no liability for any actions taken or omitted to be taken by the Successor Agent as the Administrative Agent or the Successor Global Coordinator as Global Coordinator under the Credit Agreement and the other Loan Documents.

(g) The parties hereto hereby confirm that, as of the Effective Date, all of the protective provisions, indemnities, and expense obligations under the Credit Agreement and the other Loan Documents continue in effect for the benefit of the Existing Issuing Bank, its sub-agents and their respective affiliates, officers, directors, trustees, employees, advisors, agents and controlling Persons in respect of any actions taken or omitted to be taken by any of them while the Existing Issuing Bank was acting as an Issuing Bank (including following the Effective Date until such time as no Residual Letters of Credit remain issued and outstanding) and inure to the benefit of the Existing Issuing Bank. The parties hereto agree that the Successor Issuing Bank shall have no liability for any actions taken or omitted to be taken by the Existing Issuing Bank while the Existing Issuing Bank served as an Issuing Bank under the Credit Agreement and the other Loan Documents or for any other event or action related to the Credit Agreement that occurred prior to the effectiveness of this Agreement. The parties hereto agree that the Existing Issuing Bank shall have no liability for any actions taken or omitted to be taken by the Successor Issuing Bank as an Issuing Bank under the Credit Agreement and the other Loan Documents.

(h) The Existing Agent hereby assigns to the Successor Agent, effective on and after the Effective Date, any powers of attorney, liens, or security interests and all other rights and interests granted to the Existing Agent, for the ratable benefit of the Lenders and any other secured parties on whose behalf it may be acting under any security documents included within the Loan Documents (collectively, the " Secured Parties"), under the Credit Agreement and other Loan Documents, and the Successor Agent hereby accepts the benefit of all such powers of attorney, liens and security interests and other rights and interests, for its benefit and for the ratable benefit of the Secured Parties.

(i) On and after the Effective Date, all possessory collateral held by the Existing Agent for the benefit of the Secured Parties shall be deemed to be held by the Existing Agent as agent and bailee for the Successor Agent for the benefit and on behalf of the Successor Agent and the Secured Parties until such time as such possessory collateral has been delivered to the Successor Agent. Without limiting the generality of the foregoing, any reference to the Existing Agent in any publicly filed document, to the extent such filing relates to the liens and security interests in any collateral assigned hereby and until such filing is modified to reflect the interests of the Successor Agent, shall, with respect to such liens and security interests, constitute a reference to the Existing Agent as collateral representative of the Successor Agent (provided that the parties hereto agree that the Existing Agent's role as such collateral representative shall impose no further duties, obligations or liabilities on the Existing Agent, including, without limitation, any duty to take any type of direction regarding any action to be taken against such collateral, whether such direction comes from the Successor Agent, the Secured Parties or otherwise, and the Existing Agent shall have the full benefit of all of the protective provisions of Article XI and Section 12.03 of the Credit Agreement, while serving in such capacity). The Existing Agent agrees to deliver all possessory collateral to the Successor Agent on or promptly following the Effective Date, and the Successor Agent agrees to take possession thereof upon such tender by the Existing Agent.

Section 2. Amendment to Credit Agreement .

Each of the parties hereto agree that Section 1.02 of the Credit Agreement is hereby amended by replacing the reference to "BNP Paribas" in the definition of (i) "Arranger" with a reference to "Wells Fargo Securities, LLC" and (ii) "Prime Rate" with a reference to "Wells Fargo Bank, National Association."

Section 3. Waiver of Notices.

The Borrower and the Majority Lenders hereby waive any notice, timing or other requirement of the Credit Agreement or the other Loan Documents (including, without limitation, pursuant to Section 11.06 of the Credit Agreement) related to the resignation of the Existing Agent (in its capacity as

Administrative Agent and Global Coordinator) and/or the Existing Issuing Bank or the appointment or designation of the Successor Agent, the Successor Global Coordinator and/or the Successor Issuing Bank.

Section 4. Representations and Warranties.

Each party hereto hereby represents and warrants on and as of the Effective Date that it is legally authorized to enter into and has duly executed and delivered this Agreement.

Section 5. Notices. Commencing as of the Effective Date, notices to the Successor Agent, the Successor Global Coordinator and the Successor Issuing Bank in respect of the Credit Agreement or any other Loan Document shall be directed as follows (and any notice provisions of the Credit Agreement and the other Loan Documents are hereby amended to reflect such notice information):

Wells Fargo Bank, N.A.
Attn: Yvette McQueen
1525 West W.T. Harris Boulevard
MAC D1109-019
Charlotte, NC 28262
Fax: 704 590 2782
Phone: 704 590 2706
Yvette.mcqueen@wellsfargo.com

Section 6. Miscellaneous.

6.01. Return of Payments. In the event that, after the Effective Date, the Existing Agent receives any principal, interest or other amount owing to any Lender or the Successor Agent under the Credit Agreement or any other Loan Document, or receives any instrument, agreement, report, financial statement, insurance policy, notice or other document in its capacity as Existing Agent, the Existing Agent agrees to promptly forward the same to the Successor Agent and to hold the same in trust for the Successor Agent until so forwarded. The parties hereto agree that any provision of any of the Loan Documents directing the Borrower to make payment to the Existing Agent shall be hereby amended to direct the Borrower to make payment to the account designated by the Successor Agent to the Borrower from time to time.

6.02. Agency Fees.

(a) The Existing Agent agrees to pay to the Successor Agent, such Successor Agent's ratable share of all agency fees actually paid to the Existing Agent in advance under or in connection with the Credit Agreement, determined based on the portion of the period for which such fees were actually paid in advance from the Effective Date to the end of such period.

(b) The Borrower agrees to pay to the Successor Agent, from and after the next due date therefor, the same agency fees that were payable to the Existing Agent under or in connection with the Credit Agreement.

6.03 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

6.04. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall be one and the same instrument. Delivery of this Agreement by facsimile or email transmission or other electronic means shall be effective as delivery of a manually executed counterpart hereof.

6.05. Headings. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

6.06. Interpretation. This Agreement is a Loan Document for all purposes under the Credit Agreement.

6.07. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and made effective as of the date first written above.

BNP PARIBAS,
as Existing Agent, Existing Issuing Bank and as the existing Lender

By: /s/ Mylene Dao
Name: Mylene Dao
Title: SF Credit Manager

By: /s/ PJ De Filippis
Name: PJ De Filippis
Title: Managing Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and made effective as of the date first written above.

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Successor Agent, Successor Global Coordinator and Successor Issuing Bank

By: /s/ Ronald A Mahle
Name: Ronald A Mahle
Title: Managing Director

Accepted and Agreed as of the Effective Date:

SOLANA RESOURCES LIMITED:

By: /s/ Heather Campbell
Name: Heather Campbell
Title: Assistant Secretary

GRAN TIERRA ENERGY INC.

By: /s/ James Rozon
Name: James Rozon
Title: Acting Chief Financial Officer

<u>Schedule 1</u>
<u>Residual Letters of Credit</u>

None

Exhibit 10.5

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FIFTH AMENDMENT

TO

CREDIT AGREEMENT

dated as of

May 18, 2012

among

SOLANA RESOURCES LIMITED,
as Borrower,

GRAN TIERRA ENERGY INC.,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and Global Coordinator,

and

The Lenders Party Hereto

—

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Fifth Amendment") dated as of May 18, 2012, is among **SOLANA RESOURCES LIMITED**, a corporation duly formed and existing under the laws of the Province of Alberta, Canada (the " Borrower"); **GRAN TIERRA ENERGY INC.,** a corporation formed and existing under the laws of the State of Nevada (the " Parent"); **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as administrative agent (in such capacity, together with its successors in such capacity, the "Administrative Agent") for the lenders party to the Credit Agreement referred to below (collectively, the "Lenders") and as global coordinator; and the undersigned Lenders.

R E C I T A L S

A. The Borrower, the Parent, the Administrative Agent and the Lenders are parties to that certain Credit Agreement dated as of July 30, 2010, as amended by that certain First Amendment to Credit Agreement dated as of August 31, 2010, that certain Second Amendment to Credit Agreement dated as of November 5, 2010, that certain Third Amendment to Credit Agreement dated as of January 20, 2011 and that certain Fourth Amendment to Credit Agreement dated as of February 14, 2011 among the Borrower, the Parent, the Administrative Agent and the Lenders party thereto (the "Credit Agreement"), pursuant to which the Lenders have made certain extensions of credit available to the Borrower.

B. The Borrower has requested and the Lenders have agreed to amend certain provisions of the Credit Agreement.

C. NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement. Unless otherwise indicated, all references to Sections in this Fifth Amendment refer to Sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendment to Section 1.02. The definition of "Material Subsidiary" is hereby amended and restated in its entirety as follows:

"Material Subsidiary" means (a) Solana Petroleum Exploration, (b) Gran Tierra Energy Colombia, (c) as of any date of determination, any Subsidiary that (i) owns or has an interest in any Property assigned value in the Borrowing Base then in effect, as determined by the Administrative Agent, or (ii) does business in Colombia, and (d) from and after the date on which the amount of the Borrowing Base first exceeds $20,000,000 (even if the amount of the Borrowing Base subsequently falls to or below $20,000,000), any Subsidiary that at any time owns or has an interest in Oil and Gas Properties that have produced Hydrocarbons at any time since such date (even if such Subsidiary subsequently ceases to own or have an interest in such Oil and Gas Properties or such production subsequently ceases); provided that the term "Material Subsidiary" shall not include (i) the Borrower, (ii) any Subsidiary that would constitute a "Material Subsidiary" under clause (d) above solely as a result of the ownership of or interest in Oil and Gas Properties located in Argentina or (iii) the Colombian Branch of Petrolifera Petroleum (Colombia) Ltd.

2.2 Amendment to Section 9.05(g). Section 9.05(g) is hereby amended and restated in its entirety to read as follows:

(g) (i) Investments made by any Credit Party in or to any other Credit Party and (ii) Investments made by any Credit Party in or to any Unrestricted Subsidiary; provided that in the case of clause (ii) above: (A) Investments made by Credit Parties to Unrestricted Subsidiaries from and after the date on which the amount of the Borrowing Base first exceeds $20,000,000 (even if the amount of the Borrowing Base subsequently falls to or below $20,000,000) shall not exceed $200,000,000 in the aggregate at any time outstanding, (B) both before and after giving effect to any such Investment, no Default shall exist, and (C) after giving effect to any such Investment, the Borrowing Base Utilization Percentage shall not exceed ninety percent (90%).

Section 3. Conditions Precedent. This Fifth Amendment shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02 of the Credit Agreement) (the " Fifth Amendment Effective Date"):

3.1 The Administrative Agent shall have received from the Lenders, the Borrower, the Parent and the Subsidiary Guarantors, counterparts (in such number as may be requested by the Administrative Agent) of this Fifth Amendment signed on behalf of such Persons.

3.2 The Administrative Agent shall have received executed counterparts of a Supplement and Assumption Agreement, in each case, in form and substance reasonably satisfactory to the Administrative Agent, from the parties thereto with respect to Gran Tierra Energy Brasil Ltda. ("GTEB") becoming a Guarantor and with respect to the pledge of the Equity Interests issued by GTEB.

3.3 No Default shall have occurred and be continuing, after giving effect to the terms of this Fifth Amendment.

Section 4. Redetermination of Borrowing Base. For the period from and including the Fifth Amendment Effective Date to but excluding the next Redetermination Date, the amount of the Borrowing Base shall be $50,000,000. For the avoidance of any doubt, this Borrowing Base Redetermination shall constitute the April 1, 2012 Scheduled Redetermination and the next Scheduled Redetermination shall be the October 1, 2012 Scheduled Redetermination. Notwithstanding the foregoing, the Borrowing Base may be subject to further adjustments from time to time pursuant to Section 8.13 or Section 9.11(d).

Section 5. Miscellaneous.

5.1 Post Closing Collateral Matters. Notwithstanding the provisions of Section 8.14 to the contrary, the Borrower shall have forty-five (45) days after the Fifth Amendment Effective Date to comply with the requirements of Section 8.14(b) and (c) with respect to granting and perfecting Liens on the Equity Interests in GTEB and on the Oil and Gas Properties and other Properties of GTEB (as more particularly described in Section 8.14).

5.2 Confirmation. The provisions of the Credit Agreement, as amended by this Fifth Amendment, shall remain in full force and effect following the effectiveness of this Fifth Amendment.

5.3 Ratification and Affirmation; Representations and Warranties. The Borrower and the Parent each hereby: (a) acknowledges the terms of this Fifth Amendment; (b) ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect, except as expressly amended hereby, after giving effect to the amendments contained herein; (c) agrees that from and after the Fifth Amendment Effective Date each reference to the Credit Agreement in the Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Fifth Amendment; and (d) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this Fifth

Amendment: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects, unless such representations and warranties are stated to relate to a specific earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects as of such earlier date and (ii) no Default has occurred and is continuing.

5.4 Loan Document. This Fifth Amendment is a "Loan Document" as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

5.5 Counterparts. This Fifth Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this Fifth Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

5.6 NO ORAL AGREEMENT. THIS FIFTH AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR UNWRITTEN ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

5.7 GOVERNING LAW. THIS FIFTH AMENDMENT (INCLUDING, BUT NOT LIMITED TO, THE VALIDITY AND ENFORCEABILITY HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment to be duly executed as of the date first written above.

BORROWER: SOLANA RESOURCES LIMITED

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and Chief Executive Officer

PARENT: GRAN TIERRA ENERGY INC.

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and Chief Executive Officer

ADMINISTRATIVE AGENT: WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Juan Carlos Sandoval
Name: Juan Carlos Sandoval
Title: Director

RATIFICATION AND AFFIRMATION

Each of the undersigned Guarantors hereby: (a) acknowledges the terms of this Fifth Amendment; (b) ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect, except as expressly amended hereby, after giving effect to the amendments contained herein; (c) agrees that from and after the Fifth Amendment Effective Date (as defined in this Fifth Amendment) each reference to the Credit Agreement in the Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Fifth Amendment; and (d) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this Fifth Amendment: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects, unless such representations and warranties are stated to relate to a specific earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects as of such earlier date and (ii) no Default has occurred and is continuing.

Executed as a DEED by:
SOLANA PETROLEUM EXPLORATION
(COLUMBIA) LIMITED

By: /s/ Julio Moreira
Name: Julio Moreira
Title: Director

GRAN TIERRA EXCHANGECO INC.

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and Chief Executive Officer

Executed as a DEED by:
GRAN TIERRA ENERGY INTERNATIONAL
HOLDINGS LTD.

By: /s/ Julio Moreira
Name: Julio Moreira
Title: Director

GRAN TIERRA ENERGY CAYMAN
ISLANDS INC.

By: /s/ Julio Moreira
Name: Julio Moreira
Title: Director

ARGOSY ENERGY, LLC

By: /s/ Julio Moreira
Name: Julio Moreira
Title: Manager

GRAN TIERRA ENERGY COLOMBIA, LTD.
By: Argosy Energy, LLC, the general partner of
Gran Tierra Energy Colombia, Ltd.

By: /s/ Julio Moreira
Name: Julio Moreira
Title: Manager

GRAN TIERRA ENERGY INC.

2007 EQUITY INCENTIVE PLAN

ADOPTED: AUGUST 9, 2007
APPROVED BY STOCKHOLDERS: OCTOBER 10, 2007
AMENDED BY THE BOARD: DECEMBER 20, 2007
AMENDED BY THE BOARD: JANUARY 14, 2008
AMENDED BY THE BOARD: OCTOBER 9, 2008
APPROVED BY THE STOCKHOLDERS: NOVEMBER 14, 2008
AMENDED BY THE BOARD: APRIL 26, 2010
APPROVED BY THE STOCKHOLDERS: JUNE 16, 2010

AMENDED BY THE BOARD: AUGUST 3, 2011

AMENDED BY THE BOARD: FEBRUARY 22, 2012
APPROVED BY THE STOCKHOLDERS: JUNE 27, 2012

1. GENERAL PURPOSES.

(a) Amendment and Restatement. The Plan is intended as a complete amendment and restatement of the Company's 2005 Equity Incentive Plan (the "***Prior Plan***"). Except as expressly set forth in this Section 1(a), all outstanding options, stock appreciation rights and stock awards granted under the Prior Plan shall remain subject to the terms of the Prior Plan. Any shares of Common Stock subject to outstanding options and stock appreciation rights granted under the Prior Plan (together, the "***Prior Plan Appreciation Awards***") and stock awards granted under the Prior Plan that (i) expire or terminate for any reason prior to exercise or settlement, (ii) are forfeited, cancelled or otherwise returned because of the failure to meet a contingency or condition required to vest such shares, or (iii) other than with respect to a Prior Plan Appreciation Award, are reacquired or withheld (or not issued) to satisfy a tax withholding obligation (collectively, the "***Prior Plan's Returning Shares***") shall become available for issuance pursuant to Stock Awards granted hereunder in accordance with the provisions of Section 4(c) below. All Stock Awards granted subsequent to the Effective Date of this Plan shall be subject to the terms of this Plan.

(b) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are Employees, Directors and Consultants.

(c) Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Options, (ii) Restricted Stock Awards, (iii) Stock Appreciation Rights, (iv) Restricted Stock Units, and (v) Other Stock Awards.

(d) General Purpose. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) ***"Affiliate"*** means any "parent corporation" or "subsidiary corporation" of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code. The Board shall have the authority to determine the time or times at which "parent corporation" or "subsidiary corporation" status is determined within the foregoing definition.

(b) ***"Board"*** means the Board of Directors of the Company.

(c) ***"Capitalization Adjustment"*** has the meaning ascribed to that term in Section 11(a).

(d) ***"Change in Control"*** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company by an institutional investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions that are primarily a private financing transaction for the Company or (B) solely because the level of Ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company if, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction;

(iii) there is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportion as their Ownership of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the date this Plan is adopted by the Board, are members of the Board (the " ***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board; *provided, however,* that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board).

The term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

Notwithstanding the foregoing or any other provision of this Plan, the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Stock Awards subject to such agreement (it being understood, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply); *provided, however*, that no Change in Control will be deemed to occur upon announcement or commencement of a tender offer or upon a potential takeover or upon stockholder approval of a merger or other transaction, in each case without a requirement that the Change in Control actually occur.

(e) ***"Code"*** means the United States Internal Revenue Code of 1986, as amended.

(f) ***"Committee"*** means a committee of one or more members of the Board appointed by the Board in accordance with Section 3(d).

(g) ***"Common Stock"*** means the common stock of the Company.

(h) ***"Company"*** means Gran Tierra Energy Inc., a Nevada corporation.

(i) ***"Consultant"*** means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) serving as a member of the Board of Directors of an Affiliate and who is compensated for such services. However, the term "Consultant" shall not include Directors who are not compensated by the Company for their services as Directors, and the payment of a director's fee by the Company for services as a Director shall not cause a Director to be considered a "Consultant" for purposes of the Plan.

(j) ***"Continuous Service"*** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, shall not terminate a Participant's Continuous Service; *provided, however,* if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant's Continuous Service shall be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a Director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy or in the written terms of the Participant's leave of absence.

(k) ***"Corporate Transaction"*** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) the consummation of a sale or other disposition of at least fifty percent (50%) of the outstanding securities of the Company;

(iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(l) ***"Covered Employee"*** shall have the meaning provided in Section 162(m)(3) of the Code.

(m) ***"Director"*** means a member of the Board.

(n) ***"Disability"*** means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(o) **"*Disinterested Stockholders*"** means all of the stockholders of the Company except Insiders of the Company who are eligible to receive Stock Awards, and such Insiders' associates.

(p) **"*Effective Date*"** means October 10, 2007, which was the date of the 2007 Annual Meeting of Stockholders at which this Plan was approved by the Company's stockholders.

(q) ***"Employee"*** means any person employed by the Company or an Affiliate. Service as a Director or payment of a director's fee by the Company for such service or for service as a member of the Board of Directors of an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(r) ***"Entity"*** means a corporation, partnership, limited liability company or other entity.

(s) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(t) ***"Exchange Act Person"*** means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (A) the Company or any Subsidiary of the Company, (B) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(u) ***"Fair Market Value"*** means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq Global Select Market, Nasdaq Global Market or the Nasdaq Capital Market, the Fair Market Value of a share of Common Stock, unless otherwise determined by the Board, shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination (or if such day of determination does not fall on a market trading day, then the last market trading day prior to the day of determination), as reported in a source the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board and in a manner that complies with Sections 409A and 422 of the Code.

(v) **"*Full Value Award*"** means a Stock Award that is not an Option with respect to which the exercise or strike price is at least 100% of the Fair Market Value on the date of grant or a Stock Appreciation Right with respect to which the exercise or strike price is at least 100% of the Fair Market Value on the date of grant.

(w) **"*Insider*"** means an "insider" as defined under the policies of the Toronto Stock Exchange, as amended from time to time, which includes, among others, Directors and TSX Officers of the Company.

(x) ***"Non-Employee Director"*** means a Director who either (i) is not currently an employee or officer of the Company or its parent or a subsidiary, does not receive compensation, either directly or indirectly, from the

Company or its parent or a subsidiary, for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (" ***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(y) ***"Officer"*** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(z) ***"Option"*** means a stock option granted pursuant to the Plan that is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(aa) ***"Option Agreement"*** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(bb) ***"Optionholder"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(cc) ***"Other Stock Award"*** means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 7(d).

(dd) ***"Outside Director"*** means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(ee) ***"Own," "Owned," "Owner," "Ownership"*** A person or Entity shall be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ff) ***"Participant"*** means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(gg) ***"Plan"*** means this Gran Tierra Energy Inc. 2007 Equity Incentive Plan.

(hh) ***"Restricted Stock Award"*** means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 7(a).

(ii) ***"Restricted Stock Unit"*** means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 7(b).

(jj) ***"Rule 16b-3"*** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(kk) ***"Securities Act"*** means the Securities Act of 1933, as amended.

(ll) ***"Stock Appreciation Right"*** means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 7(c).

(mm) ***"Stock Award"*** means any right granted under the Plan, including an Option, Restricted Stock Award, Restricted Stock Unit, Stock Appreciation Right and Other Stock Award.

(nn) ***"Stock Award Agreement"*** means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(oo) ***"Subsidiary"*** means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

(pp) "***TSX Officer***" means a senior officer of the Company or any subsidiary and includes an issuer, all of the voting securities of which are owned by a TSX Officer.

3. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3(d).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan or Stock Award fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To amend the Plan or a Stock Award as provided in Section 12.

(v) To terminate or suspend the Plan as provided in Section 13.

(vi) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Stock Awards.

(vii) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are located in various local jurisdictions.

(c) Cancellation and Re-Grant of Stock Awards. Notwithstanding the foregoing or any other provision of this Plan, neither the Board nor any Committee shall have the authority to: (i) reduce the exercise price of any outstanding Options or Stock Appreciation Rights under the Plan, or (ii) cancel any outstanding Options or Stock Appreciation Rights that have an exercise price or strike price greater than the current Fair Market Value of the Common Stock in exchange for cash or other Stock Awards under the Plan, unless the stockholders of the Company have approved such an action within twelve (12) months prior to such an event.

(d) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) Section 162(m) and Rule 16b-3 Compliance. In the discretion of the Board, the Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. In addition, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award, (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code, or (c) not then subject to Section 16 of the Exchange Act.

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards after the Effective Date shall not exceed 39,806,100, which amount consists of (i) 23,306,100 shares, which is the total reserve that the Company's stockholders approved at the Company's 2010 Annual Meeting of Stockholders, including, but not limited to, the shares which remained available for issuance under the Prior Plan on the Effective Date and (ii) 16,500,000 shares that were approved at the Company's 2012 Annual Meeting of Stockholders (the "***2007 Plan Reserve***"). For clarity, the 2007 Plan Reserve in this Section 4(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 4(a) does not limit the granting of Stock Awards except as provided in Section 8(a). Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711, Toronto Stock Exchange Company Manual Section 613 or other applicable rule, and such issuance shall not reduce the number of shares available for issuance under the Plan.

(b) Subject to Section 4(c), the 2007 Plan Reserve shall be reduced by: (i) one share for each share of Common Stock issued pursuant to an Option or Stock Appreciation Right with respect to which the exercise or strike price shall not be less than 100% of Fair Market Value on the date of grant; and (ii) 1.55 shares for each share of Common Stock issued pursuant to a Full Value Award.

(c) Reversion of Shares to the Share Reserve.

(i) Shares Available for Subsequent Issuance. If any shares of Common Stock issued pursuant to a Stock Award are (A) not issued or forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares covered by such Stock Award having been issued or (B) not issued or reacquired by the Company pursuant to Section 10(f) in connection with a Full Value Award, such shares shall again become available for issuance under the Plan (the "***2007 Plan Returning Shares***"). For each (1) 2007 Plan Returning Share that was granted under the Plan pursuant to a Full Value Award or (2) Prior Plan's Returning Share that was granted under the Prior Plan pursuant to an award other than a Prior Plan Appreciation Award, the number of shares of Common Stock available for issuance under the Plan shall increase by 1.55 shares.

(ii) Shares Not Available for Subsequent Issuance. If any shares subject to a Stock Award or a Prior Plan Appreciation Award are not delivered to a Participant because the Stock Award is exercised through a reduction of shares subject to the Stock Award or Prior Plan Appreciation Award (*i.e*., "net exercised"), the number of shares that are not delivered to the Participant shall no longer be available for issuance under the Plan. Also, any shares reacquired by the Company pursuant to Section 10(f) upon the exercise of an Option or Stock Appreciation Right or a Prior Plan Appreciation Award, any shares used as consideration for the exercise of an Option or Stock Appreciation Right or a Prior Plan Appreciation Award or any shares repurchased by the Company on the open market with the proceeds of an Option or Stock Appreciation Right exercise price or a Prior Plan Appreciation Award exercise price shall no longer be available for issuance under the Plan.

(d) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Stock Awards may be granted to Employees, Directors and Consultants.

(b) Section 162(m) Limitation on Annual Grants. Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, no Employee shall be eligible to be granted Options or Stock Appreciation Rights whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date any such Stock Award is granted covering more than one million (1,000,000) shares of Common Stock during any calendar year.

(c) Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("***Form S-8***") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other rule governing the use of Form S-8.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Option shall be exercisable after the expiration of ten (10) years from the date on which it was granted.

(b) Exercise Price of a Stock Option. The exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Sections 409A and 424(a) of the Code; *provided, however*, that if the Common

Stock is listed on the Toronto Stock Exchange, the granting of the Option is approved by the Toronto Stock Exchange to the extent necessary to satisfy the rules of the Toronto Stock Exchange.

(c) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of or subsequently to the grant of the Option (1) by delivery to the Company of other Common Stock (whether by actual delivery or attestation), (2) by a "net exercise" of the Option (as further described below), (3) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instruction to pay the aggregate exercise price to the Company from the sales proceeds or (4) in any other form of legal consideration that may be acceptable to the Board.

In the case of a "net exercise" of an Option, the Company will not require a payment of the exercise price of the Option from the Optionholder but will reduce the number of shares of Common Stock issued upon the exercise by the largest number of whole shares that has a Fair Market Value that does not exceed the aggregate exercise price. With respect to any remaining balance of the aggregate exercise price, the Company shall accept a cash payment from the Optionholder. The shares of Common Stock so used to pay the exercise price of an Option under a "net exercise," the shares actually delivered to the Optionholder, and any shares withheld to satisfy tax withholding obligations will be considered to have resulted from the exercise of the Option, and accordingly, the Option will not again be exercisable with respect to such shares.

(d) Transferability of an Option. An Option shall be transferable to the extent provided in the Option Agreement. If the Option does not provide for transferability, then the Option shall not be transferable except by will or by the laws of descent and distribution or pursuant a domestic relations order and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this Section 6(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) Termination of Continuous Service. In the event that an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(g) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in Section 6(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(h) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the

Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(i) Death of Optionholder. In the event that (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionholder's death pursuant to Section 6(d), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(j) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. The Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid classification of the Option as a liability for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) Restricted Stock Awards. Each Restricted Stock Award agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award agreements need not be identical; *provided, however,* that each Restricted Stock Award agreement shall include (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Purchase Price. At the time of the grant of a Restricted Stock Award, the Board will determine the price to be paid by the Participant for each share subject to the Restricted Stock Award. To the extent required by applicable law, the price to be paid by the Participant for each share of the Restricted Stock Award will not be less than the par value of a share of Common Stock. A Restricted Stock Award may be awarded as a stock bonus (*i.e.*, with no cash purchase price to be paid) to the extent permissible under applicable law.

(ii) Consideration. At the time of the grant of a Restricted Stock Award, the Board will determine the consideration permissible for the payment of the purchase price of the Restricted Stock Award. The purchase price of Common Stock acquired pursuant to the Restricted Stock Award shall be paid in one of the following ways: (i) in cash at the time of purchase; (ii) by services rendered or to be rendered to the Company; or (iii) in any other form of legal consideration that may be acceptable to the Board.

(iii) Vesting. Shares of Common Stock acquired under a Restricted Stock Award may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) Termination of Participant's Continuous Service. In the event that a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the Restricted Stock Award agreement. The Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid classification of the Restricted Stock Award as a liability for financial accounting purposes) have elapsed following the purchase of the restricted stock unless otherwise determined by the Board or provided in the Restricted Stock Award agreement.

(v) Transferability. Rights to purchase or receive shares of Common Stock granted under a Restricted Stock Award shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award agreement, as the Board shall determine in its discretion, and so long as Common Stock awarded under the Restricted Stock Award remains subject to the terms of the Restricted Stock Award agreement.

(b) Restricted Stock Units. Each Restricted Stock Unit agreement shall be in such form and shall contain such terms and conditions as the Board shall determine. The terms and conditions of Restricted Stock Unit agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit agreements need not be identical; *provided, however,* that each Restricted Stock Unit agreement shall include (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit award. To the extent required by applicable law, the consideration to be paid by the Participant for each share of Common Stock subject to a Restricted Stock Unit award will not be less than the par value of a share of Common Stock. Such consideration may be paid in any form permitted under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit award, the Board may impose such restrictions or conditions to the vesting of the shares Restricted Stock Unit as it deems appropriate.

(iii) Payment. A Restricted Stock Unit award may be settled by the delivery of shares of Common Stock, their cash equivalent, or any combination of the two, as the Board deems appropriate.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit award after the vesting of such Stock Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of Restricted Stock Units, as the Board deems appropriate. Such dividend equivalents may be converted into additional Restricted Stock Units by dividing (1) the aggregate amount or value of the dividends paid with respect to that number of shares of Common Stock equal to the number of Restricted Stock Units then credited by (2) the Fair Market Value per share of Common Stock on the payment date for such dividend. The additional Restricted Stock Units credited by reason of such dividend equivalents will be subject to all the terms and conditions of the underlying Restricted Stock Unit award to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Stock Award Agreement, Restricted Stock Units that have not vested will be forfeited upon the Participant's termination of Continuous Service for any reason.

(c) Stock Appreciation Rights. Each Stock Appreciation Right agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Stock Appreciation Right agreements may change from time to time, and the terms and conditions of separate Stock Appreciation Rights agreements need not be identical, but each Stock Appreciation Right agreement shall include (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Calculation of Appreciation. Each Stock Appreciation Right will be denominated in share of Common Stock equivalents. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of share of Common Stock equivalents in which the Participant is vested under such Stock Appreciation Right and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) an amount that will be determined by the Committee at the time of grant of the Stock Appreciation Right.

(ii) Vesting. At the time of the grant of a Stock Appreciation Right, the Board may impose such restrictions or conditions to the vesting of such Right as it deems appropriate.

(iii) Exercise. To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Rights agreement evidencing such Right.

(iv) Payment. The appreciation distribution in respect of a Stock Appreciation Right may be paid in Common Stock, in cash, or any combination of the two, as the Board deems appropriate.

(v) Termination of Continuous Service. If a Participant's Continuous Service terminates for any reason, any unvested Stock Appreciation Rights shall be forfeited and any vested Stock Appreciation Rights shall be automatically redeemed.

(d) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock may be granted either alone or in addition to Stock Awards provided for under Section 6 and the preceding provisions of this Section 7. Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Stock Awards and all other terms and conditions of such Stock Awards.

8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however,* that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant shall not be eligible for the grant of a Stock Award or the subsequent issuance of Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify. The Company shall have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Corporate Action Constituting Grant of Stock Awards. Corporate action constituting a grant by the Company of a Stock Award to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant.

(c) Stockholder Rights. Subject to the further limitations of Section 7(b)(iv) hereof, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(d) No Employment or other Service Rights. Nothing in the Plan, and Stock Award Agreement or any other instrument executed thereunder or in connection with any Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Investment Assu

Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any country, federal, state, provincial or local tax withholding obligation relating to any Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding payment from any amounts otherwise payable to the Participant; (iv) withholding cash from a Stock Award settled in cash; or (v) by such other method as may be set forth in the Stock Award Agreement.

(g) **Electronic Delivery**. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet.

(h) **Compliance with Section 409A.** To the extent that the Board determines that any Stock Award granted hereunder is subject to Section 409A of the Code, the Stock Award Agreement evidencing such Stock Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code, including without limitation any applicable guidance that may be issued or amended after the Effective Date.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) **Capitalization Adjustments**. If any change is made in, or other event occurs with respect to, the Common Stock subject to the Plan or subject to any Stock Award without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction (each a "***Capitalization Adjustment***"), the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 4(a), (ii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 5(b), and (iii) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. The conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

(b) **Dissolution or Liquidation**. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to the completion of such dissolution or liquidation, and shares of Common Stock subject to the Company's repurchase option may be repurchased by the Company notwithstanding the fact that the holder of such stock is still in Continuous Service.

(c) **Corporate Transaction**. In the event of a Corporate Transaction, any surviving corporation or acquiring corporation may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards outstanding under the Plan (it being understood that similar stock awards include, but are not limited to, awards to acquire the same consideration paid to the stockholders or the Company, as the case may be, pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor's parent company), if any, in connection with such Corporate Transaction. Regardless of whether any surviving corporation or acquiring corporation does assume or continue any or all such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, with respect to Stock Awards that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction, (i) the vesting of such Stock Awards (and, if applicable, the time at which such Stock Awards may be exercised) shall (contingent upon the effectiveness of the Corporate Transaction) be accelerated in full to a date prior to the effective time of such Corporate Transaction as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the effective time of the Corporate Transaction), and (ii) any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall (contingent upon the effectiveness of the Corporate Transaction) lapse. With respect to any other Stock Awards outstanding under the Plan that have not been assumed, continued or substituted, the vesting of such Stock Awards (and, if applicable, the time at which such Stock Award may be exercised) shall not be accelerated, unless otherwise provided in a written agreement between the

Company or any Affiliate and the holder of such Stock Award, and such Stock Awards shall terminate if not exercised (if applicable) prior to the effective time of the Corporate Transaction.

(d) Change in Control. A Stock Award held by any Participant whose Continuous Service has not terminated prior to the effective time of a Change in Control may be subject to additional acceleration of vesting and exercisability upon or after such event as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11(a) relating to Capitalization Adjustments and Section 12(f) relating to amendments without Stockholder Approval, no amendment shall be effective unless approved by the stockholders of the Company.

(b) Stockholder Approval. The Board, in its sole discretion, may submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees.

(c) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(d) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; *provided, however,* that (i) if the Common Stock is listed on the Toronto Stock Exchange any amendment is approved by the stockholders to the extent necessary to satisfy the rules of the Toronto Stock Exchange, and (ii) that the rights under any Stock Award shall not be impaired by any such amendment unless (A) the Company requests the consent of the Participant and (B) the Participant consents in writing.

(e) Insiders. If an amendment reducing the Option exercise price or extending the term of the Option is made to an Option held by an Insider, the amendment shall only be made effective after the approval is received of Disinterested Stockholders at a meeting of the stockholders of the Company (and with respect to reducing the Option exercise price, provided that the requirements set forth in Section 3(c) are satisfied).

(f) A m e n d m e n t s w i t h o u t S t o c k have the authority: (a) to make amendments to the Plan or a Stock Award of a housekeeping or administrative nature; (b) if the Common Stock is listed on the Toronto Stock Exchange subject to any required approval of the Toronto Stock Exchange, to change the vesting or termination provisions of a Stock Award or the Plan; (c) amendments necessary to comply with provisions of applicable law or stock exchange requirements or for grants to qualify for favourable treatment under applicable laws; and (d) any other amendment, fundamental or otherwise, not requiring stockholder approval under the Code; *provided, however,* that no amendment shall be made without stockholder approval to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. CHOICE OF LAW.

The law of the State of Nevada shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

16. LIMITS WITH RESPECT TO INSIDERS.

(a) The maximum number of shares of Common Stock which may be reserved for issuance to Insiders, at any time, under the Plan and any other share compensation arrangement of the Company shall be 10% of the Common Stock issued and outstanding.

(b) The maximum number of shares of Common Stock which may be issued to Insiders under the Plan, at any time, and any other share compensation arrangement within any 12-month period shall be 10% of the Common Stock outstanding.

(c) The maximum number of shares of Common Stock which may be issued to any one Insider and such Insider's associates under the Plan, at any time, within a 12-month period shall be 5% of the Common Stock outstanding.

17. LIMITS WITH RESPECT TO CONSULTANTS.

(a) The number of Options granted to any one Consultant in any 12-month period under the Plan shall not exceed 2% of the issued and outstanding shares of Common Stock at the time of grant.

Exhibit 31.1

CERTIFICATION

I, Dana Coffield, certify that:

1. I have reviewed this Form 10-Q of Gran Tierra Energy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dana Coffield

Dana Coffield
Chief Executive Officer

Date: August 7, 2012

Exhibit 31.2

CERTIFICATION

I, James Rozon, certify that:

1. I have reviewed this Form 10-Q of Gran Tierra Energy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James Rozon

James Rozon
Chief Financial Officer

Date: August 7, 2012

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Gran Tierra Energy Inc. (the "Company") for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dana Coffield, Chief Executive Officer of the Company, and James Rozon, Chief Financial Officer of the Company, each hereby certifies, to the best of his knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2012

/s/Dana Coffield	/s/ James Rozon
Dana Coffield	**James Rozon**
Chief Executive Officer	**Chief Financial Officer**

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.