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 March 31, 2011
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 11th Avenue S.W. Calgary, Alberta, Canada (Address of principal executive offices)	T2R 0E1 (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 May 3, 2011, the following numbers of shares of the registrant's capital stock were outstanding: 260,437,501 shares of the registrant's Common Stock, $0.001 par value; one share of Special A Voting Stock, $0.001 par value, representing 7,811,112 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 8,998,069 shares of Gran Tierra Exchangeco Inc., which are exchangeable on a 1-for-1 basis into the registrant's Common Stock.

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PART I - FINANCIAL INFORMATION

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 March 31,	
	2011	**2010**
REVENUE AND OTHER INCOME		
Oil and natural gas sales	**$ 122,296**	$ 92,932
Interest	**223**	178
	122,519	93,110
EXPENSES		
Operating	**16,396**	10,185
Depletion, depreciation, accretion, and impairment (Note 5)	**63,357**	40,343
General and administrative	**13,638**	7,190
Equity tax (Note 8)	**8,050**	-
Financial instruments gain (Note 11)	**(230)**	(44)
Gain on acquisition (Note 3)	**(24,300)**	-
Foreign exchange loss	**5,199**	14,294
	82,110	71,968
INCOME BEFORE INCOME TAXES	**40,409**	21,142
Income tax expense (Note 8)	**(26,696)**	(11,182)
NET INCOME AND COMPREHENSIVE INCOME	**13,713**	9,960
RETAINED EARNINGS, BEGINNING OF PERIOD	**58,097**	20,925
RETAINED EARNINGS, END OF PERIOD	**$ 71,810**	$ 30,885
NET INCOME PER SHARE — BASIC	**$ 0.05**	$ 0.04
NET INCOME PER SHARE — DILUTED	**$ 0.05**	$ 0.04
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC (Note 6)	***260,930,753***	*248,818,662*
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED (Note 6)	***267,819,800***	*256,863,106*

(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)

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 253,901**	$ 355,428
Restricted cash (Note 12)	**7,950**	250
Accounts receivable	**137,059**	43,035
Inventory (Note 2)	**6,448**	5,669
Taxes receivable	**16,660**	6,974
Prepaids	**3,107**	1,940
Deferred tax assets (Note 8)	**2,112**	4,852
Total Current Assets	**427,237**	418,148
Oil and Gas Properties (using the full cost method of accounting)		
Proved	**544,828**	442,404
Unproved	**402,070**	278,753
Total Oil and Gas Properties	**946,898**	721,157
Other capital assets	**6,352**	5,867
Total Property, Plant and Equipment (Note 5)	**953,250**	727,024
Other Long Term Assets		
Restricted cash (Note 12)	**2,335**	1,190
Deferred tax assets (Note 8)	**2,497**	-
Other long term assets	**308**	311
Goodwill	**102,581**	102,581
Total Other Long Term Assets	**107,721**	104,082
Total Assets	**$ 1,488,208**	$ 1,249,254
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable (Note 9)	**$ 42,689**	$ 76,023
Accrued liabilities (Note 9)	**60,808**	32,120
Bank debt (Note 12)	**31,250**	-
Taxes payable	**66,300**	43,832
Replacement warrants (Notes 3 and 6)	**1,292**	-
Asset retirement obligations (Note 7)	**334**	338
Total Current Liabilities	**202,673**	152,313
Long Term Liabilities		
Deferred tax liabilities (Note 8)	**216,697**	204,570
Deferred remittance tax and other	**1,064**	1,036
Equity tax payable (Note 8)	**10,174**	-
Asset retirement obligations (Note 7)	**9,767**	4,469
Total Long Term Liabilities	**237,702**	210,075
Commitments and Contingencies (Note 10)		
Shareholders' Equity		
Common shares (Note 6)	**5,848**	4,797
(260,053,351 and 240,440,830 common shares and 16,959,181 and 17,681,123 exchangeable shares, par value $0.001 per share, issued and outstanding as at March 31, 2011 and December 31, 2010 respectively)		
Additional paid in capital	**968,101**	821,781
Warrants (Note 6)	**2,074**	2,191

Retained earnings	**71,810**	58,097
Total Shareholders' Equity	**1,047,833**	886,866
Total Liabilities and Shareholders' Equity	**$ 1,488,208**	$ 1,249,254

(See notes to the condensed consolidated financial statements)

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

	Three Months Ended March 31,	
	2011	**2010**
Operating Activities		
Net income	**$ 13,713**	$ 9,960
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depletion, depreciation, accretion, and impairment	**63,357**	40,343
Deferred taxes	**(187)**	(10,054)
Stock based compensation (Note 6)	**3,453**	1,362
Unrealized gain on financial instruments (Note 11)	**(62)**	(44)
Unrealized foreign exchange loss	**4,458**	12,707
Settlement of asset retirement obligations (Note 7)	**(4)**	-
Equity taxes payable long term	**6,132**	-
Gain on acquisition (Note 3)	**(24,300)**	-
Net changes in non-cash working capital		
Accounts receivable	**(83,036)**	(46,208)
Inventory	**736**	97
Prepaids	**(831)**	(669)
Accounts payable and accrued liabilities	**(22,756)**	(17,796)
Taxes receivable and payable	**8,101**	12,747
Net cash provided by (used in) operating activities	**(31,226)**	2,445
Investing Activities		
Restricted cash	**(5,600)**	712
Additions to property, plant and equipment	**(74,266)**	(27,072)
Proceeds from disposition of oil and gas property	**-**	600
Cash acquired on acquisition (Note 3)	**7,747**	-
Proceeds on sale of asset backed commercial paper (Note 3)	**22,679**	-
Long term assets and liabilities	**3**	32
Net cash used in investing activities	**(49,437)**	(25,728)
Financing Activities		
Settlement of bank debt (Notes 3 and 12)	**(22,853)**	-
Proceeds from issuance of common shares	**1,989**	18,173
Net cash (used in) provided by financing activities	**(20,864)**	18,173
Net decrease in cash and cash equivalents	**(101,527)**	(5,110)
Cash and cash equivalents, beginning of period	**355,428**	270,786
Cash and cash equivalents, end of period	**$ 253,901**	$ 265,676
Cash	**$ 243,399**	$ 101,580
Term deposits	**10,502**	164,096
Cash and cash equivalents, end of period	**$ 253,901**	$ 265,676
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 668**	$ -
Cash paid for income taxes	**$ 9,693**	$ 10,147
Non-cash investing activities:		
Non-cash working capital related to property, plant and equipment	**$ 42,698**	$ 10,328

(See notes to the condensed consolidated financial statements)

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

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Share Capital		
Balance, beginning of period	**$ 4,797**	$ 1,431
Issue of common shares	**1,051**	3,366
Balance, end of period	**5,848**	4,797
Additional Paid in Capital		
Balance, beginning of period	**821,781**	766,963
Issue of common shares	**141,910**	19,119
Exercise of warrants (Note 6)	**117**	24,916
Exercise of stock options (Note 6)	**717**	2,300
Stock based compensation expense (Note 6)	**3,576**	8,483
Balance, end of period	**968,101**	821,781
Warrants		
Balance, beginning of period	**2,191**	27,107
Exercise of warrants (Note 6)	**(117)**	(24,916)
Balance, end of period	**2,074**	2,191
Retained Earnings		
Balance, beginning of period	**58,097**	20,925
Net income	**13,713**	37,172
Balance, end of period	**71,810**	58,097
Total Shareholders' Equity	**$ 1,047,833**	$ 886,866

(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 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 preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements, and revenues and expenses during the reporting period. In the opinion of the Company's management, all adjustments (all of which are normal and recurring) that have been made are necessary to fairly state the consolidated financial position of the Company as at March 31, 2011, the results of its operations and its cash flows for the three month periods ended March 31, 2011 and 2010.

The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for interim consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2010 included in the Company's 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on February 25, 2011. The Company's significant accounting policies are described in Note 2 of the consolidated financial statements which are included in the Company's 2010 Annual Report on Form 10-K and are the same policies followed in these unaudited interim consolidated financial statements, except as disclosed below. The Company has evaluated all subsequent events through to the date these unaudited interim consolidated financial statements were issued.

Fair value of financial instruments

The Company's financial instruments are cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, bank debt, asset backed commercial paper ("ABCP") and derivatives. The fair values of these financial instruments, excluding ABCP, derivatives and bank debt, approximate their carrying values due to their immediate or short-term nature. Bank debt is recorded at amortized cost, except as noted in Note 12 and the fair value of the ABCP and derivatives are valued as disclosed in Notes 11 and 12.

Restricted cash

Restricted cash relates to cash resources pledged to secure letters of credit or to meet the requirement to place in to trust amounts for future debt repayments associated with a credit facility assumed upon the acquisition of Petrolifera Petroleum Limited ("Petrolifera") (Notes 3 and 12). Letters of credit currently secured by cash relate to requirements for work commitment guarantees contained in exploration contracts and are currently classified as current or long term assets.

Inventory

Crude oil inventories at March 31, 2011 and December 31, 2010 are $5.1 million and $3.6 million, respectively. Supplies at March 31, 2011 and December 31, 2010 are $1.3 million and $2.1 million, respectively.

Warrants

Upon issuance, the Company records warrants issued to purchase its common stock at fair value; subsequently, the warrants are carried at amortized cost or fair value, depending on the terms of the warrants. The Company determines the fair value of warrants issued by using the Black-Scholes option pricing model. Additional warrants ("Replacement Warrants") were issued on the acquisition of Petrolifera and their fair value of $1.4 million was recorded as a current liability and as part of the consideration paid for the acquisition (Note 3). Changes in the fair value of this derivative are recorded in the statement of operations until the warrants are exercised or expire.

New Accounting Pronouncements

Stock Compensation
In April 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), "Compensation–Stock Compensation (Topic 718)." The update clarifies that an employee share based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The implementation of this update did not materially impact the Company's consolidated financial position, operating results or cash flows.

Business Combinations
In December 2010, the FASB issued ASU, "Business Combinations (Topic 850), Disclosures of Supplementary Pro Forma Information for Business Combinations." The update is intended to conform reporting of pro forma revenue and earnings for material business combinations included in the notes to the financial statements and expand disclosure of non-recurring adjustments that are directly attributable to the business combination. The pro forma revenue and earnings of the combined entity are presented as if the acquisition date had occurred as of the beginning of the annual reporting period. If comparatives are presented, the pro forma disclosures for both periods presented should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only. This ASU is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The implementation of this update did not materially impact the Company's disclosures.

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, a Canadian corporation, pursuant to the terms and conditions of the Arrangement Agreement dated January 17, 2011 (the "Arrangement"). Petrolifera is a Calgary-based crude 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 Court of Queen's Bench of Alberta issued its Final Order approving the plan of arrangement on the Acquisition Date. 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 Replacement Warrant to purchase a share of Gran Tierra common stock at an exercise price of $9.67 Canadian ("CDN") dollars per share. Gran Tierra Replacement Warrants are only net exercisable, and expire on August 28, 2011.

Gran Tierra has 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 security holders owned approximately 6.6% and the Gran Tierra security holders immediately prior to the transaction owned approximately 93.4% of the Company immediately following the transaction. The total consideration for the transaction was approximately $143.0 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

Gran Tierra's Replacement Warrants issued as a result of the acquisition meet the definition of a derivative. Because the exercise price of the Replacement Warrants is denominated in Canadian dollars, which is different from Gran Tierra's functional currency, the Replacement Warrants are not considered indexed to Gran Tierra's common shares and the Replacement Warrants cannot be classified within equity. Therefore the Replacement Warrants, which expire in August 2011, are classified as a current liability on the Gran Tierra's condensed consolidated balance sheet.

The acquisition is accounted for using the acquisition method, with Gran Tierra being the acquirer, whereby Petrolifera's assets acquired and liabilities assumed are recorded 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 (1):		
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)		(14,622)
Asset retirement obligations		(4,901)
Bank debt		(22,853)
Other long term liabilities		(14,432)
Gain on acquisition		(24,300)
	$	143,044

(1) The allocation of the consideration transferred is not final and is subject to change.

As shown above 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, 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 $24.3 million, which is reported as "Gain on acquisition", in the 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.

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 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 (Note 12).

The pro forma results for the three months ended March 31, 2011 and 2010 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.

	Three Months Ended March 31,	
(Thousands of U.S. Dollars except per share amounts)	**2011**	**2010**
Oil and natural gas sales and interest	**$ 131,714**	$ 107,882
Net (loss) income	**$ (21,711)**	$ 11,821
Net (loss) income per share -basic	**$ (0.08)**	$ 0.04
Net (loss) income per share - diluted	**$ (0.08)**	$ 0.04

The supplemental pro forma earnings of Gran Tierra for the three months ended March 31, 2011 were adjusted to exclude $4.4 million of acquisition costs recorded in general and administrative expense and the $24.3 million gain on acquisition recognized in the first quarter of 2011 results of Gran Tierra because they are not expected to have a continuing impact on Gran Tierra's results of operations. The actual results of operations for Petrolifera, since the Acquisition Date were insignificant and have not been separately disclosed.

4.Segment and Geographic Reporting

The Company's reportable operating segments are Colombia, Argentina, Peru and Corporate, based on a geographic organization. The Company is primarily engaged in the exploration and production of oil and natural gas. In the three months ended March 31, 2011, Peru became a reportable geographic segment due to the significance of its loss before income taxes as compared to the consolidated loss before income taxes. Prior year comparative geographic segment presentation has been conformed to this presentation with the Peru related results and asset information disaggregated from the Corporate segment. Brazil is included as part of the Corporate segment and is not a reportable segment because the level of activity is not significant at this time. The accounting policies of the reportable geographic segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income or loss from oil and natural gas operations before income taxes.

The following tables present information on the Company's reportable geographic segments:

	Three Months Ended March 31, 2011				
(Thousands of U.S. Dollars except per unit of production amounts)	**Colombia**	**Argentina**	**Peru**	**Corporate**	**Total**
Revenues	**$ 117,304**	**$ 4,992**	**$ -**	**$ -**	**$ 122,296**
Interest income	**87**	**-**	**-**	**136**	**223**
Depreciation, depletion, accretion and impairment	**30,036**	**1,147**	**31,933**	**241**	**63,357**
Depreciation, depletion, accretion and impairment - per unit of production	**24.77**	**11.90**	**-**	**-**	**48.39**
Segment income (loss) before income taxes	**57,886**	**(430)**	**(32,625)**	**15,578**	**40,409**
Segment capital expenditures	**$ 42,264**	**$ 11,622**	**$ 14,287**	**$ 930**	**$ 69,103**

(Thousands of U.S. Dollars except per unit of production amounts)	Three Months Ended March 31, 2010				
	Colombia	Argentina	Peru	Corporate	Total
Revenues	$ 89,433	$ 3,499	$ -	$ -	$ 92,932
Interest income	77	16	-	85	178
Depreciation, depletion, accretion, and impairment	35,006	5,267	8	62	40,343
Depreciation, depletion, accretion and impairment - per unit of production	27.58	69.20	-	-	29.99
Segment income (loss) before income taxes	28,760	(4,644)	(248)	(2,726)	21,142
Segment capital expenditures	$ 17,553	$ 660	$ 527	$ 764	$ 19,504

(Thousands of U.S. Dollars)	As at March 31, 2011				
	Colombia	Argentina	Peru	Corporate	Total
Property, plant and equipment	**$ 766,838**	**$ 148,140**	**$ 22,471**	**$ 15,801**	**$ 953,250**
Goodwill	**102,581**	-	-	-	**102,581**
Other assets	**198,756**	**41,807**	**7,164**	**184,650**	**432,377**
Total Assets	**$ 1,068,175**	**$ 189,947**	**$ 29,635**	**$ 200,451**	**$ 1,488,208**

(Thousands of U.S. Dollars)	As at December 31, 2010				
	Colombia	Argentina	Peru	Corporate	Total
Property, plant and equipment	$ 654,416	$ 29,031	$ 28,578	$ 14,999	$ 727,024
Goodwill	102,581	-	-	-	102,581
Other assets	155,798	15,220	18,575	230,056	419,649
Total Assets	$ 912,795	$ 44,251	$ 47,153	$ 245,055	$ 1,249,254

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. In 2011, the Company has one significant customer for its Colombian crude oil, Ecopetrol S.A. ("Ecopetrol"), a Colombian government agency. Sales to Ecopetrol accounted for 96% of the Company's revenues in the first quarter of 2011 and 96% in the first quarter of 2010. In Argentina, the Company has one significant customer, Refineria del Norte S.A ("Refiner").

5.Property, Plant and Equipment

(Thousands of U.S. Dollars)	As at March 31, 2011 Cost	Accumulated DD&A	Net book value
Oil and natural gas properties			
Proved	**$ 943,475**	**$ (398,647)**	**$ 544,828**
Unproved	**402,070**	**-**	**402,070**
	1,345,545	**(398,647)**	**946,898**
Furniture and fixtures and leasehold improvements	**5,253**	**(2,940)**	**2,313**
Computer equipment	**6,082**	**(2,467)**	**3,615**
Automobiles	**933**	**(509)**	**424**
Total Property, Plant and Equipment	**$ 1,357,813**	**$ (404,563)**	**$ 953,250**

(Thousands of U.S. Dollars)	As at December 31, 2010 Cost	Accumulated DD&A	Net book value
Oil and natural gas properties			
Proved	$ 777,262	$ (334,858)	$ 442,404
Unproved	278,753	-	278,753
	1,056,015	(334,858)	721,157
Furniture and fixtures and leasehold improvements	5,233	(2,831)	2,402
Computer equipment	5,521	(2,358)	3,163
Automobiles	779	(477)	302
Total Property, Plant and Equipment	$ 1,067,548	$ (340,524)	$ 727,024

Depreciation, depletion, accretion and impairment ("DD&A") for the three months ended March 31, 2011 includes a ceiling test impairment loss of $31.9 million in Gran Tierra's Peru cost center. This impairment loss was a result of the inclusion of dry well costs and seismic costs associated with the asset base of the Peru cost center for ceiling test determination purposes. For the three months ended March 31, 2010, a $3.7 million ceiling test impairment loss was included in the Company's Argentina cost center. This impairment loss was a result of a redetermination of the income tax effect on the present value of future cash inflows used to determine the Argentina ceiling for that country's ceiling test.

During the three months ended March 31, 2011, the Company capitalized $1.8 million (year ended December 31, 2010 - $4.1 million) of general and administrative expenses related to the Colombian full cost center, including $0.1 million (year ended December 31, 2010 - $0.3 million) of stock based compensation expense, and $0.4 million (year ended December 31, 2010 - $1.2 million) of general and administrative expenses in the Argentina full cost center, including $47,000 (year ended December 31, 2010 - $0.2 million) of stock based compensation.

The unproved oil and natural gas properties at March 31, 2011 consist of exploration lands held in Colombia, Argentina, Peru, and Brazil, including additions related to the newly acquired Petrolifera assets. As at March 31, 2011, the Company had $308.7 million (December 31, 2010 - $228.8 million) of unproved assets in Colombia, $59.0 million (December 31, 2010 - $9.4 million) of unproved assets in Argentina, $21.8 million (December 31, 2010 - $28.2 million) of unproved assets in Peru, and $12.6 million (December 31, 2010 - $12.4 million) of unproved assets in Brazil for a total of $402.1 million (December 31, 2010 - $278.8 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.

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 March 31, 2011, outstanding share capital consists of 260,053,351 common voting shares of the Company, 9,148,069 exchangeable shares of Gran Tierra Exchange Co., automatically exchangeable on November 14, 2013, and 7,811,112 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 stock 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 stock have no pre-emptive rights, no conversion rights, and there are no redemption provisions applicable to the common stock. Holders of exchangeable shares have substantially the same rights as holders of common voting shares.

Warrants

At March 31, 2011, the Company had 3,674,932 warrants outstanding to purchase 1,837,466 common shares for $1.05 per share, expiring between June 20, 2012 and June 30, 2012 and 4,125,036 Replacement Warrants outstanding, issued upon the acquisition of Petrolifera (Note 3), to purchase 4,125,036 common shares for CDN$9.67, expiring August 28, 2011. For the three months ended March 31, 2011, 210,000 common shares were issued upon the exercise of 420,000 warrants (three months ended March 31, 2010, 8,118,018 common shares were issued upon the exercise of 9,090,098 warrants). Included in warrants exercised in the three months ended March 31, 2010 were 7,145,938 warrants to purchase 7,145,938 common shares for $14.4 million, assumed on the acquisition of Solana in November 2008.

The fair value of the Replacement Warrants as of March 31, 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		1.3%
Expected life		0.45 Years
Volatility		44%
Expected annual dividend per share		Nil
Estimated fair value per warrant (CDN dollars)	$	0.32

Stock Options

As at March 31, 2011, the Company has a 2007 Equity Incentive Plan, formed through the approval by shareholders of the amendment and restatement of the 2005 Equity Incentive Plan, under which the Company's board of directors is authorized to issue options or other rights to acquire shares of the Company's common stock. On November 14, 2008, 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 9,000,000 shares to 18,000,000 shares. On June 16, 2010, another amendment to the Company's 2007 Equity Incentive plan was approved by shareholders, which increased the number of shares of common stock available for issuance thereunder from 18,000,000 shares to 23,306,100 shares.

The Company grants options to purchase common shares to certain directors, officers, employees and consultants. Each option permits the holder to purchase one common share at the stated exercise price. The options vest over three years and have a term of ten years, or three months after the grantee's end of service to the Company, whichever occurs first. At the time of grant, the exercise price equals the market price. For the three months ended March 31, 2011, 605,332 common shares were issued upon the exercise of 605,332 stock options (three months ended March 31, 2010 – 1,208,994). The following options were outstanding as of March 31, 2011:

	Number of Outstanding Options	Weighted Average Exercise Price $/Option
Balance, December 31, 2010	10,943,058	$ 3.49
Granted in 2011	3,219,996	8.39
Exercised in 2011	(605,332)	(2.92)
Forfeited in 2011	(29,167)	(3.96)
Balance, March 31, 2011	13,528,555	$ 4.68

The weighted average grant date fair value for options granted in the three months ended March 31, 2011 was $5.20 (three months ended March 31, 2010 - $3.33). The intrinsic value of options exercised for the three months ended March 31, 2011 was $3.2 million (three months ended March 31, 2010 - $4.5 million).

The table below summarizes stock options outstanding at March 31, 2011:

Range of Exercise Prices ($/option)	Number of Outstanding Options	Weighted Average Exercise Price $/Option	Weighted Average Expiry Years
0.50 to 2.00	1,369,171	$ 1.14	5.4
2.01 to 3.50	5,144,552	2.46	7.5
3.51 to 5.50	466,666	4.43	8.5
5.51 to 7.00	3,123,170	5.92	8.9
7.01 to 8.40	3,424,996	8.35	9.9
Total	13,528,555	$ 4.68	8.3

The aggregate intrinsic value of options outstanding at March 31, 2011 is $46.9 million (December 31, 2010 - $49.9 million) based on the Company's closing stock price of $8.07 (December 31, 2010 - $8.05) for that date. At March 31, 2011, there was $18.8 million (December 31, 2010 - $6.1 million) of unrecognized compensation cost related to unvested stock options which is expected to be recognized over the next three years. As at March 31, 2011, 5,910,173 (December 31, 2010 – 5,426,367) options were exercisable.

For the three months ended March 31, 2011, the stock based compensation expense was $3.6 million (three months ended March 31, 2010 - $1.4 million) of which $3.2 million (three months ended March 31, 2010 - $1.1 million) was recorded in general and administrative expense and $0.2 million was recorded in operating expense in the consolidated statement of operations (three months ended March 31, 2010 – $0.2 million). For the three months ended March 31, 2011, $0.2 million of stock based compensation was capitalized as part of exploration and development costs (three months ended March 31, 2010 – $0.1 million).

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. The Company uses historical data to estimate option exercises, expected term and employee departure behavior used in the Black-Scholes option pricing model. Expected volatilities used in the fair value estimate are based on historical volatility of the Company's stock. The risk-free rate for periods within the contractual term of the stock options is based on the U.S. Treasury yield curve in effect at the time of grant.

	Three Months Ended March 31,	
	2011	2010
Dividend yield (per share)	**$ nil**	$ nil
Volatility	**81%**	90%
Risk-free interest rate	**1.4%**	0.4%
Expected term	**4 - 6 years**	3 years
Estimated forfeiture percentage (per year)	**4%**	10%

Weighted average shares outstanding

	Three Months Ended March 31,	
	2011	2010
Weighted average number of common and exchangeable shares outstanding	**260,930,753**	248,818,662
Shares issuable pursuant to warrants	**3,203,257**	5,518,333
Shares issuable pursuant to stock options	**5,894,518**	5,013,174
Shares to be purchased from proceeds of stock options	**(2,208,728)**	(2,487,063)
Weighted average number of diluted common and exchangeable shares outstanding	**267,819,800**	256,863,106

Net Income per share

For the three month period ended March 31, 2011, 4,125,036 Replacement Warrants were excluded from the diluted income per share calculation as the instruments were anti-dilutive. For the three months ended March 31, 2010, options to purchase 3,195,000 common shares were excluded from the diluted income per share calculation as the instruments were anti-dilutive.

7. Asset Retirement Obligations

As at March 31, 2011 the Company's asset retirement obligations were comprised of Colombian obligations in the amount of $4.4 million (December 31, 2010 - $3.7 million) and Argentine obligations in the amount of $5.7 million (December 31, 2010 - $1.1 million). As at March 31, 2011, the undiscounted asset retirement obligations were $26.6 million (December 31, 2010 - $8.7 million). Changes in the carrying amounts of the asset retirement obligations associated with the Company's oil and natural gas properties were as follows:

(Thousands of U.S. Dollars)	**Three Months Ended March 31, 2011**	**Year Ended December 31, 2010**
Balance, beginning of period	**$ 4,807**	$ 4,708
Settlements	**(4)**	(286)
Disposal	**-**	(720)
Liability incurred	**270**	719
Liability assumed in a business combination (Note 3)	**4,901**	-
Foreign exchange	**5**	58
Accretion	**122**	328
Balance, end of period	**$ 10,101**	$ 4,807
Asset retirement obligations - current	**$ 334**	$ 338
Asset retirement obligations - long term	**9,767**	4,469
Balance, end of period	**$ 10,101**	$ 4,807

8.Income 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:

	Three Months Ended March 31,	
(Thousands of U.S. Dollars)	**2011**	**2010**
Income before income taxes	**$ 40,409**	$ 21,142
	35%	35%
Income tax expense expected	**14,143**	7,400
Other permanent differences	**4,065**	(612)
Foreign currency translation adjustments	**1,981**	4,166
Impact of foreign taxes	**(1,598)**	(840)
Enhanced tax depreciation incentive	**-**	(1,292)
Stock based compensation	**1,143**	449
Increase in valuation allowance	**15,288**	1,721
Branch and other foreign income pick-up in the United States and Canada	**(1,619)**	(1,248)
Non-deductible third party royalty in Colombia	**1,820**	1,438
Non-taxable gain on bargain purchase	**(8,527)**	-
Total income tax expense	**$ 26,696**	$ 11,182
Current income tax	**26,677**	21,236
Deferred tax (recovery)	**19**	(10,054)
Total income tax expense	**$ 26,696**	$ 11,182

(Thousands of U.S. Dollars)	As at March 31, 2011	As at December 31, 2010
Deferred Tax Assets		
Tax benefit of loss carryforwards	**$ 45,317**	$ 27,527
Tax basis in excess of book basis	**21,459**	7,975
Foreign tax credits and other accruals	**23,520**	16,895
Capital losses	**1,453**	1,413
Deferred tax assets before valuation allowance	**91,749**	53,810
Valuation allowance	**(87,140)**	(48,958)
	$ 4,609	$ 4,852
Deferred tax assets - current	**$ 2,112**	$ 4,852
Deferred tax assets - long term	**2,497**	-
	4,609	4,852
Deferred Tax Liabilities		
Long-term - book value in excess of tax basis	**(216,697)**	(204,570)
Net Deferred Tax Liabilities	**$ (212,088)**	$ (199,718)

Equity tax for the current quarter of $8.1 million represents a Colombian tax of 6.2% on the balance sheet equity recorded in our Colombia branches at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but is expensed in the first quarter of 2011 at the commencement of the four-year period. Accordingly, the equity tax expense for the previous four-year period was recorded prior to 2010 and no expense is recorded in the first quarter of 2010.

The Company was required to calculate a deferred remittance tax in Colombia based on 7% of profits not reinvested in the business on the presumption that such profits would be transferred to the foreign owners up to December 31, 2006. As of January 1, 2007, the Colombian government rescinded this law; therefore, no further remittance tax liabilities will be accrued. The historical balance which was included in the Company's financial statements as of March 31, 2011 was $0.5 million (December 31, 2010 - $0.5 million).

As at March 31, 2011, the total amount of Gran Tierra's unrecognized tax benefits was approximately $16.6 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 consolidated statement of operations. As at March 31, 2011, the total amount of interest and penalties included in unrecognized tax benefits in deferred and current income tax liabilities in the condensed consolidated balance sheet was approximately $1.9 million. The Company had no interest or penalties included in the consolidated statement of operations for the three months ended March 31, 2011.

Changes in the Company's Unrecognized Tax Benefit are as Follows:

(Thousands of U.S. Dollars)	
Unrecognized tax benefit at January 1, 2011	**$ 4,175**
Additions to tax position related to prior years	**70**
Additions to tax position related to the current year	**12,364**
Balance at March 31, 2011	**$ 16,609**

The Company and its subsidiaries file income tax returns in the U.S. federal and state jurisdictions and certain other foreign jurisdictions. The Company is subject to income tax examinations for the calendar tax years ended 2005 through 2010 in most jurisdictions. It does not anticipate any material changes to the unrecognized tax benefits previously disclosed within the next twelve months.

As at March 31, 2011, the Company has deferred tax assets relating to net operating loss carryforwards of $45.3 million (December 31, 2010 - $27.5 million) and capital losses of $1.5 million (December 31, 2010 - $1.4 million) before valuation allowances. Of these losses, $36.6 million (December 31, 2010 - $20.5 million) are losses generated by the foreign subsidiaries of the Company. Of the total losses, $0.1 million (December 31, 2010 - $nil) will expire at the end of 2011, $1.5 million will begin to expire in 2012 (December 31, 2010 - $nil) and $45.2 million (December 31, 2010 - $28.9 million) will begin to expire thereafter.

9.Accounts Payable and Accrued Liabilities

The balances in accounts payable and accrued liabilities and are comprised of the following:

	As at March 31, 2011				
(Thousands of U.S. Dollars)	**Colombia**	**Argentina**	**Peru**	**Corporate**	**Total**
Property, plant and equipment	**$ 31,971**	**$ 10,670**	**$ 8,274**	**$ 1,379**	**$ 52,294**
Payroll	**2,567**	**322**	**76**	**1,525**	**4,490**
Audit, legal, and consultants	**5**	**219**	**-**	**2,060**	**2,284**
General and administrative	**2,503**	**102**	**145**	**446**	**3,196**
Operating	**35,254**	**5,606**	**373**	**-**	**41,233**
Total	**$ 72,300**	**$ 16,919**	**$ 8,868**	**$ 5,410**	**$ 103,497**

	As at December 31, 2010				
(Thousands of U.S. Dollars)	**Colombia**	**Argentina**	**Peru**	**Corporate**	**Total**
Property, plant and equipment	$ 32,854	$ 10,452	$ 8,377	$ 1,438	$ 53,121
Payroll	3,256	186	-	2,300	5,742
Audit, legal, and consultants	-	140	16	1,676	1,832
General and administrative	1,039	590	70	363	2,062
Operating	43,037	2,141	173	35	45,386
Total	$ 80,186	$ 13,509	$ 8,636	$ 5,812	$ 108,143

10. Commitments and Contingencies

Leases

Gran Tierra holds four categories of operating leases: compressor, office, vehicle and equipment and housing. The Company pays monthly amounts of $0.1 million for a compressor, $0.2 million for office leases, $12,000 for vehicle and equipment leases and $8,000 for certain employee accommodation leases in Canada, Colombia, Argentina, Peru, and Brazil. Future lease payments at March 31, 2011 are as follows:

Contractual Obligations (Thousands of U.S. Dollars)	As at March 31, 2011 Payments Due in Period				
	Total	Less than 1 Year	1 to 3 years	3 to 5 years	More than 5 years
Operating leases	**$ 7,835**	$ 3,151	$ 3,044	$ 1,640	$ -
Bank debt	**31,250**	31,250	-	-	-
Software and Telecommunication	**1,228**	1,033	195	-	-
Drilling, Completion, Facility Construction and Oil Transportation Services	**64,571**	48,301	16,270	-	-
Consulting	**317**	317	-	-	-
Total	**$ 105,201**	**$ 84,052**	**$ 19,509**	**$ 1,640**	**$ -**

Guarantees

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. Management believes the resolution of these matters would not have a material adverse impact on the Company's liquidity, consolidated financial position or results of operations.

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 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 Bogotá. 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 $5.5 million.

Gran Tierra is subject to a third party 10% net profits interest on 50% of the Company's production from the Costayaco field that arises from the original acquisition in 2006 of 50% of Gran Tierra's interest in the Chaza Block Contract. There is currently a disagreement between Gran Tierra and the third party as to the calculation of the net profits interest. Gran Tierra and the third party have agreed to resolve this issue through an arbitration which is anticipated to be heard in Texas, in accordance with the rules of the American Arbitration Association, in the fourth quarter of 2011. 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. The disputed amount at March 31, 2011 is $5.4 million.

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 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.

11. Financial Instruments, Fair Value Measurements and Credit Risk

The Company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, restricted cash, accounts receivable, ABCP, accounts payable, accrued liabilities, bank debt and derivative financial instruments. The estimated fair values of the financial instruments have been determined based on the Company's assessment of available market information and appropriate valuation methodologies. Certain of Gran Tierra's assets and liabilities are reported at fair value in the accompanying consolidated balance sheets. As at March 31, 2011, the fair values of financial instruments approximate their book amounts due to the short term maturity of these instruments except as discussed below.

None of the Company's derivative instruments currently qualify as fair value hedges or cash flow hedges, and accordingly, changes in fair value of the derivative instruments are recognized as income or expense in the consolidated statement of operations and retained earnings with a corresponding adjustment to the fair value of derivative instruments recorded on the balance sheet. The derivative instruments include the Replacement Warrants (Notes 3 and 6) and a crude oil collar which expired in February 2010.

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 on the hierarchy consist of unadjusted quoted prices 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. When available, Gran Tierra measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

As at the Acquisition Date and as at March 31, 2011, the Company held investments with a face value of $6.6 million and a carrying value of $nil comprised of ineligible master asset vehicles Classes 1 & 2 ("MAV IA 1 & 2") notes. These notes, which were received by Petrolifera in 2009 in exchange for ABCP, were provided as a security for a related ABCP backed line of credit (Note 12) which was drawn at $5.0 million as at the Acquisition Date and as at March 31, 2011. The fair value of these notes receivable at the Acquisition Date and March 31, 2011 is $nil as there is no active market for these notes. The Company classified these notes received in exchange for ABCP, and ABCP secured line of credit as Level 2.

The Company does not have any assets or liabilities whose fair value is measured using the Level 1method. The Company classifies the Replacement Warrants (Notes 3 and 6) as Level 3 and measured their fair values as discussed in Note 6.

Most of the Company's accounts receivable relate to oil and natural gas sales and are exposed to typical industry credit risks. 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. The book value of the accounts receivable reflects management's assessment of the associated credit risks.

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. For the three months ended March 31, 2011, the Company had one significant customer for its Colombian crude oil, Ecopetrol. In Argentina, the Company had one significant customer, Refiner.

Additionally, foreign exchange gains/losses result from the fluctuation of the U.S. dollar to the Colombian peso due to Gran Tierra's deferred tax liability, a monetary liability, which is denominated in the local currency of the Colombian foreign operations. As a result, a foreign exchange gain/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 $110,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

12. Bank Debt and Credit Facilities

The balances of bank debt are comprised of the following:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Current bank debt		
Reserve-backed credit facility	$ 31,250	$ -
Balance, end of period	$ 31,250	$ -

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 $100.0 million and is supported by the present value of the petroleum reserves of the Company's two 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. 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 1.50% per annum is charged on the unutilized balance of the committed borrowing base and is included in general and administrative expense. Under the terms of the facility, the Company is required to maintain and was in compliance with certain financial and operating covenants. As at March 31, 2011, the Company had not drawn down any amounts under this facility.

As part of the acquisition of Petrolifera on March 18, 2011, Gran Tierra assumed a $100.0 million reserve-backed credit facility with available and outstanding balance as at the Acquisition Date and March 31, 2011 of $31.3 million. This credit facility agreement with a syndicate of banks expires on June 30, 2012. Gran Tierra is required to make three scheduled reserve deposits of $3.8 million per quarter through September 30, 2011 at which time those deposits are applied to repay part of the principal. Two additional principal repayments of $3.8 million are to be made at the end of each of the following quarters with the final settlement of $12 million to be made June 30, 2012 when this agreement expires. As of March 31, 2011, $4.3 million, which includes $0.5 million reserved prior to the acquisition, has been placed in reserve and is recorded as restricted cash in current assets in the Company's condensed consolidated balance sheet. Under the terms of this credit facility agreement, one-half of any potential farmout proceeds received by Gran Tierra related to Petrolifera's Argentine assets, up to a maximum of $5.0 million, are to be first allocated to reduce the final $12.0 million permanent debt repayment due and payable upon expiry of the agreement in June 2012. Any excess farmout proceeds are then to be evenly allocated to reduce Gran Tierra's quarterly reserve payments or debt repayments. The credit facility bears interest at LIBOR plus 8.25%, is partially secured by the pledge of the shares of Petrolifera's subsidiaries and has a provision for a borrowing base adjustment every six months. This facility is currently under review, with any adjustment to the borrowing base calculated based on information as at December 31, 2010. Gran Tierra accounts for this credit facility at amortized cost.

Under the terms of the facility, the Company is required to maintain and was in compliance with certain financial and operating covenants. Gran Tierra has classified this credit facility as current as the Company intends to repay the credit facility at the first opportunity in August of 2011. A regulation of the Argentine Central Bank establishes that "new indebtedness and renewals of debts with foreign creditors engaged by local residents shall be kept for a minimum 365 days". Petrolifera entered into an amendment of this credit facility on August 4, 2010, which then renewed and restructured the existing debt. As a result, the principal debt that was loaned into Argentina cannot be repaid and retired until August 2011.

Upon the acquisition of Petrolifera, Gran Tierra assumed an ABCP line of credit with a Canadian Chartered Bank, to a maximum of CDN$23.2 million, which is included as part of net working capital in the allocation of consideration transferred, 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 (Note 3).

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 and March 31, 2011. This Second ABCP line of credit, which expired on April 8, 2011, was secured by the MAV IA 1 & 2 notes. Gran Tierra retained the option to settle the Second ABCP line of credit of CDN$5.0 million in borrowings, as drawn on this facility, 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 upon expiry. Accordingly, a value of $nil was recorded for the debt upon its acquisition and at March 31, 2011 (Note 11). Gran Tierra settled such borrowings by delivery of the MAV IA 1 & 2 notes on April 8, 2011.

Interest expense on the facilities for the 13 day period from the Acquisition Date to March 31, 2011 was $0.1 million. This amount is recorded on the Consolidated Statements of Operations and Retained Earnings as part of general and administrative expense.

13. Related Party Transaction

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 runs from February 1, 2009 to August 31, 2011 and the sublease payment is $9,000 per month plus approximately $5,000 for operating and other expenses. The terms of the sublease were consistent with market conditions in the Calgary, Alberta, Canada real estate market.

On August 3, 2010, Gran Tierra entered into a contract related to the Peru drilling program with a company of which one of Gran Tierra's directors is a shareholder and director. For the three months ended March 31, 2011, $2.0 million was capitalized and at March 31, 2011, $1.4 million was included in accounts payable related to this contract, the terms of which are consistent with market conditions.

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, at $5,000 per month plus approximately $6,000 of operating and other expense, the terms are consistent with market conditions in the Calgary, Alberta, Canada real estate market.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statement Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q, including without limitation, statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our projected financial position and results, estimated quantities values of reserves, business strategy, plans and objectives of our management for future operations and those statements preceded by, followed by or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "target", "goal", "plans", "objective", "should", or similar expressions or variations on such 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. 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. 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 such statement is based.

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 on February 25, 2011.

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. We are headquartered in Calgary, Alberta, Canada and operate in South America in Colombia, Argentina, Peru, and Brazil.

In September 2005, we acquired our initial oil and gas interests and properties, which were in Argentina. During 2006, we increased our oil and gas interests and property base through further acquisitions in Colombia, Argentina and Peru. We funded acquisitions of our properties in Colombia and Argentina through a series of private placements of our securities that occurred between September 2005 and June 2006.

In 2007, we made a new field discovery, Costayaco, in the Chaza Block of the Putumayo Basin in Colombia.

Effective November 14, 2008, we completed the acquisition of Solana Resources Limited ("Solana"), an international resource company engaged in the acquisition, exploration, development and production of oil and natural gas in Colombia and incorporated in Alberta, Canada. At the date of acquisition, Solana held various working interests in nine blocks in Colombia including a 50% working interest in the Chaza Block, which includes the Costayaco field, and a 35% working interest in the Guayuyaco Block, which includes the Juanambu field.

During the third quarter of 2009, we opened a business development office in Rio de Janeiro, Brazil.

In June 2010, we expanded our land position in the Putumayo Basin and added new frontier exploration acreage in Colombia through successful bids on three blocks in Colombia. In August and October 2010, respectively, we made new Colombian field discoveries in Moqueta in the Chaza Block (Putumayo Basin) and Jilguero in the Garibay Block. Also in August 2010, we finalized a farm-in agreement with Alvorada Petroleo S.A. relating to the on-shore Reconcavo Basin in Brazil, pending regulatory approval from Brazil's Agencia nacional de Petroleo Gas natural e Bioncombustiveis ("ANP"). In Peru, in September 2010, we acquired a 20% working interest in three blocks and, in December 2010, we acquired a 60% interest in one block. Both transactions in Peru are subject to government approval and final assignment of interests.

On January 17, 2011, we announced that we had entered into an Arrangement Agreement to acquire Petrolifera Petroleum Ltd. ("Petrolifera"). The Arrangement Agreement received Petrolifera shareholder and regulatory, stock exchange and court approvals, and closed on March 18, 2011. Petrolifera is a Canadian based international oil and gas company listed on the Toronto Stock Exchange which owns working interests in 11 exploration and production blocks; three located in Colombia, three in Peru and five in Argentina. See "Business Combination" below for further details of this transaction.

Business Combination

On March 18, 2011 (the "Acquisition Date"), we completed our acquisition of all the issued and outstanding common shares and warrants of Petrolifera pursuant to the terms and conditions of the Arrangement Agreement dated January 17, 2011 (the "Arrangement"). Petrolifera is a Calgary-based crude 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 the Court of Queen's Bench of Alberta issued its Final Order approving the plan of arrangement on the Acquisition Date.

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 common share purchase warrant of Gran Tierra ("Replacement Warrants") to purchase a share of Gran Tierra common stock at an exercise price of CAD $9.67 per share. Gran Tierra Replacement Warrants expire on August 28, 2011. Gran Tierra has acquired all the issued and outstanding Petrolifera shares and warrants through the issuance of 18,075,047 Gran Tierra common shares, par value $0.001, and 4,125,036 Replacement Warrants. Upon completion of the transaction on March 18, 2011, Petrolifera became an indirect wholly owned subsidiary of Gran Tierra. On a diluted basis, upon the closing the Arrangement, Petrolifera security holders owned approximately 6.6% and the Gran Tierra security holders immediately prior to the transaction owned approximately 93.4% of the Company immediately following the transaction. The total consideration for the transaction is approximately $143.0 million.

The acquisition is accounted for using the acquisition method, with Gran Tierra being the acquirer, whereby Petrolifera's assets acquired and liabilities assumed are recorded at their fair values as at the Acquisition Date and the results of Petrolifera are 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 (1):	
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)	(14,622)
Asset retirement obligations	(4,901)
Bank debt	(22,853)
Other long term liabilities	(14,432)
Gain on acquisition	(24,300)
	$ 143,044

(1) The allocation of the consideration transferred is not final and is subject to change.

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, 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 on acquisition" of $24.3 million in the 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.

As part of the net working capital acquired, we 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 for proceeds of $22.7 million after the associated line of credit was settled.

As part of the acquisition, we assumed a $100.0 million reserves backed credit facility bearing interest at LIBOR plus 8.25%, with an available and outstanding balance of $31.3 million upon closing. This amount has not been repaid due to a 365-day restriction of the Argentine Central Bank which elapses on August 4, 2011. Because we plan to repay the debt on or around that date, the debt has been classified as current and included in net working capital acquired.

The acquisition was effective March 18, 2011 and, accordingly, only twelve days of Petrolifera operations are included in the consolidated results of Gran Tierra. Consequently, the acquisition did not have a material effect on results of operations of the Company for the first quarter of 2011, except for the gain on acquisition.

Financial and Operational Highlights
(Thousands of U.S. Dollars, Except Per Share Amounts)

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
Production - Barrels of Oil Equivalent ("boe") per Day (1)	**14,546**	14,949	(3)
Prices Realized - per boe	**$ 93.41**	$ 69.07	35
Revenue and Other Income ($000s)	**$ 122,519**	$ 93,110	32
Net Income ($000s)	**$ 13,713**	$ 9,960	38
Net Income Per Share - Basic	**$ 0.05**	$ 0.04	25
Net Income Per Share - Diluted	**$ 0.05**	$ 0.04	25
Funds Flow From Operations ($000s) (2)	**$ 66,560**	$ 54,274	23
Capital Expenditures ($000s)	**$ 69,103**	$ 19,504	254

	As at		
	March 31, 2011	December 31, 2010	% Change
Cash & Cash Equivalents ($000s)	**$ 253,901**	$ 355,428	(29)
Working Capital (including cash & cash equivalents) ($000s)	**$ 224,564**	$ 265,835	(16)
Property, Plant & Equipment ($000s)	**$ 953,250**	$ 727,024	31

(1) Gas volumes are converted to boes at the rate of six thousand cubic feet ("mcf") of gas per barrel of oil, based upon the approximate relative energy content of gas and oil. The conversion ratio does not assume price equivalency and the price for a barrel of oil equivalent for natural gas may differ significantly from the price of a barrel of oil.

(2) Funds flow from operations is a non-GAAP measure which does not have any standardized meaning prescribed under United States Generally Accepted Accounting Principles ("GAAP"). Management uses this financial measure to analyze operating performance and the income (loss) generated by Gran Tierra's principal business activities prior to the consideration of how non-cash items affect that income (loss), and believes that this financial measure is also useful supplemental information for investors to analyze operating performance and Gran Tierra's financial results. Investors should be cautioned that this measure should not be construed as an alternative to net income (loss) or other measures of financial performance as determined in accordance with GAAP. Gran Tierra's 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 (loss) adjusted for depletion, depreciation, accretion and impairment ("DD&A"), deferred taxes, stock based compensation, unrealized loss (gain) on financial instruments, unrealized foreign exchange losses (gains), equity tax and gain on acquisition. A reconciliation from funds flow from operations to net income is as follows:

	Three Months Ended March 31,	
Funds Flow From Operations - Non-GAAP Measure ($000s)	2011	2010
Net income	**$ 13,713**	$ 9,960
Adjustments to reconcile net income to funds flow from operations		
Depletion, depreciation, accretion and impairment	**63,357**	40,343
Deferred taxes	**(187)**	(10,054)
Stock-based compensation	**3,453**	1,362
Unrealized gain on financial instruments	**(62)**	(44)
Unrealized foreign exchange loss	**4,458**	12,707
Settlement of asset retirement obligations	**(4)**	-
Equity taxes payable long term	**6,132**	-
Gain on acquisition	**(24,300)**	-
Funds flows from operations	**$ 66,560**	$ 54,274

Financial Highlights for Three Months Ended March 31, 2011

In the first quarter of 2011, oil and gas production (net after royalty and inventory adjustments) averaged 14,546 barrels of oil equivalent per day ("BOEPD"), a 3% decrease compared to the same period in 2010, due to pipeline maintenance in Colombia between December 28, 2010 to February 7, 2011 which restricted sales from the Costayaco field in the Chaza Block where Gran Tierra has a 100% working interest.

Revenue and other income increased by 32% over the same period in 2010 due to a 36% increase in realized oil prices compared to the same period in 2010, partially offset by lower production.

Net income of $13.7 million, or $0.05 per share basic and diluted, compares to net income of $10.0 million, or $0.04 per share basic and diluted, in the first quarter of 2010. The net income was primarily as a result of the $24.3 gain on acquisition of Petrolifera offset by increased operating, general and administrative ("G&A") expenses, tax expense and a $31.9 million ceiling test impairment in the Peru cost center.

Funds flow from operations for the three months ended March 31, 2011 increased 23% over the same period in the prior year primarily as a result of the 36% improvement in the realized oil price offset by higher operating and G&A expenses and slightly lower production.

Oil and gas property expenditures for the first quarter of 2011 include the successful drilling of the Moqueta –4 well in the Chaza Block and facility construction and drilling site preparations in the Costayaco field in the Chaza Block, Colombia. Also included are drilling costs for the dry and abandoned exploration wells, Taruka-1, Pacayaco-1, San Angel-1, and Canangucho -1 in Colombia, Kanatari-1in Peru, and the GTE.St.VMor-2001 sidetrack operation in Argentina, which was suspended in February 2011 and is being abandoned.

Our cash and cash equivalents position of $253.9 million at March 31, 2011 decreased from $355.4 million at December 31, 2010 primarily as a result of year-to-date capital expenditures.

Working capital (including cash and cash equivalents) was $224.6 million at March 31, 2011, which is a $41.3 million decrease from December 31, 2010, due mainly to bank debt acquired in the Petrolifera transaction during the quarter and an increase in taxes payable.

Property, plant and equipment as at March 31, 2011 was $953.3 million, an increase of $226.2 million from December 31, 2010, as a result of additions from the Petrolifera acquisition and the capital expenditure program, partially offset by DD&A.

Operational Highlights for the Three Months Ended March 31, 2011

Colombia

Moqueta Field, Chaza Block (100% working interest and Operator)

The Moqueta-4 development well was completed and tested in the first quarter of 2011 and confirmed oil bearing reservoirs in the Villeta T-Sandstone, the Lower U Sandstone and the Caballos formations. The Moqueta-5 development well spud in April 2011 and test results are expected in late May 2011. The targeted reservoirs were penetrated approximately 50 feet deeper than in Moqueta-4, increasing the reserve potential of the field.

Construction of the Moqueta to Costayaco pipeline commenced in the second quarter of 2011 and first oil production from Moqueta is expected late in the second quarter of 2011. Production from Moqueta is expected to be moderate until gas compression facilities are installed late in 2011.

Costayaco Field, Chaza Block (100% working interest and Operator)

Drilling operations concluded in the first quarter of 2011 on the Costayaco-12 and -13 development wells, which were drilled as infill production wells to test the respective northern and southern extensions of the Costayaco field. Production from the Costayaco-12 and -13 wells is intended to assist in maintaining production plateau at the Costayaco field; these wells will be converted to water-injectors to assist with pressure maintenance in the field later in the Costayaco field life.

Canangucho Prospect, Chaza Block (100% working interest and Operator)

The Canangucho-1 exploration well reached total depth on March 23, 2011. After the evaluation of wireline logs, it was determined that the T-Sandstone and Caballos formations were water bearing and the well was plugged and abandoned.

Juanambu Field, Guayuyaco Block (70% working interest and Operator)

The Juanambu-3 development well began drilling on March 3, 2011. Drilling operations were completed in April, 2011 and the well is awaiting testing.

Taruka Prospect, Piedemonte Sur Block (100% working interest and Operator)

The Taruka-1 exploration well reached total depth on February 7, 2011. The target reservoirs were encountered, but with only poor oil shows. The well was plugged and abandoned.

Lower Magdalena Basin, Magdalena Block (100% working interest and Operator)

Drilling and logging of the San Angel-1 natural gas exploration well in the Magdalena Block of the Lower Magdalena Basin was completed at the end of March 2011. Testing operations produced water and non-commercial amounts of gas and the well was plugged and abandoned.

Rumiyaco Prospect, Rumiyaco Block (100% working interest and Operator)

Environmental permitting has been approved for the Rumiyaco-1 exploration well in the Rumiyaco Block of the Putumayo basin. Civil construction work started in April 2011 and the well is expected to begin drilling in the third quarter of 2011.

Argentina

Valle Morado Field, Valle Morado Block (100% working interest and Operator)

The sidetrack drilling operation on the Valle Morado GTE.St.VMor-2001 well was suspended in February 2011 and the well is being abandoned due to a number of operational challenges encountered. We plan to drill a vertical well into this gas field in 2012.

Noreste Basin, Santa Victoria Block (50% working interest and Operator)

We successfully farmed out a 50% interest in the Santa Victoria Block in the Noroeste Basin of northwestern Argentina to Apache Corporation (“Apache”) in March 2011. We have agreed to proceed with Apache into the second exploration phase with Apache, which has a work commitment that will be fulfilled with an exploration well. The joint venture, with Gran Tierra as operator, is interested in testing the gas potential of the acreage, with gas-condensate reserves and production proven in the region.

Peru

Kanatari Prospect, Block 128 (100% working interest and Operator)

The Kanatari-1 exploration well reached total depth on March 3, 2011. No oil or gas shows were noted during drilling and interpretations from wireline logs indicate the reservoirs are water bearing. Kanatari-1 was plugged and abandoned.

Blocks 123, 124, and 129 (20% non-operated working interest)

In September 2010, we acquired a 20% non-operated working interest in ConocoPhilips operated Block 123, Block 124 and Block 129, subject to government approval. The approval for these blocks was granted in March 2011 with final assignment completed on April 26, 2011. We are evaluating the prospectivity of these blocks based on recently acquired 2-D seiemic data.

Brazil

Blocks REC-T-129, REC-T-142, REC-T-155, and REC-T-224(70% working interest and Operator)

In April 2011, Gran Tierra received final approvals for Blocks -129, -142 and -224 and expects regulatory approval for Block 155 shortly. Block REC-T-155 is currently producing and consequently we will be recording revenue and production from Brazil beginning from the date of approval.

	Three Months Ended March 31,		
Consolidated Results of Operations	**2011**	**2010**	**% Change**
(Thousands of U.S. Dollars)			
Oil and natural gas sales	**$ 122,296**	$ 92,932	32
Interest	**223**	178	25
	122,519	93,110	32
Operating expenses	**16,396**	10,185	61
Depletion, depreciation, accretion, and impairment	**63,357**	40,343	57
General and administrative expenses	**13,638**	7,190	90
Equity tax	**8,050**	-	-
Foreign exchange loss	**5,199**	14,294	64
Gain on acquisition	**(24,300)**	-	-
Financial instruments gain	**(230)**	(44)	422
	82,110	71,968	14
Income before income taxes	**40,409**	21,142	91
Income tax expense	**(26,696)**	(11,182)	139
Net income	**$ 13,713**	$ 9,960	38
Production, Net of Royalties			
Oil and NGL's ("bbl") (1)	**1,293,453**	1,341,682	(4)
Natural gas ("mcf") (1)	**94,317**	22,518	319
Total production ("boe") (1) (2)	**1,309,173**	1,345,435	(3)
Average Prices			
Oil and NGL's ("per bbl")	**$ 94.31**	$ 69.20	36
Natural gas ("per mcf")	**$ 3.35**	$ 3.90	(14)
Consolidated Results of Operations ("per boe")			
Oil and natural gas sales	**$ 93.41**	$ 69.07	35
Interest	**0.17**	0.13	31
	93.58	69.20	35
Operating expenses	**12.52**	7.57	65
Depletion, depreciation, accretion, and impairment	**48.39**	29.99	61
General and administrative expenses	**10.42**	5.34	95
Equity tax	**6.15**	-	-
Foreign exchange loss	**3.97**	10.62	63
Gain on acquisition	**(18.56)**	-	-
Financial instruments gain	**(0.18)**	(0.03)	500

	62.71	53.49	17
Income before income taxes	**30.87**	15.71	96
Income tax expense	**(20.39)**	(8.31)	145
Net income	**$ 10.48**	$ 7.40	42

(1) Gas volumes are converted to barrel of oil equivalent ("boe") at the rate of six thousand cubic feet ("mcf") of gas per barrel of oil, based upon the approximate relative energy content of gas and oil, which rate is not necessarily indicative of the relationship of oil and gas prices. Natural gas liquids ("NGL") volumes are converted to boe on a one-to-one basis with oil.
(2) Production represents production volumes adjusted for inventory changes.

Consolidated ***Results of Operations for the Three Months Ended March 31, 2011 compared to the Results for the Three Months Ended March 31, 2010***

Net income of $13.7 million, or $0.05 per share basic and diluted, was recorded for the three months ended March 31, 2011 compared to net income of $10.0 million, or $0.04 per share basic and diluted, for the same period in 2010. Higher oil revenues due to higher realized crude oil prices and a $24.3 million gain on acquisition of Petrolifera were partially offset by increased operating and G&A expenses, equity tax, and a ceiling test impairment in the Peru cost center. Net income for the first quarter of 2011 included a foreign exchange loss of $5.2 million, of which $4.5 million is an unrealized non-cash foreign exchange loss. Net income for the first quarter of 2010 included a $14.3 million foreign exchange loss, of which $12.7 million was an unrealized non-cash foreign exchange loss.

Crude oil and NGL production, net after royalties, for the three months ended March 31, 2011 decreased to 1,293,453 barrels compared to 1,341,682 barrels for the same period in 2010 due to pipeline maintenance related interruptions in Colombia which restricted sales. Average realized crude oil prices for the current quarter increased to $94.31 per barrel from $69.20 per barrel for the first three months of 2010 reflecting higher West Texas Intermediate ("WTI") oil prices.

Revenue and interest increased 32% to $122.5 million for the three months ended March 31, 2011 compared to $93.1 million in the same period in 2010 due to an increase of 36% in crude oil prices.

Operating expenses for the first quarter of 2011 amounted to $16.4 million, a 61% increase from the same period in 2010 mainly due to higher workover, fuel and power, water injection and trucking costs. For the three months ended March 31, 2011, operating expenses on a boe basis were $12.52 per boe, an increase over the same period in 2010 also due the same reasons previously listed.

DD&A expense for the first quarter of 2011 increased to $63.4 million compared to $40.3 million for the same quarter in 2010 due to a $31.9 million ceiling test impairment in our Peru cost center. On a boe basis, DD&A for the three months ended March 31, 2011 was $48.39 compared to $29.99 for the same period in 2010. This 61% increase was primarily due to the impairment in our Peru cost center only partially offset by the impact higher proved reserves in Colombia in 2011 and the increase of proved reserves in Argentina in 2011 through the Petrolifera acquisition.

G&A expenses of $13.6 million for the three months ended March 31, 2011, were 90% higher than the same period in 2010 primarily due to increased employee related costs reflecting the expanded operations in Colombia, Peru and Brazil and $1.2 million of expenses associated with the acquisition of Petrolifera. G&A expenses per boe increased 95% to $10.42 per boe for the current quarter, compared to $5.34 per boe for the first quarter of 2010 for the same reasons previously listed.

Equity tax for the current quarter of $8.1 million represents a Colombian tax of 6.2% on the balance sheet equity recorded in our Colombia branches at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but is expensed in the first quarter of 2011 at the commencement of the four-year period. Accordingly, the equity tax expense for the previous four-year period was recorded prior to 2010 and no expense is recorded in the first quarter of 2010.

The ***foreign exchange loss*** of $5.2 million, of which $4.5 million is an unrealized non-cash foreign exchange loss for the first quarter of 2011 primarily represents a foreign exchange loss resulting from the translation of a deferred tax liability. In the first quarter of 2010, a $14.3 million foreign exchange loss was recorded, of which $12.7 million was an unrealized non-cash foreign exchange loss.

Income tax expense for the three months ended March 31, 2011 amounted to $26.7 million compared to $11.2 million recorded in the same period in 2010. The increase of $15.5 million in income tax expense over the same period in 2010 is primarily due to higher income before income taxes from increased oil prices received over the same period in the prior year. The effective tax rate to March 31, 2011 is 66% and has increased from the same period in 2010 primarily due to the increase in the valuation allowance on losses incurred mainly in Peru. The variance from the 35% U.S. statutory rate for the first quarter of 2011 results from non-deductible foreign currency translation losses as described above and an increase in valuation allowances taken on losses incurred in the U.S., Canada, Peru and Brazil offset partially by the inclusion of the non-taxable gain on acquistion. The variance from the 35% U.S. statutory rate for the first quarter of 2010 is primarily attributable to non-deductible foreign currency translation losses as described above and an increase in valuation allowances taken on losses incurred in the U.S., Canada, Peru and Brazil, offset by enhanced tax depreciation taken on oil and gas capital expenditures.

Segmented Results of Operations

Our operations are carried out in Colombia, Argentina, Peru, and Brazil, and we are headquartered in Calgary, Alberta, Canada. Our reportable segments include Colombia, Argentina, Peru and Corporate with the latter including the results of our initial activities in Brazil. For the three months ended March 31, 2011, Colombia generated 96% of our revenue and other income.

Segmented Results - Colombia

Segmented Results of Operations – Colombia	Three Months Ended March 31, 2011	2010	% Change
(Thousands of U.S. Dollars)			
Oil and natural gas sales	**$ 117,304**	$ 89,433	31
Interest	**87**	77	13
	117,391	89,510	31
Operating expenses	**12,785**	8,102	58
Depletion, depreciation and accretion	**30,036**	35,006	(14)
General and administrative expenses	**3,313**	3,072	8
Equity tax	**8,050**	-	-
Foreign exchange loss	**5,321**	14,570	63
	59,505	60,750	(2)
Segment income before income taxes	**$ 57,886**	$ 28,760	101
Production, Net of Royalties			
Oil and NGL's ("bbl") (1)	**1,203,615**	1,265,569	(5)
Natural gas ("mcf") (1)	**55,257**	22,518	145
Total production ("boe") (1) (2)	**1,212,825**	1,269,322	(4)
Average Prices			
Oil and NGL's ("per bbl")	**$ 97.27**	$ 70.60	38
Natural gas ("per mcf")	**$ 4.04**	$ 4.02	-
Segmented Results of Operations ("per boe")			
Oil and natural gas sales	**$ 96.72**	$ 70.46	37
Interest	**0.07**	0.06	17
	96.79	70.52	37
Operating expenses	**10.54**	6.38	65
Depletion, depreciation and accretion	**24.77**	27.58	(10)
General and administrative expenses	**2.73**	2.42	13
Equity Tax	**6.64**	-	-
Foreign exchange loss	**4.39**	11.48	62
	47.07	47.86	3
Segment income before income taxes	**$ 47.72**	$ 22.66	111

(1) Gas volumes are converted to barrel of oil equivalent ("boe") at the rate of six thousand cubic feet ("mcf") of gas per barrel of oil, based upon the approximate relative energy content of gas and oil, which rate is not necessarily indicative of the relationship of oil and gas prices. Natural gas liquids ("NGL") volumes are converted to boe on a one-to-one basis with oil.

(2) Production represents production volumes adjusted for inventory changes.

Segmented Results of Operations – Colombia for the Three Months Ended March 31, 2011 compared to the Results for the Three Months Ended March 31, 2010

For the three months ended March 31, 2011, ***income before income taxes*** from Colombia amounted to $57.9 million compared to $28.8 million recorded for the same period in 2010. This is mainly the result of increased oil revenues due to higher realized crude oil prices, a $5.0 million decrease in DD&A due to higher reserve levels, and lower foreign exchange losses. These factors were partially offset by higher operating expenses due to the higher workover, fuel and power, water injection and trucking costs and the recording of an equity tax in the current quarter. On a per barrel basis, the pre-tax income for the three months ended March 31, 2011 was $47.72 versus $22.66 recorded for the same period in 2010. The difference is due to the same factors listed above.

For the three months ended March 31, 2011, ***production of crude oil and NGLs***, net after royalties, decreased by 5% to 1,203,615 barrels compared to 1,265,569 barrels for the same period in 2010. This decrease is due to reduced sales through the Ecopetrol-operated Trans-Andean oil pipeline between December 28, 2010 and February 7, 2011 as a result of maintenance at the Tumaco Port crude offloading terminal. These production levels are after government royalties ranging from 8% to 26% and third party royalties of 2% to 10%.

As a result of achieving gross field production of five million barrels in our Costayaco field during the month of September 2009, Gran Tierra is now subject to an additional government royalty payable. This royalty is calculated on 30% of the field production revenue over an inflation adjusted trigger point. That trigger point for Costayaco crude oil is $31.29 for 2011. Production revenue for this calculation is based on production volumes net of other government royalty volumes. Average government royalties at Costayaco with gross production of 19,000 BOPD and $80 WTI per barrel are approximately 25.7%, including the additional government royalty of approximately 18.0%. The National Hydrocarbons Agency sliding scale royalty at 19,000 BOPD is approximately 9.4% and this royalty is deductible prior to calculating the additional government royalty.

Gran Tierra's Colombian operating results for the three months ended March 31, 2011 included production from two new development wells (Costayaco – 11, and –12) in the Costayaco field of the Chaza Block. In the first quarter of 2010, Colombia production included production from Costayaco – 1, – 2, – 3, – 4, – 5, – 8, – 9, – 10, Juanambu – 1 and – 2 in the Guayuyaco Block, along with production from the Santana Block.

Revenue and interest increased 31% in 2011 compared to 2010 due to an increase in net realized crude oil prices. The average net realized price for crude oil, which is based on WTI prices, increased by 38% to $97.27 per barrel for the three months ended March 31, 2011 compared to the same period last year. We received a premium to WTI during the first quarter of 2011.

O*perating expenses* for the three months ended March 31, 2011 increased to $12.8 million from $8.1 million in the same period last year. The increased operating expenses resulted from higher workover, fuel and power, water injection and trucking costs. On a per barrel basis, operating expenses for the first quarter of 2011 increased to $10.54 compared to $6.38 incurred for the same period last year, for the same reason mentioned above.

For the three months ended March 31, 2011, ***DD&A*** expense decreased to $30.0 million from $35.0 million recorded in the same period in 2010. Decreased production levels coupled with higher crude oil proved reserves, accounted for the decrease in DD&A expense. On a per boe basis, the DD&A expense in Colombia decreased by 10% to $24.77 for the first three months of 2011 compared to the same period last year for the same reasons mentioned above.

An increased level of development and operating activities and higher stock-based compensation expense resulted in ***G&A*** expense increasing to $3.3 million for the three months ended March 31, 2011 from $3.1 million incurred for the same period in 2010. On a per barrel basis, G&A expense increased by 13% to $2.73 from $2.42 for the first quarter of 2011 compared to the same period in 2010.

Equity tax for the current quarter of $8.1 million represents a Colombian tax of 6.2% on the balance sheet equity recorded in our Colombia branches at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but is expensed in the first quarter of 2011 at the commencement of the four-year period. Accordingly, the equity tax expense for the previous four-year period was recorded prior to 2010 and no expense is recorded in the first quarter of 2010.

The results for the three months ended March 31, 2011 included a ***foreign exchange loss*** of $5.3 million, of which $4.4 million is an unrealized non-cash foreign exchange loss (first quarter of 2010 - $14.6 million loss, of which $12.6 million was an unrealized loss). This deferred tax liability, a monetary liability, is denominated in the local currency of the Colombian foreign operations and as a result, foreign exchange gains and losses have been 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 $110,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

Capital Program - Colombia

Gran Tierra's focus in Colombia for the first quarter of 2011 was the execution of the 2011 drilling program, including drilling the Moqueta -4 development well and Costayaco-12 and Costayaco-13 development wells in the Chaza block, commencing drilling of the Juanambu-3 development well, drilling the Pacayaco, Canangucho, and Taruka prospects, the continued development of the Costayaco field, and construction of facilities on the Brillante field and drilling the San Angel -1 well acquired through Petrolifera. In support of this strategy, our capital expenditures in Colombia amounted to $42.3 million for the three months ended March 31, 2011.

Segmented Capital Expenditures – Colombia **Block and Activity** **(Millions of U.S. Dollars)**		**Three Months Ended, March 31, 2011**
Chaza	Costayaco facilities, Moqueta pipeline, Pacayco-1, Canangucho-1, Costayaco-12, Costayaco-13, and Moqueta-4 drilling	**$ 25.4**
Guayayaco	Juanambu-3 drilling, and facilities	**1.9**
Rumiyaco	Acquisition of seismic	**0.1**
Garibay	Jilguero-1 drilling	**0.4**
Piedemonte Sur	Taruka -1 drilling	**5.7**
Sierra Nevada	Brillante facilities	**5.4**
Magdalena	San Angel-1 drilling	**2.0**
Santana	Facilities	**0.1**
Capitalized G&A and other		**1.3**
Segmented Capital Expenditures – Colombia		**$ 42.3**

For comparison, during the three months ended March 31, 2010, we spent $17.6 million on capital projects.

Segmented Capital Expenditures - Colombia **Block and Activity** **(Millions of U.S. Dollars)**		**Three Months Ended, March 31, 2010**
Chaza	Costayaco facilities and site preparation for Costayaco -11 and Moqueta -1 drilling	$ 7.2
Guayayaco	Juanambu -2 drilling and facilities	4.8
Rumiyaco	Commencement of 3D seismic	2.3
Garibay	Completion of 3D seismic program	0.6
Piedemonte Sur	Rig mobilization for Taruka -1 well	0.6
Capitalized G&A and other		2.1
Segmented Capital Expenditures – Colombia		$ 17.6

Segmented Results – Argentina

Segmented Results of Operations - Argentina	Three Months Ended March 31, 2011	2010	% Change
(Thousands of U.S. Dollars)			
Oil and natural gas sales	**$ 4,992**	$ 3,499	43
Interest	**-**	16	-
	4,992	3,515	42
Operating expenses	**3,547**	2,029	75
Depletion, depreciation, accretion, and impairment	**1,147**	5,267	(78)
General and administrative expenses	**918**	720	28
Foreign exchange (gain) loss	**(190)**	143	(233)
	5,422	8,159	(34)
Segment loss before income taxes	**$ (430)**	$ (4,644)	(91)
Production, Net of Royalties			
Oil and NGL's ("bbl") (1) (2)	**89,838**	76,113	18
Natural gas ("mcf") (2)	**39,060**	-	-
Total production ("boe") (2) (3)	**96,348**	76,113	27
Average Prices			
Oil and NGL's ("per bbl")	**$ 54.54**	$ 45.97	19
Natural gas ("mcf") (1)	**$ 2.37**	$ -	-
Segmented Results of Operations ("per boe")			
Oil and natural gas sales	**$ 51.81**	$ 45.97	13
Interest	**-**	0.21	-
	51.81	46.18	12
Operating expenses	**36.81**	26.66	38
Depletion, depreciation, accretion, and impairment	**11.90**	69.20	(83)
General and administrative expenses	**9.53**	9.46	1
Foreign exchange (gain) loss	**(1.97)**	1.88	205
	56.27	107.20	(48)
Segment loss before income taxes	**$ (4.46)**	$ (61.02)	(93)

(1) NGL volumes are converted to boe on a one-to-one basis with oil.

(2) Production represents production volumes adjusted for inventory changes.

Segmented Results of Operations – Argentina for the Three Months Ended March 31, 2011 compared to the Results for the Three Months Ended March 31, 2010

For the three months ended March 31, 2011 the ***pre-tax loss*** from Argentina was $0.4 million compared to a pre-tax loss of $4.6 million recorded in the same period in 2010. The decreased loss was due to higher production and realized crude oil prices, lower DD&A expense as there was no impairment of oil and gas properties in the current quarter as compared to a $3.7 million impairment in the comparative quarter and lower depletion in the current quarter due to the addition of the Petrolifera proved reserves to the reserve base.

Crude oil and NGL production, net after 12% royalties, increased to 89,838 barrels for the three months ended March 31, 2011 compared to 76,113 barrels for the same period in 2010. The increase resulted from the inclusion of Petrolifera production beginning March 19, 2011.

Due to the local regulatory regimes, the price we currently receive for production from our blocks is approximately $55 per barrel. Furthermore, currently most oil and gas producers in Argentina are operating without sales contracts for periods longer than several months. A new withholding tax regime was introduced in Argentina without specific guidance as to its application. Producers and refiners of oil in Argentina have been unable to determine an agreed sales price for oil deliveries to refineries. Along with most other oil producers in Argentina we are continuing deliveries to the refineries and are negotiating a price for those deliveries on a regular and short term basis.

With an 18% improvement in regulated crude oil prices, and increased production levels due to the inclusion of Petrolifera production, our ***revenues*** have increased by 43% to $5.0 million in the three months ended March 31, 2011 compared to $3.5 million for the same period in 2010.

Operating expenses for the three months ended March 31, 2011, increased to $3.5 million, or $36.81 per boe, compared to $2.0 million, or $26.66 per boe, incurred in the same quarter last year due to increased workovers in the current period. Operating costs on a per boe basis increased also as a result of increased workover expenses.

DD&A expense for the three months ended March 31, 2011 was $1.1 million, a decrease from the $5.3 million recorded in the same period of 2010. On a per boe basis, DD&A for the three months ended March 31, 2011 decreased to $11.90 from $69.20 recorded in the same period last year. The DD&A rate changed as a result of the addition of the Petrolifera proved reserves and cost base in March 2011 and because there was no impairment loss in the current period compared to a $3.7 impairment loss recorded in the comparative period.

Capital Program - Argentina

Capital expenditures for the three months ended March 31, 2011, amounted to $11.6 million mainly relating to Valle Morado drilling for $13.5 million, El Chivil facilities for $0.7 million and Santa Victoria expenditures of $0.2 million offset by farmout proceeds of $3.3 million. Capital expenditures in Argentina for the three months ended March 31, 2010, were $0.7 million. These costs included facility construction and the acquisition of seismic data.

Segmented Results – Peru

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
Segmented Results of Operations - Peru (Thousands of U.S. Dollars)			
Operating expenses	**$ 64**	$ 36	78
Depletion, depreciation, accretion and impairment	**31,933**	8	-
General and administrative expenses	**565**	204	177
Foreign exchange loss	**63**	-	-
	32,625	248	13,055
Segment loss before income taxes	**$ (32,625)**	$ (248)	13,055

In the three months ended March 31, 2011, Peru became a reportable geographic segment due to the significance of its loss before income taxes as compared to the consolidated loss before income taxes. Prior year comparative geographic segment presentation has been conformed to this presentation with the Peru related results and asset information disaggregated from the Corporate segment.

For the three months ended March 31, 2011, the ***pre-tax loss*** from Peru was $32.6 million compared to a pre-tax loss of $0.3 million recorded in the same period in 2010.

DD&A expense for the three months ended March 31, 2011 was $31.9 million as compared to nil in 2010 as a result of a $31.9 million ceiling test impairment related to seismic and dry hole drilling costs combined with depreciation of other assets.

G&A expense was $0.6 million for the three months ended March 31, 2011 compared with G&A expenses of $0.2 million recorded in the same period in 2010 as a result of increased operations.

Capital Program – Peru

Capital expenditures were $14.3 million mainly related to the drilling of Kanatari -1 on Block 128 as compared to $0.5 million for the same period in 2010.

Segmented Results – Corporate

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
Segmented Results of Operations - Corporate (Thousands of U.S. Dollars)			
Interest	**$ 136**	$ 85	60
Operating expenses	**-**	18	-
Depletion, depreciation and accretion	**241**	62	289
General and administrative expenses	**8,842**	3,194	177
Financial instruments gain	**(230)**	(44)	423
Gain on acquisition	**(24,300)**	-	-
Foreign exchange loss (gain)	**5**	(419)	101
	(15,442)	2,811	(649)
Segment loss before income taxes	**$ 15,578**	$ (2,726)	(671)

Segmented Results of Operations - Corporate

In addition to the expenditures associated with the maintenance of Gran Tierra's headquarters in Calgary, Alberta, Canada, and cost of compliance and reporting under securities regulations, the results of the Corporate Segment include the results of our initial operations in Brazil.

The increase in ***G&A expenses*** over the same period in the prior year was attributable to increased staff to manage expanded operations in all countries as well as the related higher stock-based compensation and $1.2 million incurred related to the acquisition of Petrolifera.

The ***gain on acquistion*** relates to the gain recorded on the acquisition of Petrolifera as previously discussed.

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

Capital Program – Corporate

The capital expenditures for the Corporate Segment of $0.9 million during the three months ended March 31, 2011 were related to other assets in both headquarters in Calgary and in Brazil. Expenditures in the comparative period were $0.8 million, also related to the same expenditures.

Liquidity and Capital Resources

At March 31, 2011, we had cash and cash equivalents of $253.9 million compared to $355.4 million at December 31, 2010. At March 31, 2011, bank debt of $31.3 million was reflected in the condensed consolidated balance sheet related to the reserve-backed credit facility acquired as part of the Petrolifera acquisition. The outstanding balance will be repaid when the Argentine restriction preventing its repayment expires in August 2011. At this later date, we expect to be debt free as we were prior to the acquisition. We believe that our cash position and cash generated from operations will provide us with sufficient liquidity to meet our strategic objectives and fund the debt repayment and our planned capital program for at least the next 12 months. In accordance with our investment policy, cash balances are invested only in United States or Canadian government backed federal, provincial or state securities with the highest credit ratings and short term liquidity.

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 our two 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. 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 1.50% per annum is charged on the unutilized balance of the committed borrowing base and is included in general and administrative expense. Under the terms of the facility, we are required to maintain and were in compliance with certain financial and operating covenants. As at March 31, 2011, we had not drawn down any amounts under this facility.

As part of the acquisition of Petrolifera on March 18, 2011, we assumed a $100.0 million reserve-backed credit facility with available and outstanding balance as at the Acquisition Date and March 31, 2011 of $31.1 million. This credit facility agreement with a syndicate of banks expires on June 30, 2012. The credit facility bears interest at LIBOR plus 8.25%, is partially secured by the pledge of the shares of Petrolifera's subsidiaries and has a provision for a borrowing base adjustment every six months. This facility is currently under review, with any adjustment to the borrowing bas calculated based on information as at December 31, 2010. Under the terms of the facility, we are required to maintain and were in compliance with certain financial and operating covenants. We have classified this credit facility as current as we intend to repay the credit facility at the first opportunity in August of 2011. A regulation of the Argentine Central Bank established that "new indebtedness and renewals of debts with foreign creditors engaged by local residents shall be kept for a minimum of 365 days". Petrolifera entered into an amendment of this credit facility on August 4, 2010, which then renewed and restructured the existing debt. As a result, the principal debt that was loaned into Argentina cannot be repaid and retired until August 2011.

Cash Flows

During the three months ended March 31, 2011, our cash and cash equivalents decreased by $101.5 million as a result of cash outflows from operations of $31.2 million, from investing activities of $49.4 million and from financing activities of $20.9 million.

Net cash provided by operating activities was positively affected by the significant increase in crude oil prices, which was more than offset by the increase in receivables related to oil sales and a reduction in accounts payable.

Outflows from investing activities included additions to property, plant and equipment of $74.3 million and an increase in restricted cash of $5.6 million offset by proceeds on sale of ABCP of $22.7 million and $7.7 million cash acquired through the Petrolifera acquisition.

Financing activities included the repayment of $22.9 million of debt acquired through the Petrolifera acquisition, offset by $2.0 million related to proceeds from issuance of common shares.

During the three months ended March 31, 2010, our cash and cash equivalents decreased by $5.1 million as cash inflows from operations of $2.4 million and from financing activities of $18.2 million were more than offset by cash outflows for investing activities of $25.7 million. Net cash provided by operating activities was positively affected by the significant increase in crude oil production and increase in prices, offset by the increases in receivables related to oil sales and a reduction in accounts payable. Investing activities represented our capital expenditure program and financing activities represented proceeds from the issuance of common shares.

Off-Balance Sheet Arrangements

As at March 31, 2011, we had no off-balance sheet arrangements.

Contractual Obligations

Gran Tierra holds three categories of operating leases, namely office, vehicle and housing. Future lease payments and other contractual obligations at March 31, 2011 are as follows:

Contractual Obligations (Thousands of U.S. Dollars)	As at March 31, 2011				
	Payments Due in Period				
	Total	Less than 1 Year	1 to 3 years	3 to 5 years	More than 5 years
Operating leases	**$ 7,835**	$ 3,151	$ 3,044	$ 1,640	$ -
Bank debt	**31,250**	31,250	-	-	-
Software and Telecommunication	**1,228**	1,033	195	-	-
Drilling, Completion, Facility Construction and Oil Transportation Services	**64,571**	48,301	16,270	-	-
Consulting	**317**	317	-	-	-
Total	**$ 105,201**	**$ 84,052**	**$ 19,509**	**$ 1,640**	**$ -**

Contractual commitments have increased $26.5 million from December 31, 2010 mainly as a result of bank debt assumed upon the acquisition of Petrolifera as previously discussed.

Related Party Transactions

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 runs from February 1, 2009 to August 31, 2011 and the sublease payment is $9,000 per month plus approximately $5,000 for operating and other expenses. The terms of the sublease were consistent with market conditions in the Calgary, Alberta, Canada real estate market.

On August 3, 2010, we entered into a contract related to the Peru drilling program with a company of which one of our directors is a shareholder and director. For the three months ended March 31, 2011, $2.0 million was capitalized and at March 31, 2011, $1.4 million was included in accounts payable related to this contract, the terms of which are consistent with market conditions.

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, at $5,000 per month plus approximately $6,000 for operating and other expenses, the terms are consistent with market conditions in the Calgary, Alberta, Canada real estate market.

Outlook

Business Environment

Our revenues have been significantly impacted by the continuing fluctuations in crude oil prices. Crude oil prices are volatile and unpredictable and are influenced by concerns about financial markets and the impact of the downturn in the worldwide economy on oil demand growth. However, based on projected production, prices, costs and our current liquidity position, we believe that our current operations and capital expenditure program can be maintained from cash flow from existing operations and cash on hand, barring unforeseen events or a severe downturn in oil and gas prices. Should our operating cash flow decline, we would examine measures such as reducing our capital expenditure program, issuance of debt, disposition of assets, or issuance of equity. The current political uncertainty regarding the Middle East, the tsunami in Japan, and continued economic instability in the United States and Europe is having an impact on world markets, and the Company is 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 stock. If the price of our common stock declines, our ability to utilize our stock to raise capital may be negatively affected. Also, raising funds by issuing stock or other equity securities would further dilute our existing stockholders, and this dilution would be exacerbated by a decline in our stock 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.

2011 Work Program and Capital Expenditure Program

Gran Tierra's 2011 work program is intended to create both growth and value in our existing assets through increasing our reserves and production from exploration financed by cash flow, while retaining financial flexibility with a strong cash position and no debt, so that we can be positioned to undertake further development opportunities and to pursue acquisition opportunities. However, actual capital expenditures may vary significantly from our 2011 work program if unexpected events or circumstances occur, such as new opportunities present themselves, or anticipated opportunities do not come to fruition, which may therefore either increase or decrease the amount of capital expenditures we incur in 2011.

As a result of the Petrolifera acquisition and the revised work programs, Gran Tierra has increased production guidance to between 17,500 and 19,000 barrels of oil equivalent per day net after royalty.

Gran Tierra has planned a revised 2011 capital spending program of $357 million for exploration and development activities in Colombia, Peru, Argentina and Brazil, including expenditures related to the newly acquired Petrolifera assets. Of this, $190 million is for drilling, $79 million for infrastructure, $87 million for seismic acquisition and $1 million for other activities. Of the $190 million related to drilling, approximately, $87 million is for exploration and the balance is for delineation and development drilling.

We expect that our committed and discretionary 2011 capital program can be funded from cash flow from operations and cash on hand. The following outlook represents the capital program based upon the current portfolio of Gran Tierra properties.

Outlook – Colombia

The 2011 capital program in Colombia has been revised to $196 million. $106 million is allocated to drilling, $33 million to facilities, $5 million to pipelines, and $52 million for geological and geophysical expenditures.

Three additional blocks were added to Gran Tierra's portfolio from Petrolifera, Sierra Nevada, Magdalena, and Turpial.

The drilling program includes nine gross exploration wells. In the first quarter, the Canagucho-1 and Taruka-1 exploration wells were drilled and abandoned. The San Angel-1 well was drilling at March 31, 2011 and was plugged and abandoned in April 2011. Pacayaco-2, Rumiyaco-1, Melora-1, La Vega Este-1, Turpial-1, and Brillante-2 are planned to drill in the remaining nine months.

The drilling program includes seven gross development wells. Four of these wells, Costayaco -12, Costayaco-13, Moqueta-4 and Moqueta-5 wells were successful with drilling completion dates throughout the first quarter and through the end of April 2011. Juanambu-3 was rig released in April 2011 and is awaiting testing. The remaining wells, Moqueta-6 and Costayaco-14 injector, will be drilled during the remainder of 2011.

Facility construction includes ongoing development of the Moqueta field and further facility work at Costayaco and Brillante.

Two stratigraphic test wells, one in Putumayo 10 Block and on in Piedemonte Norte Block, will not be drilled due to lack of appropriate slimhole drilling rigs. These targets will be considered for drilling in 2012 with conventional drilling rigs.

Outlook – Argentina

The 2011 capital program in Argentina has been revised to $50 million. $41 million is allocated to drilling, $5 million to facilities and pipelines, and $4 million to geological and geophysical expenditures.

Gran Tierra acquired five blocks in the Nuequen Basin from Petrolifera; Puesto Morales, Puesto Morales Este, Rinconada, Vaca Mahudia, Puesto Guevara and Gobernader.

Gran Tierra's planned work program for 2011 includes costs related to the re-entry and sidetrack of the GTE. St.VMor-2001 well, one development well in Palmar largo and development and water injector wells in Puesto Morales /Puesto Morales Este, workovers in El Vinalar and Puesto Morales/Puesto Morales Este, facility construction, and geophysical work.

In February 2011, the sidetrack and re-entry operations at the GTE.St.VMor-2001 well were suspended and the well bore is being abandoned. Gran Tierra is planning to drill a new vertical well in the gas field in 2012.

Gran Tierra has initiated its workover program on 16 wells in the Puesto Morales/Puesto Morales Este blocks and is planning to drill six development wells and three water injector wells in the area. The intention of the program is to improve recovery of the remaining reserves, minimize water channeling through the use of polymer, and subsequently to grow production.

In April 2011, Gran Tierra announced the successful farm out of 50% of the Santa Victoria block to Apache Corporation ("Apache").

Outlook - Peru

The 2011 capital program in Peru has been revised to $49 million. $22 million is allocated to drilling and $17 million allocated to geological and geophysical.

Gran Tierra acquired three blocks in relation to the Petrolifera acquisition: Block 107, Block 133 and Block 106. Prior to close of the acquisition, Petrolifera, in consultation with Gran Tierra, notified PeruPetro of the intention not to proceed to the next exploration phase in Block 106. Accordingly, the license agreement was terminated in April 2011.

Permitting relating to drilling on Block 107 continues to advance and one exploration well is planned for 2012.

In February 2011, in accordance with contractual obligations, Gran Tierra relinquished 20% of Block 128. In March 2011, the Kanatari-1 exploration well on Block 128 was plugged and abandoned. Gran Tierra continues to assess options related to Block 128 and the adjacent Block 122. No well is planned in 2011 on Block 122 as the currently permitted drilling locations are not prospective.

On April 26, 2011, final assignment of interest was received for Gran Tierra 's 20% non-operated interest in ConocoPhilips Block 123, Block 124 and Block 129. Gran Tierra plans to assess the prospectivity of these blocks based on recently acquired 2-D seismic data.

Upon approval of assignment of interests to Gran Tierra by Perupetro S.A., Gran Tierra plans to begin civil construction for one exploration well on Block 95 in the third quarter of 2011 and to begin drilling in the second quarter of 2012.

Outlook - Brazil

The 2011 capital program in Brazil is $62 million and includes $22 million budgeted for drilling and completions and the remainder for facilities and acquisition costs of the working interest ownership as described below.

In August 2010, Gran Tierra Energy established an initial exploration and production position in Brazil, subject to approval by Agência Nacional de Petróleo Gás Natural e Biocombustíveis ("ANP"), whereby Gran Tierra Energy will receive a 70% working interest in four Blocks in the onshore Recôncavo Basin. In April 2011, Gran Tierra Energy received final approvals for Blocks -129, -142 and -224 and expects regulatory approval for Block 155 shortly. Gran Tierra Energy will then assume its working interest share of a light oil discovery which has an unaudited estimated gross recoverable resource of 6 million barrels of oil. Gran Tierra Energy expects to drill two gross development wells in 2011 to grow production from this discovery, which is currently producing 500 barrels of oil per day gross from one zone without the assistance of pumps.

In addition, two exploration wells are planned for 2011, one well on Block 129 and one well on Block 142. Drilling rigs are currently being tendered and locations are being permitted. The first exploration well is expected to spud on Block 142 in the end of third quarter of 2011.

Critical Accounting Policies and Estimates

The preparation of financial statements under generally accepted accounting principles ("GAAP") in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The critical accounting policies used by management in the preparation of our consolidated financial statements are those that are important both to the presentation of our financial condition and results of operations and require significant judgments by management with regards to estimates used. We believe that the assumptions, judgments and estimates involved in the accounting for oil and gas accounting and reserves determination, establishment of fair values of assets and liabilities acquired as part of acquisitions, impairment, asset retirement obligations, goodwill impairment, deferred income taxes, share-based payment arrangements, and warrants have the greatest potential impact on our consolidated financial statements. These areas are key components of our results of operations and are based on complex rules which require us to make judgments and estimates, so we consider these to be our critical accounting estimates. Our critical accounting policies and significant judgments and estimates related to those policies are discussed below.

Actual results could differ from these estimates, however, historically, our assumptions, judgments and estimates relative to our critical accounting estimates have not differed materially from actual results.

On a regular basis we evaluate our assumptions, judgments and estimates. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors. Our critical accounting policies and estimates are disclosed in Item 7 of our 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 25, 2011, 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. Essentially 100% of our revenues are from oil sales at prices which are defined by contract relative to WTI and adjusted for transportation and quality for 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.

We consider our exposure to interest rate risk to be immaterial and will repay the reserve backed credit facility acquired on the acquisition of Petrolifera in August 2011, when the Argentine restrictions preventing us from doing so lapse. Interest rate exposures relate primarily to our investment portfolio as the $31.3 million debt under our reserve backed credit facility, which is based on LIBOR plus 8.25 %, will be repaid in August 2011. 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 issuers at overnight rates, or government securities of the United States or Canadian federal governments such as Guaranteed Investment Certificates or Treasury Bills. We do not hold any of these investments for trading purposes. We do not hold equity investments.

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. price of West Texas Intermediate oil. In Colombia, we receive 100% of our revenues in U.S. dollars. The majority of our capital expenditures in Colombia are in U.S. dollars and the majority of local office costs are in local currency. In Argentina, reference prices for oil are in U.S. dollars and revenues are received in Argentine pesos according to current exchange rates. The majority of capital expenditures within Argentina have been in U.S. dollars with local office costs generally in pesos. The majority of our capital expenditures in Brazil and Peru are in U.S. dollars and the majority of local office costs are in the local currencies. While we operate in South America exclusively, the majority of our acquisition expenditures have been valued and paid in U.S. dollars.

Additionally, foreign exchange gains/losses result from the fluctuation of the U.S. dollar to the Colombian peso due to our deferred tax liability, a monetary liability, which is mainly denominated in the local currency of the Colombian foreign operations. As a result, a foreign exchange gain/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 $110,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

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 March 31, 2011 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

We acquired Petrolifera Petroleum Limited on March 18, 2011 and are currently in the process of integrating it into our existing internal controls and procedures. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Ecopetrol and 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. This matter was reported in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on February 25, 2011.

Gran Tierra is subject to a third party 10% net profits interest on 50% of the Company's production from the Costayaco field that arises from the original acquisition in 2006 of 50% of Gran Tierra's interest in the Chaza Block Contract. There is currently a disagreement between Gran Tierra and the third party as to the calculation of the net profits interest. Gran Tierra and the third party have agreed to resolve this issue through an arbitration which is anticipated to be heard in Texas, in accordance with the rules of the American Arbitration Association, in the fourth quarter of 2011. 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. The disputed amount at March 31, 2011 is $5.4 million.

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 fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission on February 25, 2011, are set forth below and are unchanged substantively at March 31, 2011, other than those designated by an asterisk "*".

Risks Related to Our Business

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 in Colombia and Argentina is limited to one basin per country. 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.

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 could be disrupted by damage to this pipeline. Once delivered to Ecopetrol, all of our current oil production in Colombia is transported by an export pipeline which provides the only access to markets for our oil. 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, again in each of June, July and August of 2009, again in June, August, and September 2010, and again in February 2011 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 the company and the public.

As some of our current oil production in Argentina is trucked to a local refinery, sales of oil 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.

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

Despite significant recent security gains, Colombia remains a country where safety is a significant concern. For over 40 years, the 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. In recent years, however, the government has successfully dissolved the AUC militia, a paramilitary group that originally sprouted up to combat the FARC and ELN. The dissolved AUC militia members have reorganized in the form of criminal gangs.

We operate principally in the Putumayo basin in Colombia, and have properties in other basins, including the Catatumbo, Llanos, Middle Magdalena and Lower Magdalena basins. The Putumayo and Catatumbo regions have been prone to guerilla activity. In 1989, our predecessor company's facilities in one field were attacked by guerillas and operations were briefly disrupted. Again on 16 October 2010, two of our sites in the Putumayo/Cauca were attacked by FARC guerillas causing some disruption to operations. Pipelines have also been targets, including the Ecopetrol - operated Trans Andean (OTA) export pipeline which transports oil from the Putumayo region. In March and April of 2008, again in each of June, July, August and October of 2009, again in June, August, and September 2010, and again in February 2011, sections of the Trans Andean pipeline were sabotaged by guerillas, which temporarily reduced our deliveries to Ecopetrol during the affected periods.

Continuing attempts by the Colombian Government to reduce or prevent guerilla activity may not be successful and guerilla activity may disrupt our operations in the future. There can also be no assurance that we can maintain the safety of our operations and personnel in Colombia or that this violence will not affect our operations in the future and cause significant loss.

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 the business of Gran Tierra. 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 certain jurisdictions, particularly in Brazil and Argentina, where experienced personnel in our industry are in high demand and competition for their talents is intense, in our efforts to obtain suitably qualified staff and retain staff that are willing to work in that jurisdiction.

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 in order 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 Gran Tierra 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.

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 sales in Argentina will depend on a relatively small group of customers, and currently, on three 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.

Strategic 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 Gran Tierra's 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 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 may not be able to establish these strategic 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 Gran Tierra.

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.

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. In 2010, there has been an increased presence of illegitimate unionization activities in the Putumayo Basin by the *Sindicato de Trabajadores Petroleros del Putumayo*, which has disrupted our operations from time to time and may do so in the future.

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.

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 company's functional currency. 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 4.08 pesos to the U.S. dollar, a fluctuation of approximately 34%. Exchange rates between the Colombian peso and U.S. dollar have varied between 2,632 pesos to one U.S. dollar to 1,648 pesos to one U.S. dollar since September 1, 2005, a fluctuation of approximately 60%.

In addition, a foreign exchange loss of $5.2 million, of which $4.6 million is an unrealized non-cash foreign exchange loss, was recorded for the three months ended March 31, 2011 and was primarily due to the translation of a deferred tax liability recorded on the purchase of Solana. The deferred tax liability is denominated in Colombian pesos and the devaluation of 2% in the U.S. dollar against the Colombian Peso in the period ended March 31, 2011 resulted in the 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.

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, foreign owned 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.

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

The crude 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 crude 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 crude 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 one refiner, Refineria del Norte S.A, and the price is negotiated on a month by month basis. As a result of our acquisition of Petrolifera, we are now also selling our crude oil through short term contracts to Shell Compania Argentina de Petroleo S.A. and YPF S.A. and natural gas to Rafael G. Albenesi S.A. 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 Refineria del Norte S.A., 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.

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

A national election in Peru was held in April 2011 but since no presidential candidate received the requisite number of votes, a second election is scheduled to be held on June 5, 2011 to determine the winner. The election will determine the successor to the current president, as well as 130 members of the Peruvian Congress and 5 members of the Andean Parliament. The winners will be sworn in on July 28, 2011. The 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 point, 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 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 stockholders, 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. In particular, on March 18, 2011, we acquired Petrolifera (through a plan of arrangement), a company with substantial assets featuring both high working interest and operatorship in three of the four South American countries in which we operate. For the acquisition to be successful, we must be successful at retaining key employees and integrating Petrolifera's operations. Such 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.

Risks Related to Our Industry

Unless We are Able to Replace Our Reserves, and Develop Oil and Gas Reserves 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 company's 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 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 permits. We may not be able to obtain, sustain or renew such licenses and permits on a timely basis or at all. 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.

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 to 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 2010, we recorded a ceiling test impairment loss of $23.6 million in our Argentina cost center. In counties where we do not have proved reserves, dry wells drilled in a period would directly result in a ceiling test impairment for that period. In the three months ended March 31, 2011, we recorded a ceiling test impairment loss of $31.9 million in our Peru cost center related to our exploration projects.

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 fourth quarter of 2010. In February 2011, these operations were suspended and the wellbore will be abandoned due to a number of operational challenges encountered. Gran Tierra continues 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 may become responsible for costs associated with abandoning and reclaiming 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 Profitability, Growth and the Value of Gran Tierra.

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 and $94 for the three months ended March 31, 2011 demonstrating the inherent volatility in the market. 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 and 2010 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 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 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; and

• changes in the social, political and/or legal climate in the regions in which we will operate.

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;

• changes in the valuation of similarly situated companies, both in our industry and in other industries;

• changes in analysts' estimates affecting our company, our competitors and/or our industry;

• changes in the accounting methods used in or otherwise affecting our industry;

• additions and departures of key personnel;

• 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.

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 stockholders 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 twelve separate dates beginning on January 1, 2011 and ending on March 31, 2011, we sold an aggregate of 210,000 shares of our common stock for an aggregate purchase price of $220,500. These shares were issued to thirteen 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 5. OTHER INFORMATION

On February 9, 2011, we reported in a Form 8-K cash compensation arrangements for our named executive officers. There was an error in the 2011 salary for Julian Garcia, which has been corrected in Exhibit 10.1 hereto.

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: May 10, 2011

/s/ Dana Coffield
By: Dana Coffield

Its: Chief Executive Officer

Date: May 10, 2011

/s/ Martin Eden
By: Martin Eden

Its: Chief Financial 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 Securities and Exchange Commission on September 22, 2008 (SEC File No. 000-52594).
4.1	Reference is made to Exhibits 3.1 to 3.2.	
4.2	Form of Warrant issued to institutional and retail investors in connection with the private offering in June 2006.	Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 21, 2006 (SEC File No. 333-111656).
4.3	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 Securities and Exchange on April 21, 2006 (SEC File No. 333-111656).
4.4	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 Securities and Exchange on April 21, 2006 (SEC File No. 333-111656).
4.5	Provisions Attaching to the GTE–Solana Exchangeable Shares.	Incorporated by reference to Annex E to the Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on October 14, 2008 (SEC File No. 001-34018).
4.6	Supplemental Warrant Indenture, dated as of March 18, 2011, among Gran Tierra Energy Inc., Petrolifera Petroleum Limited, and Computershare Trust Company of Canada.	Filed herewith.
10.1	Cash Compensation Arrangements with Named Executive Officers	Filed herewith.
10.2	Form of Voting Support Agreement Respecting the Arrangement Involving Petrolifera Petroleum Limited and Gran Tierra Energy Inc. (Petrolifera Directors and Officers)	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on January 21, 2011 (SEC File No. 001-34018).
10.3	Form of Voting Support Agreement Respecting the Arrangement Involving Petrolifera Petroleum Limited and Gran Tierra Energy Inc. (Petrolifera largest stockholder)	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on January 21, 2011 (SEC File No. 001-34018).
10.4	Third Amendment to Credit Agreement, dated as of January 20, 2011, among Solana Resources Limited, Gran Tierra Energy Inc., BNP Paribas and Other Lenders	Incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K, filed with the SEC on February 25, 2011 (SEC File No. 001-34018).

10.5	Consulting Services Agreement, between David Hardy and Gran Tierra Energy Inc.	Filed herewith.
10.6	Executive Employment Agreement, dated January 20, 2010, between Gran Tierra Energy Inc. and David Hardy.	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 Securities and Exchange Commission.

* 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 4.6

GRAN TIERRA ENERGY INC.

and

PETROLIFERA PETROLEUM LIMITED

and

COMPUTERSHARE TRUST COMPANY OF CANADA

SUPPLEMENTAL WARRANT INDENTURE

March 18, 2011

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SUPPLEMENTAL WARRANT INDENTURE

THIS SUPPLEMENTAL WARRANT INDENTURE is made as of 18th day of March, 2011

AMONG:

GRAN TIERRA ENERGY INC., a corporation formed under the Laws of Nevada (the "**Corporation**")

- and -

PETROLIFERA PETROLEUM LIMITED , a corporation formed under the laws of Canada ("**PPL**")

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada (the "**Warrant Agent**")

RECITALS:

WHEREAS PPL and Valiant Trust Company (the "**Original Warrant Agent**") entered into a warrant indenture (the "**Original Indenture**") dated August 28, 2009 to provide for the creation and issuance of 32,671,500 warrants in the capital of PPL (the "**Original Warrants**"), with each Original Warrant entitling the holder thereof to acquire one common share in the capital of PPL upon the payment of $1.20 in lawful money of Canada (the "**Original Exercise Price**");

AND WHEREAS pursuant to a statutory plan of arrangement in accordance with the *Canada Business Corporations Act* effective as of March 18, 2011 (the "**Arrangement**"), among other things, the Corporation acquired, directly or indirectly, the undertaking of PPL as an entirety;

AND WHEREAS the Arrangement provides that each outstanding Original Warrant shall be sold, assigned and transferred to the Corporation in exchange for a number of warrants in the capital of the Corporation (the "**Warrants**") equal to the product of one multiplied by 0.1241; the exercise price for each such Warrant will be equal to the Original Exercise Price divided by 0.1241 (rounded up to the nearest whole cent); the expiry date of the Warrants will be the same as for the Original Warrants; and the Warrants shall be governed by this Supplemental Indenture;

AND WHEREAS the Corporation, as successor entity, wishes to assume all of the rights, covenants and obligations of PPL under the Original Indenture, as such Original Indenture is amended and restated in this Supplemental Indenture (the "**Supplemental Indenture**");

AND WHEREAS the Original Warrant Agent has provided PPL with its notice of intention to resign as warrant agent under the Original Indenture and PPL has accepted this notice as being sufficient; The foregoing statements of fact and recitals are made by PPL and not by the Warrant Agent;

AND WHEREAS the Warrant Agent wishes to assume all of the rights, covenants and obligations of the Original Warrant Agent under the Original Indenture, in accordance with the terms thereof;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and PPL and not by the Warrant Agent;

NOW THEREFORE it is hereby covenanted, agreed and declared as follows:

The parties agree as follows.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Supplemental Indenture, including the recitals and schedules hereto and in all indentures supplemental hereto:

"**Accelerated Expiry Date**" has the meaning set forth in Section 2.2;

"**Accelerated Time of Expiry**" means 5:00 p.m., Calgary time, on the Accelerated Expiry Date;

"**Acceleration Notice**" has the meaning set forth in Section 2.2;

"**Adjustment Period**" means the period from and including the Effective Date up to and including the Time of Expiry or the Accelerated Time of Expiry, as applicable;

"**affiliate**" has the meaning given thereto in the *Securities Act* (Alberta);

"**Arrangement**" means the statutory plan of arrangement pursuant to the *Canada Business Corporations Act* effective March 18, 2011;

"**Authorized Investments**" means short term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a province of Canada;

"**Business Day**" means a day which is not Saturday or Sunday or a legal holiday in the City of Calgary or a day on which the Warrant Agent is closed for business;

"**Closing Trading Price**" means the closing trading price on the Toronto Stock Exchange on the Business Day immediately prior to the Exercise Date;

"**Common Shares**" means fully paid and non-assessable Common Shares of the Corporation as presently constituted;

"**Corporation**" means Gran Tierra Energy Inc.;

"**Corporation's Auditors**" means the firm of chartered accountants that is duly appointed as auditors of the Corporation;

"**Counsel**" means a barrister or solicitor or a firm of barristers and solicitors retained by the Warrant Agent or retained by the Corporation and acceptable to the Warrant Agent;

"**Current Market Price**" of the Common Shares at any date means the weighted average of the trading prices per share for such shares for any 10 consecutive Trading Days (as selected by the directors of the Corporation) during the period commencing not more than 30 Trading Days before such date on the Toronto Stock Exchange or, if on such date the Common Shares are not listed on the Toronto Stock Exchange, on such stock exchange upon which such shares are listed and as selected by the directors, or, if such shares are not listed on any stock exchange then on such over-the-counter market as may be selected for such purpose by the directors, or, if the Common Shares are not listed on any stock exchange or traded through an over-the-counter market, the Current Market Price is to be determined in good faith by the directors of the Corporation;

"**director**" means a director of the Corporation for the time being and, unless otherwise specified herein, reference to action "by the directors" means action by the directors of the Corporation as a board or, whenever duly empowered, action by any committee of such board;

"**Dividends Paid in the Ordinary Course**" means cash dividends or distributions declared payable on the Common Shares in any fiscal year of the Corporation to the extent that such cash dividends or distributions do not exceed, in the aggregate, 50% of the consolidated net income of the Corporation before extraordinary items for the period of 12 consecutive months ended immediately prior to the first day of such fiscal year (such consolidated net income and extraordinary items to be shown in the audited consolidated financial statements of the Corporation for such period of 12 consecutive months or if there are no audited consolidated financial statements for such period, computed in accordance with generally accepted accounting principles, consistent with those applied in the preparation of the most recent audited consolidated financial statements of the Corporation);

"**Effective Date**" means the original Issue Date of the Warrants by the Corporation;

"**Exercise Date**" means, with respect to any Warrant, the date on which the Warrant Certificate representing such Warrant is surrendered for exercise in accordance with the provisions of Article 3;

"**Exercise Price**" with respect to the exercise of any Warrant means $9.67 in lawful money of Canada per Common Share, unless such price shall have been adjusted in accordance with the provisions of Article 4, in which case it shall mean the adjusted price in effect at such time;

"**Expiry Date**" means August 28, 2011 subject to adjustment in accordance with Section 2.2.;

"**Issue Date**" means, in respect of each Warrant, the date of this Supplemental Indenture;

"**person**" means an individual, body corporate, partnership, trust, trustee, executor, administrator, legal representative or any unincorporated organization;

"**SEC**" means the United States Securities and Exchange Commission;

"**Shareholder**" means a holder of record of one or more Common Shares;

"**Subsidiary of the Corporation**" or "**Subsidiary**" means any corporation or other person (other than an individual) of which more than 50% of the outstanding voting securities are owned, directly or indirectly, by or for the Corporation, provided that the ownership of such securities confers the right to elect at least a majority of the board of directors (or persons in a similar position of fiduciary responsibility) of such corporation or other person (other than an individual) and includes any entity in like relation to a Subsidiary;

"**successor entity**" has the meaning set forth in Section 8.2;

"**this Warrant Indenture**", "**this Supplemental Indenture**", "**herein**", "**hereby**" and similar expressions mean and refer to this amended and restated Supplemental Indenture and any indenture, deed or instrument supplemental hereto; and the expressions " **Article**", "**Section**" "**subsection**" and "**paragraph**" followed by a number mean and refer to the specified article, section, subsection or paragraph of this Supplemental Indenture;

"**Time of Expiry**" means 5:00 p.m., Calgary time, on the Expiry Date;

"**Trading Day**" means a day on which the Toronto Stock Exchange, other stock exchange or over-the-counter market, as the case may be, is open for the transaction of business and on which the Common Shares actually trade on such exchange or market;

"**United States**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended;

"**Warrant Agency**" means the principal office of the Warrant Agent in the City of Calgary and the City of Toronto or such other place as may be designated in accordance with subsection 3.1(c);

"**Warrant Agent**" means Computershare Trust Company of Canada or its successors from time to time in the trust hereby created;

"**Warrant Certificate**" means a certificate, in substantially the form attached hereto as Schedule "A", issued on or after the Effective Date to evidence Warrants;

"**Warrantholder**", or "**holder**" without reference to Common Shares, means the person who is the registered owner of Warrants as shown on the register maintained at the Warrant Agency by the Warrant Agent in accordance with this Supplemental Indenture;

"**Warrantholders Request**" means an instrument signed in one or more counterparts by Warrantholders representing in the aggregate not less than 10% of the aggregate number all Warrants then outstanding and unexercised, requesting the Warrant Agent to take some action specified therein;

"**Warrants**" means the Warrants issued and certified hereunder and for the time being outstanding entitling the holder to acquire Common Shares in accordance with this Indenture; and

"**written order of the Corporation**", "**written request of the Corporation**", "**written consent of the Corporation**", "**written notice of the Corporation**" and "**certificate of the Corporation**" mean, respectively, a written order, request, consent, notice and certificate signed in the name of the Corporation by any director or officer of the Corporation, and may consist of one or more instruments so executed.

1.2 Gender and Number

Unless herein otherwise expressly provided or unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 Interpretation not Affected by Headings, etc.

The division of this Indenture into Articles and Sections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.4 Day not a Business Day

In the event that any day on or before which action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

1.5 Time of the Essence

Time shall be of the essence in this Indenture.

1.6 Applicable Law

This Supplemental Indenture and the Warrant Certificates shall be construed in accordance with the laws of the Province of Alberta and shall be treated in all respects as Alberta contracts. The parties hereby submit and attorn to the jurisdiction of the courts of Alberta for all matters related to this Supplemental Indenture and the Warrant Certificates.

1.7 Severability

In the event that any provision under this Supplemental Indenture is determined to be invalid or unenforceable in any respect, such determination will not affect the provision in any other respect or any other provision under this Indenture, all of which will remain in full force and effect.

1.8 Conflicts

In the event there is any conflict between this Indenture and any Warrant Certificate, the provisions under this Indenture will govern and prevail.

1.9 Supersedes Original Indenture

From and after the date hereof, the rights, obligations, terms and conditions set out in the Original Indenture have been superseded, amended and replaced by this Supplemental Indenture.

ARTICLE 2
ISSUE OF WARRANTS

2.1 Issue of Warrants

In connection with the Arrangement, 4,125,036 Warrants are hereby created and authorized to be issued in accordance with the terms hereof and shall be executed by the Corporation and certified by or on behalf of the Warrant Agent upon the written order of the Corporation and delivered by the Warrant Agent to the Corporation in accordance with the written direction of the Corporation. Each Warrant shall be nominally denominated as the right, upon exercise and with the payment of the Exercise Price, to acquire one Common Share, subject to adjustment in accordance with Article 4, at any time after the Issue Date and ending at the Time of Expiry or Accelerated Time of Expiry, as the case may be; provided, however, that notwithstanding anything to the contrary set forth herein, Warrants shall not be exercisable by payment of the Exercise Price, but and may only be exercised by "net exercise", such that, upon exercise, the holder thereof shall acquire a fraction of a Common Share (subject to Sections 2.3(c) and 3.3(b)) as is equal to:

$$\text{Fraction} = (A - B)/A$$

For purposes of the foregoing formula:

A = the Closing Trading Price.

B = the Exercise Price.

2.2 Acceleration of Expiry Date

Subject to adjustment in accordance with Article 4, at any time after the Issue Date and ending at the Time of Expiry, if the 20 trading day volume weighted average price of the Common Shares on the Toronto Stock Exchange (or such other stock exchange or quotation system on which the Corporation's shares are listed and where a majority of the trading volume occurs), exceeds $20.15, the Corporation may, within five Business Days after such an event, provide notice (the "**Acceleration Notice**") to the Warrantholders advising that the Warrants will expire on the Accelerated Time of Expiry on the date which is 30 days after the date of the Acceleration Notice (the "**Accelerated Expiry Date**") if not exercised prior to the Accelerated Time of Expiry.

2.3 Form and Terms of Warrants

(a) The Warrant Certificates (including all replacements issued in accordance with this Indenture) shall be substantially in the form set out in Schedule "A" hereto, shall bear such legends and distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe, and shall be issuable in any denomination excluding fractions.

(b) The Warrant Certificates may be engraved, printed, lithographed or in other form or partly in one form and partly in another as the Corporation with the approval of the Warrant Agent may determine. No change in the Warrant Certificate shall be required by reason of any adjustment made pursuant to Article 4 in the number or class of Common Shares or other securities to which a holder is entitled pursuant to the exercise of the Warrants or by reason of any acceleration made pursuant to Section 2.2 to the date the Warrants expire.

(c) No fractional Warrants shall be issued or otherwise provided for hereunder. Any fractional interests in Common Shares of a Warrantholder will be aggregated to form whole numbers of Common Shares with any remaining fractional interests rounded down to the nearest whole Common Share. Cash will be paid in lieu of any fractional share entitlement based on the Current Market Price of the Common Shares, provided that the Corporation shall not be required to make any such cash payment that is less than $10.00.

(d) The number of Common Shares which may be received pursuant to the exercise of Warrants in accordance with the terms and conditions of this Supplemental Indenture shall be adjusted in the events and in the manner specified in Article 4.

(e) Each Warrant shall entitle the holder thereof to such other rights and privileges as are set forth in this Supplemental Indenture.

2.4 Warrantholder not a Shareholder

Nothing in this Supplemental Indenture or in the holding of a Warrant or Warrant Certificate or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder or as any other shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of Shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions except as may be provided in this Supplemental Indenture or the Warrant Certificates.

2.5 Warrants to Rank *pari passu*

All Warrants shall rank *pari passu*, whatever may be the actual Issue Date thereof.

2.6 Signing of Warrant Certificates

The Warrant Certificates shall be signed by any one director or officer of the Corporation. The signature of any such director or officer may be mechanically reproduced in facsimile and Warrant Certificates bearing such facsimile signature shall be binding upon the Corporation as if it had been manually signed by such director or officer. Notwithstanding that any of the persons whose manual or facsimile signature appears on any Warrant Certificate as a director or officer may no longer be appointed or hold office at the date of such Warrant Certificate or at the date of certification or delivery thereof, any Warrant Certificate signed as aforesaid shall, subject to Section 2.7, be valid and binding upon the Corporation and the holder thereof shall be entitled to the benefits of this Supplemental Indenture.

2.7 Certification by the Warrant Agent

(a) No Warrant Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the holder to the benefit hereof until it has been certified by manual signature by or on behalf of the Warrant Agent and such certification by the Warrant Agent upon any Warrant Certificate shall be conclusive evidence as against the Corporation that the Warrant Certificate so certified has been duly issued hereunder and that the holder is entitled to the benefits hereof.

(b) The certification of the Warrant Agent on Warrant Certificates issued hereunder shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Supplemental Indenture or the Warrant Certificates (except the due certification thereof) and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrant Certificate or any of them or of the consideration therefor except as otherwise specified herein. The countersignature of the Warrant Agent will, however, be a representation and warranty of the Warrant Agent that the Warrant Certificate has been duly countersigned by or on behalf of the Warrant Agent pursuant to the provisions of this Supplemental Indenture.

2.8 Issue in Substitution for Warrant Certificates Lost, etc.

(a) In the event that any Warrant Certificate shall become mutilated or be lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue and thereupon the Warrant Agent shall certify and deliver, a new Warrant Certificate of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and the Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Warrants issued or to be issued hereunder.

(b) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.8 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost destroyed or stolen as shall be satisfactory to the Corporation and to the Warrant Agent each in their sole discretion, and such applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent each in their discretion and shall pay the reasonable charges of the Corporation and the Warrant Agent in connection therewith.

2.9 Exchange of Warrant Certificates

(a) Warrant Certificates representing Warrants to acquire any specified number of Common Shares may, upon compliance with the reasonable requirements of the Warrant Agent, be exchanged for another Warrant Certificate or Warrant Certificates entitling the holder thereto to acquire in the aggregate the same number of Common Shares as may be acquired under the Warrant Certificate or Warrant Certificates so exchanged. Upon compliance with the reasonable requirements of the Warrant Agent and the terms and conditions hereof, the Corporation will sign, and the Warrant Agent will countersign, all Warrant Certificates necessary to carry out these exchanges.

(b) Warrant Certificates may be exchanged only at a Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificate tendered for exchange shall be cancelled by the Warrant Agent.

2.10 Transfer of Warrants

(a) Subject to subsection 2.10(b) below and such reasonable requirements as the Warrant Agent may prescribe and all applicable securities legislation and requirements of regulatory authorities, the Warrants may be transferred on the register kept at the Warrant Agency by the Warrantholder (or its legal representatives or its attorney duly appointed by an instrument in writing in form and manner of execution satisfactory to the Warrant Agent) only upon the surrender of the relevant Warrant Certificate with the transfer form forming part thereof duly completed and signed. After receiving the surrendered Warrant Certificate(s) and upon the person surrendering the same meeting the requirements set forth above, the Warrant Agent shall issue to the transferee a Warrant Certificate representing the Warrants transferred.

(b) No transfer of a Warrant shall be valid: (i) unless made in accordance with the provisions hereof; (ii) until, upon compliance with such reasonable requirements as the Warrant Agent may prescribe, such transfer is recorded on the register maintained by the Warrant Agent pursuant to Section 2.12; (iii) unless such registration shall be noted on the Warrant Certificate by the Warrant Agent; and (iv) until all governmental or other charges arising by reason of such transfer have been paid.

2.11 Charges for Exchange and Transfer

Except as otherwise herein provided, the Warrant Agent may charge to the holder requesting an exchange or transfer a reasonable sum for each new Warrant Certificate issued in exchange for Warrant Certificate(s), and payment of such charges and reimbursement of the Warrant Agent or the Corporation for any and all stamp taxes or governmental or other charges required to be paid shall be made by such holder as a condition precedent to such exchange or transfer.

2.12 Registration of Warrants

The Warrant Agent shall keep at the Warrant Agency: (i) a register of Warrantholders in which shall be entered in alphabetical order the names and addresses of the holders of Warrants and particulars of the Warrants held by them; and (ii) a register of transfers in which all transfers of Warrants and the date and other particulars of each transfer shall be entered. Branch registers shall also be kept at such other place or places, if any, as the Corporation, with the approval of the Warrant Agent, may designate. Such registers will at all reasonable times be open for inspection by the Corporation and/or any Warrantholder.

2.13 Transferee Entitled to Registration

The transferee of a Warrant shall, after the transfer form attached to the Warrant Certificate is duly completed and the Warrant Certificate and form of transfer are lodged with the Warrant Agent, and upon compliance with all other conditions in that regard required by this Supplemental Indenture and by all applicable securities legislation and requirements of regulatory authorities, be entitled to have his name entered on the register as the owner of such Warrant free from all equities or rights of set off or counterclaim between the Corporation and his transferor or any previous Warrantholder of such Warrant, save in respect of equities of which the Corporation or the transferee is required to take notice by statute or by order of a court of competent jurisdiction.

2.14 Registers Open for Inspection

The registers hereinbefore referred to shall be open at the office of the Warrant Agent during normal business hours on each Business Day and upon reasonable written notice for inspection by the Corporation, the Warrant Agent or any Warrantholder. The Warrant Agent shall, from time to time when requested to do so by the Corporation, furnish the Corporation with a list of the names and addresses of Warrantholders entered in the register kept by the Warrant Agent showing the number of Warrants and the number of Common Shares which may then be acquired upon the exercise of the Warrants held by each such Warrantholder.

2.15 Ownership of Warrants

(a) The Corporation and the Warrant Agent may deem and treat the registered Warrantholder of any Warrant Certificate as the absolute owner of the Warrant represented thereby for all purposes, and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary, except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. For greater certainty, subject to applicable law, neither the Corporation nor the Warrant Agent will be bound to take notice of or see to the execution of any trust, whether express, implied or constructive, in respect of any Warrant, and may transfer any Warrant on the direction of the person registered as Warrantholder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

(b) Subject to the provisions of this Supplemental Indenture and applicable law, each Warrantholder shall be entitled to the rights and privileges attaching to the Warrants held thereby. The exercise of the Warrants in accordance with the terms hereof and the receipt by any such Warrantholder of Common Shares pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent with respect to such Warrants and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder.

ARTICLE 3
EXERCISE OF WARRANTS

3.1 Method of Exercise of Warrants

(a) The holder of any Warrant may exercise the right evidenced thereby conferred on such holder to acquire Common Shares by surrendering, prior to the Time of Expiry or the Accelerated Time of Expiry, as applicable, to the Warrant Agent at a Warrant Agency the Warrant Certificate representing such Warrant, with a duly completed and executed exercise form in the form attached to the Warrant Certificate. Promptly upon the receipt of a duly completed and executed exercise form, the Warrant Agent will deliver a notice to the Corporation of the exercise and the Corporation will provide the Warrant Agent with confirmation of the number of Common Shares to be issued in accordance with Section 2.1

(b) Any exercise form referred to in subsection 3.1(a) shall be signed by the Warrantholder or his executors, administrators or other legal representatives or his attorney duly appointed (such persons being obligated to provide the Warrant Agent at the Warrant Agency with proof satisfactory to the Warrant Agent of his or her authority to act on behalf of the Warrantholder) and shall specify:

(i) the number of Warrants which the holder wishes to exercise (being not more than those which are represented by the Warrant Certificate(s) surrendered);

(ii) the person or persons in whose name or names such Common Shares are to be issued, and if such persons are individuals, the relevant social insurance numbers;

(iii) the address or addresses of such person or persons; and

(iv) the number of Warrants to be exercised by each such person if more than one is so specified.

If any of the Common Shares subscribed for are to be issued to a person or persons other than the Warrantholder, the Warrantholder shall pay to the Corporation or the Warrant Agent on behalf of the Corporation, all applicable transfer or similar taxes and the Corporation shall not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation, or the Warrant Agent on behalf of the Corporation, the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid or that none is due.

(c) In connection with the exchange of Warrant Certificates and exercise of Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the principal office of the Warrant Agent in Calgary and Toronto as an agency at which Warrant Certificates may be surrendered for exchange or at which Warrants may be exercised and the Warrant Agent has accepted such appointment. The Corporation shall give notice to the Warrant Agent of any change of the Warrant Agency.

3.2 Effect of Exercise of Warrants

(a) Upon compliance by the holder of any Warrant Certificate with the provisions of Section 3.1, and subject to Section 3.3, the Common Shares issuable pursuant to the exercise of such Warrants shall be deemed to have been issued as fully paid and non-assessable and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of record of such Common Shares on the Exercise Date unless the transfer registers of the Corporation shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons shall be deemed to have become the holder or holders of record of such Common Shares, on the date on which such transfer registers are reopened.

(b) Within five Business Days after the Exercise Date of a Warrant as set forth above, the Warrant Agent shall cause to be mailed to the person or persons in whose name or names the Common Shares have been issued, as specified in the exercise form completed in connection with the exercise of the Warrants, at the address specified in such exercise form or, if so specified in such exercise form, cause to be delivered to such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a certificate or certificates for the appropriate number of Common Shares subscribed for.

3.3 Partial Exercise of Warrants; Fractions

(a) The holder of any Warrants may acquire a number of Common Shares less than the number which the holder is entitled to acquire pursuant to the surrendered Warrant Certificate(s). In the event of any exercise of a number of Warrants less than the number which the holder is entitled to exercise, the holder of the Warrants upon exercise thereof shall, in addition, be entitled to receive without charge therefor, a new Warrant Certificate(s) in respect of the balance of the Warrants which such holder was entitled to exercise pursuant to the surrendered Warrant Certificate(s) and which were not then exercised.

(b) Notwithstanding anything herein contained including any adjustment provided for in Article 4, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares upon an exercise of Warrants, within 10 Business Days after the date upon which the fractional Common Shares would have been issued, an amount in lawful money of Canada equal to the Current Market Price of the Common Shares as of the Exercise Date multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment, calculated as aforesaid, that is less than $10.00. The price to be paid shall be provided by the Corporation in writing to the Warrant Agent upon request.

3.4 Expiration of Warrants

Immediately after the Time of Expiry or the Accelerated Time of Expiry, as applicable, all rights under any Warrant in respect of which the right of acquisition herein and therein provided for shall not have been exercised shall cease and terminate and such Warrant shall be void and of no further force or effect.

3.5 Cancellation of Surrendered Warrants

All Warrant Certificates surrendered to the Warrant Agent pursuant to Sections 2.8, 2.9, 2.10, 3.1, 3.3 and 5.1 shall be cancelled by the Warrant Agent and, after the expiry of any period of retention prescribed by law, destroyed by the Warrant Agent and, upon written request by the Corporation, the Warrant Agent shall furnish to the Corporation a destruction certificate identifying the Warrant Certificates so destroyed, the number of Warrants evidenced thereby and the number of Common Shares which could have been purchased pursuant thereto.

3.6 Accounting and Recording

(a) The Warrant Agent shall as soon as reasonably practicable account to the Corporation with respect to Warrants exercised. Any monies, securities or other instruments, from time to time received by the Warrant Agent pursuant to the exercise of Warrants shall be received in trust for and shall be segregated and kept apart by the Warrant Agent in trust for the Corporation.

(b) The Warrant Agent shall record the particulars of any Warrants exercised, which shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date. Within five Business Days of each Exercise Date, the Warrant Agent shall provide such particulars in writing to the Corporation.

3.7 Common Share Certificates

Notwithstanding anything herein contained, Common Shares will only be issued pursuant to the exercise of the Warrants in compliance with applicable securities laws of any jurisdiction. At the instruction of the Corporation, Common Shares issued in connection with the exercise of the Warrants may bear such legends as may be required by applicable securities regulatory requirements, authorities or stock exchanges.

ARTICLE 4
ADJUSTMENT OF NUMBER OF COMMON SHARES

4.1 Adjustment of Number of Common Shares

The acquisition rights, as they relate to Common Shares, attaching to the Warrants in effect at any date, and the Exercise Price in respect thereof, shall be subject to adjustment from time to time as follows:

(a) If and whenever at any time during the Adjustment Period, the Corporation shall:

(i) subdivide, redivide or change outstanding Common Shares into a greater number of shares,

(ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or

(iii) issue Common Shares or securities exchangeable for or convertible into Common Shares at no additional cost to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend or other distribution (other than the issue of Common Shares to holders of Common Shares pursuant to their exercise of options to receive dividends in the form of Common Shares in lieu of Dividends Paid in the Ordinary Course on the Common Shares),

(any of such events in these clauses (i), (ii) and (iii) being called a "**Common Share Reorganization**"), then effective immediately after the record date at which the holders of Common Shares are determined for the purposes of the Common Share Reorganization, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares at no additional cost are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date). Upon any adjustment to the Exercise Price pursuant to this subsection 4.1(a), the number of Common Shares subject to the right of purchase under each Warrant shall be contemporaneously adjusted by multiplying the number of Common Shares which theretofore may have been purchased under such Warrant by a fraction of which the numerator shall be the respective Exercise Price in effect immediately prior to such adjustment and the denominator shall be the respective Exercise Price resulting from such adjustment.

(b) If and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Exercise Price in effect on such record date by a fraction of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase or into which the convertible or exchangeable securities so offered are convertible or exchangeable; any Common Shares owned by or held for the account of the Corporation or any Subsidiary shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or to the Exercise Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

(c) If and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) securities of any class, whether of the Corporation or any other person (other than Common Shares and other than securities distributed to holders of Common Shares pursuant to their exercise of options to receive dividends in the form of such securities in lieu of Dividends Paid in the Ordinary Course on the Common Shares), (ii) rights, options or warrants (excluding those referred to in subsection 4.1(b)), (iii) evidences of its indebtedness or (iv) assets (excluding Dividends Paid in the Ordinary Course) then, in each such case, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price of a Common Share on such record date, less the aggregate fair market value (as determined by the directors, which determination shall be conclusive) of such securities shares, rights, options, warrants, evidences of indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price; any Common Shares owned by or held for the account of the Corporation or any Subsidiary shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or to the Exercise Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be; in clause (iv) of this subsection 4.1(c) the term "**Dividends Paid in the Ordinary Course**" shall include the value of any securities or other property or assets distributed in lieu of cash Dividends Paid in the Ordinary Course at the option of Shareholders.

(d) If and whenever at any time during the Adjustment Period, there is a reclassification of the Common Shares or a capital reorganization of the Corporation (other than as described in subsection 4.1(a)) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity or a liquidation, dissolution or winding up of the Corporation (any of such events being hereinafter called a "**Capital Reorganization**"), any Warrantholder who has not exercised its right of acquisition prior to the effective date of such Capital Reorganization, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such Capital Reorganization, or of the parent entity of such resulting entity, or of such entity to which such sale or conveyance has been made, as the case may be, that such Warrantholder would have been entitled to receive on such Capital Reorganization, if, on the record date or the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon exercise of the Warrants. If determined appropriate by the Warrant Agent to give effect to or to evidence the provisions of this subsection 4.1(d), the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such Capital Reorganization, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Supplemental Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the provisions set forth in this Supplemental Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Warrantholder is entitled on exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this subsection 4.1(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 8. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive Capital Reorganizations.

(e) In any case in which this Section 4.1 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Warrant exercised after such record date and before the occurrence of such event the additional Common Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares or other securities or property upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares or other securities or property declared in favour of holders of record of Common Shares or such other securities or property on and after the relevant date of exercise or such later date as such holder would, but for the provisions of this subsection 4.1(e), have become the holder of record of such additional Common Shares or other securities or property pursuant to this Section 4.1.

(f) In any case in which subsections 4.1(a), 4.1(b) or 4.1(c) require that an adjustment be made to the Exercise Price, no such adjustment shall be made if, the holders of the outstanding Warrants receive the Common Shares or securities exchangeable for or convertible into Common Shares referred to in subsection 4.1(a), the rights, options or warrants referred to in subsection 4.1(b) or the securities, rights, options, warrants, evidences of indebtedness or assets referred to in subsection 4.1(c), as the case may be, in such kind and number as they would have received if they had been holders of Common Shares on the applicable record date or effective date, as the case may be, by virtue of their outstanding Warrant having then been exercised into Common Shares at the Exercise Price in effect on the applicable record or effective date, as the case may be.

(g) The adjustments provided for in this Section 4.1 are cumulative and shall, in the case of adjustments to the Exercise Price, be computed to the nearest whole cent and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 4.1, provided that, notwithstanding any other provision of this Section, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect or a change in the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share, as the case may be; provided, however, that any adjustments which by reason of this subsection 4.1(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(h) After any adjustment pursuant to this Section 4.1, the term "**Common Shares**" where used in this Supplemental Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Warrantholder is entitled to receive upon the exercise of such holder's Warrant and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Warrant.

4.2 Entitlement to Shares on Exercise of Warrant

All shares of any class or other securities or property which a Warrantholder is at the time in question entitled to receive on the exercise of its Warrant, whether or not as a result of adjustments made pursuant to this Article 4, shall, for the purposes of the interpretation of this Supplemental Indenture, be deemed to be shares which such Warrantholder is entitled to acquire pursuant to such Warrant.

4.3 No Adjustment for Stock Options or Warrants

Anything in this Article 4 to the contrary notwithstanding, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to this Supplemental Indenture, pursuant to any stock option, stock purchase, stock appreciation rights or other employee compensation plan in force from time to time for directors, officers, employees or consultants of the Corporation or any of its Subsidiaries, as the case may be, or pursuant to any option, right or warrant outstanding immediately prior to the Effective Date.

4.4 Determination by Corporation's Auditors

In the event of any question arising with respect to the adjustments provided for in this Article 4, such question shall be conclusively determined by the Corporation's Auditors or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by the Corporation. Such auditors or accountants shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Warrant Agent, all Warrantholders and all other persons interested therein (absent manifest error).

4.5 Proceedings Prior to any Action Requiring Adjustment

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of Counsel, be necessary in order that the Corporation has sufficient unissued and reserved shares in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Common Shares or other securities or property which the holders of such Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

4.6 Certificate of Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in this Article 4, deliver a certificate of the Corporation to the Warrant Agent specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment shall, if requested by the Warrant Agent, be supported by a certificate of the Corporation's Auditors verifying such calculation. When so verified, the Warrant Agent shall forthwith give notice, supplied by the Corporation and at the Corporation's expense, to the Warrantholders specifying the event requiring such adjustment or readjustment and the results thereof including the resulting Exercise Price; provided that, if the Corporation has given notice under Section 4.7 covering all the relevant facts in respect of such event, no such notice to the Warrantholders need be given under this Section 4.6. Any certificate of the Corporation delivered pursuant to this Section 4.6 and the results of the adjustment specified therein shall, subject to the provisions of Section 4.4 and absent manifest error, be conclusive and binding on all Warrantholders.

4.7 Notice of Special Matters

The Corporation covenants with the Warrant Agent that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the Warrantholders of its intention to fix the record date for any event referred to in subsections 4.1(a), (b), (c) or (d) which may give rise to an adjustment of the Exercise Price. Such notice shall specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice shall be given in each case not less than 10 Business Days prior to such applicable record date.

4.8 No Action after Notice

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the holder of a Warrant of the opportunity to exercise its right of acquisition pursuant thereto during the period of 10 Business Days after the giving of the certificate or notices set forth in Sections 4.6 and 4.7.

4.9 Protection of Warrant Agent

Except as provided in Section 9.2, the Warrant Agent:

(a) shall be entitled to act and rely on any adjustment calculation of the Corporation or the Corporation's Auditors;

(b) shall not at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(c) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;

(d) shall not be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article 4; and

(e) shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained.

4.10 Other Adjustments

In case the Corporation after the date hereof shall take any action affecting the Common Shares, other than an action otherwise described in this Article 4 which in the opinion of the directors would have a material adverse effect on the rights of Warrantholders, the Exercise Price and/or the number and/or kind of Common Shares purchasable upon exercise, there shall be an adjustment in such manner, if any, and at such time, by action by the directors of the Corporation subject to the prior consent of the Toronto Stock Exchange or other stock exchange, if applicable. Failure of the taking of action by the directors of the Corporation so as to provide for an adjustment prior to the effective date of any action by the Corporation affecting the Common Shares shall be conclusive evidence that the directors have determined, acting reasonably and in good faith, that it is equitable to make no adjustment in the circumstances.

ARTICLE 5
RIGHTS AND COVENANTS OF THE CORPORATION

5.1 Optional Purchases by the Corporation

The Corporation may from time to time purchase by private contract, in the open market, on any stock exchange or otherwise any of the Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine subject to compliance with all applicable laws. Any Warrant Certificates representing the Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Warrant Agent. No Warrants shall be issued in replacement thereof.

5.2 General Covenants

The Corporation covenants with the Warrant Agent that so long as any Warrants remain outstanding:

(a) the Warrants, when issued and countersigned as provided in this Supplemental Indenture, will be valid and binding obligations enforceable against it in accordance with and subject to the provisions of this Supplemental Indenture;

(b) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon exercise of the Warrants;

(c) it will cause the Common Shares and the certificates representing the Common Shares from time to time acquired pursuant to the exercise of the Warrants to be duly issued and delivered in accordance with the Warrant Certificates and the terms hereof;

(d) all Common Shares which shall be issued upon exercise of the right to acquire provided for herein and in the Warrant Certificates shall be fully paid and non-assessable;

(e) the Corporation will do, or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence, provided however that (subject to Article 4 and Section 8.2) nothing will prevent the amalgamation, consolidation, merger or sale of, or other business combination involving, the Corporation;

(f) it will perform and carry out all of the acts or things to be done by it as provided in this Supplemental Indenture; and

(g) it will execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all other acts, deeds and assurances in law as the Warrant Agent may reasonably require for the better accomplishing and effecting the intentions and provisions of this Supplemental Indenture.

5.3 Warrant Agent's Remuneration and Expenses

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Warrant Agent hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise out of or result from the Warrant Agent's gross negligence, wilful misconduct or bad faith.

5.4 Performance of Covenants by Warrant Agent

If the Corporation shall fail to perform any of its covenants contained in this Supplemental Indenture, the Warrant Agent may notify the Warrantholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform such covenants or to notify the Warrantholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

ARTICLE 6
ENFORCEMENT

6.1 Suits by Warrantholders

(a) No Warrantholder has the right to institute any action or proceeding or to exercise any other remedy authorized hereunder for the purpose of enforcing any right on behalf of the Warrantholders or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or receiver and manager or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceedings, unless the Warrant Agent has received a Warrantholders' Request directing it to take the requested action and has been provided with sufficient funds or other security and/or such indemnity satisfactory to the Warrant Agent in respect of the costs, expenses and liabilities that may be incurred by it in so proceeding and the Warrant Agent has failed to act within a reasonable time thereafter. If the Warrant Agent has so failed to act, but not otherwise, any Warrantholder acting on behalf of all Warrantholders will be entitled to take any of the proceedings that the Warrant Agent might have taken hereunder. No Warrantholder has any right in any manner whatsoever to effect, disturb or prejudice the rights hereby created by its action or to enforce any right hereunder or under any Warrant, except subject to the conditions and in the manner herein provided. Any money received as a result of a proceeding taken by any Warrantholder hereunder must be forthwith paid to the Warrant Agent.

(b) All rights of action under this Supplemental Indenture may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof on any trial or other proceedings relative thereto.

(c) The Warrant Agent shall be entitled and empowered, either in its own name or as Warrant Agent of an express trust, or as attorney-in-fact for the Warrantholders, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claim of the Warrant Agent and the Warrantholders allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Warrant Agent is hereby irrevocably appointed (and the successive respective Warrantholders by taking and holding the same shall be conclusively deemed to have so appointed the Warrant Agent) the true and lawful attorney-in-fact of the respective Warrantholders or on behalf of the Warrantholders as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the Warrantholders themselves if and to the extent permitted hereunder, for any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of the Warrantholders, as may be necessary or advisable in the opinion of the Warrant Agent, in order to have the respective claims of the Warrant Agent and of the Warrantholders against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that nothing contained in this Supplemental Indenture shall be deemed to give the Warrant Agent, unless so authorized by extraordinary resolution (as provided in Section 7.11), any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Warrantholder.

(d) The Warrant Agent shall also have the power, but not the obligation, at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Warrantholders.

(e) Any such suit or proceeding instituted by the Warrant Agent may be brought in the name of the Warrant Agent as Warrant Agent of an express trust, and any recovery of judgment shall be for the rateable benefit of the Warrantholders subject to provisions of this Supplemental Indenture. In any proceeding brought by the Warrant Agent (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Supplemental Indenture, to which the Warrant Agent shall be a party), the Warrant Agent shall be held to represent all the Warrantholders, and it shall not be necessary to make any Warrantholders parties to any such proceeding.

6.2 Limitation of Liability

The obligations of the Corporation hereunder are not binding upon, nor shall resort hereunder be had to, the private property of any of the past, present or future directors or Shareholders of the Corporation or any past, present or future directors or Shareholders of any successor to the Corporation or any of the past, present or future officers, employees or agents of the Corporation or any successor to the Corporation, but only the property of the Corporation or any successor to the Corporation shall be bound in respect hereof.

6.3 Waiver of Default

Upon the happening of any default hereunder:

(a) the holders of not less than 51% of the Warrants then outstanding shall have power (in addition to the powers exercisable by extraordinary resolution as provided in Section 7.10) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or

(b) the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, if, in the Warrant Agent's opinion, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or of the Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 7
MEETINGS OF WARRANTHOLDERS

7.1 Right to Convene Meetings

The Warrant Agent may at any time and from time to time, and shall (i) on receipt of a written request of the Corporation or of a Warrantholders' Request and (ii) upon receiving sufficient funds to cover any costs and expenses and/or being indemnified to its reasonable satisfaction by the Corporation or by the Warrantholders signing such Warrantholders' Request against the cost which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Warrantholders. In the event of the Warrant Agent failing to so convene a meeting within 15 days after receipt of such written request of the Corporation or such Warrantholders' Request and sufficient funds and/or indemnity given as aforesaid, the Corporation or such Warrantholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place in Canada as may be approved or determined by the Warrant Agent and the Corporation.

7.2 Notice

At least 21 days' prior notice of any meeting of Warrantholders shall be given to the Warrantholders in the manner provided for in Section 10.2 and a copy of such notice shall be sent to the Warrant Agent (unless the meeting has been called by the Warrant Agent) and to the Corporation (unless the meeting has been called by the Corporation) in the manner provided for in Section 10.1. Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Warrantholders to make a reasoned decision on the matters to be considered at the meeting, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 7. The notice convening any such meeting may be signed by an appropriate officer of the Warrant Agent or the Corporation or by the Warrantholder or Warrantholders convening the meeting.

7.3 Chairman

An individual (who need not be a Warrantholder) designated in writing by the Warrant Agent shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the Warrantholders present in person or by proxy shall choose an individual present to be chairman.

7.4 Quorum

Subject to the provisions of Section 7.11, at any meeting of the Warrantholders a quorum shall consist of Warrantholders present in person or by proxy representing at least 10% of the then outstanding Warrants, provided that at least two persons entitled to vote thereat are personally present. If a quorum of the Warrantholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum be present at the commencement of business. At the adjourned meeting the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not represent at least 10% of the then outstanding Warrants.

7.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Warrantholders is present may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

7.6 Show of Hands

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an extraordinary resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

7.7 Poll and Voting

On every extraordinary resolution, and on any other question submitted to a meeting and after a vote by show of hands, when demanded by the chairman or by one or more of the Warrantholders acting in person or by proxy, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by extraordinary resolution shall be decided by a majority of the votes cast on the poll.

On a show of hands, every person who is present and entitled to vote, whether as a Warrantholder or as proxy for one or more absent Warrantholders, or both, shall have one vote. On a poll, each Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each whole Warrant or Warrants then held or represented by him. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Warrants, if any, held or represented by him.

7.8 Regulations

Subject to compliance with the provisions of this Supplemental Indenture, the Warrant Agent, or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time make and vary such regulations as it shall think fit for:

(a) the setting of the record date for a meeting for the purpose of determining Warrantholders entitled to receive notice of and to vote at the meeting;

(b) for Warrantholders to appoint a proxy or proxies to represent them and vote for them at any such meeting (and any adjournment thereof) and the manner in which same is to be executed, and for the production of the authority of any persons signing on behalf of the Warrantholder appointing them;

(c) the deposit of instruments appointing proxies at such place and time as the Warrant Agent, the Corporation or the Warrantholders convening the meeting, as the case may be, may in the notice convening the meeting direct;

(d) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed or sent by facsimile before the meeting to the Corporation or to the Warrant Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting;

(e) the form of the instrument of proxy or the manner in which it must be executed; and

(f) generally for the calling of meetings of Warrantholders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Warrantholders or proxies of Warrantholders.

7.9 Corporation and Warrant Agent May be Represented

The Corporation and the Warrant Agent, by their respective directors, officers and employees, and the Counsel for the Corporation and for the Warrant Agent may attend any meeting of the Warrantholders.

7.10 Powers Exercisable by Extraordinary Resolution

In addition to all other powers conferred upon them by any other provisions of this Supplemental Indenture or by law, the Warrantholders shall, subject to the provisions of Section 7.11, have the power, exercisable from time to time by extraordinary resolution:

(a) subject to the approval of the TSX, to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warrantholders or, subject to the consent of the Warrant Agent, the Warrant Agent in its capacity as trustee hereunder or on behalf of the Warrantholders, in each case which may be agreed to by the Corporation, whether such rights arise under this Supplemental Indenture or the Warrant Certificates or otherwise;

(b) subject to the approval of the TSX, to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the Warrantholders;

(c) to direct or to authorize the Warrant Agent to enforce any of the covenants on the part of the Corporation contained in this Supplemental Indenture or the Warrant Certificates or to enforce any of the rights of the Warrantholders in any manner specified in such extraordinary resolution or to refrain from enforcing any such covenant or right;

(d) to waive, and to direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Supplemental Indenture or the Warrant Certificates either unconditionally or upon any conditions specified in such extraordinary resolution;

(e) to restrain any Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Supplemental Indenture or the Warrant Certificates or to enforce any of the rights of the Warrantholders;

(f) to direct any Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;

(g) to assent to any change in or omission from the provisions contained in the Warrant Certificates and this Supplemental Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;

(h) with the consent of the Corporation, not to be unreasonably withheld, to remove the Warrant Agent or its successor in office and to appoint a new trustee or trustees to take the place of the Warrant Agent so removed; and

(i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of shares or other securities of the Corporation.

7.11 Meaning of Extraordinary Resolution

(a) The expression "**extraordinary resolution**" when used in this Supplemental Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a resolution proposed at a meeting of Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Warrantholders representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative votes of Warrantholders representing not less than 66 2/3% of the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution.

(b) If, at the meeting at which an extraordinary resolution is to be considered, Warrantholders representing at least 10% of the aggregate number of the then outstanding Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting, the Warrantholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting, the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection 7.11(a) shall be an extraordinary resolution within the meaning of this Supplemental Indenture notwithstanding that Warrantholders representing at least 10% of the aggregate number the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.

(c) Votes on an extraordinary resolution shall always be given on a poll and no demand for a poll on an extraordinary resolution shall be necessary.

7.12 Powers Cumulative

Any one or more of the powers or any combination of the powers in this Supplemental Indenture stated to be exercisable by the Warrantholders by extraordinary resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Warrantholders to exercise such power or powers or combination of powers then or thereafter from time to time.

7.13 Minutes

Minutes of all resolutions and proceedings at every meeting of Warrantholders shall be made and duly entered in books to be provided from time to time for that purpose by the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be prima facie evidence of the matters therein stated and, until the contrary if proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

7.14 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Warrantholders at a meeting held as provided in this Article 7 may also be taken and exercised by Warrantholders representing at least 66 2/3% of the then outstanding Warrants by an instrument in writing signed in one or more counterparts by such Warrantholders in person or by attorney duly appointed in writing, and the expression **" extraordinary resolution"** when used in this Supplemental Indenture shall include an instrument so signed.

7.15 Binding Effect of Resolutions

Every resolution and every extraordinary resolution passed in accordance with the provisions of this Article 7 at a meeting of Warrantholders shall be binding upon all the Warrantholders, whether present at or absent from such meeting, and every instrument in writing signed by Warrantholders in accordance with Section 7.14 shall be binding upon all the Warrantholders, whether signatories thereto or not, and each and every Warrantholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

7.16 Holdings by Corporation Disregarded

In determining whether Warrantholders holding Warrant Certificates evidencing the entitlement to acquire the required number of Common Shares are present at a meeting of Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, extraordinary resolution, Warrantholders' Request, or other action under this Supplemental Indenture, Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation shall be disregarded in accordance with the provisions of Section 10.7.

ARTICLE 8
SUPPLEMENTAL INDENTURES

8.1 Provision for Supplemental Indentures for Certain Purposes

From time to time the Corporation (when authorized by action of the directors) and the Warrant Agent may, subject to the provisions hereof, and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper directors or officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) setting forth any adjustments resulting from the application of the provisions of Article 4 where a supplemental indenture would be appropriate;

(b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Warrant Agent relying on the advice of Counsel, prejudicial to the interests of the Warrantholders;

(c) giving effect to any extraordinary resolution passed as provided in Article 7;

(d) making such provisions not inconsistent with this Supplemental Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining or maintaining a listing or quotation of the Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Warrant Agent relying on the advice of Counsel, prejudicial to the interests of the Warrantholders;

(e) modifying any of the provisions of this Supplemental Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Warrant Agent relying on the advice of Counsel, such modification or relief in no way prejudices any of the rights of the Warrantholders or of the Warrant Agent, and provided further that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative; and

(f) for any other purpose not inconsistent with the terms of this Supplemental Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Warrant Agent relying on the advice of Counsel the rights of the Warrant Agent and of the Warrantholders are in no way prejudiced thereby.

Notwithstanding anything to the contrary in this Supplemental Indenture, no supplement or amendment to this Supplemental Indenture or to the provisions of the Warrants may be made without the prior consent of the Toronto Stock Exchange (or such other stock exchange on which the Common Shares may be listed for trading), if required.

8.2 Successor Corporations

In the case of the consolidation, amalgamation, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another person, trust, corporation, partnership or similar entity ("**successor entity**"), the successor entity resulting from such consolidation, amalgamation, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Supplemental Indenture to be performed and observed by the Corporation.

ARTICLE 9
CONCERNING THE WARRANT AGENT

9.1 Trust Indenture Legislation

(a) If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with a mandatory requirement of any legislation applicable to this Supplemental Indenture, such mandatory requirement shall prevail.

(b) The Corporation and the Warrant Agent agree that each will, at all times in relation to this Supplemental Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of all legislation applicable to this Supplemental Indenture.

9.2 Rights and Duties of Warrant Agent

(a) In the exercise of the rights and duties prescribed or conferred by the terms of this Supplemental Indenture, the Warrant Agent shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Warrant Agent shall be liable only for its own gross negligence, or its own wilful misconduct or bad faith.

(b) The obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Warrantholders hereunder shall be conditional upon the Warrantholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Warrant Agent to protect and to hold harmless the Warrant Agent against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Supplemental Indenture shall require the Warrant Agent to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

(c) The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warrantholders, at whose instance it is acting, to deposit with the Warrant Agent the Warrants held by them, for which Warrants the Warrant Agent shall issue receipts.

9.3 Evidence, Experts and Advisers

(a) In addition to the reports, certificates, opinions and other evidence required by this Supplemental Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by any legislation applicable to this Supplemental Indenture or as the Warrant Agent may reasonably require by written notice to the Corporation.

(b) In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent, provided that such evidence complies with all legislation applicable to this Supplemental Indenture and that the Warrant Agent complies with such legislation and that the Warrant Agent examines the same and determines that such evidence complies with the applicable requirements of this Supplemental Indenture.

(c) Whenever it is provided in this Supplemental Indenture or under any legislation applicable to this Supplemental Indenture that the Corporation shall deposit with the Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the trust, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Warrant Agent take the action to be based thereon.

(d) Proof of the execution of an instrument in writing by any Warrantholder may be made by the certificate of a notary public or other officer with similar powers, that the person signing such instrument acknowledged to it the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Warrant Agent may consider adequate.

(e) The Warrant Agent may employ or retain at the Corporation's expense such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of determining and discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent.

9.4 Documents, Monies, etc. Held by Warrant Agent

Unless herein otherwise expressly provided, any of the funds held by the Warrant Agent may be deposited in a trust account in the name of the Warrant Agent (which may be held with the Warrant Agent or an affiliate or related party of the Warrant Agent) which account shall be non-interest bearing. Upon the written order of the Corporation, the Warrant Agent shall invest in its name such funds in Authorized Investments in accordance with such direction. Any direction by the Corporation to the Warrant Agent as to the investment of the funds shall be in writing and shall be provided to the Warrant Agent no later than 9:00 a.m. on the day on which the investment is to be made. Any such direction received by the Warrant Agent after 9:00 a.m. or received on a non-Business Day, shall be deemed to have been given prior to 9:00 a.m. the next Business Day. Unless the Corporation shall be in default hereunder, all interest or other income received by the Warrant Agent in respect of such deposits and investments shall belong to the Corporation.

9.5 Actions by Warrant Agent to Protect Interest

The Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Warrantholders.

9.6 Warrant Agent Not Required to Give Security

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Supplemental Indenture or otherwise in respect of the premises.

9.7 Protection of Warrant Agent

By way of supplement to the provisions of any law for the time being relating to trustees it is expressly declared and agreed as follows:

(a) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Supplemental Indenture or in the Warrant Certificates (except the representation contained in Section 9.9 or in the certificate of the Warrant Agent on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(b) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Supplemental Indenture or any instrument ancillary or supplemental hereto;

(c) the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof; and

(d) the Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation to any of the covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation.

9.8 Replacement of Warrant Agent; Successor by Merger

(a) The Warrant Agent may resign its trust and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 90 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Warrantholders by extraordinary resolution shall have power at any time to remove the existing Warrant Agent and to appoint a new warrant agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new trustee unless a new trustee has already been appointed by the Warrantholders; failing such appointment by the Corporation, the retiring Warrant Agent, at the Corporation's expense, or any Warrantholder may apply to a justice of the Court of Queen's Bench of the Province of Alberta on such notice as such justice may direct, for the appointment of a new trustee; but any new trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Warrantholders. Any new trustee appointed under any provision of this Section 9.8 shall be a corporation authorized to carry on the business of a trust company in the Province of Alberta and, if required by any legislation applicable to this Supplemental Indenture for any other provinces, in such other provinces. On any such appointment, the new trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent hereunder and there shall be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the reasonable opinion of Counsel, be necessary or advisable to vest the new trustee with such powers, rights, duties and responsibilities, provided that the predecessor Warrant Agent shall have no obligation to execute any such conveyances or instruments until such time as it has received payment of all outstanding remuneration and expenses payable by the Corporation to such Warrant Agent under this Supplemental Indenture.

(b) Upon the appointment of a successor trustee, the Corporation shall promptly notify the Warrantholders thereof in the manner provided for in Section 10.2 hereof.

(c) Any corporation into or with which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to the trust business of the Warrant Agent shall be the successor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor trustee under subsection 9.8(a).

(d) Any Warrant Certificates certified but not delivered by a predecessor trustee may be certified by the successor trustee in the name of the predecessor or successor trustee.

9.9 Conflict of Interest

(a) The Warrant Agent represents to the Corporation that at the time of execution and delivery hereof no material conflict of interest exists between its role as a trustee hereunder and its role in any other capacity and agrees that in the event of a material conflict of interest arising hereafter it will, within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor trustee approved by the Corporation and meeting the requirements set forth in subsection 9.8(a). Notwithstanding the foregoing provisions of this subsection 9.9(a), if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Supplemental Indenture and the Warrant Certificates shall not be affected in any manner whatsoever by reason thereof.

(b) Subject to subsection 9.9(a), the Warrant Agent, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation or any Subsidiary of the Corporation without being liable to account for any profit made thereby.

9.10 Acceptance of Trust

The Warrant Agent hereby accepts the trusts in this Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

9.11 Warrant Agent Not to be Appointed Receiver

The Warrant Agent and any person related to the Warrant Agent shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

9.12 Knowledge of Warrant Agent

The Warrant Agent shall not be required to take notice or be deemed to have notice, whether constructive or actual, of any matter hereunder, unless the Warrant Agent shall have received from the Corporation or a Warrantholder a notice stating the matter in respect of which the Warrant Agent should have notice.

9.13 Indemnification of Warrant Agent

In addition to and without limiting any other protection of the Warrant Agent hereunder or otherwise by law, the Corporation shall be liable for and indemnify and save harmless the Warrant Agent and its officers, directors, agents, employees and shareholders from and against any and all losses, costs, charges, expenses, damages and liabilities whatsoever arising in connection with this Supplemental Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Warrant Agent contemplated hereby, legal fees and disbursements on a solicitor and client basis, and costs and expenses incurred in connection with the enforcement of this indemnity, which the Warrant Agent may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Warrant Agent and including and deed, matter or thing in relation to the execution of its duties as Warrant Agent and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security. The foregoing provisions of this section do not apply to the extent that in any circumstances there has been a failure by the Warrant Agent or its employees or agents to act honestly and in good faith or where the Warrant Agent or its employees or agents have acted with gross negligence, wilful misconduct or bad faith in respect of the Warrant Agent's obligations hereunder or breached its obligations under Section 9.2(a). It is understood and agreed that this indemnification shall survive the termination of this Supplemental Indenture or the resignation of the Warrant Agent.

9.14 Warrant Agent Not Required to Give Notice of Default

The Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent and in the absence of any such notice the Warrant Agent may for all purposes of this Supplemental Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default.

9.15 Warrant Agent's Right Not to Act

The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Supplemental Indenture has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation, provided that: (i) the Warrant Agent's written notice shall describe the circumstances of such non-compliance; and (ii) if such circumstances are rectified to the Warrant Agent's satisfaction within such 10-day period, then such resignation shall not be effective. In the event of the Warrant Agent resigning as aforesaid, the Corporation shall forthwith appoint a new trustee, in accordance with the provisions of Section 9.8.

9.16 No Third Party Interests

The Corporation hereby represents to the Warrant Agent that any account to be opened by, or interest to be held by, the Warrant Agent in connection with this Supplemental Indenture, for or to the credit of the Corporation is not intended to be used by or on behalf of any third party.

ARTICLE 10
GENERAL

10.1 Notice to the Corporation and the Warrant Agent

(a) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Warrant Agent shall be deemed to be validly given if delivered or if sent by registered letter, postage prepaid or by facsimile:

If to the Corporation:

Gran Tierra Energy Inc.
300, 625 – 11th Avenue SW
Calgary, AB T2R 0E2

Attention: Vice President, Legal and General Counsel
Fax: (403) 265-3242

If to the Warrant Agent:

Computershare Trust Company of Canada
600, 530 – 8th Avenue SW
Calgary, AB T2P 3S8
Canada

Attention: Corporate Trust
Fax: 403 267-6598

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or facsimile if delivered or faxed (with receipt confirmed) by 5:00 p.m. (local time) on a Business Day, or otherwise on the next Business Day or, if mailed, on the fifth Business Day following the date of the postmark on such notice.

(b) The Corporation or the Warrant Agent, as the case may be, may from time to time notify the other in the manner provided in subsection 10.1(a) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Supplemental Indenture.

(c) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrant Agent or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed or, if it is delivered to such party at the appropriate address provided in subsection 10.1(a), by facsimile or other means of prepaid, transmitted and recorded communication.

10.2 Notice to Warrantholders

(a) Any notice to the Warrantholders under the provisions of this Supplemental Indenture shall be valid and effective if delivered or if sent by ordinary post addressed to such holders at their postal addresses appearing on the register of Warrantholders maintained under this Supplemental Indenture. Any such notice delivered in accordance with the foregoing is deemed to have been effectively given (and received by the Warrantholders) on the date of delivery (with receipt confirmed) if such date is a Business Day or, if mailed, five Business Days following actual posting of the notice.

(b) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrantholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered personally to such Warrantholders or if delivered to the address for such Warrantholders contained in the register of Warrants maintained by the Warrant Agent, by other means of prepaid transmitted and recorded communication. Accidental error or omission in giving notice or accidental failure to mail notice to any holder will not invalidate any action or proceeding founded thereon.

(c) In addition to the other requirements for notice under this Section, where a meeting of Warrantholders is being convened, the Warrant Agent or Corporation may require publication of such notice in such municipalities and filing with securities regulatory authorities, as necessary to comply with applicable legal, regulatory or stock exchange requirements.

10.3 Evidence of Ownership

(a) Upon receipt of a certificate of any bank, trust company or other depositary satisfactory to the Warrant Agent stating that the Warrants specified therein have been deposited by a named person with such bank, trust company or other depositary and will remain so deposited until the expiry of the period specified therein and the acknowledgement by the named person of such certificate, the Corporation and the Warrant Agent may treat the person so named as the owner, and such certificate as sufficient evidence of the ownership by such person of such Warrant during such period, for the purpose of any requisition, direction, consent, instrument or other document to be made, signed or given by the holder of the Warrant so deposited.

(b) The Corporation and the Warrant Agent may accept as sufficient evidence of the fact and date of the signing of any requisition, direction, consent, instrument or other document by any person: (i) the signature of any officer of any bank, trust company, or other depositary satisfactory to the Warrant Agent as witness of such execution; (ii) the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded at the place where such certificate is made that the person signing acknowledged to him the execution thereof; or (iii) a satisfactory declaration of a witness of such execution.

10.4 Counterparts

This Supplemental Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

10.5 Satisfaction and Discharge of Indenture

Upon the earlier of:

(a) the date by which there shall have been delivered to the Warrant Agent for exercise or destruction all Warrant Certificates theretofore certified hereunder; or

(b) 30 days after the Time of Expiry or the Accelerated Time of Expiry, as applicable;

this Supplemental Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Supplemental Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Supplemental Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Supplemental Indenture.

10.6 Provisions of Supplemental Indenture and Warrants for the Sole Benefit of Parties and Warrantholders

Nothing in this Supplemental Indenture or in the Warrant Certificates, expressed or implied, shall give or be construed to give to any person other than the parties hereto and the Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Supplemental Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Warrantholders.

10.7 Warrants Owned by the Corporation or its Subsidiaries – Certificate to be Provided

For the purpose of disregarding any Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation in Section 7.16, the Corporation shall provide to the Warrant Agent from time to time upon request, a certificate of the Corporation setting forth as at the date of such certificate:

(a) the names (other than the name of the Corporation) of the registered holders of Warrants which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation or any Subsidiary of the Corporation; and

(b) the number of Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation,

and the Warrant Agent, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

10.8 Matters Relating to the Privacy of Personal Information

The parties to this Supplemental Indenture acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Supplemental Indenture. Despite any other provision of this Supplemental Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Warrant Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Warrant Agent shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Warrant Agent agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy compliant or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Supplemental Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

10.9 Matters Relating to the SEC

The Corporation confirms that it has either (i) a class of securities registered pursuant to Section 12 of the *United States Securities Exchange Act*; or (ii) a reporting obligation pursuant to Section 15(d) of the *United States Securities Exchange Act*, and has provided the Warrant Agent with an officers' certificate certifying such reporting obligation and other information as reasonably requested by the Warrant Agent. The Corporation covenants that in the event that any such registration or reporting obligation shall be terminated by the Corporation in accordance with the *United States Securities Exchange Act*, the Corporation shall promptly notify the Warrant Agent of such termination and such other information as the Warrant Agent may require at the time. The Corporation acknowledges that the Warrant Agent is relying upon the foregoing representation and covenants in order to meet certain SEC obligations with respect to those clients who are filing with the SEC.

10.10 Force Majeure

Except for the payment obligations of the Corporation contained herein, no party to this Warrant Indenture shall be liable to the other, or held in breach of this Supplemental Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Supplemental Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section 10.10.

10.11 Successors

All provisions of this Supplemental Indenture for the benefit of the Corporation and the Warrant Agent bind and enure to the benefit of their respective successors and assigns.

Executed and delivered as of the 18th day of March, 2011.

GRAN TIERRA ENERGY INC.

Per: /s/ Martin Eden
Martin Eden
Vice-President, Finance and
Chief Financial Officer

PETROLIFERA PETROLEUM LIMITED

Per: /s/ Kristen J. Bibby
Kristen J. Bibby
Vice-President, Finance and
Chief Financial Officer

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: /s/ Nazim Nathoo
Nazim Nathoo
Corporate Trust Officer

Per: /s/ Laura Leong
Laura Leong
Corporate Trust Officer

SCHEDULE "A" to the Supplemental Indenture made as of the 18 th day of March, 2011 among Gran Tierra Energy Inc., Petrolifera Petroleum Limited and Computershare Trust Company of Canada

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THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE ("TSX").

THE WARRANTS REPRESENTED BY THIS CERTIFICATE WILL BE VOID AND OF NO VALUE UNLESS EXERCISED BEFORE 5:00 P.M. (CALGARY TIME) ON AUGUST 28, 2011 OR THE ACCELERATED EXPIRY DATE (DEFINED BELOW), AS APPLICABLE.

WARRANTS

WARRANT CERTIFICATE NUMBER	**GRAN TIERRA ENERGY INC.** (A NEVADA CORPORATION)	NUMBER OF WARRANTS

CUSIP

(HEREINAFTER REFERRED TO AS THE "HOLDER")

is nominally entitled to purchase in the manner and subject to the restrictions and adjustments set forth herein, at any time and from time to time after the date hereof until 5:00 p.m. (Calgary time) (the "Time of Expiry") August 28, 2011 (the "Expiry Date") one fully paid and non-assessable share of Common Stock ("Common Share") par value of Gran Tierra Energy Inc. (the "Corporation") at a price per Common Share of $9.67, for each Warrant represented hereby; *provided, however,* that the foregoing notwithstanding, no Warrant shall be exercised by payment of the exercise in cash, but rather each Warrant may only be "net exercised" (as described below) for such fraction of a Common Share as shall equal (A – B)/A, where: A = the Closing Trading Price on the date immediately preceding the date of exercise; and B = $9.67; *provided further,* that no fractional Common Shares shall be issued, and any fractional Common Share otherwise issuable upon exercise of the Warrants being exercised and represented hereby after aggregation of all Common Shares issuable upon such exercise shall not be issued, and cash will be paid in lieu of any fractional share entitlement based on the Current Market Price of the Common Shares, provided that the Corporation shall not be required to make any such cash payment that is less than $10.00. For purposes hereof: (1) "Closing Trading Price" means the closing trading price on the TSX on the business day immediately prior to the date on which the Warrant is exercised; (2) "Current Market Price" on a date shall mean the weighted average of the trading prices per share for such shares for any 10 consecutive Trading Days (as selected by the directors of the Corporation) during the period commencing not more than 30 Trading Days before such date on the TSX or, if on such date the Common Shares are not listed on the TSX, on such stock exchange upon which such shares are listed and as selected by the directors, or, if such shares are not listed on any stock exchange then on such over-the-counter market as may be selected for such purpose by the directors, or, if the Common Shares are not listed on any stock exchange or traded through an over-the-counter market, the Current Market Price is to be determined in good faith by the directors of the Corporation; and (3) "Trading Day" means a day on which the TSX, other stock exchange or over-the-counter market, as the case may be, is open for the transaction of business and on which the Common Shares actually trade on such exchange or market. At any time after the Issue Date and ending at the Time of Expiry, if the 20 trading day volume weighted average price of the Common Shares on the TSX (or such other stock exchange or quotation system on which the Corporation's shares are listed and where a majority of the trading volume occurs), exceeds $20.15, the Corporation may, within five business days after such an event, provide notice (the "Acceleration Notice") to the Warrantholder advising that the Warrants will expire at 5:00 p.m. (Calgary Time) (the "Accelerated Time of Expiry") on the date which is 30 days after the date of the Acceleration Notice (the "Accelerated Expiry Date") if not exercised prior to the Accelerated Time of Expiry on the Accelerated Expiry Date.

The right to purchase Common Shares may only be exercised by the holder within the time set forth above by:

(a) duly completing and executing the Exercise Form attached hereto; and
(b) surrendering this Warrant Certificate to Computershare Trust Company of Canada (the "Warrant Agent") at the principal office of the Warrant Agent in the City of Calgary or the City of Toronto.

This Warrant Certificate shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.

Upon surrender of this Warrant Certificate, the person or persons in whose name or names the Common Shares issuable upon exercise of the Warrants are to be issued shall be deemed for all purposes (except as provided in the Indenture) to be the holder or holders of record of such Common Shares and the Corporation covenants that it will (subject to the provisions of the Indenture) cause a certificate or certificates representing such Common Shares to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form.

In the event of an exercise of that number of Warrants which is fewer than the number which may be exercised hereby, the registered holder of this Warrant Certificate shall be entitled to receive without charge a new Warrant Certificate in respect of the balance of the Warrants not then exercised. Under no circumstances is the Corporation obliged to issue fractional Common Shares.

The Warrants represented by this certificate are issued under and pursuant to a Supplemental Warrant Indenture (referred to herein as the "Indenture") made as of March **[__]**, 2011 among the Corporation, Petrolifera Petroleum Limited and the Warrant Agent. Reference is made to the Indenture and any instruments supplemental thereto for a full description of the rights of the holders of the Warrants and the terms and conditions upon which the Warrants are, or are to be, issued and held, with the same effect as if the provisions of the Indenture and all instruments supplemental thereto were herein set forth. The provisions of the Indenture will prevail in the event of conflict with this Warrant Certificate. By acceptance hereof, the holder assents to all provisions of the Indenture. Capitalized terms used in this Warrant Certificate but not defined herein have the meanings given thereto in the Indenture.

The Indenture provides for the giving of notice by the Corporation prior to taking certain actions specified therein.

The holder may, at any time prior to the Time of Expiry on the Expiry Date or the Accelerated Time of Expiry on the Accelerated Expiry Date, as applicable, upon surrender hereof to the Warrant Agent at its principal office in the City of Calgary or the City of Toronto, exchange this Warrant Certificate for other Warrant Certificates entitling the holder to acquire, in the aggregate, the same number of Common Shares as may be acquired under this Warrant Certificate.

The holding of the Warrants evidenced by this Warrant Certificate shall not constitute the holder hereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Indenture and in this Warrant Certificate.

The Indenture provides that all holders of Warrants shall be bound by any resolution passed at a meeting of the holders held in accordance with the provisions of the Indenture and resolutions signed by the holders of a specified majority of the then outstanding Warrants.

The Warrants evidenced by this Warrant Certificate may be transferred on the register kept at the offices of the Warrant Agent by the registered holder hereof or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Warrant Agent only upon compliance with the conditions prescribed in the Indenture and upon compliance with such reasonable requirements as the Warrant Agent may prescribe.

This Warrant Certificate shall not be valid for any purpose whatever unless and until it has been certified by or on behalf of the Warrant Agent.

Time shall be of the essence hereof. This Warrant Certificate shall be governed by and construed in accordance with the laws in force in the Province of Alberta.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer as of
Date .

COMPUTERSHARE TRUST COMPANY OF CANADA, as Warrant Agent

GRAN TIERRA ENERGY INC.

By:

This Warrant Certificate is one of the Warrant Certificates referred to in the Indenture

By: _____
AUTHORIZED SIGNATURE

THE WARRANTS REPRESENTED BY THIS CERTIFICATE ARE TRANSFERABLE AT THE OFFICES OF COMPUTERSHARE TRUST COMPANY OF CANADA IN CALGARY AND TORONTO

Any transfer of Warrants will require compliance with applicable securities legislation.
Transferors and transferees are urged to contact legal counsel before effecting any such transfer.

TRANSFER OF WARRANTS

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to _____ (Name in Full), _____ (Address) _____ (Number of Warrants) Warrants of Gran Tierra Energy Inc. (the "Corporation") registered in the name of the undersigned on the records of Computershare Trust Company of Canada represented by the within Warrant Certificate and irrevocably appoints _____ the attorney of the undersigned to transfer the said securities on the books or register of transfer with full power of substitution.

DATED the_____ day of _____, 20_____.

Signature Guaranteed

Signature of Warrantholder or Authorized Representative

Name of Warrantholder

Name and Title of Authorized Representative

Instructions:

1. If the Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, director or officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Warrant Agent and the Corporation.
2. The signature on the Transfer Form must be guaranteed as set forth below under "Signature Guarantee".
3. The Warrants shall only be transferable in accordance with applicable laws.

EXERCISE FORM

TO: GRAN TIERRA ENERGY INC.
COMPUTERSHARE TRUST COMPANY OF CANADA

The undersigned hereby irrevocably exercises _____ Warrants to purchase Common Shares of Gran Tierra Energy Inc. (the "Corporation") (or such number of other securities or property to which such Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Indenture referred to in the within Warrant Certificate) in accordance with and subject to the provisions of the Indenture.

The Common Shares (or other securities or property) are to be issued as follows:

Name: _____ (print clearly)

Address in full _____

Social Insurance Number: _____

Number of Warrants Exercised: _____

Note: If further nominees intended, please attach (and initial) schedule giving these particulars. The number of Common Shares issuable upon exercise of the Warrants being exercised hereby shall be the "net exercise" number as set forth in the face of the Warrant certificate and in the Indenture. If a greater or lesser number of shares are issuable upon such net exercise, such number of shares shall be allocated as described set forth above and in the attachment (if any), with the adjustment to the actual number of shares issuable being made in the last listed nominee.

DATED this _____ day of _____, 20_____.

Signature Guaranteed

Signature of Warrantholder or Authorized Representative

Name of Warrantholder

Name and Title of Authorized Representative

☐ Please check if the Common Share certificates are to be picked up at the office of the Warrant Agent where the Warrant Certificate is surrendered or failing this Common Share certificates will be mailed to the address set forth above or if no address is specified, to the address as set forth in the records of the Corporation.

Instructions:

1. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Warrant Certificate representing the Warrants being exercised, together with payment, to Computershare Trust Company of Canada at its principal office at 600, 530 – 8th Avenue SW, Calgary, AB T2P 3S8, Canada. Certificates for Common Shares will be delivered or mailed as soon as practicable after the exercise of the Warrants. The rights of the registered holder hereof cease if the Warrants are not exercised by 5:00 p.m. (Calgary time) on the Expiry Date or the Accelerated Time of Expiry on the Accelerated Expiry Date, as applicable

2. If the Exercise Form indicates that Warrants are to be exercised and the resultant Common Shares are to be issued to a person or persons other than the registered holder of the Warrant Certificate, the signature of such holder on the Exercise Form must be guaranteed as set forth below under "Signature Guarantee".

3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, director or officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Warrant Agent and the Corporation.

Signature Guarantee:

The signature on the Transfer Form or the Exercise Form must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of the Stamp Medallion Program.

Exhibit 10.1

Cash Compensation Arrangements with Executive Officers

Fiscal Year 2011 Compensation Arrangements

The 2011 base salaries and target bonuses for the Executive Officers of the Company, effective as of January 1, 2011, are as follows:

Name	Base Salary	Target Bonus[3]
Dana Coffield **President and Chief Executive Officer**	$355,000* ($356,927 USD)	80%
Shane O'Leary **Chief Operating Officer**	$306,000* ($307,661 USD)	70%
Martin Eden **Chief Financial Officer**	$272,000* ($273,477 USD)	70%
Rafael Orunesu **President, Gran Tierra Energy Argentina**	$289,338 USD	60%
Júlio César Moreira **President, Gran Tierra Energy Brazil**	R$543,311[1] ($326,078 USD)	60%
David Hardy **General Counsel, Vice-President Legal, and Secretary**	**$253,000*** **($254,373 USD)**	**60%**
Julian Garcia **President, Gran Tierra Energy Columbia**	**COL$725,138,121[2]** **($393,750 USD)**	**60%**

* Denotes amount in Canadian dollars. Amount in parentheses denotes U.S. dollars at an exchange rate of $1.01 as of December 31, 2010.

[1] Denotes amount in Brazilian Real (the home country currency for the executive officer). Amount in parenthesis denotes U.S. dollars of R$543,311 at an exchange rate of $0.60 as of December 31, 2010.

[2] Denotes amount in Colombian Pesos (the home country currency for the executive officer). Amount in parenthesis denotes U.S. dollars of COL$725,138,121 at an exchange rate of $0.0005 as of December 31, 2010.

[3] Target bonus amounts are expressed as a percentage of the corresponding 2011 base salary.

Exhibit 10.5

CONSULTING SERVICES AGREEMENT

BY AND BETWEEN:

Gran Tierra Energy Inc., an Alberta corporation ("GTEI") and Gran Tierra Energy Inc., a Nevada corporation ("Gran Tierra")

(GTEI and Gran Tierra are collectively referred to herein as, the "Company")

AND

David Hardy, an individual ordinarily resident in the City of Calgary in the Province of Alberta (referred to herein as "Contractor")

RECITALS

WHEREAS, Company and Contractor have or intend to enter into an executive employment agreement whereby the Contractor shall become an employee of the Company commencing March 1, 2010;

WHEREAS, the Company is desirous that the Contractor become familiar with the business and operations of the Company before the commencement of such employment and, perhaps, undertake certain work; and

WHEREAS, Company and Contractor are desirous of confirming their respective rights and obligations during the period prior to commencement of Contractor's employment with the Company.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and undertakings herein set forth, the parties agree as follows:

1. Scope of Work

Contractor agrees to conduct the work ("Work") described in the "Scope of Work" set forth in Appendix A, which is attached hereto and incorporated herein by this reference. Company acknowledges that the Contractor is not entitled to act in the capacity of a lawyer for the Company during the term of this Agreement and that the Work shall not include any activities that would constitute the practice of law.

2. Term

This agreement shall be effective as of January 18, 2010 and shall terminate February 28, 2010; provided, however, that Company or Contractor shall be entitled to terminate this Agreement for any reason whatsoever at any time upon written notice to the other. The provisions of clauses 3, 4, 6 and 7 shall survive the termination of this Agreement.

3. Compensation

Contractor shall keep a record to the time spent performing the Work and notify Company thereof. As full remuneration to Contractor for performance of the Work, when Contractor becomes an employee of the Company, Company shall provide additional paid vacation to the Contractor equivalent to the time spent by the Contractor in the performance of the Work under this Agreement. In the event the Contractor does not utilize such additional paid vacation during the first year of employment with the Company or does not become an employee of the Company on March 1, 2010 then the Company shall pay to Contractor a rate of One Hundred and Fifty Dollars (CDN $150) per hour, exclusive of any applicable Goods and Services tax, but inclusive of all other taxes and charges in connection with performance of the Work.

4. Confidentiality

Contractor acknowledges that in the course of performing the Work, he will have access to and will be entrusted with detailed confidential information concerning the business of the Company and agrees that the disclosure of any such confidential information to competitors of the Company or to the general public would be highly detrimental to the best interests of the Company. The Contractor acknowledges and agrees that the right to maintain the confidentiality of such confidential information constitutes proprietary rights which the Company is entitled to protect. Accordingly, the Contractor covenants and agrees with the Company that, save with the written consent of the Company, he will not, either during the term of this Agreement, or at any time thereafter, disclose any of such confidential information to any person nor shall he use the same for any purpose other than the purposes of performing the Work. Without limiting the generality of the foregoing, the Contractor agrees that the results of the Work shall be considered confidential information of the Company. The Contractor agrees to destroy any data or samples provided to him by the Company at the request of the Company.

The Contractor's obligations of confidentiality with respect to confidential information of the Company shall not apply to information that:

(a) is in the public domain at the time it is disclosed to the Contractor;

(b) enters into the public domain after the time it is disclosed to the Contractor;

(c) is required to be disclosed under applicable law or by a governmental order, decree, regulation or rule of any stock exchange (provided that the receiving Contractor shall give written notice to the disclosing Party prior to such disclosure unless such notice is prohibited by law or it is not practicable to provide such notice prior to disclosure); or

(d) is acquired independently, without any obligation of confidentiality, from a third party that represents that it has the right to disseminate such information at the time it is acquired by the receiving Party.

In addition, given the Contractor's access to such detailed confidential information and trade secrets concerning the business and affairs of the Company, the Contractor agrees that he shall not:

(a) purchase or sell the securities of the Company, with knowledge of a material fact or material change with respect to the Company which has not been generally published by issuance of a press release or other public announcement; or

(b) infonn, other than in the necessary course of business, any other person or company about a material fact or material change with respect to the Company or its affiliates before that fact or change has been generally publicized.

5. Compliance with laws and Policies of the Company

In performance of the Work, Contractor shall comply with all applicable laws and shall take all practical measures to comply with Company's policies and procedures including Code of Ethics, Insider Trading & Conflict of Interest policies.

6. Relationship of Parties

It is understood and agreed that this Agreement does not create the relationship of employer and employee between the Company and the Contractor and that the Contractor is an independent contractor when performing the Work for the Company. The Contractor agrees that he is not, nor will he represent himself to be an employee of the Company. Neither party shall use the name or any trademark of the other party in any advertising, sales promotion or other publicity matter without the prior written approval of the other party. Nothing in this Agreement shall confer upon any party hereto any right or authority to assume or create any obligation or responsibility, express or implied, orally or in writing, on behalf of or in the name of any other party, or to bind or render any other party, or its affiliates, liable in any manner whatsoever.

7. Miscellaneous

7.1 Entire Agreement

This Agreement, with its attachments, constitutes the entire agreement between the parties regarding the subject matter hereof and supersedes any other written or oral understanding of the parties. This Agreement may not be modified except by written instrument executed by both parties.

7.2 Governing Law and Disputes

This Agreement shall be construed under the laws of the Province of Alberta, excluding any conflicts of law rules that would apply the laws of another jurisdiction. The parties submit to and attorney to the jurisdiction of the Courts of Alberta, which shall have exclusive jurisdiction to hear any and all matters arising out of this Agreement.

7.3 Use of Name

Neither the Company nor the Contractor shall use the name of other in any news release or advertising or any publications directed to the general public without the prior written approval of the other.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

Gran Tierra Energy Inc., an Alberta corporation

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and CEO

Date: January 19, 2010

Gran Tierra Energy Inc., a Nevada corporation

By: /s/Dana Coffield
Name: Dana Coffield
Title: President and CEO

Date: January 19, 2010

Contractor
/s/ David Hardy
David Hardy

Date: January 19, 2010

Appendix A

To Consulting Services Agreement

Scope of Work

In consultation with and in accordance with the direction of the Company's management team, the work performed by the Contractor may include the following:

1. review constating documents of the Company;

2. review the Company's Policies;

3. gain knowledge of the structure of the Company and its affiliates;

4. identify internal and external counsel currently performing work for the Company and gain an understanding of the work currently being performed;

5. review Company's current areas of operations and holdings;

6. gain knowledge of the Company's strategic goals, including with respect to new venture and M&A initiatives, and current work programs and budget;

7. review the Company's contracting and procurement methods and procedures and assist with procurement issues;

8. gain knowledge of securities and corporate secretarial procedures of the Company; and

9. such other matters as the CEO may direct.

Exhibit 10.6

EXECUTIVE EMPLOYMENT AGREEMENT

BETWEEN:

Gran Tierra Energy Inc., an Alberta corporation ("***GTEI***") and **Gran Tierra Energy Inc.** a Nevada corporation ("***Gran Tierra***")

(GTEI and Gran Tierra are collectively referred to herein as, the "***Company***")

-and-

David Hardy, an individual ordinarily resident in the City of Calgary in the Province of Alberta (the " ***Executive***") (collectively referred to as the "***Parties***")

RECITALS:

A. The Executive has specialized knowledge, skills and experience which are valuable to the management and success of the Company's business.

B. The Company wishes to secure the services of the Executive as its General Counsel.

C. The Parties wish to set forth their entire understanding and agreement with respect to the subject matter herein in its entirety with this Executive Employment Agreement (the "**Agreement**").

Therefore, the Parties agree as follows:

ARTICLE 1

DUTIES AND RESPONSIBILITIES

1.1 Position

The Company confirms the appointment of the Executive to the position of General Counsel effective March 1, 2010. Commencing on said date, the Executive will undertake those duties and responsibilities set out in Schedule "A" to this Agreement as well as those duties reasonably assigned to the Executive by the President and Chief Executive Officer of the Company. The Executive will report to the President and Chief Executive Officer. The parties agree that the relationship between the Company and the Executive created by this Agreement is that of employer and employee.

1.2 Other Engagements

The Executive shall not engage in any other business, profession or occupation which would conflict with the performance of his duties and responsibilities under this Agreement, either directly or indirectly, including accepting appointments to the boards of other companies without the prior written consent of the Company.

1.3 Reassignment

The Company shall not reassign the Executive to another position within the Company itself, or to a position within a subsidiary, affiliated or related corporate entity ("***Member Company***" or "***Member Companies***") or alter the duties, responsibilities, title, or reporting lines of the Executive or change the location of the Executive's employment unless the Executive agrees to such reassignment or alteration.

1.4 Travel

The Executive shall be employed at the Company's location in Calgary, Alberta. The Executive shall be available for such business related travel as may be required for the purposes of carrying out the Executive's duties and responsibilities. The Executive shall be entitled to business class tickets for domestic or international travel that exceed more than six hours. The Executive will be entitled to choose suitable accommodations when traveling on Company business.

ARTICLE 2

TERM OF EMPLOYMENT

The Executive's employment with the Company is for no specified duration and constitutes at-will employment. The Executive's employment may be terminated at any time by either of the Parties, subject to the provisions of Article 9.

ARTICLE 3

BASE SALARY

The Executive will be paid an annual salary in the amount of $230,000.00 in Canadian currency, subject to applicable statutory deductions (the "***Base Salary***"). The Executive's Base Salary will be payable in accordance with Company practices and procedures as they may exist from time to time. Base Salary will be reviewed and may be increased on an annual basis by the Company.

ARTICLE 4

BONUS

4.1 Bonus Eligibility

The Executive shall be eligible to receive an annual bonus payment in addition to Base Salary and other compensation for each year of the Executive's employment (the "***Bonus***") as determined by the Company from time to time.

4.2 Bonus Payment

The Bonus shall be payable within sixty (60) days of the end of the fiscal year, and will be based upon the Executive's performance during the preceding year.

ARTICLE 5

BENEFITS

The Executive shall be entitled to participate in and to receive all rights and benefits under any life insurance, disability, medical, dental, health and accident plans maintained by the Company for its employees and for its executive officers specifically. The Company will continue to pay the Executive's Base Salary in the event the Executive becomes disabled until such time as the Executive begins to receive long-term disability insurance benefits.

ARTICLE 6

VACATION

The Executive will be entitled to four weeks vacation per year. Payment of all vacation pay will be at Base Salary. The Executive will arrange vacation time to suit the essential business needs of the Company. Unused vacation entitlement will be carried over into the following calendar year to a maximum entitlement of five weeks in anyone year. On leaving the employment of the Company for whatever reason, the Company will compensate the Executive for any accrued but unused vacation entitlement based upon the Executive's then current Base Salary.

ARTICLE 7

STOCK OPTIONS

The Executive will be provided an initial stock options grant 150,000 shares of the common stock of Gran Tierra Energy Inc., in accordance with the terms and conditions of the 2007 Gran Tierra Energy Equity Incentive Plan. The stock options will be priced in accordance with the terms of the plan on the first date of employment of the Executive with the Company. The Executive will be eligible to participate in applicable future stock option plans and/or incentive award plans created by the Company in accordance with their terms and conditions.

ARTICLE 8

PERQUISITES AND EXPENSES

The Company recognizes that the Executive will incur expenses in the performance of the Executive's duties. The Company shall reimburse the Executive for any reasonable out of pocket expenses incurred in the course of employment.

ARTICLE 9

TERMINATION OF EMPLOYMENT

9.1 Termination Without Notice

This Agreement and the Executive's employment with the Company may be terminated, without the Company being obligated to provide the Executive with advance notice of termination or pay in lieu of such notice, whether under contract, statute, common law or otherwise, in the following circumstances:

(a) Voluntary Resignation

In the event the Executive voluntarily resigns, except where the Executive resigns for Good Reason as provided for in this Agreement, the Executive will give a minimum of ninety (90) days' advance written notice to the Company. The Executive will not be entitled to receive any further compensation or benefits whatsoever other than those which have accrued up to the Executive's last day of active service with the Company. The Company may, at its discretion, waive in whole or in part such notice with payment in lieu to the Executive;

(b) Cause

"Cause" is defined as any of the following:

(i) conviction of, or plea of nolo contendere to, a felony;

(ii) participation in a fraud against the Company;

(iii) participation in an act of dishonesty against the Company intended to result in your personal enrichment;

(iv) willful material breach of the Company's written policies;

(v) intentional significant damage to the Company's property by you;

(vi) material breach of this Agreement; or

(vii) conduct by you that, in the good faith and reasonable determination of the Board, demonstrates gross unfitness to serve provided that in such event, the Company shall provide notice to you describing the nature of the gross unfitness and you shall thereafter have ten (10) days to cure such gross unfitness if such gross unfitness is capable of being cured.

9.2 Termination by the Company without Cause

The Company may terminate the Executive's employment without Cause at any time by providing the Executive with a separation package (the " ***Separation Package***") equal to one years' Total Cash Compensation.

"***Total Cash Compensation***" is defined as the annualized amount of Base Salary plus Bonus Payment for the prior 12-month period.

The Separation Package shall be payable in a lump sum within thirty (30) days of termination.

9.3 Termination by the Executive for Good Reason.

Should the Executive terminate his employment for Good Reason, as hereinafter defined, he shall receive the Separation Package set out in Section 9.2. Failure of the Executive to terminate his employment on the occurrence of any event which would constitute Good Reason shall not constitute waiver of his right under this Section 9.3. Notwithstanding the foregoing, the Executive may terminate his employment for Good Reason so long as the Executive tenders his resignation to the Company within thirty (30) days after the occurrence of the event that forms the basis for the resignation for Good Reason; provided, however, that the Executive must provide written notice to the Company describing the nature of the event that the Executive believes forms the basis for the resignation for Good Reason, and the Company shall thereafter have ten (10) days to cure such event.

"***Good Reason***" is defined as the occurrence of any of the following without the Executive's express written consent:

(a) an adverse change in the Executive's position, titles, duties or responsibilities (including new, additional or changed formal or informal reporting responsibilities) or any failure to re-elect or re-appoint him to any such positions, titles, duties or offices, except in connection with the termination of his employment for Cause;

(b) reduction by the Company of the Executive's Base Salary except to the extent that the annual base salaries of all other executive officers of the Company are similarly reduced or any change in the basis upon which the Executive's annual compensation is determined or paid if the change is or will be adverse to the Executive except that an award of annual performance bonuses by the Company's Compensation Committee (and approved by the Board of Directors) are discretionary and in no instance shall be considered adverse to Executive if such performance bonus is reduced from a prior year or if an annual performance bonus is not paid;

(c) a Change in Control (as defined below) of the Company occurs; or

(d) any breach by the Company of any material provision of this Agreement.

A "***Change in Control***" is defined as:

(a) a dissolution, liquidation or sale of all or substantially all of the assets of the Company;

(b) a merger or consolidation in which the Company is not the surviving corporation;

(c) a reverse merger in which the Company is the surviving corporation but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or

(d) the acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or any affiliate of the Company) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

ARTICLE 10

NON-COMPETITION AND CONFIDENTIALITY

10.1 Non-Competition

The Executive recognizes and understands that in performing the duties and responsibilities of his employment as outlined in this Agreement, he will be a key employee of the Company and will occupy a position of high fiduciary trust and confidence, pursuant to which he has developed and will develop and acquire wide experience and knowledge with respect to all aspects of the services and businesses carried on by Gran Tierra and its Member Companies and the manner in which such businesses are conducted. It is the expressed intent and agreement of the Executive and of the Company that such knowledge and experience shall be used solely and exclusively in the furtherance of the business interests of Gran Tierra and its Member Companies and not in any manner detrimental to them. The Executive therefore agrees that so long as he is employed by the Company pursuant to this Agreement he shall not engage in any practice or business in competition with the business of Gran Tierra or any of its Member Companies.

10.2 Confidentiality

The Executive further recognizes and understands that in the performance of his employment duties and responsibilities as outlined in this Agreement, he will be a key employee of the Company and will become knowledgeable, aware and possessed of all confidential and proprietary information, know-how, data, strategic studies, techniques, knowledge and other confidential information of every kind or character relating to or connected with the business or corporate affairs and operations of Gran Tierra and its Member Companies and includes, without limitation, geophysical studies and data, market data, engineering information, shareholder data, client lists, compensation rates and methods and personnel information (collectively "***Confidential Information***") concerning the business of Gran Tierra and its Member Companies. The Executive therefore agrees that, except with the consent of the Board, he will not disclose such Confidential Information to any unauthorized persons so long as he is employed by the Company pursuant to this Agreement and for a period of 24 months thereafter; provided that the foregoing shall not apply to any Confidential Information which is or becomes known to the public or to the competitors of Gran Tierra or its Member Companies other than by a breach of this Agreement.

10.3 Following Termination of Agreement

Subject to this provision and without otherwise restricting the fiduciary obligations imposed upon, or otherwise applicable to the Executive as a result of the Executive having been a key employee of the Company, the Executive shall not be prohibited from obtaining employment with or otherwise forming or participating in a business competitive to the business of the Company after termination of this Agreement and the Executive's employment with the Company.

ARTICLE 11

CHANGES TO AGREEMENT

Any modifications or amendments to this Agreement must be in writing and signed by all Parties or else they shall have no force and effect. Notwithstanding the foregoing, the Company may assign this agreement to a Member Company, without the consent of the Executive.

ARTICLE 12

ENUREMENT

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and assigns, including without limitation, the Executive's heirs, executors, administrators and personal representatives.

ARTICLE 13

GOVERNING LAW

This Agreement shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

ARTICLE 14

NOTICES

14.1 Notice to Executive

Any notice required or permitted to be given to the Executive shall be deemed to have been received if delivered personally to the Executive or sent by courier to the Executive's home address last known to the Company.

14.2 Notice to Company

Any notice required or permitted to be given to the Company shall be deemed to have been received if delivered personally to, sent by courier, or sent by facsimile to:

Gran Tierra Energy Inc.
300, 611-10th Avenue S.W.
Calgary, Alberta, Canada, T2R OB2
Fax: (403) 265-3242
Attn: President and Chief Executive Officer

ARTICLE 15

WITHHOLDING

All payments made by the Company to the Executive or for the benefit of the Executive shall be less applicable withholdings and deductions.

ARTICLE 16

INDEPENDENT LEGAL ADVICE

The Executive acknowledges that the Executive has been advised to obtain independent legal advice with respect to entering into this Agreement, that he has obtained such independent legal advice or has expressly deemed not to seek such advice, and that the Executive is entering into this Agreement with full knowledge of the contents hereof, of the Executive's own free will and with full capacity and authority to do so.

ARTICLE 17

BACKGROUND CONFIRMATION

The Employee recognizes and acknowledges that this Employment Agreement is conditional on the company receiving clearance to its satisfaction of the employment and education background checks conducted by First Advantage (release form attached).

IN WITNESS OF WHICH the Parties have duly executed this Agreement effective as of the latest date set forth below, with an effective date for the employment of the Executive of March 1, 2010.

Gran Tierra Energy Inc., an Alberta Corporation

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and CEO

Date: January 18, 2010

Gran Tierra Energy Inc., a Nevada corporation

By: /s/ Dana Coffield
Name: Dana Coffield
Title: President and CEO

Date: January 18, 2010

Executive

By: /s/ David Hardy
David Hardy

Date: January 20, 2010

SIGNED, SEALED & DELIVERED
In presence of:

/s/ Sonya Messner
Sonya Messner

SCHEDULE A

Corporate General Counsel

January 2010

Position Summary:

- This is the top legal position for the Company with responsibility for determining the Company's legal posture and interests. The General Counsel works with the other members of the management team of the Company to ensure that the Company's business policies, practices and dealings meet legal and regulatory requirements in order to protect the Company from legal actions and complaints. The General Counsel also facilitates the Company's business activities by providing legal, commercial and negotiation support while protecting the Company's legal and commercial rights and interests, including with respect to transactional activities (M&A, farmouts, acreage acquisition) and competitive issues (trademarks, patents, copyrights, contractual arrangements, etc.), and manages the defense of legal claims and complaints and the interpretation and preparation of legal documents.

- The General Counsel is accountable for all legal affairs of the company to ensure appropriate protection of the Company's legal rights pertaining to general law, energy law, property law, securities law, employment and labour law, and corporate and commercial law related to deal acquisition and deal making.

- The General Counsel will be responsible for the overall leadership and management of all Company legal activities.

- The General Counsel will also function as the Corporate Secretary for the Company and ensure that corporate secretarial functions are fulfilled by internal and/or external counsel.

- The General Counsel will be accountable for overseeing through internal counsel and/or external counsel, complex legal requirements related to securities and regulatory issues and major company transactions for the growth and future success of the Company's business.

- The General Counsel is responsible for providing legal advice and guidance to the executive officers of the Company with a view to preventing legal issues from arising and for dealing with any legal issues that do arise (including suits filed against the Company) expeditiously and cost effectively.

Specific Responsibilities:

- Provide leadership and oversight to the Company's legal teams (internal and external) in Colombia, Peru, Brazil, Argentina, and other potential new geographic areas and, where appropriate, ensure a level of consistency in legal approach across the Company's agreements.
- Act as the Corporate Secretary for the Company and its subsidiaries.

- Retain and manage the work assigned to extemallegal counsel to ensure the appropriate standards are met and compliance with laws and regulations in all geographic areas where the Company operates.

- Represent the Company with external legal counsel in the United States and Canada to ensure compliance with Securities Regulations in the United States and Canada.

- Participate with the other members of the management team-and, in particular, the CEO, COO, CFO -and provide legal leadership in developing and implementing corporate and business strategies and initiatives, including new business development.

- Participate in capturing New Venture opportunities by working with other New Venture personnel to design appropriate procedures and practices and seeing to the preparation and negotiation of bid agreements, JOAs, PSCs, CAs, PSAs, and other commercial agreements related to bid rounds, farmins, and M&A activity.

- Assume legal leadership on all M&A activities for the company, including the management of any necessary legal due diligence support for mergers and acquisitions through internal and external counsel.

- Provide leadership and manage the preparation of contracts and agreements with local Business Units and maintain and, where necessary, improve existing contract management procedures.
- Provide leadership in promoting the Company's high ethical standards -including code of ethics, corporate social responsibility, environmental standards, compliance with Foreign Corrupt Practices Act.
- Act as the Privacy Officer for the Company and its subsidiaries.
- Ensure that the CEO and CFO receive the support and expertise they require to ensure that the Company's controls and procedures are properly designed and remain effective in operation and ensure the maintenance of all SOX related requirements, including support with respect to certification requirements.
- Ensure that procedures relating to legal functions are properly documented and effectively implemented across the Company's operations.
- Ensure that the Board and the management team receive appropriate support with respect to any legal issues arising related to their areas of responsibilities.
- Prepare the Company's annual legal expenditure budget and be accountable for the expenditures under the budget.
- Ensure the CFO and Treasurer receive appropriate legal support in the Company's debt and equity fund raising activities.
- Ensure the Finance Team receive appropriate legal support with the preparation of SEC registration statements and Canadian prospectuses.

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: May 10, 2011

Exhibit 31.2

CERTIFICATION

I, Martin Eden, 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/ Martin Eden

Martin Eden

Chief Financial Officer

Date: May 10, 2011

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 March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dana Coffield, Chief Executive Officer of the Company, and Martin Eden, 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: May 10, 2011

/s/Dana Coffield
Dana Coffield
Chief Executive Officer

/s/ Martin Eden
Martin Eden
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.