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,	
	2015	**2014**
REVENUE AND OTHER INCOME		
Oil and natural gas sales	**$ 76,231**	$ 151,105
Interest income	**421**	750
	76,652	151,855
EXPENSES		
Operating	**31,434**	21,866
Depletion, depreciation, accretion and impairment	**86,154**	44,264
General and administrative	**7,294**	12,863
Severance (Note 11)	**4,378**	—
Equity tax (Note 8)	**3,769**	—
Foreign exchange gain	**(11,538)**	(4,210)
Financial instruments gain (Note 10)	**(42)**	(2,409)
	121,449	72,374
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(44,797)**	79,481
Income tax expense (Note 8)	**(69)**	(29,709)
(LOSS) INCOME FROM CONTINUING OPERATIONS	**(44,866)**	49,772
Loss from discontinued operations, net of income taxes (Note 3)	**—**	(4,643)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(44,866)**	45,129
RETAINED EARNINGS, BEGINNING OF PERIOD	**239,622**	410,961
RETAINED EARNINGS, END OF PERIOD	**$ 194,756**	$ 456,090
(LOSS) INCOME PER SHARE		
BASIC		
(LOSS) INCOME FROM CONTINUING OPERATIONS	**$ (0.16)**	$ 0.18
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	**—**	(0.02)
NET INCOME (LOSS)	**$ (0.16)**	$ 0.16
DILUTED		
(LOSS) INCOME FROM CONTINUING OPERATIONS	**$ (0.16)**	$ 0.18
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	**—**	(0.02)
NET INCOME (LOSS)	**$ (0.16)**	$ 0.16
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC (Note 6)	***286,194,315***	*283,235,202*
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED (Note 6)	***286,194,315***	*288,636,904*

(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, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 203,460**	$ 331,848
Restricted cash	**707**	1,836
Accounts receivable	**64,825**	83,227
Marketable securities (Note 10)	**7,998**	7,586
Inventory (Note 5)	**16,095**	17,298
Taxes receivable	**8,258**	15,843
Prepaids	**5,472**	6,000
Deferred tax assets (Note 8)	**420**	1,552
Total Current Assets	**307,235**	465,190
Oil and Gas Properties (using the full cost method of accounting)		
Proved	**770,658**	801,075
Unproved	**334,613**	316,856
Total Oil and Gas Properties	**1,105,271**	1,117,931
Other capital assets	**10,890**	11,013
Total Property, Plant and Equipment (Note 5)	**1,116,161**	1,128,944
Other Long-Term Assets		
Restricted cash	**3,664**	2,037
Deferred tax assets (Note 8)	**568**	601
Taxes receivable	**15,035**	9,684
Other long-term assets	**4,394**	5,013
Goodwill	**102,581**	102,581
Total Other Long-Term Assets	**126,242**	119,916
Total Assets	**$ 1,549,638**	$ 1,714,050
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 44,402**	$ 112,401
Accrued liabilities	**60,330**	75,430
Foreign currency derivative (Note 10)	**1,070**	3,057
Taxes payable	**8,844**	25,412
Deferred tax liabilities (Note 8)	**1,622**	1,040
Asset retirement obligation (Note 7)	**9,717**	8,026
Total Current Liabilities	**125,985**	225,366
Long-Term Liabilities		
Deferred tax liabilities (Note 8)	**158,932**	175,324
Asset retirement obligation (Note 7)	**25,458**	27,786
Other long-term liabilities	**7,364**	8,889
Total Long-Term Liabilities	**191,754**	211,999
Contingencies (Note 9)		
Shareholders' Equity		
Common Stock (Note 6) (277,210,589 and 276,072,351 shares of Common Stock and 9,181,507 and 10,119,745 exchangeable shares, par value $0.001 per share, issued and outstanding as at March 31, 2015, and December 31, 2014, respectively)	**10,190**	10,190
Additional paid in capital	**1,026,953**	1,026,873
Retained earnings	**194,756**	239,622
Total Shareholders' Equity	**1,231,899**	1,276,685
Total Liabilities and Shareholders' Equity	**$ 1,549,638**	$ 1,714,050

(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,	
	2015	**2014**
Operating Activities		
Net income (loss)	**$ (44,866)**	$ 45,129
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Loss from discontinued operations, net of income taxes (Note 3)	**—**	4,643
Depletion, depreciation, accretion and impairment	**86,154**	44,264
Deferred tax recovery (Note 8)	**(2,356)**	(2,260)
Non-cash stock-based compensation	**(513)**	1,480
Unrealized foreign exchange gain	**(9,037)**	(4,178)
Unrealized financial instruments gain	**(2,399)**	(2,409)
Cash settlement of asset retirement obligation (Note 7)	**(1,425)**	—
Net change in assets and liabilities from operating activities of continuing operations		
Accounts receivable and other long-term assets	**13,484**	(53,396)
Inventory	**2,159**	(574)
Prepaids	**528**	551
Accounts payable and accrued and other long-term liabilities	**(22,369)**	(16,812)
Taxes receivable and payable	**(19,983)**	18,461
Net cash (used in) provided by operating activities of continuing operations	**(623)**	34,899
Net cash provided by operating activities of discontinued operations	**—**	1,265
Net cash (used in) provided by operating activities	**(623)**	36,164
Investing Activities		
(Increase) decrease in restricted cash	**(497)**	507
Additions to property, plant and equipment	**(127,770)**	(68,159)
Net cash used in investing activities of continuing operations	**(128,267)**	(67,652)
Net cash used in investing activities of discontinued operations	**—**	(6,987)
Net cash used in investing activities	**(128,267)**	(74,639)
Financing Activities		
Proceeds from issuance of shares of Common Stock (Note 6)	**502**	628
Net cash provided by financing activities	**502**	628
Net decrease in cash and cash equivalents	**(128,388)**	(37,847)
Cash and cash equivalents, beginning of period	**331,848**	428,800
Cash and cash equivalents, end of period	**$ 203,460**	$ 390,953
Non-cash investing activities:		
Net liabilities related to property, plant and equipment, end of period	**$ 55,335**	$ 87,859

(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, 2015	Year Ended December 31, 2014
Share Capital		
Balance, beginning of period	**$ 10,190**	$ 10,187
Issue of shares of Common Stock (Note 6)	**—**	3
Balance, end of period	**10,190**	10,190
Additional Paid in Capital		
Balance, beginning of period	**1,026,873**	1,008,760
Exercise of stock options (Note 6)	**502**	11,137
Stock-based compensation (Note 6)	**(422)**	6,976
Balance, end of period	**1,026,953**	1,026,873
Retained Earnings		
Balance, beginning of period	**239,622**	410,961
Net loss	**(44,866)**	(171,339)
Balance, end of period	**194,756**	239,622
Total Shareholders' Equity	**$ 1,231,899**	$ 1,276,685

(See notes to the condensed consolidated financial statements)

1. Description of Business

Gran Tierra Energy Inc., a Nevada corporation (the "Company" or "Gran Tierra"), is a publicly traded oil and gas company engaged in the acquisition, exploration, development and production of oil and natural gas properties. The Company's principal business activities are in Colombia, Peru and Brazil. Until June 25, 2014, the Company also had business activities in Argentina.

2. Significant Accounting Policies

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

The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for interim unaudited condensed consolidated financial statements. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2014, included in the Company's 2014 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 2, 2015.

The Company's significant accounting policies are described in Note 2 of the consolidated financial statements which are included in the Company's 2014 Annual Report on Form 10-K and are the same policies followed in these interim unaudited condensed consolidated financial statements. The Company has evaluated all subsequent events through to the date these interim unaudited condensed consolidated financial statements were issued.

3. Discontinued Operations

On June 25, 2014, the Company, through several of its indirect subsidiaries (the "Selling Subsidiaries"), sold its Argentina business unit to Madalena Energy Inc. ("Madalena") for aggregate consideration of $69.3 million, comprising $55.4 million in cash and $13.9 million in Madalena shares.

The sale was made pursuant to agreements entered into by the Selling Subsidiaries (the "Agreements"); specifically, pursuant to the Agreements: (1) Madalena agreed to acquire from Gran Tierra Argentina Holdings ULC, an Alberta corporation ("GTE ULC"), and PCESA Petroleros Canadienses de Ecuador S.A., an Ecuador corporation ("PCESA"), both indirect subsidiaries of the Company, all of the outstanding shares of the Company's indirect subsidiaries Gran Tierra Energy Argentina S.R.L. ("GTE Argentina") and P.E.T.J.A. S.A, and agreed to acquire certain debt owed by GTE Argentina, for (a) approximately $44.8 million in cash, plus certain other adjustments and interest, and (b) shares of Madalena stock valued at $13.9 million; and (2) Madalena agreed to acquire from Gran Tierra Petroco Inc., an Alberta corporation ("Petroco"), an indirect subsidiary of the Company, all of the outstanding shares of the Company's indirect subsidiary Petrolifera Petroleum Limited ("PPL"), and agreed to acquire certain debt owed by PPL , for approximately $10.6 million in cash, plus certain other adjustments and interest. Collectively, GTE Argentina, P.E.T.J.A. S.A., PPL and PPL's subsidiaries held all of the assets of Gran Tierra's Argentina business unit.

Accordingly, the results of the Company's Argentina business unit are classified as "Loss from discontinued operations, net of income taxes" on the consolidated statements of operations for the three months ended March 31, 2014. Additionally, cash flows of the Company's Argentina business unit are presented separately in the interim unaudited condensed consolidated statement of cash flows for the three months ended March 31, 2014, as cash provided by or used in operating and investing activities of discontinued operations. Amounts for 2014 have been reclassified to conform to the discontinued operations presentation. The reclassifications had no effect on net income (loss).

Revenue and other income and loss from discontinued operations, net of income taxes, for the three months ended March 31, 2014, were as follows:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2014
Revenue and other income	$ 17,824
Loss from operations of discontinued operations before income taxes	$ (4,172)
Income tax expense	(471)
Loss from discontinued operations, net of income taxes	$ (4,643)

4. Segment and Geographic Reporting

The Company is primarily engaged in the exploration and production of oil and natural gas. The Company's reportable segments are Colombia, Peru and Brazil based on geographic organization. Prior to classifying the Company's Argentina business unit as discontinued operations, Argentina was a reportable segment. The All Other category represents the Company's corporate activities. The amounts disclosed in the tables below exclude the results of the Argentina business unit. Certain subsidiaries which were previously included in the All Other category were sold as part of the Argentina business unit, and therefore amounts disclosed in the All Other category have been reclassified to exclude amounts reported in loss from discontinued operations. The Company evaluates reportable segment performance based on income or loss from continuing operations before income taxes.

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

	Three Months Ended March 31, 2015				
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	**$ 74,067**	**$ —**	**$ 2,164**	**$ —**	**$ 76,231**
Interest income	**67**	**—**	**140**	**214**	**421**
Depletion, depreciation, accretion and impairment	**46,255**	**32,948**	**6,594**	**357**	**86,154**
Depletion, depreciation, accretion and impairment - per unit of production	**27.41**	**—**	**112.50**	**—**	**49.35**
Income (loss) from continuing operations before income taxes	**2,928**	**(35,442)**	**(6,881)**	**(5,402)**	**(44,797)**
Segment capital expenditures	**21,367**	**38,034**	**13,901**	**719**	**74,021**

	Three Months Ended March 31, 2014				
(Thousands of U.S. Dollars, except per unit of production amounts)	**Colombia**	**Peru**	**Brazil**	**All Other**	**Total**
Oil and natural gas sales	$ 144,935	$ —	$ 6,170	$ —	$ 151,105
Interest income	137	—	425	188	750
Depletion, depreciation, accretion and impairment	41,250	208	2,579	227	44,264
Depletion, depreciation, accretion and impairment - per unit of production	25.44	—	38.89	—	26.23
Income (loss) from continuing operations before income taxes	86,011	(2,058)	1,950	(6,422)	79,481
Segment capital expenditures	50,543	20,893	10,366	299	82,101

(Thousands of U.S. Dollars)	As at March 31, 2015 Colombia	Peru	Brazil	All Other	Total
Property, plant and equipment	**$ 863,087**	**$ 92,194**	**$ 155,880**	**$ 5,000**	**$ 1,116,161**
Goodwill	**102,581**	**—**	**—**	**—**	**102,581**
All other assets	**146,540**	**27,002**	**8,587**	**148,767**	**330,896**
Total Assets	**$ 1,112,208**	**$ 119,196**	**$ 164,467**	**$ 153,767**	**$ 1,549,638**

(Thousands of U.S. Dollars)	As at December 31, 2014 Colombia	Peru	Brazil	All Other	Total
Property, plant and equipment	$ 888,822	$ 87,028	$ 148,457	$ 4,637	$ 1,128,944
Goodwill	102,581	—	—	—	102,581
All other assets	157,549	40,613	14,724	269,639	482,525
Total Assets	$ 1,148,952	$ 127,641	$ 163,181	$ 274,276	$ 1,714,050

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 the three months ended March 31, 2015, the Company had one significant customer in Colombia: Ecopetrol S.A. ("Ecopetrol") which accounted for 79% of the Company's consolidated oil and natural gas sales from continuing operations. In the three months ended March 31, 2014, sales to Ecopetrol accounted for 48% of the Company's consolidated oil and natural gas sales from continuing operations and sales to one other significant customer accounted for 41% of the Company's consolidated oil and natural gas sales from continuing operations.

5. Property, Plant and Equipment and Inventory

Property, Plant and Equipment

	As at March 31, 2015			As at December 31, 2014		
(Thousands of U.S. Dollars)	Cost	Accumulated depletion, depreciation and impairment	Net book value	Cost	Accumulated depletion, depreciation and impairment	Net book value
Oil and natural gas properties						
Proved	**$ 1,898,962**	**$ (1,128,304)**	**$ 770,658**	$ 1,876,371	$ (1,075,296)	$ 801,075
Unproved	**334,613**	**—**	**334,613**	316,856	—	316,856
	2,233,575	**(1,128,304)**	**1,105,271**	2,193,227	(1,075,296)	1,117,931
Furniture and fixtures and leasehold improvements	**11,355**	**(8,236)**	**3,119**	11,177	(8,421)	2,756
Computer equipment	**15,246**	**(8,220)**	**7,026**	14,323	(7,461)	6,862
Automobiles	**1,569**	**(824)**	**745**	1,787	(392)	1,395
Total Property, Plant and Equipment	**$ 2,261,745**	**$ (1,145,584)**	**$ 1,116,161**	$ 2,220,514	$ (1,091,570)	$ 1,128,944

On February 19, 2015, the Company made the decision to cease all further development expenditures on the Bretaña field on Block 95 in Peru other than what is necessary to maintain tangible asset integrity and security. As a result, in the year ended December 31, 2014, the Company recorded an impairment loss in the Company's Peru cost center of $265.1 million. This impairment charge related to costs incurred to December 31, 2014, on Block 95. In the three months ended March 31, 2015, the Company recorded an additional impairment loss in its Peru cost center of $32.7 million relating to costs incurred in the first quarter of 2015, on Block 95. Costs incurred in Peru on Block 95 in the three months ended March 31, 2015, comprised: $14.0 million of drilling costs for the Bretaña Sur 95-3-4-1X appraisal well; $6.2 million for the construction of the long-term test facilities, $5.0 million relating to contract termination fees associated with the decision not to proceed with the long-term test, and $7.5 million of other costs including restocking fees and the front end engineering design study. Total contract termination and restocking fees were $8.7 million.

Depletion and depreciation expense from continuing operations on property, plant and equipment for the three months ended March 31, 2015, was $49.8 million (three months ended March 31, 2014 - $44.3 million). A portion of depletion and depreciation expense was recorded as inventory in each period and adjusted for inventory changes.

In the three months ended March 31, 2015, we recorded a $4.3 million impairment loss in our Brazil cost center related to lower oil prices.

Unproved oil and natural gas properties consist of exploration lands held in Colombia, Peru and Brazil. As at March 31, 2015, the Company had $173.0 million (December 31, 2014 - $170.5 million) of unproved assets in Colombia, $90.8 million (December 31, 2014 - $85.7 million) of unproved assets in Peru, and $70.8 million (December 31, 2014 - $60.7 million) of unproved assets in Brazil for a total of $334.6 million (December 31, 2014 - $316.9 million). Unproved oil and natural gas 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 warrants whether or not future areas will be developed.

Inventory

At March 31, 2015, oil and supplies inventories were $14.5 million and $1.6 million, respectively (December 31, 2014 - $15.2 million and $2.1 million, respectively).

6. Share Capital

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

As at March 31, 2015, outstanding share capital consists of 277,210,589 shares of Common Stock of the Company, 5,542,618 exchangeable shares of Gran Tierra Exchangeco Inc., (the "Exchangeco exchangeable shares") and 3,638,889 exchangeable shares of Gran Tierra Goldstrike Inc. (the "Goldstrike exchangeable shares"). The redemption date for the Exchangeco exchangeable shares and the Goldstrike exchangeable shares is a date to be established by the applicable Board of Directors. During the three months ended March 31, 2015, 200,000 shares of Common Stock were issued upon the exercise of stock options, 52,500 shares of Common Stock were issued upon the exchange of the Exchangeco exchangeable shares and 885,738 shares of Common Stock were issued upon the exchange of the Goldstrike exchangeable shares.

The holders of shares 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 shares. Holders of exchangeable shares have substantially the same rights as holders of shares of Common Stock. Each exchangeable share is exchangeable into one share of Common Stock of the Company.

Restricted Stock Units and Stock Options

The Company grants time-vested restricted stock units ("RSUs") to certain officers, employees and consultants. Additionally, the Company grants options to purchase shares of Common Stock to certain directors, officers, employees and consultants. The following table provides information about RSU and stock option activity for the three months ended March 31, 2015:

	RSUs	Options	
	Number of Outstanding Share Units	Number of Outstanding Options	Weighted Average Exercise Price $/ Option
Balance, December 31, 2014	1,236,963	13,790,220	5.93
Granted	826,450	2,193,260	2.75
Exercised	(377,254)	(200,000)	(2.51)
Forfeited	(412,893)	(986,308)	(6.82)
Expired	—	(380,665)	(6.05)
Balance, March 31, 2015	1,273,266	14,416,507	5.46

For the three months ended March 31, 2015, 200,000 shares of Common Stock were issued for cash proceeds of $0.5 million upon the exercise of stock options (three months ended March 31, 2014 - $0.6 million).

The weighted average grant date fair value for options granted in the three months ended March 31, 2015, was $1.10 (three months ended March 31, 2014 - $2.52).

The amounts recognized for stock-based compensation were as follows:

(Thousands of U.S. Dollars)	**Three Months Ended March 31,**	
	2015	**2014**
Compensation (recovery) costs for stock options	**$ (422)**	$ 2,016
Compensation (recovery) costs for RSUs	**(60)**	1,244
	(482)	3,260
Less: Stock-based compensation costs capitalized	**(31)**	(783)
Stock-based compensation costs (recovery) expense	**$ (513)**	$ 2,477

For the three months ended March 31, 2015, stock-based compensation was a recovery of $0.5 million due to the reversal of stock-based compensation expense for unvested options of terminated employees and a decrease in the Company's share price since December 31, 2014. The stock-based compensation recovery for the three months ended March 31, 2015, was primarily recorded in general and administrative ("G&A") expenses. Of the total stock-based compensation expense for the three months ended March 31, 2014, $2.1 million was recorded in G&A expenses, $0.1 million was recorded in operating expenses and $0.3 million was recorded in loss from discontinued operations.

At March 31, 2015, there was $6.1 million (December 31, 2014 - $4.8 million) of unrecognized compensation cost related to unvested stock options and RSUs which is expected to be recognized over a weighted average period of 1.7 years.

Income (loss) per share

Basic income (loss) per share is calculated by dividing income (loss) attributable to common shareholders by the weighted average number of shares of Common Stock and exchangeable shares issued and outstanding during each period. Diluted income (loss) per share is calculated by adjusting the weighted average number of shares of Common Stock and exchangeable shares outstanding for the dilutive effect, if any, of share equivalents. The Company uses the treasury stock method to determine the dilutive effect. This method assumes that all Common Stock equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase shares of Common Stock of the Company at the volume weighted average trading price of shares of Common Stock during the period.

	Three Months Ended March 31,	
	2015	**2014**
Weighted average number of common and exchangeable shares outstanding	**286,194,315**	283,235,202
Weighted average shares issuable pursuant to stock options	**—**	14,553,754
Weighted average shares assumed to be purchased from proceeds of stock options	**—**	(9,152,052)
Weighted average number of diluted common and exchangeable shares outstanding	**286,194,315**	288,636,904

For the three months ended March 31, 2015, 13,742,502 options, on a weighted average basis, (three months ended March 31, 2014 - 3,175,152 options) were excluded from the diluted income per share calculation as the options were anti-dilutive.

7. Asset Retirement Obligation

Changes in the carrying amounts of the asset retirement obligation associated with the Company’s oil and natural gas properties were as follows:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Balance, beginning of period	**$ 35,812**	$ 21,973
Settlements	**(1,425)**	(1,137)
Liability incurred	**432**	11,956
Liabilities associated with the Argentina business unit sold (Note 3)	**—**	(10,170)
Foreign exchange	**—**	(53)
Accretion	**304**	1,406
Revisions in estimated liability	**52**	11,837
Balance, end of period	**$ 35,175**	$ 35,812
Asset retirement obligation - current	**$ 9,717**	$ 8,026
Asset retirement obligation - long-term	**25,458**	27,786
Balance, end of period	**$ 35,175**	$ 35,812

Revisions to estimated liabilities relate primarily to changes in estimates of asset retirement costs and include, but are not limited to, revisions of estimated inflation rates, changes in property lives and the expected timing of settling the asset retirement obligation. At March 31, 2015, the fair value of assets that are legally restricted for purposes of settling the asset retirement obligation was $3.2 million (December 31, 2014 - $2.0 million). These assets are included in restricted cash on the Company's interim unaudited condensed consolidated balance sheets.

8. Taxes

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

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2015	2014
(Loss) income from continuing operations before income taxes		
United States	**$ (2,068)**	$ (5,078)
Foreign	**(42,729)**	84,559
	(44,797)	79,481
	35%	35%
Income tax (recovery) expense from continuing operations expected	**(15,679)**	27,818
Foreign currency translation adjustments	**(1,043)**	(1,714)
Impact of foreign taxes	**334**	(921)
Other local taxes	**1,597**	842
Stock-based compensation	**194**	736
Increase in valuation allowance	**12,674**	3,190
Non-deductible third party royalty in Colombia	**927**	2,223
Other permanent differences	**1,065**	(2,465)
Total income tax expense from continuing operations	**$ 69**	$ 29,709
Current income tax expense from continuing operations		
United States	**$ 225**	$ 357
Foreign	**2,200**	31,612
	2,425	31,969
Deferred income tax recovery from continuing operations		
Foreign	**(2,356)**	(2,260)
Total income tax expense from continuing operations	**$ 69**	$ 29,709

(Thousands of U.S. Dollars)	As at March 31, 2015	December 31, 2014
Deferred Tax Assets		
Tax benefit of operating loss carryforwards	**$ 49,447**	$ 51,248
Tax basis in excess of book basis	**121,340**	108,120
Foreign tax credits and other accruals	**19,179**	20,369
Tax benefit of capital loss carryforwards	**29,445**	29,984
Deferred tax assets before valuation allowance	**219,411**	209,721
Valuation allowance	**(218,423)**	(207,568)
	$ 988	$ 2,153
Deferred tax assets - current	**$ 420**	$ 1,552
Deferred tax assets - long-term	**568**	601
	988	2,153
Deferred tax liabilities - current	**(1,622)**	(1,040)
Deferred tax liabilities - long-term	**(158,932)**	(175,324)
	(160,554)	(176,364)
Net Deferred Tax Liabilities	**$ (159,566)**	$ (174,211)

As at March 31, 2015, the Company had operating loss carryforwards of $163.9 million (December 31, 2014 - $167.0 million) and capital loss carryforwards of $230.6 million (December 31, 2014 – $232.2 million) before valuation allowance. Of these operating loss and capital loss carryforwards, $353.3 million (December 31, 2014 - $356.1 million) were losses generated by the foreign subsidiaries of the Company. In certain jurisdictions, the operating loss carryforwards expire between 2015 and

2035 and the capital loss carryforwards expire between 2016 and 2020, while certain other jurisdictions allow operating and capital losses to be carried forward indefinitely.

As at March 31, 2015, the total amount of Gran Tierra’s unrecognized tax benefit related to continuing operations was $3.2 million (December 31, 2014 - $3.3 million), 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 interim unaudited condensed consolidated statement of operations.

Changes in the Company's unrecognized tax benefit relating to continuing operations are as follows:

	Three Months Ended March 31,	
	2015	**2014**
(Thousands of U.S. Dollars)		
Unrecognized tax benefit relating to continuing operations at beginning of period	**$ 3,300**	$ 2,900
Decreases for positions relating to prior year	**(100)**	(100)
Increases for positions relating to prior year	**—**	500
Unrecognized tax benefit relating to continuing operations at end of period	**$ 3,200**	$ 3,300

The Company and its subsidiaries file income tax returns in U.S. federal and state jurisdictions and certain other foreign jurisdictions. The Company is potentially subject to income tax examinations for the tax years 2007 through 2014 in certain jurisdictions. The Company does not anticipate any material changes to the unrecognized tax benefit disclosed above within the next twelve months.

On December 23, 2014, the Colombian Congress passed a law which imposes an equity tax levied on Colombian operations for 2015, 2016 and 2017. The equity tax is calculated based on a legislated measure, which is based on the Company’s Colombian legal entities' balance sheet equity for tax purposes at January 1, 2015. This measure is subject to adjustment for inflation in future years. The equity tax rates for January 1, 2015, 2016 and 2017, are 1.15%, 1% and 0.4%, respectively. The legal obligation for each year's equity tax liability arises on January 1 of each year, therefore, the Company has recognized the annual amount of $3.8 million for the equity tax expense in the consolidated statement of operations during the three months ended March 31, 2015 and a corresponding payable on the consolidated balance sheet at March 31, 2015. At March 31, 2015, accounts payable included the unpaid balance of equity tax liability of $3.5 million (December 31, 2014 - $nil) which will be paid in May and September 2015.

As of March 31, 2015, the Company expects to make cash payments of $35.2 million for income and equity taxes in Colombia for the remainder of 2015. Of this amount, $15.8 million was paid in April 2015, $1.8 million is due in May 2015, $15.8 million is due in June 2015 and $1.8 million is due in September 2015.

9. Contingencies

Gran Tierra’s production from the Costayaco Exploitation Area is subject to an additional royalty (the "HPR royalty"), which applies when cumulative gross production from an Exploitation Area is greater than five MMbbl. The HPR royalty is calculated on the difference between a trigger price defined in the Chaza Block exploration and production contract (the "Chaza Contract") and the sales price. The Agencia Nacional de Hidrocarburos (National Hydrocarbons Agency) (“ANH”) has interpreted the Chaza Contract as requiring that the HPR royalty must be paid with respect to all production from the Moqueta Exploitation Area and initiated a noncompliance procedure under the Chaza Contract, which was contested by Gran Tierra because the Moqueta Exploitation Area and the Costayaco Exploitation Area are separate Exploitation Areas. ANH did not proceed with that noncompliance procedure. Gran Tierra also believes that the evidence shows that the Costayaco and Moqueta fields are two clearly separate and independent hydrocarbon accumulations. Therefore, it is Gran Tierra’s view that, pursuant to the terms of the Chaza Contract, the HPR royalty is only to be paid with respect to production from the Moqueta Exploitation Area when the accumulated oil production from that Exploitation Area exceeds five MMbbl. Discussions with the ANH have not resolved this issue and Gran Tierra has initiated the dispute resolution process under the Chaza Contract by filing on January 14, 2013, an arbitration claim before the Center for Arbitration and Conciliation of the Chamber of Commerce of Bogotá, Colombia, seeking a decision that the HPR royalty is not payable until production from the Moqueta Exploitation Area exceeds five MMbbl. Gran Tierra supplemented its claim on May 30, 2013. The ANH filed a response to the claim seeking a declaration that its interpretation is correct and a counterclaim seeking, amongst other remedies, declarations that Gran Tierra breached the Chaza Contract by not paying the disputed HPR royalty, that the amount of the alleged HPR royalty is payable, and that the Chaza Contract be terminated. Gran Tierra filed a response to the ANH's counterclaim and filed its comments on the ANH's responses to Gran Tierra's claim. The ANH filed an amended counterclaim and Gran Tierra filed a response to the ANH's amended counterclaim. As at March 31, 2015, total cumulative production from the Moqueta Exploitation Area was 4.8 MMbbl. The estimated compensation which would be payable on cumulative production to that date if the ANH's claims are accepted in the arbitration is $65.6 million plus related interest of $21.3 million. Gran Tierra also disagrees with the interest rate that the ANH has used in calculating the interest cost. Gran Tierra asserts that since the HPR royalty is denominated in the U.S. dollar, the contract requires the interest rate to be three-month LIBOR plus 4%, whereas the ANH has applied the highest legally authorized interest rate on Colombian peso liabilities, which during the period of production to date has averaged approximately 29% per annum. At March 31, 2015, based on an interest rate of three-month LIBOR plus 4% related interest would be $4.2 million. At this time no amount has been accrued in the interim unaudited condensed consolidated financial statements nor deducted from the Company's reserves for the disputed HPR royalty as Gran Tierra does not consider it probable that a loss will be incurred.

Additionally, the ANH and Gran Tierra are engaged in discussions regarding the interpretation of whether certain transportation and related costs are eligible to be deducted in the calculation of the HPR royalty. Discussions with the ANH are ongoing. Based on the Company's understanding of the ANH's position, the estimated compensation which would be payable if the ANH’s interpretation is correct could be up to $41.2 million as at March 31, 2015. At this time no amount has been accrued in the interim unaudited condensed consolidated financial statements as Gran Tierra does not consider it probable that a loss will be incurred.

Gran Tierra Energy Colombia, Ltd. and Petrolifera Petroleum (Colombia) Ltd (collectively “GTEC”) and Ecopetrol, 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, prior to GTEC's purchase of the companies originally involved in the dispute. There was no agreement between the parties, and Ecopetrol filed a lawsuit in the Contravention Administrative Tribunal in the District of Cauca (the "Tribunal") regarding this matter. During 2013, the Tribunal ruled in favor of Ecopetrol and awarded Ecopetrol 44,025 bbl of oil. GTEC has filed an appeal of the ruling to the Supreme Administrative Court (Consejo de Estado) in a second instance procedure. At March 31, 2015, and December 31, 2014, Gran Tierra had accrued $2.4 million in the interim unaudited condensed consolidated financial statements in relation to this dispute.

The Company provided the purchaser of its Argentina business unit with certain indemnifications. The Company remains responsible for certain contingent liabilities related to such indemnifications, subject to defined limitations. The Company does not believe that these obligations are probable of having a material impact on its consolidated financial position, results of operations or cash flows.

In addition to the above, Gran Tierra has a number of other lawsuits and claims pending. Although the outcome of these other lawsuits and disputes cannot be predicted with certainty, 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. Gran Tierra records costs as they are incurred or become probable and determinable.

Letters of credit

At March 31, 2015, the Company had provided promissory notes totaling $79.4 million (December 31, 2014 - $86.3 million) as security for letters of credit relating to work commitment guarantees contained in exploration contracts and other capital or operating requirements.

10. Financial Instruments, Fair Value Measurement, Credit Risk and Foreign Exchange Risk

Financial Instruments

At March 31, 2015, the Company’s financial instruments recognized in the balance sheet consist of cash and cash equivalents, restricted cash, accounts receivable, trading securities, accounts payable, accrued liabilities, foreign currency derivatives included in current assets and liabilities and contingent consideration included in other long-term liabilities.

Fair Value Measurement

The fair value of the trading securities, foreign currency derivatives and contingent consideration are being remeasured at the estimated fair value at the end of each reporting period.

The fair value of the trading securities which were received as consideration on the sale of the Company's Argentina business unit was estimated based on quoted market prices in an active market.

The fair value of foreign currency derivatives was based on the estimated maturity value of foreign exchange non-deliverable forward contracts using applicable forward exchange rates. The most significant variable to the cash flow calculations is the estimation of forward foreign exchange rates. The resulting future cash inflows or outflows at maturity of the contracts are the net value of the contract.

The fair value of the contingent consideration, which relates to the acquisition of the remaining 30% working interest in certain properties in Brazil, was estimated based on the consideration expected to be transferred and discounted back to present value by applying an appropriate discount rate that reflected the risk factors associated with the payment streams. The discount rate used is determined in accordance with accepted valuation methods.

The fair value of the trading securities, foreign currency derivative liability and contingent consideration at March 31, 2015, and December 31, 2014, were as follows:

	As at	
(Thousands of U.S. Dollars)	**March 31, 2015**	**December 31, 2014**
Trading securities	**$ 7,998**	$ 7,586
Foreign currency derivative liability	**$ 1,070**	$ 3,057
Contingent consideration liability	**1,061**	1,061
	$ 2,131	$ 4,118

The following table presents gains or losses on financial instruments recognized in the accompanying interim unaudited condensed consolidated statements of operations:

(Thousands of U.S. Dollars)	**Three Months Ended March 31,**	
	2015	**2014**
Trading securities gain	**$ (412)**	$ —
Foreign currency derivatives loss (gain)	**370**	(2,409)
	$ (42)	$ (2,409)

These gains are presented as financial instruments gain in the interim unaudited condensed consolidated statements of operations and cash flows. There were no sales of trading securities in the three months ended March 31, 2015, and the trading securities gain represents an unrealized gain.

The fair value of long-term restricted cash approximates its carrying value because interest rates are variable and reflective of market rates. The fair values of other financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets and liabilities and have the highest priority. Level 2 and 3 inputs are based on significant other observable inputs and significant unobservable inputs, respectively, and have lower priorities. The Company uses appropriate valuation techniques based on the available inputs to measure the fair values of assets and liabilities.

At March 31, 2015, and December 31, 2014, the fair value of the trading securities acquired in connection with the disposal of the Argentina business unit was determined using Level 1 inputs. At March 31, 2015, and December 31, 2014, the fair value of the foreign currency derivatives was determined using Level 2 inputs. At March 31, 2015, and December 31, 2014, the fair value of the contingent consideration payable in connection with the Brazil acquisition was determined using Level 3 inputs. The disclosure in the paragraph above regarding the fair value of cash and restricted cash is based on Level 1 inputs.

The Company’s non-recurring fair value measurements include asset retirement obligations. The fair value of an asset retirement obligation is measured by reference to the expected future cash outflows required to satisfy the retirement obligation discounted at the Company’s credit-adjusted risk-free interest rate. The significant level 3 inputs used to calculate such liabilities include estimates of costs to be incurred, the Company’s credit-adjusted risk-free interest rate, inflation rates and estimated dates of abandonment. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value, while the asset retirement cost is amortized over the estimated productive life of the related assets.

Foreign Exchange Rate Risk

Unrealized foreign exchange gains and losses primarily result from fluctuation of the U.S. dollar to the Colombian peso due to Gran Tierra’s current and deferred tax liabilities, which are monetary liabilities mainly denominated in the local currency of the Colombian operations. As a result, foreign exchange gains and losses must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the Colombian peso against the U.S. dollar results in foreign exchange losses, estimated at $62,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

The Company purchases non-deliverable forward contracts for purposes of fixing exchange rates at which it will purchase or sell Colombian pesos to settle its income tax installment payments. With the exception of these foreign currency derivatives, any foreign currency transactions are conducted on a spot basis with major financial institutions in the Company’s operating areas.

At March 31, 2015, the Company had the following open foreign currency derivative positions:

Forward Contracts

Currency	Contract Type	Notional (Millions of Colombian Pesos)	Weighted Average Fixed Rate Received (Colombian Pesos - U.S. Dollars)	Expiration
Colombian pesos	Buy	12,468.2	2,116	April 2015

For the three months ended March 31, 2015, 97% (three months ended March 31, 2014 - 96%) of the Company's revenue and other income was generated in Colombia. In Colombia, the company receives 100% of its revenues in U.S. dollars and the majority of its capital expenditures are in U.S. dollars or are based on U.S. dollar prices. In Brazil, prices for oil are in U.S. dollars, but revenues are received in local currency translated according to current exchange rates. The majority of the Company's capital expenditures within Brazil are based on U.S. dollar prices, but are paid in local currency translated according to current exchange rates. In Peru, capital expenditures are based on U.S. dollar prices and may be paid in local currency or U.S. dollars.

Credit Risk

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

At March 31, 2015, cash and cash equivalents and restricted cash included balances in savings and checking accounts, as well as term deposits and certificates of deposit, placed primarily with financial institutions with strong investment grade ratings or governments, or the equivalent in the Company’s operating areas.

11. Severance Costs

In March 2015, largely as a result of the current low commodity price environment, the Company significantly reduced the number of its full-time employees. This was substantially completed at March 31, 2015. Employee termination benefits were recorded as incurred based on existing employee contracts, statutory requirements, completed negotiations and Company policy.

Severance costs for the Company’s reportable segments and other activities for the three months ended March 31, 2015, were as follows:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2015 Colombia	Peru	Brazil	All Other	Total
Severance expenses	$ 1,166	$ 523	$ 109	$ 2,580	$ 4,378

The amounts in the above table also represent cumulative costs incurred to date.

At March 31, 2015, accounts payable and accrued liabilities included $2.5 million in relation to these actions which are expected to be settled within the six months ending September 30, 2015. Changes in the severance cost related liability were as follows:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2015
Balance, beginning of period	$ —
Liability incurred	4,378
Settlements	(1,858)
Balance, end of period	$ 2,520

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

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

The following discussion of our financial condition and results of operations should be read in conjunction with the "Financial Statements" as set out in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the "Financial Statements and Supplementary Data" and "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Items 8 and 7, respectively, of our Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (“SEC”) on March 2, 2015.

Overview

We are an independent international energy company incorporated in the United States and engaged in oil and natural gas acquisition, exploration, development and production. Our operations are carried out in South America in Colombia, Peru and Brazil, and we are headquartered in Calgary, Alberta, Canada.

During the three months ended March 31, 2015, largely as a result of the current low commodity price environment, we reevaluated our business strategy with a renewed focus on balancing the return and risk of our exploration and development projects. As a result, on February 19, 2015, we made the decision to cease all further development expenditures on the Bretaña field on Block 95 in Peru other than what is necessary to maintain tangible asset integrity and security. The high capital investment, associated debt financing and long-term payout horizon of this project does not align with our shift in strategy as announced on February 2, 2015.

As a result of this decision, all probable and possible reserves associated with the field were reclassified as contingent resources in a report with an effective date of January 31, 2015. Further, $265.1 million of unproved properties relating to Block 95 were impaired at December 31, 2014. An additional impairment loss of $32.7 million relating to the remaining drilling costs for the Bretaña Sur 95-3-4-1X appraisal well and other costs related to Block 95, which were incurred in the first quarter of 2015, was recognized in the three months ended March 31, 2015. These other costs included costs associated with construction of the long-term test facilities, contract termination and restocking fees and a front end engineering design ("FEED") study.

In March 2015, we announced cost reductions in line with our strategy to preserve our strong balance sheet and maximize potential for future growth. In addition to reductions in 2015 capital expenditures, we focused on reductions to our operating and general and administrative expenses, including lower service and transportation costs. In March 2015, we reduced the number of our full-time employees by 20% from previous staffing levels. Additionally, we are in ongoing negotiations with suppliers and service providers to achieve further savings.