CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

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

GLOSSARY OF OIL AND GAS TERMS

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

bbl	barrel	BOE	barrels of oil equivalent
Mbbl	thousand barrels	MBOE	thousand barrels of oil equivalent
MMbbl	million barrels	BOEPD	barrels of oil equivalent per day
bopd	barrels of oil per day	Mcf	thousand cubic feet
NAR	net after royalty		

Sales volumes represent production NAR adjusted for inventory changes and losses. Our production and oil and gas reserves are also reported NAR, except as otherwise noted. NGL volumes are converted to BOE on a one-to-one basis with oil. Gas volumes are converted to BOE at the rate of 6 Mcf of gas per bbl of oil, based upon the approximate relative energy content of gas and oil. The rate is not necessarily indicative of the relationship between oil and gas prices. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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 ending June 30, 2015, a new management team and board of directors of the Company was appointed. On May 7, 2015, we entered into an agreement (the "Agreement") with West Face SPV (Cayman) I L.P. ("West Face") pursuant to which we settled a proxy contest. Pursuant to the terms of the Agreement, Gary Guidry was appointed as our President and Chief Executive Officer. Mr. Guidry replaced Duncan Nightingale in that role, who was serving as interim Chief Executive Officer since February 2015 and, with the appointment of Mr. Guidry as Chief Executive Officer, was designated as Executive Vice President. Additionally, effective May 11, 2015, Ryan Ellson was appointed as Chief Financial Officer. Under the terms of the Agreement, our Board of Directors was expanded from six to eight directors. At our Annual General Meeting on June 24, 2015, the majority of our shareholders elected the proposed board members.

For the six months ended June 30, 2015, 97% (six months ended June 30, 2014 - 95%) of our revenue and other income from continuing operations was generated in Colombia. During the three months ending June 30, 2015, our board approved a new capital program, focused on accelerating development activities in Colombia.

The price of oil is a critical factor to our business, has historically been volatile and decreased dramatically in December 2014 through March 2015, remaining at relatively low levels through June 30, 2015. Sustained periods of low oil prices have decreased our financial performance; however we remain in a strong financial position with working capital of $199.6 million including cash and cash equivalents of $166.4 million and zero debt. During the six months ended June 30, 2015, the average price realized for our oil was $47.03 per barrel (six months ended June 30, 2014 - $91.74). Average Brent oil prices for the six months ended June 30, 2015, were $57.81 per bbl compared with $108.93 per bbl in the corresponding period in 2014. West Texas Intermediate ("WTI") oil prices for the six months ended June 30, 2015, were $53.25 per bbl compared with $100.84 per bbl in the corresponding period in 2014. Despite the fall in the oil prices, at June 30, 2015, we had working capital of $199.6 million, no debt, and an undrawn $150 million credit facility.

Highlights

	Three Months Ended June 30,					Six Months Ended June 30,				
	2015		2014(2)		% Change	2015		2014(2)		% Change
Volumes (MBOE)										
Working Interest Production Before Royalties		**2,101**		2,390	(12)		**4,263**		4,662	(9)
Royalties		**(418)**		(583)	(28)		**(768)**		(1,142)	(33)
Production NAR		**1,683**		1,807	(7)		**3,495**		3,520	(1)
Inventory Adjustments and Losses		**(321)**		(212)	51		**(387)**		(237)	63
Sales(1)		**1,362**		1,595	(15)		**3,108**		3,283	(5)
Average Daily Volumes (BOEPD)										
Working Interest Production Before Royalties		**23,094**		26,261	(12)		**23,552**		25,756	(9)
Royalties		**(4,600)**		(6,404)	(28)		**(4,240)**		(6,311)	(33)
Production NAR		**18,494**		19,857	(7)		**19,312**		19,445	(1)
Inventory Adjustments and Losses		**(3,524)**		(2,333)	51		**(2,140)**		(1,310)	63
Sales(1)		**14,970**		17,524	(15)		**17,172**		18,135	(5)
Oil and Gas Sales ($000s)	**$**	**69,350**	$	147,888	(53)	**$**	**145,581**	$	298,993	(51)
Operating Expenses ($000s)		**(24,133)**		(25,346)	(5)		**(55,567)**		(47,212)	18
Operating Netback ($000s)(3)	**$**	**45,217**	$	122,542	(63)	**$**	**90,014**	$	251,781	(64)
General and Administrative Expenses ("G&A")										
G&A Expenses Before Stock-Based Compensation, Gross	**$**	**17,288**	$	24,504	(29)	**$**	**37,551**	$	48,001	(22)
Stock-Based Compensation		**1,540**		1,957	(21)		**1,010**		4,100	(75)
Capitalized G&A and Overhead Recoveries		**(8,530)**		(12,529)	(32)		**(20,969)**		(25,306)	(17)
	$	**10,298**	$	13,932	(26)	**$**	**17,592**	$	26,795	(34)
EBITDA(4)	**$**	**31,710**	$	101,808	(69)	**$**	**73,067**	$	225,553	(68)
Net Income (Loss)	**$**	**(38,564)**	$	9,137	(522)	**$**	**(83,430)**	$	54,266	(254)
Funds Flow from Continuing Operations ($000s)(5)	**$**	**24,425**	$	85,145	(71)	**$**	**49,983**	$	171,814	(71)
Capital Expenditures for Continuing Operations ($000s)	**$**	**17,764**	$	91,339	(81)	**$**	**91,785**	$	173,440	(47)

	As at				
	June 30, 2015		December 31, 2014		% Change
Cash & Cash Equivalents ($000s)	**$**	**166,399**	$	331,848	(50)
Working Capital (including Cash & Cash Equivalents) ($000s)	**$**	**199,587**	$	239,824	(17)

(1) Sales volumes represent production NAR adjusted for inventory changes and losses.

(2) Excludes amounts relating to discontinued operations. Sales volumes associated with discontinued operations were nil BOEPD for the three and six months ended June 30, 2015, and 2,426 BOEPD and 2,744 BOEPD for the corresponding periods in 2014. Discontinued operations sales volumes for the three and six months ended June 30, 2014, were calculated to the date of sale of June 25, 2014.

(3) Operating netback is a non-GAAP measure which does not have any standardized meaning prescribed under GAAP. Management believes that netback is a useful supplemental measure for management and investors to analyze operating performance and provide an indication of the results generated by our principal business activities prior to the consideration of other income and expenses. Investors are cautioned that this measure should not be construed as an alternative to net income or loss or other measures of financial performance as determined in accordance with GAAP. Our method of calculating this measure may differ from other companies and, accordingly, it may not be comparable to similar measures used by other companies. Operating netback as presented is oil and gas sales net of royalties and operating expenses.

(4) EBITDA is a non-GAAP measure which does not have any standardized meaning prescribed under GAAP. Management believes that this financial measure is also useful supplemental information for management and investors as an indicator of the company's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures. Investors are cautioned that this measure should not be construed as an alternative to net income or loss or other measures of financial performance as determined in accordance with GAAP. Our method of calculating this measure may differ from other companies and, accordingly, it may not be comparable to similar measures used by other companies. EBITDA, as presented, is net income or loss adjusted for loss from discontinued operations, net of income taxes, depletion, depreciation, accretion and impairment ("DD&A") expenses and income tax recovery or expense. A reconciliation from net income or loss to EBITDA is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
EBITDA - Non-GAAP Measure ($000s)	**2015**	**2014**	**2015**	**2014**
Net income (loss)	**$ (38,564)**	$ 9,137	**$ (83,430)**	$ 54,266
Adjustments to reconcile net income (loss) to EBITDA				
Loss from discontinued operations, net of income taxes	**—**	22,347	**—**	26,990
DD&A expenses	**69,473**	41,937	**155,627**	86,201
Income tax (recovery) expense	**801**	28,387	**870**	58,096
EBITDA	**$ 31,710**	**$ 101,808**	**$ 73,067**	**$ 225,553**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Funds Flow From Continuing Operations - Non-GAAP Measure ($000s)	**2015**	**2014**	**2015**	**2014**
Net income (loss)	**$ (38,564)**	$ 9,137	**$ (83,430)**	$ 54,266
Adjustments to reconcile net income (loss) to funds flow from continuing operations				
Loss from discontinued operations, net of income taxes	**—**	22,347	**—**	26,990
DD&A expenses	**69,473**	41,937	**155,627**	86,201
Deferred tax (recovery) expense	**(4,883)**	1,419	**(7,239)**	(841)
Non-cash stock-based compensation	**1,095**	1,144	**582**	2,624
Unrealized foreign exchange loss (gain)	**601**	8,745	**(8,436)**	4,567
Unrealized financial instruments (gain) loss	**(2,758)**	2,058	**(5,157)**	(351)
Equity tax	**—**	(1,642)	**—**	(1,642)
Cash settlement of asset retirement obligation	**(539)**	—	**(1,964)**	—
Funds flow from continuing operations	**$ 24,425**	$ 85,145	**$ 49,983**	$ 171,814

Results of Operations

(Thousands of U.S. Dollars)	Three Months Ended June 30, 2015	2014(2)	% Change	Six Months Ended June 30, 2015	2014(2)	% Change
Oil and natural gas sales	**$ 69,350**	$ 147,888	(53)	**$ 145,581**	$ 298,993	(51)
Interest income	**382**	638	(40)	**803**	1,388	(42)
	69,732	148,526	(53)	**146,384**	300,381	(51)
Operating expenses	**24,133**	25,346	(5)	**55,567**	47,212	18
DD&A expenses	**69,473**	41,937	66	**155,627**	86,201	81
G&A expenses	**10,298**	13,932	(26)	**17,592**	26,795	(34)
Severance expenses	**1,988**	—	—	**6,366**	—	—
Equity tax	**—**	—	—	**3,769**	—	—
Foreign exchange loss (gain)	**2,969**	10,044	(70)	**(8,569)**	5,834	(247)
Financial instruments gain	**(1,366)**	(2,604)	48	**(1,408)**	(5,013)	72
	107,495	88,655	21	**228,944**	161,029	42
(Loss) income from continuing operations before income taxes	**(37,763)**	59,871	(163)	**(82,560)**	139,352	(159)
Current income tax expense	**(5,684)**	(26,968)	(79)	**(8,109)**	(58,937)	(86)
Deferred income tax recovery (expense)	**4,883**	(1,419)	(444)	**7,239**	841	761
	(801)	(28,387)	(97)	**(870)**	(58,096)	(99)
(Loss) income from continuing operations	**(38,564)**	31,484	(222)	**(83,430)**	81,256	(203)
Loss from discontinued operations, net of income taxes	**—**	(22,347)	100	**—**	(26,990)	100
Net income (loss)	**$ (38,564)**	$ 9,137	(522)	**$ (83,430)**	$ 54,266	(254)
Sales volumes(1)						
Oil and NGL's, bbl	**1,349,127**	1,573,071	(14)	**3,084,025**	3,250,049	(5)
Natural gas, Mcf	**78,578**	129,711	(39)	**144,605**	194,490	(26)
Total sales volumes, BOE	**1,362,223**	1,594,690	(15)	**3,108,126**	3,282,464	(5)
Total sales volumes, BOEPD	**14,970**	17,524	(15)	**17,172**	18,135	(5)
Average Prices						
Oil and NGL's per bbl	**$ 51.18**	$ 93.72	(45)	**$ 47.03**	$ 91.74	(49)
Natural gas per Mcf	**$ 3.78**	$ 4.01	(6)	**$ 3.82**	$ 4.79	(20)
Consolidated Results of Operations per BOE sales volumes						
Oil and natural gas sales	**$ 50.91**	$ 92.74	(45)	**$ 46.84**	$ 91.09	(49)
Interest income	**0.28**	0.40	(30)	**0.26**	0.42	(38)
	51.19	93.14	(45)	**47.10**	91.51	(49)
Operating expenses	**17.72**	15.89	12	**17.88**	14.38	24

DD&A expenses	**51.00**	26.30	94	**50.07**	26.26	91
G&A expenses	**7.56**	8.74	(14)	**5.66**	8.16	(31)
Severance expenses	**1.46**	—	—	**2.05**	—	—
Equity tax	**—**	—	—	**1.21**	—	—
Foreign exchange loss (gain)	**2.18**	6.30	(65)	**(2.76)**	1.78	(255)
Financial instruments gain	**(1.00)**	(1.63)	39	**(0.45)**	(1.53)	71
	78.92	55.60	42	**73.66**	49.05	50
(Loss) income from continuing operations before income taxes	**(27.73)**	37.54	(174)	**(26.56)**	42.46	(163)
Current income tax expense	**(4.17)**	(16.91)	(75)	**(2.61)**	(17.96)	(85)
Deferred income tax recovery (expense)	**3.58**	(0.89)	(502)	**2.33**	0.26	(796)
	(0.59)	(17.80)	(97)	**(0.28)**	(17.70)	(98)
(Loss) income from continuing operations	**$ (28.32)**	$ 19.74	(243)	**$ (26.84)**	$ 24.76	(208)

[(1)] Sales volumes represent production NAR adjusted for inventory changes and losses.

[(2)] Excludes amounts relating to discontinued operations. Sales volumes associated with discontinued operations were nil BOEPD for the three and six months ended June 30, 2015, and 2,426 BOEPD and 2,744 BOEPD for the corresponding periods in 2014. Discontinued operations sales volumes for the three and six months ended June 30, 2014, were calculated to the date of sale of June 25, 2014.

Oil and gas production and sales volumes, BOEPD

	Three Months Ended June 30, 2015			**Three Months Ended June 30, 2014**		
Average Daily Volumes (BOEPD)	**Colombia**	**Brazil**	**Total**	**Colombia**	**Brazil**	**Total**
Working Interest Production Before Royalties	**22,601**	**493**	**23,094**	25,117	1,144	26,261
Royalties	**(4,531)**	**(69)**	**(4,600)**	(6,253)	(151)	(6,404)
Production NAR	**18,070**	**424**	**18,494**	18,864	993	19,857
Inventory Adjustments and Losses	**(3,503)**	**(21)**	**(3,524)**	(2,320)	(13)	(2,333)
Sales	**14,567**	**403**	**14,970**	16,544	980	17,524
	Six Months Ended June 30, 2015			**Six Months Ended June 30, 2014**		
Average Daily Volumes (BOEPD)	**Colombia**	**Brazil**	**Total**	**Colombia**	**Brazil**	**Total**
Working Interest Production Before Royalties	**22,947**	**605**	**23,552**	24,741	1,015	25,756
Royalties	**(4,157)**	**(83)**	**(4,240)**	(6,172)	(139)	(6,311)
Production NAR	**18,790**	**522**	**19,312**	18,569	876	19,445
Inventory Adjustments and Losses	**(2,145)**	**5**	**(2,140)**	(1,293)	(17)	(1,310)
Sales	**16,645**	**527**	**17,172**	17,276	859	18,135

Oil and gas production NAR for the three and six months ended June 30, 2015, decreased by 7% to 18,494 BOEPD, and by 1% to 19,312 BOEPD, respectively, compared with 19,857 BOEPD and 19,445 BOEPD, respectively, in the corresponding periods in 2014. In the three months ended June 30, 2015, production from new wells in the Moqueta field was offset by the impact of field production declines on the Costayaco field and the impact of a water cut increase on the Juanambu field. Production during the three and six months ended June 30, 2015, reflected approximately 27 and 37 days, respectively, of oil delivery restrictions in Colombia compared with 41 and 92 days, respectively, in the corresponding periods in 2014. Additionally, our operations on the Tiê Field in Brazil were suspended by the Agência Nacional de Petróleo Gás Natural e Biocombustíveis ("ANP") from March 11, 2015, to May 15, 2015, due to alleged non-compliance with certain requirements regarding the health and safety management system identified during a safety and operational audit conducted by the ANP.

Oil and gas sales volumes for the three and six months ended June 30, 2015, decreased by 15% to 14,970 BOEPD, and by 5% to 17,172 BOEPD, respectively, compared with 17,524 BOEPD and 18,135 BOEPD, respectively, in the corresponding periods in 2014. During the three and six months ended June 30, 2015, oil inventory increases accounted for 0.3 MMbbl or 3,524 bopd, and 0.4 MMbbl or 2,140 bopd, of reduced sales volumes, respectively, compared with oil inventory increases which accounted for 0.2 MMbbl or 2,333 bopd, and 0.2 MMbbl or 1,310 bopd, of reduced sales volumes in the corresponding periods in 2014. The increase in oil inventory was primarily a result of OTA pipeline disruptions. All inventory was sold in July 2015.

Operating netbacks

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
(Thousands of U.S. Dollars)	**Colombia**	**Brazil**	**Total**	**Colombia**	**Brazil**	**Total**
Oil and gas sales	**$ 67,627**	**$ 1,723**	**$ 69,350**	$ 139,350	$ 8,538	$ 147,888
Operating expenses	**(21,269)**	**(2,864)**	**(24,133)**	(23,281)	(2,065)	(25,346)
Operating netback[1]	**$ 46,358**	**$ (1,141)**	**$ 45,217**	$ 116,069	$ 6,473	$ 122,542
U.S. Dollars Per BOE						
Brent			**$ 61.70**			$ 109.70
WTI			**$ 57.87**			$ 102.99
Oil and gas sales	**$ 51.02**	**$ 46.92**	**$ 50.91**	$ 92.56	$ 95.70	$ 92.74
Operating expenses	**(16.05)**	**(78.00)**	**(17.72)**	(15.46)	(23.15)	(15.89)
Operating netback[1]	**$ 34.97**	**$ (31.08)**	**$ 33.19**	$ 77.10	$ 72.55	$ 76.85

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
(Thousands of U.S. Dollars)	**Colombia**	**Brazil**	**Total**	**Colombia**	**Brazil**	**Total**
Oil and gas sales	**$ 141,694**	**$ 3,887**	**$ 145,581**	$ 284,285	$ 14,708	$ 298,993
Operating expenses	**(51,243)**	**(4,324)**	**(55,567)**	(43,486)	(3,726)	(47,212)
Operating netback[1]	**$ 90,451**	**$ (437)**	**$ 90,014**	$ 240,799	$ 10,982	$ 251,781
U.S. Dollars Per BOE						
Brent			**$ 57.81**			$ 108.93
WTI			**$ 53.25**			$ 100.84
Oil and gas sales	**$ 47.03**	**$ 40.77**	**$ 46.84**	$ 90.92	$ 94.56	$ 91.09
Operating expenses	**(17.01)**	**(45.36)**	**(17.88)**	(13.91)	(23.96)	(14.38)
Operating netback[1]	**$ 30.02**	**$ (4.59)**	**$ 28.96**	$ 77.01	$ 70.60	$ 76.71

(1) Operating netback is a non-GAAP measure which does not have any standardized meaning prescribed under GAAP. Refer to non-GAAP measures disclosure above regarding this measure.

Oil and gas sales for the three and six months ended June 30, 2015, decreased by 53% to $69.4 million and by 51% to $145.6 million, respectively, from $147.9 million and $299.0 million, respectively, in the comparable periods in 2014 due to the effect of decreased realized oil prices and lower sales volumes.

Average realized prices decreased by 45% to $50.91 per BOE for the three months ended June 30, 2015, from $92.74 per BOE in the comparable period in 2014, and decreased by 49% to $46.84 per BOE for the six months ended June 30, 2015, from $91.09 per BOE in the comparable period in 2014. These price decreases were primarily due to lower benchmark oil prices. Average Brent oil prices for the three and six months ended June 30, 2015, were $61.70 and $57.81 per bbl, respectively, compared with $109.70 and $108.93 per bbl, respectively, in the corresponding periods in 2014. Average WTI oil prices for the three and six months ended June 30, 2015, were $57.87 and $53.25 per bbl, respectively, compared with $102.99 and $100.84

per bbl, respectively, in the corresponding period in 2014. Additionally, beginning July 1, 2014, the port operations fee component of the Trans-Andean oil pipeline ("OTA pipeline") pricing structure increased by $2.94 per bbl resulting in a reduction of realized oil prices by this amount on sales delivered through the OTA pipeline.

During periods of OTA pipeline disruptions we use transportation alternatives. These sales have varying effects on realized prices and transportation costs. During the three and six months ended June 30, 2015, 25% and 22%, respectively, of our oil volumes sold in Colombia, were through these transportation alternatives compared with 51% and 55%, respectively, in the corresponding periods in 2014. The effect on the Colombian realized price for the three and six months ended June 30, 2015, was a decrease of approximately $0.37 and $0.05 per BOE, respectively, as compared with delivering all of our oil through the OTA pipeline. This compares with a reduction of approximately $7.24 and $8.12 per BOE, respectively, in the comparable periods in 2014.

Operating expenses decreased by 5% to $24.1 million, and increased by 18% to $55.6 million, respectively, for the three and six months ended June 30, 2015, compared with the corresponding periods in 2014. In the three months ended June 30, 2015, the decrease in operating expenses was primarily due to the effect of lower sales volumes partially offset by increased operating costs per BOE. In the six months ended June 30, 2015, increased operating costs per BOE were partially offset by lower sales volumes.

On a per BOE basis, operating expenses increased by 12% to $17.72, and by 24% to $17.88, respectively, for the three and six months ended June 30, 2015, from $15.89 and $14.38 in the comparable periods in 2014. The increase in operating expenses per BOE was primarily due to higher transportation costs in Colombia of $2.15 and $2.43 per BOE, respectively, associated with higher sales using the OTA pipeline which carried higher transportation costs instead of the realized price reductions that we incur with some alternative customers. The increase in Colombian transportation costs was partially offset by other Colombian operating cost savings. Additionally, in the six months ended June 30, 2015, workover expenses were $1.78 per BOE higher than in the corresponding period in 2014.

In Brazil, in the three months ended June 30, 2015, we incurred $1.7 million, or $45.32 per bbl based on volumes sold in Brazil, of one-time penalties relating to alleged non-compliance with certain requirements regarding the health and safety management system identified during a safety and operational audit conducted by the ANP in February 2015.

DD&A expenses

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	DD&A expenses, thousands of U.S. Dollars	DD&A expenses, U.S. Dollars Per BOE	DD&A expenses, thousands of U.S. Dollars	DD&A expenses, U.S. Dollars Per BOE
Colombia	**$ 37,061**	**$ 27.96**	$ 39,348	$ 26.14
Brazil	**26,575**	**$ 723.72**	2,241	$ 25.12
Peru	**5,432**	**$ —**	103	$ —
Corporate	**405**	**$ —**	245	$ —
	$ 69,473	**$ 51.00**	$ 41,937	$ 26.30

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	DD&A expenses, thousands of U.S. Dollars	DD&A expenses, U.S. Dollars Per BOE	DD&A expenses, thousands of U.S. Dollars	DD&A expenses, U.S. Dollars Per BOE
Colombia	**$ 83,316**	**$ 27.65**	$ 80,598	$ 25.78
Brazil	**33,169**	**$ 347.93**	4,820	$ 30.99
Peru	**38,380**	**$ —**	311	$ —
Corporate	**762**	**$ —**	472	$ —
	$ 155,627	**$ 50.07**	$ 86,201	$ 26.26

DD&A expenses for the three and six months ended June 30, 2015, increased by 66% to $69.5 million ($51.00 per BOE) and by 81% to $155.6 million ($50.07 per BOE), respectively, from $41.9 million ($26.30 per BOE) and $86.2 million ($26.26 per BOE), respectively, in the comparable periods in 2014. DD&A expenses for the three and six months ended June 30, 2015, included $25.0 million and $29.3 million, respectively, of ceiling test impairment losses in our Brazil cost center due to lower oil prices, and $5.3 million and $38.0 million, respectively, of impairment charges in our Peru cost center relating to costs incurred on Block 95. These 2015 impairment losses were partially offset by the effect of lower sales volumes.

We follow the full cost method of accounting for our oil and gas properties. 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. Therefore, ceiling test estimates are based on historical prices discounted at 10% per year and it should not be assumed that estimates of future net revenues represent the fair market value of our reserves.

G&A expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
(Thousands of U.S. Dollars)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
G&A Expenses Before Stock-Based Compensation, Gross	**$ 17,288**	$ 24,504	(29)	**$ 37,551**	$ 48,001	(22)
Stock-Based Compensation	**1,540**	1,957	(21)	**1,010**	4,100	(75)
Capitalized G&A and Overhead Recoveries	**(8,530)**	(12,529)	(32)	**(20,969)**	(25,306)	(17)
	$ 10,298	$ 13,932	(26)	**$ 17,592**	$ 26,795	(34)
U.S. Dollars Per BOE						
G&A Expenses Before Stock-Based Compensation, Gross	**$ 12.69**	$ 15.37	(17)	**$ 12.08**	$ 14.62	(17)
Stock-Based Compensation	**1.13**	1.23	(8)	**0.32**	1.25	(74)
Capitalized G&A and Overhead Recoveries	**(6.26)**	(7.86)	(20)	**(6.75)**	(7.71)	(12)
	$ 7.56	$ 8.74	(14)	**$ 5.66**	$ 8.16	(31)

G&A expenses for the three and six months ended June 30, 2015, decreased by 26% to $10.3 million ($7.56 per BOE), and by 34% to $17.6 million ($5.66 per BOE), respectively, from $13.9 million ($8.74 per BOE) and $26.8 million ($8.16 per BOE), respectively, in the corresponding periods in 2014. These decreases were mainly due to reductions in the number of our employees as part of our cost saving measures, a focus on reductions to our other G&A expenses and the effect of the strengthening of the U.S. dollar against local currencies in South America and Canada which resulted in savings for costs denominated in local currency. These G&A expense reductions were partially offset by lower allocations to capital projects due to lower capital activity. Additionally, G&A expenses in the six months ended June 30, 2015, were net of a credit of $1.7 million relating to the reversal of stock-based compensation expense for unvested options and RSUs associated with terminated employees.

G&A expenses per BOE in the three and six months ended June 30, 2015, of $7.56 and $5.66, respectively, were 14% and 31% lower compared with the corresponding periods in 2014 for the same reasons, partially offset by the effect of lower sales volumes.

Severance expenses

For the three and six months ended June 30, 2015, severance expenses were $2.0 million and $6.4 million compared with $nil in the corresponding periods in 2014. In March 2015, we reduced the number of our employees and additional employee terminations occurred during the three months ended June 30, 2015.

Equity tax expense

For the six months ended June 30, 2015, equity tax expense of $3.8 million represented a Colombian tax which was calculated based on our Colombian legal entities' balance sheet equity for tax purposes at January 1, 2015. The legal obligation for each year's equity tax liability arises on January 1 of each year, therefore, we recognized the 2015 annual amount of the equity tax payable on our interim unaudited condensed consolidated balance sheet at March 31, 2015, and a corresponding expense in our interim unaudited condensed consolidated statement of operations during the three months ended March 31, 2015.

Foreign exchange gains and losses

For the three and six months ended June 30, 2015, we had a foreign exchange loss of $3.0 million and a foreign exchange gain of $8.6 million, respectively. For the three months ended June 30, 2015, we had realized foreign exchange losses of $2.4 million and an unrealized non-cash foreign exchange loss of $0.6 million. For the six months ended June 30, 2015, we had realized foreign exchange gains of $0.2 million and an unrealized non-cash foreign exchange gain of $8.4 million. Unrealized foreign exchange losses and gains are primarily a result of a net monetary liability position in Colombia and the strengthening and weakening of Colombian Peso versus U.S. dollar. Under U.S. GAAP, deferred taxes are considered a monetary liability and require translation from local currency to U.S. dollar functional currency at each balance sheet date. This translation is the main source of the unrealized foreign exchange losses or gains. The Colombian peso weakened by 0.4% and strengthened by 4% against the U.S. dollar in the three months ended June 30, 2015, and 2014, respectively, and weakened by 8% and strengthened by 2% against the U.S. dollar in the six months ended June 30, 2015, and 2014, respectively.

For the three and six months ended June 30, 2014, we had foreign exchange losses of $10.0 million and $5.8 million, respectively. For the three months ended June 30, 2014, we had an unrealized non-cash foreign exchange loss of $8.7 million and realized foreign exchange losses of $1.3 million. For the six months ended June 30, 2014, we had $4.6 million of unrealized non-cash foreign exchange losses and realized foreign exchange losses of $1.2 million.

Financial instrument gains and losses

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of U.S. Dollars)	**2015**	**2014**	**2015**	**2014**
Trading securities gain	**$ (1,688)**	$ (339)	**$ (2,100)**	$ (339)
Foreign currency derivatives loss (gain)	**322**	(2,265)	**692**	(4,674)
	$ (1,366)	$ (2,604)	**$ (1,408)**	$ (5,013)

Trading securities gains related to unrealized gains on the Madalena Energy Inc. shares we received in connection with the sale of our Argentina business unit in June 2014. Foreign currency derivative gains and losses related to our Colombian peso non-deliverable forward contracts. We purchased these contracts for purposes of fixing the exchange rate at which we would purchase or sell Colombian pesos to settle our income tax installments and payments. At June 30, 2015, we did not have any open foreign currency derivative positions.

For the three months ended June 30, 2015, financial instruments gains of $1.4 million included $2.8 million of unrealized financial instruments gains which were partially offset by $1.4 million of realized financial instrument losses. In the six months ended June 30, 2015, financial instruments gains of $1.4 million included $5.2 million of unrealized financial instrument gains which were partially offset by $3.8 million of realized financial instrument losses.

For the three months ended June 30, 2014, financial instruments gains of $2.6 million included $4.7 million of realized financial instruments gains which were partially offset by $2.1 million of unrealized financial instrument losses. For the six months ended June 30, 2014, financial instruments gains of $5.0 million included $4.7 million of realized financial instruments gains and unrealized financial instruments gains of $351 thousand.

Income tax expense

For the three and six months ended June 30, 2015, income tax expense was $0.8 million and $0.9 million, respectively, compared with income tax expense of $28.4 million and $58.1 million, respectively, in the corresponding periods in 2014. The decrease in the income tax expense for the three and six months ended June 30, 2015, compared with the corresponding period in 2014 was primarily due to lower taxable income.

The effective tax rate was (1.1)% in the six months ended June 30, 2015, compared with 41.7% in the comparable period in 2014. In the six months ended June 30, 2015, we had income tax expense despite having loss from continuing operations. The change in the effective tax rate for the six months ended June 30, 2015, was also due to lower foreign currency translation adjustments, impact of foreign taxes, stock-based compensation, non-deductible third party royalty in Colombia and other permanent differences. These amounts were partially offset by an increase in valuation allowances, which was largely attributable to the 2015 impairment losses.

For the six months ended June 30, 2015, the difference between the effective tax rate of (1.1)% and the 35% U.S. statutory rate was primarily due to other local taxes, an increase in the valuation allowance and the non-deductible third party royalty in Colombia, which were partially offset by the impact of foreign taxes and other permanent differences. The variance from the 35% U.S. statutory rate for the six months ended June 30, 2014, was primarily attributable to other local taxes, stock-based compensation, the non-deductible third party royalty in Colombia and other permanent differences, which were partially offset by the impact of foreign taxes.

Loss from discontinued operations, net of income taxes

For the three and six months ended June 30, 2015, loss from discontinued operations, net of income taxes, was $nil compared with $22.3 million and $27.0 million, in the corresponding periods in 2014. We sold our Argentina business unit on June 25, 2014, and results for the three and six months ended June 30, 2014, included the loss on disposal of the Argentina business unit of $19.3 million.

Funds flow from continuing operations

For the three and six months ended June 30, 2015, funds flow from continuing operations decreased by 71% to $24.4 million and decreased by 71% to $50.0 million, respectively, compared with the corresponding periods in 2014. For the three months ended June 30, 2015, decreased oil and natural gas sales, higher DD&A expenses, severance expenses, realized financial instrument losses and higher realized foreign exchange losses were partially offset by decreased operating, G&A and income tax expenses. For the six months ended June 30, 2015, decreased oil and natural gas sales, higher operating and DD&A expenses, severance and equity tax expenses and realized financial instruments losses were only partially offset by decreased G&A and income tax expenses and realized foreign exchange gains.

Business Environment Outlook

Our revenues are significantly affected by the continuing fluctuations in oil prices and pipeline disruptions in Colombia. Oil prices are volatile and unpredictable and are influenced by concerns about the quantity of world supply and demand, market competition between large suppliers to the market for market share, political influences, financial markets and the impact of the worldwide economy on oil supply and demand growth.

Based on our current projections, our current operations, 2015 capital expenditure program and planned share repurchase program can be funded from cash flow from existing operations and cash on hand. Should our operating cash flow decline due to unforeseen events, including additional pipeline delivery restrictions in Colombia or another sharp downturn in oil and gas prices, we would examine measures such as further capital expenditure program reductions, use of our revolving credit facility, issuance of debt, disposition of assets, or issuance of equity. We are the operator of the majority of our capital program and therefore can increase and decrease the program based on commodity prices. Given the current economic environment, unstable conditions in the Middle East, North Africa and Eastern Europe and the current over supply of oil in world markets, the oil price environment is unpredictable and unstable. We are unable to determine the impact, if any, these events may have on oil prices and demand. The timing and execution of our capital expenditure program are also affected by the availability of services from third party oil field contractors and our ability to obtain, sustain or renew necessary government licenses and permits on a timely basis to conduct exploration and development activities. Any delay may affect our ability to execute our capital expenditure program.

The credit markets, including the high yield bond market and other debt markets that provide capital to oil and gas companies have experienced adverse conditions. We have not been materially impacted by these conditions; however, continuing volatility in oil prices may continue to contribute to these adverse conditions, which could increase costs associated with renewing or issuing debt or affect our ability to access those markets.

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 shares of our Common Stock. The current low and volatile oil price has had a negative impact on the value of shares of our Common Stock. Also, raising funds by issuing shares or other equity securities would further dilute our existing shareholders, and this dilution would be exacerbated by a decline in our share price. Any securities we issue may have rights, preferences and privileges that are senior to our existing equity securities. Borrowing money may also involve further pledging of some or all of our assets, may require compliance with debt covenants and will expose us to interest rate risk. Depending on the currency used to borrow money, we may also be exposed to further foreign exchange risk. Our ability to borrow money and the interest rate we pay for any money we borrow will be affected by market conditions, and we cannot predict what price we may pay for any borrowed money.

2015 Capital Program

Capital expenditures for the six months ended June 30, 2015, were $91.8 million compared with $173.4 million for the six months ended June 30, 2014. In 2015, these capital expenditures included drilling of $36.5 million, geological and geophysical ("G&G") of $26.1 million, facilities of $25.8 million and other expenditures of $3.4 million.

As announced on June 24, 2015, our planned 2015 capital program has been increased to $185 million from $140 million and includes $115 million for Colombia, $49 million for Peru, $20 million for Brazil and $1 million associated with corporate activities. The capital spending program allocates $97 million for drilling, $45 million for facilities, pipelines and other and $43 million for G&G expenditures.

We expect to finance our 2015 capital program through cash flows from operations and cash on hand, while retaining financial flexibility to undertake further development opportunities and pursue acquisitions. However, as a result of the nature of the oil and natural gas exploration, development and exploitation industry, budgets are regularly reviewed with respect to both the success of expenditures and other opportunities that become available. Accordingly, while we currently intend that funds be expended as set forth in our 2015 capital program, there may be circumstances where, for business reasons, actual expenditures may in fact differ.

Capital Program - Colombia

Capital expenditures in our Colombian segment during the three months ended June 30, 2015, were $8.1 million bringing total capital expenditures for the six months ended June 30, 2015, to $29.5 million. The following table provides a breakdown of capital expenditures in 2015 and 2014:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Thousands of U.S. Dollars)	**2015**	**2014**	**2015**	**2014**
Drilling and completions	**$ 3,132**	$ 25,715	**$ 14,205**	$ 56,330
G&G	**1,276**	8,848	**7,321**	19,915
Facilities and equipment	**3,892**	7,316	**7,075**	13,546
Other	**(213)**	3,809	**853**	6,440
	$ 8,087	$ 45,688	**$ 29,454**	$ 96,231

The significant elements of our second quarter 2015 capital program in Colombia were:

- On the Chaza Block (100% working interest ("WI"), operated), we incurred costs drilling the Moqueta-18i development well which encountered mechanical difficulties. The well is currently suspended pending the results of injectivity testing at the Zapotero-1 well, which is interpreted to be in the same fault compartment as Moqueta 18i (the Moqueta South Block).

- We continued processing and interpretation of 2-D seismic on the Cauca-7 (100% WI, operated) and Sinu-3 (51% WI, operated) Blocks. We also commenced environmental impact assessments ("EIA"s) for future drilling on the Sinu-3 Block.

- We continued facilities work at the Costayaco and Moqueta fields on the Chaza Block.

Outlook - Colombia

The 2015 capital program in Colombia is $115 million with $70 million allocated to drilling, $21 million to facilities and pipelines and $24 million for G&G expenditures.

Our planned capital program for the remainder of 2015 in Colombia includes drilling six development wells on the Chaza Block and two development wells on the Garibay Block. Additionally, we plan to continue the interpretation and processing of

2-D seismic on the Cauca-7 and Sinu-3 Blocks. Facilities work is also planned for the Chaza and Garibay Blocks and we expect to pay back-in costs for the Putumayo-4 Block (70% operated, subject to ANH approval) farm-in.

Capital Program – Brazil

Capital expenditures in our Brazilian segment during the three months ended June 30, 2015, were $2.5 million, bringing total capital expenditures for the six months ended June 30, 2015, to $16.4 million. Capital expenditures in the three months ended June 30, 2015, consisted of drilling and other expenditures of $0.3 million, G&G expenditures of $0.2 million and facilities of $2.0 million

Our second quarter 2015 capital program in Brazil included:

- On Block REC-T-155 (100% WI, operated), we continued construction of an infield gas pipeline between the Tiê facilities and 3-GTE-03-BA.

- On Blocks REC-T-86, Block REC-T-117 and Block REC-T-118 (100% WI, operated)), we completed processing of 3-D seismic. Interpretation is ongoing.

Outlook – Brazil

The 2015 capital program in Brazil is $20 million with $4 million allocated to drilling, $5 million to facilities and pipelines and $11 million for G&G and other expenditures.

Our planned capital program for the remainder of 2015 in Brazil includes continued work on facilities. The First Appraisal Plan ("PAD") phase for Blocks REC-T-129, REC-T-142 and REC-T-155 ended on May 24, 2015, however we requested and were granted a temporary suspension of the PAD phase. The temporary suspension is valid until the ANP Board of Directors makes a final decision on our request for suspension of the PAD phase.

Capital Program – Peru

Capital expenditures in our Peruvian segment for the three months ended June 30, 2015, were $6.9 million, bringing total capital expenditures for the six months ended June 30, 2015, to $44.9 million. In the three months ended June 30, 2015, capital expenditures included $5.3 million on Block 95 and $1.6 million on our other blocks in Peru and consisted of drilling of $0.6 million, facilities expenditures of $2.9 million, and G&G expenditures and other expenditures of $3.4 million.

The significant elements of our second quarter 2015 capital program in Peru were:

- On Block 95 (100% WI, operated), we incurred contract termination fees associated with the decision not to proceed with the long-term test, restocking fees associated with the cancellation of a multi-lateral trial well, and asset retirement obligation cost estimate revisions.

- On Block 107 (100% WI, operated), we continued interpretation and processing of 2-D seismic.

Outlook - Peru

The 2015 capital program in Peru is $49 million with $23 million allocated to drilling primarily for the Bretaña Sur 95-3-4-1X appraisal well on the L4 lobe on the Bretaña field, $18 million for facilities and $8 million for G&G expenditures. The budgeted Bretaña Sur 95-3-4-1X appraisal well drilling costs were primarily incurred in January and February 2015.

During the three months ended June 30, 2015, we further reduced our headcount in Peru to less than 30 people to secure our assets, continue geologic and engineering studies and consider/investigate alternatives to fund future exploration drilling, appraisal and development activities on our portfolio of opportunities. Our planned capital program for the remainder of 2015 in Peru includes activities related to suspending and securing the L4 well location on Block 95. On Blocks 107 and 133, we plan to continue pre-consultation and environmental permitting processes.

Liquidity and Capital Resources

At June 30, 2015, we had cash and cash equivalents of $166.4 million compared with $331.8 million at December 31, 2014.

We believe that our cash resources, including cash on hand and cash generated from operations, will provide us with sufficient liquidity to meet our strategic objectives and planned capital program for 2015, given current oil price trends and production levels. In accordance with our investment policy, cash balances are held in our primary cash management bank, HSBC Bank plc., in interest earning current accounts or are invested in U.S. or Canadian government-backed federal, provincial or state securities or other money market instruments with high credit ratings and short-term liquidity. We believe that our current financial position provides us the flexibility to respond to both internal growth opportunities and those available through acquisitions.

At June 30, 2015, 82% of our cash and cash equivalents were held by subsidiaries and partnerships outside of Canada and the United States. This cash was generally not available to fund domestic or head office operations unless funds were repatriated. At this time, we do not intend to repatriate further funds, but if we did, we might have to accrue and pay withholding taxes in certain jurisdictions on the distribution of accumulated earnings. Undistributed earnings of foreign subsidiaries are considered to be permanently reinvested and a determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable.

The government in Brazil requires us to register funds that enter and exit the country with the central bank. In Brazil and Colombia, all transactions must be carried out in the local currency of the country. In Colombia, we participate in the Special Exchange Regime, which allows us to receive revenue in U.S. dollars offshore. We may also pay invoices denominated in U.S. dollars for our Colombian business from these U.S. dollars received offshore. In Peru, expenditures may be paid in local currency or U.S. dollars.

At June 30, 2015, one of our subsidiaries had a credit facility with a syndicate of banks, led by Wells Fargo Bank National Association as administrative agent. This reserve-based facility has a current borrowing base of $150 million and a maximum borrowing base that is dependent on the value of our reserves as assessed by the banking syndicate, but in no case would be more than $300 million. The borrowing base for the credit facility is supported by the present value of the petroleum reserves of two of our subsidiaries with operating branches in Colombia and our subsidiary in Brazil. Amounts drawn down under the facility bear interest at the U.S. dollar LIBOR rate plus a margin ranging between 2.25% and 3.25% per annum depending on the rate of borrowing base utilization. In addition, a stand-by fee of 0.875% per annum is charged on the unutilized balance of the committed borrowing base and is included in G&A expenses. The credit facility was entered into on August 30, 2013, and became effective on October 31, 2013, for a three-year term. Under the terms of the facility, we are required to maintain and were in compliance with certain financial and operating covenants. Under the terms of the credit facility, we cannot pay any dividends to our shareholders if we are in default under the facility and, if we are not in default, we are required to obtain bank approval for any dividend payments exceeding $2.0 million in any fiscal year. No amounts have been drawn on this facility.

Cash Flows

During the six months ended June 30, 2015, our cash and cash equivalents decreased by $165.4 million as a result of cash used in investing activities of $168.7 million, partially offset by cash provided by operating activities of $2.7 million and cash provided by financing activities of $0.6 million. During the six months ended June 30, 2014, our cash and cash equivalents decreased by $96.4 million as a result of cash used in investing activities of $127.4 million (including $12.4 million of cash used for investing activities of discontinued operations and $42.8 million of proceeds from sale of Argentina business unit, net of cash sold and transaction costs), partially offset by cash provided by operating activities of $23.9 million (including $4.8 million of cash used in operating activities of discontinued operations) and cash provided by financing activities of $7.1 million.

Cash provided by operating activities in the six months ended June 30, 2015, was primarily affected by decreased oil and natural gas sales, higher operating expenses, severance and equity tax expenses and realized financial instruments losses and a $47.3 million change in assets and liabilities from operating activities. These amounts were partially offset by decreased G&A and income tax expenses and realized foreign exchange gains.

The main changes in assets and liabilities from operating activities were as follows: accounts receivable decreased by $23.7 million primarily due to lower oil and gas sales; inventory increased by $7.7 million primarily due to higher inventory volumes as a result of the timing of revenue recognition; accounts payable and accrued liabilities decreased by $21.1 million due to a reduction in drilling activity and lower accruals for royalties due to lower oil prices and sales volumes; and net taxes receivable increased by $44.3 million primarily due to lower current income taxes for 2015 in Colombia.

Cash used in investing activities in the six months ended June 30, 2015, included capital expenditures incurred during the six months ended June 30, 2015, of $91.8 million ($29.5 million in Colombia, $44.9 million in Peru, and $16.4 million in Brazil and $1.0 million Corporate), $76.6 million of net cash outflows related to changes in assets and liabilities associated with investing activities ($56.2 million outflow in Colombia, $18.6 million outflow in Peru, and a $1.8 million outflow in Brazil and Corporate), and an increase in restricted cash of $0.3 million. Cash used in investing activities of continuing operations in the six months ended June 30, 2014, included capital expenditures incurred of $173.4 million, partially offset by $15.3 million of net cash inflows related to changes in assets and liabilities associated with investing activities and a decrease in restricted cash of $0.4 million.

Cash provided by financing activities in the six months ended June 30, 2015 and 2014, related to proceeds from issuance of shares of our Common Stock upon the exercise of stock options.

Off-Balance Sheet Arrangements

As at June 30, 2015, we had no off-balance sheet arrangements.

Contractual Obligations

As at June 30, 2015, there were no material changes to our contractual obligations outside of the ordinary course of business from those as of December 31, 2014.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in Item 7 of our 2014 Annual Report on Form 10-K, filed with the SEC on March 2, 2015, and have not changed materially since the filing of that document.

Holding all factors constant, it is reasonably likely that we will experience ceiling test impairment losses in our Brazil and Colombia cost centers in the third and fourth quarters of 2015. It is difficult to predict with reasonable certainty the amount of expected future impairment losses given the many factors impacting the asset base and the cash flows used in the prescribed U.S.GAAP ceiling test calculation. These factors include, but are not limited to, future commodity pricing, royalty rates in different pricing environments, operating costs and negotiated savings, foreign exchange rates, capital expenditures timing and negotiated savings, production and its impact on depletion and cost base, upward or downward reserve revisions, reserve additions, and tax attributes.

Holding all other factors constant other than benchmark oil prices, a $1.00 per bbl change in benchmark oil prices would result in changes to after tax cash flows of approximately $12.0 million and $1.6 million, respectively, in Colombia and Brazil. As noted above, actual cash flows may be materially affected by other factors. For example, in Colombia, cash royalties are levied at lower rates in low oil price environments and foreign exchange rates can materially impact the deferred tax component of the asset base and the income tax calculation. In Brazil, foreign exchange rates can materially impact operating costs and the income tax calculation.

Holding all factors constant, we do not expect any downward adjustment to our consolidated NAR reserve volumes during 2015. The exploitation periods for our major fields exceed the reserve life of the properties which allows the reserves to be developed prior to contract expiry, even in the case of a short to medium term deferral of development expenditures. Furthermore, as disclosed in our press release on June 24, 2015, we increased our planned 2015 capital budget in Colombia by $55 million and the 2015 capital investment is expected to be consistent with the proposed capital investment included in our reserve report dated December 31, 2014 (the “2014 Reserves Report”). In Brazil, the 2015 facilities capital budgeted included in the 2014 Reserves Report, has already been incurred. Additionally, in Colombia, the effect of prolonged low oil prices on NAR reserves is to increase reserves due to the lower rate at which cash royalties are levied in low oil price environments. In a continued low oil price environment, we expect that a loss of less than one percent of the December 31, 2014, consolidated proved NAR reserves in Brazil would be more than offset by an increase of NAR reserves in Colombia.

In accordance with the transportation agreement with the pipeline operator, fees are negotiated every six months, and negotiations are currently ongoing. However, negotiations have not yet progressed to a stage such that we can predict the outcome of these negotiations and, as a result, it is impractical to provide a quantitative analysis of the effects of potential changes in these estimates. Depending upon the magnitude and what transportation strategy we would ultimately choose as a result, a fee increase could potentially increase ceiling test impairments in future periods.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Our principal market risk relates to oil prices. Oil prices are volatile and unpredictable and influenced by concerns over world supply and demand and many other market factors outside of our control. Oil prices started falling in September 2014 and have fallen dramatically during the period December 2014 to March 2015, remaining at relatively low levels through June 30, 2015. Most of our revenues are from oil sales at prices which reflect the blended prices received upon shipment by the purchaser at defined sales points or are defined by contract relative to West Texas Intermediate ("WTI") or Brent and adjusted for quality each month.

Foreign currency risk

Foreign currency risk is a factor for our company but is ameliorated to a certain degree by the nature of expenditures and revenues in the countries where we operate. Our reporting currency is U.S. dollars and essentially 100% of our revenues are related to the U.S. dollar price of WTI or Brent oil. In Colombia, we receive 100% of our revenues in U.S. dollars and the majority of our capital expenditures are in U.S. dollars 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 our 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. The majority of income and value added taxes and G&A expenses in all locations are in local currency. While we operate in South America exclusively, the majority of our acquisition expenditures have been valued and paid in U.S. dollars.

Additionally, foreign exchange gains and losses result primarily from the fluctuation of the U.S. dollar to the Colombian peso due to our current and deferred tax liabilities, which are monetary liabilities, denominated in the local currency of the Colombian foreign operations. As a result, a foreign exchange gain or loss must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the Colombian peso against the U.S. dollar results in foreign exchange losses, estimated at $60,000 for each one peso decrease in the exchange rate of the Colombian peso to one U.S. dollar.

We have engaged, from time to time, in non-deliverable foreign exchange contracts to buy or sell Colombian pesos in order to fix the exchange rate of our income tax installments and payments in Colombia. At June 30, 2015, the Company did not have any open foreign currency derivative positions.

The table below provides information about our foreign currency forward exchange agreements at December 31, 2014, including the notional amounts and weighted average exchange rates by expected (contractual) maturity dates. Expected cash flows from the forward contracts equaled the fair value of the contract. The information is presented in U.S. dollars because that is our reporting currency. The increase or decrease in the value of the forward contract was offset by the increase or decrease to the U.S. dollar equivalent of the Colombian peso current tax liabilities. We did not hold any of these investments for trading purposes.

	As at December 31, 2014				
Currency	**Contract Type**	**Notional (Millions of Colombian Pesos)**	**Weighted Average Fixed Rate Received (Colombian Pesos - U.S. Dollars)**	**Fair Value of the Forward Contracts (thousands of U.S. Dollars)**	**Expiration**
Colombian pesos	Buy	51,597.5	2,006	(4,175)	February and April 2015
Colombian pesos	Sell	10,275.3	1,895	1,118	February 2015

Interest Rate Risk

We consider our exposure to interest rate risk to be immaterial. Our interest rate exposures primarily relate to our investment portfolio. Our investment objectives are focused on preservation of principal and liquidity. By policy, we manage our exposure to market risks by limiting investments to high quality bank issues at overnight rates, or U.S. or Canadian government-backed federal, provincial or state securities or other money market instruments with high credit ratings and short-term liquidity. A 10% change in interest rates would not have a material effect on the value of our investment portfolio. We do not hold any of these investments for trading purposes. We have no debt.

Equity Investment in Madalena Energy Inc.

We hold an equity investment in Madalena Energy Inc. ("Madalena"), received as consideration in the sale of our Argentina business unit, which closed June 25, 2014. We hold 29,831,537 shares of Madalena which had a value of $7.6 million at December 31, 2014, and $9.7 million at June 30, 2015, and represented approximately 5.5% of Madalena's outstanding shares at June 30, 2015. These shares trade on the TSX Venture Exchange and as such are subject to changes in value that are outside of our control. We may face market related obstacles such as trading volume and value in divesting these shares.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or Exchange Act). Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report, as required by Rule l3a-15(e) of the Exchange Act. Based on their evaluation, our principal executive and principal financial officers have concluded that Gran Tierra's disclosure controls and procedures were effective as of June 30, 2015, to provide reasonable assurance that the information required to be disclosed by Gran Tierra in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015, 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***

See Note 9 in the Notes to the Condensed Consolidated Financial Statements (Unaudited) in Part I, Item 1 of this Form 10-Q, which is incorporated herein by reference, for material developments with respect to matters previously reported in our Annual Report on Form 10-K for the year ended December 31, 2014, and material matters that have arisen since the filing of such report.

Item 1A. ***Risk Factors***

See Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and Part I, Item 2 above regarding proposed pipeline tariff increases. The risks facing our company have not changed substantively from those set forth in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, except as set forth in Part I, Item 2 above regarding proposed pipeline tariff increases.

Item 6. ***Exhibits***

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

SIGNATURES

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

GRAN TIERRA ENERGY INC.

Date: August 4, 2015	/s/ Gary Guidry
	By: Gary Guidry
	President and Chief Executive Officer
	(Principal Executive Officer)

Date: August 4, 2015

/s/ Ryan Ellson

By: Ryan Ellson

Chief Financial Officer

(Principal Financial and Accounting Officer)