

GRAN TIERRA ENERGY INC.  
Form 10-Q  
August 05, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2015

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34018

GRAN TIERRA ENERGY INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or  
organization)

98-0479924  
(I.R.S. Employer Identification No.)

200, 150 13 Avenue S.W.  
Calgary, Alberta, Canada T2R 0V2  
(Address of principal executive offices, including zip code)  
(403) 265-3221  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

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

On July 31, 2015, the following number of shares of the registrant's capital stock were outstanding: 277,748,335 shares of the registrant's Common Stock, \$0.001 par value; one share of Special A Voting Stock, \$0.001 par value, representing 3,638,889 shares of Gran Tierra Goldstrike Inc., which are exchangeable on a 1-for-1 basis into the registrant's Common Stock; and one share of Special B Voting Stock, \$0.001 par value, representing 5,044,777 shares of Gran Tierra Exchangeco Inc., which are exchangeable on a 1-for-1 basis into the registrant's Common Stock.

Gran Tierra Energy Inc.

Quarterly Report on Form 10-Q

Quarterly Period Ended June 30, 2015

Table of contents

	Page
PART I	Financial Information
Item 1.	Financial Statements <u>4</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <u>18</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>31</u>
Item 4.	Controls and Procedures <u>33</u>
PART II	Other Information
Item 1.	Legal Proceedings <u>33</u>
Item 1A.	Risk Factors <u>33</u>
Item 6.	Exhibits <u>33</u>
SIGNATURES	<u>33</u>
EXHIBIT INDEX	<u>35</u>

## 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 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.

## 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>REVENUE AND OTHER INCOME</b>				
Oil and natural gas sales (Note 4)	\$69,350	\$147,888	\$145,581	\$298,993
Interest income	382	638	803	1,388
	69,732	148,526	146,384	300,381
<b>EXPENSES</b>				
Operating	24,133	25,346	55,567	47,212
Depletion, depreciation, accretion and impairment	69,473	41,937	155,627	86,201
General and administrative (Note 6)	10,298	13,932	17,592	26,795
Severance (Note 11)	1,988	—	6,366	—
Equity tax (Note 8)	—	—	3,769	—
Foreign exchange loss (gain)	2,969	10,044	(8,569)	) 5,834
Financial instruments gain (Note 10)	(1,366)	) (2,604)	) (1,408)	) (5,013)
	107,495	88,655	228,944	161,029
<b>(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>(37,763)</b>	<b>) 59,871</b>	<b>(82,560)</b>	<b>) 139,352</b>
<b>INCOME TAX (EXPENSE) RECOVERY</b>				
Current	(5,684)	) (26,968)	) (8,109)	) (58,937)
Deferred	4,883	(1,419)	) 7,239	841
	(801)	) (28,387)	) (870)	) (58,096)
<b>(LOSS) INCOME FROM CONTINUING OPERATIONS</b>	<b>(38,564)</b>	<b>) 31,484</b>	<b>(83,430)</b>	<b>) 81,256</b>
Loss from discontinued operations, net of income taxes (Note 3)	—	(22,347)	) —	(26,990)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(38,564)</b>	<b>) 9,137</b>	<b>(83,430)</b>	<b>) 54,266</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>194,756</b>	<b>456,090</b>	<b>239,622</b>	<b>410,961</b>
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$156,192</b>	<b>\$465,227</b>	<b>\$156,192</b>	<b>\$465,227</b>
<b>(LOSS) INCOME PER SHARE</b>				
<b>BASIC</b>				
<b>(LOSS) INCOME FROM CONTINUING OPERATIONS</b>	<b>\$(0.13)</b>	<b>) \$0.11</b>	<b>\$(0.29)</b>	<b>) \$0.29</b>
<b>LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES</b>	<b>—</b>			