GRAN TIERRA ENERGY, INC.
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64,409,425 shares of common stock

This prospectus relates to the offering by the selling stockholders of Gran Tierra Energy Inc. of up to 64,409,425 shares of our common stock, par value $0.001 per share. These shares of common stock consist of 42,846,323 shares of common stock issued to, and 21,563,102 shares of common stock underlying warrants issued to, the selling stockholders in a private offering. We are registering the offer and sale of the common stock, including common stock underlying warrants, to satisfy registration rights we have granted to the selling stockholders.

We will not receive any proceeds from the sale of common stock by the selling stockholders. We may receive proceeds from the exercise price of the warrants if they are exercised by the selling stockholders. We intend to use any proceeds received from the selling stockholders' exercise of the warrants for working capital and general corporate purposes.

The selling stockholders may sell the shares of common stock from time to time in the open market, on any stock exchange upon which our common stock is listed, in privately negotiated transactions or a combination of these methods, at market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices, or otherwise as described under the section of this prospectus titled "Plan of Distribution."

Our common stock is traded on the American Stock Exchange under the symbol "GTE", and on the Toronto Stock Exchange under the symbol "GTE". On April 14, 2008, the closing price of the common stock was $3.89 per share (US dollars) on the American Stock Exchange and $3.94 per share (Canadian dollars) on the Toronto Stock Exchange.

Investing in our common stock involves risks. Before making any investment in our securities, you should read and carefully consider risks described in the Risk Factors beginning on page 4 of this prospectus.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment. We have not authorized anyone to provide you with different information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated April 15, 2008

You should rely only on the information contained in this prospectus and any free-writing prospectus that we authorize to be distributed to you. We have not authorized anyone to provide you with information different from or in addition to that contained in this prospectus or any related free-writing prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. The selling stockholders are offering to sell, and are seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock. Our business, financial conditions, results of operations and prospects may have changed since that date.

For investors outside of the United States: We have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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This summary highlights information contained elsewhere in this prospectus but might not contain all of the information that is important to you. Before investing in our common stock, you should read the entire prospectus carefully, including the "Risk Factors" section and our financial statements and the notes thereto included elsewhere in this prospectus.

For purposes of this prospectus, unless otherwise indicated or the context otherwise requires, all references herein to "Gran Tierra," "we," "us," and "our," refer to Gran Tierra Energy Inc., a Nevada corporation, and our subsidiaries.

Our Company

On November 10, 2005, Goldstrike, Inc. ("Goldstrike"), Gran Tierra Energy Inc., a privately-held Alberta corporation which we refer to as "Gran Tierra Canada" and the holders of Gran Tierra Canada's capital stock entered into a share purchase agreement, and Goldstrike and Gran Tierra Goldstrike Inc. (which we refer to as Goldstrike Exchange Co.) entered into an assignment agreement. In these two transactions, the holders of Gran Tierra Canada's capital stock acquired shares of either Goldstrike common stock or exchangeable shares of Goldstrike Exchange Co., and Goldstrike Exchange Co. acquired substantially all of Gran Tierra Canada's capital stock. Immediately following the transactions, Goldstrike Exchange Co. acquired the remaining shares of Gran Tierra Canada outstanding after the initial share exchange for shares of common stock of Gran Tierra Energy Inc. using the same exchange ratio as used in the initial exchange. This two step process was part of a single transaction whereby Gran Tierra Canada became a wholly-owned subsidiary of Goldstrike Inc. Additionally, Goldstrike changed its name to Gran Tierra Energy Inc. with the management and business operations of Gran Tierra Canada, but remains incorporated in the State of Nevada.

Following the above-described transaction, our operations and management are substantially the operations and management of Gran Tierra Canada prior to the transactions. The former Gran Tierra Canada was formed by an experienced management team in early 2005, with extensive hands-on experience in oil and natural gas exploration and production in most of the world's principal petroleum producing regions. Our objective is to acquire and exploit international opportunities in oil and natural gas exploration, development and production, focusing on South America. We made our initial acquisition of oil and gas producing and non-producing properties in Argentina in September 2005. In 2006, we acquired oil and gas producing and non-producing assets in Colombia and other minor interests in Argentina and Peru.

In Colombia in 2007, we drilled two discovery wells in the Putumayo Basin, the Juanambu-1 well in the Guayuyaco Block and the Costayaco-1 well in the Chaza Block. We also acquired 70 square kilometers of 3D seismic on the Chaza block, and commenced drilling the Costayaco-2 well, which we completed drilling in January 2008. We drilled four other wells, which were plugged and abandoned. These wells were drilled with partners through various farm-out arrangements, and three of the wells were drilled at no cost to us. We were granted 100% interests in two Technical Evaluation Areas in Colombia in the Putumayo basin - Putumayo West A and Putumayo West B. Finally, we engaged in farm-out activity on several of our exploration blocks, including Mecaya, Rio Magdalena and Talora, and relinquished our interest in the Primavera block.

Corporate Information

Goldstrike Inc., now known as Gran Tierra Energy Inc., was incorporated under the laws of the State of Nevada on June 6, 2003. Our principal executive offices are located at 300, 611 - 10th Avenue S.W., Calgary, Alberta T2R 0B2, Canada. The telephone number at our principal executive offices is (403) 265-3221. Our website address is www.grantierra.com. Information contained on our website is not deemed part of this prospectus.

The Offering

Common stock currently outstanding (1)	99,988,644 shares
Common stock offered by the selling stockholders (2)	64,409,425 shares
Common stock outstanding after the offering (3)	121,551,746 shares
Use of Proceeds	We will not receive any proceeds from the sale of common stock offered by this prospectus. We will receive the proceeds from any warrant exercises, which we intend to use for general corporate purposes, including for working capital.
American Stock Exchange Symbol	GTE
Toronto Stock Exchange Symbol	GTE

(1) Amount is as of April 1, 2008 and includes 11,827,776 shares of common stock which are issuable upon the exchange of exchangeable shares of Goldstrike Exchange Co.

(2) Includes 21,563,102 shares of common stock underlying warrants issued to the selling stockholders as of April 1, 2008.

(3) Assumes the full exercise of warrants to purchase an aggregate of 21,563,102 shares of common stock held by the selling stockholders as of April 1, 2008.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks below before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. In such case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. We will face numerous and varied risks which may prevent us from achieving our goals.

We are a Company With Limited Operating History for You to Evaluate Our Business. We May Never Attain Profitability.

As an oil and gas exploration and development company, which commenced operations in 2005, we have a limited operating history, and therefore it is difficult for potential investors to evaluate our business. Our operations are subject to all of the risks frequently encountered in the development of any new business, including control of expenses and other difficulties, complications and delays, as well as those risks that are specific to the oil and gas industry. Investors should evaluate us in light of the delays, expenses, problems and uncertainties frequently encountered by companies developing markets and operations in new countries. We may never overcome these obstacles. Our accumulated deficit as of December 31, 2007 is $16.5 million.

Our business is speculative and dependent upon the implementation of our business plan and our ability to enter into agreements with third parties for the rights to exploit potential oil and gas reserves on terms that will be commercially viable for us. If we are unable to do so, or unable to do so at the level we intend, then we may never attain profitability.

Unanticipated Problems in Our Operations May Harm Our Business and Our Viability.

If our operations in South America are disrupted and/or the economic integrity of these projects is threatened for unexpected reasons, our business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties which impact the production, transport or sale of our products, geographic and weather conditions, business reasons or otherwise. Because we are at the early stages of our development, we are particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of our operations. Moreover, the occurrence of significant unforeseen conditions or events in connection with our acquisition of operations in South America may cause us to question the thoroughness of our due diligence and planning process which occurred before the acquisitions, and may cause us to reevaluate our business model and the viability of our contemplated business. Such actions and analysis may cause us to delay development efforts and to miss out on opportunities to expand our operations.

We May Be Unable to Obtain Development Rights We Need to Build Our Business, and Our Financial Condition and Results of Operations May Deteriorate.

Our business plan focuses on international exploration and production opportunities, initially in South America and later in other parts of the world. Thus far, we have acquired interests for exploration and development in eight properties in Argentina, nine properties in Colombia and two properties in Peru. In the event that we do not succeed in negotiating additional property acquisitions, our future prospects will likely be substantially limited, and our financial condition and results of operations may deteriorate.

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

Our business will focus on the oil and gas industry in a limited number of properties, initially in Argentina, Colombia and Peru, with the intention of expanding elsewhere into other countries. Larger companies have the ability to manage their risk by diversification. However, we will lack diversification, in terms of both the nature and geographic scope of our business. As a result, factors affecting our industry or the regions in which we operate will likely impact us more acutely than if our business were more diversified.

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

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

To develop our business, we will endeavor to use the business relationships of our management and board of directors to enter into strategic relationships, which may take the form of joint ventures with other private parties or with local government bodies, or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

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

The oil and gas industry is highly competitive. Other oil and gas companies will compete with us by bidding for exploration and production licenses and other properties and services we will need to operate our business in the countries in which we expect to operate. This competition is increasingly intense as prices of oil and natural gas on the commodities markets have risen in recent years. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger, foreign owned companies, which, in particular, may have access to greater resources than us, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

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

We expect that our cash balances and cash flow from operations and existing credit facility will be sufficient only to provide a limited amount of working capital, and the revenues generated from our properties in Argentina and Colombia will be sufficient only to fund our currently planned operations. We will require additional capital to continue to operate our business beyond our current planned activities and to expand our exploration and development programs to additional properties. We may be unable to obtain additional capital required. Furthermore, inability to obtain capital may damage our reputation and credibility with industry participants in the event we cannot close previously announced transactions.

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

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

If We Fail to Make the Cash Calls Required by Our Current Joint Ventures or Any Future Joint Ventures, We May be Required to Forfeit Our Interests in These Joint Ventures and Our Results of Operations and Our Liquidity Would be Negatively Affected.

If we fail to make the cash calls required by our joint ventures, we may be required to forfeit our interests in these joint ventures, which could substantially affect the implementation of our business strategy. In the future we will be required to make periodic cash calls in connection with our operated and non-operated joint ventures, or we may be required to place funds in escrow to secure our obligations related to our joint venture activity. If we fail to make the cash calls required in connection with the joint ventures, whether because of our cash constraints or otherwise, we will be subject to certain penalties and eventually would be required to forfeit our interest in the joint venture.

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

Our strategy envisions expanding our business. If we fail to effectively manage our growth, our financial results could be adversely affected. Growth may place a strain on our management systems and resources. We must continue to refine and expand our business development capabilities, our systems and processes and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. We may not be able to:

- expand our systems effectively or efficiently or in a timely manner;
- allocate our human resources optimally;
- identify and hire qualified employees or retain valued employees; or

- incorporate effectively the components of any business that we may acquire in our effort to achieve growth.

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

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

Our success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of our management and other personnel in conducting the business of Gran Tierra Energy. We have a small management team consisting of Dana Coffield, our President and Chief Executive Officer, Martin Eden, our Vice President, Finance and Chief Financial Officer, Max Wei, our Vice President, Operations, Rafael Orunesu, our President of Gran Tierra Argentina SA, and Edgar Dyes, our President of Gran Tierra Colombia Ltd. ("Gran Tierra Colombia"). The loss of any of these individuals or our inability to attract suitably qualified staff could materially adversely impact our business. We may also experience difficulties in certain jurisdictions in our efforts to obtain suitably qualified staff and retaining staff who are willing to work in that jurisdiction. We do not currently carry life insurance for our key employees.

Our success depends on the ability of our management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, our key personnel may not continue their association or employment with Gran Tierra Energy and we may not be able to find replacement personnel with comparable skills. We have sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If we are unable to attract and retain key personnel, our business may be adversely affected.

Risks Related to our Prior Business May Adversely Affect our Business.

Before the share exchange transaction between Goldstrike and Gran Tierra Canada, Goldstrike's business involved mineral exploration, with a view towards development and production of mineral assets, including ownership of 32 mineral claim units in a property in British Columbia, Canada and the exploration of this property. We have determined not to pursue this line of business following the share exchange, but could still be subject to claims arising from the former Goldstrike business. These claims may arise from Goldstrike's operating activities (such as employee and labor matters), financing and credit arrangements or other commercial transactions. While no claims are pending and we have no actual knowledge of any threatened claims, it is possible that third parties may seek to make claims against us based on Goldstrike's former business operations. Even if such asserted claims were without merit and we were ultimately found to have no liability for such claims, the defense costs and the distraction of management's attention may harm the growth and profitability of our business. While the relevant definitive agreements executed in connection with the share exchange provide indemnities to us for liabilities arising from the prior business activities of Goldstrike, these indemnities may not be sufficient to fully protect us from all costs and expenses.

Maintaining and improving our financial controls may strain our resources and divert management's attention, and if we are not able to report that we have effective internal controls our stock price may suffer.

We are subject to the requirements of the Securities Exchange Act of 1934, or the Exchange Act, including the requirements of the Sarbanes-Oxley Act of 2002. The requirements of these rules and regulations have increased, and we expect will continue to increase, our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. As a result of this and similar activities, management's attention may be diverted from other business concerns, which could have a material adverse effect on

our business, financial condition and results of operations.

We Must Maintain Effective Registration Statements for all of Our Private Placements of our Common Stock

We are required to file Post Effective Amendments to our registration statements periodically in accordance with the Registration Rights Agreements for our 2005 and 2006 private placements of units. We cannot control the length of time it will take for the Post Effective Amendment to our registration statements to become effective, and delays past the effective dates of our current registration statements could cause us to incur penalties for failing to keep the registration statements effective. In addition, keeping these registration statements effective is costly and diverts management's attention from running our business.

Risks Related to Our Industry

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

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

We May Not Be Able to Develop Oil and Gas Reserves on an Economically Viable Basis, and Our Reserves and Production May Decline as a Result.

To the extent that we succeed in discovering oil and/or natural gas, reserves may not be capable of production levels we project or in sufficient quantities to be commercially viable. On a long-term basis, our company's viability depends on our ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, our reserves and production will decline over time as reserves are produced. Our future reserves will depend not only on our ability to develop then-existing properties, but also on our ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas we develop and to effectively distribute our production into our markets.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While we will endeavor to effectively manage these conditions, we may not be able to do so optimally, and we will not be able to eliminate them completely in any case. Therefore, these conditions could diminish our revenue and cash flow levels and result in the impairment of our oil and natural gas interests.

Unless We are Able to Replace Reserves Which We Have Produced, Our Cash Flows and Production will Decrease Over Time.

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

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

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

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

We follow the full cost method of accounting for our oil and gas properties. A separate cost center is maintained for expenditures applicable to each country in which we conduct exploration and/or production activities. Under this method, the net book value of properties on a country-by-country basis, less related deferred income taxes, may not exceed a calculated "ceiling". The ceiling is the estimated after tax future net revenues from proved oil and gas properties, discounted at 10% per year. In calculating discounted future net revenues, oil and natural gas prices in effect at the time of the calculation are held constant, except for changes which are fixed and determinable by existing contracts. The net book value is compared to the ceiling on a quarterly basis. The excess, if any, of the net book value above the ceiling is required to be written off as an expense. Under SEC full cost accounting rules, any write-off recorded may not be reversed even if higher oil and natural gas prices increase the ceiling applicable to future periods. Future price decreases could result in reductions in the carrying value of such assets and an equivalent charge to earnings.

Drilling New Wells Could Result in New Liabilities, Which Could Endanger Our Interests in Our Properties and Assets.

There are risks associated with the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings, sour gas releases, fires and spills. The occurrence of any of these events could significantly reduce our revenues or cause substantial losses, impairing our future operating results. We may become subject to liability for pollution, blow-outs or other hazards. We will obtain insurance with respect to these hazards, but such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. The payment of such liabilities could reduce the funds available to us or could, in an extreme case, result in a total loss of our properties and assets. Moreover, we may not be able to maintain adequate insurance in the future at rates that are considered reasonable. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

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

We may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which we use for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." We have determined that we do not require a significant reserve account for these potential costs in respect of any of our current properties or facilities at this time but if decommissioning is required before economic depletion of our properties or if our estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, we may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair our ability to focus capital investment in other areas of our business.

Our Inability to Obtain Necessary Facilities Could Hamper Our Operations.

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

We are not the Operator of All Our Current Joint Ventures and Therefore the Success of the Projects Held Under Joint Ventures is Substantially Dependent On Our Joint Venture Partners.

As our company does not operate all the joint ventures we are currently involved in, we do not have a direct control over non-operated joint ventures. When we participate in decisions as a joint venture partner, we must rely on the operator's disclosure for all decisions. Furthermore, the operator is responsible for the day to day operations of the joint venture including technical operations, safety, environmental compliance, relationships with governments and vendors. As we do not have full control over the activities of our non-operated joint ventures, our results of operations for those ventures are dependent upon the efforts of the operating partner.

We May Have Difficulty Distributing Our Production, Which Could Harm Our Financial Condition.

To sell the oil and natural gas that we are able to produce, we have to make arrangements for storage and distribution to the market. We rely on local infrastructure and the availability of transportation for storage and shipment of our products, but infrastructure development and storage and transportation facilities may be insufficient for our needs at commercially acceptable terms in the localities in which we operate. This could be particularly problematic to the extent that our operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping and/or pipeline facilities. In certain areas, we may be required to rely on only one gathering system, trucking company or pipeline, and, if so, our ability to market our production would be subject to their reliability and operations. These factors may affect our ability to explore and develop properties and to store and transport our oil and gas production and may increase our expenses.

Furthermore, future instability in one or more of the countries in which we will operate, weather conditions or natural disasters, actions by companies doing business in those countries, labor disputes or actions taken by the international community may impair the distribution of oil and/or natural gas and in turn diminish our financial condition or ability to maintain our operations.

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

The entire Argentine domestic refining market is small and export opportunities are limited by available infrastructure. As a result, our oil sales in Argentina will depend on a relatively small group of customers, and currently, on just one customer in the area of our activity in the country. During 2007, we sold all of our production in Argentina to Refiner S.A. The lack of competition in this market could result in unfavorable sales terms which, in turn, could adversely affect our financial results. Currently all operators in Argentina are operating without sales contracts. We cannot provide any certainty as to when the situation will be resolved or what the final outcome will be.

Oil sales in Colombia are made to Ecopetrol, a government agency. While oil prices in Colombia are related to international market prices, lack of competition for sales of oil may diminish prices and depress our financial results.

Drilling Oil and Gas Wells and Production and Transportation Activity Could be Hindered by Hurricanes, Earthquakes and Other Weather-Related Operating Risks.

We are subject to operating hazards normally associated with the exploration and production of oil and gas, including blowouts, explosions, oil spills, cratering, pollution, earthquakes, hurricanes, labor disruptions and fires. The occurrence of any such operating hazards could result in substantial losses to us due to injury or loss of life and damage to or destruction of oil and gas wells, formations, production facilities or other properties.

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

The majority of our oil in Colombia is delivered by a single pipeline to Ecopetrol and sales of oil could be disrupted by damage to this pipeline. Oil from our new discoveries at Costayaco-1 and Juanumbu-1 is trucked a short distance to the entry point of our pipeline, and adverse weather conditions and security issues can cause delays in trucking. Once delivered to Ecopetrol, all of our current oil production in Colombia is transported by an export pipeline which provides the only access to markets for our oil. Without other transportation alternatives, sales of oil could be disrupted by landslides or other natural events which impact this pipeline.

Prices and Markets for Oil and Natural Gas Are Unpredictable and Tend to Fluctuate Significantly, Which Could Reduce Profitability, Growth and the Value of Gran Tierra Energy.

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond our control. World prices for oil and natural gas have fluctuated widely in recent years. The average price for WTI in 2000 was $30 per barrel. In 2006, it was $66 per barrel and in 2007 it was $72 per barrel. We expect that prices will fluctuate in the future. Price fluctuations will have a significant impact upon our revenue, the return from our oil and gas reserves and on our financial condition generally. Price fluctuations for oil and natural gas commodities may also impact the investment market for companies engaged in the oil and gas industry. Although during 2007 market prices for oil and natural gas have remained at high levels, these prices may not remain at current levels. Furthermore, prices which we receive for our oil sales, while based on international oil prices, are established by contract with purchasers with prescribed deductions for transportation and quality differences. These differentials can change over time and have a detrimental impact on realized prices. Future decreases in the prices of oil and natural gas may have a material adverse effect on our financial condition, the future results of our operations and quantities of reserves recoverable on an economic basis.

In addition, oil and natural gas prices in Argentina are effectively regulated and as a result are substantially lower than those received in North America. Oil prices in Colombia are related to international market prices, but adjustments that are defined by contract with Ecopetrol, a government agency and the purchaser of all oil that we produce in Colombia, may cause realized prices to be lower than those received in North America.

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

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

Negative Economic, Political and Regulatory Developments in Argentina, Including Export Controls May Negatively Affect our Operations.

The Argentine economy has experienced volatility in recent decades. This volatility has included periods of low or negative growth and variable levels of inflation. Inflation was at its peak in the 1980’s and early 1990’s. In late-2001 there was a deep fiscal crisis in Argentina involving restrictions on banking transactions, imposition of exchange controls, suspension of payment of Argentina’s public debt and abrogation of the one-to one peg of the peso to the dollar. For the next year, Argentina experienced contractions in economic growth, increasing inflation and a volatile exchange rate. Currently, GDP is growing, inflation is normalized, and public finances are strengthened. However, there is no guarantee of economic stability. Any de-stabilization may seriously impact the economic viability of operations in the country or restrict the movement of cash into and out of the country, which would impair current activity and constrain growth in the country.

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

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

Our agreements with Refiner S.A.expired on January 1, 2008, and renegotiation, though currently underway, has been delayed due to the introduction of a new withholding tax regime for crude oil and refined oil products exported and sold domestically in Argentina. Currently all oil and gas producers in Argentina are operating without sales contracts. The new withholding tax regime was introduced without specific guidance as to its application. Producers and refiners of oil in Argentina have been unable to determine an agreed sales price for oil deliveries to refineries. Also, the price for refiners' gasoline production has been capped below the price that would be received for crude oil. Therefore, the refineries' price offered to oil producers reflects their price received, less taxes and operating costs and their usual mark up. In our case we are receiving $33 per barrel for production since November 18, 2007, the effective date of the decree. The price we received for November oil deliveries before November 18, 2007 was approximately $48 per barrel. Along with most other oil producers in Argentina, we are continuing deliveries to the refinery and will continue to receive $33 per barrel until the situation around the decree is rectified by the government. The Provincial Governments have also been hurt by these changes as their effective royalty take has been reduced by the lower sales price. We are working with other oil and gas producers in the area, as well as Refiner S.A., and provincial governments, to lobby the federal government for change .There has been a delay in rectifying the situation in Argentina because of a change in government in December 2007, and the months of January and February are generally slow working months due to summer vacations.

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

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs is subject to annual certification by the President of the United States. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following:

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

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with our operations there. Any changes in the holders of significant government offices could have adverse consequences on our relationship with the Colombian national oil company and the Colombian government's ability to control guerrilla activities and could exacerbate the factors relating to our foreign operations. Any sanctions imposed on Colombia by the United States government could threaten our ability to obtain necessary financing to develop the Colombian properties or cause Colombia to retaliate against us, including by nationalizing our Colombian assets. Accordingly, the imposition of the foregoing economic and trade sanctions on Colombia would likely result in a substantial loss and a decrease in the price of our common stock. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can we predict the effect in Colombia that these sanctions might cause.

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

A 40-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups - both funded by the drug trade - continues in Colombia. Insurgents continue to attack civilians and violent guerilla activity continues in many parts of the country.

We, through our acquisition of Argosy Energy International, have interests in two regions of Colombia - in the Middle Magdalena and Putumayo regions. The Putumayo region has been prone to guerilla activity in the past. In 1989, Argosy's facilities in one field were attacked by guerillas and operations were briefly disrupted. Pipelines have also been targets, including the Trans-Andean export pipeline which transports oil from the Putumayo region. In addition, in March 2008, two of the Ecopetrol pipelines were damaged by guerillas, and we estimate at present that we will have to reduce our current production and deliveries to Ecopetrol during a portion of April, while Ecopetrol completes repairs to their pipelines.

There can be no assurance that continuing attempts to reduce or prevent guerilla activity will be successful or that guerilla activity will not disrupt our operations in the future. There can also be no assurance that we can maintain the safety of our operations and personnel in Colombia or that this violence will not affect our operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to us.

Increases in Our Operating Expenses will Impact Our Operating Results and Financial Condition.

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

Penalties We May Incur Could Impair Our Business.

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

Environmental Risks May Adversely Affect Our Business.

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

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

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

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

We expect to operate our business in Argentina, Colombia and Peru, and to expand our operations into other countries in the world. Exploration and production operations in foreign countries are subject to legal, political and economic uncertainties, including terrorism, military repression, interference with private contract rights (such as privatization), extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates and other laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and natural gas industry, such as restrictions on production, price controls and export controls. Central and South America have a history of political and economic instability. This instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in termination of contract rights and expropriation of foreign-owned assets. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Argentina, Colombia, Peru or other countries in which we intend to operate are beyond our control and may significantly hamper our ability to expand our operations or operate our business at a profit.

For instance, changes in laws in the jurisdiction in which we operate or expand into with the effect of favoring local enterprises, changes in political views regarding the exploitation of natural resources and economic pressures may make it more difficult for us to negotiate agreements on favorable terms, obtain required licenses, comply with regulations or effectively adapt to adverse economic changes, such as increased taxes, higher costs, inflationary pressure and currency fluctuations.

Local Legal and Regulatory Systems in Which We Operate May Create Uncertainty Regarding Our Rights and Operating Activities, Which May Harm Our Ability to do Business.

We are a company organized under the laws of the State of Nevada and are subject to United States laws and regulations. The jurisdictions in which we operate our exploration, development and production activities may have different or less developed legal systems than the United States, which may result in risks such as:

- effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;
- a higher degree of discretion on the part of governmental authorities;
- the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These licenses and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Property right transfers, joint ventures, licenses, license applications or other legal arrangements pursuant to which we operate may be adversely affected by the actions of government authorities and the effectiveness of and enforcement of our rights under such arrangements in these jurisdictions may be impaired.

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

We are subject to licensing and permitting requirements relating to drilling for oil and natural gas. We may not be able to obtain, sustain or renew such licenses. Regulations and policies relating to these licenses and permits may change or be implemented in a way that we do not currently anticipate. These licenses and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments. As we are not the operator of all the joint ventures we are currently involved in, we may rely on the operator to obtain all necessary permits and licenses. If we fail to comply with these requirements, we could be prevented from drilling for oil and natural gas, and we could be subject to civil or criminal liability or fines. Revocation or suspension of our environmental and operating permits could have a material adverse effect on our business, financial condition and results of operations.

Challenges to Our Properties May Impact Our Financial Condition.

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

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

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

Foreign Currency Exchange Rate Fluctuations May Affect Our Financial Results.

We expect to sell our oil and natural gas production under agreements that will be denominated in United States dollars and foreign currencies. Many of the operational and other expenses we incur will be paid in the local currency of the country where we perform our operations. Our production is primarily invoiced in United States dollars, but payment is also made in Argentine and Colombian pesos, at the then-current exchange rate. As a result, we are exposed to translation risk when local currency financial statements are translated to United States dollars, our company’s functional currency. Since we began operating in Argentina (September 2005), the rate of exchange between the Argentine peso and US dollar has varied between 2.89 pesos to one US dollar to 3.23 pesos to the US dollar, a fluctuation of approximately 11%. Exchange rates between the Colombian peso and US dollar have varied between 2,303 pesos to one US dollar to 2,014 pesos to one US dollar since September 1, 2005, a negative fluctuation of approximately 13%. As currency exchange rates fluctuate, translation of the statements of income of international businesses into United States dollars will affect comparability of revenues and expenses between periods.

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

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

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

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

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

Risks Related to Our Common Stock

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

The market price of our common stock may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;
- announcements of new acquisitions, reserve discoveries or other business initiatives by our competitors;
- fluctuations in revenue from our oil and natural gas business as new reserves come to market;
- changes in the market for oil and natural gas commodities and/or in the capital markets generally;
- changes in the demand for oil and natural gas, including changes resulting from the introduction or expansion of alternative fuels; and
- changes in the social, political and/or legal climate in the regions in which we will operate.

In addition, the market price of our common stock could be subject to wide fluctuations in response to:

- quarterly variations in our revenues and operating expenses;
- changes in the valuation of similarly situated companies, both in our industry and in other industries;
- changes in analysts’ estimates affecting our company, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- additions and departures of key personnel;
- announcements of technological innovations or new products available to the oil and natural gas industry;
- announcements by relevant governments pertaining to incentives for alternative energy development programs;
- fluctuations in interest rates, exchange rates and the availability of capital in the capital markets; and
- significant sales of our common stock, including sales by future investors in future offerings we expect to make to raise additional capital.

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

Our Operating Results May Fluctuate Significantly, and These Fluctuations May Cause Our Stock Price to Decline.

Our operating results will likely vary in the future primarily from fluctuations in our revenues and operating expenses, including the ability to produce the oil and natural gas reserves that we are able to develop, expenses that we incur, the prices of oil and natural gas in the commodities markets and other factors. If our results of operations do not meet the expectations of current or potential investors, the price of our common stock may decline.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains 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, as amended (the “Exchange Act”). This prospectus includes statements regarding our plans, goals, strategies, intent, beliefs or current expectations. These statements are expressed in good faith and based upon a reasonable basis when made, but there can be no assurance that these expectations will be achieved or accomplished. These forward looking statements can be identified by the use of terms and phrases such as “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and t like, and/or future-tense or conditional constructions “may,” “could,” “should,” etc. Items contemplating or making assumptions about, actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Although forward-looking statements in this prospectus reflect the good faith judgment of our management, forward-looking statements are inherently subject to known and unknown risks, business, economic and other risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this prospectus, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the Securities and Exchange Commission which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

DIVIDEND POLICY

We have never declared or paid any dividends on our capital stock. We currently intend to retain any future earnings to fund the development and expansion of our business, and therefore we do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors. In addition, under the terms of our credit facility with Standard Bank Plc, we are required to obtain the approval of the Bank for any dividend payments made by us exceeding $2 million in any fiscal year.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling stockholders of our common stock. We will receive approximately $25,327,420.65 if the selling stockholders exercise their warrants in full. The warrant holders may exercise their warrants at any time until their expiration, as further described in the “Description of Securities.” Because the warrant holders may exercise the warrants in their own discretion, we cannot plan on specific uses of proceeds beyond application of proceeds to general corporate purposes. These proceeds, if any, will be used for general corporate purposes and capital expenditures. We have agreed to bear the expenses in connection with the registration of the common stock being offered hereby by the selling stockholders.

PRICE RANGE OF COMMON STOCK

Our common stock was first cleared for quotation on the OTC Bulletin Board on November 11, 2005 and traded from that time until April 8, 2008, under the symbol “GTRE.OB.” On April 8, 2008, our common stock was listed on the American Stock Exchange ("AMEX") and is trading under the symbol "GTE". On February 19, 2008, our common stock was listed on the Toronto Stock Exchange (“TSX”) and is trading under the symbol “GTE”.

As of April 1, 2008, there were approximately 293 holders of record of shares of our common stock (including holders of exchangeable shares).

On April 14, 2008, the last reported sales price of our shares on the AMEX was $3.89. For the periods indicated, the following table sets forth the high and low bid prices per share of common stock on the OTC Bulletin Board until April 8, 2008. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions. For the period beginning April 8, 2008, these prices represent high and low sale prices on the AMEX.

	High		Low	
Second Quarter (through April 14, 2008)	$	4.30	$	3.29
First Quarter 2008	$	4.26	$	2.31
Fourth Quarter 2007	$	2.69	$	1.39

Third Quarter 2007	$	2.16	$	1.31
Second Quarter 2007	$	1.49	$	0.90
First Quarter 2007	$	1.64	$	0.88
Fourth Quarter 2006	$	1.75	$	1.10
Third Quarter 2006	$	3.67	$	1.47
Second Quarter 2006	$	5.01	$	2.96
First Quarter 2006	$	5.95	$	3.02

As of April 1, 2008, there were 99,988,644 shares of common stock issued and outstanding, which number includes 11,827,776 shares of common stock issuable upon exchange of the exchangeable shares of Goldstrike Exchange Co. issued to former holders of common stock of Gran Tierra Energy Inc., a privately held corporation in Alberta ("Gran Tierra Canada").

Equity Compensation Plan

Securities authorized for issuance under equity compensation plans as of December 31, 2007 are as follows:

Plan category	Number of securities to be issued upon exercise of options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	5,724,168	$ 1.52	3,275,832
Equity compensation plans not approved by security holders	—	—	—
Total	5,724,168		3,725,832

The only equity compensation plan approved by our stockholders is our 2007 Equity Incentive Plan, which is an amendment and restatement of our 2005 Equity Incentive Plan, under which our board of directors is authorized to issue options or other rights to acquire up to 9,000,000 shares of our common stock.

SELECTED FINANCIAL DATA

The following selected summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and audited financial statements included in this prospectus. Our results of operations in 2005 are for the period of incorporation, which was January 26, 2005, to December 31, 2005. All dollar amounts are in U.S. dollars.

	Period Ended December 31,		
	2007	2006	2005
Statement of Operations Data			
Revenues and other income			
Oil sales	$ 31,807,641	$ 11,645,553	$ 946,098
Natural gas sales	44,971	75,488	113,199
Interest	425,542	351,872	—
Total revenues	32,278,154	12,072,913	1,059,297
Expenses			
Operating	10,474,368	4,233,470	395,287
Depletion, depreciation and accretion	9,414,907	4,088,437	462,119
General and administrative	10,231,952	6,998,804	2,482,070
Liquidated damages	7,366,949	1,527,988	—
Derivative financial instruments	3,039,690	—	—
Foreign exchange (gain) loss	(77,275)	370,538	(31,271)
Total expenses	40,450,591	17,219,237	3,308,205
Loss before income tax	(8,172,437)	(5,146,324)	(2,248,908)
Income tax	(294,767)	(677,380)	29,228
Net loss	$ (8,467,204)	$ (5,823,704)	$ (2,219,680)
Net loss per common share — basic and diluted	$ (0.09)	$ (0.08)	$ (0.16)
Statement of Cash Flows Data			
Operating activities	$ 6,214,677	$ (829,620)	$ (1,876,638)
Investing activities	(12,845,943)	(45,366,912)	(9,108,022)
Financing activities	719,303	68,075,856	13,206,116
(Decrease) Increase in cash	$ (5,911,963)	$ 21,879,324	$ 2,221,456
Balance Sheet Data			
Cash and cash equivalents	$ 18,188,817	$ 24,100,780	$ 2,221,456
Working capital (including cash)	8,058,049	14,541,498	2,764,643
Oil and gas properties	63,202,432	56,093,284	7,886,914
Deferred tax asset	2,058,436	444,324	—
Total assets	112,796,561	105,536,957	12,371,131
Deferred tax liability	(11,674,744)	(9,875,657)	—
Other long-term liabilities	(1,986,023)	(633,683)	(67,732)
Shareholders' equity	$ (76,791,855)	$ (76,194,779)	$ (11,039,347)

We made our initial acquisition of oil and gas producing and non-producing properties in Argentina in September 2005 for a total purchase price of approximately $7 million. Prior to that time we had no revenues. In June 2006, we acquired our Argosy assets for consideration of $37.5 million cash, 870,647 shares of our common

stock and overriding and net profit interests in certain assets valued at $1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes thereto. Except for the historical information contained herein, the matters discussed below are forward-looking statements that involve risks and uncertainties, including, among others, the risks and uncertainties discussed below.

Overview

We are an independent international energy company involved in oil and natural gas exploration, development and production. We plan to continually increase our oil and natural gas reserves through a balanced strategy of exploration drilling, development and acquisitions in South America. Initial countries of interest are Argentina, Colombia and Peru.

We took our current form on November 10, 2005 when the former Gran Tierra Energy Inc., a privately-held Alberta corporation, which we refer to as Gran Tierra Canada, was acquired by an indirect subsidiary of Goldstrike Inc, a Nevada corporation. Goldstrike adopted the assets, management, business operations, business plan and name of Gran Tierra Canada. For accounting purposes, the predecessor company in the transaction was the former Gran Tierra Canada, and the financial information of the former Goldstrike was eliminated at consolidation. This transaction is accounted for as a reverse takeover of Goldstrike Inc. by Gran Tierra Canada.

Prior to September 1, 2005, we had no oil and gas interests or properties. In September 2005 and during 2006 we acquired oil and gas interests and properties in Argentina, Colombia and Peru.

We funded acquisitions of our properties in Colombia and Argentina through a series of private placements of our securities that occurred between September 2005 and February 2006 and an additional private placement that occurred in June 2006, described below.

Our operating results for the year ended December 31, 2007 as compared to 2006 are principally impacted by the inclusion in 2007 of a full year's activities from the oil and gas interests in Argentina and Colombia we acquired in the second and fourth quarters of 2006. The 2007 results are also impacted by the 2007 discoveries in the Costayaco area of the Chaza block and the Juanambu area of the Guayuyaco block and the subsequent commencement of production of the first wells in each of these areas in the second half of 2007 and a higher average WTI for 2007. Our production volumes and revenues in Colombia have significantly increased over the prior year.

The operating results for 2006 include a full year of activities at Palmar Largo, two months at Nacatimbay before production was suspended on March 1, 2006 and two months after production was reinstated on November 1, 2006, six months of activities at El Vinalar beginning July 1, 2006 and one month of activities at Chivil, commencing December 1, 2006. We initially held a 14% working interest (WI) in Palmar Largo (oil production), a 50% WI in Nacatimbay (production of natural gas and condensate) and a 50% WI in Ipaguazu (exploration land). During November and December of 2006 we acquired the following additional working interests in Argentina, which further impacted the financial and operational results for the year ended December 31, 2007:

· an additional 50% WI in Nacatimbay;

· an additional 50% WI in Ipaguazu;

· 50% WI in El Vinalar (oil production);

· 100% WI in Chivil (oil production);

· 100% WI in Surubi (exploration land);

· 100% WI in Santa Victoria (exploration land); and,

· 93.2% WI in Valle Morado (exploration land).

The operating results for 2006 were also impacted by our acquisition of Argosy Energy International L.P. ("Argosy"). Prior to June 20, 2006 we did not own any oil or gas properties in Colombia. On June 20, 2006 we acquired Argosy and became the operator of nine blocks in Colombia. The Santana, Guayuyaco and Chaza blocks are currently producing. The Rio Magdalena, Talora, Azar and Mecaya blocks are in their exploration phases. During 2007, we relinquished ownership of the Primavera block and acquired the Putumayo A and B technical evaluation areas.

The operating results and financial position for 2005 reflect our incorporation on January 26, 2005 and the commencement of oil and gas operations in Argentina on September 1, 2005.

Due to a successful exploration program in Colombia, undertaken in the first half of 2007, we made two field discoveries, Costayaco in the Chaza block and Juanambu in the Guayuyaco block. These exploration wells were brought into production in the third quarter of 2007 and have significantly increased our daily production. Average daily production in Colombia in 2007, including our new discovery wells Costayaco-1 and Juanambu-1, increased by 559 barrels per day to 913 barrels per day from 354 barrels per day in 2006.

Our estimate of proved reserves, net of royalties, as of December 31, 2007, stands at 6.4 million barrels of oil primarily due to the new discoveries at Costayaco and Juanambu. This compares to our December 31, 2006 proved reserves of 3.0 million barrels of oil.

Effective February 28, 2007, we entered into a credit facility with Standard Bank Plc. The facility has a three-year term which may be extended by agreement between the parties. The borrowing base is the present value of our petroleum reserves up to maximum of $50 million, with an initial borrowing base of $7 million based on mid-2006 reserves. We have not drawn down any amounts under this facility.

In June, 2006, we sold an aggregate of 50 million units of our securities at a price of $1.50 per unit in a private offering for gross proceeds of $75 million, pursuant to four separate Securities Purchase Agreements, which we refer to collectively as the “2006 Offering”. Each unit comprised one share of Gran Tierra Energy’s common stock and one warrant to purchase one-half of a share of Gran Tierra Energy’s common stock at an exercise price of $1.75 for a period of five years. In connection with the issuance of these securities, Gran Tierra Energy entered into four separate Registration Rights Agreements with the investors pursuant to which Gran Tierra Energy agreed to register for resale the shares and warrants (and shares issuable pursuant to the warrants) issued to the investors in the offering by November 17, 2006, and if we failed to do so we would be obligated to pay liquidated damages. The second registration statement was declared effective by the Securities Exchange Commission (“SEC”) on May 14, 2007. Gran Tierra Energy had accrued $8.6 million in liquidated damages as of that date.

On June 27, 2007, under the terms of the Registration Rights Agreements, we obtained a sufficient number of consents from the signatories to the agreements waiving Gran Tierra Energy’s obligation to pay in cash the accrued liquidated damages. We agreed to amend the terms of the warrants issued in the 2006 Offering by reducing the exercise price of the warrants to $1.05 and extending the life of the warrants by one year, in lieu of a cash payment for liquidated damages. $7.4 million of the liquidated damages has been recorded in 2007 and the remainder had been recorded in 2006.

Gran Tierra Energy has an active development drilling and exploration drilling program budgeted for 2008. This includes seven development wells in oil discoveries made in Colombia in 2007 including Costayaco-2 which commenced drilling in December 2007, and completed testing in February 2008; Costayaco-3 which was drilled in January and February 2008 and is planned for testing in March, 2008; and three oil exploration wells, two in Colombia and one in Argentina. Our exploration success in 2007 is to be further developed in 2008 with the potential to significantly increase our production. Gran Tierra Energy plans to continue with development drilling through 2008 to increase our production capacity, in addition to undertaking additional oil exploration efforts to further define the potential of our acreage in Colombia, Argentina and Peru.

Currently all oil and gas producers in Argentina are operating without sales contracts. A new withholding tax regime was introduced in Argentina without specific guidance as to its application. Producers and refiners of oil in Argentina have been unable to determine an agreed sales price for oil deliveries to refineries. We are receiving $33 per barrel, which is a price offered by Refiner S.A., the purchaser of our crude oil, based on their netback, for production since November 18, 2007, the effective date of the decree. The price we received for November oil deliveries before November 18, 2007 was approximately $48 per barrel. Along with most other oil producers in Argentina, we are continuing deliveries to the refinery and will continue to receive $33 per barrel until the situation around the decree is rectified by the government. The Provincial Governments have also been hurt by these changes as their effective royalty take has been reduced by the lower sales price. We are working with other oil and gas producers in the area, as well as Refiner S.A. and provincial governments, to lobby the federal government for change. There has been a delay in rectifying the situation in Argentina because of a change in government in December 2007, and the months of January and February are generally slow working months due to summer vacations.

Operating in countries in South America exposes our business to risks due to political and economic forces in the countries in which we operate. For example, in March 2008, two of the Ecopetrol pipelines were damaged by guerillas, and we estimate at present that we will have to reduce our current production deliveries to Ecopetrol during a portion of April, while Ecopetrol completes repairs to their pipeline, which will impact our revenues for the first quarter of 2008. See Item 1A. "Risk Factors" for the risks we face as a result of operating in South America.

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Results of Operations for the years ended December 31, 2007 as compared to year ended December 31, 2006

Revenue and Other Income

A summary of selected production, revenue and price information for the years ended December 31, 2007 and 2006 is presented in the following table:

	Year Ended December 31,						Change from Prior Year		
	2007			2006					
	Argentina	Colombia	Total	Argentina	Colombia	Total	Argentina	Colombia	Total
Production, net of royalties (2)									
Oil and NGLs (Bbls)	207,912	333,157	541,069	127,712	129,209	256,921	63%	158%	111%
Gas (Mcf)	26,631	-	26,631	41,447	-	41,447	-36%	-	-36%
Oil, Gas and NGLs (Boe) (1)	209,244	333,157	542,401	129,784	129,209	258,993	61%	158%	109%
Revenue and other income									
Oil and NGLs (Bbls)	$ 8,059,486	$ 23,748,155	$ 31,807,641	$ 5,033,363	$ 6,612,190	$ 11,645,553	60%	259%	173%
Gas	44,971	-	44,971	75,488	-	75,488	-40%	-	-40%
Interest (excluding Corporate)	15,225	222,785	238,010	-	-	-	100%	100%	100%
	$ 8,119,682	$ 23,970,940	$ 32,090,622	$ 5,108,851	$ 6,612,190	$ 11,721,041	59%	263%	174%
Other - Corporate			187,532			351,872			-47%
			$ 32,278,154			$ 12,072,913			167%
Average Prices									
Oil and NGLs (Per Bbl)	$ 38.76	$ 71.28	$ 58.79	$ 39.41	$ 51.17	$ 45.33	-2%	39%	30%
Gas (Per Mcf)	$ 1.69	-	$ 1.69	$ 1.82	-	$ 1.82	-7%	-	-7%

(1) Gas volumes are converted to barrels (“Bbl’s”) of oil equivalent ("Boe") at the rate of 20 thousand cubic feet ("Mcf") of gas per barrel of oil based upon the approximate relative values of natural gas and oil. Natural Gas Liquids (NGLs") volumes are converted to Boe’s on a one-to-one basis with oil.

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

Crude oil and NGL production for the year ended December 31, 2007 increased 111% to 541,069 barrels from 256,921 barrels for the year ended December 31, 2006. The average price received per barrel of oil increased 30% to $58.79 per barrel for 2007 from $45.33 per barrel in 2006. As a result, revenues and other income for the year ended December 31, 2007 increased 167% to $32,278,154 compared to $12,072,913 for the year ended December 31, 2006. The increase in production is due primarily to the inclusion of a full year of Colombian and Argentine production and the commencement of production at the beginning of the third quarter from the two new discovery wells. The 2006

production included Colombian production subsequent to its acquisition in June 2006. In Argentina, the 2006 results include a full year of activities at Palmar Largo, four months at Nacatimbay, six months of activities at El Vinalar beginning July 1, 2006, and one month of activities at Chivil, commencing December 1, 2006. Natural gas production in 2007 decreased 36% to 26,631 Mcf from 41,447 Mcf in 2006 with the average price also decreasing 7% to $1.69 per Mcf from $1.82 per Mcf. The volume decrease was a result of an operations decision to use the gas production for operating power generation and market only the unused excess.

In Argentina, crude oil and NGL production after 12% royalties for the year ended December 31, 2007 increased 63% to 207,912 barrels compared to 127,712 barrels for 2006. This increased production includes 89,361 barrels from Palmar Largo, 77,971 barrels from El Vinalar and 40,039 barrels from Chivil. Average daily production for the year was 245 barrels from Palmar Largo, 214 barrels from El Vinalar and 110 barrels from Chivil. Natural gas production, after royalties of 12%, at Nacatimbay in 2007 was 26,631 Mcf as compared to 41,447 Mcf in 2006. For 2006, Argentina's crude oil production after 12% royalties was 127,712 barrels, including 118,121 barrels from Palmar Largo, 7,644 barrels from El Vinalar for the period July 1 to December 31, 2006, and 1,947 barrels from Chivil for December 1 to December 31, 2006. Average daily production for these periods in 2006 was 324 barrels from Palmar Largo, 42 barrels from El Vinalar (21 barrels per day for the year) and 63 barrels (5 barrels per day for the year) from Chivil.

In Argentina, net revenue for the year ended December 31, 2007, after deducting royalties at an average royalty rate of 12% of production revenue, and after deducting turnover taxes, increased 60% to $8,059,486 ($38.76 per barrel) for oil and NGLs and decreased 40% to $44,971 ($1.69 per Mcf) for natural gas as compared to $5,033,363 ($39.41 per barrel) and $75,488 ($1.82 per Mcf), respectively, for 2006. Oil and natural gas prices are effectively regulated in Argentina. Although production from most properties has increased due to a full year's production in 2007 as compared to 2006, domestic prices received have decreased due to the impact of increased export taxes levied by the Federal Government.

In Colombia, crude oil and NGL production, after government royalties ranging from 8% to 20% and a third party two percent overriding royalty, for the year ended December 31, 2007 increased 158% to 333,157 barrels as compared to 129,209 barrels for 2006. This increased production includes 112,662 barrels from the Santana block, 60,533 barrels from the Guayuyaco block (excluding the Juanambu area), 38,119 barrels from the Juanambu area and 125,163 barrels from the Chaza block (Costayaco area). The average daily production for the year was 309 barrels per day from the Santana block, 166 barrels per day from the Guayuyaco block (excluding the Juanambu area), and 104 barrels per day from the Juanambu area and 343 per day from the Chaza block. For 2006, Colombia's production and results of operations commenced June 21, 2006 in conjunction with our acquisition of Argosy. Production after royalties was 129,209 barrels for the period from June 21 to December 31, 2006, comprising 65,176 barrels from the Santana block and 64,033 barrels from the Guayuyaco block, representing a combined average production rate of 692 barrels per day for the period (354 barrels per day for the year). The significant increase is as result of a full year of production and two new discoveries, one in the Juanambu area of the Guayuyaco block and the other in the Costayaco area of the Chaza block which came on production in the third quarter of 2007.

In Colombia, crude oil and NGL revenue, net of royalties, for the year ended December 31, 2007 increased 259% to $23,748,155 or $71.28 per barrel as compared to $6,612,190 and $51.17 per barrel for 2006. Besides the increase in production as a result of the new discovery wells and a full year of production from the other areas, revenue increased due to the increased price of oil received based on a higher WTI price in 2007.

Interest income earned on our cash deposits for the year ended December 31, 2007 increased 21% to $425,542 as compared to $351,872 for 2006. Although our cash balances held by corporate from funds raised mid-year 2006 through private placements have decreased, the increase in receipts from crude oil sales throughout 2007 has offset this decrease, resulting in an increase in interest revenue.

Operating Expenses

	Year Ended December 31,								
	2007			2006			Change from Prior Year		
	Argentina	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**
Operating Expense									
Operating Expense	$ 6,327,276	$ 4,097,336	$ 10,424,612	$ 2,846,705	$ 1,386,765	$ 4,233,470	122%	195%	146%
Other - Corporate - Peru Operations			49,756			-			100%
	$ 6,327,276	$ 4,097,336	$ 10,474,368	$ 2,846,705	$ 1,386,765	$ 4,233,470			147%
Operating expense per Boe	$ 30.24	$ 12.30	$ 19.31	$ 21.93	$ 10.73	$ 16.35	38%	15%	18%

For the year ended December 31, 2007, operating expenses increased 147% to $10,474,368 ($19.31 per Boe) compared to $4,233,470 ($16.35 per Boe) in 2006, reflecting the inclusion in 2007 of a full year of Colombian and Argentine operating activities for those properties. The operations for the new discovery wells at Juanambu and Costayaco commenced in the third quarter of 2007 contributing to the increase in operating costs. In 2006, Argentina's operations included a full year operations at Palmar Largo, four months at Nacatimbay, six months of activities at El Vinalar and one month at Chivil. Colombia's operations commenced June 21, 2006 as a result of the purchase of

Argosy.

In Argentina, operating expenses for 2007 increased 122% to $6,327,276 ($30.24 per Boe) as compared to $2,846,705 for 2006 ($21.93 per Boe). The 2007 operating costs are higher than in 2006 due to workovers undertaken in 2007. Argentina's 2007 operating costs include $9.71 per Boe ($2.27 per Boe in 2006) of costs associated with budgeted workover projects undertaken to sustain production.

In Colombia, operating expenses increased 195% to $4,097,336 in 2007 ($12.30 per Boe) as compared to $1,386,765 for the period June 21 to December 31, 2006 ($10.73 per Boe). The 2007 operating costs included $2.69 per Boe ($4.11 per Boe in 2006) of budgeted workover expense mainly carried out in the Guayuyaco block.

Depletion, Depreciation and Accretion ("DD&A")

	Year Ended December 31,								
	2007			2006			Change from Prior Year		
	Argentina	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**
DD&A									
DD&A	$ 2,476,834	$ 6,850,086	$ 9,326,920	$ 1,550,544	$ 2,494,317	$ 4,044,861	60%	175%	131%
Other - Corporate			87,987			43,576			102%
			$ 9,414,907			$ 4,088,437			130%
DD&A per Boe	$ 11.84	$ 20.56	$ 17.36	$ 11.95	$ 19.30	$ 15.79	-1%	7%	10%

Depreciation, depletion and accretion for the year ended December 31, 2007 increased 130% to $9,414,907 from $4,088,437 for 2006. For Argentina, DD&A increased 60% to $2,476,834 from $1,550,544 in 2006. The increase in Argentina is mainly due to decreased proved reserves offset by a decreasing proved depletable cost base resulting in an 1% decrease of the DD&A rate to $11.84 per Boe in 2007 from $11.95 per Boe in 2006. This decreasing proved depletable cost base is a result of the mature nature of the properties held and our 2007 focused capital spending on the Colombian exploration program.

For Colombia, DD&A increased 175% to $6,850,086 from $2,494,317 for 2006. The increase in Colombia is primarily due to the increase in production over the prior year. Though our Colombian proved reserves increased significantly in 2007, Gran Tierra Energy also invested much of its 2007 capital spending on the Colombia exploration program. As a result, our Colombian proved depletable cost base has significantly increased resulting in a 2007 depletion rate of $20.56 per Boe as compared to $19.30 per Boe for 2006.

The 2006 DD&A includes a full year of operations at Palmar Largo, additional Argentina acquisitions in 2006, and the inclusion of Colombia operations in June 2006.

General and Administrative ("G&A")

	Year Ended December 31,								
	2007			2006			Change from Prior Year		
	Argentina	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**
G&A									
G&A	$ 1,704,410	$ 1,695,825	$ 3,400,235	$ 1,122,980	$ 897,494	$ 2,020,474	52%	89%	68%
Other - Corporate			$ 6,831,717			$ 4,978,330			37%
			$ 10,231,952			$ 6,998,804			46%
G&A per Boe	$ 8.15	$ 5.09	$ 18.86	$ 8.65	$ 6.95	$ 27.02	-6%	-27%	-30%

General and administrative costs for the year ended December 31, 2007 increased 46% to $10,231,952 from $6,998,804 for 2006. The increase in G&A was due to the inclusion of a full year of business activities related to the acquisition of the Argosy properties in Colombia and additional properties in Argentina, corporate stewardship costs including Sarbanes Oxley compliance, securities registration related costs and increased stock compensation due to increased option grants. Argentina's G&A cost for the year ended December 31, 2007 increased 52% to $1,704,410 from $1,122,980 in 2006 as a result of the need for increased administration staff and professional costs associated with properties purchased late in 2006. Colombia's G&A for the year ended December 31, 2007 increased 89% to $1,695,825 from $897,494 in 2006 mainly due to 2006 G&A costs include those costs during the period commencing on the date of acquisition of Argosy, to the year end.

Liquidated Damages

	Year Ended December 31, 2007	2006	Change from Prior Year
Liquidation Damages	$ 7,366,949	$ 1,527,988	382%

Liquidated damages expensed in 2007 relates to liquidated damages payable to our stockholders as a result of the registration statement for 50 million units sold in the second quarter of 2006 not becoming effective within the period specified in the share registration rights agreements for those securities. This registration statement became effective on May 14, 2007.

On June 27, 2007, under the terms of the Registration Rights Agreements, we obtained a sufficient number of consents from the signatories to the agreements waiving our obligation to pay in cash the accrued liquidated damages. We agreed to amend the terms of the warrants issued in the 2006 offering by reducing the exercise price of the warrants from $1.75 to $1.05 and extending the life of the warrants by one year.

The amendment to the terms of the warrants has been reflected as an increase of $8.6 million in the value of warrants recorded on the consolidated balance sheet.

Financial Derivative Loss

Financial Derivative Loss	**Year Ended December 31, 2007**
Realized financial derivative loss	$ 391,345
Current portion of unrealized financial derivative Loss	$ 1,593,629
Long-term portion of unrealized financial derivative loss	$ 1,054,716
Total unrealized financial derivative loss	$ 2,648,345
Financial derivative loss	$ 3,039,690

As required under the terms of the Credit Facility with Standard Bank Plc, in February of 2007, we entered into a derivative instrument for the purpose of obtaining protection against fluctuations in the price of oil in respect of at least 50% of the June 30, 2006 Independent Reserve Evaluation Report projected aggregate net share of Colombian production after royalties for the three-year term of the Facility. In accordance with the terms of the Facility, Gran Tierra Energy is required to maintain compliance with specified financial and operating covenants.

Foreign Exchange Loss

	Year Ended December 31, 2007	2006	Change from Prior Year
Foreign Exchange (Gain) Loss	$ (77,275)	$ 370,538	121%

The foreign exchange gain for the year ended December 31, 2007 increased to $77,275 from a loss of $370,538 for 2006. The foreign exchange gain resulted from the increase in 2007 of the value of the Colombian peso as compared to the US dollar.

Income Tax

	Year Ended December 31,		Change from Prior
	2007	**2006**	**Year**
Income Tax	$ 294,767	$ 677,380	-56%

The income tax expense for the year ended December 31, 2007 decreased 56% to $294,767 from $677,380 for 2006. The Colombia operations generated a net income before tax of $11,484,448 in 2007, which resulted in a local income tax liability, offset by a 2007 income tax recovery arising from losses of $2,740,990 incurred in Argentina. In Colombia, we have used available prior period loss carryforwards and Colombian income tax investment incentives, which permit additional tax deductions associated with capital investment in producing oil and natural gas properties, to decrease our current income tax otherwise payable.

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Net Income (Loss) Available to Common Shares

	Year Ended December 31,								
	2007				2006				
	Argentina	Colombia	Corporate	Total	Argentina	Colombia	Corporate	Total	A
Net Loss									
Net loss (income) before income tax	$ 2,474,990	$ (11,484,448)	$ 17,181,895	$ 8,172,437	$ 411,028	$ (1,486,075)	$ 6,221,371	$ 5,146,324	
Income tax			-	294,767				677,380	
Net Loss				$ 8,467,204				$ 5,823,704	
Loss per share - Basic and Diluted									
Weighted Average Outstanding Common Shares - Basic and Diluted				95,096,311				72,443,501	
Loss per share - Basic and Diluted				$ 0.09				$ 0.08	

The net loss for the year ended December 31, 2007 increased 45% to $8,467,204 or $0.09 per share from a loss of $5,823,704, or $0.08 per share in 2006. This loss includes a full year of operating activities for Colombia versus just over six months in 2006. The primary reason for the increase is due to the liquidation damages, as explained above, corporate stewardship costs including Sarbanes Oxley compliance, securities registration related costs and increased stock compensation due to increased option grants. Argentina's 2007 operating segment loss increased 502% to $2,474,990 from a loss of $411,028 in 2006 primarily due to the increase in budgeted workover costs required to maintain production levels. Colombia increased its 2007 operating segment income by 673% to $11,484,448 from $1,486,075 in 2006 is a result to the increased production realized from the new discovery wells and the increase in price received for all production in 2007 versus 2006.

Results of Operations for the years ended December 31, 2006 as compared to period ended December 31, 2005

Revenue and Other Income

A summary of selected production, revenue and price information for the year ended December 31, 2006 and the period ended December 31, 2005 is presented in the following table:

	Year Ended December 31, 2006			Periods Ended December 31, 2005			Change from Prior Period		
	Argentina	Colombia	Total	Argentina	Colombia	Total	Argentina	Colombia	Total
Production, net of royalties (2)									
	127,712	129,209	256,921	25,132	-	25,132	408%	100%	922%

Oil and NGLs (Bbls)									
Gas (Mcf)	41,447	-	41,447	180,320	-	180,320	-77%	-	-77%
Oil, Gas and NGLs (Boe) (1)	129,784	129,209	258,993	34,148	-	34,148	280%	100%	658%
Revenue and other income									
Oil and NGLs (Bbls)	$ 5,033,363	$ 6,612,190	$ 11,645,553	$ 946,098	-	$ 946,098	432%	100%	1,131%
Gas	75,488	-	75,488	113,199	-	$ 113,199	-33%	-	-33%
	$ 5,108,851	$ 6,612,190	$ 11,721,041	$ 1,059,297	-	$ 1,059,297	382%	100%	1,006%
Other - Corporate			$ 351,872			-			100%
			$ 12,072,913			$ 1,059,297			1,040%
Average Prices									
Oil and NGLs (Per Bbl)	$ 39.41	$ 51.17	$ 45.33	$ 37.65	-	$ 37.65	5%	100%	20%
Gas (Per Mcf)	$ 1.82	-	$ 1.82	$ 0.63	-	$ 0.63	189%	-	189%

(1) Gas volumes are converted to barrels (“bbl’s”) of oil equivalent ("Boe") at the rate of 20 thousand cubic feet ("Mcf") of gas per barrel of oil based upon the approximate relative values of natural gas and oil. Natural Gas Liquids (NGLs") volumes are converted to Boe’s on a one-to-one basis with oil.

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

Crude oil and NGL production for the year ended December 31, 2006 increased 922 % to 256,921 barrels from 25,132 barrels for the year ended December 31, 2005. The average price received per barrel of oil increased 20% to $45.33 per barrel for 2006 from $37.65 per barrel in 2005. As a result, revenue and other income for the year ended December 31, 2006 increased 1,040% to $12,072,913 compared to $1,059,297 for the year ended December 31, 2005. The 2006 production included Colombian production subsequent to the acquisition of Argosy in June 20, 2006. Also, in Argentina, the 2006 results include a full year of activities at Palmar Largo, four months at Nacatimbay, six months of activities at El Vinalar beginning July 1, 2006, and one month of activities at Chivil, commencing December 1, 2006. Revenues in 2005 reflect only the Argentina operations for a four month period from September 1, 2005, the date of acquisition of the Palmar Largo and Nacatimbay properties. Natural gas production in 2006 decreased 77% to 41,447 Mcf from 180,320 Mcf in 2006 with the average price increasing 189% to $1.82 per Mcf from $0.63 per Mcf. The volume decrease was a result of an operations decision to use the gas production for operating power generation and market only the unused excess.

In Argentina, crude oil and NGL production after 12% royalties for the year ended December 31, 2006 increased 408% to 127,712 barrels compared to 25,132 barrels for 2005. This increased production includes 118,121 barrels from Palmar Largo, 7,644 barrels from El Vinalar for the period July 1 to December 31, 2006, and 1,947 barrels from Chivil for December 1 to December 31, 2006. Average daily production for these periods in 2006 was 324 barrels from Palmar Largo, 42 barrels from El Vinalar (21 barrels per day for the year) and 63 barrels (5 barrels per day for the year) from Chivil. Oil sales at Palmar Largo during 2005 were 25,132 barrels, or an average of 206 barrels per day for the period (69 barrels per day for the year), due to severe weather conditions in Northern Argentina, as extreme rainfall and poor road conditions curtailed tanker truck traffic through November and December 2005. Natural gas sales, after royalties of 12%, at Nacatimbay in 2006 were 41,447 Mcf as compared to 180,320 Mcf in 2005.

In Argentina, net revenue for the year ended December 31, 2006, after deducting royalties at an average royalty rate of 12% of production revenue, and after deducting turnover taxes, increased 432% to $5,033,363 ($39.41 per barrel) for oil and NGLs and decreased 33% to $75,488 ($1.82 per Mcf) for natural gas as compared to $946,098 ($37.65 per barrel) and $113,199 ($0.63 per Mcf), respectively, for 2005. Increased production from most properties due to a full year's production in 2006 as compared to a partial year's production in 2005 and increased prices received due to increased world oil prices in 2006 as compared to 2005 have resulted in the increase in net revenue. Oil and natural gas prices are effectively regulated in Argentina.

In Colombia, crude oil and NGL production, after royalties ranging from 10% to 22% (including a 2 percent overriding royalty), for the year ended December 31, 2006 increased 100% to 129,209 barrels as compared to nil production for 2005. Colombia's production and results of operations began June 21, 2006 in conjunction with our acquisition of Argosy. Production after royalties was comprised of 65,176 barrels from the Santana block and 64,033 barrels from the Guayuyaco block, representing a combined average production rate of 692 barrels per day for the period (354 barrels per day for the year).

In Colombia, crude oil and NGL revenue, net of royalties, for the year ended December 31, 2006 increased 100% to $6,612,190 and $51.17 per barrel as compared to no revenue for 2006.

Interest income earned on our cash deposits was $351,872 for the year ended December 31, 2006 and none in 2005.

Operating Expenses

Year Ended December 31,			Period Ended December 31,					
						Change from Prior		
	2006			2005			Year	
Argentina	Colombia	Total	Argentina	Colombia	Total	Argentina	Colombia	Total

Operating Expense									
Operating Expense	$ 2,846,705	$ 1,386,765	$ 4,233,470	$ 395,287	$ -	$ 395,287	620%	100%	971%
Operating Expense per Boe	$ 21.93	$ 10.73	$ 16.35	$ 11.58		$ 11.58	89%	100%	41%

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For the year ended December 31, 2006, operating expenses increased 971% to $4,233,470 ($16.35 per Boe) compared to $395,287 ($11.58 per Boe) in 2005, reflecting the inclusion in Argentina of operations for a full year at Palmar Largo, four months at Nacatimbay, six months of activities at El Vinalar and one month at Chivil. Colombia's operations commenced June 21, 2006 as a result of the purchase of Argosy. Operating expenses totaled $395,287 for the period from incorporation on January 26, 2005 to December 31, 2005, representing four months of operations in Argentina.

In Argentina, operating expenses for 2006 increased 620% to $2,846,705 ($21.93 per Boe) as compared to $395,287 for 2005 ($11.58 per Boe). The current year operating costs are higher than in the same periods of 2006 due to workovers undertaken in the current year, and 2005 contains only four months of operations commencing from the initial purchase of Argentine assets.

In Colombia, operating expenses were $1,386,765 ($10.73 per Boe) for the period June 21 to December 31, 2006. Colombia's 2006 operating costs included $4.11 per Boe of budgeted workover expense carried out in the Guayuyaco and Santana blocks.

Depletion, Depreciation and Accretion

	Year Ended December 31, 2006			Period Ended December 31, 2005			Change from Prior Period		
	Argentina	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**
DD&A									
DD&A	$ 1,550,544	$ 2,494,317	$ 4,044,861	$ 453,022	$ -	$ 453,022	242%	100%	793%
Other - Corporate			$ 43,576			$ 9,097			379%
			$ 4,088,437			$ 462,119			785%
DD&A per Boe	$ 11.95	$ 19.30	$ 15.79	$ 13.27	-	$ 13.53	-10%	100%	17%

Depreciation, depletion and accretion for the year ended December 31, 2006 increased 785% to $4,088,437 from $462,119 for 2005. The 2006 DD&A includes a full year of operations at Palmar Largo, additional Argentina acquisitions in 2006, and the inclusion of Colombia operations in June 2006. Depreciation, depletion and accretion recorded in 2005 primarily relates to the depletion of the acquisition cost for the Argentina properties.

General and Administrative

	Year Ended December 31, 2006			Period Ended December 31, 2005			Change from Prior Period		
	Argentina	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**	**Argentina**	**Colombia**	**Total**
G&A									
G&A	$ 1,122,980	$ 897,494	$ 2,020,474	$ 331,033	$ -	$ 331,033	239%	100%	510%
Other - Corporate			$ 4,978,330			$ 2,151,037			131%
			$ 6,998,804			$ 2,482,070			182%
G&A per Boe	$ 8.65	$ 6.95	$ 27.02	$ 9.69		$ 72.69	-11%	100%	-63%

General and administrative costs for the year ended December 31, 2006 increased 182% to $6,998,804 from $2,482,070 for 2006. The incremental increase in general and administrative costs in 2006 was primarily due to operating fully-staffed branch offices in Colombia and Argentina, the increased level of activity related to our expansion of operations, which resulted from acquisition of the Argosy assets in Colombia and properties in Argentina, and costs related to the registration of our securities.

Liquidated Damages

	Year Ended December 31, 2006	Period Ended December 31, 2005	Change from Prior Period
Liquidation Damages	$ 1,527,988	$ -	100%

Liquidated damages of $1,527,988 recorded in 2006 relate to liquidated damages payable to our stockholders as a result of the registration statements for our securities issued in 2005 and 2006 not becoming effective within the periods specified in the share registration rights agreements for those securities. The amount expensed includes $269,923 related to 15,047,606 units issued in the fourth quarter of 2005 and first quarter of 2006 and $1,258,065 related to 50 million units sold in the second quarter of 2006. We did not have any liquidated damages in 2005.

Foreign Exchange Loss

	Year Ended December 31, 2006	Period Ended December 31, 2005	Change from Prior Period
Foreign Exchange (Gain) Loss	$ 370,538	$ (31,271)	1,285%

The foreign exchange loss for the year ended December 31, 2006 increased to $370,538 from a gain of $31,271 for 2005. The loss arose primarily from translation of local currency denominated transactions in our South American operations into US dollars.

Income Tax

	Year Ended December 31, 2006	Period Ended December 31, 2005	Change from Prior Period
Income Tax Expense (Recovery)	$ 677,380	$ (29,228)	2,418%

The income tax expense for the year ended December 31, 2006 increased 2,418% to $677,380 from a recovery of $29,228 for 2005. The Colombia operations generated a net income before tax of $2.4 million dollars, which resulted in a local income tax liability, offset by income tax assets arising from losses incurred in Argentina.

Net Income (Loss) Available to Common Shares

	Year Ended December 31, 2006				Period Ended December 31, 2005				Change from Prior		
	Argentina	**Colombia**	**Corporate**	**Total**	**Argentina**	**Colombia**	**Corporate**	**Total**	**Argentina**	**Colombia**	**Corporat**
Net Loss											
Net loss (income) before income tax	$ 411,028	$ (1,486,075)	$ 6,221,371	$ 5,146,324	$ 112,445	$ -	$ 2,136,463	$ 2,248,908	266%	100%	191%
Income tax				677,380				(29,228)			
Net Loss				$ 5,823,704				$ 2,219,680			
Loss per share - Basic and											

Diluted		
Weighted Average Outstanding Common Shares - Basic and Diluted	72,443,501	13,538,149
Loss per share - Basic and Diluted	$ 0.08	$ 0.16

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The net loss for the year ended December 31, 2006 increased 162% to $5,823,704 or $0.08 per share from a loss of $2,219,680, or $0.16 per share in 2005. This loss includes a full year of operating activities at Palmar Largo and six months plus ten days of operations in Colombia, and costs related to the share registration statements. The net loss for the period from incorporation on January 26, 2005 to December 31, 2005 reflect four months of operating activity in Argentina, twelve months of business activity and significant costs relating to the November 10, 2005 share exchange transactions.

Liquidity and Capital Resources

During 2007, we relied upon cash provided by operations and the proceeds of 2006 private placements to fund ongoing operations and our capital investment program. As of December 31, 2007, our cash and cash equivalents balance was $18,188,817 and our current assets (including cash and cash equivalents balance) less current liabilities were $8,058,049, compared to cash and cash equivalents of $24,100,780 and current assets (including cash and cash equivalents balance) less current liabilities of $14,541,498 at December 31, 2006. We also have a credit facility with a bank that provides for borrowing in an amount based on the present value of our petroleum reserves, up to a maximum of $50 million, described below.

Effective February 28, 2007, we entered into a credit facility with Standard Bank Plc. The facility has a three-year term which may be extended by agreement between the parties. The borrowing base is the present value of our petroleum reserves up to a maximum of $50 million. The initial borrowing base is $7 million and the borrowing base will be re-determined semi-annually based on reserve evaluation reports. As a result of Standard Bank Plc's review of our Mid-Year 2007 Independent Reserve Audit, we have received preliminary approval to increase our borrowing base to $20 million. The facility includes a letter of credit sub-limit of up to $5 million. Amounts drawn down under the facility bear interest at the Eurodollar rate plus 4%. A stand-by fee of 1% per annum is charged on the un-drawn amount of the borrowing base. The facility is secured primarily by our Colombian assets. Under the terms of the facility, we are required to maintain compliance with specified financial and operating covenants. We were required to enter into a derivative instrument for the purpose of obtaining protection against fluctuations in the price of oil in respect of at least 50% of the June 30, 2006 Independent Reserve Evaluation Report projected aggregate net share of Colombian production after royalties for the three-year term of the Facility. As of December 31, 2007, no amounts have been drawn-down under the facility. In accordance with the terms of the credit facility with Standard Bank Plc, we entered into a costless collar hedging contract for crude oil based on West Texas Intermediate ("WTI") price, with a floor of $48.00 and a ceiling of $80.00, for a three-year period, for 400 barrels per day from March 2007 to December 2007, 300 barrels per day from January 2008 to December 2008, and 200 barrels per day from January 2009 to February 2010. For the year ended December 31, 2007, we recorded a loss of $3,039,690 on derivative financial instruments.

During the year ended December 31, 2007, we reduced our cash balances by $5,911,963 as compared to an increase in 2006 of $21,879,324. Net cash provided by operating activities for the year ended December 31, 2007 increased to $6,214,677 as compared to net cash used in operating activities of $829,620 for 2006. The increase was mainly due to the significant increase in oil production and the associated sales price received offset by costs associated with budgeted workovers in both Colombia and Argentina, G&A expenditures associated with increased stewardship costs, including Sarbanes Oxley related expenditures, and securities registration issues, as further explained above in our review of the results of operations. Net cash used in investing activities for the year ended December 31, 2007 decreased 72% to $12,845,943 from $45,366,912 in 2006. During 2007, we expended $13,429,570 (net of non-cash working capital related to capital expenditures of $2,799,580) in oil and gas property expenditures relating to our drilling and other oilfield activities primarily in Colombia as compared to $7,434,463 (net of non-cash working capital expenditures of $10,599,199) for 2006. In 2006, we expended $36,911,959 related to the purchase of Argosy. Net cash provided by financing activities for the year ended December 31, 2007 was $719,303 as a result of the issuance of common shares upon exercise of warrants. In 2006, net cash provided by financing activities was $68,075,856 mainly as a result of the issuance of common shares through private placements.

During the year ended December 31, 2006, we increased our cash balances by $21,879,324 and funded our capital expenditures and operating expenditures from proceeds of a series of private placements of our securities. Cash outflows comprised $829,620 from operating activities and cash inflows of $68,075,856 from financing activities, offset by cash outflows of $45,366,912 for investing activities. Proceeds from private placements included $75,000,000, less issue costs of $6,303,699, from the sale of 50,000,000 units of our securities in June 2006, $610,000 from the sale of 762,500 units in the first quarter of 2006, and proceeds from the exercise of warrants to purchase common stock. However, of the amount raised, $1,280,951 was held in escrow at December 31, 2006, and the holders of those units had the right to return the units to us and receive their purchase price back under the terms of the escrow agreement because we were unable to obtain a securities laws exemption for those holders by a specified date. At December 31, 2006, we were in discussions with those stockholders regarding whether or not they would exercise that right.

During 2005, we funded the majority of our capital expenditures from funds received through three private placements of our securities. Cash inflows from financing activities were $13,206,116, offset by cash outflows of $2,277,065 from operating activities and $8,707,595 for investing activities. Proceeds from private placements included $11,428,084 from the sale of 14,285,106 units of our securities in the fourth quarter of 2005.

Capital expenditures for the year ended December 31, 2006 were $44,346,422 (net of non-cash working capital related to capital expenditures of $10,599,199) and were primarily related to the Argosy purchase in Colombia, the purchase of the El Vinalar and CGC properties in Argentina, development activity at Palmar Largo, drilling activities in Colombia, and office equipment and leasehold improvements in both Calgary and Argentina. During 2005, capital expenditures for the period from incorporation on January 26, 2005 to December 31, 2005, were $8,707,595, predominantly for the acquisition cost of the Palmar Largo, Nacatimbay and Ipaguazu interests in Argentina.

During the year ended December 31, 2007, we spent $13,429,570 (net of non-cash working capital related to capital expenditures of $2,799,580) on capital projects. During 2007, we drilled seven wells, conducted several workovers of existing wells, and conducted technical studies on our existing acreage.

In Argentina, capital expenditures for the year ended December 31, 2007, were $1,679,305, including $222,932 of accrued expenditures at December 31, 2007. We incurred costs of $659,704 to complete the Puesto Climaco-2 sidetrack well in the Vinalar Block which was drilled in December 2006. Capital expenditures also include the acquisition and reprocessing of seismic in several areas, facility upgrades in Parma Largo and non-cash capitalized stock-based compensation expense.

In Colombia, capital expenditures for the year ended December 31, 2007, were $14,214,835, including $2,525,225 of accrued expenditures at December 31, 2007. In Colombia, we drilled six new wells in 2007. We drilled the Laura-1 exploration well in the Talora Block in January 2007, the Caneyes-1 exploration well in the Rio Magdalena Block in February 2007, and the Soyona-1 and Cachapa-1 exploration wells in the Primavera Block in April and March 2007, respectively. These wells were plugged and abandoned. We drilled the Caneyes-1 well at a net cost to us of $1,669,888 and the drilling costs for the three other wells were paid by our partners.

We drilled successful wells in the Chaza and Guayayaco areas. We drilled the Juanambu-1 well in March 2007 and encountered hydrocarbon shows in four zones. Testing established the presence of a significant oil accumulation. We drilled and tested the Costayaco-1 well, which also indicated a significant accumulation of oil in a number of zones. Consequently, our proven reserves in Colombia have substantially increased. We put these wells on production in the third quarter of 2007. We drilled the Juanambu-1 and Costayaco-1 wells and commenced drilling of Costayaco-2 for a net cost of $7,598,626. We incurred costs of $4,946,321 on other projects in Colombia during 2007 including $1,673,349 for completion of a 3-D seismic program in Costayaco and $1,162,923 related to a 2-D seismic program in the Rio Magdalena block.

We expect to incur additional development costs as facilities are upgraded in both locations to facilitate production. In addition, we initiated drilling of Costayaco-2 in December 2007 and completed drilling and cased the well in January 2008. We commenced drilling Costayaco-3 in January 2008. We are planning further field development in these areas as a result of the Costayaco and Juanambu discoveries. We completed a new 3-D seismic data acquisition program over the Costayaco structure to optimize positioning of future drilling locations.

In Peru, operations in 2007 included technical studies of Block 122 and Block 128 and the initiation of an aero magnetic and gravity survey over both blocks. This program commenced in the fourth quarter of 2007 and we expect it to be completed in 2008. Expenditures in 2007 were $656,244, with estimated expenditures to complete the work in 2008 of $1.5 million.

Plans for 2008 include the drilling of two exploration wells (at no cost to Gran Tierra Energy) and six development wells (approximately 48% of the cost to be paid by Gran Tierra Energy) in Colombia and one exploration well (50% of the cost to be paid by Gran Tierra Energy) in Argentina along with related facility and pipeline infrastructure for a total capital expenditure budget of $56.8 million. We contemplate several well workovers for wells on existing producing and shut-in fields. In addition to current budgeted projects, we may pursue new ventures in South America, in areas of current activity and in new regions or countries. There is no assurance additional opportunities will be available, or if we participate in additional opportunities that those opportunities will be successful. Based on projected production, prices and costs, we believe that our current operations and capital expenditure program can be maintained from cash flow from existing operations, cash on hand, and our credit facility, barring unforeseen events or a severe downturn in oil and gas prices. Should our operating cash flow decline, we would examine measures such as reducing our capital expenditure program, issuance of debt, or issuance of equity.

Future growth and acquisitions will depend on our ability to raise additional funds through equity, warrant exercises and/or debt markets. During 2005 and 2006 we completed financing initiatives to support acquisition initiatives, which have also brought additional production and cash flow into our company. Increases in the borrowing base under our credit facility are dependent on our success in increasing oil and gas reserves and on future oil prices. Additional funds will be provided to us as holders of our warrants to purchase common shares decide to exercise the warrants.

Our initiatives to raise debt or equity financing to fund capital expenditures or other acquisition and development opportunities may be affected by the market value of our common stock. If the price of our common stock declines, our ability to utilize our stock to raise capital may be negatively affected. Also, raising funds by issuing stock or other equity securities would further dilute our existing stockholders, and this dilution would be exacerbated by a decline in stock price. Any securities we issue may have rights, preferences and privileges that are senior to our existing equity securities. Borrowing money may also involve further pledging of some or all of our assets that are not currently pledged under our existing credit facility.

Off-Balance Sheet Arrangements

As at December 31, 2007 and 2006, we had no off-balance sheet arrangements.

Contractual Obligations

Gran Tierra Energy holds three categories of operating leases: office, vehicle and housing. We pay monthly costs of $57,638 for office leases, $4,791 for vehicle leases, $9,400 for a compressor and $2,561 for certain employee accommodation leases in Colombia.

We entered into four capital leases in 2006 for office equipment in Calgary, Canada. The leases expire between 2008 and 2011. As of December 31, 2007 capital assets were valued at $21,841 (net of amortization of $17,870). Total rent expense for 2007 was $291,975 (2006 - $221,477; 2005 - $26,904).

Capital lease agreements contain interest rates between 4.75 and 20.5 percent and mature over one to four years. Interest expense incurred under these capital leases to December 31, 2007 was $2,657 (2006 - $2,346).

We have contracted with a third party to provide catering services for our field operations in Colombia. The contract ends January 14, 2009. The remaining contractual commitment is $280,771 to be incurred evenly over the remaining duration of the contract.

We have contracted with a third party to provide a helicopter for field transportation for our Colombia field operations. The contract ends September 30, 2008. The minimum obligation under the contract is for 30 flight hours per month at a rate of $880 per hour. The remaining nine month obligation is $237,600.

Future lease payments and other contractual obligations at December 31, 2007 are as follows:

	Payments Due in Period				
	Total	Less than 1 year	1-3 Years	3-5 years	more than 5 years
Catering contract obligation	$ 280,771	$ 269,540	$ 11,231	$ -	$ -
Helicopter contract obligation	237,600	237,600	-	-	-
Operating lease obligations	2,581,233	833,799	1,460,629	286,805	-
Capital lease obligations	20,056	9,991	10,065	-	-
Total	$ 3,119,660	$ 1,350,930	$ 1,481,925	$ 286,805	$ -

Critical Accounting Estimates

Use of Estimates

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The preparation of financial statements in accordance with GAAP requires

the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period.

The critical accounting policies used by management in the preparation of our consolidated financial statements are those that are important both to the presentation of our financial condition and results of operations and require significant judgments by management with regards to estimates used. Our critical accounting policies and significant judgments and estimates related to those policies are discussed below. We have reviewed these critical accounting policies with the Audit Committee of the Board of Directors.

Oil and Gas Accounting-Reserves Determination

We follow the full cost method of accounting for our investment in oil and natural gas properties, as defined by the SEC, as described in note 2 to our consolidated financial statements. Full cost accounting depends on the estimated reserves we believe are recoverable from our oil and gas reserves. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geo-physical, engineering and economic data.

To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, we incorporate many factors and assumptions including:

- expected reservoir characteristics based on geological, geophysical and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

We believe our assumptions are reasonable based on the information available to us at the time we prepare our estimates. However, these estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Management is responsible for estimating the quantities of proved oil and natural gas reserves and for preparing related disclosures. Estimates and related disclosures are prepared in accordance with SEC requirements and generally accepted industry practices in the US as prescribed by the Society of Petroleum Engineers. Reserve estimates are audited at least annually by independent qualified reserves consultants, Gaffney, Cline & Associates Inc.

Our board of directors oversees the annual review of our oil and gas reserves and related disclosures. The Board meets with management periodically to review the reserves process, results and related disclosures and appoints and meets with the independent reserves consultants to review the scope of their work, whether they have had access to sufficient information, the nature and satisfactory resolution of any material differences of opinion, and in the case of the independent reserves consultants, their independence.

Reserves estimates are critical to many of our accounting estimates, including:

- Determining whether or not an exploratory well has found economically producible reserves.
- Calculating our unit-of-production depletion rates. Proved reserves estimates are used to determine rates that are applied to each unit-of-production in calculating our depletion expense.
- Assessing, when necessary, our oil and gas assets for impairment. Estimated future cash flows are determined using proved reserves. The critical estimates used to assess impairment, including the impact

of changes in reserves estimates, are discussed below.

Oil and Gas Accounting and Impairment

The accounting for and disclosure of oil and gas producing activities requires that we choose between GAAP alternatives. We use the full cost method of accounting for our oil and natural gas operations. Under this method, separate cost centers are maintained for each country in which we incur costs. All costs incurred in the acquisition, exploration and development of properties (including costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes and overhead related to exploration and development activities) are capitalized. The sum of net capitalized costs and estimated future development costs of oil and natural gas properties for each full cost center are depleted using the units-of-production method. Changes in estimates of proved reserves, future development costs or asset retirement obligations are accounted for prospectively in our depletion calculation.

Investments in unproved properties are not depleted pending the determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties the costs of which are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, these properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized in the appropriate full cost pool.

Companies that use the full cost method of accounting for oil and natural gas exploration and development activities are required to perform a ceiling test calculation each quarter on a country-by-country basis. The ceiling limits these pooled costs to the aggregate of the after-tax, present value, discounted at 10%, of future cash flows attributable to proved reserves, known as the standardized measure, plus the lower of cost or market value of unproved properties less any associated tax effects. Cash flow estimates for our impairment assessments require assumptions about two primary elements — constant prices and reserves. It is difficult to determine and assess the impact of a decrease in our proved reserves on our impairment tests. The relationship between the reserves estimate and the estimated discounted cash flows is complex because of the necessary assumptions that need to be made regarding period end production rates, period end prices and costs. If these capitalized costs exceed the ceiling, we will record a write-down to the extent of such excess as a non-cash charge to earnings. Any such write-down will reduce earnings in the period of occurrence and result in lower DD&A expense in future periods. A write-down may not be reversed in future periods, even though higher oil and natural gas prices may subsequently increase the ceiling. Due to the complexity of the calculation, we are unable to provide a reasonable sensitivity analysis of the impact that a reserves estimate decrease would have on our assessment of impairment. A reduction in oil and natural gas prices and/or estimated quantities of oil and natural gas reserves could result in a ceiling test write-down.

We assessed our oil and gas properties for impairment as at December 31, 2007, 2006 and 2005 and found no impairment write-downs were required based on our assumptions. Estimates of standardized measure of our future cash flows from proved reserves were based on realized crude oil prices of $90.01 in Colombia and $42.00 for our Argentina properties as at December 31, 2007. A future reduction in oil prices and/or quantities of proved reserves would reduce the ceiling limitation and may result in a ceiling test write-down.

Asset Retirement Obligations

We are required to remove or remedy the effect of our activities on the environment at our present and former operating sites by dismantling and removing production facilities and remediating any damage caused. Estimating our future asset retirement obligations requires us to make estimates and judgments with respect to activities that will occur many years into the future. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known and cannot be reasonably estimated as standards evolve in the countries in which we operate.

We record asset retirement obligations in our consolidated financial statements by discounting the present value of the estimated retirement obligations associated with our oil and gas wells and facilities and chemical plants. In arriving at amounts recorded, we make numerous assumptions and judgments with respect to ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement and expected changes in legal, regulatory, environmental and political environments. The asset retirement obligations we have recorded result in an increase to the carrying cost of our property, plant and equipment. The obligations are accreted with the passage of time. A change in any one of our assumptions could impact our asset retirement obligations, our property, plant and equipment and our net income.

It is difficult to determine the impact of a change in any one of our assumptions. As a result, we are unable to provide a reasonable sensitivity analysis of the impact a change in our assumptions would have on our financial results. We

are confident, however, that our assumptions are reasonable.

Goodwill

Goodwill represents the excess of purchase price of business combinations over the fair value of net assets acquired and we test for impairment at least annually. The impairment test requires allocating goodwill and all other assets and liabilities to reporting units. We estimate the fair value of each reporting unit and compare it to the net book value of the reporting unit. If the estimated fair value of the reporting unit is less than the net book value, including goodwill, we write down the goodwill to the implied fair value of the goodwill through a charge to expense. Because quoted market prices are not available for our reporting units, we estimate the fair values of the reporting units based upon estimated future cash flows of the reporting unit. The goodwill on our financial statements was a result of the Argosy acquisition, and relates entirely to the Colombia reporting segment.

Deferred Income Taxes

We follow the liability method of accounting for income taxes whereby we recognize future income tax assets and liabilities based on temporary differences in reported amounts for financial statement and tax purposes. We carry on business in several countries and as a result, we are subject to income taxes in numerous jurisdictions. The determination of our income tax provision is inherently complex and we are required to interpret continually changing regulations and make certain judgments. While income tax filings are subject to audits and reassessments, we believe we have made adequate provision for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

To assess the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of December 31, 2007, we had no deferred tax assets for which management considers realization is more likely than not.

Share-Based Payment Arrangements

We record share-based payment arrangements in accordance with SFAS 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations.

Under SFAS 123R, share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense is recognized using the accelerated method. As share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Under SFAS 123 R, we utilized a Black-Scholes option pricing model to measure the fair value of stock options granted to employees. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because (1) our employee stock options have certain characteristics that are significantly different from traded options, and (2) changes in the subjective assumptions can materially affect the estimated value, in management’s opinion, the existing valuation models may not provide an accurate measure of the fair value of our employee stock options. Although the fair value of employee stock options is determined in accordance with SFAS No. 123R using a Black-Scholes option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction. We are responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

Warrants

We follow the fair-value method of accounting for warrants issued to purchase our common stock. The change of $8.6 million in the fair value of warrants issued in the 2006 Offering, arising from the amendment to the terms of the warrants in connection with the settlement of the liability for liquidated damages, was determined using a Black-Scholes warrant pricing model based on a 25% volatility rate, which reflects a typical volatility rate used to value this type of financial instrument.

New Accounting Pronouncements

In July 2006, the FASB issued FIN 48 (FASB Interpretation Number) *Accounting for Uncertainty in Income Taxes* with respect to FAS 109 *Accounting for Income Taxes* regarding accounting for and disclosure of uncertain tax positions. This guidance seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that we recognize the impact of a tax position in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with the provisions of FIN 48, any cumulative effect resulting from the change in accounting principle is to be recorded as an adjustment to the opening balance of accumulated deficit. This interpretation is effective for fiscal years beginning after December 15, 2006 and its adoption on January 1, 2007 did not have a material impact on our consolidated financial statements and did not require us to record any amounts in the financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements.* SFAS 157 defines fair value, establishes a framework for measuring fair value under US generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. The provisions of SFAS 157 are to be applied prospectively, except for the initial impact in certain situations, which are required to be recorded as an adjustment to the opening balance of retained earnings in the year of adoption. We do not expect the adoption of this statement will have a material impact on our results of operations or financial position.

In December 2006, the FASB issued Staff Position (FSP) EITF 00-19-2, *Accounting for Registration Payment Arrangements.* FSP EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. This FSP is effective for fiscal years beginning after December 15, 2006. We early adopted this FSP during the year ended December 31, 2006 and recorded $1,258,065 in liquidated damages as an expense in the consolidated statement of operations and deficit and the same amount in accrued liabilities at December 31, 2006. For the year ended December 31, 2007, we expensed an additional amount of $7,366,949. As at December 31, 2007, we had an accumulated expense for liquidated damages of $8,625,014. Pursuant to an amendment of terms of Registration Rights Payments with respect to the associated shareholder agreement, our shareholders waived the right to settle the liquidated damages in cash and in lieu agreed to an amendment of the exercise price of the warrants from $1.75 to $1.05 on June 27, 2007, and an extension of one year in the term for the warrants. The settlement of the liquidated damages is reflected as an increase to the value of the warrants included in the shareholders' equity section of the consolidated balance sheet.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. SFAS 159 is effective for our fiscal year 2008. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. We do not expect the adoption of this statement will have a material impact on our results of operations or financial position.

In December 2007, the FASB issued SFAS 141 (R), "*Business Combinations*", and SFAS 160, "*Noncontrolling Interests in Consolidated Financial Statements*". SFAS 141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 141 (R) and SFAS 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited and the provisions are applied prospectively. We have not yet determined the effect on our consolidated financial statements, if any, upon adoption of SFAS 141 (R) or SFAS No. 160.

Summarized Quarterly Financial Information

	Revenue and other Income	Expenses	Income (Loss) Before Income Tax	Income Tax	Net Income (Loss)	Basic and Diluted Earnings (Loss) Per Share

2007											
First Quarter	$	4,516,830	$	11,465,422	$	(6,948,592)	$	(298,408)	$	(6,650,184)	$	(0.07)
Second Quarter		3,749,734		9,998,110		(6,248,376)		(1,176,292)		(5,072,084)		(0.05)
Third Quarter		8,038,730		7,458,251		580,479		(511,218)		1,091,697		0.01
Fourth Quarter		15,972,860		11,528,808		4,444,052		2,280,685		2,163,367		0.02
	$	32,278,154	$	40,450,591	$	(8,172,437)	$	294,767	$	(8,467,204)	$	(0.09)
2006											