

GRAN TIERRA ENERGY, INC.  
Form 8-K/A  
December 06, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K/A  
(Amendment No. 2)**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): June 15, 2006**

**GRAN TIERRA ENERGY INC.  
(f/k/a GOLDSTRIKE INC.)**

**(Exact name of registrant as specified in its charter)**

|   |  |   |
|---|--|---|
| <b>Nevada</b><br><b>(State or other jurisdiction<br/>of incorporation)</b>  | <b>333-111656</b><br><b>(Commission File Number)</b> | <b>98-0479924</b><br><b>(I.R.S. Employer<br/>Identification Number)</b> |
| <b>300, 611 - 10<sup>th</sup> Avenue S.W.</b><br><b>Calgary, Alberta, Canada</b><br><b>(Address of principal executive offices)</b> |  | <b>T2R 0B2</b><br><b>(Zip Code)</b>                                     |

**(403) 265-3221**  
**(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

“ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act  
(17 CFR 240.13e-4(c))

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**Introductory Note**

On June 21, 2006, Gran Tierra Energy Inc. (the “Company”) filed a Current Report on Form 8-K (the “Initial Report”) to report the acquisition of all of the limited partnership interests of Argosy Energy International (“Argosy”) and all of the issued and outstanding capital stock of Argosy Energy Corp. On August 21, 2006, the Company filed Amendment No. 1 to the Current Report to include the financial statements and pro forma financial information required under Item 9.01 of Form 8-K. The Company is filing this Amendment No. 2 to the Current Report to revise and update the financial statements and pro forma financial information previously provided under Item 9.01 of Form 8-K.

**Item 9.01 Financial Statements and Exhibits.**

## (a) Financial statements of business acquired.

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**ARGOSY ENERGY INTERNATIONAL, LP**

Financial Statements

March 31, 2006 and the period ended March 31, 2006 (Unaudited)

ARGOSY ENERGY INTERNATIONAL, LP  
 Statements of Income (Unaudited)  
 For the Three Months Ended March 31, 2006 and 2005  
 (Expressed in thousands of US dollars)

|   | 2006     | 2005  |
|---|----------|-------|
| Oil sales to Ecopetrol                    | \$ 3,575 | 1,521 |
| Operating cost (note 8)                   | 367      | 364   |
| Depreciation, depletion and amortization  | 190      | 80    |
| General and administrative expenses       | 282      | 148   |
|   | 839      | 592   |
| Operating profit                          | 2,736    | 929   |
| Other income, net                         | 79       | 116   |
| Income before income and remittance taxes | 2,815    | 1,045 |
| Current income tax (note 9)               | 1,017    | 370   |
| Deferred remittance tax                   | 109      | 42    |
| Total income and remittance taxes         | 1,126    | 412   |
| Net income                                | \$ 1,689 | 633   |

See accompanying notes to unaudited financial statements.

ARGOSY ENERGY INTERNATIONAL, LP  
 Balance Sheets (Unaudited)  
 March 31, 2006 and December 31, 2005  
 (Expressed in thousands of US dollars)

| <u>Assets</u>                               | March 31,<br>2006 | December 31,<br>2005 |
|---|-------------------|----------------------|
| Current assets:                             |                   |                      |
| Cash and cash equivalents (note 3)          | \$ 2,670          | 7,124                |
| Accounts receivable, net (note 4)           | 3,898             | 951                  |
| Accounts receivable reimbursement Ecopetrol | 1,186             | 1,186                |
| Inventories:                                |                   |                      |
| Crude oil                                   | 211               | 218                  |
| Materials and supplies                      | 626               | 557                  |
|   | 837               | 775                  |
| Total current assets                        | 8,591             | 10,036               |
| Other long-term assets                      |                   |                      |
|   | 25                | 16                   |
| Property, plant and equipment (note 5):     |                   |                      |
| Unproved properties                         | 3,831             | 3,622                |
| Proved properties                           | 5,305             | 5,401                |
|   | 9,136             | 9,023                |
| Total assets                                | \$ 17,752         | 19,075               |
| <u>Liabilities and Partners' Equity</u>     |                   |                      |
| Current liabilities:                        |                   |                      |
| Accounts payable                            | 4,852             | 4,979                |
| Tax payable                                 | 1,721             | 1,326                |
| Employee benefits                           | 97                | 103                  |
| Accrued liabilities                         | 547               | 522                  |
| Total current liabilities                   | 7,217             | 6,930                |
| Long-term accounts payable (note 10)        |                   |                      |
|   | 686               | 686                  |
| Deferred income tax                         | 473               | 475                  |
| Deferred remittance tax                     | 1,210             | 1,104                |
| Pension plan                                | -                 | -                    |
| Total liabilities                           | 9,586             | 9,195                |
| Partners' equity (note 7)                   | 8,166             | 9,880                |
| Total liabilities and partners' equity      | \$ 17,752         | 19,075               |

See accompanying notes to unaudited financial statements.

ARGOSY ENERGY INTERNATIONAL, LP  
 Statements of Cash Flows (Unaudited)  
 For the Three Months Ended March 31, 2006 and 2005  
 (Expressed in thousands of US dollars)

|   | 2006     | 2005  |
|---|----------|-------|
| Cash flows from operating activities:   |          |       |
| Net income  | \$ 1,689 | 633   |
| Adjustments to reconcile net income to net cash provided by operating activities: |          |       |
| Depreciation, depletion and amortization  | 190      | 80    |
| Deferred remittance tax   | 109      | 42    |
| Changes in assets and liabilities:  |          |       |
| Accounts receivable   | (3,147)  | (839) |
| Inventories   | (62)     | 58    |
| Accounts payable  | (127)    | 202   |
| Tax payable   | 395      | 99    |
| Employee benefits   | (6)      | 48    |
| Accrued Liabilities   | 25       | 491   |
| Deferred income tax   | (2)      | 1     |
| Deferred remittance tax   | (3)      | 4     |
| Pensions  | -        | (5)   |
| Net cash (used in) provided by operating activities                               | (939)    | 814   |
| Cash flows from investing activities:   |          |       |
| Increase in long term investments   | (9)      | (1)   |
| Payments from Petroleum Equipment International - Talora                          | 200      | -     |
| Additions to property, plant and equipment  | (303)    | (767) |
| Net cash used in investing activities   | (112)    | (768) |
| Cash flows from financial activities:   |          |       |
| Bank overdrafts   | -        | 106   |
| Distributions to partners   | (3,250)  | -     |
| Aviva redemption shares   | (153)    | -     |
| Net cash (used in) provided by financial activities                               | (3,403)  | 106   |
| (Decrease) increase in cash and cash equivalents                                  | (4,454)  | 152   |
| Cash and cash equivalents at beginning of year                                    | 7,124    | 6,954 |
| Cash and cash equivalents at end of the period                                    | \$ 2,670 | 7,106 |

See accompanying notes to unaudited financial statements.



ARGOSY ENERGY INTERNATIONAL, LP  
 Statements of Partners' Equity (Unaudited)  
 For the Three Months Ended March 31, 2006 and the Year Ended December 31, 2005  
 (Expressed in thousands of US dollars)

|  | Limited<br>partners'<br>capital | General<br>partners'<br>capital | Total<br>partners'<br>equity |
|--|---------------------------------|---------------------------------|------------------------------|
| Balance as of December 31, 2005  | 9,810                           | 70                              | 9,880                        |
| Redemption of partnership payments interest -<br>Aviva Overseas Inc. (note 10) | (152)                           | (1)                             | (153)                        |
| Distributions to partners  | (3,227)                         | (23)                            | (3,250)                      |
| Net income   | 1,677                           | 12                              | 1,689                        |
| Balance as of March 31, 2006   | \$ 8,108                        | 58                              | 8,166                        |

See accompanying notes to unaudited financial statements.

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

March 31, 2006 and 2005

(Expressed in thousands of US dollars)

**(1) Business Activities**

Argosy Energy International, LP is a Utah (USA) Limited Partnership, which established a Colombian Branch in 1983.

Argosy Energy International, LP is engaged in the business of exploring for, developing and producing oil and gas. The principal properties and operations are located in Colombia, which are carried out through its Colombian Branch in the Putumayo, Cauca, Tolima and Cundinamarca Provinces. The oil production is sold to Empresa Colombiana de Petr leos, the Colombian National Oil Company, ("Ecopetrol").

There are risks involved in conducting oil and gas activities in remote, rugged and primitive regions of Colombia. The guerrillas have operated within Colombia for many years and expose the Company's operations to potentially detrimental activities. The guerrillas are present in the Putumayo and R o Magdalena areas where the Company's properties are located. Since 1998, the Company has only experienced minor attacks on pipelines and equipment.

**Operations**

As of March 31, 2006, Argosy was participating in the following Association Contracts signed with Ecopetrol and Exploration and Exploitation Contracts signed with the Hydrocarbons National Agency - ANH.

| Contract        | Participation | Operator | Phase        |
|-----------------|---------------|----------|--------------|
| Santana         | 35%           | ARGOSY   | Exploitation |
| Guayuyaco       | 70%           | ARGOSY   | Exploitation |
| Aporte Putumayo | 100%          | ARGOSY   | Abandonment  |
| R o Magdalena   | 70%           | ARGOSY   | Exploration  |
| Talora          | 20%           | ARGOSY   | Exploration  |
| Chaza           | 50%           | ARGOSY   | Exploration  |

The first four contracts have been signed with ECOPETROL and the last two with ANH.

An association contracts are those where the Government participate as partner of the field through the national oil company - ECOPETROL.

Exploration and production contracts (E&P) are those signed with the ANH - "Agencia Nacional de Hidrocarburos" (National Agency for Hydrocarbons) in which the Government only receive royalties and taxes for the rights of exploration and production but there is not a participation from the national oil company - ECOPETROL or any other government entity.

(Continued)

ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

The main terms of the above-mentioned contracts are as follows:

**Santana Association Contract**

On May 27, 1987 (effective date July 27, 1987), Argosy Energy International, LP signed this association contract to explore for and produce oil, in the area called Santana. The contract is in its 19th year and the Company reduced the area to a 5 kilometer reserve area around each field. The remaining contract area is approximately 1,100 acres.

Under the terms of the contract with Ecopetrol, a minimum of 25% of all revenues from oil sold to Ecopetrol is paid in Colombian pesos, which may only be utilized in Colombia. However, this proportion can be modified through parties agreement.

**Aporte Putumayo - Association Contract**

The Aporte Putumayo area has been returned to the Government. Such devolution is subject to the approval of the environmental restoration of the region by the Environmental Ministry and the wells abandonment have to be approved by Ecopetrol and the Ministry of Mines.

**Río Magdalena Association Contract**

On December 10, 2001 (effective date February 8, 2002), Argosy Energy International, LP and Ecopetrol signed this Association Contract, to explore and produce oil, in the area called Río Magdalena of approximately 145,000 acres, located in the Middle Magdalena Valley of Colombia in the provinces of Cundinamarca and Tolima.

The contract has a maximum duration of 28 years distributed as follows: an exploration period of 6 years and a production period of 22 years starting on the date of termination of the exploration period. The exploratory well, Popa-1 was drilled during June and July, 2006 and is on the completion stage.

Upon finalization of each phase, Argosy has the option to relinquish the contract, once completed the obligations for each phase.

**BT Letter Agreement**

On February 27, 2001 Argosy Energy International, LP signed a letter agreement with BT Operating Company for the acquisition and management of the Río Magdalena Exploration Area. BT and Argosy mutually agreed to pay their 50% share of costs under the terms of the Ecopetrol Association contract and provide certain services toward management and compliance of the obligations.

As of March 31, 2006 BT had not paid their obligations under this agreement and outstanding accounts receivable of \$355 related to their share of cost related to the Río Magdalena Association Contract were provisioned as bad debts.

(Continued)

ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

**Guayuyaco Association Contract**

On August 2, 2002 (effective date September 30, 2002) Argosy Energy International, LP signed this association contract with Ecopetrol, to explore and produce oil, in the area called Guayuyaco. This Association contract gives Argosy the right to explore potential reserves in prospects adjacent to the existing Santana oil field. The block is located in the Putumayo and Cauca provinces and covers approximately 52,000 acres originally held under the Santana Risk Sharing Agreement.

The Guayuyaco contract has a maximum duration of 27.5 years with an exploration period of 5.5 years and a production period of 22 years, which starts upon termination of the exploration period.

During the second exploration phase, two wells were drilled (Guayuyaco-1 and Guayuyaco-2) which were successful. Therefore, on December 28, 2005 Ecopetrol accepted the Commerciality of the field.

**Solana Petroleum Exploration Commercial Agreement**

Argosy and Solana Petroleum Exploration entered into a commercial agreement in 2003 whereby, Solana through fulfillment of certain obligations could earn a participating interest in the Inchiyaco Well Prospect (Santana Association Contract) and have an option to enter the next exploration prospect under the Guayuyaco Association Contract. Inchiyaco-1 was drilled and completed as a producing well in 2003 resulting in Solana's sharing 26.21% interest in Argosy's net share of the prospect.

The commercial agreement was revised in 2004, giving Solana the right to share a 50% interest in Argosy's net share of the Guayuyaco association contract by paying 66.7% of two exploratory wells (Guayuyaco-1 and Juanambu-1) and 50% for a new seismic program and additional projects.

**Talora Exploration and Exploitation Contract**

On September 16, 2004 (effective date) Argosy and the National Hydrocarbons Agency (ANH) signed the Talora Exploration and Exploitation Contract to explore and produce oil, in an area of approximately 108,000 acres located in Tolima and Cundinamarca Provinces.

The contract has a maximum duration of 30 years with an exploration period of 6 years and a production period of 24 years, which starts upon the date in which Argosy receives the oil field commerciality declaration from ANH.

The contract may be relinquished at the end of each phase after fulfillment of the agreed obligations.

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

Argosy and Petroleum Equipment International (PEI) signed a commercial agreement on March 9, 2006. Through fulfillment of certain obligations PEI could earn an 80% of Argosy's interest under the ANH contract on the Talora Block. In conjunction with such assignment, Argosy shall designate PEI as the operator previous approval of the ANH.

## Contractual Commitments:

| Phase | Starting date     | Obligations           |
|-------|-------------------|-----------------------|
| 3     | December 16, 2006 | One exploratory well. |
| 4     | December 16, 2007 | One exploratory well. |
| 5     | December 16, 2008 | One exploratory well. |
| 6     | December 16, 2009 | One exploratory well. |

The contract may be relinquished at the end of each phase after fulfillment of the agreed obligations.

**Chaza Exploration and Exploitation Contract**

On June 27, 2005 (effective date) Argosy and the National Hydrocarbons Agency (ANH) signed the Chaza Exploration and Exploitation Contract to explore and produce oil, in an area of approximately 80,000 acres located in Putumayo and Cauca Provinces.

The contract has a maximum duration of 30 years with an exploration period of 6 years and a production period of 24 years, which starts upon the date in which Argosy receives the oil field commerciality declaration from ANH.

The ANH's Resolution 0217, dated September 13, 2005, approved the 2005 assignment of 50% interest of the contract to Solana Petroleum Exploration.

## Contractual Commitments:

| Phase | Starting date     | Obligations           |
|-------|-------------------|-----------------------|
| 2     | June 27, 2006     | One exploratory well. |
| 3     | June 27, 2007     | One exploratory well. |
| 4     | December 27, 2008 | One exploratory well. |
| 5     | December 27, 2009 | One exploratory well. |
| 6     | December 27, 2010 | One exploratory well. |

The contract may be relinquished at the end of each phase after fulfillment of the agreed obligations.

(Continued)

ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

**(2) Summary of Significant Accounting Policies and Practices**

**(a) Foreign Currency Translation**

The transactions and accounts of the Company's operations denominated in currencies other than US dollars are re-measured into United States dollars in accordance with Statement of Financial Accounting Standards FAS 52. The United States dollar is used as the functional currency. Exchange adjustments resulting from foreign currency balances are recognized in expense or income in the current period.

**(b) Cash Equivalents**

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

**(c) Inventories**

Inventories consist of crude oil and materials and supplies and are stated at the lower of cost or market.

**(d) Property, Plant and Equipment**

The Company follows the full cost method to account for exploration and development of oil and gas reserves whereby all productive and nonproductive costs are capitalized. The only cost center is Colombia. All capitalized costs plus the undiscounted future development costs of proved reserves are depleted using the unit of production method based on total proved reserves applicable to the country.

Proved oil and gas reserves are the estimated quantities of crude oil that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs under existing economic and operating conditions considering future production and development costs.

Costs related to initial exploration activities with no proved reserves are initially capitalized and periodically evaluated for impairment. The Company capitalizes internal costs directly identified with exploration and development activities. The net capitalized costs of oil properties are subject to a ceiling test, which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. If capitalized costs exceed this limit, the excess is charged to expense and reflected as additional accumulated depreciation, depletion and amortization.

While the quantities of proved reserves require substantial judgment, the associated prices of oil reserves that are included in the discounted present value of the reserves are objectively determined. The ceiling test calculation requires use of prices and costs in effect as of the last day of the accounting period, which are generally held constant for the life of the properties. As a result, the present value is not necessarily an indication of the fair value of the reserves. Oil and gas prices have historically been volatile and the prevailing prices at any given time may not reflect our Partnership's or the industry's forecast of future prices.

(Continued)





ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

Gain or loss on the sale or other disposition of oil and gas properties is not recognized, unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a country.

Support equipment and facilities are depreciated using the unit of production method based on total reserves of the field related to the support equipment and facilities.

**(e) Environmental Liabilities and Expenditures**

Argosy accrues for losses associated with environmental remediation obligations when such losses are probable and can be reasonably estimated. These accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

**(f) Asset Retirement Obligations**

Liability for asset retirement obligation is considered to be negligible at this time, based on projected production profiles, expiry dates and terms of the Association Contracts for current operations. However, the Company has accrued the costs related to environmental remediation and abandonment of the wells belonging to Aporte Putumayo Contract.

**(g) Concentration of Credit Risks**

All of the Company's production is sold to Ecopetrol; the sale price is agreed between both parts, according to local regulations in Colombia.

**(h) Income Taxes**

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(Continued)

ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

**(i) Financial Instruments Fair Value**

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those instruments. The carrying value of other on-balance-sheet financial instruments approximates fair value, and the cost, if any, to terminate off-balance-sheet financial instruments is not significant.

**(j) Employee Benefits**

The Company recognizes the obligations with its employees in accordance with the current Colombian labor law. These obligations include the severance indemnity and the legal service bonus each one equivalent to a monthly salary per year and interest on severance at the rate of 12% on the balance of severance indemnities paid. The relevant liability for these two concepts is shown under the "Employee benefits" account as current liabilities at the closing of the period.

**(k) Defined Benefit Pension Plan**

The Company has a defined benefit pension plan covering one employee. The benefits are based on years of service, age and the employee's compensation. Currently, the cost of this program is not being funded. The actuarial study is performed at the end of each year in accordance with the guidelines established by FAS 87.

**(l) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

**(m) Revenue Recognition**

The Company recognizes revenue when the crude oil is delivered to Ecopetrol.

Ecopetrol pays the oil sales invoicing 25% in local currency and the 75% in US Dollars, according to the terms of the Oil Sales Contract executed between Ecopetrol and Argosy, through which the oil sale price is fixed, with expiration dated November 1, 2006.

**(n) Management Fee**

The Company accounts for the management fees received from its partners as operator of the contracts as a less value of the operating costs.

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

**(o) Comprehensive Income**

For each period presented in the accompanying statements of income, comprehensive income and net income are the same amount.

**(3) Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents as of March 31, 2006 and December 31, 2005:

|                               | March 31,<br>2006 | December 31,<br>2005 |
|-------------------------------|-------------------|----------------------|
| Held in United States dollars | \$ 2,040          | 6,329                |
| Held in Colombian pesos       | 157               | 394                  |
| Short-term investments        | 473               | 401                  |
|                               | \$ 2,670          | 7,124                |

**(4) Accounts Receivable**

The following is a summary of accounts receivable as of March 31, 2006 and December 31, 2005:

|  | March 31,<br>2006 | December 31,<br>2005 |
|--|-------------------|----------------------|
| Trade                                    | \$ 3,248          | 675                  |
| B.T.O. Río Magdalena Agreement           | 355               | 355                  |
| Vendor Advances                          | 177               | 172                  |
| Petroleum Equipment Investments - Talora | 300               | -                    |
| Other                                    | 173               | 104                  |
|  | 4,253             | 1,306                |
| Less allowance for bad debts             | (355)             | (355)                |
|  | \$ 3,898          | 951                  |

**(5) Property, Plant and Equipment**

The following is a summary of property, plant and equipment as of March 31, 2006 and December 31, 2005:

|  | March 31,<br>2006 | December 31,<br>2005 |
|--|-------------------|----------------------|
| Oil properties:  |                   |                      |
| Unproved   | \$ 3,831          | 3,622                |
| Proved   | 59,190            | 59,096               |
|  | 63,021            | 62,718               |
| Less accumulated depreciation, depletion, and amortization | 53,885            | 53,695               |
|  | \$ 9,136          | 9,023                |

**Capitalized Cost Unproved**

## Excluded From the Capitalized Cost Being Amortized

| AFE  | Contract                    | Detail                        | Exploration Cost |              |              | Cost Incurred |              |            | Month Anticipated to be included in Amortization |
|--|-----------------------------|-------------------------------|------------------|--------------|--------------|---------------|--------------|------------|--|
|  |                             |                               | Dec-04           | Dec-05       | Mar-06       | 2004          | 2005         | 2006       |  |
| <b>MARY WELLWEST PROSPECT</b>                  | <b>Santana</b>              | Geological & Geophysical Data | 287              | 287          | 287          | 287           |              |            | Dec-06   |
| <b>MARY WEST WELL TESTING</b>                  | <b>Santana</b>              | Geological & Geophysical Data | 93               | 93           | 93           | 93            |              |            | Dec-06   |
| <b>Expl. 100% NEW PROJECTS</b>                 | <b>New Projects</b>         | Geological & Geophysical Data | 253              | 363          | 375          | 253           | 110          | 12         | Dec-06   |
| <b>Expl. 100% SANTANA</b>                      | <b>Guayuyaco</b>            | Geological & Geophysical Data | 1,044            | 1,044        | 1,044        | 1,044         |              |            | Dec-06   |
| <b>Expl. 100% RIO MAGDALENA TALORA PROJECT</b> | <b>Rio Magdalena Talora</b> | Sesimic Program               | 634              | 808          | 889          | 634           | 174          | 81         | Mar-07   |
| <b>SEISMIC GUAYUYACO</b>                       | <b>Guayuyaco</b>            | Sesimic Program               | 0                | 431          | 431          |               | 431          |            | Dec-06   |
| <b>SEISMIC CHAZA POPA-1 WELL EXPLORATORY</b>   | <b>Chaza Rio Magdalena</b>  | Sesimic Program               | 0                | 505          | 538          |               | 505          | 33         | Sep-07   |
| <b>JUANAMBU-1 WELL EXPLORATORY</b>             | <b>Guayuyaco</b>            | Road and Location Well        | 0                | 0            | 32           |               |              | 32         | Mar-07   |
|  |                             | Road and Location Well        | 0                | 2            | 8            |               | 2            | 6          | Jun-07   |
|  |                             |                               |                  | 0            | 0            |               |              |            |  |
| <b>Total Unproved Exploration Costs</b>        |                             |                               | <b>2,312</b>     | <b>3,622</b> | <b>3,831</b> | <b>2,312</b>  | <b>1,310</b> | <b>208</b> |  |

All capital excluded from capital costs being amortized relates to exploration cost. No acquisition costs, development costs or capitalized interest costs are identified.

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

**(6) Pension Plan**

The following is a detail of the components of pension cost as of March 31, 2006 and 2005:

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| Interest cost  | \$ 8              | 8                 |
| Expected return of assets                                      | (13)              | (6)               |
| Amortization of unrecognized net transition obligation (asset) | 1                 | 1                 |
| Net periodic pension cost                                      | \$ (4)            | 3                 |

**(7) Equity**Stockholders' Capital

The following is a detail of the stockholders' participation in the capital as of March 31, 2006 and December 31, 2005:

| Stockholder            | March 31,<br>2006 | December 31,<br>2005 |
|------------------------|-------------------|----------------------|
| Crosby Capital L.L.C.  | \$ 98.75          | 98.75                |
| Argosy Energy Corp. ** | 0.71              | 0.71                 |
| Dale E. Armstrong      | 0.41              | 0.41                 |
| Richard S. McKnight    | 0.13              | 0.13                 |
|                        | \$ 100.0          | 100.00               |

\*\* Argosy Energy Corp. is a general partner interest. All others are limited partnership interests. Net income is allocated according to the participation of each stockholder in the Company's capital.

Foreign Exchange Restrictions

In accordance with current legislation in Colombia, the branches of foreign companies in the oil industry are not under the obligation to refund to the Colombian exchange market the proceeds from their foreign currency sales either inside or outside the country. The net proceeds from oil exports may be used by the branches of oil companies to reimburse abroad the capital and profits from the operation in Colombia. As a result of this foreign exchange liberation, the branch cannot purchase foreign currency in the Colombian exchange market to remit profits, repatriate capital, repay external debt or pay foreign currency expenses.

Distributions to Partners

On March 30, 2006 the partners of Argosy Energy International resolved, with the majority vote of its partners, distribute the amount of \$2,500 on March 1, 2006 and \$750 on March 30, 2006, ratably to each of its partners.

(Continued)



## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

**(8) Operating Cost**

The following is a summary of operating cost incurred for the period ended March 31, 2006 and 2005:

|                                       | March 31,<br>2006 | March 31,<br>2005 |
|---------------------------------------|-------------------|-------------------|
| Direct labor                          | \$ 111            | 86                |
| Maintenance, materials and lubricants | 86                | 49                |
| Repairs - third party                 | 123               | 196               |
| General expenses - other              | 47                | 33                |
|                                       | \$ 367            | 364               |

**(9) Income Taxes**

All of the income and income tax was derived from activities of the Branch in Colombia.

Deferred Remittance Tax

Deferred remittance tax is calculated based upon commercial net income. Commercial net income of Colombian branches of foreign companies derived from exploration, development or production of hydrocarbons is levied an additional remittance tax of 7%.

The law establishes that when this income is reinvested in the country for five years, the payment of the remittance tax will be deferred, after which time the payment of this tax will be exonerated.

Under the law, reinvestment occurs when the net income remains five years within the equity of the entity.

Tax Reconciliation

Income tax expense attributable to income from continuing operations was \$1,126 and \$412 for the periods ended March 31, 2006 and 2005, and differed from the amounts computed by applying the Colombian income tax rate of 35% (the statutory tax rate of the partnership's Branch) to pretax income from continuing operations as a result of the following:

|                                 | March 31, 2006 |        | March 31, 2005 |        |
|---------------------------------|----------------|--------|----------------|--------|
|                                 | Amount         | %      | Amount         | %      |
| Income before taxes             | \$ 2,815       | 100.00 | 1,045          | 100.00 |
| Computed "Expected" tax expense | 985            | 35.00  | 366            | 35.00  |
| Tax expense                     | 1,126          | 40.00  | 412            | 39.43  |
| Difference                      | \$ 141         | 5.00   | 46             | 4.43   |

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

| Explanation:  | Basis    | March 31, 2006 |        |      | March 31, 2005 |        |   |
|---|----------|----------------|--------|------|----------------|--------|---|
|   |          | Amount         | %      |      | Basis          | Amount | % |
| Difference in principles and translation                | \$ (312) | (109)          | (3.88) | (86) | (30)           | (2.87) |   |
| Surcharge tax (10%)                                     |          | 92             | 3.28   |      | 34             | 3.25   |   |
| Remittance tax expense (7%)                             |          | 146            | 5.19   |      | 42             | 4.02   |   |
| Inflation adjustment                                    | (23)     | (8)            | (0.28) |      | -              | -      |   |
| No deductible expenses                                  | 9        | 3              | 0.11   |      | -              | -      |   |
| No deductible taxes (Industry and commerce, stamp tax ) | 41       | 14             | 0.51   |      | -              | -      |   |
| Assessments to financial movements                      | 6        | 2              | 0.07   |      | -              | -      |   |
| Income not taxable                                      | 4        | 1              | 0.00   |      | -              | -      |   |
|   | \$       | 141            | 5.00   |      | 46             | 4.43   |   |

The deferred tax is originated in the following temporary differences as of March 31, 2006 and December 31, 2005:

|                                 | March 31,<br>2006 | December 31,<br>2005 |
|---------------------------------|-------------------|----------------------|
| Accrued liabilities             | \$ 201            | 201                  |
| Property, plant and equipment   | (674)             | (676)                |
| Net deferred tax liability      | \$ (473)          | (475)                |
| Roll forward of deferred taxes: |                   |                      |
| Beginning balance               | 475               | 223                  |
| Increase in year                | -                 | 352                  |
| Translation                     | (2)               | (100)                |
|                                 | \$ 473            | 475                  |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not 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 and tax carryforwards utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the branch will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2006. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

(Continued)





ARGOSY ENERGY INTERNATIONAL, LP

Notes to Financial Statements (Unaudited)

Major Changes Introduced by Law 863 (December 29, 2003)

- 1) An equity tax was created for fiscal years 2004, 2005 and 2006. Such tax must be liquidated applying at 0.3 % over the net equity at January 1<sup>st</sup> of each year. This applies to equities of 3.000 million pesos in 2004, 3.183 million pesos in 2005 and 3.344 million pesos in 2006.
- 2) The financial transaction tax increased from 3 per thousand to 4 per thousand and it is applicable through the year 2007.
- 3) Paid taxes are not deductible except for 80% of industrial and commercial and Property Taxes.
- 4) The 10% income tax surcharge (3.5%) is applicable for years 2003 through 2006. This payment is not deductible for tax purposes.

**(10) Settlement Agreement with Aviva Overseas Inc.**

Effective August 19, 2005 Argosy Energy International, LP, Argosy Energy Corp., Crosby Capital, LLC, and Aviva Overseas, Inc. entered into a settlement agreement which principal terms are as follows:

1. The parties agreed that the agreement is a negotiated resolution of various disputes between the parties.
2. Aviva Overseas, Inc. assigned and transferred all interests in the partnership, corresponding to 29.6196%, to Argosy Energy International, LP as a redemption of such interests.
3. Argosy Energy International, LP is required to make the following payments to Aviva Overseas, Inc.: an initial cash payment of \$300 as reimbursement to Aviva Overseas, Inc. for a portion of its cost incurred in connection with the disputes, a 90 day promissory note amounted to \$3,050, a two year promissory note in the amount of \$1,125 (the "Note", represented for 8 quarterly payments of \$153 beginning in November 2005, including interest at 8%), and an additional payment (described below) accrued in the amount of \$329 as of the agreement date. As of March 31, 2006, amounts outstanding under the agreement include \$990 due on the Note and \$310 accrued for the additional payment. The outstanding amount is payable as follows: \$614 in 2006 and \$686 in 2007.

The additional payment is calculated as follows: after the earlier of i) The date Argosy Energy makes final payment of the "Note", or (ii) after the occurrence of an event of default, Argosy shall make a payment in cash in an amount equal to (i) \$56,250 multiplied by the numeric amount by which the average daily closing price of the New York Mercantile Exchange nearby month contract for West Texas Intermediate crude oil over the note term exceeds \$55 per barrel, reduced by (ii) all interest paid by Argosy on the principal of the Note. The additional payment was recorded at the date of the settlement agreement based on a calculation of the required payment at that date.

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Notes to Financial Statements (Unaudited)

Crosby Capital, LLC has guaranteed the payments required by Argosy Energy International, LP.

The new ownership percentages in Argosy Energy International L.P., after the redemption of the partnership interest held by Aviva Overseas Inc. are as follows:

| Partner                   | Interest  | Type of interest |
|---------------------------|-----------|------------------|
| Crosby Capital L.L.C.     | 98.7491%  | Limited Partner  |
| Argosy Energy Corporation | 0.7104%   | General Partner  |
| Dale E. Armstrong         | 0.4122%   | Limited Partner  |
| Richard S. McKnight       | 0.1283%   | Limited Partner  |
| Total                     | 100.0000% |                  |

**(11) Disagreement Between Argosy Energy International and Ecopetrol**

As of March 31, 2006 the contracting parties of Guayuyaco Association Contract, Ecopetrol and Argosy Energy International, consulted with their legal advisors to clarify the procedure for allocation of oil produced and sold during the long term test of the Guayuyaco-1 and Guayuyaco-2 wells. Ecopetrol has advised Argosy of a material difference in the interpretation of the procedure established in the Clause 3.5 of Attachment-B of the Guayuyaco association Contract. Ecopetrol interprets the contract to provide that the extend test production up to a value equal to 30% of the direct exploration costs of the wells is for Ecopetrol's account only and serves as reimbursement of its 30% back in to the Guayuyaco discovery. Argosy's contention is that this amount is merely the recovery of 30% of the direct exploration costs of the wells and not exclusively for benefit of Ecopetrol. While Argosy believes its interpretation of the Guayuyaco Association Contract is correct, the resolution of this issue is still pending of agreement between the parties or determination through legal proceedings.

The estimated value of disputed production is \$2,361,188 which possible loss is shared 50% (\$1,180,594) with Solana Petroleum Exploration (Colombia) S.A. partner in the contract and 50% Argosy.

At this time no amount has been accrued in the financial statements.

**(12) Subsequent Events**

- The Company signed in May and June, 2006 two new exploration and production contracts with the National Hydrocarbons Agency (ANH) called Primavera and Mecaya, to explore and produce oil, respectively.

These contracts have a maximum duration of 30 years with an exploration period of 6 years and a production period of 24 years, which starts upon the date in which Argosy receives the oil field commerciality declaration from ANH.

The contracts may be relinquished at the end of each phase after fulfillment of the agreed obligations.

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On April 1, 2006 the partners of the partnership entered into a redemption agreement pursuant to which all of Dale E. Armstrong interest and Richard S. McKnight interest.

- On June 21, 2006 Gran Tierra Energy Inc. acquired all of the outstanding partnership interest in the Company.

(Continued)

**ARGOSY ENERGY INTERNATIONAL, LP**

Financial Statements

December 31, 2005 and 2004

With Independent Auditors' Report Thereon

**INDEPENDENT AUDITORS' REPORT**

Partners of  
Argosy Energy International, LP:

We have audited the accompanying balance sheets of Argosy Energy International, LP as of December 31, 2005 and 2004, and the related statements of income, partner's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Argosy Energy International, LP as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG Ltda  
Bogotá, Colombia

July 28, 2006

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Statements of Income

Years ended December 31, 2005 and 2004

(Expressed in thousands of US dollars)

|   | 2005      | 2004  |
|---|-----------|-------|
| Oil sales to Ecopetrol                    | \$ 11,891 | 6,393 |
| Operating cost (note 9)                   | 2,452     | 2,060 |
| Depreciation, depletion and amortization  | 697       | 357   |
| General and administrative expenses       | 1,082     | 859   |
|   | 4,231     | 3,276 |
| Operating profit                          | 7,660     | 3,117 |
| Other income, net (note 10)               | 449       | 225   |
| Income before income and remittance taxes | 8,109     | 3,342 |
| Current income tax (note 11)              | 2,187     | 1,026 |
| Deferred income tax                       | 352       | 245   |
| Deferred remittance tax                   | 353       | 146   |
| Total income and remittance taxes         | 2,892     | 1,417 |
| Net Income                                | \$ 5,217  | 1,925 |

See accompanying notes to financial statements.

(Continued)

## ARGOSY ENERGY INTERNATIONAL, LP

## Balance Sheets

December 31, 2005 and 2004

(Expressed in thousands of US dollars)

| Assets  | 2005             | 2004          |
|---|------------------|---------------|
| <b>Current assets:</b>                        |                  |               |
| Cash and cash equivalents (note 3)            | \$ 7,124         | 6,954         |
| Accounts receivable, net (note 4)             | 951              | 584           |
| Accounts receivable reimbursement Ecopetrol   | 1,186            | -             |
| <b>Inventories:</b>                           |                  |               |
| Crude oil                                     | 218              | 154           |
| Materials                                     | 557              | 248           |
|   | 775              | 402           |
| <b>Total current assets</b>                   | <b>10,036</b>    | <b>7,940</b>  |
| <b>Other long-term assets</b>                 |                  |               |
| Property, plant and equipment (note 5):       | 16               | 10            |
| Unproved properties                           | 3,622            | 2,312         |
| Proved properties, net                        | 5,401            | 3,211         |
|   | 9,023            | 5,523         |
| <b>Total assets</b>                           | <b>\$ 19,075</b> | <b>13,473</b> |
| <b>Liabilities and Partners' Equity</b>       |                  |               |
| <b>Current liabilities:</b>                   |                  |               |
| Accounts payable                              | 4,979            | 1,745         |
| Tax payable                                   | 1,326            | 826           |
| Employee benefits                             | 103              | 88            |
| Accrued liabilities                           | 522              | 375           |
| <b>Total current liabilities</b>              | <b>6,930</b>     | <b>3,034</b>  |
| Long-term accounts payable (note 6)           | 686              | -             |
| Deferred income tax                           | 475              | 223           |
| Deferred remittance tax                       | 1,104            | 714           |
| Pension plan (note 7)                         | -                | 35            |
| <b>Total liabilities</b>                      | <b>9,195</b>     | <b>4,006</b>  |
| <b>Partners' equity (note 8)</b>              | <b>9,880</b>     | <b>9,467</b>  |
| <b>Total liabilities and Partners' equity</b> | <b>\$ 19,075</b> | <b>13,473</b> |

See accompanying notes to financial statements.

(Continued)





ARGOSY ENERGY INTERNATIONAL, LP

Statements of Cash Flows

Years ended December 31, 2005 and 2004

(Expressed in thousands of US dollars)

2005