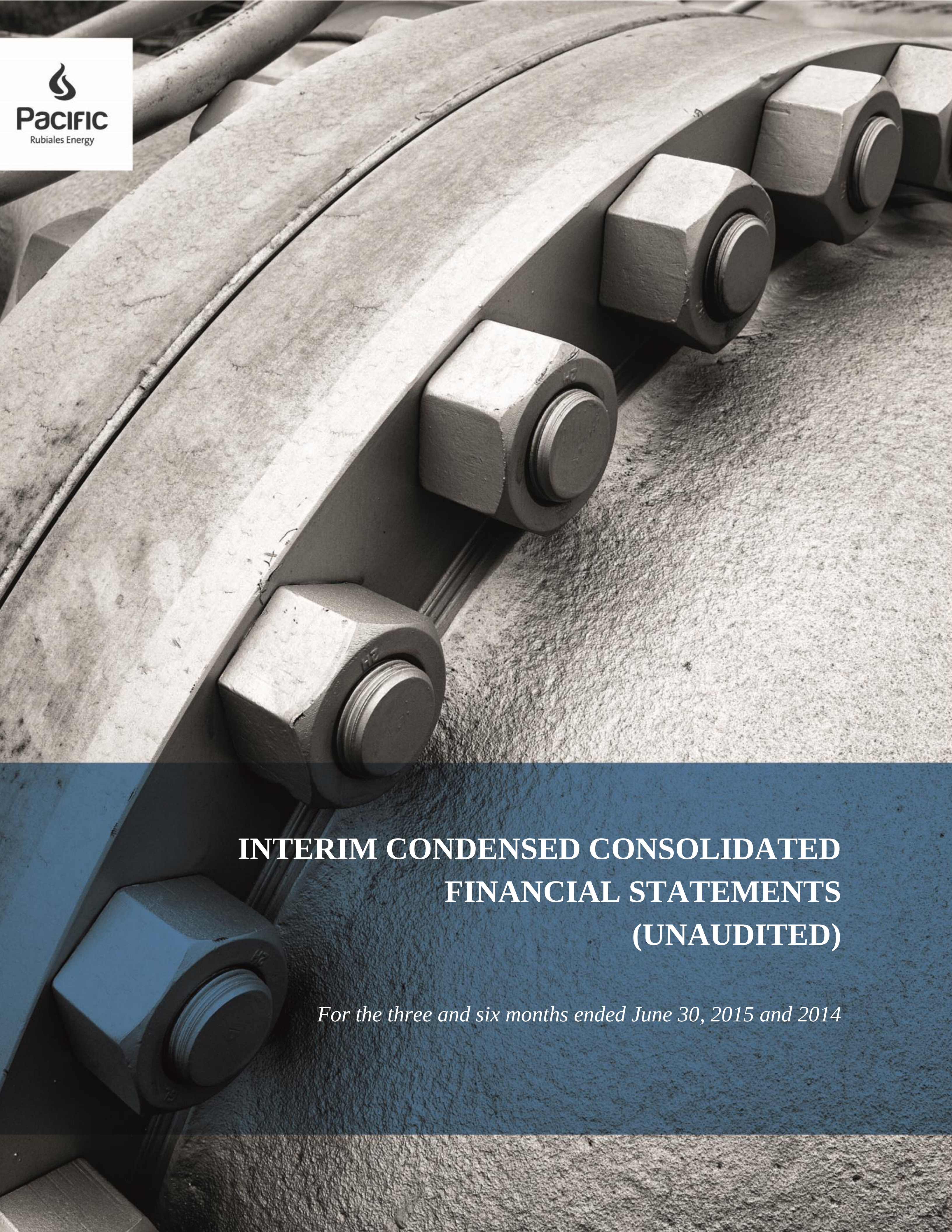

Pacific Rubiales Energy

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2015 and 2014

Interim Condensed Consolidated Statement of Income

(In thousands of U.S. Dollars, except per share information; unaudited)	Notes	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
Sales					
Oil and gas sales		$ 647,367	$ 1,265,033	$ 1,379,679	$ 2,452,204
Trading sales		55,366	79,633	122,902	175,915
Total sales	4	702,733	1,344,666	1,502,581	2,628,119
Cost of operations					
Oil & gas operating cost	5	311,643	441,655	659,407	866,533
Purchase of oil for trading		52,747	79,220	116,763	174,373
(Underlift) overlift		(47,518)	(12,665)	13,287	(61,525)
Fees paid on suspended pipeline capacity	6	27,492	24,794	30,277	53,704
Gross earnings		358,369	811,662	682,847	1,595,034
Depletion, depreciation and amortization		397,739	382,703	804,158	758,345
General and administrative		51,104	90,090	106,009	165,304
Impairment	18	-	-	448,967	-
Share-based compensation		11,475	1,364	13,561	3,091
(Loss) earnings from operations		(101,949)	337,505	(689,848)	668,294
Finance costs	19	(78,117)	(64,655)	(156,975)	(126,150)
Share of gain (loss) of equity-accounted investees	16	13,901	(1,660)	31,354	15,403
Equity tax	7	-	-	(39,149)	-
Foreign exchange (loss) gain		(5,414)	13,644	(41,194)	11,869
(Loss) gain on risk management		(68,470)	(2,530)	(68,637)	1,325
Other expenses		(25,414)	(14,681)	(46,984)	(35,150)
Net (loss) earnings before income tax		(265,463)	267,623	(1,011,433)	535,591
Current income tax	8	(12,000)	(109,185)	(30,193)	(260,235)
Deferred income tax	8	64,158	69,788	103,845	71,380
Total income tax recovery (expense)		52,158	(39,397)	73,652	(188,855)
Net (loss) earnings for the period		$ (213,305)	$ 228,226	$ (937,781)	$ 346,736
Attributable to:					
Equity holders of the parent		(226,377)	228,527	(948,633)	347,767
Non-controlling interests		13,072	(301)	10,852	(1,031)
		$ (213,305)	$ 228,226	$ (937,781)	$ 346,736
Basic (loss) earnings per share attributable to equity holders of the parent	9	(0.72)	0.73	(3.03)	1.10
Diluted (loss) earnings per share attributable to equity holders of the parent	9	(0.72)	0.72	(3.03)	1.10

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Comprehensive Income

(In thousands of U.S. Dollars; unaudited)	Notes	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
Net (loss) earnings for the period		$ (213,305)	$ 228,226	$ (937,781)	$ 346,736
Other comprehensive income (loss) not to be reclassified to net earnings in subsequent periods (nil tax effect)					
Fair value adjustments		245	(494)	(2,221)	301
Other comprehensive (loss) income to be reclassified to net earnings in subsequent periods (nil tax effect)					
Foreign currency translation		(32,159)	25,211	(65,255)	9,122
Unrealized gain (loss) on cash flow hedges	25d	(40,222)	5,620	(29,831)	1,415
Unrealized gain (loss) on the time value of cash flow hedges		(24,684)	(958)	(6,934)	(1,958)
Realized loss (gain) on cash flow hedges transferred to earnings	25d	37,632	(1,113)	370	675
		(59,188)	28,266	(103,871)	9,555
Total comprehensive (loss) income for the period		$ (272,493)	$ 256,492	$ (1,041,652)	$ 356,291
Attributable to:					
Equity holders of the parent		$ (285,565)	$ 256,793	$ (1,052,504)	$ 357,322
Non-controlling interests		13,072	(301)	10,852	(1,031)
		$ (272,493)	$ 256,492	$ (1,041,652)	$ 356,291

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Financial Position

(In thousands of U.S. Dollars; unaudited)	Notes	As at June 30 2015	As at December 31 2014
ASSETS			
Current			
Cash and cash equivalents		$ 724,544	$ 333,754
Restricted cash		373	331
Accounts receivables	25b	696,228	817,359
Inventories	11	48,467	45,340
Income tax receivable		222,185	198,794
Prepaid expenses		7,734	5,206
Risk management assets	25d	2,554	59,606
		1,702,085	1,460,390
Non-current			
Oil and gas properties	12	4,571,740	5,133,478
Exploration and evaluation assets	13	2,137,048	2,243,481
Plant and equipment	14	139,873	153,527
Intangible assets	15	47,141	62,132
Investments in associates	16	548,604	567,040
Other assets	17	216,133	289,538
Goodwill	18	-	237,009
Restricted cash		14,319	15,313
		$ 9,376,943	$ 10,161,908
LIABILITIES			
Current			
Accounts payable and accrued liabilities	25c	$ 1,517,141	$ 1,918,969
Deferred revenue	10	199,795	-
Risk management liability	25d	90,057	68,065
Income tax payable		1,619	34,143
Current portion of long-term debt	19	-	321,655
Current portion of obligations under finance lease	20	18,231	17,202
		1,826,843	2,360,034
Non-current			
Long-term debt	19	5,298,901	4,332,194
Obligations under finance lease	20	25,701	33,601
Deferred tax liability	8	419,155	523,634
Risk management liability	25d	18,219	-
Asset retirement obligation	21	190,456	257,797
		$ 7,779,275	$ 7,507,260
EQUITY			
Common shares	23a	$ 2,610,485	$ 2,610,485
Contributed surplus		124,123	129,029
Other reserves		(250,854)	(146,983)
Retained deficit		(1,073,527)	(124,894)
Equity attributable to equity holders of the parent		1,410,227	2,467,637
Non-controlling interests		187,441	187,011
Total equity		$ 1,597,668	$ 2,654,648
		$ 9,376,943	$ 10,161,908

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ending June 30, 2015

(In thousands of U.S. Dollars; unaudited)	Attributable to equity holders of parent: Common Shares	Contributed Surplus	Retained Deficit	Cash flow hedge	Time Value Reserves	Foreign currency translation	Fair value Investment	Total	Non-controlling interests	Total Equity
As at December 31, 2014	$ 2,610,485	$ 129,029	$ (124,894)	$ 5,100	$ (7,806)	$ (141,320)	$ (2,957)	$ 2,467,637	$ 187,011	$ 2,654,648
Net loss for the period	-	-	(722,256)	-	-	-	-	(722,256)	(2,220)	(724,476)
Other comprehensive income	-	-	-	(26,871)	17,750	(33,096)	(2,466)	(44,683)	-	(44,683)
Total comprehensive income	-	-	(722,256)	(26,871)	17,750	(33,096)	(2,466)	(766,939)	(2,220)	(769,159)
Exercise of options	-	(2,679)	-	-	-	-	-	(2,679)	2,679	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(13,164)	(13,164)
Transaction with non-controlling interest	-	(2,143)	-	-	-	-	-	(2,143)	-	(2,143)
As at March 31, 2015	$ 2,610,485	$ 124,207	$ (847,150)	$ (21,771)	$ 9,944	$ (174,416)	$ (5,423)	$ 1,695,876	$ 174,306	$ 1,870,182
Net loss for the period	-	-	(226,377)	-	-	-	-	(226,377)	13,072	(213,305)
Other comprehensive income	-	-	-	(2,590)	(24,684)	(32,159)	245	(59,188)	-	(59,188)
Total comprehensive income	-	-	(226,377)	(2,590)	(24,684)	(32,159)	245	(285,565)	13,072	(272,493)
Exercise of options	-	-	-	-	-	-	-	-	63	63
Transaction with non-controlling interest	-	(84)	-	-	-	-	-	(84)	-	(84)
As at June 30, 2015	$ 2,610,485	$ 124,123	$ (1,073,527)	$ (24,361)	$ (14,740)	$ (206,575)	$ (5,178)	$ 1,410,227	$ 187,441	$ 1,597,668

For the six months ending June 30, 2014

(In thousands of U.S. Dollars; unaudited)	Attributable to equity holders of parent: Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Time Value Reserves	Foreign currency translation	Fair value Investment	Total	Non-controlling interests	Total Equity
As at December 31, 2013	$ 2,667,820	$ 157,810	$ 1,392,284	$ 1,093	$ (3,092)	$ (17,083)	$ (3,258)	$ 4,195,574	$ 31,359	$ 4,226,933
Net earnings for the period	-	-	119,240	-	-	-	-	119,240	-	119,240
Other comprehensive income	-	-	-	(2,417)	(1,000)	(16,089)	795	(18,711)	(730)	(19,441)
Total comprehensive income	-	-	119,240	(2,417)	(1,000)	(16,089)	795	100,529	(730)	99,799
Share-based compensation	-	-	-	-	-	-	-	-	4	4
Dividends paid	-	-	(51,933)	-	-	-	-	(51,933)	-	(51,933)
Repurchase of shares	(75,281)	(58,895)	-	-	-	-	-	(134,176)	-	(134,176)
As at March 31, 2014	$ 2,592,539	$ 98,915	$ 1,459,591	$ (1,324)	$ (4,092)	$ (33,172)	$ (2,463)	$ 4,109,994	$ 30,633	$ 4,140,627
Net earnings for the period	-	-	228,527	-	-	-	-	228,527	-	228,527
Other comprehensive income	-	-	-	4,507	(958)	25,211	(494)	28,266	(301)	27,965
Total comprehensive income	-	-	228,527	4,507	(958)	25,211	(494)	256,793	(301)	256,492
Share-based compensation	-	-	-	-	-	-	-	-	3	3
Dividends paid	-	-	(51,858)	-	-	-	-	(51,858)	-	(51,858)
Exercise of options	16,763	(5,684)	-	-	-	-	-	11,079	-	11,079
As at June 30, 2014	$ 2,609,302	$ 93,231	$ 1,636,260	$ 3,183	$ (5,050)	$ (7,961)	$ (2,957)	$ 4,326,008	$ 30,335	$ 4,356,343

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Cash Flows

(In thousands of U.S. Dollars; unaudited)	Notes	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
OPERATING ACTIVITIES					
Net (loss) earnings for the period		$ (213,305)	$ 228,226	$ (937,781)	$ 346,736
Items not affecting cash:					
Depletion, depreciation and amortization		397,739	382,703	804,158	758,345
Impairment	18	-	-	448,967	-
Accretion expense		8,282	11,088	22,427	14,983
Unrealized loss on risk management contracts		68,470	3,322	55,046	9,148
Share-based compensation		11,475	1,364	13,561	1,368
Loss (gain) on cash flow hedges included in operating expense		12,767	(1,113)	26,250	675
Deferred income tax recovery	8	(64,158)	(69,788)	(103,845)	(71,380)
Unrealized foreign exchange gain		(26,621)	(25,813)	(36,274)	(39,214)
Share of (gain) loss of equity-accounted investees	16	(13,901)	1,660	(31,354)	(15,403)
Dividends from associates	16	-	-	25,666	-
Equity tax	7	(20,508)	-	18,641	-
Other		8,306	-	19,967	-
Deferred revenue net proceeds	10	(320)	-	199,155	-
Changes in non-cash working capital	26	(70,915)	(20,763)	(328,327)	(116,775)
Net cash provided by operating activities		$ 97,311	$ 510,886	$ 196,257	$ 888,483
INVESTING ACTIVITIES					
Additions to oil and gas properties and plant and equipment		(172,773)	(358,564)	(308,734)	(669,230)
Additions to exploration and evaluation assets		(55,606)	(156,655)	(106,508)	(319,563)
Investment in associates and other assets		-	(6,567)	-	(27,627)
Proceeds from sale of assets held for sale		-	-	-	274,634
Increase in restricted cash and others		594	(13,829)	(65)	(14,009)
Finance loan repayment from Bicentenario		-	-	17,216	-
Net cash used in investing activities		$ (227,785)	$ (535,615)	$ (398,091)	$ (755,795)
FINANCING ACTIVITIES					
Advances from debt and Senior Notes		-	606,011	-	660,750
Payment of debt and leases		(5,113)	(455,899)	(512,025)	(805,447)
Transaction costs		(57)	-	(5,475)	-
Proceeds from the exercise of warrants and options		-	11,079	-	11,079
Dividends paid		-	(51,858)	-	(103,791)
Repurchase of common shares		-	-	-	(134,176)
Drawdown of revolving credit facility		-	-	1,000,000	-
Advances from short-term debt		-	-	125,000	-
Dividends paid to non-controlling interest		-	-	(13,164)	-
Proceeds on option exercise		36	-	36	-
Net cash (used) provided by financing activities		$ (5,134)	$ 109,333	$ 594,372	$ (371,585)
Effect of exchange rate changes on cash and cash equivalents		(299)	5,390	(1,748)	2,807
Change in cash and cash equivalents during the period		(135,907)	89,994	390,790	(236,090)
Cash and cash equivalents, beginning of the period		860,451	306,419	333,754	632,503
Cash and cash equivalents, end of the period		$ 724,544	$ 396,413	$ 724,544	$ 396,413
Cash		$ 341,426	$ 374,837	$ 341,426	$ 374,837
Short-term money market instruments		383,118	21,576	383,118	21,576
		$ 724,544	$ 396,413	$ 724,544	$ 396,413

See accompanying notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

Pacific Rubiales Energy Corp. (the "**Company**") is an oil and gas company incorporated in Canada and engaged in the exploration, development and production of crude oil and natural gas in Colombia, Peru, Brazil, Guatemala, Papua New Guinea, Guyana and Belize. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange and Bolsa de Valores de Colombia (the Colombian Stock Exchange). The Company's registered office is located at Suite 650 – 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2, Canada and it also has corporate offices in Toronto, Canada and Bogota, Colombia.

These Interim Condensed Consolidated Financial Statements of the Company were authorized for issuance by the Audit Committee of the Board of Directors on August 11, 2015.

2. Basis of Preparation and Significant Accounting Policies

The Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015, have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2014.

Critical Judgments in Applying Accounting Policies

Dilution Agreement

A non-related entity has agreed to provide dilution services to the Company in respect of the crude oil transported through Colombian pipelines for a fixed fee. The Company is required to apply significant judgement in relation to how it accounts for this transaction and in particular the point of revenue recognition. In determining the revenue recognition point, the Company has analyzed whether the legal rights of the product are transferred.

Financing for ODL Finance and Bicentenario

As part of the Company´s investment in ODL Finance S.A., ("**ODL Finance**") a company that has constructed the ODL pipeline, and Oleoducto Bicentenario de Colombia ("**Bicentenario**"), the Company has signed certain "take or pay" contracts with ODL Finance and Bicentenario to finance their respective debt obligations. The payments related to these agreements were reflected as an increase in the investments in ODL Finance and Bicentenario according to the Company´s participating interest instead of as operating expense. The Company was required to apply judgment in determining that these payments to ODL Finance and Bicentenario were made as an investment on the basis that they were directly related to meeting ODL Finance and Bicentenario's debt obligations and not for financing the costs of operating the pipeline. Following the acquisition of 36% of Pacific Midstream Ltd. ("**PM**") by the International Finance Corporation and its associated entities (collectively the "**IFC**"), these payments are no longer being capitalized, but rather recorded as an operating expense, due to the fact that the IFC is not required to make further investments in Bicentenario or ODL Finance.

New Standards, Interpretations and Amendments Adopted by the Company

The accounting policies used in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Company's Annual Consolidated Financial Statements for the year that ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015, as described below:

IFRS 3 ***Business Combinations***

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This policy became effective for annual periods starting after, or on July 1, 2014.

The adoption of IFRS 3 did not have any material impact on the Company's Interim Consolidated Financial Statements.

IFRS 8 ***Operating Segments***

The amendments is applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This policy became effective for annual periods starting after, or on, July 1, 2014.

The adoption of IFRS 8 did not have any material impact on the Company's Interim Consolidated Financial Statements.

IAS 16 ***Property, Plant and Equipment and IAS 38 Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This policy became effective for annual periods starting after, or on July 1, 2014.

The adoption of IAS 16 did not have any material impact on the Company's Interim Consolidated Financial Statements.

IAS 24 ***Related Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

3. Material Partly-Owned Subsidiary

Pacific Midstream Ltd. ("PM")

PM is the holding company for a number of the Company's pipeline and power transmission assets, including a 35% interest in the ODL pipeline, 41.5% interest in the Bicentenario pipeline, 100% interest in Petroelectrica, a power transmission entity, and a future liquefied natural gas ("**LNG**") project. On December 17, 2014, the Company entered into an agreement to engage in a suite of transactions with a goal to divest 43% of its ownership interest in PM to the IFC for a total of $320 million. The first transaction, which resulted in the Company receiving $240 million in cash, was completed during 2014. The Company fully consolidates PM and has recognized a non-controlling interest in the equity statement of its Interim Condensed Consolidated Statement of Financial Position as a result of the minority interest held by the IFC.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The financial information of PM is provided below:

	As at June 30 2015	As at December 31 2014
Current assets	$ 15,696	$ 11,822
Non-current assets	559,383	600,595
Total assets	$ 575,079	$ 612,417
Current liabilities	$ 38,904	$ 53,305
Non-current liabilities	103,405	103,023
Total liabilities	142,309	156,328
Equity	432,770	456,089
Total liabilities and equity	$ 575,079	$ 612,417

	Three months ended June 30 2015	Six months ended June 30 2015
Revenue	$ 7,815	$ 14,161
Other income, net	25,164	28,566
Net income	$ 32,979	$ 42,727

As of June 30, 2015, the carrying value of the non-controlling interest for PM is $176 million.

4. Segmented Information

The Company is organized into business units based on the main types of activities and has one reportable segment as at June 30, 2015: the exploration, development, and production of heavy crude oil and gas in Colombia. The Company's assets in other countries are still in the early stages of development or are not significant: therefore, and as such are not considered a reportable segment as at June 30, 2015. The Company manages its operations to reflect differences in the regulatory environments and risk factors of each country.

As at June 30, 2015	Canada	Colombia	Peru	Brazil	Papua New Guinea	Guyana	Guatemala	Belize	Others	Total
Cash and cash equivalents	$ 396,413	$ 291,772	$ 23,724	$ 383	$ -	$ 2,358	$ 517	$ 1,383	$ 7,994	$ 724,544
Non-current assets	(2,271)	6,228,536	817,764	377,397	144,460	40,898	40,162	14,102	13,810	7,674,858
	$ 394,142	$ 6,520,308	$ 841,488	$ 377,780	$ 144,460	$ 43,256	$ 40,679	$ 15,485	$ 21,804	$ 8,399,402

As at December 31, 2014	Canada	Colombia	Peru	Brazil	Papua New Guinea	Guyana	Guatemala	Belize	Others	Total
Cash and cash equivalents	$ 118,009	$ 166,483	$ 26,028	$ 1,101	$ -	$ 6,518	$ 1,469	$ -	$ 14,146	$ 333,754
Non-current assets	-	7,319,779	762,104	369,515	142,826	34,940	45,598	15,469	11,287	8,701,518
	$ 118,009	$ 7,486,262	$ 788,132	$ 370,616	$ 142,826	$ 41,458	$ 47,067	$ 15,469	$ 25,433	$ 9,035,272

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The selected Interim Consolidated Statement of Income components by reporting segment are as follows:

Three months ended:

June 30, 2015	Colombia	Corporate	Other Non-Reportable Segments	Total
Oil and gas sales	$ 640,595	$ -	$ 6,772	$ 647,367
Trading sales	55,366	-	-	55,366
Oil & gas operating cost	307,731	-	3,912	311,643
Purchase of oil for trading	52,747	-	-	52,747
Underlift	(47,518)	-	-	(47,518)
Fees paid on suspended pipeline capacity	27,492	-	-	27,492
General and administrative	33,864	7,886	9,354	51,104
Depletion, depreciation, amortization	394,521	-	3,218	397,739
Finance costs	2,000	76,262	(145)	78,117
Share of gain of equity-accounted investees	(13,514)	(387)	-	(13,901)
Income tax	(52,306)	-	148	(52,158)
Net loss	$ (92,295)	$ (99,564)	$ (21,446)	$ (213,305)

June 30, 2014	Colombia	Corporate	Other Non-Reportable Segments	Total
Oil and gas sales	$ 1,240,463	$ -	$ 24,570	$ 1,265,033
Trading sales	79,633	-	-	79,633
Oil & gas operating cost	432,397	-	9,258	441,655
Purchase of oil for trading	79,220	-	-	79,220
Underlift	(12,665)	-	-	(12,665)
Fees paid on suspended pipeline capacity	24,794	-	-	24,794
General and administrative	72,802	8,924	8,364	90,090
Depletion, depreciation, amortization	378,256	-	4,447	382,703
Finance costs	1,918	62,552	185	64,655
Share of loss (gain) of equity-accounted investees	1,823	(163)	-	1,660
Income tax	36,467	-	2,930	39,397
Net earnings (loss)	$ 300,069	$ (70,966)	$ (877)	$ 228,226

Six months ended:

June 30, 2015	Colombia	Corporate	Other Non-Reportable Segments	Total
Oil and gas sales	$ 1,361,855	$ -	$ 17,824	$ 1,379,679
Trading sales	122,902	-	-	122,902
Oil & gas operating cost	647,865	-	11,542	659,407
Purchase of oil for trading	116,763	-	-	116,763
Overlift	13,287	-	-	13,287
Fees paid on suspended pipeline capacity	30,277	-	-	30,277
General and administrative	71,742	16,297	17,970	106,009
Depletion, depreciation, amortization	795,773	-	8,385	804,158
Impairment	349,009	-	99,958	448,967
Finance costs	3,457	147,503	6,015	156,975
Share of gain (loss) of equity-accounted investees	(31,458)	104	-	(31,354)
Income tax	(72,638)	-	(1,014)	(73,652)
Net loss	$ (611,850)	$ (194,607)	$ (131,324)	$ (937,781)

June 30, 2014	Colombia	Corporate	Other Non-Reportable Segments	Total
Oil and gas sales	$ 2,406,425	$ -	$ 45,779	$ 2,452,204
Trading sales	175,915	-	-	175,915
Oil & gas operating cost	847,785	-	18,748	866,533
Purchase of oil for trading	174,373	-	-	174,373
Underlift	(61,525)	-	-	(61,525)
Fees paid on suspended pipeline capacity	53,704	-	-	53,704
General and administrative	131,716	19,398	14,190	165,304
Depletion, depreciation, amortization	749,749	-	8,596	758,345
Finance costs	6,880	118,914	356	126,150
Share of (gain) loss of equity-accounted investees	(15,836)	433	-	(15,403)
Income tax	181,814	-	7,041	188,855
Net earnings (loss)	$ 537,296	$ (186,691)	$ (3,869)	$ 346,736

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The Company’s revenue based on geographic location of customers is as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
United States	$ 444,532	$ 220,795	$ 1,109,147	$ 647,040
China	168,372	811,553	218,828	1,466,213
Malaysia	52,559	-	52,559	-
Colombia	26,608	42,191	64,238	75,847
Peru	6,772	24,570	17,824	45,779
Others countries	3,890	-	3,890	-
Ivory Coast	-	-	36,095	-
Spain	-	245,557	-	393,240
Total sales	$ 702,733	$ 1,344,666	$ 1,502,581	$ 2,628,119

5. Oil & Gas Operating Costs

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Oil and gas production costs	$ 107,270	$ 209,884	$ 229,829	$ 407,845
Transportation costs	166,140	185,640	344,598	362,034
Dilution costs	22,466	27,093	47,709	61,212
Other costs	15,767	19,038	37,271	35,442
Total cost	$ 311,643	$ 441,655	$ 659,407	$ 866,533

6. Fees Paid on Suspended Pipeline

The Bicentenario pipeline (Note 16) experienced periodic suspensions following security related disruptions. As a result for the three and six months ended June 30, 2015, the Company recognized net fees paid of $27.5 million and $30.2 million (2014: $24.8 million and $53.7 million) in take-or-pay fees to Bicentenario for the disrupted pipeline capacity.

7. Equity Tax

Effective January 1, 2015, the Colombian Congress introduced a new wealth tax which is calculated on a taxable base (net equity) in excess of COP$1 billion ($0.4 million) as at January 1 of the year. The applicable rates for January 1, 2015, 2016, and 2017 are 1.15%, 1.00% and 0.40%, respectively. Based on the Company’s taxable base, the Company has accrued a liability for the 2015 fiscal year and has not made in the current year an accrual for future years, pursuant to IAS 37 and IFRIC 21. The 2015 wealth tax was estimated at $39.1 million, and recorded as an expense in statement of income. In May 2015, the Company made the first payment of $20.5 million and in September 2015 will make the second installment for the remaining $18.6 million.

8. Income Tax

Reconciliation between income tax expense and the product of accounting profit multiplied by the Company's domestic tax rate is provided below:

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net (loss) earnings before income tax	$ (265,463)	$ 267,623	$ (1,011,433)	$ 535,591
Colombian statutory income tax rate	39%	34%	39%	34%
Income tax expense at statutory rate	$ (103,531)	$ 90,992	$ (394,459)	$ 182,101
Increase (decrease) in income tax provision resulting from:				
Other non-deductible expenses	$ (40,715)	$ 1,722	$ (31,103)	$ 6,148
Foreign exchange impact on deferred income tax	19,067	(52,000)	136,734	(15,713)
Share-based compensation	3,120	462	3,399	1,048
Risk management loss (gain)	(3,516)	904	-	(190)
Differences in tax rates in foreign jurisdictions	(124,201)	(1,941)	(125,357)	(1,941)
Losses for which no tax benefit is recorded	197,618	(742)	337,134	17,402
Income tax (recovery) expense	$ (52,158)	$ 39,397	$ (73,652)	$ 188,855
Current income tax expense	$ 12,000	$ 109,185	$ 30,193	$ 260,235
Deferred income tax recovery:				
Relating to origination and reversal of temporary differences	(64,158)	(69,788)	(103,845)	(71,380)
Income tax (recovery) expense	$ (52,158)	$ 39,397	$ (73,652)	$ 188,855

The Company’s deferred tax relates to the following:

	As at June 30 2015	As at December 31 2014
Tax loss carry-forwards	$ 142,056	$ 35,199
Oil and gas properties and equipment	(503,330)	(483,160)
Other	(57,881)	(75,673)
Deferred tax liability	$ (419,155)	$ (523,634)

	As at June 30 2015	As at December 31 2014
Beginning of period	$ (523,634)	$ (490,390)
Recognized in deferred income tax (recovery) expense		
Tax loss carry-forwards	106,857	18,721
Oil and gas properties and equipment	(20,170)	181,521
Others	17,792	(170,893)
Acquisitions	-	(62,593)
End of period	$ (419,155)	$ (523,634)

The Colombian statutory tax rate as at June 30, 2015 was 39% (2014: 34%), which includes the general income tax rate of 25% (2014: 25%), and the fairness tax (“**CREE**”) rate of 14% (2014: 9%).

The Canadian statutory combined income tax rate was 26.5% as at June 30, 2015 and for 2014. The Peruvian statutory income tax rate was 28% as at June 30, 2015 (2014: 30%). The Peruvian income tax rate for Block Z-1 was 22% as at June 30, 2015 and for 2014.

As at June 30, 2015, non-capital losses totaled $953 million (December 31, 2014 - $460 million) in Canada and expire between 2015 and 2033. Capital losses totaled $Nil as at June 30, 2015 (December 31, 2014 - $Nil). No deferred tax assets have been recognized in respect of the non-capital losses as at June 30, 2015 (2014 -$Nil). In Colombia, non-capital losses totaled $270 million (December 31, 2014 - $27.7 million), of which $265 million have been recognized as deferred tax assets as of June 30, 2015.

9. Earnings per Share

Earnings per share amounts are calculated by dividing the net earnings for the period attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net (loss) earnings attributable to equity holders of the parent	$ (226,377)	$ 228,527	$ (948,633)	$ 347,767
Basic weighted average number of shares	313,255,053	313,581,537	313,255,053	315,696,856
Effects of dilution	-	1,867,625	-	1,295,867
Diluted weighted average number of shares	313,255,053	315,449,162	313,255,053	316,992,723
Basic (loss) earnings per share attributable to equity holders of the parent	(0.72)	0.73	(3.03)	1.10
Diluted (loss) earnings per share attributable to equity holders of the parent	(0.72)	0.72	(3.03)	1.10

All options that are anti-dilutive have been excluded from the diluted weighted average number of common shares. 16,713,617 options (2014: 25,042,892) are excluded from the calculation of dilution as they are out-of-the-money.

10. Deferred Revenue

During March 2015, the Company entered into an agreement with a customer to deliver six million barrels of crude oil over the six-month period from April to September 2015. A prepayment of $200 million (less $0.53 million of fees) was advanced to the Company during the period.

On June 30, 2015 the Company entered into a second agreement of $150 million with the same customer to deliver an additional six million barrels of oil over the six-month period from October 2015 to March 2016. A prepayment of $100 million (less $0.32 million of fees) was advanced to the Company on June 30, 2015 and an additional $50 million is to be advanced in July 2015.

Pursuant to these prepaid forward sale agreements, the sales price on the oil to be delivered during the six-month period following the execution of the agreements shall be determined based on the Brent or WTI reference price, adjusted for the Company's price differential and certain discounts. The prepayment has been recognized as a deferred revenue liability, and is amortized and recognized as revenue upon the monthly delivery of the crude oil. The deferred revenue balance as at June 30, 2015 is $199.8 million, representing the sum of the prepayments less the amortization for the delivery of crude oil.

11. Inventories

	As at June 30 2015	As at December 31 2014
Crude oil and gas	$ 16,341	$ 22,356
Materials and supplies	32,126	22,984
	$ 48,467	$ 45,340

12. Oil and Gas Properties

Cost	**Note**	**Amount**
Cost as at December 31, 2014		$ 10,613,538
Additions		135,093
Currency translation adjustment		(2,945)
Change in asset retirement obligation	21	(18,690)
Cost as at March 31, 2015		$ 10,726,996
Additions		162,768
Currency translation adjustment		(33,496)
Change in asset retirement obligation	21	(41,710)
Cost as at June 30, 2015		$ 10,814,558

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Accumulated depletion and impairment		Amount
Accumulated depreciation as at December 31, 2014	$	5,480,060
Charge for the period		384,955
Currency translation adjustment		464
Accumulated depreciation as at March 31, 2015	$	5,865,479
Charge for the period		379,616
Currency translation adjustment		(2,277)
Accumulated depreciation as at June 30, 2015	$	6,242,818

Net book value		Amount
As at December 31, 2014	$	5,133,478
As at March 31, 2015		4,861,517
As at June 30, 2015		4,571,740

13. Exploration and Evaluation Assets

	Note		Amount
Cost as at December 31, 2014		$	2,243,481
Additions			51,176
Disposals			(274)
Impairment	18		(201,000)
Change in asset retirement obligation	21		(5,701)
Cost net of impairment as at March 31, 2015		$	2,087,682
Additions			55,606
Change in asset retirement obligation	21		(6,240)
Cost net of impairment as at June 30, 2015		$	2,137,048

14. Plant and Equipment

Cost		Land & buildings		Assets under construction		Other plant & equipment		Total
Cost as at December 31, 2014	$	57,991	$	7,065	$	199,419	$	264,475
Additions		1,456		3		2,354		3,813
Cost as at March 31, 2015	$	59,447	$	7,068	$	201,773	$	268,288
Additions		321		-		4,991		5,312
Cost as at June 30, 2015	$	59,768	$	7,068	$	206,764	$	273,600
Accumulated depletion and impairment								
Accumulated depreciation as at December 31, 2014	$	32,761	$	4,200	$	73,987	$	110,948
Charge for the period		2,866		-		7,724		10,590
Accumulated depreciation as at March 31, 2015	$	35,627	$	4,200	$	81,711	$	121,538
Charge for the period		3,042		-		9,147		12,189
Accumulated depreciation as at June 30, 2015	$	38,669	$	4,200	$	90,858	$	133,727
Net book value								
As at December 31, 2014	$	25,230	$	2,865	$	125,432	$	153,527
As at March 31, 2015		23,820		2,868		120,062		146,750
As at June 30, 2015		21,099		2,868		115,906		139,873

15. Intangible Assets

Cost		Capacity Rights
Cost as at December 31, 2014, March 31, 2015 and June 30, 2015	$	190,000

Accumulated amortization		Amount
Accumulated amortization as at December 31, 2014	$	127,868
Charge for the period		7,610
Accumulated amortization as at March 31, 2015	$	135,478
Charge for the period		7,381
Accumulated amortization as at June 30, 2015	$	142,859

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Net book value		Amount
As at December 31, 2014	$	62,132
As at March 31, 2015		54,522
As at June 30, 2015		47,141

Capacity rights are comprised of the rights to the available capacity of the OCENSA pipeline system in Colombia and the right to available capacity at the crude blending station. The OCENSA right is amortized based on the usage of the 160 million barrel capacity over the term of the agreement.

16. Investments in Associates

Set out below are the investments in associates. Investments in associates are accounted for using the equity method, with the Company's proportionate share of the associates' net income or loss recognized in the Interim Condensed Consolidated Statement of Income.

	ODL	Bicentenario	PII	Pacific Power	Pacific Coal	Total
As at December 31, 2014	$ 162,353	$ 219,020	$ 161,781	$ 23,061	$ 825	$ 567,040
Income (loss) from equity investments	9,838	10,485	(2,380)	(196)	(180)	17,567
Dividends	(17,710)	(7,956)	-	-	-	(25,666)
Foreign currency translation	(11,555)	(10,522)	(4,216)	-	-	(26,293)
Impairment of equity investments	-	-	-	-	(114)	(114)
As at March 31, 2015	$ 142,926	$ 211,027	$ 155,185	$ 22,865	$ 531	$ 532,534
Income (loss) from equity investments	1,605	14,267	(2,358)	387	-	13,901
Foreign currency translation	2,630	(423)	(38)	-	-	2,169
As at June 30, 2015	$ 147,161	$ 224,871	$ 152,789	$ 23,252	$ 531	$ 548,604

ODL Finance S.A. ("ODL")

The investment represents a 35% interest in ODL, a Panamanian company with a Colombian branch that has constructed an oil pipeline for the transportation of heavy crude oil produced from the Rubiales field. The remaining 65% interest is owned by Ecopetrol, S.A. ("**Ecopetrol**"), the national oil company of Colombia. ODL's functional currency is the Colombian peso and the currency translation adjustment upon conversion to U.S. dollars has been recorded in other comprehensive income.

The Company has take-or-pay contracts with ODL for the transportation of crude oil from the Rubiales field to Colombia's oil transportation system for a total commitment of $100 million from 2015 to 2020.

Oleoducto Bicentenario de Colombia ("Bicentenario")

Bicentenario is a corporation established and owned by a consortium of oil producers operating in Colombia led by Ecopetrol; the Company owns 43%. Bicentenario operates a private-use oil pipeline in Colombia between Casanare and Coveñas. Bicentenario's functional currency is the Colombian peso and the currency translation adjustment upon conversion to U.S. dollars has been recorded in other comprehensive income.

The Company has ship-or-pay contracts with Bicentenario for the transportation of crude oil from the Rubiales field to Colombia's oil transportation system, for a total commitment of $1.65 billion from 2015 to 2025. The Bicentenario pipeline has experienced ongoing periods of security-related disruptions since February 2014. During the three and six months ended June 30, 2015, the Company paid $59 million and $86.9 million respectively (2014: $45 million and $73.9 million) under the take-or pay contract.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Pacific Infrastructure Ventures Inc. ("PII")

PII is a BVI company established for the purpose of developing an export terminal, an industrial park, and a free trade zone in Cartagena. The Company's interest in PII is 41.65% and it holds two board seats in PII. The functional currency of PII is the U.S. dollar.

Pacific Power Generation Corp ("Pacific Power")

The investment in Pacific Power represents a 24.9% indirect interest in Promotora de Energia Electrica de Cartagena & Cia, S.C.A. ESP ("**Proelectrica**"). Proelectrica is a private, Cartagena, Colombia-based 90-megawatt electrical utility peak demand supplier to the local Cartagena utility. The functional currency is the U.S. dollar.

Pacific Coal Resources Ltd. ("Pacific Coal")

Pacific Coal is engaged in the acquisition and development of coal mining assets and related businesses in Colombia. On March 18, 2015 as at result of Pacific Coal issuing shares as part of a debt settlement agreement the Company´s interest was diluted to 8.49% (December 31, 2014: 13.28%). The functional currency of Pacific Coal is the Canadian Dollar.

The Company has determined that it holds significant influence but not control over Pacific Coal as a result of the Company's equity interests and a number of common directors.

During the three months and six months ended June 30, 2015, the Company received cash dividends of $Nil and $25.7 million (Bicentenario: $7.9 million and ODL: $17.8 million), respectively (2014: $Nil).

17. Other Assets

	As at June 30 2015	As at December 31 2014
Bicentenario loan	$ 24,743	$ 41,992
Bicentenario prepayments	87,971	87,971
Long-term receivables	10,375	10,375
Long-term recoverable VAT	55,271	86,886
Investments	7,020	19,924
Advances	30,753	42,390
	$ 216,133	$ 289,538

Bicentenario Loan and Prepayments

During 2011, the Company and the other shareholders of Bicentenario entered into certain subordinated loan agreements with Bicentenario. As at June 30, 2015, Bicentenario has the option to draw down an additional $73.3 million (December 31, 2014: $97.3 million) pursuant to these agreements. The principal of the subordinated loan will be repaid in 10 equal semi-annual installments starting in 2025 or earlier, after Bicentenario has repaid its bank loans in full. The loans carry an annual interest rate of 7.32%. As at June 30, 2015, the balance of loans outstanding to the Company under the agreement is $25 million (December 31, 2014: $42 million), representing the amounts advanced less repayments. Interest income of $0.4 million and $1 million was recognized during the three and six months ended June 30, 2015 (2014: $0.8 million and $1.3 million).

Prepayments include advances for the usage of the Bicentenario pipeline.

Long-Term Receivables, Investments and Advances

These assets include a variety of items such as receivables from the sale of OCENSA, investments in other companies such as Oleoducto de Colombia and Platino, and advances for pipeline usage and on the construction, testing and commissioning of gas facilities.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Long-Term Recoverable VAT

This amount includes recoverable VAT which the Company expects to receive after one year at the date of the period reported.

18. Goodwill and Impairment

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("**CGU**") and goodwill may be impaired. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the oil & gas, exploration and evaluation properties and goodwill. No impairment charge was recorded for the three months ended June 30, 2015 as a result of updated assumptions including oil and gas prices, discount rate, hydrocarbon reserves and resources, production and costs. For the six month period ended June 30, 2015, the Company has recorded a total after-tax impairment charge of $411 million as detailed below:

		Amount
Exploration and evaluation assets and others	$	(211,958)
Goodwill		(237,009)
Total impairment before tax		(448,967)
Deferred tax effect		38,000
Total impairment after tax	$	(410,967)

Goodwill

		Amount
As at December 31, 2014	$	237,009
Impairment		(237,009)
As at March 31, 2015 and June 30, 2015		-

19. Interest-Bearing Loans and Borrowings

	Maturity	Currency	Interest Rate		As at June 30 2015		As at December 31 2014
Senior Notes - 2011	2021	USD	7.25%	$	655,846	$	654,947
Senior Notes - March 2013	2023	USD	5.13%		991,363		990,785
Senior Notes - November 2013	2019	USD	5.38%		1,288,157		1,285,284
Senior Notes - September 2014	2025	USD	5.63%		1,048,544		1,048,908
Other debt	2016-2018	USD	Various		321,435		388,561
Revolving credit facility	2017	USD	Libor + 2.75%		993,556		-
Short-term working capital loans	2015	USD/COP	Various		-		285,364
				$	5,298,901	$	4,653,849
Current portion				$	-	$	321,655
Non-current portion					5,298,901		4,332,194
				$	5,298,901	$	4,653,849

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The following table summarizes the main components of finance cost for the period:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Interest on Senior Notes	$ 63,680	$ 55,769	$ 127,148	$ 105,983
Interest on other debt	14,348	9,473	24,718	18,897
Accretion of asset retirement obligations	2,509	1,528	5,224	2,974
Accretion expenses and others	2,729	2,249	10,258	4,466
Interest income	(5,149)	(4,364)	(10,373)	(6,170)
	$ 78,117	$ 64,655	$ 156,975	$ 126,150

2011 Senior Notes

The 2011 Senior Notes, due December 12, 2021, are direct, unsecured, unsubordinated obligations with interest payable in arrears at a rate of 7.25% on June 12 and December 12 of each year.

The 2011 Senior Notes are on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain (1) an interest coverage ratio of greater than 2.5; and (2) a debt-to-EBITDA ratio of less than 3.5. The covenants do not apply during any period of time when the notes have an investment grade rating from at least two rating agencies. The Company was compliant with the covenants during the period.

The 2011 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the 2011 Senior Notes as at June 30, 2015 was $690 million (December 31, 2014: $690 million).

March 2013 Senior Notes

The March 2013 Senior Notes, due March 28, 2023, are direct, unsecured, unsubordinated obligations with interest payable in arrears at a rate of 5.125% on March 28 and September 28 of each year.

The March 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain: (1) an interest coverage ratio of greater than 2.5 and (2) a debt-to-EBITDA ratio of less than 3.5. The covenants do not apply during any period of time when the notes have an investment grade rating from at least two rating agencies. The Company was compliant with the covenants during the period.

The March 2013 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the March 2013 Senior Notes as at June 30, 2015 was $1 billion (December 2014: $1 billion).

November 2013 Senior Notes

The November 2013 Senior Notes, due November 26, 2019, are direct, unsecured, unsubordinated obligations with interest payable in arrears at a rate of 5.375% on January 26 and July 26 of each year.

The November 2013 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain: (1) an interest coverage ratio of greater than 2.5; and (2) a debt-to-EBITDA ratio of less than 3.5. The covenants do not apply during any period of time when the notes have an investment grade rating from at least two rating agencies. The Company was compliant with the covenants during the period.

The November 2013 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the November 2013 Senior Notes as at June 30, 2015 was $1.3 billion (December 2014: $1.3 billion).

September 2014 Senior Notes

On September 19, 2014, the Company closed the issuance of $750 million of senior notes due January 19, 2025 ("**September 2014 Senior Notes**"). The September 2014 Senior Notes are direct, unsecured, unsubordinated obligations with interest payable in arrears at a rate of 5.625% on January 19 and July 19 of each year.

The September 2014 Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain: (1) an interest coverage ratio of greater than 2.5: and (2) a debt to EBITDA ratio of less than 3.5. The covenants do not apply during any period of time when the notes have an investment grade rating from at least two rating agencies. The Company was compliant with the covenants during the period.

The September 2014 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the September 2014 Senior Notes as at June 30, 2015 was $1,114 million (December 2014: $1,114 million).

Other Debt

In 2013, the Company borrowed $109 million from Bank of America ("**2013 BOFA Loan**") which carries an interest rate of LIBOR + 1.5% and matures in November 2016, with interest payments due biannually. As at June 30, 2015, the principal outstanding was $36 million (December 31, 2014: $72 million). The 2013 BOFA Loan is subject to covenants that require the Company to maintain: (1) an interest coverage ratio of greater than 2.5; (2) a debt-to-EBITDA ratio of less than 4.5 and (3) a net worth of greater than $1 billion. The Company was compliant with the covenants during the period.

On April 4, 2014, the Company borrowed $75 million from Banco Latinoamericano de Comercio Exterior ("**Bladex Facility**"). The Bladex Facility carries an interest rate of LIBOR + 2.70% and the principal is to be repaid in equal parts in October 2016, April and October 2017, and April 2018 with interest payments on the outstanding principal due biannually. As at June 30, 2015, the principal outstanding was $75 million (December 31, 2014: $75 million). The Bladex Facility is subject to covenants that require the Company to maintain (1) interest coverage ratio of greater than 2.5; (2) a debt-to-EBITDA ratio of less than 4.5, and (3) net worth of greater than $1 billion. The Company was compliant with these covenants during the period.

On April 8, 2014, the Company received $250 million under a working capital facility from HSBC Bank USA ("**HSBC Facility**"). The HSBC Facility carries an interest rate of LIBOR plus 2.75%. As at June 30, 2015, the principal amount outstanding was $212.5 million (December 31, 2014: $250 million), with $62.5 millon due in 2016 and $150 million due in 2017. The HSBC facility is subject to covenants that require the Company to maintain (1) an interest coverage ratio of greater than 2.5; (2) a debt to EBITDA ratio of less than 4.5 and (3) a net worth of greater than $1 billion. The Company was compliant with these covenants during the period.

Revolving Credit Facility

During April 2014, the Company entered into a revolving credit facility of $1 billion denominated in U.S. dollars with a syndicate of international and Colombian banks, which is fully committed to its maturity in 2017. The U.S. dollar revolving credit facility has an interest rate determined in accordance with the ratings assigned to the Company's senior notes; based on the current credit rating, the interest rate is LIBOR + 2.75%. In addition, the Company is required to pay commitment fees of 0.95% on the unutilized portion under the revolving credit facility. As of June 30, 2015, the Company has drawn down $1 billion (December 31, 2014: $Nil) on the revolving credit facility. The revolving credit facility is subject to covenants that require the Company to maintain: (1) an interest coverage ratio of greater than 2.5; (2) a debt-to-adjusted EBITDA ratio of less than 4.5, calculated based on total long-term debt divided by the adjusted EBITDA for the preceding 12 months; and (3) a net worth of greater than $1 billion, calculated as total assets less total liabilities, excluding those of excluded subsidiaries, being Pacific Midstream Ltd. and Pacific Infrastructure Ventures Inc. (refer to Note 3 and Note 16). The Company was compliant with the covenants during the period, including: (1) interest coverage ratio of 5.45; (2) debt-to-adjusted EBITDA ratio of 3.45; and (3) net worth of $1,115 million.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

Short-Term Working Capital Loans and Facilities

Working capital facilities that are denominated in U.S. dollars have interest rates ranging from LIBOR + 0.95% to LIBOR + 1.5%. The total balance outstanding on these working capital facilities was $Nil as at June 30, 2015 (December 31, 2014: $185 million).

During October 2014, the Company entered into a number of working capital facilities that are denominated in Colombian Pesos and have interest rates ranging from 5.9% to 6%. The total balance outstanding on these working capital facilities was $Nil as at June 30, 2015 (December 31, 2014: $100 million).

20. Finance Leases

The Company has entered into two power generation arrangements to supply electricity for three of its oil fields in Colombia until June 2016 and August 2021. In addition, the Company has lease and take-or-pay arrangements for airplanes, IT equipment and a gas facility that are accounted for as finance leases. These finance leases have an average effective interest rate of 12.85%. The Company's minimum lease payments are as follows:

	As at June 30 2015	As at December 31 2014
Within 1 year	$ 23,197	$ 23,346
Year 2	7,860	14,567
Year 3	6,778	6,790
Year 4	6,778	6,778
Year 5	6,797	6,778
Thereafter	7,932	11,310
Total minimum lease payments	$ 59,342	$ 69,569
Amounts representing interest	(15,410)	(18,766)
Present value of net minimum lease payments	$ 43,932	$ 50,803
Current portion	$ 18,231	$ 17,202
Non-current portion	25,701	33,601
Total obligations under finance lease	$ 43,932	$ 50,803

For the three and six months ended June 30, 2015, interest expense of $1.6 million and $3.3 million respectively (2014: $2.2 million and $4.5 million) was incurred on these finance leases.

21. Asset Retirement Obligation

The Company makes a full provision for the future cost of decommissioning oil production facilities on a discounted basis on the installation of those facilities.

	Note	Amount
As at December 31, 2014		$ 257,797
Accretion expense		2,715
Changes during the period	12,13	(18,964)
Foreign exchange	12,13	(5,427)
As at March 31, 2015		$ 236,121
Accretion expense		2,509
Changes during the period	12,13	(43,312)
Foreign exchange	12,13	(4,862)
As at June 30, 2015		$ 190,456

The asset retirement obligation represents the present value of decommissioning costs relating to oil and gas properties, of which up to $265 million are expected to be incurred (December 31, 2014: $323 million). Cash flows are expected to occur in a variety of countries and currencies, and the discount rates and inflation rates are chosen in association with the currencies in which the liabilities are expected to be settled. The future decommissioning costs are discounted using the risk-free rate between 2.93% and 5.44% and an inflation rate of 0% for cash flows expected to be settled in U.S. dollars, and a risk-free rate between 4.39% and 8.98% and an inflation rate of 4.41% for cash flows expected to be settled in Colombian pesos (December 31, 2014: U.S. dollars risk-free-rate of 3.61% and 4.43% with inflation of 1.3%, Colombian pesos risk-free-rate 5.99% and 8.99% with inflation of 3.65%) to arrive at the present value. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning expenditures, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

22. Contingencies and Commitments

A summary of the Company's commitments, undiscounted and by calendar year is presented below:

As at June 30, 2015	2015	2016	2017	2018	2019	Subsequent to 2020	Total
LNG Project	$ 13,099	$ 50,328	$ 50,328	$ 50,328	$ 50,328	$ 452,949	$ 667,360
ODL Take or Pay Agreement	12,185	27,484	17,330	17,330	17,330	8,665	100,324
Minimum work commitments	119,108	69,763	45,353	71,541	27,085	-	332,850
Bicentenario Take or Pay Agreement	82,114	164,228	163,780	163,780	163,780	914,922	1,652,604
Operating purchase and leases	513,244	300,122	25,445	7,064	9,698	28,634	884,207
Transportation and processing commitments	25,429	50,858	50,858	45,224	54,857	175,991	403,217
Purchase Genser Power	22,428	28,750	-	-	-	-	51,178
Community obligations	13,382	-	-	-	-	-	13,382
Total	$ 800,989	$ 691,533	$ 353,094	$ 355,267	$ 323,078	$ 1,581,161	$ 4,105,122

The Company has various guarantees in place in the normal course of business. As at June 30, 2015, the Company has issued letters of credit and guarantees for exploration and operational commitments for a total of $383 million (December 31, 2014: $434 million).

Association Contracts

Certain association contracts signed before 2003 with Ecopetrol include clauses in which Ecopetrol may commence participating in the operation of new discoveries made by the Company at any time, without prejudice to the Company's right to be reimbursed for the investments made on their sole account and risk (back-in right). The contract provides that if Ecopetrol decides to declare the commerciality of the field and participate in the commercial phase of the association contract, the Company shall have the right to be reimbursed for 200% of the total costs incurred during the exploration phase of the contract. Once the reimbursement has been made, Ecopetrol is entitled to acquire a 50% share of the oil production of the fields. As of June 30, 2015, Ecopetrol has exercised the back-in rights in the Guaduas field (Dindal and Río Seco Association Contracts).

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. Since the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Company's favour. The Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its financial position, results of operations or cash flows.

Tax Review in Colombia

The Company currently has a number of tax filings under review by the Colombian tax authority ("**DIAN**").

The DIAN has officially reassessed several value-added tax ("**IVA**") declarations on the basis that the volume of oil produced and used for internal consumption at certain fields in Colombia should have been subject to IVA. As of June 30, 2015, the amount reassessed, including interest and penalties, is estimated at $43 million. The Company disagrees with the DIAN's reassessment and official appeals have been initiated. Several other taxation periods back to 2011 with respect to IVA on field oil consumption are also currently under review by the DIAN. For the periods that are under review, if the DIAN's views were to prevail, the Company estimates that the IVA, including interest and penalties, could range between $16 million and $84 million.

The Company continues to utilize oil produced for internal consumption, which is an accepted practice for the oil industry in Colombia.

The amounts reported on the IVA disputes corresponds to one hundred percent (100%) of the interest in the blocks; out of that total PRE estimates that $26 million could be assumed from the other companies holding interests in the oil contracts.

The DIAN is also reviewing certain income tax deductions with respect to the special tax benefit for qualifying petroleum assets as well as other exploration expenditures. As at June 30, 2015, the DIAN has reassessed $66 million of tax owing, including estimated interest and penalties, with respect to the denied deductions.

As at June 30, 2015, the Company believes that the disagreements with the DIAN related to IVA and denied income tax deductions will be resolved in favour of the Company. As a result, no provision has been made in the financial statements.

High-Price Royalty in Colombia

The Company has certain exploration contracts acquired through business acquisitions where there existed outstanding disagreements with the Agencia Nacional de Hidrocarburos (National Hydrocarbon Agency or "**ANH**" of Colombia) relating to the interpretation of the high-price participation clause. These contracts require high-price participation payments to be paid to the ANH once an exploitation area within a contracted area has cumulatively produced five million or more barrels of oil. The disagreement is around whether the exploitation areas under these contracts should be determined individually or combined with other exploration areas within the same contracted area, for the purpose of determining the five million barrel threshold. The ANH has interpreted that the high-price participation should be calculated on a combined basis.

The Company disagrees with the ANH's interpretation, and asserts that in accordance with the exploration contracts, the five million barrel threshold should be applied on each of the exploitation areas within a contracted area. The Company has several contracts that are subject to the ANH high-price participation. One of these contracts is the Corcel Block, which was acquired as part of the Petrominerales acquisition and the only one for which an arbitration process has been initiated. However, the arbitration process for Corcel was under suspension at the time the Company acquired Petrominerales. The amount under arbitration was approximately $150 million plus related interest of $70 million, as at June 30, 2015. The Company also disagrees with the interest rate that the ANH has used in calculating the interest cost. The Company asserts that since the high-price participation is denominated in the U.S. dollar, the contract requires the interest rate to be three-month LIBOR plus 4%, whereas the ANH has applied the highest legally authorized interest rate on Colombian peso liabilities, which was over 20%. An amount under discussion with the ANH for another contract is approximately $90 million plus interest.

The Company and the ANH are currently in discussions to further understand the differences in interpretation of these exploration contracts. The Company believes that it has a strong position with respect to the high-price participation based on legal interpretation of the contracts and technical data available. However, in accordance with IFRS 3, to account for business acquisitions the Company is required to and has recorded a liability for such contingencies as of the date of acquisition, even though the Company believes the disagreement will be resolved in favour of the Company. The Company does not disclose the amount recognized as required by paragraphs 84 and 85 of IAS 37, on the grounds that this would be prejudicial to the outcome of the dispute resolution.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

23. Issued Capital

a) Authorized, Issued and Fully Paid Common Shares

The Company has an unlimited number of common shares with no par value.

The continuity schedule of share capital is as follows:

	Number of Shares		Amount
As at December 31, 2014, March 31, 2015 and June 30, 2015	313,255,053	$	2,610,485

b) Stock Options

The Company has established a "rolling" Stock Option Plan (the "**Plan**") in compliance with the applicable TSX policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price (as defined under the TSX Company Manual) of the Company's stock at the date of grant.

A summary of the changes in stock options is presented below:

	Number of options outstanding	Weighted average exercise price (C$)
As at December 31, 2014	23,168,792	21.86
Cancelled and expired during the period	(3,645,050)	14.11
As at March 31, 2015	19,523,742	23.31
Cancelled and expired during the period	(2,810,125)	20.65
As at June 30, 2015	16,713,617	23.76

The following table summarizes information about the stock options outstanding and exercisable as of June 30, 2015:

Outstanding & exercisable	Exercise price (C$)	Expiry date	Remaining contractual life (years)
116,667	6.30	July 10, 2017	2.03
34,500	27.58	September 29, 2015	0.25
250,000	34.43	February 2, 2016	0.59
3,731,750	25.76	March 16, 2016	0.71
53,000	28.01	May 3, 2016	0.84
12,000	25.59	May 26, 2016	0.91
160,000	22.05	September 27, 2016	1.25
5,000	24.68	October 24, 2016	1.32
5,213,700	22.75	January 18, 2017	1.56
69,000	29.10	March 30, 2017	1.75
6,212,000	23.26	January 28, 2018	2.58
721,500	24.32	February 8, 2018	2.61
134,500	19.21	November 15, 2018	3.38
16,713,617	23.76		1.79

c) Deferred Share Units

The Company established the Deferred Share Unit Plan (the "**DSU Plan**") for its non-employee directors during 2012 and for its employees in July 2014. Each DSU represents the right to receive a cash payment on retirement or termination equal to the volume-weighted average market price of the Company's shares at the time of surrender. Cash dividends paid by the Company are credited as additional DSUs. The fair value of the DSUs granted and the changes in their fair value during the period were recognized as share-based compensation on the Interim Condensed Consolidated Statement of Income with a corresponding amount recorded in accounts payable and accrued liabilities on the Interim Condensed Consolidated Statement of Financial Position.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The following table summarizes information about the DSUs outstanding:

	Number of DSUs outstanding		Amount
As at December 31, 2014	2,487,386	$	17,075
Fair value adjustment for the period	-		(10,836)
Granted during the period	5,128,451		11,924
Settled during the period	(13,803)		(37)
As at March 31, 2015	7,602,034	$	18,126
Fair value adjustment for the period	-		10,479
Granted during the period	381,644		1,439
Settled during the period	(38,706)		(142)
As at June 30, 2015	7,944,972	$	29,902

The June 30, 2015 liability is based on an estimated fair value of $3.77 (December 31, 2014: $6.86) per DSU approximating the Company's closing share price in U.S. dollars.

For the three and six months ended June 30, 2015, $11.5 million and $13 million (2014 $1.4 million and $3.1 million of expense) were recorded as share-based compensation expense in respect to DSUs granted during the period and the change in fair value.

24. Related-Party Transactions

The following sets out the details of the Company's related-party transactions:

a) In October 2012, the Company and Ecopetrol ("**Ecopetrol**") signed two Build, Own, Manage, and Transfer ("**BOMT**") agreements with Consorcio Genser Power-Proelectrica and its subsidiaries ("**Genser-Proelectrica**") to acquire certain power generation assets for the Rubiales field. Genser-Proelectrica is a joint venture between Promotora de Energia Electrica de Cartagena & Cia S.C.A.E.S.P ("**Proelectrica**"), in which the Company has a 24.9% indirect interest in Proelectrica and Genser Power Inc. ("**Genser**") and is 51% owned by Pacific Power Generation Corp. ("**Pacific Power**"). On March 1, 2013, these contracts were assigned to TermoMorichal SAS ("**TermoMorichal**"), the company created to perform the agreements, in which Pacific Power has a 51% indirect interest. Total commitment under the BOMT agreements is $229.7 million over ten years. In April 2013, the Company and Ecopetrol entered into another agreement with Genser-Proelectrica to acquire additional assets for a total commitment of $57 million over ten years. At the end of the Rubiales Association Contract in 2016, the Company's obligations along with the power generation assets will be transferred to Ecopetrol. During the three and six months ending June 30, 2015, those assets were under construction and the Company paid cash advances of $7 million and $7 million that were recorded in other assets (2014: $9.7 million and $9.7 million). The Company has accounts payable of $7.6 million (December 2014: $5.9 million) due to Genser-Proelectrica. In addition, on May 5, 2014, a subsidiary of the Company provided a guarantee in favour of XM Compania de Expertos en Mercados S.A. on behalf of Proelectrica guaranteeing obligations pursuant to an energy supply agreement in the aggregate amount of approximately $16.7 million. In December 2014, the Company entered into a new contract with Genser related to the operation and maintenance of the power generation facility located in the Sabanero field.

   In October 2013, the Company entered into connection agreements and energy supply agreements with Proeléctrica for the supply of power to the oil fields in the Llanos basin. The connection agreements authorize Meta Petroleum Corp. and Agro Cascada S.A.S. to use the connection assets of Petroelectrica for power supply at the Quifa and Rubiales fields. The agreement commenced on November 1, 2013 and operates for 13 years. During the three and six months ended June 30, 2015 the Company made payments of $13.6 million and $26.6 million respectively (2014: $20.3 million and $29 million) under this agreement.

   The Company has entered into several take-or-pay agreements as well as interruptible gas sales and transport agreements to supply gas from the La Creciente natural gas field to Proelectrica's gas-fired plant. During the three and six months ended June 30, 2015, the Company recorded revenues of $0.6 million and $1.3 million (2014: $4.4 million and $6.9 million), from these agreements. As at June 30, 2015, the Company had trade accounts receivable of $10.9 million (December 31, 2014:$7.5 million) from Proelectrica.

Under the energy supply agreements, Proelectrica provides electricity to the Company for power supply at the Quifa and Rubiales fields, with payments to be calculated monthly on a demand-and-deliver basis. The term of the agreement is until December 31, 2026. The aggregate estimated energy supply agreement is for 1.5 million kilowatts.

b) As at June 30, 2015, the Company had trade accounts receivable of $10.9 million (December 31, 2014: $7.5 million) from Proelectrica, in which the Company has a 24.9% indirect interest and which is 31.49% owned by Blue Pacific Assets Corp. ("**Blue Pacific**"). The interests in Proelectrica of the Company and Blue Pacific are indirectly held through Pacific Power. Revenue from Proelectrica in the normal course of the Company's business was $0.6 million and $1.3 million for the three and six months ended June 30, 2015 (2014: $4.4 million and $6.9 million).

c) During the three and six months ended June 30, 2015, the Company paid $1.3 million and $2.3 million (2014: $2.1 million and $4.7 million) to Transportadora Del Meta S.A.S. ("**Transmeta**") in crude oil transportation costs. In addition, the Company had accounts receivable of $1 million (December 31, 2014: $1.1 million) from Transmeta and accounts payable of $0.5 million (December 31, 2014: $0.9 million) to Transmeta. Transmeta is controlled by a director of the Company.

d) As at June 30, 2015, loans receivable from related parties in the aggregate amount of $1.3 million (December 31, 2014: $856 thousand) are due from two directors and seven officers of the Company. The loans are non-interest bearing and payable in equal monthly payments over a 48-month terms.

e) The Company has entered into aircraft transportation agreements with Helicopteros Nacionales de Colombia S.A.S. ("**Helicol**"), a company controlled by a directors of the Company. During the three and six months ended June 30, 2015, the Company paid $2.7 million and $4.4 million (2014: $3.7 million and $6.0 million) in fees as set out under the transportation agreements. The Company had accounts payable to Helicol as at June 30, 2015 of $1.9 million (December 31, 2014: $2.8 million).

f) During the three and six months ended June 30 2015, the Company paid $19.8 million and $54.2 million to ODL (2014: $34.6 million and $63.2 million) for crude oil transport services under the pipeline take-or-pay agreement, and has accounts payable of $13 million (December 31, 2014: $Nil). In addition, the Company received $0.6 million and $1 million from ODL during the three and six months ended June 30, 2015 (2014: $0.9 million and $1.0 million) with respect to certain administrative services and rental equipment and machinery. The Company had accounts receivable from ODL as at June 30, 2015 of $3.5 million (December 31, 2014: $0.4 million).

g) During the three and six months ended June 30, 2015, the Company paid $59 million and $86.9 million to Bicentenario (2014: $45 million and $73.9 million), a pipeline company in which the Company has a 27.6% interest, for crude oil transport services under the pipeline take-or-pay agreement. As at June 30, 2015, the balance of loans outstanding to Bicentenario under the agreement detailed in Note 17 (other assets), was $25 million (December 31, 2014: $42 million). Interest income of $0.4 million and $1 million was recognized during the three and six months ended June 30, 2015 (2014: $0.7 million and $1.3 million). Interest of $Nil and $1.3 million were paid on the loans during the three and six months ended June 30, 2015, and capital of $Nil and $17.2 million were paid on the loans in the three and six months ended June 30, 2015. During the three and six months ended June 30, 2015, the Company received $Nil and $Nil (2014: $Nil and $0.5 million) with respect to certain administrative services, rental equipment and machinery. The Company has advanced $87.9 million as at June 30, 2015, (December 31, 2014: $87.9 million) to Bicentenario as a prepayment of transport tariff, which is amortized against the barrels transported. As at June 30, 2015 the Company had trade accounts receivable of $14.5 million (December 31, 2014:$13.7 million) as an advance short term.

h) The Company has established two charitable foundations in Colombia, the Pacific Rubiales Foundation and the Foundation for Social Development of Available Energy ("**FUDES**"), with the objective of advancing social and community development projects in Colombia. During the three and six months ended June 30 2015, the Company contributed $4.2 million and $6.7 million respectively to these foundations (2014: $13.9 million and $20.9 million). As at June 30, 2015, the Company had accounts receivables (advances) of $2.3 million (December 31, 2014: $5.0 million) and accounts payable of $0.6 million (December 31, 2014: $8.7 million) with the foundations.

i) As at June 30 2015, the Company had demand loans receivable from PII in the amount of $72.4 million (December 31, 2014: $71.4 million). The loans are guaranteed by PII's pipeline project and bear interest that ranges from LIBOR + 2% to 7% per annum. The Company owns 41.65% of PII. In addition, during the three and six months ended June 30 2015, the Company has received $3 million and $3 million (2014: $Nil and $1.3 million) from PII with respect to contract fees for advisory services and technical assistance in pipeline construction of "**Oleoducto del Caribe**". In addition, as at June 30, 2015, the Company has accounts receivable of $0.9 million (December 31, 2014: $1.0 million) from Pacific Infrastructure Ventures Inc. Colombia, as a branch of PII.

In December 2012, the Company entered into a take-or-pay agreement with Sociedad Puerto Bahia S.A, a company that is wholly owned by PII. Pursuant to the terms of the agreement, Sociedad Puerto Bahia S.A, will provide for the storage, transfer, loading and unloading of hydrocarbons at its port facilities. The contract term will commenced in 2014 and will for seven years, renewable in one-year increments thereafter. These contracts may indirectly benefit Blue Pacific and other unrelated minority shareholders of PII. During the three and six months ended June 30 2015, the Company has advanced $9.0 million and $9.0 million respectively, to Sociedad Puerto Bahía (2014: $Nil and $Nil) of which $0.8 million was expensed during the period in relation to services received (2014: $Nil).

j) In October 2012, the Company entered into an agreement with Pacific Coal, Blue Advanced Colloidal Fuels Corp. ("**Blue ACF**"), Alpha Ventures Finance Inc. ("**Alpha**"), and an unrelated party whereby the Company acquired from Pacific Coal the right to a 5% equity interest in Blue ACF for a cash consideration of $5 million. Blue ACF is a company engaged in developing colloidal fuels, with its majority shareholder is Alpha, which is controlled by Blue Pacific. As part of the purchase, Pacific Coal has also assigned to the Company the right to acquire up to an additional 5% equity interest in Blue ACF for an additional investment of up to $5 million. The Company currently has an 8.49% equity interest in Pacific Coal.

k) Blue Pacific provides the Company with passenger air transport services on an as-needed basis. During the three and six months ended June 30, 2015, the Company paid $Nil (2014:$0.2 million and $0.2 million) for these services.

l) The Company has a lease agreement for an office in Caracas, Venezuela for approximately $6 thousand per month. The office space is 50% owned by a family member of an officer of the Company.

25. Financial Assets and Liabilities

Overview of Risk Management

The Company explores, develops and produces oil and gas and enters into contracts to sell its oil and gas production, and to manage its market risk associated with commodity markets, and notably its exposure to crude oil pricing. The Company also enters into supply agreements and purchases goods and services denominated in non-functional currencies such as Colombian pesos for its Colombian-based activities. These activities expose the Company to market risk from changes in commodity prices, foreign exchange rates, interest rates, and credit and liquidity risks that affect the Company's earnings and the value of associated financial instruments it holds.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge its risk exposures. The Company's strategy, policies and controls are designed to ensure that the risks it assumes comply with the Company's internal objectives and its risk tolerance. It is the Company's policy that no speculative trading in derivatives shall be undertaken.

When possible and cost effective, the Company applies hedge accounting. Hedging does not guard against all risks and is not always effective. The Company could recognize financial losses as a result of volatility in the market values of these contracts.

Risks Associated with Financial Assets and Liabilities

a) Market Risks

Commodity Price Risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices associated with crude oil pricing. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are affected by world economic events that dictate the levels of supply and demand. While the Company does not engage in speculative financial instrument trading, it may enter into various hedging strategies such as costless collars, swaps, and forwards to minimize its commodity price risk exposure to crude oil pricing.

Foreign Currency Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As the Company operates primarily in Colombia, fluctuations in the exchange rate between the Colombian peso and the U.S. dollar can have a significant effect on the Company's reported results.

To mitigate the exposure to the fluctuating COP/USD exchange rate associated with operating and general and administrative expenses incurred in COP, the Company may enter into various hedging strategies such as currency costless collars, swaps and forwards. In addition, the Company may also enter into currency derivatives to manage the foreign exchange risk on financial assets that are denominated in the Canadian dollar.

The Company's foreign exchange gain/loss primarily includes unrealized foreign exchange gains and losses on the translation of COP-denominated risk management assets and liabilities held in Colombia.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding variable-rate revolving credit borrowings due to fluctuations in market interest rates. The Company monitors its exposure to interest rates on an ongoing basis.

Sensitivity Analysis on Market Risks

The details below summarize the sensitivities of the Company's risk management positions to fluctuations in the underlying benchmark prices, with all other variables held constant. Fluctuations in the underlying benchmarks could have resulted in unrealized gains or losses affecting pre-tax net earnings as follows:

- A $1 change in the crude oil price would have resulted in a $12 million change in revenue as at June 30, 2015 (2014: $24 million).
- A 10% change in the COP/USD exchange rate would have resulted in a $0.5 million change in foreign exchange gain/loss as at June 30, 2015 (2014: $1.2 million).
- A 1% (100 basis points) change in the interest rate would increase or decrease interest expense by $2.5 million (2014: $2.5 million).

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

b) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligations in accordance with agreed terms. The Company actively limits the total exposure to individual client counterparties and holds a trade credit insurance policy for indemnification for losses from non-collection of trade receivables.

	As at June 30 2015	As at December 31 2014
Trade receivable	$ 182,407	$ 224,871
Advances / deposits	97,639	108,828
Recoverable VAT and Withholding Tax	117,181	70,890
Other receivables	113,919	163,874
Receivable from joint arrangements	186,642	252,745
Allowance for doubtful accounts	(1,560)	(3,849)
	$ 696,228	$ 817,359
Loan and advance to Bicentenario (non-current, Note 17)	112,714	129,963
Long-term recoverable VAT (non-current, Note 17)	55,271	86,886
	$ 864,213	$ 1,034,208

As at June 30, 2015, four of the Company's customers had accounts receivable that were greater than 10% of total trade accounts receivable. The Company's credit exposure to these customers was $59 million, $38 million, $23 million and 19 million or 33%, 21%, 13% and 10% of trade accounts receivable respectively (June 30, 2014: three customers at $97.7 million, $82.7 million and $61 million or 27%, 23% and 17% of trade accounts receivable). Revenues from these customers for 2015 were $56 million, $85 million, $168 million and $41 million or 8%, 12%, 24% and 6% of revenue (June 30, 2014: $291 million, $79 million and $82 million or 11%, 3% and 3% of revenue), respectively.

The majority of the recoverable VAT and Withholding Tax is due to the Colombian and Peruvian tax authorities.

The majority of the receivables from joint arrangements are due from Ecopetrol.

Included in other receivables are demand loans receivable from PII of $78.5 million, which includes $6.1 million in interests. The loans are guaranteed by PII's pipeline project and bear interest that ranges from LIBOR + 2% to 7% per annum.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the loan with PII.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual capital expenditure budgets that are monitored and updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital. As at June 30, 2015, the Company had available $Nil of revolving credit.

The Company has entered into a facility for the sale of the Corporation's account receivables up to a revolving balance not to exceed $110 million. The Company reserves the right to utilize a portion or all of the facility at its discretion. The Corporation would pay an effective fee equal to LIBOR. As of June 30, 2015, the facility has not been used.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The following are the contractual maturities of non-derivative financial liabilities (base on calendar year, undiscounted):

Financial liability due in	Note	2015	2016	2017	2018	2019	Subsequent to 2020	Total
Accounts payable and accrued liabilities		$ 1,517,141	$ -	$ -	$ -	$ -	$ -	$ 1,517,141
Long-term debt	19	-	55,083	1,250,000	18,750	1,300,000	2,804,200	5,428,033
Obligations under finance lease	20	13,149	14,549	6,778	6,778	6,778	11,310	59,342
Total		$ 1,530,290	$ 69,632	$ 1,256,778	$ 25,528	$ 1,306,778	$ 2,815,510	$ 7,004,516

Account payables and accrual liabilities consisted of the following as at June 30, 2015 and December 31, 2014:

	As at June 30 2015	As at December 31 2014
Trade and other payables	$ 301,936	$ 600,404
Accrued liabilities	764,957	844,500
Payables - JV partners	16,846	45,409
Advances, warranties, and deposits	141,007	127,535
Withholding tax and provisions	272,566	301,121
Equity tax	19,829	-
	$ 1,517,141	$ 1,918,969

d) Hedge Accounting and Risk Management Contracts

The terms and conditions of the hedging instruments and expected settlement periods are as follows for instruments outstanding as:

June 30, 2015

Type of Instrument	Term	Notional Amount / Volume (bbl)	Floor/ Ceiling or strike price	Benchmark	Carrying amount Assets	Liabilities
Subject to Hedge Accounting:						
Foreign Currency Risk						
Zero-cost collars	July to December 2015	90,000	2070-2251 COP/$	COP/USD	-	(15,356)
Commodities Price Risk						
Zero-cost collars	July to December 2015	4,650,000	53-59 / 59.60-67.60	WTI	-	(10,533)
Zero-cost collars	July to December 2015	6,300,000	52.85-66.00 / 62.90-67.90	BRENT	85	(6,567)
Zero-cost collars	July 2015 to March 2016	3,800,000	50.80-62.90 / 55.80-67.90	WTI	768	-
Total subject to hedge accounting					$ 853	$ (32,456)
Not Subject to Hedge Accounting:						
Foreign Currency Risk						
Zero-cost collars	July to December 2015	50,000	1900-2050 COP/$	COP/USD	-	(11,045)
Commodities Price Risk						
Zero-cost collars	July to December 2016	750,000	48.30 / 68.30	WTI	-	(1,533)
Zero-cost collars	July to December 2016	1,350,000	52.85 / 73.45	BRENT	-	(4,591)
Zero-cost collars	April to December 2016	6,540,000	47 / 68	WTI	-	(13,394)
Zero-cost collars	January to December 2016	5,700,000	48.6-53.45 / 68.6-73.45	BRENT	-	(19,811)
(counterparty option)						
Extendable	Various 2015 to Various 2016	5,100,000	49 / 66	WTI	109	(15,206)
Extendable	Various 2015	2,000,000	52.85 / 71	BRENT	1,258	(1,742)
Extendable Swap	Various 2015 to Various 2016	2,050,000	55.25 / 65.20	WTI	334	(5,436)
Extendable Swap	Various 2015	1,500,000	62.6 / 67.3	BRENT	-	(3,062)
Total not subject to hedge accounting					$ 1,701	$ (75,820)
Total June 30, 2015					$ 2,554	$ (108,276)
				Current portion	$ 2,554	$ (90,057)
				Non-current portion	-	(18,219)
					$ 2,554	$ (108,276)

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

December 31, 2014

Type of Instrument	Term	Notional Amount / Volume (bbl)	Floor/ Ceiling or strike price	Benchmark	Carrying amount Assets	Carrying amount Liabilities
Subject to Hedge Accounting:						
Foreign Currency Risk						
Zero-cost collars	January to December 2015	240,000	2070-2251 COP/$	COP/USD	$ -	$ (26,672)
Zero-cost collars	January to June 2015	180,000	2020-2180 COP/$	COP/USD	-	(17,984)
Commodities Price Risk						
Zero-cost collars	January to March 2015	600,000	80 / 112	WTI	16,017	-
Zero-cost collars	January to June 2015	900,000	80 / 111.50	WTI	22,852	-
Total subject to hedge accounting					$ 38,869	$ (44,656)
Not Subject to Hedge Accounting:						
Foreign Currency Risk						
Zero-cost collars	July to December 2015	150,000	1900-2050 COP/$	COP/USD	$ -	$ (23,409)
Commodities Price Risk						
Zero-cost collars	January to December 2015	1,200,000	75 / 90	BRENT	16,999	-
Zero-cost collars	January to June 2015	3,000,000	75 / 88-89.15	WTI	3,738	-
Total not subject to hedge accounting					$ 20,737	$ (23,409)
Total December 31, 2014					$ 59,606	$ (68,065)

Instruments Subject to Hedge Accounting

Hedging Relationship

The Company's hedging strategies for which hedge accounting is applied consists of the following:

- Foreign exchange: From its highly probable forecasted COP expenditures, the Company has identified the foreign exchange fluctuation risk as the hedged item. To mitigate the risk, currency collars were entered into and classified as hedging instruments. The collars used limit the risk of variability in cash flows arising from the fluctuations in the COP to USD exchange rates above and below the specified ranges.

  To determine the effectiveness of the hedging relationship, the Company assesses the critical terms between the hedged item and hedging instruments on a qualitative basis. If mismatches in the terms are noted, a quantitative assessment is used to determine the impact of potential ineffectiveness.

  The sources of ineffectiveness identified in the current foreign exchange hedging strategy relate to differing credit ratings of the counterparties and the duration of the relationship. These sources of ineffectiveness were insignificant for the three months ended June 30, 2015.

- Commodity price: The Company's forecasted sales are subject to the benchmark price, quality differential, and location differential risk components. As part of the Company's risk management strategy, the benchmark price risk component is hedged, which has historically comprised approximately 94% of the hedged item as a whole. The basis and location risk components are not subject to hedge accounting, as it was not considered economical.

  From its forecasted sales, the Company has identified its crude oil price risk as the specific benchmark risk component to be hedged, consistent with the Company's risk management strategy and exposure. The Company utilized commodity price collars as designated hedging instruments to manage related fluctuations in cash flow above or below the specified ranges.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

To determine the effectiveness of the hedging relationship, the Company assesses the critical terms between the hedged item and hedging instruments on a qualitative basis. If mismatches in the terms are noted, a quantitative assessment is used to determine the impact of potential ineffectiveness.

The sources of ineffectiveness identified in the current commodities hedging strategy relate to differing credit ratings of the counterparties. The sources of ineffectiveness were insignificant for the three months and six ended June 30, 2015 and 2014.

The following table summarizes PRE's outstanding financial derivative positions subject to hedge accounting:

As at June 30, 2015:

	Hedging Instrument		Hedged Item		
	Line item in the statement of financial position where the hedging instrument is located	**Changes in fair value used for calculating hedge ineffectiveness for 2015**	**Changes in fair value used for calculating hedge ineffectiveness for 2015**	**Cumulative Cash flow hedge reserve for continuing hedges**	**Cumulative Cash flow hedge reserve for discontinued hedges**
Cash flow hedges:					
Foreign Currency Risk					
Zero-cost collars	Risk Management Assets	$ -	$ -	$ -	$ -
Zero-cost collars	Risk Management Liabilities	(11,657)	(11,686)	(11,657)	(12,698)
Commodities Price Risk					
Zero-cost collars	Risk Management Assets	$ -	$ 689	$ -	$ -
Zero-cost collars	Risk Management Liabilities	(2,752)	(7)	-	-
		$ (14,409)	$ (11,004)	$ (11,657)	$ (12,698)

As at December 31, 2014:

	Hedging Instrument		Hedged Item		
	Line item in the statement of financial position where the hedging instrument is located	**Changes in fair value used for calculating hedge ineffectiveness for 2014**	**Changes in fair value used for calculating hedge ineffectiveness for 2014**	**Cumulative cash flow hedge reserve for continuing hedges**	**Cumulative cash flow hedge reserve for discontinued hedges**
Cash flow hedges:					
Foreign Currency Risk					
Zero-cost collars	Risk Management Assets	$ -	$ -	$ -	$ -
Zero-cost collars	Risk Management Liabilities	(33,988)	(34,216)	(33,978)	-
Commodities Price Risk					
Zero-cost collars	Risk Management Assets	$ -	$ -	$ -	$ -
Zero-cost collars	Risk Management Liabilities	-	-	-	-
		$ (33,988)	$ (34,216)	$ (33,978)	$ -

Impact of Hedging Relationship

The Company excludes changes in fair value relating to the option time value from ineffectiveness assessments and records these amounts in other comprehensive income, as a cost of hedging.

For the three months ending June 30, 2015:

	Change in the value of the hedging instrument recognized in OCI gain/(loss)	**Hedge ineffectiveness recognized in profit or loss gain/(loss)**	**Line item in profit or loss (that includes hedge ineffectiveness)**	**Amount reclassified from the cash flow hedge reserve to profit or loss gain/(loss)**	**Line item affected in profit or loss because of the reclassification**
Foreign exchange risk					
Zero-cost collars	$ 2,281	$ 13,395	Foreign exchange gain (loss)	$ (12,767)	Production and operating costs
Commodities Price Risk					
Zero-cost collars	(42,503)	(4,180)	Risk management gain (loss)	(24,865)	Revenue/Risk management
	$ (40,222)	$ 9,215		$ (37,632)	

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

For the six months ending June 30, 2015:

	Change in the value of the hedging instrument recognized in OCI gain/(loss)	Hedge ineffectiveness recognized in profit or loss gain/(loss)	Line item in profit or loss (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to profit or loss gain/(loss)	Line item affected in profit or loss because of the reclassification
Foreign exchange risk					
Zero-cost collars	$ (16,627)	$ 20,252	Foreign exchange gain (loss)	(26,250)	Production and operating costs
Commodities Price Risk					
Zero-cost collars	(13,204)	(5,187)	Risk management gain (loss)	25,880	Revenue/Risk management
	$ (29,831)	$ 15,065		$ (370)	

For the three and six months ended June 30, 2015, the Company recorded ineffectiveness on foreign currency risk management contracts of $13.4 million and $20.2 million respectively as foreign exchange gains (2014: loss of $0.9 million and gain of $0.4 million). These amounts are unrealized and represent the change in the fair value of the foreign currency derivatives.

For the three and six months ended June 30, 2015, the Company recorded ineffectiveness on commodity price risk management contracts of $4.2 million and $5.2 million respectively as risk management losses (2014: Nil). These amounts are unrealized and represent the change in the fair value of the commodity price derivatives.

For the three months ending June 30, 2014:

	Change in the value of the hedging instrument recognized in OCI gain/(loss)	Hedge ineffectiveness recognized in profit or loss gain/(loss)	Line item in profit or loss (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to profit or loss gain/(loss)	Line item affected in profit or loss because of the reclassification
Foreign exchange risk					
- Zero-cost collars	$ 5,620	$ (902)	Foreign exchange gain (loss)	$ 1,113	Production and operating costs
Commodities Price Risk					
- Zero-cost collars	-	-	Risk management gain (loss)	-	Revenue
	$ 5,620	$ (902)		$ 1,113	

For the six months ending June 30, 2014:

	Change in the value of the hedging instrument recognized in OCI gain/(loss)	Hedge ineffectiveness recognized in profit or loss gain/(loss)	Line item in profit or loss (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to profit or loss gain/(loss)	Line item affected in profit or loss because of the reclassification
Foreign exchange risk					
- Zero-cost collars	$ 1,415	$ 460	Foreign exchange gain (loss)	$ (675)	Production and operating costs
Commodities Price Risk					
- Zero-cost collars	-	-	Risk management gain (loss)	-	Revenue
	$ 1,415	$ 460		$ (675)	

Instruments Not Subject to Hedge Accounting

As part of the Company's risk management strategy, derivative financial instruments are used to manage its exposure to its risks in addition to those designated for hedge accounting. As these instruments have not been designated as hedges, the change in fair value is recorded in profit or loss as risk management gain or loss.

For the three and six months ended June 30, 2015, the Company recorded a risk management loss of $84.7 million and loss of $83.8 million respectively on commodity price risk management contracts in net earnings (2014: loss of $2.5 million and gain of $1.3 million). In addition during the three and six months ended June 30, 2015 the Company recognized in revenue a gain of $7.6 million and $21.7 million respectively related to these instruments which were settled (2014: $0.6 million gain and $1.3 million gain).

For the three and six months ended June 30, 2015, the Company recorded a risk management gain of $18 million and $31.7 million respectively on foreign currency risk management contracts in net earnings (2014: gain of $0.6 million and gain of $1.3 million). Included in these amounts were $32.5 million and $67.8 million respectively (2014: $0.2 million gain and $2.5 million gain) of unrealized gains representing the change in the fair value. In addition during the three and six months ended June 30, 2015 the Company recognized in foreing exchange a realized losses of $14.5 million and $36.1 million respectively related to these instruments which were settled (2014: $0.4 million gain and $1.2 million loss).

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

e) Fair Value

The Company's financial instruments are cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, risk management assets and liabilities, bank debt, finance lease obligation, debentures and equity investments on the statement of financial position. The carrying value and fair value of these financial instruments are disclosed below by financial instrument category.

		As at June 30, 2015		As at December 31, 2014	
	Note	Carrying value	Fair value	Carrying value	Fair value
Financial Assets					
Financial assets measured at amortized cost					
Cash and cash equivalents		$ 724,544	$ 724,544	$ 333,754	$ 333,754
Restricted cash		14,692	14,692	15,644	15,644
Accounts receivable		751,499	751,499	904,245	904,245
Bicentenario loan	17	24,743	24,743	41,992	41,992
OCENSA receivable	17	10,375	10,375	10,375	10,375
		1,525,853	1,525,853	1,306,010	1,306,010
Financial assets mandatorily measured at fair value through profit or loss (FVTPL)					
Held-for-trading derivatives that are not designated in hedge accounting relationships	25d	1,701	1,701	20,737	20,737
		1,701	1,701	20,737	20,737
Financial assets designated as measured at fair value through other comprehensive income (FVTOCI)					
Investments in equity instruments	17	7,020	7,020	19,924	19,924
		7,020	7,020	19,924	19,924
Derivative instruments in designated hedge accounting relationships	25d	853	853	38,869	38,869
		853	853	38,869	38,869
		$ 1,535,427	$ 1,535,427	$ 1,385,540	$ 1,385,540
Financial Liabilities					
Financial liabilities measured at amortized cost					
Accounts payable and accrued liabilities	25c	$ (1,517,141)	$ (1,517,141)	$ (1,918,969)	$ (1,918,969)
Long-term debt	19	(1,314,991)	(1,325,647)	(673,925)	(680,446)
Senior Notes (1)	19	(3,983,910)	(3,167,023)	(3,979,924)	(3,372,736)
Obligations under finance lease	20	(43,932)	(55,349)	(50,803)	(64,006)
		(6,859,974)	(6,065,160)	(6,623,621)	(6,036,157)
Financial liabilities measured at fair value through profit or loss (FVTPL)					
Held-for-trading derivatives that are not designated in hedge accounting relationships	25d	(75,820)	(75,820)	(23,409)	(23,409)
		(75,820)	(75,820)	(23,409)	(23,409)
Derivative instruments in designated hedge accounting relationships	25d	(32,456)	(32,456)	(44,656)	(44,656)
		(32,456)	(32,456)	(44,656)	(44,656)
		$ (6,968,250)	$ (6,173,436)	$ (6,691,686)	$ (6,104,222)

(1) Total fair value of the various Senior Notes is estimated using their last traded prices as at June 30, 2015.

When drawn, bank debt bears interest at a floating rate accordingly; the fair value approximates the carrying value.

Due to the short-term nature of cash and cash equivalents, accounts receivable and other current assets and accounts payable and accrued liabilities, their carrying values approximate their fair values.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The following table summarizes the Company's financial instruments that are carried or disclosed at fair value in accordance with the classification of fair value input hierarchy in *IFRS 7 Financial Instruments - Disclosures*.

As at June 30, 2015:

	Quoted prices in active markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at Fair Value				
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ -	$ 1,701	$ -	$ 1,701
Derivative instruments in designated hedge accounting relationships	-	853	-	853
Financial assets at FVTOCI				
Investments in equity instruments	$ 870	$ -	$ 6,150	$ 7,020
Other Assets				
Loan to Bicentenario	$ -	$ 24,743	$ -	$ 24,743
OCENSA receivable	-	10,375	-	10,375
Financial liabilities at Fair Value				
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ -	$ (75,820)	$ -	$ (75,820)
Derivative instruments in designated hedge accounting relationships	-	(32,456)	-	(32,456)
Other liabilities				
Long-term debt	$ -	$ (1,325,647)	$ -	$ (1,325,647)
Senior notes	(3,167,023)	-	-	(3,167,023)
Obligations under finance lease	-	(55,349)	-	(55,349)

As at December 31, 2014:

	Quoted prices in active markets	Significant Observable Inputs	Significant Unobservable Inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at Fair Value				
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ -	$ 20,737	$ -	$ 20,737
Derivative instruments in designated hedge accounting relationships	-	38,869	-	38,869
Financial assets at FVTOCI				
Investments in equity instruments	$ 13,774	$ -	$ 6,150	$ 19,924
Other Assets				
Loan to Bicentenario	$ -	$ 41,992	$ -	$ 41,992
OCENSA receivable	-	10,375	-	10,375
Financial liabilities at Fair Value				
Held-for-trading derivatives that are not designated in hedge accounting relationships	$ -	$ (23,409)	$ -	$ (23,409)
Derivative instruments in designated hedge accounting relationships	-	(44,656)	-	(44,656)
Other liabilities				
Long-term debt	$ -	$ (680,446)	$ -	$ (680,446)
Senior notes	(3,372,736)	-	-	(3,372,736)
Obligations under finance lease	-	(64,006)	-	(64,006)

The Company uses Level 1 inputs, being the last quoted price of the traded investments, to measure the fair value of its financial assets at FVTOCI.

(Unaudited, U.S.$ thousands, except share and per share amounts or unless otherwise stated)

The Company uses Level 2 inputs to measure the fair value of its risk management contracts. The fair values of these contracts are estimated using internal discounted cash flows based upon forward prices and quotes obtained from counterparties to the contracts, taking into account the credit worthiness of those counterparties or the Company's credit rating when applicable.

The Company uses Level 3 inputs to measure the fair value of certain investments that do not have an active market.

Valuation Techniques

The foreign currency forward contracts are measured based on observable spot exchange rates, and the yield curves of the respective currencies, as well as the currency basis spreads between the respective currencies. The credit risks associated with the counterparties and the Company are estimated based on observable benchmark risk spreads.

Commodity risk management contracts are measured at observable spot and forward of crude oil prices.

Investment in unquoted ordinary shares that have no observable market data are valued at cost.

26. Supplemental Disclosure on Cash Flows

Changes in non-cash working capital are as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Decrease (increase) in accounts receivables	$ 190,500	$ (34,677)	$ 139,088	$ (58,543)
(Increase) decrease in income taxes receivable	(17,982)	84,265	(39,628)	45,610
(Decrease) increase in accounts payable and accrued liabilities	(200,040)	46,818	(476,340)	(35,478)
Increase in inventories	(1,342)	(5,685)	(3,901)	(13,026)
(Decrease) increase in income taxes payable	(45,150)	(111,770)	54,982	(56,654)
Decrease (increase) in prepaid expenses	3,099	286	(2,528)	1,316
	$ (70,915)	$ (20,763)	$ (328,327)	$ (116,775)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Cash income taxes paid	$ 50,324	$ 46,838	$ 77,849	$ 95,288
Cash interest paid	10,534	94,731	82,045	125,838
Cash interest received	1,814	788	2,427	1,684

27. Subsequent Events

On July 24, 2015 the Company received $50 million in relation to the prepaid forward sale agreement signed on June 30, 2015.

28. Comparative Financial Statements

The comparative consolidated financial statements have been reclassified from the ones previously presented to conform to the presentation of the current consolidated financial statements.