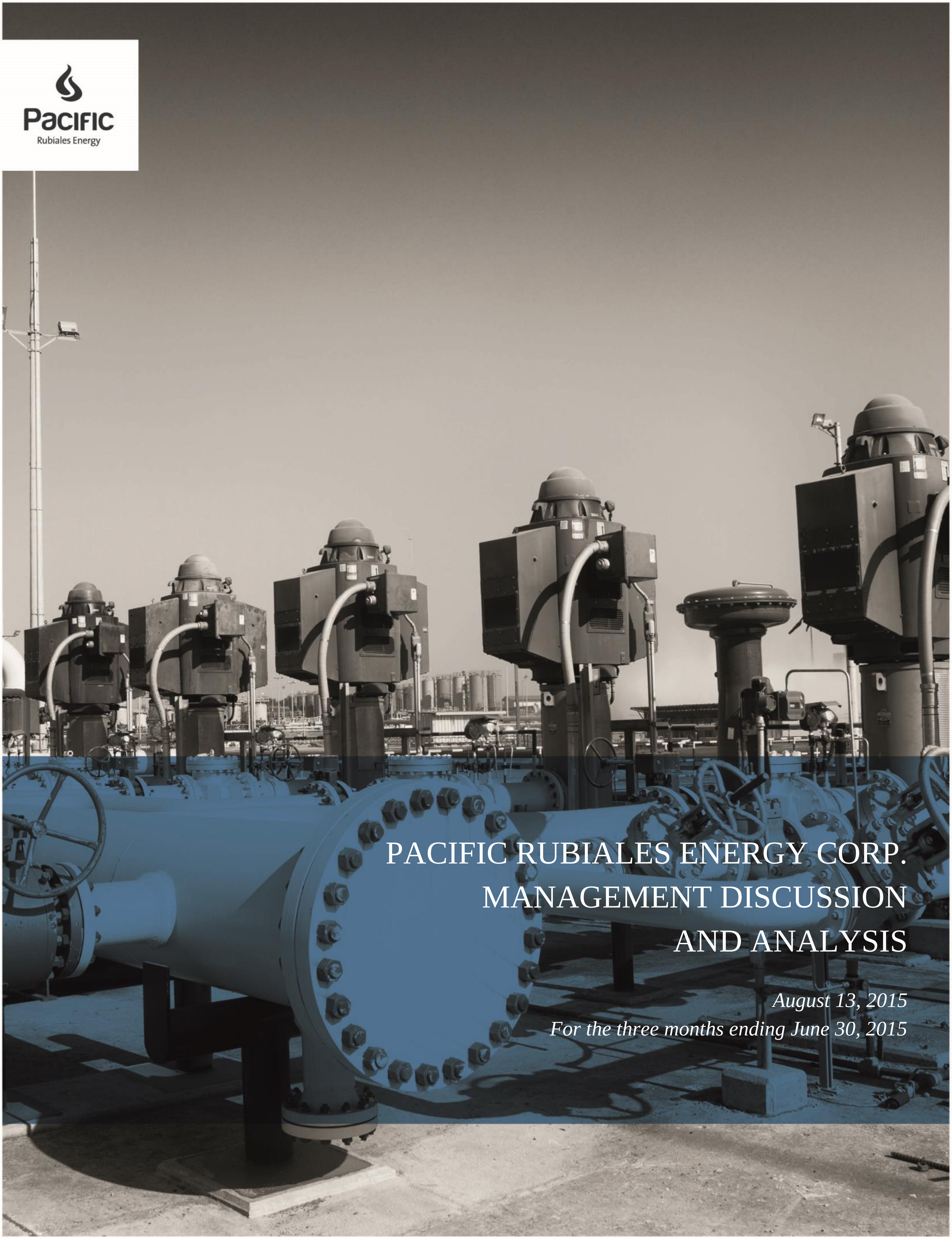

PACIFIC RUBIALES ENERGY CORP. MANAGEMENT DISCUSSION AND ANALYSIS

August 13, 2015

For the three months ending June 30, 2015

MESSAGE TO SHAREHOLDERS

During the second quarter of 2015, international oil prices have continued to pose difficult challenges for the industry. However, as you will see from our results, we at Pacific Rubiales have been very successful in executing upon the Company's strategy delivering competitive results in this tough environment.

Through a combination of sustainable cost reduction, focused investment and maintenance of production levels, the Company is adapting to the low oil price environment. We have put in place prudent financial measures and the Company has commenced a liability management strategy that will prepare the Company for any foreseeable challenges ahead.

Consistent with our first quarter results, I am pleased to tell you that the plans that we executed in late 2014 and early 2015 to align the Company's operations with the low oil price environment continue to deliver results. You will see in the second quarter results that the Company has maintained its drive to reduce G&A and cash operating costs. While these reductions do not fully offset the significant drop in oil prices since late 2014, they do set up the base upon which to build the Company's profitability through the remainder of 2015 and beyond within foreseeable oil price scenarios.

The Company is well advanced in its liability management strategy. We expect to close the sale of our remaining equity interest in Pacific Midstream during the third quarter, which will have a significant impact in our financial results and liquidity. Also, we continue our process of strategic non-core divestures, namely, the sale of our equity interest in Puerto Bahía and in the longer term the farm-out of part of our exploration portfolio. Focusing on high value assets will allow us to optimize our use of resources.

For production, in the second quarter of 2015, we have achieved volumes from our assets in Colombia and Peru of 152,428 boe/d. Production continues to be on track with our internal plans and above our 2014 exit rate of approximately 150,000 boe/d.

The Company continues to focus its production portfolio on light and medium oil assets. Exploration discoveries that were made in 2014 in the Colombian foothills continue to provide near-term production growth. In addition, we have confirmed the potential of the offshore Brazil Kangaroo discovery and announced a second potentially similar oil discovery nearby at the Echidna prospect. The modest exploration activity in 2015 has so far identified a number of other light oil prospects similar to the discoveries already made and, more importantly, our program is evaluating new light oil development drilling locations that should allow production growth to continue well into 2016.

For the second quarter of 2015, we earned revenues of $703 million and generated $307 million in Adjusted EBITDA and $168 million in funds flow from operations. Our operating netback for the quarter was $32.64/boe, benefitting from reduction of total costs and the strengthening of realized prices.

We continued to streamline our operations and achieved further cost reductions during the quarter, with underlying operating costs of $23.71/boe and total operating costs (including overlift and other costs) of $21.08/boe, compared with $21.16/boe and $26.72/boe, respectively, for the first quarter of 2015. Further cost savings are still possible through 2015, due to the restructuring of work processes and the impact of the weakening Colombian Peso.

As you know, during the second quarter, the Company received an offer from ALFA, S.A.B. de C.V. ("**ALFA**") and Harbour Energy Ltd. ("**Harbour Energy**") for the acquisition of all of the outstanding common shares of the Company. At the request of ALFA and Harbour Energy, the offer was later terminated with no further obligations by the Company to ALFA and Harbour Energy, including any termination/break fee or expense reimbursement. Throughout this process, we have maintained our long-term focus on the fundamentals of the Company and delivery of value to all of our Shareholders.

As we continue through this challenging year, it is clear that forecasting an accurate guidance for prices is difficult. Instead, we shall focus on updating our 2015 operational outlook: we expect average production for the year of 150 to 156 Mboe/d, representing 1% to 5% growth over 2014 production levels; realized prices to be approximately equal to the WTI benchmark price; expected operating costs will continue to reflect the reductions made by the Company and averaging $24 to $26/boe, with G&A costs of $200 million financing costs of $270 million and cash taxes of $100 million. Consistent with our objectives, capital expenditures and cash flow are expected to be balanced for the year as we preserve cash on our balance sheet.

In summary, while maintaining focus in production levels and necessary exploration activity, our financial and capital strategy remains focused on maintaining a healthy balance sheet by: (1) maintaining reduced operating and G&A costs; (2) reducing capital expenditures to match cash flow under the prevailing oil price environment; (3) allocating capital to the most material and highest return projects; (4) maintaining liquidity; (5) hedging adequate volumes of our production volume; and (6) implementing strategic liability management initiatives; which are all aimed at ensuring funding for future growth and generating strong returns to our Shareholders.

These are difficult times globally for the oil industry, but we are sure that the Company can weather the storm and continue to move forward with a judicious use of our resources and efficient use of our technical expertise. We are prepared for the long-term as well as for the opportunities before us and any challenges that may emerge.

Ronald Pantin
Chief Executive Officer
August 13, 2015

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Legal Notice – Forward-Looking Information and Statements

Certain statements in this Management's, Discussion and Analysis (“**MD&A**”) constitute forward-looking statements. Often, but not always, forward-looking statements use words or phrases such as: “expects,” “does not expect” or “is expected,” “anticipates” or “does not anticipate,” “plans” or “planned,” “estimates” or “estimated,” “projects” or “projected,” “forecasts” or “forecasted,” “believes,” “intends,” “likely,” “possible,” “probable,” “scheduled,” “positioned,” “goal,” “objective” or state that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated levels of production, the estimated costs and timing of the Company’s planned work programs and reserves determination, involve known and unknown risks, uncertainties and other factors which may cause the actual levels of production, costs and results to be materially different from estimated levels of production, costs or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption “Risks and Uncertainties.” Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there maybe other unforeseen factors that create costs to the Company’s program and results may not be as anticipated, estimated or intended.

Statements concerning oil and gas reserve estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the oil and gas that will be encountered if the property is developed. The estimated values disclosed in this MD&A do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

For more information please see the Company's Annual Information Form, dated March 17, 2015, which is available at www.sedar.com.

This MD&A is management’s assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying Interim Condensed Consolidated Financial Statements and related notes for the three months ending June 30, 2015 and 2014. The preparation of financial information is reported in United States dollars and is in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), unless otherwise noted. All comparative percentages are between the quarters ending June 30, 2015 and June 30, 2014 unless otherwise noted.

In order to provide shareholders with full disclosure relating to potential future capital expenditures, the Company has provided cost estimates for projects that in some cases are still in the early stages of development. These costs are preliminary estimates only. The actual amounts are expected to differ and these differences may be material. For further discussion of the significant capital expenditures, see “Capital Expenditures” on page 15.

Additional information with respect to the Company, including the Company’s quarterly and annual financial statements and the Annual Information Form has been filed with Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com, SIMEV at www.superfinanciera.gov.co/web_valores/Simev, and on the Company’s website at www.pacificrubiales.com. Information contained in or otherwise accessible through our website does not form a part of this MD&A and is not incorporated by reference into this MD&A.

This MD&A was prepared originally in the English language and subsequently translated into Spanish. In the case of differences or discrepancies between the original and the translated version, the English document shall prevail and be treated as the governing version.

1 Highlights for the Second Quarter of 2015

Financial and Operating Summary

(in thousands of US$ except per share amounts or as noted)	Q2 2015	Q1 2015	Q2 2014
Operating Activities			
Average sales volumes (boe/d)	**143,225**	180,086	155,027
Average oil and gas sales (boe/d)	**132,417**	164,562	146,408
Average trading sales (bbl/d)	**10,808**	15,524	8,619
Average net production (boe/d)	**152,428**	152,650	149,118
Average net production oil (bbl/d)	**144,455**	144,094	138,756
Average net production gas (boe/d)	**7,973**	8,556	10,362
Combined price ($/boe)	**53.72**	49.45	94.95
Combined netback ($/boe)	**32.64**	22.73	62.76
Combined operating cost ($/boe)	**21.08**	26.72	32.19
Capital expenditures	**185,043**	226,034	510,233
Financials			
Oil and gas sales ($)	**$ 702,733**	$ 799,848	$ 1,344,666
Adjusted EBITDA (1)	**307,265**	269,573	721,572
Adjusted EBITDA margin (Adjusted EBITDA/Revenues)	**44%**	34%	54%
Per share - basic ($) (2)	**0.98**	0.86	2.30
Funds flow from operations (1)	**168,546**	156,883	531,649
Funds flow from operations margin (Funds flow from operations/Revenues)	**24%**	20%	40%
Per share - basic ($) (2)	**0.54**	0.50	1.70
Net (loss) earnings from operations before impairment and exploration expenses	**(101,949)**	(138,932)	337,505
Net (loss) earnings (3)	**(226,377)**	(722,256)	228,527
Per share - basic ($) (3)	**(0.72)**	(2.31)	0.73

1. See "Additional Financial Measures" on page 30.
2. The basic weighted average numbers of common shares for the quarter ending June 30, 2015 and 2014 were 313,255,053 and 313,581,537, respectively.
3. Net (loss) earnings attributable to equity holders of the parent.

Breakdown of Oil & Gas and Trading Results

	Q2 2015			Q2 2014		
	Oil & Gas	**Trading**	**Total**	**Oil & Gas**	**Trading**	**Total**
Volume sold (boe/d)	**132,417**	**10,808**	**143,225**	**146,408**	**8,619**	**155,027**
Average Realized Price ($/boe)	**53.72**	**56.29**	**53.92**	**94.95**	**101.53**	**95.32**
Financial Results (in thousands of US$)						
Revenues	**647,367**	**55,366**	**702,733**	**1,265,033**	**79,633**	**1,344,666**
Cost of operations oil & gas	**254,025**	**52,747**	**306,772**	**428,986**	**79,223**	**508,209**
Production and purchase cost of barrels sold	107,270	52,747	160,017	209,884	79,223	289,107
Transportation cost (trucking and pipeline) (1)	156,040	-	156,040	185,637	-	185,637
Diluent cost	22,466	-	22,466	27,093	-	27,093
Other costs (Royalties paid in cash)	15,767	-	15,767	19,047	-	19,047
Overlift/Underlift	(47,518)	-	(47,518)	(12,675)	-	(12,675)
Gross margin	**393,342**	**2,619**	**395,961**	**836,047**	**410**	**836,457**

1. For the second quarter of 2015, transportation cost on a boe basis includes the Company´s $10 million share of the income from equity investments in the ODL and Bicentenario pipelines. Refer to Note 16 of the Interim Condensed Consolidated Financial Statement for additional details.

Second Quarter 2015 Highlights

Operational

- Average daily net production after royalties was 152,428 boe/d in the second quarter of 2015, remaining stable in comparison with 152,650 boe/d in the previous quarter. This was a 2% increase compared to 149,118 boe/d for the second quarter of 2014, and was within the Company's guidance (150,000-160,000 boe/d).
- For 2015, net production from the Rubiales field has been relatively flat with only modest levels of low-cost activities having been undertaken. The Company continues to optimize wells and facilities to maximize production while minimizing capital expenditures in advance of the permit approval related to the end users of Agrocascada processed water. Rubiales field production was 36% of the total second quarter 2015 net production.
- At the Quifa SW field, net production increased to 29,906 bbl/d during the second quarter of 2015, 94 bbl/d higher than the first quarter of 2015 and 33% higher than the same period of 2014, in part from the tie-in of additional producing wells and from the impact of lower oil prices on the high-price royalty ("**PAP**").
- At the CPE-6 block, year-to-date production from eight appraisal wells has averaged approximately 1,270 bbl/d (total gross production). Given the current low oil price environment, the Company has temporarily suspended drilling and appraisal work in the block and will review that decision pending partner discussions and approvals in the second half of the year.
- During the second quarter of 2015, the Autoridad Nacional de Licencias Ambientales ("**ANLA**") officially started the environmental licencing process for Quifa North, Quifa North West and Curito field. The Company is expecting to obtain the Quifa Exploitation Licences during the second half of 2015.
- In June 2015, the Puerto Bahía natural gasoline tank facilities became operational, allowing the storage of 334 Mbbls of natural gasoline at lower costs. This achievement will result in further reductions of dilution costs.

Financial

- Revenue decreased to $703 million from the first quarter of 2015 due to a lower volume sold (a result of timing of cargo shipments); this, was offset by a $4.27 increase in the average combined sales price. Average oil and gas sales (including trading) for the second quarter of 2015 were 143,225 boe/d, 8% lower compared with 155,027 boe/d for the same period of 2014, and 20% lower than 180,086 boe/d in the first quarter of 2015.
- Combined operating netback on oil and gas for the second quarter of 2015 was $32.64/boe, 44% higher than the $22.73/boe in the first quarter of 2015. The increase was attributable to the reduction in total operating costs of $11.11/boe (including over/under lifts and other costs) to $21.08/boe in comparison with the same quarter of 2014 and the $5.64/boe reduction from the first quarter of 2015, as well as the impact from higher realized prices. The average realized price for the quarter was $53.72/boe, higher than the $49.45/boe for the first quarter of 2015.
- G&A expenses decreased to $51.1 million in the second quarter of 2015 from $54.9 million in the first quarter of 2015 and from $90.1 million in the second quarter of 2014 as all non-essential spending and activities were suspended in light of the precipitous decrease in oil prices. This is aligned with the cost-reduction initiatives and guidance announced by the Company earlier in the year.

- Adjusted EBITDA for the second quarter of 2015 was $307.3 million and Funds Flow was $168.5 million. Adjusted EBITDA and Funds Flow were higher by 14% and 7%, respectively, compared with the prior quarter.
- Net loss for the second quarter of 2015 was $226.4 million, reflecting the significant impact from crude oil price reductions. Other non-cash items affecting earnings included depletion, depreciation and amortization ("**DD&A**"), risk management expenses and unrealized foreign exchange losses.
- Total capital expenditures decreased to $185.0 million in the second quarter of 2015 compared with $226.0 million in the first quarter of 2015 and $510.2 million in the second quarter of 2014. The Company announced earlier in the year that 2015 capital expenditures would be significantly reduced to approximately match cash flow, with spending mainly focused on high-impact and low-risk development work.

Exploration

- Three exploration wells (including stratigraphic and appraisal wells) were drilled in the quarter and resulted in one discovery and the confirmation of two other previous discoveries.
- Exploration successes primarily located in the Central and Deep Llanos in Colombia have added approximately 9,120 bbl/d of light oil production in the past six months, compensating for the decrease in production from the Rubiales field.
- A new discovery in Brazil at Echidna-1 confirmed the presence of hydrocarbon accumulations in the salt-flank structure known as the Echidna Prospect.

Balance Sheet Management

- The Company received $150 million during the quarter as a partial prepayment under a crude oil forward sale agreement for the delivery of six million barrels of crude oil over a six-month period starting in October 2015. The final prices on the volumes delivered will be determined based on the benchmark prices at the time of delivery.
- The Company has entered into an uncommitted receivables purchase agreement for a maximum amount of $110 million, which provides potential liquidity to the Company. The discount to be applied on the receivables ranges between LIBOR+0.8% and LIBOR+1.4%. As of August 12, 2015, the Company has not used this facility.

2 Operating Netbacks

Our operating costs continued decreasing in the second quarter of 2015 as a result of strategies for streamlining production costs and optimizing field operations, as well as the depreciation of the Colombian peso against the U.S. dollar.

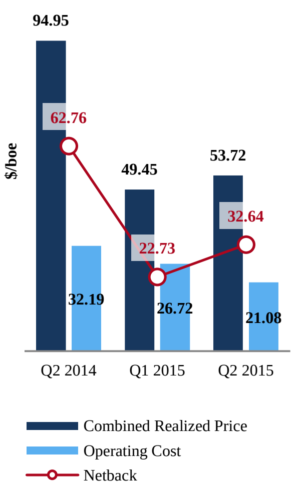
Oil & Gas Operating Netback

Combined operating netbacks during the three months ending June 30, 2015 and March 31, 2015 are summarized below.

	Three Months Ending June 30			Three Months Ending March 31		
	2015			2015		
	Crude Oil	Natural Gas	Combined	Crude Oil	Natural Gas	Combined
Average daily volume sold (boe/day)[1]	**124,416**	**8,001**	**132,417**	**155,967**	**8,595**	**164,562**
Operating netback ($/boe)						
Crude oil and natural gas sales price	55.04	33.34	53.72	50.38	32.48	49.45
Production cost of barrels sold [2]	9.33	2.23	8.90	8.55	3.23	8.28
Transportation (trucking and pipeline) [3]	13.73	0.85	12.95	11.75	0.82	11.18
Diluent cost	1.98	-	1.86	1.80	-	1.70
Total operating cost	**25.04**	**3.08**	**23.71**	**22.10**	**4.05**	**21.16**
Other costs [4]	0.70	0.07	0.66	0.95	(0.07)	0.90
Royalties paid in cash	0.56	2.05	0.65	0.51	1.40	0.55
Overlift/Underlift [5]	(4.20)	0.10	(3.94)	4.34	(0.08)	4.11
Total operating cost including overlift/underlift, royalties paid and other costs	**22.10**	**5.30**	**21.08**	**27.90**	**5.30**	**26.72**
Operating netback crude oil and gas ($/boe)	**32.94**	**28.04**	**32.64**	**22.48**	**27.18**	**22.73**

1. Combined operating netback data is based on weighted average of daily volume sold, which includes diluents necessary for the blending of heavy crude oil and excludes oil for trading volumes.
2. Cost of production mainly includes lifting cost and other direct production costs such as fuel consumption, outsourced energy, fluid transport (oil and water) and personnel expenses, among others.
3. Includes the transport costs of crude oil and gas through pipelines and tank trucks incurred by the Company when taking the products to the delivery points for customers. For the second quarter of 2015, transportation cost included the Company's share of the income from equity investments in the ODL and Bicentenario pipelines.
4. Other costs mainly correspond to inventory fluctuation, storage cost, the net effect of the currency hedges of operating expenses incurred in Colombian pesos during the period, and external road maintenance at the fields.
5. Corresponds to the net effect of the overlift position of $48 million income during the second quarter of 2015 ($61 million expense for the second quarter of 2014).

COMBINED OPERATING NETBACK



During the second quarter of 2015, the combined crude oil and gas operating netback was $32.64/boe compared with $22.73/boe for the first quarter of 2015. Crude oil operating netback was $32.94/bbl, 46% higher compared with the first quarter of 2015 ($22.48/bbl). The increase in netback during the second quarter of 2015 was mainly the result of a decrease in overlift/underlift.

During the quarter, the average combined realized price increased to $53.72/boe from $49.45/boe in the first quarter of 2015, primarily due to the increase in crude oil prices from an average of $50.38/bbl to $55.04/bbl. Natural gas prices also increased slightly, from an average of $32.48/boe in the first quarter of 2015 to $33.34/boe in the current quarter.

Total operating costs decreased from $26.72/boe in the first quarter to an average of $21.08/boe in the current quarter. Operating costs, including production, transportation, and dilution costs, increased to $23.71/boe during the quarter from $21.16/boe in the first quarter of 2015. The increased unit cost in the quarter is a result of lower sales volumes compared with the previous quarter. During this period, there was also a disruption of the Bicentenario Pipeline for 44 days; in order to dispose of the displaced volumes, the Company negotiated operational capacities in different pipeline systems as well as spot sales in the domestic market. This increase was mitigated by a decrease in other costs and a turnaround of overlift/underlift.

Combined operating netbacks for the second quarter of 2015 and 2014 are summarized below:

	Three Months Ending June 30					
	2015			2014		
	Crude Oil	Natural Gas	Combined	Crude Oil	Natural Gas	Combined
Average daily volume sold (boe/day)(1)	**124,416**	**8,001**	**132,417**	**136,108**	**10,300**	**146,408**
Operating netback ($/boe)						
Crude oil and natural gas sales price	55.04	33.34	53.72	99.76	31.33	94.95
Production cost of barrels sold (2)	9.33	2.23	8.90	16.71	3.17	15.75
Transportation (trucking and pipeline) (3)	13.73	0.85	12.95	14.99	0.02	13.93
Diluent cost	1.98	-	1.86	2.19	-	2.03
Total operating cost	**25.04**	**3.08**	**23.71**	**33.89**	**3.19**	**31.71**
Other costs (4)	0.70	0.07	0.66	0.27	-	0.25
Royalties paid in cash	0.56	2.05	0.65	1.07	2.55	1.18
Overlift/Underlift (5)	(4.20)	0.10	(3.94)	(1.01)	(0.15)	(0.95)
Total operating cost including overlift/underlift, royalties paid and other costs	**22.10**	**5.30**	**21.08**	**34.22**	**5.59**	**32.19**
Operating netback crude oil and gas ($/boe)	**32.94**	**28.04**	**32.64**	**65.54**	**25.74**	**62.76**

Notes: Refer to the operating netback table on page 5.

During the second quarter of 2015, the combined crude oil and gas operating netback was $32.64/boe, $30.12/boe lower compared with the same period of 2014 ($62.76/boe). Crude oil operating netback was $32.94/bbl, $32.60/bbl lower than the second quarter of 2014 ($65.54/bbl). The lower netback was entirely attributable to the decline in crude oil market prices, which resulted in the lower realized prices of $53.72/boe on a combined basis for the second quarter of 2015 compared with $94.95/boe in the same period of 2014. At the same time, the Company achieved a significant reduction in total operating costs (including over/under lifts and other costs) of $11.11/boe to $21.08/boe. Reductions in field costs were achieved through a number of initiatives such as new fuel supply arrangements to reduce field consumption costs, prioritizing of projects and work schedules, and streamlining the workforce.

Trading Netback

Crude oil trading	Three Months Ending June 30		March 31
	2015	2014	2015
Average daily volume sold (bbl/d)	**10,808**	**8,619**	**15,524**
Operating netback ($/bbl)			
Crude oil traded sales price	56.29	101.53	48.34
Cost of purchases of crude oil traded	53.63	101.01	45.82
Operating netback crude oil trading ($/bbl)	**2.66**	**0.52**	**2.52**

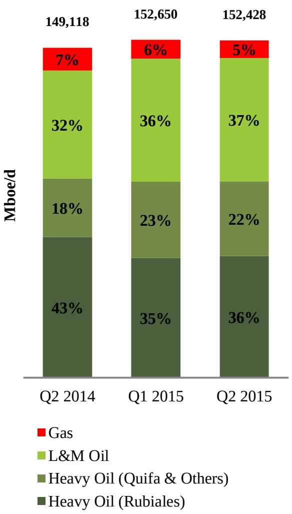
During the second quarter of 2015, the total volume of oil sold for trading increased to 0.98 MMbbl from 0.78 MMbbl in the same period of 2014. In terms of average daily volume and netback, we sold 10,808 bbl/d during the second quarter of 2015 at a netback of $2.66/bbl compared with 8,619 bbl/d in the same period of 2014 with a netback of $0.52/bbl.

The nature of our oil for trading business is opportunistic and often depends on the capacity available under our pipeline transportation agreements after our own use. Our ability to acquire crude oil for trading purposes allows us to utilize any such available capacity and sell at a positive margin to more than offset any take-or-pay fees paid. Furthermore, our trading business brings two additional benefits. First, the light and medium crude being traded acts as a diluent for our heavy oil produced, helping to reduce our overall diluent cost. Second, by maximizing the volume transported under our take-or-pay agreements with the pipelines, we improve our marketing and bargaining position with respect to export cargoes. We expect our trading volumes to continue at these levels or grow in 2015, particularly if the Bicentenario pipeline is able to continue to operate at a high level of utilization. In addition, our market-leading position in Colombia continues to provide us with access to third-party light and medium crude oil supplies.

3 Operational Results

We have significantly increased our light and medium oil production since 2013 through targeted acquisitions and exploration discoveries.

NET PRODUCTION AFTER ROYALTIES



Production and Development Review

During the second quarter of 2015, net production after royalties and internal consumption totalled 152,428 boe/d, which represented an increase of 2% from the average net production of 149,118 boe/d reported in the same period of 2014 and remained stable in comparison with the previous quarter.

We have significantly increased our light and medium oil production through targeted acquisitions and exploration discoveries. Light and medium net oil production increased 14% from the second quarter of 2014 and remained stable compared with the first quarter of 2015, at 55,783 bbl/d. Light and medium oil production now represents 37% of total net oil and gas production, while production from the Rubiales field represented 36% of the quarter's total net production, down from 43% for the same period in 2014.

The following table highlights the average daily production from all of the Company's producing fields located in Colombia and Peru:

Second Quarter 2015 Production

	Average Production (in boe/d)						
	Total field production		Gross share before royalties [1]		Net share after royalties		
Producing fields - Colombia	**Q2 2015**	**Q2 2014**	**Q2 2015**	**Q2 2014**	**Q2 2015**	**Q1 2015**	**Q2 2014**
Rubiales / Piriri	163,815	189,055	68,697	79,353	54,958	53,987	63,482
Quifa SW [2]	56,192	54,607	33,367	32,520	29,906	29,812	22,543
	220,007	**243,662**	**102,064**	**111,873**	**84,864**	**83,799**	**86,025**
Other fields in Colombia							
Light and medium [3]	59,117	53,540	56,229	49,734	52,249	52,731	46,217
Gas [4]	8,788	11,235	7,973	10,362	7,973	8,556	10,362
Heavy oil [5]	5,844	6,453	3,989	4,226	3,808	4,708	3,973
	73,749	**71,228**	**68,191**	**64,322**	**64,030**	**65,995**	**60,552**
Total production Colombia	**293,756**	**314,890**	**170,255**	**176,195**	**148,894**	**149,794**	**146,577**
Producing fields in Peru							
Light and medium	7,592	5,188	3,534	2,541	3,534	2,856	2,541
	7,592	**5,188**	**3,534**	**2,541**	**3,534**	**2,856**	**2,541**
Total production Colombia and Peru	**301,348**	**320,078**	**173,789**	**178,736**	**152,428**	**152,650**	**149,118**

1. Share before royalties is net of internal consumption at the field and before PAP at the Quifa SW field.
2. The Company´s share before royalties in the Quifa SW field is 60% and decreases in accordance with a high-price clause (PAP) that assigns additional production to Ecopetrol, S.A. ("**Ecopetrol**").
3. Mainly includes Cubiro, Cravoviejo, Casanare Este, Canaguaro, Guatiquia, Casimena, Corcel, CPI Neiva, Cachicamo, Arrendajo and other producing fields. Also includes the interest in the Cubiro field acquired from LAEFM Colombia Ltda. ("**LAEFM**") effective April 1, 2014 pursuant to a transaction that closed on August 12, 2014, which produced at 3,626 bbl/d. Subject to approval from Ecopetrol and the Agencia Nacional de Hidrocarburos ("**ANH**"), if applicable, the Company is in the process of divesting its participation in the Moriche, Las Quinchas, Guasimo, Chipalo and Cerrito blocks.
4. Includes La Creciente, Dindal / Rio Seco, Abanico, Cerrito, Carbonera and other producing fields.
5. Includes Cajua, Sabanero, CPE-6, Rio Ariari, Prospecto S and Prospecto D fields.
6. Includes 515 bbl/d of production that were in the Company's possession as of June 30, 2015, in respect to the receivable outstanding from BPZ Resources Inc. ("**BPZ**").

Colombia

Net production after royalties in Colombia rose to 148,894 boe/d (293,756 boe/d total field production) in the second quarter of 2015 from 146,577 boe/d (314,890 boe/d total field production) in the same quarter of 2014, and remained stable compared with the first quarter of 2015. This year, production quarter over quarter was relatively unchanged in both heavy and light/medium oil but light/medium oil production was up year over year, offsetting the decline in total heavy oil production.

Production growth was offset by a 13% decrease in net production at the Rubiales field in comparison with the same period of 2014. Production reductions at the mature Rubiales field were primarily due to restricted water disposal capacity as a result of delays in the permitting of the Agrocascada water irrigation project.

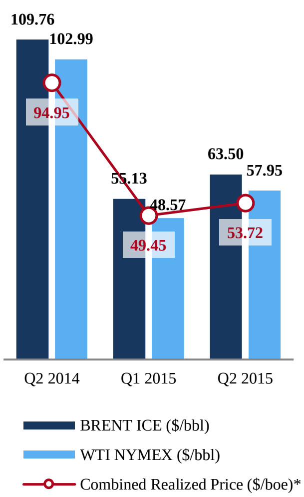
Peru

Production from Peru corresponds to the 49% participating interest in block Z-1 and a 30% working interest in the Los Angeles discovery in block 131. Net production after royalties for the second quarter of 2015 was 3,534 bbl/d with net production from block 131 increasing by 631 bbl/d but being offset by a decrease from block Z-1 by 112 bbl/d compared with the second quarter of 2014.

Sales, Trading and Pricing

The following table highlights the average daily crude oil and gas produced and available for sale, the trading volumes sold, and the respective realized and international prices:

PRICES



** Excluding Trading*

	Average Volume of Sales and Prices		
Colombia and Peru	**Q2 2015**	**Q2 2014**	**Q1 2015**
Oil (bbl/d)	127,738	136,108	157,885
Gas (boe/d)	8,001	10,300	8,595
Trading (bbl/d)	10,808	8,619	15,524
Total barrels sold (boe/d)	146,547	155,027	182,004
Sales from E&E assets (boe/d) (1)	(3,322)	-	(1,918)
Net barrels sold (in boe/d)	143,225	155,027	180,086
Realized Prices			
Oil realized price ($/bbl)	55.04	99.76	50.38
Gas realized price ($/boe)	33.34	31.33	32.48
Combined realized price oil and gas $/boe (excluding trading)	53.72	94.95	49.45
Trading realized price ($/bbl)	56.29	101.53	48.34
Reference Market Prices			
WTI NYMEX ($/bbl)	57.95	102.99	48.57
ICE BRENT ($/bbl)	63.50	109.76	55.13
Guajira Gas Price ($/MMBtu) (2)	5.08	3.97	5.08
Henry Hub average Natural Gas Price ($/MMBtu)	2.74	4.58	2.81

1. Includes sales from exploration and evaluation assets.
2. The domestic natural gas sales price is referenced to Market Reference Price ("**MRP**") for gas produced in La Guajira field. Reference: Official circulars 002 and 090 of 2014, Energy and Gas Regulatory Commission ("**CREG**").

During the second quarter of 2015, oil and gas sales totalled 143,225 boe/d, representing a decrease of 8% in comparison with 155,027 boe/d in the same period of 2014. In addition, the Company paid an overlift of approximately 1 MMbbl in the quarter.

In the second quarter of 2015, prices improved in comparison with the first quarter of 2015 but remained below the second quarter 2014 average. According to the U.S. Energy Information Administration ("**EIA**"), several factors contributed to higher prices including continued signals of higher global oil demand growth, expectations for declining U.S. tight oil production in the coming months, and the growing risk of unplanned supply outages in the Middle East and North Africa.

During the second quarter of 2015, the price of WTI NYMEX increased by $9.38/bbl (19%) to average $57.95/bbl compared with the average of $48.57/bbl in the first quarter of 2015. Likewise, the ICE BRENT price increased by $8.37/bbl (15%) to $63.50/bbl from $55.13/bbl in the first quarter of 2015.

When compared with the second quarter of 2014, the price of WTI NYMEX decreased by $45.04/bbl (44%) to average $57.95/bbl; the average was $102.99/bbl in the second quarter of 2014. Similarly, the price of ICE BRENT decreased by $46.26/bbl (42%) to $63.50/bbl from $109.76/bbl in the second quarter of 2014.

Exploration Review and Update

During the second quarter of 2015, the Company drilled or was a partner in one exploration well and two appraisal wells in Brazil, Colombia and Peru. All wells encountered economic hydrocarbons, for an overall success rate of 100% for the period and 86% year to date. A new discovery in the Santos Basin, Brazil was represented by the Echidna-1 exploration well, drilled by Karoon Petróleo e Gás Ltda. ("**KPGL**"), the block operator. The two appraisal wells were drilled in the Deep Llanos in Colombia and in the Ucayali Basin in Peru. The gross accumulated production of these wells, Avispa-3ST and Los Angeles 2CD, are 363,782 bbl and 17,668 bbl, respectively (356,506 bbl and 5,300 bbl net).

	Three Months Ending June 30		Six Months Ending June 30	
	2015	2014	2015	2014
Successful exploratory wells	1	1	4	3
Successful appraisal wells (1)	2	6	5	13
Successful stratigraphic wells	-	1	-	1
Dry wells	-	1	2	8
Total	**3**	**9**	**11**	**25**
Success rate	**100%**	**89%**	**82%**	**68%**

1. Includes horizontal appraisal well.

Update on Wells Drilled During the Second Quarter of 2015

Brazil

Blocks S-M-1165 and S-M-1102, Santos Basin: 35% Interest

On March 31, 2015, the Olinda Star semi-submersible rig completed mobilization to block S-M-1102, in the Santos Basin and spudded the Echidna-1 exploration well. Drilled to a planned total depth ("**TD**") of 7,805 feet rotatory table, in the Paleocene and Maastrichtian section the well intersected a gross oil column approximately 699 feet thick (341 feet net pay) as interpreted from wireline data. A mini DST performed with wireline MDT recovered 39.5° API oil with GOR 750 cf/bbl. A production flow test (DST) of two Paleocene reservoir intervals was conducted in May. The flow test was for 27 hours and produced a facility-constrained stabilized flow rate of 4,650 bbl/d from the Paleocene reservoir intervals with a flowing well-head pressure of 504 psi on a 1" choke. Oil samples recovered during the test were measured at 38.6° API oil with a gas-oil ratio of 701 scf/stb; the test had no measurable CO2, H2S, sand or water production. Following a 72-hour shut-in period, the well was flowed for 7.5 hours at high drawdown rates, achieving a stabilized rate of 4,650 bbl/d with no CO_2, H_2S, water or sand production. The positive Echidna-1 DST production test confirmed the Echidna Discovery and confirmed that the quality of Paleocene reservoir in Echidna is better than observed anywhere else in the Santos acreage.

Peru

Block 131: 30% Interest

The Los Angeles-2CD, operated by CEPSA, well began drilling on March 6, 2015, and reached TD of 7,503 feet MD (5,613 feet TVDSS) on April 3, 2015, in the Upper Sarayaquillo Formation. The bottom hole location of the Los Angeles-2CD well is 1,070 metres south of the Los Angeles-1X discovery well. Petrophysical evaluation of open-hole logs indicated the presence of 43 feet of net pay (81 feet gross reservoir sand) in the Upper Cushabatay Formation and confirms an extension of the pool beyond the Los Angeles-2CD location to the south. Since testing commenced on April 29, 2014, the well has produced 19 Mbbl of 45° API oil. During the initial four days flow test period, pressure interference was observed at Los Angeles-1X, confirming the continuity of this pool. A maximum oil rate of 792 bbl/d with a BSW of 0.05% was achieved on natural flow with a choke size of 16/64".

The Los Angeles-1X discovery well extended production test continues and has produced over 522 Mbbl of 45° API oil since discovery. During the second quarter of 2015, the well was equipped with an ESP. Over the period, it produced an average of 1,481 bbl/d of 45° API oil with 2.8% BSW and 25 Mcf/d. As of June 30, 2015, the well was producing 3,365 bbl/d oil with a BSW of 0.02%.

Long-term testing of Los Angeles-Noi 3X has produced over 196 Mbbl of 45° API oil. A maximum oil rate of 3,267 bbl/d was achieved with an ESP and a choke size of 128/64".

Block Z-1, Offshore Peru: 49% Interest

During the second quarter of 2015, three additional intervals in the A-27D well between 12,178 feet and 12,810 feet were opened to production in the MZB and MZC sandstones. These intervals contributed 172 bbl/d of oil, 66 bbl/d of water and 631 Mcf/d of gas, with a WHP of 242 psi. Based on the results of this production, the Company is preparing a workover to increase the production rates in the well.

Colombia

Guatiquía Block: 100% Interest

During the second quarter of 2015, the Avispa -3ST well was completed in the Lower Sand 1. Since April 15, 2015, the well has produced over 364 Mbbl of 20.1° API oil at an average rate of 4,724 bbl/d with a 0.6% BSW and GOR of 60 scf/bbl through a 2-inch choke and an electro-submersible pump operating at 45 Hz.

Corcel Block: 100% Interest

The Espadarte-2 appraisal well began drilling on March 26, 2015, and reached a total depth of 12,840 feet MD in the Gacheta Formation on April 24, 2015.

In the Lower Guadalupe, 12 feet of potential petrophysical pay within a 17-foot gross interval with no evidence of fluid contact was calculated. This is correlatable and consistent with results seen at the Espadarte-1 well. This interval recovered 24° API oil in an MDT flow test with 77% watercut and is expected to be completed and tested during the third quarter of 2015. The Zural-1 well began drilling on June 7, 2015, and reached a total depth of 12,779 feet MD in the Gacheta formation on July 6, 2015. Zural-1 is located about 1 kilometre from the Espadarte 1 well on separate structural closure. In the Lower Sands interval, petrophysical evaluation suggests the presence of 30 feet of net potential pay. In the Lower Guadalupe, 17 feet of net potential pay was encountered. Testing of these two zones began on July 19, 2015.

Guama Block: 100% Interest

On April 10, 2015, the Pedernalito-1X well began its second extended test (66 days total) with an average 1.3 MMcf/d of gas, 35 bbl/d of 62° API condensate and no water cut on a 12/64" choke. Starting June 14, 2015, the Cotorra-1X well tested jointly for 24 days with Pedernalito-1X, ending July 7, 2015. Over this period, total output averaged 1.5 MMcf/d, 38 bbl/d of 62º condensate and no water cut, of which 0.4 MMcf/d and 12 bbl/d of 64º API condensate were produced by Cotorra -1X and 1.1 MMcf/d and 27 bbl/d of 64ºAPI condensate were produced by Pedernalito-1X on average.

Papua New Guinea

For licences PPL-475 and PRL-39, the block operator is InterOil Corporation. In the second quarter of 2015, they completed a 247 kilometre 2D seismic survey and started a 700-kilometre airborne gravity gradiometry ("**AGG**") survey on the PPL-475 and PRL-39 licences that is expected to be finished in October 2015. Both activities represent exploration commitments for these two licenses.

In May, 2015, the Triceratops-3 well commenced drilling. It is expected to be completed in August this year and will reach a TD of 2,020 metres (TVDRT). The Triceratops-3 well is pursuing a potential carbonate build-up within an independent mapped closure of 12 km^2. At the end of the quarter the well was at 459 metres (1,505.5 feet).

Farm-in and Farm-out Transactions and Acquisitions

Evaluation of New Business Opportunities

The Company continues identifying and evaluating business opportunities in different countries.

During the second quarter of 2015, the Company continued with the analysis and assessment of the current opportunities available given the energy reform in Mexico. The Company has a specialized technical team focused on Bid Round-1.

Farm-out Offering Portfolio Optimization

During 2014, the Company identified which blocks did not fit with the corporate strategy. In January 2015, an offering process was initiated with interested parties. In August 2015, the Company expects to receive and evaluate the bidding offers for two producing fields and four exploration blocks.

4 Financial Results

Revenues

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Net crude oil and gas sales	$ 647,367	$ 1,265,033	$ 1,379,679	$ 2,452,204
Trading revenue	55,366	79,633	122,902	175,915
Total Revenue	**$ 702,733**	**$ 1,344,666**	**$ 1,502,581**	**$ 2,628,119**
$ per boe oil and gas	53.72	94.95	51.36	94.18
$ per bbl trading	56.29	101.53	51.62	101.27
$ Total average revenue per boe	**$ 53.92**	**$ 95.32**	**$ 51.39**	**$ 94.63**

Following is an analysis of the revenue drivers of price and volume for the second quarter of 2015 in comparison with the same period of 2014:

	Three Months Ending June 30 2015	2014	Difference	% Change
Total of boe sold (Mboe)	13,033	14,107	(1,074)	-8%
Avg. combined price - oil & gas and trading ($/boe)	53.92	95.32	(41.40)	-43%
Total Revenue	**702,733**	**1,344,666**	**(641,933)**	**-48%**

Drivers for the revenue increase:		
Due to volume	$ (102,368)	16%
Due to price	(539,565)	84%
	$ (641,933)	

Revenues for the second quarter of 2015 were $703 million, 48% lower than the same quarter of 2014, which had revenues of $1,345 million. This decrease is the result of lower volume sold (a result of timing of cargo shipments) and lower realized oil prices.

Revenues for the six months ending June 30, 2015, were $1,503 million, 43% lower than the same period of 2014, which had revenues of $2,628 million. This decrease is the result of the significant decrease in global oil prices.

Operating Costs

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Production cost of barrels sold	$ 107,270	$ 209,884	$ 229,829	$ 407,845
Per boe	8.90	15.75	8.56	15.66
Transportation cost (1)	156,040	185,637	321,564	362,031
Per boe (1)	12.95	13.93	11.97	13.90
Diluent cost	22,466	27,093	47,709	61,212
Per boe	1.86	2.03	1.78	2.35
Other cost	7,981	3,326	21,319	4,223
Per boe	0.66	0.25	0.79	0.16
Royalties paid in cash	7,786	15,721	15,952	31,228
Per boe	0.65	1.18	0.59	1.20
Overlift/Underlift	(47,518)	(12,675)	13,287	(61,535)
Per boe	(3.94)	(0.95)	0.49	(2.36)
Operating cost	**$ 254,025**	**$ 428,986**	**649,660**	**$ 805,004**
Average operating cost per boe	**$ 21.08**	**$ 32.19**	**$ 24.18**	**$ 30.91**
Take-or-pay fees on disrupted transport capacity Bicentenario	27,492	24,794	30,277	53,704
Per boe	2.28	1.86	1.13	2.06
Trading purchase cost	52,747	79,223	116,763	174,376
Per bbl	53.63	101.01	49.05	100.39
Total Cost	**$ 334,264**	**$ 533,003**	**$ 796,700**	**$ 1,033,084**

1. For the second quarter of 2015, transportation cost on a boe basis includes the Company´s $10 million share of income from equity investments in the ODL and Bicentenario pipelines. Refer to Note 16 of the Interim Condensed Consolidated Financial Statements for additional details.

Total operating costs for the second quarter of 2015 were $334 million, which includes the Company’s $10 million share of income from equity investments in the ODL and Bicentenario pipelines and $27 million in net take-or-pay fees paid to Oleoducto Bicentenario de Colombia S.A.S. (“**Bicentenario**”) when the capacity was not available due to security issues.

Operating costs were lower by $199 million from $533 million in the same period of 2014. The reduction in costs resulted from cost optimization strategies adopted as a response to the lower oil price environment.

In addition, trading purchase costs decreased from $79 million to $53 million in the second quarter of 2015 compared with the second quarter of 2014 due to lower market prices during the period.

Depletion, Depreciation and Amortization

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	**2015**	**2014**	**2014**	**2013**
Depletion, depreciation and amortization	$ 397,739	$ 382,703	$ 804,158	$ 758,345
$/per boe sales (own production)	33.01	28.72	29.94	29.13

DD&A costs for the second quarter of 2015 were $398 million compared to $383 million in the same period of 2014. The increase of 4% is primarily due to an increase in production. Unit DD&A for the second quarter of 2015 was $33.01/boe, 15% higher than the $28.72/boe for the second quarter of 2014.

Impairment

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	**2015**	**2014**	**2015**	**2014**
Impairment	$ -	$ -	$ 448,967	$ -

At the end of each reporting period, the Company assesses whether there is any indication from external and internal sources of information, that an asset or cash generating unit’s (“**CGU**”) and goodwill may be impaired. Information the Company considers includes changes in the market, the economic and legal environment in which the Company operates, and other factors that are not within the Company’s control and that may affect the recoverable amount of oil & gas, the value of exploration and evaluation properties, and goodwill. During the six months ending June 30, 2015, the Company, as a result of updated assumptions including oil and gas prices, discount rates, hydrocarbon reserves and resources, production, and costs, recorded a total after-tax impairment charge of $411 million.

General and Administrative Costs

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	**2015**	**2014**	**2015**	**2014**
General and administrative costs	$ 51,104	$ 90,090	$ 106,009	165,304
$/per boe sales	3.92	6.39	3.63	5.95

General and administrative (“**G&A**”) costs decreased to $51 million in the second quarter of 2015 from $90 million in the same period of 2014, mainly due to the adoption of cost optimization initiatives. G&A per boe decreased by $2.47/boe to $3.92/boe from $6.39/boe in the second quarter of 2014.

As part of its strategy to adapt to the lower price environment, the Company initiated significant cost-cutting measures at the end of 2014 that carried through to early 2015. This is expected to significantly decrease the overall level of G&A in 2015 as compared with 2014.

Finance Costs and Foreign Exchange

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Finance costs	$ 78,117	$ 64,655	$ 156,975	$ 126,150

Finance costs include interest on the Company's bank loans, senior notes, revolving credit facilities, working capital loans, finance leases, and fees on letters of credit, net of interest income received. For the second quarter of 2015, finance costs totalled $78 million compared with $65 million in the same period of 2014. The increase in finance costs was mainly due to the issuance of additional senior unsecured notes in September 2014 and revolving credit drew down.

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Foreign exchange (loss) gain	$ (5,414)	$ 13,644	$ (41,194)	$ 11,869

The U.S. dollar is the Company's functional currency. Foreign exchange gains or losses primarily result from the movement of the Colombian peso ("**COP**") against the U.S. dollar. A significant portion of the Company's operating and capital expenditures, as well as assets and liabilities, are denominated in COP. During the second quarter of 2015, the COP depreciated against the U.S. dollar by 0.35% as compared with an appreciation of 4.2% during the same period of 2014. Foreign exchange loss for the second quarter of 2015 was $5.4 million compared with a gain of $13.6 million in the same period of 2014. The foreign exchange loss for the second quarter of 2015 was mainly due to unrealized foreign exchange translation losses from the translation of COP-denominated balances into the U.S. dollar.

Income Tax Expense

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Current income tax	$ (12,000)	$ (109,185)	$ (30,193)	$ (260,235)
Deferred income tax	64,158	69,788	103,845	71,380
Total income tax expense	**$ 52,158**	**$ (39,397)**	**$ 73,652**	**$ (188,855)**
$ per boe	4.00	(2.79)	2.52	(6.80)

The Canadian statutory combined income tax rate was 26.5% for the second quarter of 2015 and 2014.

The Colombian statutory tax rate for the second quarter of 2015 was 39% (2014: 34%), which includes the 25% general income tax rate and the fairness tax ("**CREE**") of 14% (2014: 9%). The Colombian Congress enacted new corporate tax rates for Colombian source income that are set to 39% in 2015, 40% in 2016, 42% in 2017, and 43% in 2018. As of January 1, 2019, the corporate tax rate will be reduced back to 34%. In addition, Congress introduced a temporary new wealth tax that accrues on net equity as of January 1, 2015, 2016, and 2017 at 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 will not, in the current year, make an accrual for future years, pursuant to IAS 37 and IFRIC 21. The 2015 wealth tax payable is $39.1 million.

The Peruvian statutory income tax rate was 28% and 30% for the quarters ending June 30, 2015 and 2014 respectively. The Peruvian income tax rate for block Z-1 was 22% for the quarter ending June 30, 2015 and 2014. The Peruvian government passed major tax reforms on December 31, 2014, including a reduction in the general corporate tax rate to 28% for 2015 and 2016, 27% for 2017 and 2018, and 26% for taxation years 2019 and onwards.

The Company's cumulative effective tax rate (income tax expenses as a percentage of net earnings before income tax) was 28% and the Company is presenting a tax recovery for the second quarter of 2015; the cumulative effective tax rate was 15% for the same period of 2014. The Company's effective tax rate differs from the statutory rate due to:

- Expenses that are not deductible for tax purposes (such as share-based compensation, foreign exchange gains or losses, and other non-deductible expenditures in both Canada and Colombia);
- Corporate expenses that result in tax loss carry-forwards, but for which no deferred tax assets or recovery have been recognized. When the Company has a reasonable expectation to utilize these losses in the future, a deferred tax asset and a corresponding deferred tax recovery may be recognized, which would reduce the income tax expense;

- Foreign currency exchange rate fluctuations. The Company's functional and reporting currency is the U.S. dollar; however, the calculation of the income tax expense is based on income in the currency of the country of origin, i.e., Colombia, where the Company's assets are primarily located. As a result, the tax base of these assets is denominated in COP, and the related deferred tax balances are continually subject to fluctuations in the U.S. - COP exchange rate for IFRS purposes; and
- The depreciation of the COP against the U.S. dollar by 0.35% during the second quarter of 2015, which resulted in an estimated unrealized deferred income tax expense of $21.4 million. In comparison, the Company recorded $52 million of unrealized deferred income tax recovery during the same period of 2014 as a result of the appreciation of the COP against the U.S. dollar by 4%.

Excluding the effect from the above-mentioned foreign exchange fluctuations, the effective tax rate for the Company would be 28% and the Company would have a tax recovery for the three months ending June 30, 2015.

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	2015	2014	2015	2014
Depreciation of the COP against U.S. dollar (%)	(0.4)%	4.2%	(8.1)%	(2.2)%
Net (loss) earnings before income tax	$ (265,463)	$ 267,623	$ (1,011,433)	$ 535,591
Current income tax expense	(12,000)	(109,185)	(30,193)	(260,235)
Deferred income tax recovery as reported	64,158	69,788	103,845	71,380
Total income tax expense as reported	52,158	(39,397)	73,652	(188,855)
Excluding effect from depreciation of COP	21,476	(52,000)	139,143	(15,713)
Total income tax (recovery) expense excluding the above effects	73,634	(91,397)	212,795	(204,568)
Effective tax rate excluding effect of COP revaluation	28.0%	34.2%	21.1%	38.2%

Capital Expenditures

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	2015	2014	2015	2014
Production facilities [(1)]	$ 34,832	$ 107,867	$ 60,483	$ 222,885
Exploration activities [(2)]	47,833	118,559	107,117	252,987
Early facilities and others	1,462	47,662	1,849	69,624
Development drilling	93,331	205,553	213,852	379,405
Other projects	7,585	30,592	27,776	54,241
Total capital expenditures	**$ 185,043**	**$ 510,233**	**$ 411,077**	**$ 979,142**

1. For 2014, includes investment in Maurel & Prom Colombia B.V., in which the Company holds a 49.999% participation.
2. Exploration activities for the second quarter of 2015 include drilling, seismic and other geophysical expenditures in Colombia, Peru, Brazil, Guatemala, Belize, and Papua New Guinea.

Capital expenditures during the second quarter of 2015 totalled $185 million, $325 million lower compared than the $510 million in the same period of 2014. A total of $35 million was invested in the expansion and construction of production infrastructure, primarily in Rubiales, Quifa SW, Cajua, Sabanero and in the block Z-1 fields; $48 million went into exploration activities including drilling, seismic and other geophysical activities in Colombia, Peru, Brazil, Guatemala, Belize and Papua New Guinea; $1 million went into early facilities and others; $93 million went into development drilling; and $8 million was invested in other projects.

In light of the current weak commodity price environment, our capital expenditure programs have been cut back significantly to approximately equal cash flow. Our diversified portfolio of assets has the flexibility and discretionary components to allow us to scale back capital spending while maintaining production growth (See Section 11, "Outlook," – on page 27).

The following table shows the capital expenditures on acquisitions executed during the period.

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	2015	2014	2015	2014
Farm-in Agreement and others [(1)]	$ -	-	$ -	12,500
Total capital expenditures for new acquisitions	**$ -**	**$ -**	**$ -**	**$ 12,500**

1. For the six months ending June 30, 2014, includes the capital expenditures of $12 million to acquire a 50% participating interest in the Tinigua block onshore in Colombia.

Financial Position

Debts and Credit Instruments

The following debts were outstanding as at June 30, 2015.

Senior Unsecured Notes

The Company has a number of senior unsecured notes outstanding with an aggregate principal of $4.1 billion as at June 30, 2015. The senior notes are listed on the Official List of the Luxembourg Stock Exchange and are guaranteed by the Company's main operating subsidiaries. The maturities of the senior notes range from 2019 to 2025 and the interest rates range from 5.125% to 7.25% payable semi-annually.

Pursuant to the indentures governing the Senior Notes, the financial covenant prohibiting the incurrence of additional indebtedness of 3.5 times consolidated debt to Adjusted EBITDA limits the Company's ability to incur additional debt, subject to various exceptions including certain refinancing transactions.

The Senior Notes represent almost 75% of the outstanding debt.

Revolving Credit Facilities

On February 5 and March 13, 2015, the Company drew down $100 million and $900 million respectively from the $1 billion unsecured Revolving Credit and Guaranty Agreement (the "**Revolving Credit Facility**"). Using the proceeds from the draw-down, the Company repaid short-term bank loans in the aggregate principal amount of $383.8 million. As a result of this draw-down and the debt repayment, the Company increased cash on hand by $516.2 million with the next earliest principal repayment not due until October 2016. These funds will be held in cash in order to strengthen the Company's balance sheet.

Under the terms of the Revolving Credit Facility and the Company's other credit facilities, the debt-to-EBITDA covenants are "maintenance-based covenants"; the Company must maintain compliance with the financial metrics in order to avoid default. For practical purposes, these are checked quarterly over a previous twelve-month basis. If at such time, the financial debt ratios are not met, this may result in an acceleration in part or in whole of the indebtedness, restrict the Company's ability to take on additional debt or carry out certain specified M&A operations, subject to various exemptions.

Amendment to the Revolving Credit Facility

On March 3, 2015, the Company agreed with its syndicate of lenders to amend the Revolving Credit Facility. Under the amended terms of the Revolving Credit Facility, the Company's permitted consolidated leverage ratio (debt-to-EBITDA) was increased from 3.5:1.0 to 4.5:1.0 based on a rolling four-quarter average. The other two financial covenants were not amended, being: (1) maintaining an interest coverage ratio of greater than 2.5; and (2) 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. The amendments were supported by 100% of the lending syndicate, which is comprised of 25 international and local banks. Similar amendments have been made to Company's other bilateral credit facilities (collectively, the "**Credit Agreements**") with: (i) Bank of America, N.A.; (ii) Banco Latinoamericano de Comercio Exterior, S.A.; (iii) HSBC Bank USA, N.A.; and (iv) Sumitomo Mitsui Banking Corporation.

The Company was compliant with all 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 billion.

Letters of Credit

As at June 30, 2015, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of approximately $383 million.

Oil Prices Hedging

During the six months ended June 30, 2015, cumulative realized gains from oil price hedging amounted to $17.35 million.

As of June 30, 2015, the Company had oil price derivatives of 21.1 million barrels for the second half of 2015, with floor prices ranging from $55/bbl to $57/bbl for WTI sales and $61/bbl to $63/bbl for Brent sales. In addition, we have hedged 15.4 million barrels of 2016 production. In the second quarter of 2015, the Company significantly increased its hedged volumes while taking advantage of favourable market conditions, particularly the exhaustion of the bullish correction and pronounced contango in the forward curve, to raise and raising the average put levels and narrowing the put/call spread.

Outstanding Share Data

Common Shares

As at August 10, 2015, 316,094,858 common shares were issued and outstanding.

The Company does not have shares subject to escrow restrictions or pooling agreements.

Stock Options and Warrants

As at August 10, 2015, there were no warrants outstanding. 16,691,617 stock options were outstanding, of which all were exercisable. As of May 28, 2014, the Board of Directors committed to no longer granting stock options and instead has implemented a Deferred Share Unit ("**DSU**") Plan for eligible employees.

Deferred Share Units

As at August 10, 2015, there were 7,941,957 DSUs outstanding. The DSUs are cash-settled instruments that track the price of the Common Shares and are payable to eligible participants upon their retirement, resignation or termination from the Corporation.

Liquidity and Capital Resources

Funds flow provided by operating activities for the second quarter of 2015 totalled $168 million (second quarter of 2014: $532 million). The decrease in funds flow in the second quarter of 2015 compared with the same period of 2014 was the result of a decrease in oil prices. The Company has been generating operating cash from the sale of crude oil and natural gas and is anticipating an increase in future production.

As of June 30, 2015, the Company had negative working capital of $38 million, mainly comprised of $725 million in cash and cash equivalents, $696 million in accounts receivable, $48 million in inventory, $222 million in income tax receivable, $8 million in prepaid expenses, $1,517 million in accounts payable and accrued liabilities, $200 million in deferred revenue net proceeds, $2 million in income tax payable, and $18 million in the current portion of obligations under finance lease.

The Company has entered into a six-month crude sales agreement for six million barrels of oil to be delivered in six equal tranches starting in October 2015. The terms of the agreement include an advance upfront payment of $150 million to partially pre-pay the total amount expected by the Company during the crude sale contract. The final prices on the volumes delivered will be determined based on the benchmark prices at the time of delivery.

As announced in early 2015, the Company has adjusted its business plan for 2015 to reflect the lower oil prices and our forecast of operating cash flow for the year. The Company believes it will be able to fund the investment capital plan from internally generated cash flows.

Please refer to "Risk and Uncertainties" on page 33 for details relating to business uncertainties and capital structure.

5 Project Status Review

The following is an update on the current status and working-interest share of costs incurred as of June 30, 2015 for the Company's major projects.

		As of June 30, 2015		
Project	**Project financed by**	**Total cost to complete the project**	**Cost incurred to date**	**Expected future costs to incur**
Bicentenario pipeline	Equity and debt combination	774,970	713,997	60,973
PEL-Power transmission line project	Equity and debt combination	241,600	229,700	11,900
Small-scale LNG project	Equity and debt combination	99,829	65,037	34,792
Water treatment for agricultural development	Equity and debt combination	170,000	123,000	47,000
Puerto Bahia project	Equity and debt combination	246,209	219,126	27,083
OLECAR	Equity and debt combination	164,101	47,898	116,203
		$ 1,696,709	**$ 1,398,758**	**$ 297,951**

Bicentenario Pipeline

As of June 2015, Phase One of the project is completed and approximately 31 MMbbl have been pumped through the pipeline. During the current quarter, the pipeline transported at an average rate of 57 bbl/d. The truck unloading station project in Araguaney reached mechanical completion by the end of June, expanding capacity to 40,000 bbl/d.

PEL – Power Transmission Line Project

The PEL power line commenced operation on January 20, 2014, and as of June 30, 2015, the line has transmitted 1174 MWh to Rubiales and Quifa fields and the ODL pipeline with an availability of 99.9%. As of the date of this report, the Quifa substation is complete and in normal operation. The Jagüey substation has been fully commissioned and will commence operation in August 2015.

Studies were completed on increasing PEL transmission capacity from 192 MW to 262 MW, and the results and solutions were approved by Empresa de Energía de Bogotá and by Unidad de Planeación Minero Energética ("**UPME**"), subject to certain upgrades that must be performed in the national grid prior to implementation. The completion of the project is planned for 2017 and will allow for future development of the Llanos Basin.

Caribbean Floating LNG Project

As of June 2015 and due to the current oil market environment, this project has been deferred.

The Company is working jointly with Exmar NV on options for redeployment of the LNG barge (Caribbean FLNG) to an alternative location.

CPE-6 Block

In September 2008, and as part of the Heavy Oil Round, the CPE-6 block (technical evaluation contract) was awarded to a joint venture made up of the Company (50%) and Talisman (Colombia) Oil & Gas Ltd. (50%), with the Company as operator.

The CPE-6 block covers an area of over 600,000 hectares and is located approximately 70 kilometres to the southwest of the producing Rubiales and Quifa SW heavy oil fields.

In late 2014, Phase 1 facility construction was completed, providing infrastructure to handle 25,000 bbl/d of nominal fluid capacity with a crude oil processing capacity of 8,000 bbl/d of oil. Year-to-date 2015 production from eight appraisal wells has averaged approximately 1,270 bbl/d (total gross production). The Company, together with its partner, are evaluating the start of a new drilling campaign in the block. The Company will analyze the results and confirm the long-term economic and operational viability of CPE-6 as well as its potential development. The blockcontains a large amount of oil in place.

Agrocascada Project: Water Treatment for Agricultural Development

As of June 2015, the construction of the first reverse osmosis water treatment plant was completed. In August 2014, the Company received the ANLA approval for the delivery of water suitable for irrigation. The permitting process for the water concession is in progress with the local environmental authority ("**Cormacarena**").

This project represents an innovative approach for water disposal in Colombia. It brings benefits to oil producers in terms of lowering operating costs and extending the economic life of the oil fields, and is also an excellent example of "shared value" with communities, bringing sustainable development from a social point of view to areas in need of development. In future development, the concept will be replicated by the Company in oil fields with high water production rates.

Agrocascada is expected to be operational in the fourth quarter of 2015 depending on the approval of the pending permits.

Pacific Infrastructure: Puerto Bahía Terminal and Olecar Pipeline

The Company has a 41.65% equity interest in Pacific Infrastructure Ventures Inc. ("**Pacific Infrastructure**"), a private company that is currently developing Puerto Bahía, an oil export terminal located in Cartagena Bay in Colombia. Puerto Bahía will be developed in three phases: (i) 1.7 MMbbl of oil and petroleum product storage capacity, a berthing position for vessels of up to 80K DWT, a truck loading and unloading station with a capacity of up to 30 Mbbl/d and a fixed bridge; (ii) additional storage capacity of up to 3 MMbbl, an additional berthing position for vessels of up to 150K DWT and barge handling facilities with a capacity of up to 45 Mbbl/d; and (iii) a liquids terminal with capacity of up to 4 MMbbl, containers and a berthing platform with a length of 300 metres to handle dry materials.

In May 2015, operations approval from the Minister of Energy and Mines was obtained. The port began operations in June 2015, receiving oil trucks and an oil tanker with 136,000 bbl of Nafta.

As of June 30, 2015, construction activities had progressed as follows: the liquids terminal had reached 91%, the truck loading and unloading station was at 98%, the fixed bridge was 100% complete and the multi-purpose terminal for handling bulk materials had reached 90% completion.

In addition to Puerto Bahía, Pacific Infrastructure is also developing the Olecar pipeline, which will connect Puerto Bahía to the oil pipeline hub at the port of Coveñas, ensuring the uninterrupted supply of crude oil for export. As of the date of this report, the Olecar project has been postponed due to oil market conditions.

6 Commitments and Contingencies

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. For the second quarter of 2015, the new 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 correspond to one hundred percent (100%) of the interest in the blocks; out of that total, PRE estimates that $26 million could be assumed by 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 of the date of this report, 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 is currently in discussion with the ANH with respect to the interpretation of the high-price participation clause in certain exploration contracts. Please refer to "PAP Disagreement with the ANH" on page 28 for details relating to this contingency.

Commitments

As part of the normal course of business, the Company has entered into arrangements that will impact the Company's future operations and liquidity. The principal commitments of the Company are ship-or-pay arrangements on crude oil and gas transportation, asset retirement obligations, debt repayments, service contracts with suppliers in relation to the exploration and operation of oil properties, and engineering and construction contracts, among others.

Disclosures concerning the Company's significant commitments can be found in Note 22 of the Interim Condensed Consolidated Financial Statements. The Company has no off-balance sheet arrangements.

Risk Management Contracts

The Company has entered into derivative financial instruments to reduce the exposure to unfavourable movements in commodity prices, interest rates and foreign exchange rates. The Company has established a system of internal controls to minimize risks associated with its derivative program and does not intend to use derivative financial instruments for speculative purposes.

Disclosures concerning the Company's risk management contracts can be found in Note 25 of the Interim Condensed Consolidated Financial Statements.

7 Related-Party Transactions

According to IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions. The board of directors of the Company has created the New Business Opportunities Committee ("**NBOC**") to review and approve related-party transactions. The NBOC is comprised of the following independent directors: Miguel Rodriguez (Chair), Dennis Mills, and Hernan Martinez. The NBOC is apprised of related-party transactions prior to implementation, engages independent legal counsel as needed, and meets *in camera* to deliberate. The NBOC also reviews the business rationale for each transaction and ensures that the transaction is in compliance with applicable securities laws and the Company's debt covenants.

The Company's internal audit and legal compliance departments also monitor related-party transactions. The audit and legal compliance teams work together to compose a list of potential related parties. This list is cross-referenced against the Company's list of suppliers and other creditors.

The related-party transactions during the current quarter corresponded to the normal course of operations and were measured at fair value, which is the amount of consideration established and agreed to by the related parties and which, in the opinion of management and the NBOC, is considered similar to those negotiable with third parties.

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

a) In October 2012, the Company and 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 ending 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 ending 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 interest in Proelectrica of the Company's and Blue Pacific's 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 ending June 30, 2015 (2014: $4.4 million and $6.9 million). Three directors and officers, as well as an executive officer, of the Company (Serafino Iacono, Miguel de la Campa, Jose Francisco Arata and Laureano von Siegmund) control, or provide investment advice to the holders of, 76% of the shares of Blue Pacific.

c) During the three and six months ending 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 German Efromovich, 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) were due from two directors (Serafino Iacono and Jose Francisco Arata) and seven officers (Carlos Perez, Luis Andres Rojas, Peter Volk, Francisco Bustillos, Luciano Biondi, Jairo Lugo and Marino Ostos) of the Company. The loans are non-interest bearing and payable in equal monthly payments over a 48-month term.

e) The Company has entered into aircraft transportation agreements with Helicopteros Nacionales de Colombia S.A.S. ("**Helicol**"), a company controlled by German Efromovich, a director of the Company. During the three and six months ending 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 ending 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 ending 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 ending 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 of the Interim Condensed Consolidated Financial Statements (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 ending June 30, 2015 (2014: $0.7 million and $1.3 million). Interest of $Nil and $1.3 million was paid on the loans during the three and six months ending June 30, 2015, and capital of $Nil and $17.2 million was paid on the loans in the three and six months ending 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 the Social Development of Available Energy ("**FUDES**"). They both have the objective of advancing social and community development projects in the country. During the three and six months ending 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 receivable (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. The Company's Executive Committee (comprised of Ronald Pantin, José Francisco Arata, Serafino Iacono and Miguel de la Campa) and an officer of the Company (Federico Restrepo) sit on the board of directors of the Pacific Rubiales Foundation.

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

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

   Ronald Pantin, José Francisco Arata, Serafino Iacono, Miguel de la Campa, Laureano von Siegmund and Federico Restrepo are on the board of directors of Pacific Infrastructure. Blue Pacific holds a minority equity interest in Pacific Infrastructure and certain other directors and officers of the Company are individual shareholders.

j) In October 2012, the Company entered into an agreement with Pacific Coal Resources Ltd. ("**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. 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. Hernan Martinez, a director of the Company is Executive Chairman of Pacific Coal and Serafino Iacono, Miguel de la Campa, Jose Francisco Arata, Ronald Pantin and Miguel Rodriguez are directors of Pacific Coal.

k) Blue Pacific provides the Company with passenger air transport services on an as-needed basis. During the three and six months ending 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 (Laureano von Siegmund).

8 Selected Quarterly Information

	2015		2014				2013		
(in thousands of US$)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financials:									
Net sales	$ 702,733	$ 799,848	$ 991,508	$ 1,330,395	$ 1,344,666	$ 1,283,453	$ 1,202,551	$ 1,109,973	$ 1,055,573
Net (loss) earnings attributable to equity holders of the parent for the period	(226,377)	(722,256)	(1,660,876)	3,484	228,527	119,240	140,412	84,013	74,279
Earnings (loss) per share									
- basic	(0.72)	(2.31)	(5.26)	0.01	0.73	0.38	0.43	0.26	0.23
- diluted	(0.72)	(2.31)	(5.26)	0.01	0.72	0.37	0.43	0.26	0.23

9 Accounting Policies, Critical Judgments, and Estimates

New Standards, Interpretations and Amendments Adopted by the Company

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 on or after July 1, 2014.

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

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments 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 on or after July 1, 2014.

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

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

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

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

IAS 24 Related Party Disclosures

This 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.

10 Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators ("**CSA**"), quarterly the Company issues a "Certification of Interim Filings." This Certification requires certifying officers to state that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Control Over Financial Reporting ("**ICFR**").

The Company has established a continuous control testing process with an independent auditor throughout the quarter. The process tests the value of our compliance program by:

- Performing a risk assessment to identify areas of high risk,
- Rationalizing key controls and reviewing and updating matrices,
- Increasing reliance on entity-level and automated application controls, and
- Identifying best practices and process improvement opportunities.

During the second quarter of 2015, 146 controls were tested over the 765 total controls the Company has implemented. The 765 controls will be tested at least once over the year 2015. From this evaluation, the Company concluded that there are no material weaknesses or significant deficiencies in the design and effectiveness of ICFR for the financial quarter ending June 30, 2015.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes:

- Maintaining records that accurately and fairly reflect our transactions;
- Providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements in accordance with IFRS or other applicable, generally accepted accounting principles;
- Providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- Providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

During the quarter ending June 30, 2015, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

11 Outlook

Pacific Rubiales will maintain a strict and disciplined approach for the year. The Company will reduce capital expenditures to approximately match expected cash flow in this lower oil price environment and has the flexibility and further discretionary components to adjust to the external environment. In addition, cost reductions are expected to continue in 2015 through efficiency gains and operational adjustments. The outlook for 2015 was provided as guidance in mid-January 2015 and given the continuing volatility and uncertainty in oil prices, we are retracting it as it is no longer valid. The update to our 2015 outlook is as follows:

- Net production of 150 to 156 Mboe/d, representing approximately 1% to 5% growth over 2014 production levels;
- Realized oil prices of approximately the WTI benchmark (US$/bbl);
- Expected operating costs continuing to reflect the reductions made by the company are now estimated at $24 to $26/boe; and
- G&A costs of $200 million, financing costs of $270 million and cash taxes of $100 million are expected.

12 Further Disclosures

Royalties and High-Price Participation

The current royalty rates for volumes of hydrocarbons produced from the Company's Colombian assets range from 5% to 20%. Royalties on production represent the entitlement of the respective states to a portion of the Company's share of production and are recorded using rates in effect under the terms of existing contracts and laws applicable at the time of hydrocarbon discovery. In Colombia, royalties for oil may be payable in kind while royalties for gas are payable in cash. During the second quarter of 2014, the ANH requested the Company to pay in cash the royalties related to the condensate of La Creciente field and the crude oil of minor fields operated by the Company. In Peru, royalty calculations for oil range from 5% to 23%, which the government allows companies to pay either in kind or in cash. However, the current practice is to pay the royalties in cash.

Additional Production Share in the Quifa SW Field

The Company's share of production after royalties in the Quifa SW field is 60%. However, this participation may change monthly as a function of the PAP formula stipulated in the Quifa Association Contract. Starting in April 2014, the Company initiated the delivery of the additional PAP production from the Quifa SW field to Ecopetrol. In addition, during the second half of 2014, the Company agreed to deliver to Ecopetrol approximately 6,500 bbl/d to settle the accumulated PAP prior to the final arbitration decision (previously recorded as a financial provision in the Company's financial statements beginning at the end of 2012). During the first quarter of 2014, the Company fully delivered the remaining balance of prior period-accumulated PAP volumes.

Carrizales Field (Cravoviejo Block)

On April 27, 2014, the exploitation area of the Carrizales field reached five million barrels in accumulated production of oil, activating the ANH rights on additional PAP pursuant to the E&P Cravoviejo contract. According to the contract terms, this additional participation share from Carrizales field is payable either in cash or in kind, and has been accounted for as part of the operating cost for this field.

PAP Disagreement with the ANH

Through various business acquisitions, the Company has secured certain exploration contracts where there existed outstanding disagreements with the ANH relating to the interpretation of the PAP clause. These contracts require PAP 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 exploitation 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 which is 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+4%, whereas the ANH has applied the highest legally authorized interest rate on Colombian peso liabilities, which is over 20%. The amount under discussion with the ANH for another contract is approximately $90 million plus interest.

The Company and the ANH are currently in discussion to further understand the differences in interpretation of these exploration contracts, and expect to resolve these differences within one quarter. 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.

Update on Environmental Permits

Colombia

On April 18, 2015, the ANLA officially started the licencing process for Quifa North. For this licence, the Company successfully concluded a prior consultation process with indigenous communities located in the area of the project. This area is located within the Quifa Association Contract.

On April 28, 2015, the ANLA officially started the licencing process for Quifa North West. For this licence, the Company successfully concluded a prior consultation process with indigenous communities located in the area of the project. This area is located within the Quifa Association Contract.

On June 10, 2015, the ANLA officially started the licencing process for Curito field. This area is located within the Casanare Este E&P Contract.

Peru

For block 135, in April 2015, the Environmental Authorities approved the Reference Terms ("**TdR**") and Citizen Participation Plan ("**PPC**") of the Environmental Study ("**EIA**") in progress, and EIA-related field activities have started.

Delisting from Brazil

The Company remains committed to growing its business in Brazil; however, because of the low trading volume of its BDRs on the BOVESPA, the Company announced on October 10, 2014 its intention to delist its BDRs from the BOVESPA. On February 2, 2015, the Company submitted its formal application to delist the BDRs and cancel the BDR program to the CVM and BOVESPA and received the applicable approvals from the CVM and BOVESPA on March 17, 2015.

13 Additional Financial Measures

This report contains the following financial terms that are not considered in IFRS: Adjusted EBITDA, Net Earnings from Operations, and Funds Flow from Operations. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS financial measures are included because management uses this information to analyze operating performance, leverage and liquidity. Therefore, these measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

a) *Adjusted EBITDA*

The Company uses the financial measure "Adjusted EBITDA" in this MD&A, whereas in the past we have used the term EBITDA. Our calculation of this measure has not changed from previous quarters, but the terminology has changed due to guidance provided by the Ontario Securities Commission. Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt, and fund future capital expenditures. The exclusion of non-cash and one-time items eliminates the impact on the Company's liquidity and normalizes the result for comparative purposes. Other issuers may calculate Adjusted EBITDA differently.

A reconciliation of Net Earnings to Adjusted EBITDA follows:

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	2015	2014	2015	2014
Net (loss) earnings	**$ (226,377)**	**$ 228,527**	**$ (948,633)**	**$ 347,767**
Adjustments to net (loss) earnings				
Income tax (recovery) expense	(52,158)	39,397	(73,652)	188,855
Foreign exchange loss (gain)	5,414	(13,644)	41,194	(11,869)
Finance cost	78,117	64,655	156,975	126,150
Loss (gain) on risk management contracts	68,470	2,530	68,637	(1,325)
(Gain) loss of equity-accounted investees	(13,901)	1,660	(31,354)	(15,403)
Other expenses	25,414	14,681	46,984	35,150
Share-based compensation	11,475	1,364	13,561	3,091
Equity tax	-	-	39,149	-
Gain (loss) attributable to non-controlling interest	13,072	(301)	10,852	(1,031)
Depletion, depreciation and amortization	397,739	382,703	804,158	758,345
Impairment	-	-	448,967	-
Adjusted EBITDA	**$ 307,265**	**$ 721,572**	**$ 576,838**	**$ 1,429,730**

b) *Funds Flow from Operations*

	Three Months Ending June 30		Six Months Ending June 30	
(in thousands of US$)	2015	2014	2015	2014
Cash flow from operating activities	$ 97,311	$ 510,886	$ 196,257	$ 888,483
Changes in non-cash working capital	(70,915)	(20,763)	(328,327)	(116,775)
Deferred revenue net proceeds	(320)	-	199,155	-
Funds flow from operations	**$ 168,546**	**$ 531,649**	**$ 325,429**	**$ 1,005,258**

c) *Net Earnings from Operations*

(in thousands of US$)	Three Months Ending June 30 2015	Three Months Ending June 30 2014	Six Months Ending June 30 2015	Six Months Ending June 30 2014
Net (loss) earnings	$ (226,377)	$ 228,527	$ (948,633)	$ 347,767
Finance costs	78,117	64,655	156,975	126,150
(Gain) loss of equity-accounted investees	(13,901)	1,660	(31,354)	(15,403)
Equity tax	-	-	39,149	-
Foreign exchange loss (gain)	5,414	(13,644)	41,194	(11,869)
Loss (gain) on risk management contracts	68,470	2,530	68,637	(1,325)
Other expenses	25,414	14,681	46,984	35,150
Income tax (recovery) expense	(52,158)	39,397	(73,652)	188,855
Gain (loss) attributable to non-controlling interest	13,072	(301)	10,852	(1,031)
Net (loss) earnings from operations	**$ (101,949)**	**$ 337,505**	**$ (689,848)**	**$ 668,294**

14 Sustainability Policies

As part of our expanding sustainability strategy, the Company released its sixth Annual and Sustainability Report in May 2015. Among our most important achievements are:

Relationships with Ethnic Groups

At Pacific Rubiales, we recognize the existence of ethnic groups in our direct areas of influence, and we also understand that in the framework of our relationships with our stakeholders, ethnic groups have special considerations that must be taken into account at all stages of our engagement.

Purchase of Local Goods and Services

In line with our corporate strategic framework, our supply chain must ensure that we can achieve sustainable growth that involves shared value principles with our environment and minimization of risks inherent to supply. Therefore, when developing commercial relationships with companies located in the local regions of our operations, we seek to identify supply sources that are closer in proximity in order to be more efficient with logistical costs.

We currently have a Corporate Policy for Treatment of the National Offer for Goods and Services, which promotes the participation of local suppliers and contractors in the purchasing and contracting processes of the Company, keeping in mind suitability, competitiveness and efficacy.

Successful Results in Environmental Licencing Processes

In 2014, we attained a success rate of 80% in environmental licencing and in the approval of management measures, which provided viability for the Company's projects.

Disclosure of our Tax Strategy

Our tax strategy consists of supporting the Company's sustainable growth by making efficient decisions, optimizing costs, and complying with applicable tax legislation. Our strategy is aligned with our business vision, our Sustainability Policy, and our Code of Conduct. It also:

- Complies with tax obligations towards our stakeholders and the competent authorities in each country of operation.
- Establishes policies and procedures to guarantee a comprehensive tax strategy that provides proper management of the associated risk.
- Promotes engagement processes with tax authorities in our countries of operations based on corporate policies.

Recognition in Communications and Reputation

- 2014 STEVIES Prize: Won for internal communication of the year, bronze level, for the "Shared Value, Building Prosperity Together" campaign.
- 2014 EIKON Argentina Prize, Category: Internal Event "Pacific – because of you and for you." Won for the design and implementation of internal communication strategies focused on the strengthening of our corporate identity through our partners' understanding of our value chain and their participation in activities of interest.
- Within three years (2012 to 2014), we became the second most reputable oil company in Colombia. Merco.
- We are #1 in social responsibility in the ranking of the companies that implement the most effective social responsibility policies. Cifras & Conceptos.
- We are #6 in the ranking of the most sustainable companies in Colombia. Invamer Gallup and Revista Dinero.
- We are #9 among the ten most sustainable companies in Colombia. In two years we climbed 40 spots in the ranking. Merco.
- We are #12 among the 20 most admired companies in Colombia according to 200 business people. Invamer Gallup.
- We are among the top ten companies in which Colombians ages 17-26 want to work in Colombia. Empleo.com.
- During 2014, there were 8,000 news stories about Pacific, 90% of which were positive. 600 were related to sustainability issues.

15 Risks and Uncertainties

The business, operations and earnings of the Company could be impacted by the occurrence of risks of all kinds, including financial, operational, technological and political, that might affect the oil and gas industry generally or the Company specifically. The Company's Annual Information Form, filed in March 17, 2015, and available at www.sedar.com, contains a complete discussion of the risks and uncertainties that could have an effect on the business and operations of the Company.

Operational and financial performance are exposed to the fluctuations of WTI prices and foreign exchange

The Company is exposed to the uncertainty of the financial and economic global environment, and certain risks like liquidity and price volatility may affect the cash flow required to finance the growth of our business. In addition to the cash it generates, the Company uses debt instruments and has implemented hedging activities on WTI and foreign exchange to protect part of the capital at risk to ensure operational sustainability and to confront extreme situations in a challenging economic environment for short periods of time. Prolonged periods of low WTI prices or rising costs could result in projects being delayed or cancelled or in a charge for impairment that could have a significant effect on our operational and financial results. The Company believes that it has the operational and financial flexibility to weather the current low price oil and gas environment in which it operates.

The Company will continue to monitor its working capital balances and commitments as changing economic and risk conditions emerge. As announced in early 2015, the Company has adjusted its business plan for 2015 to reflect the lower oil prices and our forecast of operating cash flow for the year. The Company believes it will be able to fund the investment capital plan from internally generated cash flows.

Business Uncertainties and Capital Structure

The Company's financial position has been significantly impacted by the significant decline in the price of oil and the pending loss of production from the Rubiales Field in June, 2016. The Company has significant financial obligations, a working capital deficiency, and will face difficulties and challenges financing any Mexican assets independently given current industry and economic conditions.

The Company's current debt structure and limited access to additional financing due to restrictions associated with the terms of its long-term debt arrangements create material uncertainties that may cast doubt on the Company's ability to access capital.

On March 3, 2015, the Company agreed with its syndicate of lenders to amend the Revolving Credit Facility. Under the amended terms of the Revolving Credit Facility, the Company's permitted consolidated leverage ratio (debt-to-EBITDA) was increased from 3.5:1.0 to 4.5:1.0 based on a rolling four-quarter average. The other two financial covenants were not amended, being: (1) maintaining an interest coverage ratio of greater than 2.5; and (2) 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. The amendments were supported by 100% of the lending syndicate, which is comprised of 25 international and local banks. Similar amendments have been made to the Credit Agreements. The Company was compliant with all the covenants during the second quarter, including: (1) interest coverage ratio of 5.45; (2) debt-to-adjusted EBITDA ratio of 3.45; and (3) net worth of $1.115 billion.

Efficiency and cost control are necessary to assure competitiveness

In this time of high volatility in the market, efficiency and cost control are key to business success. The Company's costs need to be managed in an efficient manner for capital and operational expenditures. Pacific Rubiales is working on several ways to identify the potential for improvements, including analysis to reduce G&A and lifting costs, to be more efficient. The Company is also working on synergies in supply chain management to maximize savings in long term contracts with suppliers in the different countries in which we operate.

Production growth depends on our ability to replace proved oil and gas reserves

The medium-term production growth plan requires adding reserves to replace production and increase the proved reserves and resources. The risks associated with this growth plan include:

- Disagreements in the joint venture agreements with our partners to achieve our goals,
- High competition for attractive resources acquisitions,
- Renew and reposition of opportunities portfolio to enhance recovery, and
- Delays to obtain environmental permits.

Mitigation activities include a plan of reserves incorporation through exploration, acquisitions, enhanced oil recovery, and negotiations with governments and other stakeholders with a diverse portfolio in terms of country and geological risk. In addition, capital projects for production and transportation systems are planned to be continuously executed.

Major water disposal projects delivery

Successful execution of water disposal requires, among other things, the existence and availability of the necessary technology, engineering resources, and environmental licences to increase production in the Llanos Basin reservoirs. Several projects to manage this increasing volume of water are being initiated.

The nature of our operations exposes us to a wide range of health, safety and environmental risks

Given the geographic range, operational diversity, and technical complexity of our operations, the Company is potentially exposed to Health, Safety and Environment ("**HSE**") risks. The Company has established, among other things:

- Procedures to select and evaluate contractors on their compliance with the Company's HSE guidelines;
- Improvements on and implementation of reliability and maintenance programs for operational facilities and equipment in order to guarantee the integrity of our assets;
- Performance of safety risk assessments on a regular basis in our fields and operational facilities; and
- Emergency Response Plans, in conjunction with partners and other operators in nearby areas, including reacting under simulated hazards.

A common practice in the oil and gas industry is to work with contractors, and the nature of our business and our main production asset means we hire a significant number of contractors. The Company always maintains the highest standards in the industry and exceeds local regulations in order to ensure that we are in compliance with all HSE standards.

The ability to achieve our strategic objectives depends on how we strengthen stakeholder relationships

Keeping strong relationships with its main stakeholders in the regions where the Company operates is a key component of its strategy for sustainable growth. To help address the expectations of stakeholders, the Company has designed a plan that includes social investment projects in order to strengthen the existing Corporate Social Responsibility initiatives in the communities where we operate.

HR attraction, retention and succession planning as one of the core targets of the Company

One of the key success factors for PRE is the people. Attraction and retention of talent are essential to the Company's growth and sustainability, especially in terms of technical personnel and experienced management who can deliver on the needs of the business and answer the challenges that the Company is currently facing.

The nature of our operation exposes us to a wide range of political developments and changes to regulatory environment and law

We have operations in countries where political, economic and social transitions are taking place. These countries have experienced changes to the regulatory environment, changes on taxation, strikes, acts of war and insurrections. All applicable events that may have a significant impact on the Company's activities and results have been identified and analyzed.

Our operations can be exposed to security issues

We operate in different geographies where social or civil unrest or security events may not be within the control of the Company. Our portfolios in these countries can be exposed to these and other events, which may impact our business strategy. In order to minimize the collateral damage of the materialization of these risks the Company has set up plans to protect its assets and people including formal Business Continuity Plans and Crisis Management Plans.

Fraud and corruption control is one of the main objectives of the Company

The Company is committed to working with transparency and with high ethical standards. A strong culture of ethics and transparency has been developed based on the Code of Ethics and Conduct. An assessment of fraud and corruption risk is performed annually according to the guidelines of Canada's Corruption of Foreign Public Officials Act ("**CFPOA**"), and an update of the Prevention of Asset Laundering and Terrorist Financing System was performed. A program covering all employees and contractors for the prevention of money laundering is in place with the objective of strengthening the knowledge of this policy. In addition, in order to enhance the control environment, the Company continuously updates its Delegations of Authority procedures and the Code of Ethics and Conduct.

Our future production growth depends on the delivery of large and complex infrastructure projects

PRE faces many challenges, including uncertain geology, frontier conditions, engineering resources, and restrictive technical, fiscal and regulatory conditions. These challenges are especially relevant when the Company operates in remote areas that require industrial services as well as extensive planning, access roads, production facilities, electrical generation and transmission, treating capacity and disposal of production water, storage and port facilities, and gas compression capacity, among other requirements, in order to deliver timely production in line with the Business Plan.

16 Advisories

Boe Conversion

The term "**boe**" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy.

All of the Company's natural gas reserves are contained in the La Creciente, Guama and other blocks in Colombia as well as in the Piedra Redonda field in block Z-1, Peru. For all natural gas reserves in Colombia, boe's have been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy. For all natural gas reserves in Peru, boe's have been expressed using the Canadian conversion standard of 6.0 Mcf: 1 bbl. If a conversion standard of 6.0 Mcf: 1 bbl was used for all of the Company's natural gas reserves, this would result in a reduction in the Company's net 1P and 2P reserves of approximately 4.2 and 4.7 MMboe, respectively.

Prospective Resources

Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class. Estimates of remaining (un-risked) recoverable resources include prospective resources that have not been adjusted for risk based on the chance of discovery or the chance of development and contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered. Actual recovery is likely to be less and may be substantially less or zero.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that any discovery will be technically or economically viable in order to produce any portion of the resources.

Translation

This MD&A was prepared originally in the English language and subsequently translated into Spanish. In the case of any differences between the English version and its translated versions, the English document shall prevail and be treated as the governing version.

17 Abbreviations

The following abbreviations are frequently used in our MD&A.

1P	Proved reserves (also known as P90)
2P	Proved reserves + Probable reserves.
3P	Proved reserves + Probable reserves + Possible reserves
API	American Petroleum Institute - gravity measure of petroleum liquid
bbl	Barrels
bbl/d	Barrels per day
Bcf	Billion cubic feet
boe	Barrels of oil equivalent
boe/d	Barrels of oil equivalent per day
Btu	British thermal units
Bwd	Barrels of water per day
CBM	Cubic billion metre
DWT	Dead weight tonnage
EPC	Engineering, procurement and construction
ESP	Electro-Submersible Pump
FOB	Free on board
GOR	Gas – Oil Ratio
GDP	Gross Domestic Product
ha	Hectare
km	Kilometres
KWh	Kilowatt Hour
Mbbl	Thousand barrels
Mbbl/d	Thousand barrels per day
Mboe	Thousand barrels of oil equivalent
Mboe/d	Thousand barrels of oil equivalent per day
MMcf/d	Million cubic feet per day
MD	Measured depth
MMbbl	Million barrels
MMbbl/d	Million barrels of oil per day
MMboe	Million barrels of oil equivalent
MMBtu	Million British thermal units
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
MMscf/d	Million standard cubic feet per day
MW	Megawatts
MWh	Megawatts per hour
NGL	Natural gas liquids
OOIP	Original oil in place
Scf	Standard cubic feet
Stb/d	Standard barrels per day
Tcf	Trillion cubic feet
TD	Total depth
TVDSS	True vertical depth below sea level
USGC	US Gulf Coast
WTI	West Texas Intermediate index