



**Interim Condensed Consolidated Financial Statements
(Unaudited)**

For the three and six months ended June 30, 2013 and 2012

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated income statement

(In thousands of U.S. Dollars, except per share information; unaudited)	Notes	Three months ended June 30		Six months ended June 30	
		2013	2012	2013	2012
Oil and gas sales	4	\$ 1,055,573	\$ 1,035,854	\$ 2,314,335	\$ 1,967,704
Cost of operations					
Production and operating costs	5	374,863	404,664	866,574	737,937
Depletion, depreciation and amortization		344,870	227,582	689,950	398,362
General and administrative		76,743	67,167	149,070	123,521
Share-based compensation		405	619	35,937	31,013
Earnings from operations		258,692	335,822	572,804	676,871
Finance costs		(36,608)	(19,751)	(83,847)	(40,332)
Loss from equity investments	16	(187)	(6,862)	(1,819)	(4,105)
Foreign exchange (loss) gain		(15,082)	(4,824)	2,753	(16,773)
(Loss) gain on risk management	24b & c	(537)	42,679	(6,188)	50,599
Other expenses		(24,282)	(1,112)	(20,560)	(2,593)
Net earnings before income tax		181,996	345,952	463,143	663,667
Income tax expense	7	(128,785)	(121,608)	(289,134)	(180,978)
Net earnings for the period		\$ 53,211	\$ 224,344	\$ 174,009	\$ 482,689
Attributable to:					
Equity holders of the parent		57,559	224,344	179,513	482,689
Non-controlling interests		(4,348)	-	(5,504)	-
		\$ 53,211	\$ 224,344	\$ 174,009	\$ 482,689
Basic earnings per share attributable to equity holders of the parent	8	\$ 0.18	\$ 0.76	\$ 0.56	\$ 1.64
Diluted earnings per share attributable to equity holders of the parent	8	\$ 0.18	\$ 0.74	\$ 0.55	\$ 1.59

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of comprehensive Income

		Three months ended June 30		Six months ended June 30	
(In thousands of U.S. Dollars; unaudited)	Notes	2013	2012	2013	2012
Net earnings for the period		\$ 53,211	\$ 224,344	\$ 174,009	\$ 482,689
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods (nil tax effect)					
Foreign currency translation		(22,372)	1,412	(36,834)	22,133
Fair value adjustments on equity investments		-	(36,439)	-	(18,594)
Unrealized (loss) gain on cash flow hedges	24b	(11,122)	13,127	(24,714)	63,274
Realized gain on cash flow hedges transferred to earnings	24b	(399)	(5,323)	(4,950)	(10,392)
		(33,893)	(27,223)	(66,498)	56,421
Total comprehensive income		\$ 19,318	\$ 197,121	\$ 107,511	\$ 539,110
Attributable to:					
Equity holders of the parent		\$ 22,401	\$ 197,121	\$ 112,232	\$ 539,110
Non-controlling interests		(3,083)	-	(4,721)	-
		\$ 19,318	\$ 197,121	\$ 107,511	\$ 539,110

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of financial position

(In thousands of U.S. Dollars; unaudited)		Notes	As at June 30 2013	As at December 31 2012
ASSETS				
Current				
Cash and cash equivalents			\$ 438,774	\$ 243,690
Restricted cash			27,758	21,023
Accounts receivables	24a		662,172	777,143
Inventories	10		125,192	125,043
Income tax receivable			107,160	42,289
Prepaid expenses			3,429	1,922
Risk management assets	24b & c		769	26,390
			1,365,254	1,237,500
Non-current				
Oil and gas properties	11		4,054,223	3,832,780
Exploration and evaluation assets	12		1,036,436	877,437
Intangible assets	14		252,788	118,884
Plant and equipment	13		242,008	83,621
Investments in associates	16		330,741	482,812
Other assets	17		340,954	213,163
Goodwill	15		295,913	240,545
Risk management assets	24c		1,621	270
			\$ 7,919,938	\$ 7,087,012
LIABILITIES				
Current				
Accounts payable and accrued liabilities			\$ 1,233,690	\$ 1,209,333
Risk management liability	24b & c		17,680	3,176
Income tax payable			15,282	258,501
Current portion of long-term debt	18		1,002	7,395
Convertible debenture	18		2,566	2,450
Current portion of obligations under finance lease	20		17,580	20,206
			1,287,800	1,501,061
Non-current				
Long-term debt	18		1,898,028	1,184,561
Obligations under finance lease	20		67,083	75,770
Risk management liability	24b		5,981	-
Deferred tax liability	7		324,712	245,505
Equity tax payable	6		10,999	23,289
Asset retirement obligation	19		96,514	83,228
			3,691,117	3,113,414
EQUITY				
Common shares	22a		2,674,686	2,623,993
Contributed surplus			177,368	157,159
Other reserves			(23,878)	37,899
Retained earnings			1,245,239	1,154,547
Equity attributable to equity holders of the parent			4,073,415	3,973,598
Non-controlling interests			155,406	-
Total Equity			4,228,821	3,973,598
			\$ 7,919,938	\$ 7,087,012

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of changes in equity

For the six months ended June 30, 2013

(In thousands of U.S. Dollars; unaudited)	Note	Attributable to equity holders of parent					Non-controlling		Total
		Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Foreign currency translation	Interests	Equity	
As at December 31, 2012		\$ 2,623,993	\$ 157,159	\$ 1,154,547	\$ 23,580	\$ 14,319	\$ -	\$ 3,973,598	\$ 3,973,598
Net earnings for the period		-	-	121,954	-	-	-	121,954	120,798
Other comprehensive income		-	-	-	(18,143)	(12,824)	(1,638)	(30,967)	(32,605)
Total comprehensive income		-	-	121,954	(18,143)	(12,824)	(2,794)	90,987	88,193
Issued on exercise of options		43,576	(12,752)	-	-	-	-	30,824	30,824
Issued on conversion of convertible debentures		7	-	-	-	-	-	7	7
Share-based compensation		-	34,849	-	-	-	-	34,849	34,849
Dividends paid		-	-	(35,458)	-	-	-	(35,458)	(35,458)
Acquisition of subsidiary		-	-	-	-	-	-	135,592	135,592
As at March 31, 2013		2,667,576	179,256	1,241,043	5,437	1,495	-	4,094,807	4,227,605
Net earnings for the period		-	-	57,559	-	-	-	57,559	53,211
Other comprehensive income		-	-	-	(11,521)	(19,289)	(3,083)	(30,810)	(33,893)
Total comprehensive income		-	-	57,559	(11,521)	(19,289)	(7,431)	26,749	19,318
Issued on exercise of options		7,110	(1,894)	-	-	-	-	5,216	5,216
Share-based compensation		-	6	-	-	-	-	6	6
Dividends paid	9	-	-	(53,363)	-	-	-	(53,363)	(53,363)
Acquisition of subsidiary	3	-	-	-	-	-	-	32,400	32,400
Transaction with non-controlling interest		-	-	-	-	-	-	(2,361)	(2,361)
As at June 30, 2013		\$ 2,674,686	\$ 177,368	\$ 1,245,239	\$ (6,084)	\$ (17,794)	\$ -	\$ 4,073,415	\$ 4,228,821

For the six months ended June 30, 2012

(In thousands of U.S. Dollars; unaudited)	Note	Attributable to equity holders of parent					Non-controlling		Total
		Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Foreign currency translation	Interests	Equity	
As at December 31, 2011		\$ 2,025,665	\$ 145,741	\$ 756,495	\$ (24,069)	\$ (16,432)	\$ 20,402	\$ 2,907,802	\$ 2,907,802
Net earnings for the period		-	-	258,345	-	-	-	258,345	258,345
Other comprehensive income		-	-	-	45,078	20,721	17,845	83,644	83,644
Total comprehensive income		-	-	258,345	45,078	20,721	17,845	341,989	341,989
Issued on exercise of warrants		77	-	-	-	-	-	77	77
Issued on exercise of options		37,280	(10,305)	-	-	-	-	26,975	26,975
Issued on conversion of convertible debentures		4	-	-	-	-	-	4	4
Share-based compensation		-	29,473	-	-	-	-	29,473	29,473
Dividends paid		-	-	(32,254)	-	-	-	(32,254)	(32,254)
As at March 31, 2012		2,063,026	164,909	982,586	21,009	4,289	38,247	3,274,066	3,274,066
Net earnings for the period		-	-	224,344	-	-	-	224,344	224,344
Other comprehensive income		-	-	-	7,804	1,412	(36,439)	(27,223)	(27,223)
Total comprehensive income		-	-	224,344	7,804	1,412	(36,439)	197,121	197,121
Issued on exercise of options		14,643	(4,321)	-	-	-	-	10,322	10,322
Dividends paid	9	-	-	(32,439)	-	-	-	(32,439)	(32,439)
As at June 30, 2012		\$ 2,077,669	\$ 160,588	\$ 1,174,491	\$ 28,813	\$ 5,701	\$ 1,808	\$ 3,449,070	\$ 3,449,070

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of cash flows

		Three months ended June 30		Six months ended June 30	
(In thousands of U.S. Dollars; unaudited)	Notes	2013	2012	2013	2012
OPERATING ACTIVITIES					
Net earnings for the period		\$ 53,211	\$ 224,344	\$ 174,009	\$ 482,689
Items not affecting cash:					
Depletion, depreciation and amortization		344,870	227,582	689,950	398,362
Accretion expense		4,971	1,990	10,837	3,767
Unrealized loss (gain) on risk management contracts	24b & c	537	(42,678)	6,188	(51,547)
Share-based compensation		6	619	34,855	31,013
Gain on cash flow hedges included in operating expense	24b	(399)	(5,322)	(4,950)	(10,391)
Deferred income tax	7	27,441	(12,987)	26,470	(82,729)
Unrealized foreign exchange loss		42,231	9,506	52,308	29,950
Loss from equity investments	16	187	6,862	1,819	4,105
Loss (gain) on acquisition of subsidiaries	3	1,946	-	(10,325)	-
Other		-	5,307	-	2,468
Changes in non-cash working capital	25	(365,821)	(283,317)	(249,448)	(99,682)
Net cash provided by operating activities		109,180	131,906	731,713	708,005
INVESTING ACTIVITIES					
Additions to oil and gas properties and plant and equipment		(379,333)	(209,977)	(705,956)	(390,256)
Additions to exploration and evaluation assets		(78,121)	(110,284)	(186,067)	(198,484)
Additions to intangible assets		-	-	(3,911)	-
Investment in associates and other assets		(122,898)	(195,457)	(263,079)	(273,571)
Increase in restricted cash		(9,614)	(693)	(6,795)	(2,546)
Cash acquired through acquisition, net of cash inflow	3	1,638	-	9,108	-
Net cash used in investing activities		(588,328)	(516,411)	(1,156,700)	(864,857)
FINANCING ACTIVITIES					
Advances from debt		113,572	5,600	484,343	44,304
Repayment of debt		(672,145)	(4,349)	(777,606)	(12,917)
Proceeds from the exercise of warrants and options		5,216	10,322	36,047	37,378
Dividends paid	9	(53,363)	(32,439)	(88,821)	(64,693)
Issuance of 2013 Senior Notes	18	-	-	1,000,000	-
Transaction costs	18	-	-	(28,662)	-
Net cash provided by financing activities		(606,720)	(20,866)	625,301	4,072
Effect of exchange rate changes on cash and cash equivalents		(7,812)	2,123	(5,230)	(10,593)
Change in cash and cash equivalents during the period		(1,093,680)	(403,248)	195,084	(163,373)
Cash and cash equivalents, beginning of the period		1,532,454	969,546	243,690	729,671
Cash and cash equivalents, end of the period		\$ 438,774	\$ 566,298	\$ 438,774	\$ 566,298
Cash and cash equivalents are comprised of:					
Cash		\$ 426,171	\$ 490,713	\$ 426,171	\$ 490,713
Short-term money market instruments		12,603	75,585	12,603	75,585
		\$ 438,774	\$ 566,298	\$ 438,774	\$ 566,298

See accompanying notes to the interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

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

1. Corporate information

Pacific Rubiales Energy Corp. (the "Company") is an oil and gas company incorporated in Canada and engaged in the exploration, development and production of crude oil and natural gas primarily in Colombia, Peru, Guatemala, Brazil, Papua New Guinea and Belize. The Company's common shares are listed and publicly traded on the Toronto Stock Exchange and the Bolsa de Valores de Colombia (or the Colombian Stock Exchange), and the Brazilian Depository Receipts representing the Company's common shares ("BDRs") are traded on Bolsa de Valores Mercadorias e Futuros (or the Brazilian Stock Exchange). The Company's registered office is located at Suite 650 – 1188 West Georgia Street, Vancouver, British Columbia, V6E4A2, Canada and it also has corporate offices in Toronto, Canada and Bogota, Colombia.

These consolidated financial statements of the Company were authorized for issuance by the Board of Directors on August 6, 2013.

2. Basis of preparation and significant accounting policies

The interim condensed consolidated financial statements for the three and six months ended June 30, 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2012.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2012 and the additional accounting policy noted below, except for the adoption of new standards and interpretations effective as of January 1, 2013.

Non-controlling interest

Where the ownership of a subsidiary is less than 100%, a non-controlling interest (NCI) exists and is accounted for and reported in equity. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's net assets.

Net earnings and changes in ownership interests in a subsidiary attributable to non-controlling interests are identified and disclosed separately to that of the Company.

If the Company loses control over a subsidiary with NCI, it derecognizes the carrying amount of any NCI.

New standards and interpretations

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interests in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company or the interim condensed consolidated financial statements of the Company.

The nature and impact of each new standard/amendment is described below:

IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items present in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit and loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items will never be reclassified (e.g.,

Notes to the interim condensed consolidated financial statements

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

actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include the comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntary comparative information does not need to be presented in a complete set of financial statements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaced the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over the investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities-Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using the proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of IFRS 11 has not significantly impacted the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirement for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for the interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Company provides these disclosures in Note 24.

The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Business acquisitions

Pacific Infrastructure Venture Inc. ("PII", previously Pacific Infrastructure Inc.)

PII is a company established in British Virgin Islands for the purpose of developing an export terminal, an industrial park, and a free trade zone in Cartagena, Colombia. Prior to February 8, 2013 the Company held a 49.38% interest in PII, and accounted for it as an associate using the equity method.

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

On February 8, 2013 the Company acquired an additional 2.3 million common shares of PII for \$0.95 per share for \$2.2 million in cash, increasing the Company's interest to 50.2%. The additional investment results in the Company acquiring control of PII. The transaction is being accounted for as a business combination with the Company identified as the acquirer. As PII was previously accounted for using the equity method, upon acquiring control the difference between the carrying value at the time of the acquisition and the fair value, in the amount of \$12.3 million, was recognized as a gain in other income (expenses) on the consolidated income statement. The results of PII after the acquisition date have been consolidated in the Company's financial results.

The acquisition of PII enables the Company to further increase its crude oil storage and transportation business while reducing reliance on third party services.

The acquisition has been accounted for on a preliminary basis taking into account the information available at the time these interim consolidated financial statements were prepared. The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed, recognized at the acquisition date.

Purchase price		
Fair value of previously held equity interest	\$	134,414
Cash paid		2,208
Total purchase price	\$	136,622
 Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	\$	9,678
Net non-cash working capital		(6,406)
Property, plant and equipment (Note 13)		123,645
Intangibles (Note 14)		142,889
Goodwill (Note 15)		48,181
Deferred tax liabilities		(45,773)
Net assets	\$	272,214
 Non-controlling interest (49.8% of net assets fair value)		(135,592)
 Total net assets acquired	\$	136,622
 Cash paid	\$	(2,208)
Net cash acquired		9,678
Net consolidated cash inflow	\$	7,470

From the date of acquisition, PII has contributed, during the three and six months ended June 30, 2013, \$5.6 million and \$8.2 million of expense to the continuing operations of the Company. If the combination had taken place at the beginning of the year, expenses for the continuing operations would have been \$1.7 million higher.

The goodwill recognized relates to the deferred tax liabilities recognized on the intangibles. The goodwill recognized is not expected to be deductible for income tax purposes.

On February 27, 2013 the Company acquired an additional 20 million shares of PII at \$1.00 per share, for an aggregate purchase price of \$20 million. On March 26, 2013 the Company acquired an additional 20 million shares of PII at \$1.00 per share, for an aggregate purchase price of \$20 million. On April 24, 2013, the Company acquired an additional 2 million shares of PII at \$1.00 per share, for an aggregate purchase price of \$2 million. As at June 30, 2013 the Company's interest in PII is 56.90%.

CGX Energy Inc. ("CGX")

CGX is a company listed on the TSX Venture Exchange and is involved in the exploration, development and production of petroleum and natural gas in Guyana. The Company's interest in CGX prior to April 26, 2013 was 36% and the Company held two seats on CGX's board of directors; it was accounted for by the Company as an associate

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

using the equity method.

On April 26, 2013 the Company purchased as part of a private placement 350 million units at a price of C\$0.10 for an aggregate price of C\$35 million. Each unit was comprised of one common share in the capital of CGX and one whole common share purchase warrant of CGX with an exercise price of C\$0.17. As a result of the private placement, the Company's interest increased to 63.2% and the Company acquired control over CGX. The transaction is being accounted for as a business combination with the Company identified as the acquirer. The Company elected to measure the non-controlling interest in CGX at fair value. Upon acquiring control the Company recognized a loss of \$1.9 million in other expenses in the consolidated income statement, which is the difference between the carrying value of the existing ownership interest at the time of acquisition and the fair value. The results of CGX after the acquisition date have been consolidated in the Company's financial results.

The acquisition is in line with the Company's strategy of early stage large resource capture, technical strengths and the objective of building the leading Latin American independent explorer and producer of hydrocarbons.

The acquisition has been accounted for on a preliminary basis taking into account the information available at the time these interim consolidated financial statements were prepared. The goodwill recognized relates to the deferred tax liabilities recognized on the exploration and evaluation assets. The goodwill recognized is not expected to be deductible for income tax purposes. The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed, recognized at the acquisition date.

Purchase price		
Fair value of previously held equity interest	\$	16,270
Cash paid		34,287
Total purchase price	\$	50,557
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	\$	35,925
Net non-cash working capital		(16,663)
Exploration and evaluation assets (Note 12)		56,402
Property, plant and equipment (Note 13)		7,408
Goodwill (Note 15)		7,187
Warrant liabilities		(115)
Deferred tax liabilities		(7,187)
Net assets	\$	82,957
Non-controlling interest (at fair value)		(32,400)
Total net assets acquired	\$	50,557
Cash paid	\$	(34,287)
Net cash acquired		35,925
Net consolidated cash inflow	\$	1,638

From the date of acquisition, CGX has contributed \$5.5 million of expense to the continuing operations of the Company. If the combination had taken place at the beginning of the year, expenses for the continuing operations would have been \$1.1 million higher.

Since the acquisition and until June 30, 2013, the Company has acquired an additional 5.4 million shares of CGX at \$0.11 per share, for an aggregate purchase price of \$0.6 million. As at June 30, 2013 the Company's interest in CGX is 63.9%.

4. Segmented information

The Company is organized into business units based on the main types of activities and has one reportable segment as at June 30, 2013: the exploration, development, and production of heavy crude oil and gas in Colombia. The

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

Company's assets in Papua New Guinea are still in the early stages of development and therefore are not considered a reportable segment as of June 30, 2013. The Company's operations in Guatemala, Guyana and Peru were not significant, and the farm-in interests in Brazil are subject to regulatory approval as of June 30, 2013.

As at June 30, 2013, all of the Company's assets are located in Colombia except for \$134 million (December 31, 2012: \$18 million) in cash and cash equivalents held in Canada and the United States; \$413 million (December 31, 2012: \$328 million) of non-current assets in Peru; \$122 million (December 31, 2012: \$62 million) of non-current assets in Papua New Guinea; \$271 million (December 31, 2012: \$85 million) of non-current assets in Brazil; \$64 million (December 31, 2012: Nil) of non-current assets in Guyana and \$22 million (December 31, 2012: \$19 million) of non-current assets in Guatemala.

The Company's revenue, based on the geographic location of customers, is as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
North and Central America	\$ 592,042	\$ 558,994	\$ 1,331,169	\$ 1,002,799
Europe	115,503	303,499	245,265	633,328
Asia	284,587	118,719	600,147	217,916
Colombia	51,028	54,088	111,373	112,710
Peru	12,413	-	26,381	-
Others	-	554	-	951
	\$ 1,055,573	\$ 1,035,854	\$ 2,314,335	\$ 1,967,704

5. Production and operating costs

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Oil and gas operating costs	\$ 411,484	\$ 417,154	\$ 900,926	\$ 767,842
Underlift	(36,621)	(12,490)	(34,352)	(29,905)
Total	\$ 374,863	\$ 404,664	\$ 866,574	\$ 737,937

6. Equity tax

On December 29, 2010, the Colombian Congress passed a law which imposes a 6% tax on the equity of the Colombian operations as at January 1, 2011, payable in eight equal instalments.

The equity tax is payable even in the event that the Company ceases to have taxable equity in subsequent years. As such, the Company recognized on January 1, 2011, the entire amount of the equity tax payable on the consolidated statement of financial position and a corresponding expense in the consolidated statement of income. The amount recognized is calculated by discounting the eight future equity tax payments using a rate of 10.8%.

As at December 31, 2012	\$ 48,847
Unwinding of discount	1,283
Foreign exchange	(1,726)
As at March 31, 2013	48,404
Unwinding of discount	1,195
Foreign exchange	(1,996)
Payment	(12,501)
As at June 30, 2013	\$ 35,102
Current	\$ 24,103
Non-current	10,999
	\$ 35,102

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

The current portion of the equity tax payable is included in accounts payable and accrued liabilities on the consolidated statement of financial position.

7. Income tax

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net earnings before income taxes	\$ 181,996	\$ 345,952	\$ 463,143	\$ 663,667
Canadian statutory income tax rate	26.50%	26.50%	26.50%	26.50%
Income tax expense at statutory rate	48,229	91,677	122,733	175,872
Increase (decrease) in income tax provision resulting from:				
Other non-deductible (non-taxable) expenses	53,763	13,388	87,765	(49,042)
Share-based compensation	106	240	9,522	8,218
Risk management loss (gain)	(900)	(5,665)	(296)	(6,705)
Differences in tax rates in foreign jurisdictions	18,364	20,815	46,687	45,556
Losses for which no tax benefit is recorded	9,223	1,153	22,723	7,079
Income tax expense	\$ 128,785	\$ 121,608	\$ 289,134	\$ 180,978
Current income tax expense	101,344	134,595	262,664	263,707
Deferred income tax expense (recovery):				
Relating to origination and reversal of temporary differences	27,441	(12,987)	26,470	(82,729)
Income tax expense	\$ 128,785	\$ 121,608	\$ 289,134	\$ 180,978

The Company's deferred tax relates to the following:

	As at June 30 2013	As at December 31 2012
Tax loss carry forwards	\$ 7,656	\$ 3,287
Oil and gas properties and equipment	(429,555)	(298,226)
Others	97,187	49,434
Deferred tax liability	\$ (324,712)	\$ (245,505)

The Canadian statutory income tax rate is 26.50% and the Colombian income tax rate is 34%. The Colombian Congress approved a new tax law in December 2012 which came into effect on January 1, 2013, where the statutory income tax rate was reduced from 33% down to 25%. In addition, the law introduced an incremental 9% income tax surcharge to substitute the elimination of certain payroll taxes primarily related to low income salaries. As a result, the newly approved income tax rate was increased to 34% (considering the additional 9%).

8. Earnings per share

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net earnings attributable to equity holders of the parent	\$ 57,559	\$ 224,344	\$ 179,513	\$ 482,689
Basic weighted average number of shares	323,000,819	294,561,287	322,177,235	293,487,568
Effects of dilution	3,125,096	9,563,558	3,537,253	9,613,945
Diluted weighted average number of shares	326,125,915	304,124,845	325,714,488	303,101,513
Basic earnings per share attributable to equity holders of the parent	\$ 0.18	\$ 0.76	\$ 0.56	\$ 1.64
Diluted earnings per share attributable to equity holders of the parent	\$ 0.18	\$ 0.74	\$ 0.55	\$ 1.59

All options, warrants and convertible debentures that are anti-dilutive have been excluded from the diluted weighted average number of common shares.

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

9. Dividends paid

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Declared and paid	\$ 53,363	\$ 32,439	\$ 88,821	\$ 64,693
Dividend per common share	\$ 0.17	\$ 0.11	\$ 0.28	\$ 0.22

10. Inventories

	As at June 30 2013	As at December 31 2012
Crude oil and gas	\$ 103,926	\$ 114,198
Materials and supplies	21,266	10,845
	\$ 125,192	\$ 125,043

11. Oil and gas properties

Cost

Cost as at December 31, 2012	\$ 5,624,398
Additions	318,082
Transfer from exploration and evaluation assets (Note 12)	197,785
Change in asset retirement obligation (Note 19)	941
Cost as at March 31, 2013	6,141,206
Additions	357,366
Change in asset retirement obligation (Note 19)	511
Cost as at June 30, 2013	\$ 6,499,083

Accumulated depletion

Accumulated depletion as at December 31, 2012	\$ 1,791,618
Charge for the period	311,605
Accumulated depletion as at March 31, 2013	2,103,223
Charge for the period	341,637
Accumulated depletion as at June 30, 2013	\$ 2,444,860

Net book value

As at December 31, 2012	\$ 3,832,780
As at March 31, 2013	4,037,983
As at June 30, 2013	4,054,223

12. Exploration and evaluation assets

As at December 31, 2012	\$ 877,437
Additions	107,946
Impairment	(3,138)
Farm-in interest	117,453
Transfer to oil and gas properties (Note 11)	(197,785)
As at March 31, 2013	901,913
Additions	78,121
Acquisitions (Note 3)	56,402
As at June 30, 2013	\$ 1,036,436

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

13. Plant and equipment

Cost	Land & buildings	Assets under construction	Other plant & equipment	Total
Cost as at December 31, 2012	\$ 44,464	\$ -	\$ 86,718	\$ 131,182
Acquisition (Note 3)	18,680	104,965	-	123,645
Additions	74	2,678	11,162	13,914
Cost as at March 31, 2013	63,218	107,643	97,880	268,741
Acquisition (Note 3)	-	6,977	431	7,408
Additions	3,687	16,238	6,911	26,836
Cost as at June 30, 2013	\$ 66,905	\$ 130,858	\$ 105,222	\$ 302,985
Accumulated depreciation				
Accumulated depreciation as at December 31, 2012	\$ 16,366	\$ -	\$ 31,195	\$ 47,561
Charge for the period	1,828	-	4,990	6,818
Accumulated depreciation as at March 31, 2013	18,194	-	36,185	54,379
Charge for the period	3,196	-	3,402	6,598
Accumulated depreciation as at June 30, 2013	\$ 21,390	\$ -	\$ 39,587	\$ 60,977
Net book value				
As at December 31, 2012	\$ 28,098	\$ -	\$ 55,523	\$ 83,621
As at March 31, 2013	45,024	107,643	61,695	214,362
As at June 30, 2013	45,515	130,858	65,635	242,008

Assets under construction represent staging facilities and two wharfs, located in Cartagena, Colombia and Grand Canal, Guyana.

14. Intangible assets

Cost	Port Concession	Ocensa Rights	Total
Cost as at December 31, 2012	\$ -	\$ 190,000	\$ 190,000
Acquisition (Note 3)	142,889	-	142,889
Additions	3,911	-	3,911
Cost as at March 31 and June 30, 2013	\$ 146,800	\$ 190,000	\$ 336,800
Accumulated amortization			
Accumulated amortization as at December 31, 2012	\$ -	\$ 71,116	\$ 71,116
Charge for the period	-	6,413	6,413
Accumulated amortization as at March 31, 2013	-	77,529	77,529
Charge for the period	-	6,483	6,483
Accumulated amortization as at June 30, 2013	\$ -	\$ 84,012	\$ 84,012
Net book value			
As at December 31, 2012	\$ -	\$ 118,884	\$ 118,884
As at March 31, 2013	146,800	112,471	259,271
As at June 30, 2013	146,800	105,988	252,788

Port concession represents the value assigned to the Puerto Bahia concession, including the free trade zone, currently under construction. Amortization of the concession over the estimated 20-year life will start once the construction is complete.

Notes to the interim condensed consolidated financial statements
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15. Goodwill

Cost

Cost as at December 31, 2012	\$	240,545
Acquisition (Note 3)		48,181
Cost as at March 31, 2013		288,726
Acquisition (Note 3)		7,187
Cost as at June 30, 2013	\$	295,913

16. Investments in associates

	ODL	OBC	PII	Pacific Power	Pacific Coal	CGX	Total
As at December 31, 2012	\$ 187,377	\$ 129,990	\$ 122,583	\$ 15,823	\$ 8,320	\$ 18,719	\$ 482,812
Investment	7,876	-	-	-	-	-	7,876
Income (loss) from equity investments	2,904	(5,039)	431	690	(2)	(616)	(1,632)
Foreign currency translation	(6,800)	(2,162)	(872)	-	-	-	(9,834)
PII acquisition (Note 3)	-	-	(122,142)	-	-	-	(122,142)
As at March 31, 2013	\$ 191,357	\$ 122,789	\$ -	\$ 16,513	\$ 8,318	\$ 18,103	\$ 357,080
Investment	7,598	-	-	-	-	-	7,598
Income (loss) from equity investments	2,597	(2,491)	-	495	(902)	114	(187)
CGX acquisition (Note 3)	-	-	-	-	-	(18,217)	(18,217)
Foreign currency translation	(10,023)	(5,510)	-	-	-	-	(15,533)
As at June 30, 2013	\$ 191,529	\$ 114,788	\$ -	\$ 17,008	\$ 7,416	\$ -	\$ 330,741

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

ODL Finance S.A. ("ODL")

The investment represents a 35% interest in ODL, a Panamanian company with a Colombian branch that has constructed an oil pipeline for the transportation of heavy crude oil produced from the Rubiales field. The remaining 65% interest is owned by Ecopetrol, S.A. ("Ecopetrol"), the national oil company of Colombia.

ODL's functional currency is the Colombian peso and the currency translation adjustment upon conversion to U.S. dollars has been recorded in other comprehensive income.

The Company has ship or pay contracts with ODL for the transportation of crude oil from the Rubiales field to Colombia's oil transportation system, for a total commitment of \$188 million from 2013 to 2017.

Oleoducto Bicentenario de Colombia ("OBC")

OBC is a corporation established and owned by a consortium of oil producers operating in Colombia, led by Ecopetrol, with the Company owning 33.4%. OBC will build and operate a private-use oil pipeline in Colombia between Casanare and Coveñas. OBC's functional currency is the Colombian peso and the currency translation adjustment upon conversion to U.S. dollars has been recorded in other comprehensive income. The shareholders of OBC are obliged to execute a transport agreement before the completion of the first phase of the project for the transport of crude at a set rate per barrel.

Pacific Power Generation Corp ("Pacific Power", previously Ronter)

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

Notes to the interim condensed consolidated financial statements
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Pacific Coal Resources Ltd. ("Pacific Coal")

Pacific Coal is engaged in the acquisition and development of coal mining assets and related businesses in Colombia. The functional currency of Pacific Coal is the Canadian dollar and the currency translation adjustment is recorded in other comprehensive income. On March 25, 2013 Pacific Coal consolidated its issued and outstanding common shares on a one for seven basis. As at June 30, 2013, the Company's interest in Pacific Coal was 14.4% and the investment was estimated at \$2.8 million (December 31, 2012: \$8.3 million), based on the last traded price on the TSX Venture Exchange of C\$0.43 (December 31, 2012: C\$0.18 pre-share consolidation).

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

The Company did not receive any cash dividends from its equity-accounted investments during the three and six months ended June 30, 2013 (2012: Nil).

17. Other assets

	As at June 30 2013	As at December 31 2012
OBC loan	\$ 32,562	\$ 32,562
Farm-in interests	297,552	170,028
Other	10,840	10,573
	\$ 340,954	\$ 213,163

OBC loan

During 2011 the Company, along with the other shareholders of OBC, entered into certain subordinated loan agreements with OBC. As of June 30, 2013, OBC has the option to draw down an additional \$97.3 million (December 31, 2012 - \$97.3 million) pursuant to this agreement. The principal of the subordinated loan will be repaid in 10 equal semi-annual installments starting in 2025 or earlier, after OBC has repaid its bank loans in full. The loans carry an annual interest rate of 7.32%. As at June 30, 2013 the balance of loans outstanding to the Company under the agreement is \$32.6 million (December 31, 2012: \$32.6 million), representing the amounts advanced less repayments. Interest income of \$0.5 million and \$1 million was recognized during the three and six months ended June 30, 2013 (2012: \$2.5 million and \$4.5 million respectively).

Farm-in interests

The Company has made advances of \$298 million in total for exploration farm-in interests in Brazil and Colombia that were still subject to regulatory approval as at June 30, 2013 (December 31, 2012: \$170 million). During the three and six months ended June 30, 2013, Nil and \$117 million of advances for farm-in interests in Papua New Guinea were approved and reclassified to exploration and evaluation assets.

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

18. Interest-bearing loans and borrowings

	Maturity	Currency	Interest Rate	As at June 30 2013	As at December 31 2012
Senior Notes - 2009	2016	USD	8.75%	\$ -	\$ 89,818
Senior Notes - 2011	2021	USD	7.25%	649,306	646,964
Senior Notes - 2013	2023	USD	5.125%	989,774	-
Revolving credit facility - US Dollar ⁽¹⁾	2015	USD	LIBOR + 2.75%	(3,564)	353,599
Revolving credit facility - COP	2015	COP	DTF + 2.25%	91,475	24,895
BOFA Loan - 2013	2016	USD	LIBOR + 1.5%	107,359	-
Short term credit facility - US Dollar	2014	USD	LIBOR + 2.4%	-	-
Bank loans ⁽²⁾	2024	COP	DTF + 4.2%	63,765	52,437
Bank loans	2016	COP	DTF + 2.65%	-	22,909
Promissory note	2015	COP	7.96%	915	1,334
				\$ 1,899,030	\$ 1,191,956
Current portion				\$ 1,002	\$ 7,395
Non-current portion				1,898,028	1,184,561
				1,899,030	1,191,956
Convertible debenture				2,566	2,450
				\$ 1,901,596	\$ 1,194,406

(1) The balance as of June 30, 2013 represents the unamortized deferred financing cost.

(2) Represents bank loans received for the construction of power transmission lines to supply additional electricity to two fields in Colombia. The loan amount is for up to \$112 million with an interest rate of 4.2% plus DTF (90-day benchmark rate in Colombia).

2009 Senior Notes

On March 21, 2013 the Company exercised its right to redeem the entire aggregate principal amount of the outstanding notes. The total redemption amount was \$109.8 million, including \$91.5 million in principal and \$18.3 million in early redemption premium, and the early redemption premium was expensed as finance costs. Additionally, the Company paid \$3 million in accrued interest.

For the three and six months ended June 30, 2013, Nil and \$3.4 million respectively (2012: \$2.1 million and \$4.2 million, respectively) in interest expense related to the 2009 Senior Notes has been recorded in the consolidated income statement.

2011 Senior Notes

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

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

The 2011 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the 2011 Senior Notes as at June 30, 2013 was \$712 million (December 2012 – \$712 million). For the three and six months ended June 30, 2013, \$14.1 million and \$27.9 million respectively (2012: \$14.1 million and \$27.9 million) in interest expense related to the 2011 Senior Notes has been recorded in the consolidated statements of income.

2013 Senior Notes

On March 28, 2013, the Company closed the issuance of \$1 billion of senior notes that are due March 28, 2023 ("2013 Senior Notes"). The 2013 Senior Notes are direct, unsecured, subordinated obligations with interest payable in arrears at a rate of 5.125% on March 28 and September 28 of each year.

Notes to the interim condensed consolidated financial statements

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

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

The 2013 Senior Notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal. The principal amount outstanding on the 2013 Senior Notes as at June 30, 2013 was \$1 billion (December 2012: Nil). For the three and six months ended June 30, 2013, \$12.8 million in interest expense related to the 2013 Senior Notes has been recorded in the consolidated income statement.

Revolving credit facility

During 2012 the Company closed a \$400 million revolving credit facility (the "US Dollar Facility") and a Colombian Peso equivalent of \$300 million revolving credit facility (the "Peso Facility") with a syndicate of international and Colombian banks. The US Dollar Facility carries an interest rate of LIBOR plus 2.75% and matures on September 21, 2015, with any unused facility subject to a commitment fee of 0.95%. On April 15, 2013 the Company repaid the entire outstanding balance of \$358 million on the 2012 US Dollar Facility. As of June 30, 2013, no additional amount has been drawn down on the US Dollar Facility (December 31, 2012: \$353.6 million).

The Peso Facility has an interest rate based on the DTF and matures on September 21, 2015, as well as a commitment fee of 0.40% on any unused facility. As of June 30, 2013, the Company has drawn down \$91.5 million from the Peso Facility (December 31, 2012: \$24.9 million).

Both the US Dollar Facility and the Peso Facility are subject to covenants that require the Company to maintain (1) a debt to EBITDA ratio of less than 3.5; and (2) interest coverage ratio of greater than 2.5. The Company was compliant with the covenants during the period.

2013 BOFA Loan

On May 2, 2013 the Company entered into a new loan agreement with Bank of America (the "2013 BOFA Loan") for \$109 million. The 2013 BOFA Loan carries an interest rate of LIBOR plus 1.5% and matures on November 2016, with interest payments due biannually.

The 2013 BOFA Loan is subject to covenants that require the Company to maintain (1) a debt to EBITDA ratio of less than 3.5; and (2) interest coverage ratio of greater than 2.5. The Company was compliant with the covenants during the period.

Short term credit facility

On February 6, 2013 the Company entered into a committed credit facility for a total amount of \$100 million with Banco Itau BBA. S.A. The credit facility has a term of one year and an interest rate of LIBOR + 2.4%. In addition, the Company is required to pay a commitment fee of 0.7% of the unutilized portion.

On March 19, 2013 the Company drew down \$100 million on the short term credit facility to finance part of the early redemption of the 2009 Senior Notes. On May 3, 2013 the Company closed the short term credit facility and repaid the entire balance of \$100 million outstanding.

Convertible debentures

The Company has outstanding convertible unsecured subordinated debentures due August 29, 2013 (the "Debentures"). As at June 30, 2013 the Company had outstanding Debentures of C\$2.7 million in face amount (December 31, 2012: C\$2.7 million). The debentures are carried at amortized cost using the effective interest rate method. The outstanding Debentures are convertible into common shares of the Company at the rate of C\$12.40 (2012: C\$12.83) per share, being equivalent to 80.9061 (2012 – 77.9423) common shares per C\$1,000 face amount of Debentures, subject to adjustments pursuant to the indenture. The Debentures bear interest at 8% annually and are payable semi-annually in arrears on September 30 and December 31.

The conversion feature of the Debentures is recognized as a derivative liability and revalued to its fair value with the change in fair value recorded in the consolidated income statement.

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19. Asset retirement obligation

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

As at December 31, 2012	\$	83,228
Arising during the period		6,454
Accretion expense		941
As at March 31, 2013		90,623
Arising during the period		5,380
Accretion expense		511
As at June 30, 2013	\$	96,514

The asset retirement obligation represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to \$122 million (December 31, 2012: \$93 million). The future decommissioning costs are discounted using the risk free rate of between 3.73% and 4.69% (December 31, 2012: 2.50% - 2.92%) to arrive at the present value. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning expenditures which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

20. Finance lease

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

	As at June 30 2013	As at December 31 2012
Within 1 year	\$ 28,130	\$ 31,910
Year 2	26,897	28,895
Year 3	26,865	23,586
Year 4	7,971	19,299
Year 5	6,857	7,095
Thereafter	22,152	25,598
Total minimum lease payments	118,872	136,383
Amounts representing interest	(34,209)	(40,407)
Present value of net minimum lease payments	\$ 84,663	\$ 95,976
Current portion	\$ 17,580	\$ 20,206
Non-current portion	67,083	75,770
Total obligations under finance lease	\$ 84,663	\$ 95,976

For the three and six months ended June 30, 2013, interest expense of \$3 million and \$6.1 million respectively (2012: \$3.3 million and \$6.8 million) was incurred on these finance leases.

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

21. Contingencies and commitments

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

	2013	2014	2015	2016	2017	Subsequent to 2017	Total
OBC transport service	\$ 71,617	\$ 143,233	\$ 143,233	\$ 143,233	\$ 143,233	\$ 1,086,184	\$ 1,730,733
LNG Project and conversion service	-	59,088	59,088	59,088	59,088	649,964	886,316
Minimum work commitments	176,194	178,603	71,896	-	-	-	426,693
Operating leases and purchase	143,624	121,897	117,884	42,612	15,720	70,302	512,038
ODL transport service	32,659	47,175	47,175	47,175	14,515	-	188,699
Transmission line project	22,310	6,280	-	-	-	-	28,590
Community obligations	27,350	-	-	-	-	-	27,350
Other transportation commitments	1,739	3,613	3,613	3,613	3,614	-	16,192
Total	\$ 475,493	\$ 559,889	\$ 442,889	\$ 295,721	\$ 236,170	\$ 1,806,450	\$ 3,816,611

The Company has various guarantees in place in the normal course of business. As at June 30, 2013, the Company has issued letters of credit and guarantees for exploration and operational commitments for a total of \$307 million (December 31, 2012 – \$256 million).

Association contracts

Certain association contracts signed before 2003 with Ecopetrol include clauses in which Ecopetrol may commence participating in the operation of new discoveries made by the Company at any time, without prejudice to the Company's right to be reimbursed for the investments made on their sole account and risk (back-in right). The contract provides that if Ecopetrol decides to declare the commerciality of the field and participate in the commercial phase of the association contract, the Company shall have the right to be reimbursed for 200% of the total costs incurred during the exploration phase of the contract. Once the reimbursement has been made, Ecopetrol is entitled to acquire a 50% share of the oil production of the fields. No back-in rights were exercised as at June 30, 2013.

Contingencies

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

NCT arbitration

The Company is presently undergoing an arbitration proceeding in connection with a dispute filed against it by NCT Energy Group ("NCT") with respect to NCT's claim that it is entitled to a payment of \$11 million for a share of the reserves acquired in Cubiro by the Company in 2009. The Company has paid \$11 million over this claim as of June, 2013.

PMD class action lawsuit

There is an ongoing class action lawsuit against PetroMagdalena Energy Corp. ("PMD") that was filed in May 2011 claiming total damages of C\$50 million. The lawsuit was initiated while PMD was a listed public company. PMD has filed a Notice of Intent to Defend, and on June 11, 2013, this action was certified as a class action. The outcome of this matter cannot be determined at this time; as such the Company has made no provision as at June 30, 2013.

Natural gas supply agreements

Since the discovery of the La Creciente field in early 2007, the Company has focused on developing a commercial strategy to service the domestic market while concurrently exploring export opportunities. The Company has entered into take or pay contracts and interruptible contracts totalling 60MMBTU per day.

Notes to the interim condensed consolidated financial statements
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22. Issued capital

(a) Authorized, issued and fully paid common shares

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

Continuity schedule of share capital:

	Number of Shares	Amount
As at December 31, 2012	318,369,094	\$ 2,623,993
Issued on exercise of options	4,058,475	43,576
Issued on conversion of convertible debentures	701	7
As at March 31, 2013	322,428,270	\$ 2,667,576
Issued on exercise of options	974,506	7,110
As at June 30, 2013	323,402,776	\$ 2,674,686

(b) Stock options

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

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

	Number of options outstanding	Weighted average exercise price (C\$)
Balance, December 31, 2012	24,858,465	\$ 16.99
Granted during the period	7,061,000	23.38
Expired during the period	(82,500)	25.76
Exercised during the period	(4,058,475)	7.56
Balance, March 31, 2013	27,778,490	19.96
Exercised during the period	(974,506)	5.45
Expired during the period	(31,750)	23.30
Balance, June 30, 2013	26,772,234	\$ 20.49

The weighted average share price at the time when the stock options were exercised during the three and six months ended June 30, 2013 was C\$21.66 and C\$22.47 respectively (2012 – C\$27.60 and C\$28.51).

The following table summarizes information about the stock options outstanding and exercisable:

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

Outstanding & exercisable	Exercise price (C\$)	Expiry date	Remaining contractual life (years)
871,686 \$	4.70	October 23, 2013	0.3
116,667	6.30	July 10, 2017	4.0
10,000	10.86	July 30, 2014	1.1
2,177,400	13.09	October 12, 2014	1.3
4,055,400	14.08	February 9, 2015	1.6
3,000	19.00	March 16, 2015	1.7
2,790,125	20.56	April 23, 2015	1.8
10,750	20.09	May 17, 2015	1.9
5,000	24.41	June 22, 2015	2.0
44,500	27.58	September 29, 2015	2.2
247,500	34.43	February 2, 2016	2.6
3,758,006	25.76	March 16, 2016	2.7
53,000	28.01	May 3, 2016	2.8
12,000	25.59	May 26, 2016	2.9
160,000	22.05	September 27, 2016	3.2
21,000	24.68	October 24, 2016	3.3
5,307,700	22.75	January 20, 2017	3.6
70,500	29.10	March 30, 2017	3.8
6,215,500	23.26	January 28, 2018	4.6
75,000	24.10	February 7, 2018	4.6
767,500	24.32	February 8, 2018	4.6
26,772,234 \$	20.49		2.9

(c) Deferred share units

The Company established the Deferred Share Unit Plan (the "DSU Plan") for its non-employee directors during 2012. Each DSU represents the right to receive a cash payment on retirement equal to the volume-weighted average market price of the Company's shares at the time of surrender. Cash dividends paid by the Company are credited as additional DSUs. As at June 30, 2013, 241,439 DSUs were outstanding with a fair value of \$4.4 million (December 31, 2012: 145,563 DSUs valued at \$3.3 million). The fair value of the DSUs was recognized as share-based compensation on the consolidated statement of income with a corresponding amount recorded in accounts payable and accrued liabilities on the consolidated statement of financial position.

23. Related party transactions

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

- In June 2007, the Company entered into a 5-year lease agreement with Blue Pacific for administrative office space in one of its Bogota, Colombia locations. Monthly rent expense of \$57 is payable to Blue Pacific under this agreement. Three directors and officers of the Company control, or provide investment advice to the holders of, 67.2% of the shares of Blue Pacific. During 2011, the lease was amended to include additional space in Bogota for a 10-year term with a monthly rent of \$0.4 million, and assignment of the lessor to an entity controlled by Blue Pacific.
- As at June 30, 2013, the Company had trade accounts receivable of \$3.6 million (December 31, 2012: \$4.4 million) from Proelectrica, in which the Company has a 24.9% indirect interest and which is 31.49% owned by Blue Pacific. The Company's and Blue Pacific's indirect interests are held through Pacific Power. Revenue from Proelectrica in the normal course of the Company's business was \$10.7 million and \$21.9 million for the three and six months ended June 30, 2013 (2012: \$10 million and \$19 million).

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 Proelectrica and Genser Power Inc. which is 51% owned by Pacific Power. Total commitment under the BOMT agreements is \$229.7 million over ten years. During April 2013 the Company and Ecopetrol entered

Notes to the interim condensed consolidated financial statements
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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 ended June 30, 2013, those assets are under construction and the Company has paid cash advances of \$8.9 million and \$9.4 million (2012: Nil). The Company has accounts payable of \$0.5 million (December 2012: Nil) due to Genser-Proelectrica.

- c) During the three and six months ended June 30, 2013, the Company paid \$10 million and \$22.8 million (2012 \$6 million and \$16.3 million) to Transportadora Del Meta S.A.S. ("Transmeta") in crude oil transportation costs. In addition the Company has accounts receivable of \$1.7 million (December 31, 2012: \$2.4 million) from Transmeta and accounts payable of \$3.1 million (December 31, 2012: \$8.5 million) to Transmeta as at June 30, 2013. Transmeta is controlled by a director of the Company.
- d) Loans receivable from related parties in the aggregate amount of \$307 (December 31, 2012: \$179) are due from four directors and three officers (2012 – three directors and three officers) of the Company. The loans are non-interest bearing and payable in equal monthly payments over 48-month terms.
- e) The Company has entered into aircraft transportation agreements with Petroleum Aviation Services S.A.S., a company controlled by a director of the Company. During the three and six months ended June 30, 2013, the Company paid \$2.5 million and \$6.6 million (2012: \$3.8 million and \$7.3 million) in fees as set out under the transportation agreements. As at June 30, 2013 the Company has accounts payable of \$3.1 million to Petroleum Aviation Services S.A.S. (December 31, 2012: \$2.8 million).
- f) During the three and six months ended June 30, 2013, the Company paid \$28.1 million and \$60.5 million to ODL (2012: \$17.7 million and \$45.4 million) for crude oil transport services under the pipeline take or pay agreement, and has accounts payable of \$5.6 million to ODL as at June 30, 2013 (December 31, 2012: \$5 million). The Company received \$0.2 million and \$0.5 million from ODL during the three and six months ended June 30, 2013 (2012: \$0.1 million and \$0.4 million) with respect to certain administrative services and rental equipment and machinery.
- g) As at June 30, 2013 the balance of loans outstanding to OBC under the agreement in note 17 (Other assets), is \$32.6 million (December 31, 2012: \$32.6 million). Interest income of \$0.5 million and \$1 million was recognized during the three and six months ended June 30, 2013 (2012: \$2.5 million and \$4.5 million). The Company has received \$0.3 million and \$0.7 million during the three and six months ended June 30, 2013 (2012: Nil) with respect to certain administrative services and rental equipment and machinery and has no account receivable as at June 30, 2013 (2012: Nil).
- h) During the three and six months ended June 30, 2013, the Company has paid Nil and \$0.3 million (2012: \$1 million and \$1.7 million) to Helicopteros Nacionales de Colombia S.A.S. ("Helicol") with respect to air transportation services. Helicol is controlled by a director of the Company.

24. Financial assets and liabilities

(a) Credit risk

	As at June 30 2013	As at December 31 2012
Trade receivable	\$ 228,437	\$ 298,277
Advances / deposits	68,655	143,624
Recoverable VAT	91,296	81,192
Other receivables	34,445	70,883
Receivable from joint arrangements	240,463	184,443
Allowance for doubtful accounts	(1,124)	(1,276)
	\$ 662,172	\$ 777,143
Loan to OBC (non-current, note 17)	32,562	32,555
	\$ 694,734	\$ 809,698

Notes to the interim condensed consolidated financial statements
(Unaudited, U.S. \$ thousands, except share and per share amounts or unless otherwise stated)

The Company actively limits the total exposure to individual client counterparties and holds a trade credit insurance policy for indemnification for losses from non-collection of trade receivables. Two of the Company's customers had accounts receivable that were greater than 10% of total trade accounts receivable. The Company's credit exposure to these customers was \$91 million and \$35 million or 40% and 16% of trade accounts receivable, respectively (June 30, 2012: \$80 million and \$15.5 million respectively or 61% and 12% of trade accounts receivable). Revenues from these customers for the three and six months ended June 30, 2013 were \$104 million and \$118 million or 10% and 5% of net revenue (three and six months ended June 30, 2012: \$156 million and \$178 million or 15% and 9% of net revenue).

The entire amount of the recoverable VAT is due from the Colombian tax authority.

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

(b) Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos (COP). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. In addition, the Company may also enter into currency derivatives to manage the foreign exchange risk on financial assets that are denominated in the Canadian dollar. The Company has the following currency risk management contracts outstanding:

As at June 30, 2013

Asset				
Instrument	Term	Notional amount	Floor-ceiling / strike	Fair value
Currency collar	July 2013 to August 2014	\$ 55,000	1920-2075 COP/\$	\$ 347
Forward	July 2013	2,000	C\$1.0507	-
		\$ 57,000		\$ 347
		Current		\$ 347
		Total		\$ 347
Liabilities				
Instrument	Term	Notional amount	Floor-ceiling / strike	Fair value
Currency collar	July 2013 to December 2014	\$ 515,000	1850-2075 COP/\$	\$ (16,324)
Forward ⁽¹⁾	July 2013 to February 2014	192,500	1910 COP/\$	(5,378)
		\$ 707,500		\$ (21,702)
		Current		\$ (15,721)
		Non-current		(5,981)
		Total		\$ (21,702)

⁽¹⁾ Maximum compensation amount for the Company under this forward is limited to COP \$5,950,000,000

As at December 31, 2012

Asset				
Instrument	Term	Notional amount	Floor-ceiling (COP/\$)	Fair value
Currency collar	January to December 2013	\$ 525,000	1825-1986	\$ 22,590
Forward	March to December 2013	17,500	1890	1,699
Forward	May 2013 to February 2014	17,500	1910	1,348
		\$ 560,000		\$ 25,637
		Current		\$ 25,367
		Non-current		270
		Total		\$ 25,637

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The Company has designated the currency collars as cash flow hedges. The effective portion of the change in the fair value of the above currency hedges is recognized in other comprehensive income as unrealized gains or losses on cash flow hedges. The effective portion is reclassified as production and operating expenses in net earnings in the same period as the hedged operating expenses are incurred. During the three and six months ended June 30, 2013, \$11.1 million and \$24.7 million of unrealized loss respectively (2012: \$13.1 million and \$63.3 million of unrealized gain) were initially recorded in other comprehensive income, and \$0.4 million and \$4.9 million (2012: \$5.3 million and \$10.4 million) were subsequently transferred to production and operating cost when the gains became realized. The Company excludes changes in fair value due to the time value of the investments and records these amounts along with hedge ineffectiveness in foreign exchange gains or losses in the period that they arise. During the three and six months ended June 30, 2013, \$10.7 million and \$13.9 million (2012: \$11.1 million and \$17.4 million) of ineffectiveness was recorded as foreign exchange loss.

The currency forwards are COP-US dollar forwards that provide an early termination option to the counterparty when certain thresholds are reached. The currency forwards have not been designated as hedges and the change in fair value is recorded in profit or loss. For the three and six months ended June 30, 2013, the Company recorded an unrealized loss of \$7.2 million and \$8.4 million respectively (2012: Nil) representing the change in the fair value of the forward currency price risk management contracts in net earnings.

(c) Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company recognizes the fair value of its derivative instruments as assets or liabilities on the statement of financial position. None of the Company's commodity price derivatives currently qualify as fair value hedges or cash flow hedges, and accordingly, changes in their fair value are recognized in net earnings.

The Company has the following commodity price risk management contracts outstanding:

As at June 30, 2013

<i>Asset</i>					
Instrument	Term	Volume (bbl)	Floor/ceiling or strike price (\$/bbl)	Benchmark	Fair value
Zero cost collars	July to December 2013	600,000	80 / 110	WTI	\$ 149
Extendible zero cost collars (counterparties option)	October 2013 to June 2014	3,000,000	80 / 109-110	WTI	1,894
		Total			\$ 2,043
Current					\$ 422
Long-term					1,621
Total					\$ 2,043
<i>Liabilities</i>					
Instrument	Term	Volume (bbl)	Floor/ceiling or strike price (\$/bbl)	Benchmark	Fair value
Zero cost collars	July to December 2013	600,000	80 / 106	WTI	\$ (29)
Extendible zero cost collars (counterparties option)	July to December 2013	2,250,000	80 / 109 - 111.5	WTI	(1,930)
		Total			\$ (1,959)
Current					\$ (1,959)
Total					\$ (1,959)

Extendible zero cost collars may be extended for an additional six months at the option of the counterparties.

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As at December 31, 2012

Asset

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price (\$/bbl)	Benchmark	Fair value
Zero cost collars	January to June 2013	1,200,000	80 / 115-118	WTI	\$ 1,023
Total					\$ 1,023
Current					1,023
Total					\$ 1,023

Liabilities

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price (\$/bbl)	Benchmark	Fair value
Zero cost collars	January to June 2013 extendible July to December 2013	5,280,000	80 / 111-121	WTI	\$ (3,176)
Total					\$ (3,176)
Current					(3,176)
Total					\$ (3,176)

For the three and six months ended June 30, 2013, the Company recorded an unrealized gain of \$6.7 million and \$2.2 million (2012: \$42.7 million and \$50.6 million gain) on commodity price risk management contracts in net earnings (2012: unrealized gain of \$42.7 million and \$51.5 million) representing the change in the fair value of the contracts. No premiums were paid during the three and six months ended June 30, 2013 (2012: Nil and \$1 million realized losses).

If the forward WTI crude oil price estimated at June 30, 2013 had been \$1/bbl higher or lower, the unrealized gain or loss on these contracts would change by approximately \$3 million (2012: \$3 million).

(d) Fair value risk

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

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Financial instrument	As at June 30, 2013		As at December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Assets held for trading				
Cash and cash equivalents	\$ 438,774	\$ 438,774	\$ 243,690	\$ 243,690
Restricted cash	27,758	27,758	21,023	21,023
Commodity price derivatives	2,043	2,043	1,023	1,023
Foreign currency forward	-	-	3,047	3,047
Loans and receivables				
Accounts receivable	662,172	662,172	777,143	777,143
Loan to OBC	32,562	32,562	32,555	32,555
Available for sale financial assets				
Investment in other assets	10,249	10,249	10,249	10,249
Assets designated as cash flow hedges				
Foreign currency derivatives	(21,355)	(21,355)	22,590	22,590
Liabilities held for trading				
Commodity price derivatives	(1,959)	(1,959)	(3,176)	(3,176)
Other Liabilities				
Accounts payable and accrued liabilities	(1,233,690)	(1,233,690)	(1,209,333)	(1,209,333)
Long-term debt ⁽¹⁾	(1,899,030)	(1,885,014)	(1,191,956)	(1,379,179)
Convertible debentures ⁽²⁾	(2,566)	(3,695)	(2,450)	(4,165)
Obligations under finance lease	(84,663)	(95,572)	(95,976)	(101,734)

⁽¹⁾ Fair value of the 2011 Senior Notes is estimated using the last traded price, representing 106% of the face value of the 2011 Senior Notes as at June 30, 2013. Fair value of the 2013 Senior Notes is estimated using the last traded price, representing 94% of the face value of the 2013 Senior Notes as at June 30, 2013.

⁽²⁾ The closing price of the convertible debenture (PRE.DB – TSX) at June 30, 2013 represented 144% of the face value of the convertible debenture (December 31, 2012 – 170%). The fair value of the convertible debenture includes both the fair value of the conversion feature and the debt itself.

When drawn, bank debt bears interest at a floating rate and accordingly the fair value approximates the carrying value. Due to the short term nature of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued liabilities, their carrying values approximate their fair values.

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

Fair value as at June 30, 2013				
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	\$ 5,224	\$ -	\$ 5,025	\$ 10,249
Risk management assets	-	2,390	-	2,390
Risk management liabilities	-	(23,661)	-	(23,661)
Total	\$ 5,224	\$ (21,271)	\$ 5,025	\$ (11,022)

Fair value as at December 31, 2012				
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	\$ 5,224	\$ -	\$ 5,025	\$ 10,249
Risk management assets	-	26,660	-	26,660
Risk management liabilities	-	(3,176)	-	(3,176)
Total	\$ 5,224	\$ 23,484	\$ 5,025	\$ 33,733

The Company uses Level 1 inputs, being the last quoted price of the traded investments, to measure the fair value of its available-for-sale financial assets.

The Company uses Level 2 inputs to measure the fair value of its risk management contracts. The fair values of these contracts are estimated using internal discounted cash flows based upon forward prices and quotes obtained

Notes to the interim condensed consolidated financial statements
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from counterparties to the contracts taking into account the credit worthiness of those counterparties or the Company's credit rating when applicable.

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

Valuation techniques

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

Commodity risk management contracts are measured at observable spot and forward WTI prices.

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

25. Supplemental disclosure on cash flows

Changes in non-cash working capital:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Decrease in accounts receivable	\$ 29,836	\$ 49,850	\$ 118,467	\$ 134,273
Increase in income taxes receivable	(92,567)	(5,699)	(82,916)	(14,575)
Decrease in accounts payable and accruals	(51,624)	(7,779)	(22,657)	(30,016)
(Increase) decrease in inventories	(16,165)	118,830	(7,267)	93,276
Decrease in income taxes payable	(236,676)	(439,194)	(253,568)	(284,136)
Decrease (Increase) in prepaid expenses	1,375	675	(1,507)	1,496
	\$ (365,821)	\$ (283,317)	\$ (249,448)	\$ (99,682)

Other cash flow information:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Cash income taxes paid	\$ 437,162	\$ 545,431	\$ 570,754	\$ 588,873
Cash interest paid	38,064	32,371	67,384	34,618
Cash interest received	769	1,192	1,507	1,712

26. Comparative interim financial statements

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

27. Subsequent Events

- On August 1, 2013, the Company entered into a \$100 million uncommitted credit and guaranty agreement with Bank of America, N.A. as lender. Proceeds from this facility will be used for working capital. This loan has a maximum maturity of 6 months from the date of the loan, with an interest rate which will be negotiated when the company needs the funds. As of August 5, 2013, the Company has drawn down \$100 million with an interest rate of LIBOR + 0.95%.
- On July 31, 2013 the Company and a number of private investors of PII entered into an agreement with International Finance Corporation, IFC African, Latin American and Caribbean Fund, LP and IFC Global Infrastructure Fund, LP (together the "IFC Parties"), pursuant to which the IFC Parties agreed to invest in PII for a total amount of \$150 million. Subject to the terms and conditions in the agreement, the IFC Parties will ultimately obtain a 26.134% equity participation of PII; consequently, the Company's interest will decrease from 56.9% to 41.4%.