Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2013 and 2012

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated income statement

For the three months ended March 31

(In thousands of U.S. Dollars, except per share information; unaudited)	Notes	Three months ended March 31 2013	2012
Oil and gas sales	4	$ 1,258,762	$ 931,850
Cost of operations			
Production and operating costs	5	491,711	333,273
Depletion, depreciation and amortization		345,080	170,780
General and administrative		72,327	56,354
Share-based compensation		35,532	30,394
Earnings from operations		314,112	341,049
Finance costs		(47,239)	(20,581)
(Loss) gain from equity investments	16	(1,632)	2,757
Foreign exchange gain (loss)		17,835	(11,949)
(Loss) gain on risk management	24b & c	(5,651)	7,920
Other income (expenses)		3,722	(1,481)
Net earnings before income tax		281,147	317,715
Income tax expense	7	(160,349)	(59,370)
Net earnings for the period		$ 120,798	$ 258,345
Attributable to:			
Equity holders of the parent		121,954	258,345
Non-controlling interests		(1,156)	-
		$ 120,798	$ 258,345
Basic earnings per share attributable to equity holders of the parent	8	$ 0.38	$ 0.88
Diluted earnings per share attributable to equity holders of the parent	8	$ 0.37	$ 0.85

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of comprehensive Income

For the three months ended March 31

(In thousands of U.S. Dollars; unaudited)	Notes	2013	2012
Net earnings for the period		$ 120,798	$ 258,345
Other comprehensive income to be reclassified to net earnings in subsequent periods (nil tax effect)			
Foreign currency translation		(14,462)	20,721
Fair value adjustments on equity investments		-	17,845
Unrealized (loss) gain on cash flow hedges	24b	(13,592)	50,147
Realized gain on cash flow hedges transferred to earnings	24b	(4,551)	(5,069)
		(32,605)	83,644
Total comprehensive income		$ 88,193	$ 341,989
Attributable to:			
Equity holders of the parent		$ 89,831	$ 341,989
Non-controlling interests		(1,638)	-
		$ 88,193	$ 341,989

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of financial position

(In thousands of U.S. Dollars; unaudited))	Notes	As at March 31 2013	As at December 31 2012
ASSETS			
Current			
Cash and cash equivalents		$ 1,532,454	$ 243,690
Restricted cash		18,462	21,023
Accounts receivables	24a	699,545	777,143
Inventories	10	99,179	125,043
Income tax receivable		31,327	42,289
Prepaid expenses		4,804	1,922
Risk management assets	24b & c	9,121	26,390
		2,394,892	1,237,500
Non-current			
Oil and gas properties	11	4,037,983	3,832,780
Exploration and evaluation assets	12	901,913	877,437
Intangible assets	14	259,271	118,884
Plant and equipment	13	214,362	83,621
Investments in associates	16	357,080	482,812
Other assets	17	228,015	213,163
Goodwill	15	288,726	240,545
Risk management assets	24b	-	270
		$ 8,682,242	$ 7,087,012
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 1,256,588	$ 1,209,333
Risk management liability	24b & c	7,250	3,176
Income tax payable		244,243	258,501
Current portion of long-term debt	18	454,024	7,395
Convertible debenture	18	2,502	2,450
Current portion of obligations under finance lease	20	18,740	20,206
		1,983,347	1,501,061
Non-current			
Long-term debt	18	1,995,128	1,184,561
Obligations under finance lease	20	71,423	75,770
Risk management liability	24b	779	-
Deferred tax liability	7	290,307	245,505
Equity tax payable	6	23,030	23,289
Asset retirement obligation	19	90,623	83,228
		4,454,637	3,113,414
EQUITY			
Common shares	22	2,667,576	2,623,993
Contributed surplus		179,256	157,159
Other reserves		6,932	37,899
Retained earnings		1,241,043	1,154,547
Equity attributable to equity holders of the parent		4,094,807	3,973,598
Non-controlling interests		132,798	-
Total Equity		4,227,605	3,973,598
		$ 8,682,242	$ 7,087,012

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of changes in equity

For the three months ended March 31, 2013

(In thousands of U.S. Dollars; unaudited)	Note	Attributable to equity holders of parent						Non-controlling interests	Total Equity
		Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Foreign currency translation	Total		
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	(1,156)	120,798
Other comprehensive income		-	-	-	(18,143)	(12,824)	(30,967)	(1,638)	(32,605)
Total comprehensive income		-	-	121,954	(18,143)	(12,824)	90,987	(2,794)	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	9	-	-	(35,458)	-	-	(35,458)	-	(35,458)
Acquisition of subsidiary	3	-	-	-	-	-	-	135,592	135,592
As at March 31, 2013		**$ 2,667,576**	**$ 179,256**	**$ 1,241,043**	**$ 5,437**	**$ 1,495**	**$ 4,094,807**	**$ 132,798**	**$ 4,227,605**

For the three months ended March 31, 2012

(In thousands of U.S. Dollars; unaudited)	Note	Attributable to equity holders of parent						
		Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Foreign currency translation	Fair value Investment	Total Equity
As at December 31, 2011		$ 2,025,665	$ 145,741	$ 756,495	$ (24,069)	$ (16,432)	$ 20,402	$ 2,907,802
Net earnings for the period		-	-	258,345	-	-	-	258,345
Other comprehensive income		-	-	-	45,078	20,721	17,845	83,644
Total comprehensive income		-	-	258,345	45,078	20,721	17,845	341,989
Issued on exercise of warrants		77	-	-	-	-	-	77
Issued on exercise of options		37,280	(10,305)	-	-	-	-	26,975
Issued on conversion of convertible debentures		4	-	-	-	-	-	4
Share-based compensation		-	29,473	-	-	-	-	29,473
Dividends paid	9	-	-	(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**

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of cash flows

For the three months ended March 31

(In thousands of U.S. Dollars; unaudited))	Notes	2013	2012
OPERATING ACTIVITIES			
Net earnings for the period		$ 120,798	$ 258,345
Items not affecting cash:			
Depletion, depreciation and amortization		345,080	170,780
Accretion expense		5,866	1,777
Unrealized loss (gain) on risk management contracts	24b & c	5,651	(8,869)
Share-based compensation		34,849	30,394
Gain on cash flow hedges included in operating expense	24b	(4,551)	(5,069)
Deferred income tax	7	(971)	(69,742)
Unrealized foreign exchange loss		10,077	20,444
Loss (gain) from equity investments	16	1,632	(2,757)
Gain on acquisition of PII	3	(12,271)	-
Other		-	(2,839)
Changes in non-cash working capital	25	116,373	183,635
Net cash provided by operating activities		622,533	576,099
INVESTING ACTIVITIES			
Additions to oil and gas properties and plant and equipment		(326,623)	(180,279)
Additions to exploration and evaluation assets		(107,946)	(88,200)
Additions to intangible assets		(3,911)	-
Investment in equity investments and other assets		(140,181)	(20,074)
Finance loan to OBC		-	(58,040)
Decrease (increase) in restricted cash		2,819	(1,853)
Cash acquired through acquisition, net of cash acquired	3	7,470	-
Net cash used in investing activities		(568,372)	(348,446)
FINANCING ACTIVITIES			
Advances from debt		370,771	38,704
Repayment of debt		(105,461)	(8,568)
Proceeds from the exercise of warrants and options		30,831	27,056
Dividends paid	9	(35,458)	(32,254)
Issuance of 2013 Senior Notes	18	1,000,000	-
Transaction costs	18	(28,662)	-
Net cash provided by financing activities		1,232,021	24,938
Effect of exchange rate changes on cash and cash equivalents		2,582	(12,716)
Change in cash and cash equivalents during the period		1,288,764	239,875
Cash and cash equivalents, beginning of the period		243,690	729,671
Cash and cash equivalents, end of the period		$ 1,532,454	$ 969,546
Cash and cash equivalents are comprised of:			
Cash		$ 1,468,013	$ 961,363
Short-term money market instruments		64,441	8,183
		$ 1,532,454	$ 969,546

See accompanying notes to the interim condensed consolidated financial statements

1. Corporate information

Pacific Rubiales Energy Corp. (the “Company”) is an oil and gas company incorporated in Canada and engaged in the exploration, development and production of crude oil and natural gas primarily in Colombia, Peru, and Guatemala. 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 May 7, 2013.

2. Basis of preparation and significant accounting policies

The interim condensed consolidated financial statements for the three months ended March 31, 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. The interest of the non-controlling interest is initially measured using the non-controlling interests acquisition-date fair value of the assets and liabilities recognized.

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.,

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 of 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 voluntarily 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 replace 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 investors 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 requires 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 Inc. ("PII")

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.

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 for the period ended March 31, 2013.

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

The fair values related to the PII acquisition disclosed above are preliminary as at March 31, 2013 and will be completed within 12 months of the acquisition at the latest.

From the date of acquisition, PII has contributed $2.6 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.

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. As at March 31, 2013 the Company's interest in PII is 56.29%.

4. Segmented information

The Company is organized into business units based on the main types of activities and has one reportable segment as at March 31, 2013, being the exploration, development, and production of heavy crude oil and gas in Colombia. The Company's assets in Peru and Papua New Guinea are still in the early stages of development therefore are not considered a reportable segment as of March 31, 2013. The Company's operation in Guatemala was not significant, and the farm-in interests in Brazil are subject to regulatory approval as of March 31, 2013.

As at March 31, 2013, all of the Company's assets are located in Colombia except for $1 billion (December 31, 2012: $18 million) in cash and cash equivalents held in Canada and the United States; $379 million (December 31, 2012: $328 million) of non-current assets in Peru; $117 million (December 31, 2012: $62 million) of non-current assets in Papua New Guinea; $21 million (December 31, 2012: $19 million) of non-current assets in Guatemala and $162 million (December 31, 2012: $85 million) of non-current assets in Brazil.

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

	Three months ended March 31	
	2013	2012
North and Central America	$ 739,127	$ 443,805
Europe	129,762	329,829
Asia	315,560	99,197
Colombia	60,345	58,622
Peru	13,968	-
Others	-	397
	$ 1,258,762	$ 931,850

5. Production and operating costs

	Three months ended March 31	
	2013	2012
Oil and gas operating costs	$ 489,442	$ 350,688
Overlift (underlift)	2,269	(17,415)
Total	$ 491,711	$ 333,273

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
Current	$	25,374
Non-current		23,030
	$	48,404

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 March 31			
		2013		2012
Net earnings before income taxes	$	281,147	$	317,715
Canadian statutory income tax rate		26.50%		26.25%
Income tax expense at statutory rate		74,504		83,400
Increase (decrease) in income tax provision resulting from:				
Other non-deductible (non-taxable) expenses		34,002		(61,635)
Share-based compensation		9,416		7,978
Risk management loss (gain)		604		(1,040)
Differences in tax rates in foreign jurisdictions		28,323		24,741
Losses for which no tax benefit is recorded		13,500		5,926
Income tax expense	$	160,349	$	59,370
Current income tax expense		161,320		129,112
Deferred income tax recovery:				
Relating to origination and reversal of temporary differences		(971)		(69,742)
Income tax expense	$	160,349	$	59,370

The Company’s deferred tax relates to the following:

	As at March 31		As at December 31	
		2013		2012
Tax loss carry forwards	$	1,482	$	3,287
Oil and gas properties and equipment		(385,530)		(298,226)
Others		93,741		49,434
Deferred tax liability	$	(290,307)	$	(245,505)

The Canadian statutory income tax rate is 26.50% and the Colombian income tax rate is 34%.

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 March 31	
	2013	2012
Net earnings attributable to equity holders of the parent	$ 121,954	$ 258,345
Basic weighted average number of shares	321,344,499	292,413,849
Effects of dilution	6,209,457	10,620,665
Diluted weighted average number of shares	327,553,956	303,034,514
Basic earnings per share attributable to equity holders of the parent	$ 0.38	$ 0.88
Diluted earnings per share attributable to equity holders of the parent	$ 0.37	$ 0.85

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

9. Dividends paid

	Three months ended March 31	
	2013	2012
Declared and paid	$ 35,458	$ 32,254
Dividend per common share	$ 0.11	$ 0.11

10. Inventories

	As at March 31 2013	As at December 31 2012
Crude oil and gas	$ 87,372	$ 114,198
Materials and supplies	11,807	10,845
	$ 99,179	$ 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

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

Net book value		
As at December 31, 2012	$	3,832,780
As at March 31, 2013		4,037,983

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

The impairment loss of $3.1 million represented the write-down of certain exploration and evaluation assets that have been or were in the process of being returned to the government or abandoned.

Farm-in interests in Papua New Guinea previously recognized as advances in other assets have received regulatory approval and as a result have been transferred to exploration and evaluation assets.

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
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
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

Asset under construction represents infrastructure assets being constructed by Pacific Infrastructure.

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, 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
Net book value			
As at December 31, 2012	$ -	$ 118,884	$ 118,884
As at March 31, 2013	146,800	112,471	259,271

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 years will start once the construction is complete.

15. Goodwill

Cost	
Cost as at December 31, 2012	$ 240,545
Acquisition (Note 3)	48,181
Cost as at March 31, 2013	$ 288,726

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

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.

The investment in ODL is accounted for using the equity method. 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 $206 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. The investment in OBC is accounted for using the equity method. 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.

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 currency translation adjustment is recorded in the statement of other comprehensive income. On March 25, 2013 Pacific Coal consolidated its issued and outstanding common shares on a one for seven basis. As at March 31, 2013, the Company's interest in Pacific Coal was 14.4% and the investment was estimated at $8.3 million (December 31, 2012: $8.3 million), based on the last traded price on the TSX of C$1.26 (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 investment in Pacific Coal is accounted for using the equity method.

CGX Energy Inc. ("CGX")

CGX is involved in the exploration, development and production of petroleum and natural gas in Guyana, South America. The Company's interest in CGX is 36% (41% on a fully diluted basis and the Company holds two seats on

CGX's board of directors). As at March 31, 2013, the Company's investment was estimated at $13 million (December 31, 2012: $18.7 million), based on the last traded price on the TSX of C$0.09 (December 31, 2012: C$0.16).

The Company did not receive any cash dividends from its equity-accounted investments during the three months ended March 31, 2013 (2012: Nil).

17. Other assets

	As at March 31 2013	As at December 31 2012
OBC loan	$ 32,562	$ 32,562
Farm-in interests	184,880	170,028
Other	10,573	10,573
	$ 228,015	$ 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 March 31, 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% with semi-annual interest payments. As at March 31, 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 was recognized and nil was paid for the three months ended March 31, 2013 (three months ended March 31, 2012: $1.9 million and $1.9 million).

Farm-in interests

The Company has made advances of $185 million in total for exploration farm-in interests in Brazil and Colombia that were still subject to regulatory approval as at March 31, 2013 (December 31, 2012: $170 million). During the three months ended March 31, 2013, $117 million of advances for farm-in interests in Papua New Guinea were approved and reclassified to exploration and evaluation assets.

18. Interest-bearing loans and borrowings

	Maturity	Currency	Interest Rate	As at March 31 2013	As at December 31 2012
Senior Notes - 2013	2023	USD	5.13%	$ 989,666	$ -
Senior Notes - 2011	2021	USD	7.25%	648,011	646,964
Senior Notes - 2009	2016	USD	8.75%	-	89,818
Revolving credit facility - US Dollar	2015	USD	LIBOR + 2.75%	354,024	353,599
Short term credit facility - US Dollar	2014	USD	LIBOR + 2.4%	100,000	-
Revolving credit facility - COP	2015	COP	DTF + 2.25%	276,456	24,895
Bank loans [1]	2024	COP	DTF + 4.2%	59,193	52,437
Bank loans	2016	COP	DTF + 2.65%	20,636	22,909
Promissory note	2015	COP	7.96%	1,166	1,334
				$ 2,449,152	$ 1,191,956
Current portion				$ 454,024	$ 7,395
Non-current portion				1,995,128	1,184,561
				2,449,152	1,191,956
Convertible debenture				2,502	2,450
				$ 2,451,654	$ 1,194,406

(1) 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 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 principle and $18.3 million in early redemption premium, the early redemption premium was expensed as finance costs. Additionally the Company paid $3 million in accrued interest.

For the three months ended March 31, 2013, $3.4 million (2012: $2.1 million) 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 each 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 March 31, 2013 was $712 million (December 2012 – $712 Million). For the three months ended March 31, 2013, $13.6 million (2012: $13.8 million) in interest expense related to the 2011 Senior Notes has been recorded in the consolidated income statement.

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 each March 28 and September 28 of each year.

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 March 31, 2013 was $1 billion. For the three months ended March 31, 2013, nil interest 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%. As of March 31, 2013 the Company has drawn down $354 million 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 March 31, 2013, the Company has drawn $276.4 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.

The US Dollar Facility was repaid in full on April 15, 2013 and therefore is carried as a current liability as at March 31, 2013.

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.

Convertible debentures

The Company has outstanding convertible unsecured subordinated debentures due August 29, 2013 (the “Debentures”). As at March 31, 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$12.83 (2012 – C$12.83) per share, being equivalent to 77.9423 (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.

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

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 $115 million (December 31, 2012: $93 million). The future decommissioning costs are discounted using the risk free rate of between 2.77% and 3.34% (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, 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 March 31 2013	As at December 31 2012
Within 1 year	$ 29,858	$ 31,910
Year 2	27,780	28,895
Year 3	28,611	23,586
Year 4	10,393	19,299
Year 5	6,861	7,095
Thereafter	23,897	25,598
Total minimum lease payments	127,400	136,383
Amounts representing interest	(37,237)	(40,407)
Present value of net minimum lease payments	$ 90,163	$ 95,976
Current portion	$ 18,740	$ 20,206
Non-current portion	71,423	75,770
Total obligations under finance lease	$ 90,163	$ 95,976

For the three months ended March 31, 2013, interest expense of $3.1 million (2012 - $3.4 million) was incurred on these finance leases.

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	$ 46,595	$ 94,485	$ 94,485	$ 94,485	$ 94,485	$ 661,910	$ 1,086,445
LNG Project and conversion service	-	59,088	59,088	59,088	59,088	649,964	886,316
Minimum work commitments	185,508	166,783	141,578	-	-	-	493,869
Operating leases and purchase	77,751	33,412	31,994	30,700	29,630	131,172	334,659
ODL transport service	42,026	49,667	49,667	49,667	15,282	-	206,309
Transmission line project	34,503	6,494	-	-	-	-	40,997
Community obligations	28,376	-	-	-	-	-	28,376
Other transportation commitments	2,599	3,614	3,614	3,614	3,614	-	17,055
Total	$ 417,358	$ 413,543	$ 380,426	$ 237,554	$ 202,099	$ 1,443,046	$ 3,094,026

The Company has various guarantees in place in the normal course of business. As at March 31, 2013 the Company has issued letters of credit and guarantees for exploration and operational commitments for a total of $254 million (December 31, 2012 – $257 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. The back-in rights were not exercised as at March 31, 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 recorded a provision of $11 million over this claim.

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 the class has not yet been certified. As the outcome of this matter cannot be determined at this time, the Company has made no provision as at March 31, 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.

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

(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

The weighted average share price at the time when the stock options were exercised during the three months ended March 31, 2013 was C$22.67 (2012 – C$28.91).

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

Outstanding & exercisable		Exercise price (C$)	Expiry date	Remaining contractual life (years)
1,452,791	$	4.70	October 23, 2013	0.6
166,667		5.70	May 9, 2017	4.1
316,001		6.30	July 10, 2017	4.3
10,000		10.86	July 30, 2014	1.3
2,188,400		13.09	October 12, 2014	1.5
4,071,800		14.08	February 9, 2015	1.9
3,000		19.00	March 16, 2015	2.0
2,790,125		20.56	April 23, 2015	2.1
11,500		20.09	May 17, 2015	2.1
5,000		24.41	June 22, 2015	2.2
44,500		27.58	September 29, 2015	2.5
247,500		34.43	February 2, 2016	2.8
3,764,006		25.76	March 16, 2016	3.0
53,000		28.01	May 3, 2016	3.1
12,000		25.59	May 26, 2016	3.2
160,000		22.05	September 27, 2016	3.5
21,000		24.68	October 24, 2016	3.6
5,329,700		22.75	January 20, 2017	3.8
70,500		29.10	March 30, 2017	4.0
6,218,500		23.26	January 28, 2018	4.8
75,000		24.10	February 7, 2018	4.9
767,500		24.32	February 8, 2018	4.9
27,778,490	$	19.96		3.1

The following stock options with a 5-year life were granted to employees, directors, consultants and institutions during the period ended March 31, 2013:

	Number of options granted		Weighted average exercise price (C$)		Weighted average fair value (C$)
During the year ended December 31, 2012	5,964,500	$	22.83	$	8.58
During the three months ended March 31, 2013	7,061,000	$	23.38	$	4.96

The fair value of the stock options issued have been calculated using the Black-Scholes option pricing model, based on the following assumptions:

	As at March 31	
For options granted during the period ended:	2013	2012
Weighted average risk-free interest rate:	1.16%	1.19%
Expected life:	2.5 years	2.5 years
Weighted expected volatility:	37%	50%
Expected weighted average dividend yield:	1.84%	1.10%

(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 March 31, 2013, 189,290 DSUs were outstanding with a fair value of $4 million (December 31, 2012: 145,563 DSU valued at $3.3 million). The fair value of the DSUs was recognized as share-based compensation on the consolidated income statement 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

a) 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.

b) As at March 31, 2013, the Company had trade accounts receivable of $4.3 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 $11.2 million for the three months ended March 31, 2013 (2012 - $9 million).

   In October, 2012, the Company and Ecopetrol signed two build, own, manage, and transfer ("BOMT") agreements with Consorcio Genser Power-Proelectrica ("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. 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. As at March 31, 2013, those assets are under construction and the Company paid a cash advance of $0.5 million (2012 – nil). The company has accounts receivables of $0.4 million (December 2012: nil) due from Genser-Proelectrica.

c) During the three months ended March 31, 2013, the Company paid $12.8 million (2012 - $10.3 million) to Transportadora Del Meta S.A.S. ("Transmeta") in crude oil transportation costs. In addition the Company has accounts receivable of $2 million (December 2012 - $2.4 million) from Transmeta and accounts payable of $7.7 million (December 2012 - $8.5 million) to Transmeta as at March 31, 2013. Transmeta is controlled by a director of the Company.

d) Loans receivable from related parties in the aggregate amount of $296 (December 31, 2012 – $179) are due from three director 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. ("PAS"), a company controlled by a director of the Company. During the three months ended March 31 2013, the Company paid $4.1 million (2012 - $3.5 million) in fees as set out under the transportation agreements. As at March 31, 2013, the Company has accounts payable of $2.9 million (2012- $2.8 million).

f) During the three months ended March 31, 2013, the Company paid $32.4 million to ODL (2012 - $27.7 million) for crude oil transport services under the pipeline take or pay agreement, and has accounts payable of $4.4 million to ODL as at March 31, 2013 (2012: $5 million). In addition, the Company received $0.3 million from ODL during the three months ended March 31, 2013 (2012 - nil) with respect to certain administrative services, rental equipment and machinery. The Company accounts receivable from ODL as at March 31, 2013 was $0.1 million (2012 - $0.2 million).

g) As at March 31, 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 was recognized during the three months ended March 31, 2013 (2012: 1.9 million). The Company has received $0.4 million during the three months ended March 31, 2013 (2012: nil) with respect to certain administrative services and rental equipment and machinery and has account receivable of $0.1 million (2012 - nil) as at March 31, 2013.

h) During the three months ended March 31, 2013, the Company has paid $0.3 million (2012 – $0.6 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 March 31 2013		As at December 31 2012
Trade receivable	$	292,342	$	298,277
Advances / deposits		97,530		143,624
Recoverable VAT		79,299		81,192
Other receivables		34,018		70,883
Receivable from joint arrangements		197,507		184,443
Allowance for doubtful accounts		(1,151)		(1,276)
	$	699,545	$	777,143
Loan to OBC (non-current, note 17)		32,562		32,555
	$	732,107	$	809,698

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 $95 million and $52 million or 32% and 18% of trade accounts receivable, respectively (March 31, 2012 – one customer at $117 million or 76% of trade accounts receivable). Revenues from these customers for the three months ended March 31, 2013 were $200 million and $75 million or 16% and 6% of net revenue (three months ended March 31, 2012 - $117 million or 13% 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. The Company has the following currency risk management contracts outstanding:

As at March 31, 2013

Asset

Instrument	Term		Notional amount	Floor-ceiling (COP/$)		Fair value
Currency collar	April 2013 to March 2014	$	345,000	1850-1986	$	7,117
Forward	April to December 2013		35,000	1890		733
Forward	May 2013 to February 2014		35,000	1910		1,222
		$	415,000		$	9,072
			Current		$	9,072
			Total		$	9,072

Liabilities

Instrument	Term		Notional amount	Floor-ceiling (COP/$)		Fair value
Currency collar	April 2013 to December 2014	$	180,000	1825-1950	$	(1,267)
		$	180,000		$	(1,267)
			Current		$	(488)
			Non-current			(779)
			Total		$	(1,267)

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

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 months ended March 31, 2013, $13.6 million of unrealized loss (2012: $50.1 million of unrealized gain) were initially recorded in other comprehensive income, and $4.6 million (2012: $5 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 months ended March 31, 2013, $3.1 million (2012: $6.1 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 months ended March 31, 2013, the Company recorded an unrealized loss of $1.1 million (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 March 31, 2013

Asset

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price ($/bbl)	Benchmark		Fair value
Zero cost collars	April to December 2013	1,500,000	80 / 118	WTI	$	49
	Total				$	49
	Current					49
	Total				$	49

Liabilities

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price ($/bbl)	Benchmark		Fair value
Extendible zero cost collars (counterparties option)	April to December 2013	6,000,000	80 / 106-121	WTI	$	(6,762)
	Total				$	(6,762)
	Current					(6,762)
	Total				$	(6,762)

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

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 months ended March 31, 2013, the Company recorded a loss of $4.5 million (2012: $7.9 million gain) on commodity price risk management contracts in net earnings. Included in these amounts were $4.5 million of unrealized loss (2012: unrealized gain of $8.9 million) representing the change in the fair value of the contracts. No premiums were paid during the three months ended March 31, 2013 (2012: $1 million realized loss).

If the forward WTI crude oil price estimated at March 31, 2013 had been $1/bbl higher or lower, the unrealized gain or loss on these contracts would change by approximately $3 million (2012: $10 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.

	As at March 31, 2013		As at December 31, 2012	
Financial instrument	Carrying value	Fair value	Carrying value	Fair value
Assets held for trading				
Cash and cash equivalents	$ 1,532,454	$ 1,532,454	$ 243,690	$ 243,690
Restricted cash	18,462	18,462	21,023	21,023
Commodity price derivatives	49	49	1,023	1,023
Foreign currency forward	1,955	1,955	3,047	3,047
Loans and receivables				
Accounts receivable	699,545	699,545	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	5,850	5,850	22,590	22,590
Liabilities held for trading				
Commodity price derivatives	(6,762)	(6,762)	(3,176)	(3,176)
Other Liabilities				
Accounts payable and accrued liabilities	(1,256,588)	(1,256,588)	(1,209,333)	(1,209,333)
Long-term debt (1)	(2,449,152)	(2,539,799)	(1,191,956)	(1,379,179)
Convertible debtentures (2)	(2,502)	(4,638)	(2,450)	(4,165)
Obligations under finance lease	(90,163)	(95,572)	(95,976)	(101,734)

(1) Fair value of the 2011 Senior Notes is estimated using the last traded price, representing 114% of the face value of the 2011 senior notes as at March 31, 2013. Fair value of the 2013 Senior Notes is estimated using the last traded price, representing 100% of the face value of the 2013 senior notes as at March 31, 2013.

(2) The closing price of the convertible debenture (PRE.DB – TSX) at March 31, 2013 represented 185% 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 March 31, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 5,224	$ -	$ 5,025	$ 10,249
Risk management assets	-	9,120	-	9,120
Risk management liabilities	-	(8,028)	-	(8,028)
Total	$ 5,224	$ 1,092	$ 5,025	$ 11,341

	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 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, 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 March 31	
	2013	2012
Decrease in accounts receivable	$ 88,631	$ 84,423
Decrease (increase) in income taxes receivable	9,651	(8,876)
Increase (decrease) in accounts payable and accruals	28,967	(22,237)
Decrease (increase) in inventories	8,898	(25,554)
(Decrease) increase in income taxes payable	(16,892)	155,058
(Increase) decrease in prepaid expenses	(2,882)	821
	$ 116,373	$ 183,635

Other cash flow information:

	Three months ended March 31	
	2013	2012
Cash income taxes paid	$ 133,592	$ 43,442
Cash interest paid	29,320	2,247
Cash interest received	738	520

26. Subsequent events

a) On April 15, 2013 the Company repaid the entire balance of $354 million outstanding on the US Dollar Facility. On May 6, 2013, the Company repaid $98.4 million outstanding on the Colombian Peso Facility. Both the U.S. Dollar Facility and the Colombian Peso Facility remain fully committed to their maturity in 2015. In addition, on May 3, 2013 the Company repaid the entire balance of $100 million outstanding on the short term credit facility.

b) On April 26, 2013 the Company closed the acquisition of 350 million units of CGX at C$0.10 per unit for C$35 million under a private placement, pursuant to a binding term sheet previously signed on March 25, 2013. Under the private placement, each unit consists of one common share of CGX and one share purchase warrant, exercisable for a five year period at C$0.17 per share. The investment by the Company was approved by the shareholders of CGX on April 24, 2013. The investment increases the Company's interest in CGX to approximately 63%, effectively acquiring control of CGX.