Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2013 and 2012

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of income

(In thousands of U.S. Dollars, except per share information; unaudited)	Notes	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
Oil and gas sales	4	$ 1,109,973	$ 870,369	$ 3,424,308	$ 2,838,073
Cost of operations					
Production and operating costs	5	422,340	308,411	1,288,914	1,046,348
Depletion, depreciation and amortization		384,144	247,782	1,074,094	646,144
General and administrative		76,101	78,850	225,171	202,371
Share-based compensation		5,184	1,036	41,121	32,049
Earnings from operations		222,204	234,290	795,008	911,161
Finance costs		(33,850)	(26,634)	(117,697)	(66,966)
Loss from equity investments	16	(12,101)	(37,977)	(13,920)	(42,082)
Foreign exchange gain (loss)		8,227	3,929	10,980	(12,844)
(Loss) gain on risk management	24b & c	(6,143)	(26,806)	(12,331)	23,793
Other expenses		(14,817)	(6,922)	(35,377)	(9,515)
Net earnings before income tax		163,520	139,880	626,663	803,547
Income tax expense	7	(83,249)	(71,063)	(372,383)	(252,041)
Net earnings for the period		$ 80,271	$ 68,817	$ 254,280	$ 551,506
Attributable to:					
Equity holders of the parent		81,991	68,817	261,504	551,506
Non-controlling interests		(1,720)	-	(7,224)	-
		$ 80,271	$ 68,817	$ 254,280	$ 551,506
Basic earnings per share attributable to equity holders of the parent	8	$ 0.25	$ 0.23	$ 0.81	$ 1.88
Diluted earnings per share attributable to equity holders of the parent	8	$ 0.25	$ 0.23	$ 0.80	$ 1.82

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of comprehensive Income

(In thousands of U.S. Dollars; unaudited)	Notes	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
Net earnings for the period		$ 80,271	$ 68,817	$ 254,280	$ 551,506
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods (nil tax effect)					
Foreign currency translation		2,849	(2,235)	(33,985)	19,898
Fair value adjustments on equity investments		-	(1,808)	-	(20,402)
Unrealized gain (loss) on cash flow hedges	24b	2,234	(2,269)	(22,480)	61,005
Realized gain (loss) on cash flow hedges transferred to earnings	24b	1,083	(3,910)	(3,867)	(14,302)
		6,166	(10,222)	(60,332)	46,199
Total comprehensive income		$ 86,437	$ 58,595	$ 193,948	$ 597,705
Attributable to:					
Equity holders of the parent		$ 85,973	$ 58,595	$ 198,205	$ 597,705
Non-controlling interests		464	-	(4,257)	-
		$ 86,437	$ 58,595	$ 193,948	$ 597,705

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 September 30 2013	As at December 31 2012
ASSETS			
Current			
Cash and cash equivalents		$ 355,651	$ 243,690
Restricted cash		20,558	21,023
Accounts receivables	24a	802,139	777,143
Inventories	10	109,865	125,043
Income tax receivable		77,276	42,289
Prepaid expenses		2,841	1,922
Risk management assets	24b & c	1,562	26,390
		1,369,892	1,237,500
Non-current			
Oil and gas properties	11	4,115,047	3,832,780
Exploration and evaluation assets	12	1,306,896	877,437
Intangible assets	14	246,232	118,884
Plant and equipment	13	297,692	83,621
Investments in associates	16	338,581	482,812
Other assets	17	155,173	213,163
Goodwill	15	295,913	240,545
Risk management assets	24b	178	270
		$ 8,125,604	$ 7,087,012
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 1,269,162	$ 1,209,333
Risk management liability	24b & c	16,176	3,176
Income tax payable		38,928	258,501
Current portion of long-term debt	18	170,822	7,395
Convertible debenture	18	-	2,450
Current portion of obligations under finance lease	20	18,651	20,206
		1,513,739	1,501,061
Non-current			
Long-term debt	18	1,891,204	1,184,561
Obligations under finance lease	20	57,669	75,770
Risk management liability	24b	1,798	-
Deferred tax liability	7	298,511	245,505
Equity tax payable		-	23,289
Asset retirement obligation	19	93,369	83,228
		3,856,290	3,113,414
EQUITY			
Common shares	22a	2,678,697	2,623,993
Contributed surplus		177,257	157,159
Other reserves		(18,176)	37,899
Retained earnings		1,273,835	1,154,547
Equity attributable to equity holders of the parent		4,111,613	3,973,598
Non-controlling interests	3	157,701	-
Total Equity		4,269,314	3,973,598
		$ 8,125,604	$ 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 nine months ended September 30, 2013

		Attributable to equity holders of parent							
(In thousands of U.S. Dollars; unaudited)	Note	Common Shares	Contributed Surplus	Retained Earnings	Cash flow hedge	Foreign currency translation	Total	Non-controlling interests	Total 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	(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		-	-	(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	132,798	4,227,605
Net earnings for the period		-	-	57,559	-	-	57,559	(4,348)	53,211
Other comprehensive income		-	-	-	(11,521)	(19,289)	(30,810)	(3,083)	(33,893)
Total comprehensive income		-	-	57,559	(11,521)	(19,289)	26,749	(7,431)	19,318
Issued on exercise of options		7,110	(1,894)	-	-	-	5,216	-	5,216
Share-based compensation		-	6	-	-	-	6	-	6
Dividends paid		-	-	(53,363)	-	-	(53,363)	-	(53,363)
Acquisition of subsidiary		-	-	-	-	-	-	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	155,406	4,228,821
Net earnings for the period		-	-	81,991	-	-	81,991	(1,720)	80,271
Other comprehensive income		-	-	-	3,317	2,385	5,702	464	6,166
Total comprehensive income		-	-	81,991	3,317	2,385	87,693	(1,256)	86,437
Issued on exercise of options		323	-	-	-	-	323	-	323
Issued on conversion of convertible debentures		3,688	-	-	-	-	3,688	-	3,688
Exercise of options		-	(111)	-	-	-	(111)	-	(111)
Share-based compensation		-	-	-	-	-	-	3,830	3,830
Dividends paid	9	-	-	(53,395)	-	-	(53,395)	-	(53,395)
Transaction with non-controlling interest		-	-	-	-	-	-	(279)	(279)
As at September 30, 2013		**$ 2,678,697**	**$ 177,257**	**$ 1,273,835**	**$ (2,767)**	**$ (15,409)**	**$ 4,111,613**	**$ 157,701**	**$ 4,269,314**

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of changes in equity

For the nine months ended September 30, 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		-	-	(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
Net earnings for the period		-	-	224,344	-	-	-	224,344
Other comprehensive income		-	-	-	7,804	1,412	(36,439)	(27,223)
Total comprehensive income		-	-	224,344	7,804	1,412	(36,439)	197,121
Issued on exercise of options		14,643	(4,321)	-	-	-	-	10,322
Dividends paid		-	-	(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
Net earnings for the period		-	-	68,817	-	-	-	68,817
Other comprehensive income		-	-	-	(6,179)	(2,235)	(1,808)	(10,222)
Total comprehensive income		-	-	68,817	(6,179)	(2,235)	(1,808)	58,595
Issued on exercise of warrants		20	-	-	-	-	-	20
Issued on exercise of options		8,262	(2,116)	-	-	-	-	6,146
Dividends paid	9	-	-	(32,474)	-	-	-	(32,474)
As at September 30, 2012		**$ 2,085,951**	**$ 158,472**	**$ 1,210,834**	**$ 22,634**	**$ 3,466**	**$ -**	**$ 3,481,357**

See accompanying notes to the interim condensed consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.

Interim condensed consolidated statements of cash flows

(In thousands of U.S. Dollars; unaudited)	Notes	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
OPERATING ACTIVITIES					
Net earnings for the period		$ 80,271	$ 68,817	$ 254,280	$ 551,506
Items not affecting cash:					
Depletion, depreciation and amortization		384,144	247,782	1,074,094	646,144
Accretion expense		2,225	1,788	13,062	5,555
Unrealized loss (gain) on risk management contracts	24b & c	6,089	18,879	12,277	(32,668)
Share-based compensation		3,830	1,036	38,685	32,049
Gain (loss) on cash flow hedges included in operating expense	24b	1,083	(3,910)	(3,867)	(14,301)
Deferred income tax	7	(26,201)	(11,531)	269	(94,260)
Unrealized foreign exchange (gain) loss		(9,869)	(11,825)	42,439	18,125
Loss from equity investments	16	12,101	37,977	13,920	42,082
Gain on acquisition of subsidiaries	3	-	-	(10,325)	-
Other		1,427	(688)	1,427	1,780
Changes in non-cash working capital	25	(23,394)	69,467	(272,842)	(30,215)
Net cash provided by operating activities		431,706	417,792	1,163,419	1,125,797
INVESTING ACTIVITIES					
Additions to oil and gas properties and plant and equipment		(473,733)	(275,089)	(1,179,689)	(665,345)
Additions to exploration and evaluation assets		(112,966)	(96,597)	(299,033)	(295,081)
Additions to intangible assets		-	-	(3,911)	-
Investment in associates and other assets		(19,447)	(171,129)	(282,526)	(444,700)
Decrease (increase) in restricted cash		7,244	(5,051)	449	(7,597)
Cash acquired through acquisition, net of cash inflow (outflow)	3	-	(220,300)	9,108	(220,300)
Net cash used in investing activities		(598,902)	(768,166)	(1,755,602)	(1,633,023)
FINANCING ACTIVITIES					
Advances from debt		170,000	328,753	654,343	373,057
Repayment of debt		(8,917)	(246,573)	(786,523)	(259,490)
Proceeds from the exercise of warrants and options		212	6,166	36,259	43,544
Dividends paid	9	(53,395)	(32,474)	(142,216)	(97,167)
Issuance of 2013 Senior Notes	18	-	-	1,000,000	-
Transaction costs	18	(16,285)	-	(44,947)	-
Net cash provided by financing activities		91,615	55,872	716,916	59,944
Effect of exchange rate changes on cash and cash equivalents		(7,542)	977	(12,772)	(9,616)
Change in cash and cash equivalents during the period		(83,123)	(293,525)	111,961	(456,898)
Cash and cash equivalents, beginning of the period		438,774	566,298	243,690	729,671
Cash and cash equivalents, end of the period		$ 355,651	$ 272,773	$ 355,651	$ 272,773
Cash and cash equivalents are comprised of:					
Cash		$ 308,448	$ 266,362	$ 308,448	$ 266,362
Short-term money market instruments		47,203	6,411	47,203	6,411
		$ 355,651	$ 272,773	$ 355,651	$ 272,773

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, Brazil, Guatemala, 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, V6E 4A2, 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 Audit Committee of the Board of Directors on November 5, 2013.

2. Basis of preparation and significant accounting policies

The interim condensed consolidated financial statements for the three and nine months ended September 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 NCI 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 NCI 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 has applied, 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* will 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 or 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 or 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 that 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 or performance.

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

This 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 previously existing parts of 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 so 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 of the following three criteria must be met: (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 method. 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.

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

3. Business acquisitions

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

PII is a company established in the 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 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 as of 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

Since the date of acquisition PII has contributed a net loss of $8.4 million to the continuing operations of the Company. If the combination had taken place at the beginning of the year, loss 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 September 30, 2013 the Company's interest in PII is 56.9%.

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

CGX Energy Inc. ("CGX")

CGX is a company listed on the TSX Venture Exchange and is involved in the exploration and development 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 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 per unit 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 as of 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

Since the date of acquisition, CGX has contributed net loss of $10.6 million to the continuing operations of the Company. If the combination had taken place at the beginning of the year, loss for the continuing operations would have been $1.1 million higher.

Between the date of acquisition and September 30, 2013, the Company acquired an additional 5.8 million shares of CGX at $0.15 per share, for an aggregate purchase price of $0.9 million. As at September 30, 2013 the Company's interest in CGX is 64.3%.

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

4. Segmented information

The Company is organized into business units based on the main types of activities and has one reportable segment as at September 30, 2013: the exploration, development, and production of heavy crude oil and gas in Colombia. The Company's assets in Papua New Guinea and Brazil are still in the early stages of development and therefore are not considered a reportable segment as at September 30, 2013. The Company's operations in Guatemala, Guyana and Peru were not significant, as at September 30, 2013.

As at September 30, 2013, all of the Company's assets are located in Colombia except for $36 million (December 31, 2012: $18 million) in cash and cash equivalents held in Canada and the United States, as well as non-current assets of $466 million (December 31, 2012: $328 million) in Peru, $126 million (December 31, 2012: $62 million) in Papua New Guinea, $287 million (December 31, 2012: $85 million) in Brazil, $44 million (December 31, 2012: Nil) in Guyana, and $31 million (December 31, 2012: $19 million) in Guatemala.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
North and Central America	$ 565,851	$ 371,178	$ 1,897,020	$ 1,373,977
Europe	398,134	195,279	643,399	828,607
Asia	90,635	246,554	690,782	464,470
Colombia	42,704	57,358	154,077	170,068
Peru	12,649	-	39,030	-
Others	-	-	-	951
	$ 1,109,973	$ 870,369	$ 3,424,308	$ 2,838,073

5. Production and operating costs

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Oil and gas operating costs	$ 436,025	$ 303,564	$ 1,336,951	$ 1,071,406
(Underlift) overlift	(13,685)	4,847	(48,037)	(25,058)
Total	$ 422,340	$ 308,411	$ 1,288,914	$ 1,046,348

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

6. Equity tax

On December 29, 2010, the Colombian Congress passed a law that 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
Unwinding of discount		942
Foreign exchange		585
Payment		(13,124)
As at September 30, 2013	$	23,505
Current	$	23,505
	$	23,505

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 September 30		Nine months ended September 30	
	2013	2012	2013	2012
Net earnings before income taxes	$ 163,520	$ 139,880	$ 626,663	$ 803,547
Canadian statutory income tax rate	26.50%	26.50%	26.50%	26.50%
Income tax expense at statutory rate	43,333	37,068	166,066	212,940
Increase (decrease) in income tax provision resulting from:				
Other (non-taxable) non-deductible expenses	(440)	680	87,325	(48,362)
Share-based compensation	360	275	9,882	8,493
Risk management loss (gain)	1,397	3,552	1,101	(3,153)
Differences in tax rates in foreign jurisdictions	20,558	15,523	67,245	61,079
Losses for which no tax benefit is recorded	18,041	13,965	40,764	21,044
Income tax expense	$ 83,249	$ 71,063	$ 372,383	$ 252,041
Current income tax expense	109,450	82,594	372,114	346,301
Deferred income tax expense (recovery):				
Relating to origination and reversal of temporary differences	(26,201)	(11,531)	269	(94,260)
Income tax expense	$ 83,249	$ 71,063	$ 372,383	$ 252,041

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

The Company's deferred tax relates to the following:

		As at September 30 2013		As at December 31 2012
Tax loss carry forwards	$	6,077	$	3,287
Oil and gas properties and equipment		(380,386)		(298,226)
Other		75,798		49,434
Deferred tax liability	$	(298,511)	$	(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 that 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 September 30				Nine months ended September 30			
		2013		2012		2013		2012
Net earnings attributable to equity holders of the parent	$	81,991	$	68,817	$	261,504	$	551,506
Basic weighted average number of shares		323,404,942		295,022,739		322,590,968		294,003,027
Effects of dilution		2,688,182		7,850,230		3,097,829		8,980,482
Diluted weighted average number of shares		326,093,124		302,872,969		325,688,797		302,983,509
Basic earnings per share attributable to equity holders of the parent	$	0.25	$	0.23	$	0.81	$	1.88
Diluted earnings per share attributable to equity holders of the parent	$	0.25	$	0.23	$	0.80	$	1.82

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 September 30				Nine months ended September 30			
		2013		2012		2013		2012
Declared and paid	$	53,395	$	32,474	$	142,216	$	97,167
Dividend per common share	$	0.17	$	0.11	$	0.44	$	0.33

10. Inventories

		As at September 30 2013		As at December 31 2012
Crude oil and gas	$	95,450	$	114,198
Materials and supplies		14,415		10,845
	$	109,865	$	125,043

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

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
Additions		450,857
Disposals		(27,040)
Change in asset retirement obligation (Note 19)		716
Cost as at September 30, 2013	$	6,923,616

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
Charge for the period		365,630
Disposals		(1,921)
Accumulated depletion as at September 30, 2013	$	2,808,569

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
As at September 30, 2013		4,115,047

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
Additions		140,898
Farm-in interest		159,101
Impairment		(21,715)
Disposal		(7,824)
As at September 30, 2013	$	1,306,896

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

(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
Additions	3,173	48,104	9,615	60,892
Cost as at September 30, 2013	$ 70,078	$ 178,962	$ 114,837	$ 363,877
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
Charge for the period	2,245	-	2,963	5,208
Accumulated depreciation as at September 30, 2013	$ 23,635	$ -	$ 42,550	$ 66,185
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
As at September 30, 2013	46,443	178,962	72,287	297,692

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, June 30 and September 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
Charge for the period	-	6,556	6,556
Accumulated amortization as at September 30, 2013	$ -	$ 90,568	$ 90,568
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
As at September 30, 2013	146,800	99,432	246,232

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.

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

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 and September 30, 2013	$	295,913

16. Investments in associates

	ODL	Bicentenario	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
Investment	18,195	-	-	-	-	-	18,195
Income (loss) from equity investments	(11,506)	(1,239)	-	(23)	667	-	(12,101)
Foreign currency translation	1,546	200	-	-	-	-	1,746
As at September 30, 2013	$ 199,764	$ 113,749	$ -	$ 16,985	$ 8,083	$ -	$ 338,581

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 $172 million from 2013 to 2017.

Oleoducto Bicentenario de Colombia ("Bicentenario")

Bicentenario is a corporation established and owned by a consortium of oil producers operating in Colombia, led by Ecopetrol, with the Company owning 33.4%. Bicentenario will build and operate a private-use oil pipeline in Colombia between Casanare and Coveñas. Bicentenario's functional currency is the Colombian peso and the currency translation adjustment upon conversion to U.S. dollars has been recorded in other comprehensive income.

The Company has ship or pay contracts with Bicentenario for the transportation of crude oil from the Rubiales field to Colombia´s oil transportation system, for a total commitment of $1.9 billion from 2013 to 2025.

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

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. On March 25, 2013 Pacific Coal consolidated its issued and outstanding common shares on a one-for-seven basis. As at September 30, 2013, the Company's interest in Pacific Coal was 14.4% and the investment was estimated at $1.9 million (December 31, 2012: $8.3 million), based on the last traded price on the TSX Venture Exchange of C$0.30 (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 nine months ended September 30, 2013 (2012: Nil).

17. Other assets

	As at September 30 2013	As at December 31 2012
Bicentenario loan	$ 33,009	$ 32,562
Farm-in interests	112,732	170,028
Other	9,432	10,573
	$ 155,173	$ 213,163

Bicentenario loan

During 2011 the Company, along with the other shareholders of Bicentenario, entered into certain subordinated loan agreements with Bicentario. As at September 30, 2013, Bicentenario has the option to draw down an additional $97.3 million (December 31, 2012 - $97.3 million) pursuant to these agreements. The principal of the subordinated loan will be repaid in 10 equal semi-annual installments starting in 2025 or earlier, after Bicentenario has repaid its bank loans in full. The loans carry an annual interest rate of 7.32%. As at September 30, 2013 the balance of loans outstanding to the Company under the agreement is $33 million (December 31, 2012: $32.6 million), representing the amounts advanced less repayments. Interest income of $0.5 million and $1.5 million was recognized during the three and nine months ended September 30, 2013 (2012: $0.5 million and $5 million respectively).

Farm-in interests

The Company has made advances of $113 million in total for exploration farm-in interests in Brazil and Colombia that were still subject to regulatory approval as at September 30, 2013 (December 31, 2012: $170 million). During the nine months ended September 30, 2013, $117.5 million and $159.1 million of advances for farm-in interests in Papua New Guinea and Brazil were approved and reclassified to exploration and evaluation assets.

(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 September 30 2013		As at December 31 2012
Senior Notes - 2009	2016	USD	8.75%	$	-	$	89,818
Senior Notes - 2011	2021	USD	7.25%		650,430		646,964
Senior Notes - 2013	2023	USD	5.125%		989,639		-
Revolving credit facility - US Dollar	2015	USD	LIBOR + 2.75%		-		353,599
Revolving credit facility - COP	2015	COP	DTF + 2.25%		92,180		24,895
BOFA Loan - 2013	2016	USD	LIBOR + 1.5%		107,425		-
BOFA Working Capital Loan	2014	USD	LIBOR + 0.95%		100,000		-
Citibank Working Capital Loan	2013	USD	LIBOR + 1.25%		70,000		-
Bank loans (1)	2024	COP	DTF + 4.2%		71,828		52,437
Bank loans	2016	COP	DTF + 2.65%		-		22,909
Promissory note	2015	COP	7.96%		23		1,334
Deferred financing costs (2)					(19,499)		-
				$	2,062,026	$	1,191,956
Current portion				$	170,822	$	7,395
Non-current portion					1,891,204		1,184,561
					2,062,026		1,191,956
Convertible debenture					-		2,450
				$	2,062,026	$	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 an interest rate of 4.2% + DTF (90-day benchmark rate in Colombia).

(2) The balance as at September 30, 2013 represents the unamortized deferred financing cost.

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 nine months ended September 30, 2013, Nil and $3.4 million, respectively (2012: $2.1 million and $6.3 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 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 September 30, 2013 was $712 million (December 2012: $712 million). For the three and nine months ended September 30, 2013, $14.1 million and $42 million respectively (2012: $14 million and $41.9 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.

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 nine months ended September 30, 2013, $13.2 million and $26.1 million respectively 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 US Dollar Facility. As of September 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 as well as a commitment fee of 0.40% on any unused facility and matures on September 21, 2015. As at September 30, 2013, the Company has drawn down $92.1 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) an 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) an interest coverage ratio of greater than 2.5. The Company was compliant with the covenants during the period.

Working capital credit facilities

On August 1, 2013 and September 17, 2013 the Company entered into two working capital loans with Bank of America ("BOFA Working Capital Loan) and Citibank ("Citibank Working Capital Loan") for $100 million and $70 million respectively.

The BOFA Working Capital Loan has a term of one year and an interest rate of LIBOR + 0.95%. The Citibank Working Capital Loan has term of three months and an interest rate of LIBOR + 1.25%.

Convertible debentures

On August 29, 2013 the convertible debentures matured and the entire principal outstanding was either repaid or converted into common shares of the company at a rate of C$12.40 (2012: C$12.93) per share, being equivalent to 80.67 (2012: 77.94) common shares per C$1,000 face amount of debentures.

The conversion feature of the Convertible debentures that is recognized as a derivative liability was revalued to its fair value through the consolidated income statement at the date of conversion. Upon conversion the portion of the liability related to debt that was converted into common shares was transferred to shareholders equity and the portion related to the debt not converted was recognized as a gain in the consolidated income statement.

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

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
Arising during the period		(3,861)
Accretion expense		716
As at September 30, 2013	$	93,369

The asset retirement obligation represents the present value of decommissioning costs related to oil and gas properties, of which up to $130 million are expected to be incurred (December 31, 2012: $93 million). The future decommissioning costs are discounted using the risk free rate of between 3.73% and 4.41% (December 31, 2012: 2.50% and 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 leases

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

		As at September 30 2013		As at December 31 2012
Within 1 year	$	28,137	$	31,910
Year 2		22,172		28,895
Year 3		22,676		23,586
Year 4		7,421		19,299
Year 5		6,818		7,095
Thereafter		20,295		25,598
Total minimum lease payments		107,519		136,383
Amounts representing interest		(31,199)		(40,407)
Present value of net minimum lease payments	$	76,320	$	95,976
Current portion	$	18,651	$	20,206
Non-current portion		57,669		75,770
Total obligations under finance lease	$	76,320	$	95,976

For the three and nine months ended September 30, 2013, interest expense of $2.8 million and $8.9 million respectively (2012: $3.2 million and $10 million) was incurred on these finance leases.

(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
Bicentenario transport service	$ 40,229	$ 161,358	$ 161,358	$ 161,800	$ 161,358	$ 1,224,112	$ 1,910,215
LNG Project and conversion service	-	59,088	59,088	59,088	59,088	649,964	886,316
Minimum work commitments	70,027	235,532	118,555	42,207	15,717	-	482,038
Operating leases and purchase	134,348	130,798	125,540	43,703	15,647	71,151	521,186
ODL transport service	-	18,280	29,979	41,679	23,399	58,496	171,833
Transmission line project	4,988	16,949	-	-	-	-	21,937
Community obligations	25,208	-	-	-	-	-	25,208
Other transportation commitments	1,309	5,192	5,192	5,192	5,191	-	22,076
Total	$ 276,109	$ 627,197	$ 499,712	$ 353,669	$ 280,400	$ 2,003,723	$ 4,040,809

The Company has various guarantees in place in the normal course of business. As at September 30, 2013, the Company has issued letters of credit and guarantees for exploration and operational commitments for a total of $349 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 September 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.

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 September 30, 2013.

Tax review in Colombia

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

The DIAN has reassessed value added tax ("IVA") for 2009 on the basis that the volume of oil produced and used for internal consumption at certain fields in Colombia should have been subjected to IVA. The amount reassessed, including interest and penalties, is estimated to be $10 million. The Company disagrees with the DIAN's reassessment and as of September 30, 2013 an official appeal has been initiated. Several other taxation periods through to 2011 in respect of IVA on field oil consumption are currently under review by the DIAN. For the periods that are under review, if the DIAN's views were to prevail, the Company estimates that the IVA, including interest and penalties, could range between $12 million to $41million. The Company continues to utilize oil produced for internal consumption, which is an accepted practice for the oil industry in Colombia.

The DIAN is also reviewing certain income tax deductions in respect of the special tax benefit for qualifying petroleum assets, as well as other exploration expenditures. To date the DIAN has reassessed $12 million of tax owing, including estimated interest and penalties, with respect to the denied deductions.

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

The Company disagrees with the DIAN's claims on the IVA applied on internal oil consumption and the denial of income tax deductions. As of September 30, 2013, the Company believes that the dispute will be resolved in favour of the Company. As a result no provision has been made in the financial statements.

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.

The continuity schedule of share capital is as follows:

	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
Issued on exercise of options	17,400		324
Issued on conversion of convertible debentures	192,240		3,687
As at September 30, 2013	323,612,416	$	2,678,697

(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	24,903,965	$	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	27,823,990		19.96
Exercised during the period	(974,506)		5.45
Expired during the period	(31,750)		23.30
Balance, June 30, 2013	26,817,734		20.48
Exercised during the period	(17,400)		12.99
Expired during the period	(22,500)		25.41
Balance, September 30, 2013	26,777,834	$	20.49

The weighted average share price at the time when the stock options were exercised during the three and nine months ended September 30, 2013 was C$21.07 and C$22.47 respectively (2012: C$22.76 and C$28.05).

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

(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)
870,186	$	4.70	October 23, 2013	0.1
116,667		6.30	July 10, 2017	3.8
10,000		10.86	July 30, 2014	0.8
2,172,400		13.09	October 12, 2014	1.0
4,054,500		14.08	February 9, 2015	1.4
3,000		19.00	March 16, 2015	1.5
2,792,625		20.56	April 23, 2015	1.6
10,750		20.09	May 17, 2015	1.6
5,000		24.41	June 22, 2015	1.7
39,500		27.58	September 29, 2015	2.0
247,500		34.43	February 2, 2016	2.3
3,761,006		25.76	March 16, 2016	2.5
53,000		28.01	May 3, 2016	2.6
12,000		25.59	May 26, 2016	2.7
160,000		22.05	September 27, 2016	3.0
21,000		24.68	October 24, 2016	3.1
5,323,700		22.75	January 20, 2017	3.3
70,500		29.10	March 30, 2017	3.5
6,215,500		23.26	January 28, 2018	4.3
75,000		24.10	February 7, 2018	4.4
764,000		24.32	February 8, 2018	4.4
26,777,834	$	20.49		2.7

(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 September 30, 2013, 286,853 DSUs were outstanding with a fair value of $5.8 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

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 September 30, 2013, the Company had trade accounts receivable of $1.1 million (December 31, 2012: $4.5 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 $4.9 million and $26.8 million for the three and nine months ended September 30, 2013 (2012: $8.1 million and $27.1 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. In April 2013 the Company and Ecopetrol entered into another agreement with Genser-Proelectrica to acquire additional assets for a total commitment of $57 million over ten years. At the end of the Rubiales Association Contract in 2016, the Company's obligations along with the power generation assets will be transferred to Ecopetrol. During the three and nine months ended September 30, 2013, those assets were under construction and the Company paid cash advances of $0.6 million and $10.5 million (2012: Nil). The Company has accounts payable of $0.4 million (December 2012: Nil) due to Genser-Proelectrica.

c) During the three and nine months ended September 30, 2013, the Company paid $4.9 million and $27.7 million (2012: $13.8 million and $30.1 million) to Transportadora Del Meta S.A.S. ("Transmeta") in crude oil transportation costs. In addition the Company has accounts receivable of $1.6 million (December 31, 2012: $2.4 million) from Transmeta and accounts payable of $4.3 million (December 31, 2012: $8.5 million) to Transmeta as at September 30, 2013. Transmeta is controlled by a director of the Company.

d) Loans receivables from related parties in the aggregate amount of $504 (December 31, 2012 – $179) are due from two director and six officers (2012: three directors and three officers) of the Company. The loans are non-interest bearing and payable in equal monthly payments over a 48-month terms.

e) The Company has entered into aircraft transportation agreements with Petroleum Aviation Services S.A.S., a company controlled by a director of the Company. During the three and nine months ended September 30, 2013, the Company paid $4.4 million and $11 million (2012: $3.8 million and $11.1 million) in fees as set out under the transportation agreements. As at September 30, 2013 the Company had accounts payable of $1.2 million to Petroleum Aviation Services S.A.S. (December 31, 2012: $2.8 million).

f) During the three and nine months ended September 30, 2013, the Company paid $38.9 million and $99.4 million to ODL (2012: $35.5 million and $80.9 million) for crude oil transport services under the pipeline take or pay agreement, and has accounts payable of $12 million to ODL as at September 30, 2013 (December 31, 2012: $5 million). The Company received $0.2 million and $0.7 million from ODL during the three and nine months ended September 30, 2013 (2012: $0.4 million and $0.8 million) with respect to certain administrative services and rental equipment and machinery.

g) As at September 30, 2013 the balance of loans outstanding to Bicentenario under the agreement in note 17 (other assets), is $33 million (December 31, 2012: $32.6 million). Interest income of $0.5 million and $1.5 million was recognized during the three and nine months ended September 30, 2013 (2012: $3.2 million and $5.2 million). The Company has received Nil and $0.7 million during the three and nine months ended September 30, 2013 (2012: nil) with respect to certain administrative services and rental equipment and machinery and has no account receivable as at September 30, 2013 (2012: $2.1million). In addition, the Company has advanced $38 million as of September 30, 2013 (December 31, 2012: Nil) to Bicentenario as a prepayment of transport tariff, which will be amortized against the barrels transported once Bicentenario becomes operational. The advance is included in accounts receivable as of September 30, 2013.

h) During the three and nine months ended September 30, 2013, the Company paid $0.2 and $0.5 million (2012: $0.1 million and $2.2 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.

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

24. Financial assets and liabilities

(a) Credit risk

	As at September 30 2013	As at December 31 2012
Trade receivable	$ 233,941	$ 298,277
Advances / deposits	114,584	143,624
Recoverable VAT	107,663	81,192
Other receivables	59,390	70,883
Receivable from joint arrangements	287,694	184,443
Allowance for doubtful accounts	(1,133)	(1,276)
	$ 802,139	$ 777,143
Loan to Bicentenario (non-current, note 17)	33,009	32,555
	$ 835,148	$ 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. For the three and nine months ending in September 30, 2013, 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 $41 million or 39% and 18% of trade accounts receivable, respectively (September 30, 2012: $98 million and $53 million respectively or 40% and 21% of trade accounts receivable). Revenues from these customers for the three and nine months ended September 30, 2013 were $392 million and $784 million or 35% and 23% of net revenue (September 30, 2012: $242 million and $368 million or 28% and 13% of net revenue).

The entire amount of the recoverable IVA 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 September 30, 2013

Asset Instrument	Term	Notional amount	Floor-ceiling / strike	Fair value
Currency collar	October 2013 to December 2014	$ 345,000	1900-2075 COP/$	$ 1,412
		$ 345,000		$ 1,412
		Current		$ 1,234
		Non-current		178
		Total		$ 1,412

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

Liabilities

Instrument	Term		Notional amount	Floor-ceiling / strike		Fair value
Currency collar	October 2013 to December 2014	$	90,000	1825-1995 COP/$	$	(6,262)
Forward [(1)]	October 2013 to February 2014		87,500	1910 COP/$		(971)
		$	177,500		$	(7,233)
			Current		$	(5,435)
			Non-current			(1,798)
			Total		$	(7,233)

[(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

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 nine months ended September 30, 2013, $2.2 million of unrealized gain and $22.5 million of unrealized loss respectively (2012: $2.3 million of unrealized loss and $61 million of unrealized gain) were initially recorded as other comprehensive income, and $1.1 million loss and $3.9 million gain (2012: $3.9 million and $14.3 million gain) 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, as foreign exchange gains or losses in the period that they arise. During the three and nine months ended September 30, 2013, $8.9 million gain and $4.5 million loss (2012: $0.8 million and $18.2 million loss) due to hedge ineffectiveness was recorded as foreign exchange.

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 nine months ended September 30, 2013, the Company recorded an unrealized gain of $4.4 million and unrealized loss of $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.

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

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

As at September 30, 2013

Asset

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price ($/bbl)	Benchmark		Fair value
Zero-cost collars	April to September 2014	900,000	80 / 108	WTI	$	328
	Total	900,000			$	328
	Current				$	328
	Total				$	328

Liabilities

Instrument	Term	Volume (bbl)	Floor/ceiling or strike price ($/bbl)	Benchmark		Fair value
Zero-cost collars	September to December 2013	7,650,000	80 / 106-119.80	WTI	$	(3,624)
Extendible zero-cost collars (counterparties option)	September to December 2013	3,750,000	80 / 109-110	WTI		(7,117)
	Total	11,400,000			$	(10,741)
	Current				$	(10,741)
	Total				$	(10,741)

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 and nine months ended September 30, 2013, the Company recorded a loss of $10.5 million and $8.3 million respectively (2012: $26.8 million loss and $23.8 million gain) on commodity price risk management contracts in net earnings. Included in these amounts were $8.2 million and $10.5 million of unrealized loss (2012: unrealized loss of $18.9 million and $32.7 million unrealized gain) representing the change in the fair value of the contracts and $53 thousand for the three and nine months (2012: $7.9 million and $8.9 million realized loss) of realized loss resulting from premiums paid.

If the forward WTI crude oil price estimated at September 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).

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

(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 September 30, 2013		As at December 31, 2012	
Financial instrument	Carrying value	Fair value	Carrying value	Fair value
Assets held for trading				
Cash and cash equivalents	$ 355,651	$ 355,651	$ 243,690	$ 243,690
Restricted cash	20,558	20,558	21,023	21,023
Commodity price derivatives	328	328	1,023	1,023
Foreign currency forward	-	-	3,047	3,047
Loans and receivables				
Accounts receivable	802,139	802,139	777,143	777,143
Loan to Bicentenario	33,009	33,009	32,562	32,562
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	(5,821)	(5,821)	22,590	22,590
Liabilities held for trading				
Commodity price derivatives	(10,741)	(10,741)	(3,176)	(3,176)
Other Liabilities				
Accounts payable and accrued liabilities	(1,269,162)	(1,269,162)	(1,209,333)	(1,209,333)
Long-term debt [(1)]	(2,062,026)	(2,014,504)	(1,191,956)	(1,379,179)
Convertible debentures [(2)]	-	-	(2,450)	(4,165)
Obligations under finance lease	(76,320)	(80,899)	(95,976)	(101,734)

(1) Fair value of the 2011 Senior Notes is estimated using the last traded price, representing 106.75% of the face value of the 2011 Senior Notes as at September 30, 2013. Fair value of the 2013 Senior Notes is estimated using the last traded price, representing 90.44% of the face value of the 2013 Senior Notes as at September 30, 2013.

(2) The closing price of the convertible debenture (PRE.DB – TSX) on December 31, 2012 represented 170% of the face value of the convertible debenture. 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 September 30, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 5,224	$ -	$ 5,025	$ 10,249
Risk management assets	-	1,740	-	1,740
Risk management liabilities	-	(17,974)	-	(17,974)
Total	$ 5,224	$ (16,234)	$ 5,025	$ (5,985)

	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

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

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, 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 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
(Increase) decrease in accounts receivable	$ (137,470)	$ 31,132	$ (19,003)	$ 165,405
Decrease (increase) in income taxes receivable	32,082	(3,943)	(50,834)	(18,518)
Increase in accounts payable and accruals	29,362	52,523	6,705	22,507
Decrease (increase) in inventories	28,293	(76,029)	21,026	17,247
Increase (decrease) in income taxes payable	23,751	66,209	(229,817)	(217,927)
Decrease (increase) in prepaid expenses	588	(425)	(919)	1,071
	$ (23,394)	$ 69,467	$ (272,842)	$ (30,215)

Other cash flow information:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Cash income taxes paid	$ 53,261	$ 19,175	$ 624,015	$ 608,048
Cash interest paid	5,105	27,962	72,489	62,580
Cash interest received	1,285	1,262	2,792	2,974

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

a) The Company has entered into an agreement with Petrominerales Ltd. ("PMG") to acquire all of its issued and outstanding shares. Pursuant to the arrangement, for each share of PMG the Company will pay C$11 in cash for a total of approximately C$935 million, the issuance of one common share of ExploreCo, and the assumption of net debt estimated at C$640 million. ExploreCo is a newly formed exploration and production company which will consist of PMG's Brazilian assets and C$100 million in cash. The arrangement is subject to approval by the shareholders of PMG, court approval, regulatory, stock exchange and other approvals. The shareholders of PMG are scheduled to vote on the transaction on November 27, 2013. The total purchase price will be financed with cash on hand and a committed bridge facility, which the Company expects to refinance after the acquisition is completed. To reduce the foreign currency exposure associated with the cash consideration, the Company has entered into currency forward contracts for C$1 billion with forward rates ranging from C$1.02645 to C$1.02709 per 1 US dollar. The settlement of the currency forwards is contingent on the completion of the acquisition of PMG.