

GRAN TIERRA ENERGY, INC.  
Form 424B3  
October 16, 2008

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-153376

## **131,363,112 Shares**

### **Common Stock**

This prospectus relates to the issuance from time to time of:

- up to 124,217,174 shares of our common stock that may be issued upon the exchange of the exchangeable shares of Gran Tierra Exchangeco Inc., an indirect wholly-owned Canadian subsidiary of ours, which we refer to as Exchangeco in this prospectus, and
- up to 7,145,938 shares of our common stock that may be issued upon the exercise of warrants assumed by us in the consolidation of Gran Tierra with Solana Resources Limited, an Alberta corporation.

Our consolidation with Solana, in which Solana will become an indirect wholly-owned subsidiary of Gran Tierra, and in which we will issue to the holders of Solana common stock shares of our common stock, or exchangeable shares, and we will assume warrants to purchase shares of Solana common stock which will then become warrants to purchase our common stock, is referred to in this document as the “Solana transaction.” The number of shares of our common stock issuable upon exchange of the exchangeable shares assumes that the maximum number of exchangeable shares that can be issued in the Solana transaction will be issued. The shares of common stock covered by this prospectus will not be issued until after the Solana transaction has been completed. Except as otherwise indicated, all of the information presented in this prospectus assumes that the Solana transaction will be completed. The Solana transaction is described under the caption entitled “The Solana Transaction” beginning on page 1.

Because the shares of our common stock offered by this prospectus to be issued in exchange for, or upon the redemption of, the exchangeable shares, we will not receive any cash proceeds from the issuance of shares of our common stock upon exchange of exchangeable shares in connection with this offering. We will receive up to approximately Cdn.\$15,000,000, or approximately Cdn.\$2.10 per share, upon exercise of the warrants assumed by us. We are paying all expenses of registration incurred in connection with this offering.

Our common stock is traded on the American Stock Exchange under the symbol “GTE” and on the Toronto Stock Exchange under the symbol “GTE”. On October 14, 2008, the closing price of our common stock was US\$2.49 per share on the American Stock Exchange and Cdn\$2.87 per share on the Toronto Stock Exchange.

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**Investing in our common stock involves risks. Before making any investment in our securities, you should read and carefully consider risks described in “Risk Factors” beginning on page 4 of this prospectus.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

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**The date of this prospectus is October 15, 2008.**

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## ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and any free-writing prospectus that we authorize to be distributed to you. We have not authorized anyone to provide you with information different from or in addition to that contained in this prospectus or any related free-writing prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial conditions, results of operations and prospects may have changed since that date.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus but might not contain all of the information that is important to you. Before investing in our common stock, you should read the entire prospectus carefully, including “Risk Factors” and our financial statements and the notes thereto included elsewhere in this prospectus and in our filings with the Securities and Exchange Commission and incorporated into this document by reference.*

*For purposes of this prospectus, unless otherwise indicated or the context otherwise requires, all references herein to “Gran Tierra,” “we,” “us,” and “our,” refer to Gran Tierra Energy Inc., a Nevada corporation, and our subsidiaries.*

### Our Company

Gran Tierra Energy Inc. is an international oil and gas exploration and production company operating in South America, headquartered in Calgary, Canada, incorporated in the United States. We hold interests in producing and prospective properties in Argentina, Colombia and Peru. We have a strategy that focuses on growing a portfolio of producing properties, plus production enhancement and exploration opportunities to provide a base for future growth.

### Recent Developments

#### *Reserves Update*

In July 2008, we announced our estimates of reserves of the Costayaco oil field, located in Colombia, as of the end of June 2008. We now estimate proved reserves of the Costayaco oil field of 20.54 million barrels of oil, with net of royalty reserves of the Costayaco oil field now being 6.67 million barrels of oil.

#### *The Solana Transaction*

On July 28, 2008, Gran Tierra entered into an arrangement agreement with Solana Resources Limited and Gran Tierra Exchangeco Inc., an indirect wholly-owned Canadian subsidiary of ours, which we refer to as Exchangeco in this prospectus. The arrangement agreement provides for the acquisition of all of the outstanding shares of Solana common stock through the execution of a statutory plan of arrangement under Canadian law, whereby Exchangeco would acquire the common shares of Solana and Solana would become an indirect, wholly-owned subsidiary of Gran Tierra.

- Under the terms of the arrangement agreement, in exchange for each share of Solana common stock held, Solana shareholders will receive either (i) 0.9527918 of a share of Gran Tierra common stock or (ii) 0.9527918 of a share of the common stock of a Canadian subsidiary of Gran Tierra, an exchangeable share that may be exchanged for one share of Gran Tierra common stock at the election of the holder for a period of five years.
- Warrants to purchase 7,500,000 shares of Solana common stock at an exercise price of Cdn\$2.00 per share are currently outstanding. Such warrants will, after the effective time of the arrangement, if not exercised or acquired for cash in or prior to the Solana transaction, represent the right to purchase shares of our common stock. Under the arrangement, the number of shares of our common stock issuable upon exercise of the warrants after the effective time of the arrangement will be equal to 7,145,938 (or such lesser number of shares if a portion of the warrants have been exercised or acquired for cash to the effective time of the arrangement) multiplied by the exchange ratio, and the exercise price for such warrants will be approximately Cdn\$2.10.

Options to purchase up to approximately 3,945,000 shares of Solana common stock at a weighted average exercise price of Cdn\$1.89 per share are currently outstanding. The plan of arrangement provides that the options can be converted to cash or Solana common shares pursuant to a formula set forth in the plan of arrangement or, if the optionholder will be a director, officer, employee or consultant of Gran Tierra or a subsidiary of Gran Tierra immediately subsequent to the consummation of the Solana transaction, the optionholder can elect to cause the Solana options to become options to purchase shares of Gran Tierra common stock based on a formula set forth in the plan of arrangement.

- As an inducement for each party to enter into the arrangement agreement, contemporaneously with the execution of the arrangement agreement, certain directors and officers of Solana and Gran Tierra, entered into additional agreements (that would become terminable upon any termination of the arrangement agreement in accordance with its terms) whereby each of the parties agreed, among other things, to vote all of her or his shares of common stock held in the respective company: (i) in favor of the adoption of the arrangement agreement; and (ii) generally against any action or agreement that is intended, or would reasonably be expected, to delay, prevent or adversely affect the Solana transaction.
- The Solana transaction, which is expected to close prior to November 15, 2008, is subject to United States and foreign regulatory approvals, approval by holders of stock of both companies and other customary conditions. The arrangement agreement also contains mutual representations and warranties of the parties covering customary matters. Each of the parties also makes various covenants in the arrangement agreement, including those requiring the parties to use reasonable efforts to consummate the transaction and prohibiting the parties from taking certain actions that would impede the consummation of the transaction.

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- The arrangement agreement may be terminated by either Gran Tierra or Solana under certain circumstances set forth in the arrangement agreement, including, among other circumstances, the failure of the plan of arrangement to be consummated on or before November 15, 2008, the failure of Solana shareholders to approve the plan of arrangement, the failure of the Gran Tierra stockholders to approve the issuance of shares contemplated by the plan of arrangement and the failure to obtain the necessary regulatory approvals. If the arrangement agreement is terminated (i) in certain circumstances following the receipt by Solana of a superior proposal or (ii) as a result of Solana's board of directors changing its recommendation in favor of the plan of arrangement, the arrangement agreement or the transactions contemplated by the arrangement agreement, Solana will be obligated to pay a termination fee to Gran Tierra in the amount of \$21 million. If the arrangement agreement is terminated as a result of Gran Tierra's board of directors changing its approval or recommendation of the arrangement agreement, the plan of arrangement and the other transactions contemplated by the arrangement agreement, Gran Tierra will be obligated to pay a termination fee to Solana in the amount of \$21 million. A party to the arrangement agreement may recover up to \$1.5 million of its expenses in the event of a failure to satisfy a certain condition in the arrangement agreement.
- We amended the arrangement agreement on September 5, 2008 and October 9, 2008 to amend the Plan of Arrangement to provide (1) that Exchangeco, rather than Gran Tierra, would make any payments pursuant to dissenters rights, (2) to make technical revisions to the treatment of Solana stock options and (3) to revise the requirement for electing to take Gran Tierra shares or exchangeable shares.

#### *Colombian Participation Agreement*

Gran Tierra is party to a Colombian Participation Agreement, dated June 22, 2006, between Argosy Energy International, Gran Tierra Energy Inc. and Crosby Capital, LLC, as amended, the "**Colombian Participation Agreement**", entered into in connection with Gran Tierra's original acquisition of its interests in Colombia, pursuant to which Gran Tierra is obligated to pay specified amounts based on production from the properties acquired. In July 2008, Gran Tierra negotiated an amendment to the Colombian Participation Agreement to provide that, in the event that the Arrangement is consummated, Gran Tierra will issue two million shares of Gran Tierra common stock to the holders of the rights to receive payments under that agreement, in consideration for the holders agreeing that their rights to receive payments on production from the properties Gran Tierra acquired would not apply to Solana's interests in the properties in which Solana and Gran Tierra have joint working interests, even after the combination of the two companies. In the event that combination of Gran Tierra and Solana does not occur, then Gran Tierra would not be obligated to issue the two million shares, and the rights of the royalty holders under the Colombian Participation Agreement would not be affected.

### **Corporate Information**

Gran Tierra Energy Inc. was incorporated under the laws of the State of Nevada on June 6, 2003, under the name of Goldstrike Inc. Our principal executive offices are located at 300, 611 - 10th Avenue S.W., Calgary, Alberta T2R 0B2, Canada. The telephone number at our principal executive offices is (403) 265-3221. Our website address is [www.grantierra.com](http://www.grantierra.com). Information contained on our website is not deemed part of this prospectus.

### **The Offering**

The following is a brief summary of the offering. You should read the entire prospectus carefully, including "Risk Factors" and the information, including financial information relating to Gran Tierra, included in our filings with the Securities and Exchange Commission, or SEC, and incorporated in this document by reference.

Securities Offered                      131,363,112 shares of our common stock. (1)

Use of Proceeds

We will not receive any cash proceeds from the shares of our common stock that will be issued in exchange for or upon redemption of the exchangeable shares.

We may receive up to Cdn\$15,000,000 (approximately US\$12,932,150 assuming a Canadian/US dollar exchange rate of US\$0.86 per one Canadian dollar, the noon buying rate of the Federal Reserve Bank of New York on October 14, 2008) in net cash proceeds in connection with the exercise of the Solana warrants if no warrants have been exercised or acquired for cash to the effective time of the arrangement. If received, we will use any of the proceeds for general corporate purposes.

Trading

Our common stock is traded on the American Stock Exchange under the symbol "GTE" and on the Toronto Stock Exchange under the symbol "GTE."

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Dividend Policy            We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business.

Risk Factors                See “Risk Factors” and the other information in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in the shares of our common stock being offered by us in this document.

(1)                              The number of shares reflects:

· up to 124,217,174 shares of our common stock that may be issued upon the exchange of the exchangeable shares of Exchangeco, and

· up to 7,145,938 shares of our common stock that may be issued upon the exercise of warrants assumed by us in the Solana transaction.

Solana shareholders will either receive shares of our common stock or exchangeable shares in the Solana transaction. Solana optionholders may elect to convert their Solana options into Solana common shares immediately prior to the Solana transaction, in which case they would become Solana shareholders, or may elect to receive a cash payment for their Solana stock options. The number of shares of our common stock issuable upon exchange of exchangeable shares, as reflected above, assumes that all Solana stockholders receive exchangeable shares in the Solana transaction and that all Solana optionholders elect to receive Solana common shares in exchange for their Solana stock options immediately prior to the completion of the Solana transaction. The number of shares actually issuable upon exchange of exchangeable shares will be reduced by the number of shares of our common stock issued directly to Solana stockholders in the Solana transaction, as well as to the extent that Solana optionholders do not elect to convert their Solana stock options into Solana common shares immediately prior to the completion of the Solana transaction.

Warrants to purchase 7,145,938 shares of Solana common stock, if not exercised or acquired for cash in or prior to the Solana transaction, will, after the completion of the Solana transaction, represent warrants to purchase shares of our common stock. We refer to these warrants as the Solana warrants. The Solana warrants will represent the right to purchase up to 7,145,938 shares of our common stock, and will be exercisable for approximately Cdn\$2.10 per share, or up to a maximum of Cdn\$15 million, if no warrants to purchase Solana shares are exercised or acquired for cash in or prior to the Solana transaction and all Solana warrants are exercised.

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## RISK FACTORS

*Investing in our common stock involves a high degree of risk. In addition to the risk factors described in our Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2008, and the risk factors set forth in our Joint Proxy Statement filed with the SEC on October 14, 2008, each of which is incorporated by reference in this prospectus, and the other information contained or incorporated by reference in this prospectus, you should carefully consider the risk factors described below before making an investment decision. The risks and uncertainties described below and incorporated by reference are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may impair our future business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. In such case, the trading price of our common stock could decline and you could lose all or part of your investment.*

### ***The Exchange of Your Exchangeable Shares is Generally Taxable in Canada.***

Based on the tax laws as of the date of this prospectus, the exchange of exchangeable shares for shares of Gran Tierra common stock is generally a taxable event in Canada. A holder's tax consequences can vary depending on a number of factors, including the residency of the holder, the method of the exchange and the length of time that the exchangeable shares were held prior to the exchange. Canadian income tax consequences will vary depending on your particular circumstances. We strongly urge you to consult your tax advisor as to the tax consequences of exchanging your exchangeable shares for Gran Tierra common stock. See "Income Tax Consequences."

### **The Exchange of Your Exchangeable Shares may be Taxable in the U.S.**

For U.S. federal income tax purposes, a U.S. Holder will recognize gain or loss on the exchange of exchangeable shares for shares of Gran Tierra common stock unless the exchangeable shares (along with certain voting and related rights) are treated as shares of Gran Tierra common stock for U.S. federal tax purposes. There is no direct authority under existing U.S. federal income tax law on whether the exchangeable shares should be treated as shares of Exchangeco stock or shares of Gran Tierra common stock for U.S. federal income tax purposes. Accordingly, Cooley Godward Kronish LLP, Gran Tierra's U.S. counsel, is not able to provide an opinion on whether gain or loss will be recognized on the exchange of exchangeable shares for shares of Gran Tierra common stock. However, Cooley Godward Kronish LLP has provided an opinion regarding the material U.S. federal income tax consequences applicable to a retraction, redemption or purchase transaction if such transaction is taxable and also if such transaction is not taxable for U.S. federal income tax purposes. No ruling from the Internal Revenue Service will be sought with respect to the issue of whether the exchange of exchangeable shares is a taxable event for U.S. Holders. Each holder of exchangeable shares should consider that the tax consequences of a retraction, redemption or purchase transaction may be adverse to the holder based on that holder's particular circumstances. **It may be prudent for U.S. holders to assume that the IRS will assert and prevail with a position that is contrary or adverse to the position taken by the U.S. holder.**

For a description of the U.S. material federal income tax consequences of an exchange of exchangeable shares for shares of Gran Tierra common stock, see "Material U.S. Federal Income Tax Consequences of the Retraction, Redemption or Purchase of Exchangeable Shares."

### ***The Market Price of Our Common Stock May Be Less Than the Market Price of the Exchangeable Shares.***

Gran Tierra common stock is listed on the American Stock Exchange and on the Toronto Stock Exchange, and the exchangeable shares are to be listed on the Toronto Stock Exchange. We do not intend to list the exchangeable shares or Gran Tierra common stock on any other stock exchange in Canada or in the United States. As a result, the price at which the exchangeable shares trade is expected to be based upon the market for such shares on the Toronto Stock Exchange, and the price at which the shares of Gran Tierra common stock trade is based upon the market for such

shares on the American Stock Exchange and/or on the Toronto Stock Exchange. Although Gran Tierra believes that the market price of the exchangeable shares on the Toronto Stock Exchange and the market price of the Gran Tierra common stock on the American Stock Exchange and/or on the Toronto Stock Exchange should reflect essentially equivalent values, there can be no assurance that the market price of the Gran Tierra common stock will be identical, or even similar, to the market price of the exchangeable shares.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. This prospectus includes statements regarding our plans, goals, strategies, intent, beliefs or current expectations. These statements are expressed in good faith and based upon a reasonable basis when made, but there can be no assurance that these expectations will be achieved or accomplished. These forward looking statements can be identified by the use of terms and phrases such as “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and like, and/or future-tense or conditional constructions “may,” “could,” “should,” etc. Items contemplating or making assumptions about, actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Although forward-looking statements in this prospectus reflect the good faith judgment of our management, forward-looking statements are inherently subject to known and unknown risks, business, economic and other risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this prospectus, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the Securities and Exchange Commission which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

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## USE OF PROCEEDS

We will receive no net proceeds from the issuance of the shares of our common stock offered in this prospectus for issuance upon exchange or redemption of exchangeable shares.

Upon completion of the plan of arrangement, the Solana warrants will be exercisable, at an exercise price of approximately Cdn\$2.10 per share of our common stock, for up to 7,145,938 shares of our common stock, assuming none of the warrants held by holders of Solana warrants elect to exercise their warrants prior to the Solana transaction, or have their warrants acquired for cash in the Solana transaction. As a result, we may receive up to Cdn\$15 million (approximately US\$12,932,150 assuming a Canadian/US dollar exchange rate of US\$0.86 per one Canadian dollar, the noon buying rate of the Federal Reserve Bank of New York on October 14, 2008) in net cash proceeds in connection with the exercise of the Solana warrants if all such warrants are exercised, based on the assumption stated immediately above. If received, we will use any such proceeds for general corporate purposes. This offering is not being conducted for capital raising purposes, but rather to facilitate the completion of the Solana transaction.

## PLAN OF DISTRIBUTION

We will distribute the shares of our common stock covered by this prospectus only upon:

· exchange or redemption of the exchangeable shares of Exchangeco, or

· exercise of the Solana warrants,

each as described below, and no broker, dealer or underwriter has been engaged in connection with the exchange, redemption or exercise of Solana warrants.

### Exchangeable Shares

#### *Optional Retraction of Exchangeable Shares*

The exchangeable shares will be issued by Exchangeco in connection with the Solana transaction. If you become a holder of exchangeable shares, you will be entitled at any time to require Exchangeco to redeem, subject to the overriding retraction call right of another of our Canadian subsidiaries (“Callco”), any or all of your exchangeable shares for a price per exchangeable share equal to one share of our common stock and (provided that you hold the exchangeable share on the applicable dividend record date), on the payment date for any declared and unpaid dividends, an amount in cash equal to such dividends on that exchangeable share.

In order to exercise this right, you must deliver to Exchangeco at its registered office or at an office of Exchangeco’s transfer agent, among other things, a written retraction request and the certificates representing the exchangeable shares to be redeemed. You must state in your request the business day on which you desire Exchangeco to redeem your exchangeable shares, which business day must be 10 to 15 business days after your request is received by Exchangeco. If you fail to specify a business day in your request, the retraction date will be the 15th business day after your request is received by Exchangeco.

If you exercise this retraction right to require that Exchangeco redeem any of your exchangeable shares, Callco will have an overriding retraction call right, which is Callco’s right to purchase all but not less than all of those exchangeable shares for a price per exchangeable share equal to one share of corresponding Gran Tierra common stock and (provided that you hold the exchangeable share on the applicable dividend record date), on the payment date for any declared and unpaid dividends, an amount in cash equal to such dividends on that exchangeable share. Upon receipt of your retraction request, Exchangeco will immediately notify Callco, which must then advise Exchangeco

within five business days as to whether it will exercise its retraction call right. If Callco does not so advise, Exchangeco will notify you as soon as possible thereafter that Callco will not exercise its retraction call right. If Callco advises Exchangeco that Callco will exercise its retraction call right within the five business day period, then the retraction request will be considered only to be an offer by you to sell the shares identified in your retraction request to Callco in accordance with Callco's retraction call right.

You may revoke your retraction request, in writing, at any time prior to the close of business one business day before the contemplated date of retraction, in which case the exchangeable shares identified in the retraction request will not be purchased by Callco or redeemed by Exchangeco. Unless you revoke your retraction request, the shares identified in the retraction request will be redeemed by Exchangeco or purchased by Callco, as the case may be, and Exchangeco or Callco, as the case may be, will send you (i) a certificate representing the aggregate number of corresponding shares of our common stock, and (ii) on the payment date therefor, a check in an amount equal to the amount of the declared and unpaid dividends, if any, on the retracted or purchased exchangeable shares with a record date prior to the date of retraction or purchase (as the case may be), less any amounts withheld on account of tax.

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If, as a result of solvency requirements or applicable law, Exchangeco is not permitted to redeem all exchangeable shares identified in a retraction request, and Callco has not exercised its retraction call right, Exchangeco will redeem only those exchangeable shares tendered by you (rounded down to a whole number of shares) as would be permissible. In addition, if you do not revoke your retraction request, the retraction request will constitute notice from you to the trustee to exercise your exchange right under the voting and exchange trust agreement entered into by Gran Tierra, Exchangeco and a trustee in connection with the completion of the Solana transaction, which we refer to in this document as the “voting and exchange trust agreement,” and the trustee, on your behalf, will require Gran Tierra to purchase any exchangeable shares on the retraction date set forth in the retraction request

#### *Redemption of Exchangeable Shares*

On the redemption date for exchangeable shares, Exchangeco will, subject to Callco’s redemption call right, redeem all of its then outstanding exchangeable shares for a price per exchangeable share equal to one share of Gran Tierra common stock and (provided you hold the exchangeable share on the applicable dividend record date) on the payment date for any declared and unpaid dividends, an amount in cash equal to such dividends on that exchangeable share. Exchangeco will provide the registered holders of its exchangeable shares with at least 60 days prior written notice of the proposed redemption of the exchangeable shares by Exchangeco or the purchase of its exchangeable shares by Callco under the redemption call right described below.

Callco has an overriding right to purchase on the redemption date all of the outstanding exchangeable shares being redeemed (other than those held by Gran Tierra and its affiliates) for a price per exchangeable share equal to one share of corresponding Gran Tierra common stock and an amount in cash equal to the declared and unpaid dividends, if any, on that exchangeable share held by a holder on any dividend record date that occurred prior to the date of purchase of the share by Callco.

To exercise this redemption call right, Callco must notify the transfer agent and Exchangeco of Callco’s intention to exercise this right at least 60 days before the redemption date. The transfer agent will notify the holders of the exchangeable shares as to whether or not Callco has exercised its redemption call right after the expiry of the period during which Callco can exercise its redemption call right. If Callco exercises its redemption call right, it will purchase on the redemption date all of the exchangeable shares then outstanding (other than those held by Gran Tierra and its affiliates).

The “redemption date” is a date, if any, fixed by the Exchangeco board of directors after the date that is no earlier than the fifth anniversary of the date of the completion of the consolidation of Gran Tierra and Solana. If at any time (i) fewer than 25,285,358 exchangeable shares (other than exchangeable shares held by Gran Tierra or its affiliates) issued as a result of the Solana transaction are outstanding or (ii) the board of directors, in connection with certain actions described in the arrangement agreement, shall have determined that it is reasonable and practicable to redeem the exchangeable shares, the board of directors may elect to have Exchangeco redeem all but not less than all of the outstanding exchangeable shares.

On or after the redemption date, upon your delivery of the certificates representing the exchangeable shares and the other documents as may be required to an office of the transfer agent or the registered office of Gran Tierra, Exchangeco or Callco will deliver, for each exchangeable share, one share of Gran Tierra common stock and, on the payment date therefor, a check in an amount equal to the amount of the declared and unpaid dividends, if any, on the redeemed exchangeable shares, less any amounts withheld on account of tax.

#### *Purchase for Cancellation*

Subject to applicable law, Exchangeco may at any time and from time to time purchase for cancellation all or any part of the outstanding exchangeable shares.

*Liquidation Rights with Respect to Exchangeco*

In the event of the liquidation, dissolution or winding up of Exchangeco or other distribution of the assets of Exchangeco for the purpose of liquidating its affairs, you will have, subject to applicable law and Callco's overriding liquidation call right, preferential rights to receive from Exchangeco for each exchangeable share you hold one share of Gran Tierra common stock, and (provided you hold the exchangeable share on the applicable dividend record date) on the applicable payment date an amount in cash equal to the declared and unpaid dividends, if any, on that exchangeable share, less any amount withheld on account of tax. Upon the occurrence of a liquidation, dissolution or winding up, Callco will have an overriding liquidation call right to purchase all of the outstanding exchangeable shares (other than exchangeable shares held by Gran Tierra and its affiliates) from you on the liquidation date for the same consideration per share.

Upon the occurrence and during the continuance of an "insolvency event" (as defined in the following paragraph), you will be entitled to instruct the trustee under the voting and exchange trust agreement to exercise the exchange right with respect to any or all of the exchangeable shares you hold and require Gran Tierra to purchase these shares. As soon as practicable following the occurrence of an insolvency event or any event which may, with the passage of time and/or the giving of notice, become an insolvency event, Exchangeco and Gran Tierra must, under the voting and exchange trust agreement, give written notice to the trustee. As soon as practicable after receiving notice, the trustee will notify you of the insolvency event and will advise you of your rights with respect to the exchange right. The purchase price payable by Gran Tierra for each exchangeable share purchased under the exchange right will be equal to one corresponding share of Gran Tierra common stock and (provided you hold the exchangeable share on the applicable dividend record date) the amount of all declared and unpaid dividends, if any, on that exchangeable share, less any amount withheld on account of tax.

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An “insolvency event” means:

- the institution by Exchangeco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency or winding-up proceedings against it;
- the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including the *Companies Creditors’ Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and the failure by Exchangeco to contest in good faith any such proceedings commenced in respect of Exchangeco within 30 days of becoming aware thereof, or the consent by Exchangeco to the filing of any such petition or to the appointment of a receiver;
- the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they become due; or
- Exchangeco not being permitted, under solvency requirements of applicable law, to redeem any retracted exchangeable shares under the provisions attaching to the exchangeable shares.

In addition, if, as a result of solvency requirements or applicable law, Exchangeco is not permitted to redeem all exchangeable shares identified in a retraction request, and Callco has not exercised its retraction call right, then the retraction request will constitute notice from you to the trustee to exercise your exchange right under the voting and exchange trust agreement and the trustee, on your behalf, will require Gran Tierra to purchase any exchangeable shares on the retraction date set forth in the retraction request.

#### *Liquidation Rights with Respect to Gran Tierra*

In order for the holders of exchangeable shares to participate on a pro rata basis with the holders of corresponding shares of Gran Tierra common stock, on the fifth business day prior to the effective date of a Gran Tierra liquidation event (a specified event relating to the voluntary or involuntary liquidation, dissolution, winding up or other distribution of the assets of Gran Tierra among its shareholders for the purpose of winding up its affairs), each exchangeable share (other than those held by Gran Tierra and its affiliates) will automatically be exchanged for one share of Gran Tierra common stock and (provided you hold the exchangeable share on the applicable dividend record date), on the applicable payment date an amount in cash equal to the declared and unpaid dividends, if any, on that exchangeable share, less any amount withheld on account of tax. Upon your request and surrender of exchangeable share certificates, duly endorsed in blank and accompanied by those instruments of transfer that Gran Tierra may reasonably require, Gran Tierra will deliver to you certificates representing an equivalent number of corresponding shares of Gran Tierra common stock, plus (provided you hold the exchangeable share on the applicable dividend record date) a check for the amount of those dividends, if any, for the exchangeable shares exchanged by you under the automatic exchange right, less any amount withheld on account of tax.

#### **Solana Warrants**

As of September 5, 2008, warrants to purchase 7,500,000 shares of Solana common stock at an exercise price per share of Solana common stock of Cdn\$2.00 were outstanding. Such warrants expire on April 2, 2010. The warrants may be exercised in whole or in part at any time prior to the expiration date of the warrants. All of these warrants that are not exercised or acquired for cash in or prior to the Solana transaction, will, after the completion of the Solana transaction, represent warrants to purchase shares of our common stock. We refer to these warrants as the Solana warrants.

Upon the closing of the Solana transaction, we will assume Solana’s obligations under all of the Solana warrants. After the closing, each warrant will be exercisable for a number of shares of our common stock equal to the product

obtained by multiplying the number of shares of Solana common stock subject to such warrant by the exchange ratio (rounded down to a whole number of shares). The exercise price of each such warrant per share of our common stock will be equal to the exercise price per share of Solana common stock of such warrant immediately prior to the consummation of the plan of arrangement, divided by the exchange ratio. As a result, the exercise price of the Solana warrants will be approximately Cdn\$2.10. The term to expiry, conditions to and the manner of exercising, vesting schedule and all other terms and conditions of such warrants are otherwise unchanged, and any document or agreement previously evidencing a Solana warrant evidences and is deemed to evidence the assumed warrant.

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Assuming no warrants are exercised or acquired for cash in or prior to the Solana transaction, the Solana warrants will be exercisable for 7,145,938 shares of our common stock, subject to adjustment. The number of shares of our common stock issuable upon exercise of each Solana warrant is subject to adjustment if we subdivide, redivide or change our outstanding common stock into a greater number of shares or if we reduce, combine or consolidate our outstanding common stock into a smaller number of shares. In addition, if we otherwise reclassify our common stock or if we effect a capital reorganization, merger, amalgamation, consolidation or sell all or substantially all of our assets, each Solana warrant will, after the effective time of any such action or transaction, be exercisable for the number and type of shares, other securities or property that the holder of the Solana warrant would have been entitled to receive had the holder of the Solana warrant been the registered holder of the number of shares of our common stock issuable upon exercise of the Solana warrant on the record date or the effective date of any such transaction.

If we fix a record date for making a distribution or dividend of cash, Gran Tierra's shares of any class, rights options or warrants, evidence of indebtedness, or assets (including shares of other corporations) to all or substantially all the holders of our outstanding common stock, the holder of a Solana warrant shall be entitled to receive, upon exercise of such warrant, the amount of cash or the number and kind of shares, other securities or property the holder of the Solana warrant would have been entitled to receive had the holder of the Solana warrant been the registered holder of the number of shares of our common stock issuable upon exercise of the Solana warrant on such record date.

### **Additional Information**

For a more detailed description of the exchangeable shares and Solana warrants, please see "Description of the Arrangement - Transaction Mechanics and Description of GTE-Solana Exchangeable Shares" and "Description of the Arrangement - Treatment of Warrants in the Joint Management Information Circular and Proxy Statement filed by Gran Tierra with the SEC on Schedule 14A on September 9, 2008, which is incorporated by reference in this prospectus. The terms on which shares of Gran Tierra common stock may be issued upon exchange or redemption of the exchangeable shares or upon exercise of the Solana warrants are set forth in the plan of arrangement, including the provisions attaching to the exchangeable shares as set forth in Exhibit A to the plan of arrangement, and certain provisions of the form of voting and exchange trust agreement, each of which is included as an exhibit to the registration statement of which this prospectus is a part. The description above of the terms on which shares of Gran Tierra common stock may be issued upon exchange or redemption of the exchangeable shares or upon exercise of the Solana warrants is qualified by reference to the plan of arrangement (including the provisions attaching to the exchangeable shares) and the form of voting and exchange trust agreement.

The support agreement entered into by Gran Tierra, Callco and Exchangeco provides, among other things, that we will take all actions and do all things reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to perform its obligations arising upon the liquidation, dissolution or winding-up of any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs or in the event of a retraction demand by a holder of exchangeable shares or a redemption of exchangeable shares on the redemption date, as the case may be (including those obligations of Exchangeco described above). The form of the support agreement is included as an exhibit to the registration statement of which this prospectus is a part, and its description is qualified in its entirety by reference thereto.

We will pay all expenses incurred in connection with the distribution described in this prospectus.

## **INCOME TAX CONSEQUENCES**

### **CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

In the opinion of Blake, Cassels & Graydon LLP, Canadian counsel to Gran Tierra, the following is a description of the principal Canadian federal income tax consequences pursuant to the Tax Act generally applicable to holders of

exchangeable shares who exchange their exchangeable shares for shares of Gran Tierra common stock in a retraction (a voluntary exchange initiated by a holder of exchangeable shares), redemption (an exchange initiated by Exchangeco to redeem the exchangeable shares) or purchase (a purchase of exchangeable shares by Exchangeco for cancellation) pursuant to the terms set forth in the Provisions Attaching to the Exchangeable Shares (Schedule A in the Plan of Arrangement), and who, at all relevant times for the purposes of the Tax Act, are, for the purposes of the Tax Act and any applicable income tax treaty or convention, resident or deemed to be resident in Canada, hold such shares as capital property and deal at arm's length with each of Exchangeco and Gran Tierra ("**Resident Shareholders**"). Generally, such shares will constitute capital property to a holder provided such holder does not hold such property in the course of carrying on a business and has not acquired such property in one or more transactions considered to be an adventure or concern in the nature of trade. Shareholders who do not hold their exchangeable shares or shares of Gran Tierra common stock as capital property, as the case may be, should consult their own tax advisors with respect to their particular circumstances.

This opinion is not applicable to a holder that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act, a holder that is a "specified financial institution", a holder an interest in which is a "tax shelter" or a "tax shelter investment", or a holder with respect to whom Gran Tierra is a "foreign affiliate", each as defined in the Tax Act, a holder who is exempt from paying tax under Part I of the Tax Act, or a holder to whom the functional currency reporting rules contained in subsection 261(4) of the Tax Act would apply. Any such holders should consult their own tax advisors.

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This opinion is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and counsel's understanding, based on publicly available published materials, of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**").

This opinion does not cover all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, regulatory or judicial action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This opinion does not address any tax consequences to holders that are not resident (or deemed resident) in Canada, such as U.S. residents.

**All holders of exchangeable shares should consult their own tax advisors having regard to their particular circumstances.**

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of shares of Gran Tierra common stock, including the receipt of dividends and the calculation of any adjusted cost base amounts and proceeds of disposition, must be converted into Canadian dollars based on the prevailing United States dollar exchange rate at the time such amounts arise.

#### **Redemption, Retraction or Purchase of Exchangeable Shares**

On the redemption (retraction or purchase) of an exchangeable share by Exchangeco, Resident Shareholders will be deemed to have received a dividend equal to the amount, if any, by which the redemption, retraction or purchase proceeds exceed the paid-up capital at the time of the exchangeable share so redeemed. For these purposes, the redemption proceeds will be the fair market value of the shares of Gran Tierra common stock (or other consideration) received from Exchangeco at the time of the redemption, retraction or purchase plus the amount, if any, of all then accrued but unpaid dividends on the exchangeable shares paid on the redemption, retraction or purchase. Such deemed dividend will be included in computing the shareholder's income, and will be generally be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations under the Tax Act. In the case of a Resident Shareholder that is a corporation, such deemed dividend normally would be included in the corporation's income and would be deductible in computing