

GRAN TIERRA ENERGY, INC.  
Form PRER14A  
October 10, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.  
2)**

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**GRAN TIERRA ENERGY INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- o No fee required.
  - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:  
Common shares of Solana Resources Limited ( *Common Shares* )

(2) Aggregate number of securities to which transaction applies:

126,426,792 Common Shares; 3,945,000 options to purchase Common Shares with an exercise price of less than US\$3.89 per share; and 7,500,000 warrants to purchase Common Shares with an exercise price of less than US\$1.89 per share (U.S. dollar amounts based on an exchange rate of CDN\$1.00 = US\$0.9428 (the *Exchange Rate* )).

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Calculated solely for purposes of determining the filing fee. The maximum aggregate value of the transaction was determined by adding: (A) 126,426,792 Common Shares multiplied by US\$3.87 per share (value of one Common Share, based on the high and low prices of the Common Shares on the TSX Venture Exchange on September 3, 2008, converted to U.S. dollars based on the Exchange Rate); (B) options to purchase 3,945,000 Common Shares multiplied by US\$2.09 (which is the difference between US\$3.87 and the weighted average exercise price of US\$1.78 per share, based on the Exchange Rate); and (C) warrants to purchase 7,500,000 Common Shares multiplied by US\$1.98 (which is the difference between US\$3.87 and the weighted average exercise price of US\$1.89 per share based on the Exchange Rate). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000393 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:  
\$512,366,735.

(5) Total fee paid:  
\$20,136.

x Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
OF GRAN TIERRA ENERGY INC.  
to be held November 14, 2008**

**and**

**NOTICE OF SPECIAL MEETING OF  
SECURITYHOLDERS  
OF SOLANA RESOURCES LIMITED**

**to be held November 14, 2008**

**and**

**NOTICE OF PETITION TO THE COURT OF QUEEN S  
BENCH OF ALBERTA**

**and**

**JOINT MANAGEMENT INFORMATION CIRCULAR AND  
PROXY STATEMENT**

**with respect to a**

**PLAN OF ARRANGEMENT**

**involving**

**GRAN TIERRA ENERGY INC., GRAN TIERRA  
EXCHANGE CO INC.,  
SOLANA RESOURCES LIMITED and THE SOLANA  
SECURITYHOLDERS**

**October 10, 2008**

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UNLESS OTHERWISE INDICATED, ALL DOLLAR AMOUNTS IN THIS JOINT MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT ARE EXPRESSED IN U.S. DOLLARS.

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To Our Stockholders:

We invite you to participate in a special meeting of the stockholders of Gran Tierra Energy Inc., or **Gran Tierra**, to be held at Lougheed House, 707 13<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada at 9:00 a.m., Mountain Time, on November 14, 2008.

On July 28, 2008, Gran Tierra and Solana Resources Limited, or **Solana**, entered into an agreement providing for the business combination of the two companies. The proposed transaction requires the approval of our stockholders to approve: (1) the issuance of the shares of Gran Tierra common stock to be issued in the transaction; and (2) an amendment to our articles of incorporation to create a new special voting share to enable the exchangeable shares to be issued in the proposed transaction to vote, as well as to make several technical changes, all as more fully described in the attached Joint Management Information Circular and Proxy Statement, which we refer to as the **Joint Proxy Statement**. At the special meeting, we will ask our stockholders to approve this issuance and amendment. In addition, we are also taking the opportunity to ask our stockholders to approve (a) an amendment to our articles of incorporation to increase the number of shares of our authorized common stock, (b) an amendment to our articles of incorporation to change the board voting requirement for issuance of common stock from unanimous to a simple board action, and (c) an increase in the number of shares authorized for issuance under our equity incentive plan. Neither of these latter three proposals are necessary for the completion of the combination of Gran Tierra and Solana; however, they will facilitate operating the combined company, and the proposals in (a) and (b) above will only be implemented if the combination of the two companies occurs.

Under the terms of the agreement with Solana, each Solana shareholder will receive, for each Solana common share held, either: (1) 0.9527918 of a share of Gran Tierra common stock; or (2) 0.9527918 of a common share of a Canadian subsidiary of Gran Tierra, or a **GTE Solana Exchangeable Share**. The GTE Solana Exchangeable Shares: (a) will have the same voting rights, dividend entitlements and other attributes as Gran Tierra common stock; (b) will be exchangeable, at each stockholder's option, on a one-for-one basis into Gran Tierra common stock; and (c) subject to compliance with the original listing requirements of the Toronto Stock Exchange, will be listed on the Toronto Stock Exchange. The GTE Solana Exchangeable Shares will automatically be exchanged for Gran Tierra common stock five years from closing, and in specified other events. The transaction will also result in Solana optionholders and Solana warrant holders receiving either Solana common shares pursuant to a cashless exercise of their options or warrants or cash payments, in both cases based on the above exchange ratio. In addition, Solana options held by an employee, officer, director or consultant continuing with the combined company may be exchanged for options to purchase shares of Gran Tierra common stock; and holders of Solana warrants may elect to continue to hold their warrants, which would then be exercisable into shares of Gran Tierra common stock pursuant to the terms of the warrants.

The transaction is structured to be completed as a statutory plan of arrangement pursuant to the *Business Corporations Act* (Alberta), or the **ABCA**. Upon completion of the transaction, Solana will become an indirect wholly-owned subsidiary of Gran Tierra. On a diluted basis, upon the closing of the plan of arrangement, former Solana securityholders will own approximately 49% of the combined company and the current Gran Tierra securityholders will own approximately 51% of the combined company. The proposed transaction is subject to regulatory, stock exchange, court and stockholder approvals.

The combined company will create a more substantial South American oil and gas exploration and production company with significant oil reserves, production and land positions in Colombia. Importantly, it will provide for the consolidation of a 100% working interest in the Costayaco field, a major light oil discovery made in Colombia in 2007 currently undergoing delineation and development. The increased efficiency of developing this field with a 100% working interest, with its growing reserves, production and cash flow, will

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drive the continued exploration and development of the combined entity's existing assets, and position the company for growth in the near term and continued new venture activities in the future. We expect the combined company to have a 2008 production exit rate of approximately 15,000 barrels of oil per day net after royalties. Following the transaction, Gran Tierra will have a working interest in 26 exploration and production licenses (24 operated by Gran Tierra), with a vast land base encompassing 7.1 million gross acres (6.2 million net acres) in three countries: Colombia, Peru and Argentina.

The board of directors of Gran Tierra has received an opinion from Blackmont Capital Inc. that, subject to the factors and assumptions set forth in the opinion, the exchange ratio of 0.9527918 GTE Solana Exchangeable Shares or shares of Gran Tierra common stock for each Solana common share is fair, from a financial point of view, to Gran Tierra.

The attached Joint Proxy Statement contains a description of this business combination, as well as information regarding Solana, Gran Tierra and Gran Tierra Exchangeco Inc. **Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.**

The board of directors of Gran Tierra unanimously recommends that stockholders vote in favor of all five proposals. Each company has scheduled a special stockholders meeting to be held on November 14, 2008. We invite you to attend our meeting, details of which are included in the enclosed Notice of Special Meeting and Joint Proxy Statement. Regardless of the number of shares you own or whether you plan to attend the meeting, it is important that your shares be represented and voted. Voting instructions are included.

On behalf of your management team and board of directors, I thank you for your support and urge you to vote For approval of each of (1) the issuance of the shares of Gran Tierra common stock in the transaction, (2) the amendment to our articles of incorporation to create the new share of special voting stock and make several technical changes, (3) the amendment to our articles of incorporation to increase the number of shares of our authorized common stock, (4) the amendment to our articles of incorporation to change the board voting requirement for the issuance of common stock, and (5) the amendment and restatement of our equity incentive plan to increase the number of shares that may be issued under the plan.

Sincerely,

/s/ Dana Coffield

Dana Coffield  
President, Chief Executive Officer, and Director

**Mailing Date: October 16, 2008**

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Dear Shareholders, Optionholders and Warranholders:

You are being asked to attend a special meeting of the common shareholders, optionholders and warranholders, collectively, the *Solana Securityholders*, of Solana Resources Limited, or *Solana*, to be held at the Westin Calgary, 320 4<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada at 8:00 a.m. (Mountain Time) on November 14, 2008. At the meeting you will be asked to consider a proposed arrangement, or the *Arrangement*, involving Solana, Gran Tierra Energy Inc., or *Gran Tierra*, Gran Tierra Exchangeco Inc., a Canadian subsidiary of Gran Tierra, or *Exchangeco*, and the Solana Securityholders.

On July 28, 2008, Solana agreed to combine with Gran Tierra. If the transaction is completed, the Arrangement will result in the holders of Solana common shares, the *Solana Shareholders*, receiving either (i) 0.9527918 of a share of common stock of Gran Tierra or (ii) 0.9527918 of a common share of Exchangeco, a *GTE Solana Exchangeable Share*, for each Solana common share held. The GTE Solana Exchangeable Shares: (i) will have the same voting rights, dividend entitlements and other attributes as Gran Tierra common stock; (ii) will be exchangeable, at each shareholder's option, on a one-for-one basis, into Gran Tierra common shares; and (iii) subject to compliance with the original listing requirements of the Toronto Stock Exchange, will be listed on the Toronto Stock Exchange. The GTE Solana Exchangeable Shares will automatically be exchanged for Gran Tierra common shares five years from closing, and in specified other events. The Arrangement will also result in Solana optionholders and Solana warrant holders receiving either Solana common shares pursuant to a cashless exercise of their options or warrants or cash payments, in both cases based on the above exchange ratio. In addition, Solana options held by an employee, officer, director or consultant continuing with the combined company may be exchanged for options to purchase shares of Gran Tierra common stock; and holders of Solana warrants may elect to continue to hold their warrants, which would then be exercisable into shares of common stock of Gran Tierra pursuant to the terms of the warrants.

The transaction is structured to be completed as a statutory plan of arrangement pursuant to the *Business Corporations Act* (Alberta), or the *ABCA*. Upon completion of the transaction, Solana will become an indirect, wholly-owned subsidiary of Gran Tierra. On a diluted basis, upon the closing of the plan of arrangement, former Solana Securityholders will own approximately 49% of the combined company and the current Gran Tierra security holders will own approximately 51% of the combined company. The proposed transaction is subject to regulatory, stock exchange, court and stockholder approvals.

The special resolution approving the Arrangement must be approved by at least 66 2/3% percent of the votes cast by Solana Securityholders as a single class, either in person or by proxy, at the special meeting. Gran Tierra stockholders will meet on the same day to consider the approval of, among other things, the issuance of Gran Tierra common stock in connection with the transaction.

The combined company will create a more substantial South American oil and gas exploration and production company with significant oil reserves, production and land positions in Colombia. Importantly, it will provide for the consolidation of a 100% working interest in the Costayaco field, a major light oil discovery made in Colombia in 2007 currently undergoing delineation and development. The increased efficiency of developing this field with a 100% working interest, with its growing reserves, production and cash flow, will drive the continued exploration and development of the combined entity's existing assets, and position the company for growth in the near term and continued new venture activities in the future. We expect the combined company to have a 2008 production exit rate of approximately 15,000 barrels of oil per day net after royalties. Following the transaction, the combined company will have a working interest in 26 exploration and production licenses (24 operated by the combined company) with a vast land base encompassing 7.1 million gross acres (6.2 million net acres) in three countries: Colombia, Peru and Argentina.

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Solana's board of directors has unanimously determined that the Arrangement is in the best interests of our company as well as the Solana Securityholders and recommends that you vote in favor of the Arrangement at the special meeting.

Solana's board of directors also received an opinion from Tristone Capital Inc. as of the date thereof that the consideration to be received by holders of Solana's common shares is fair, from a financial point of view, to such holders. Our management and directors, who own approximately 6.4% of Solana's outstanding common shares, and approximately 13.4% of Solana's outstanding common shares on a diluted basis, have entered into support agreements with Gran Tierra whereby they have agreed to vote in favor of the Arrangement at the special meeting.

The attached Joint Management Information Circular and Proxy Statement contains a description of the Arrangement, as well as information regarding Solana, Gran Tierra and Exchangeco. **Please give this material your careful**

**consideration and, if you require assistance, consult your financial, tax or other professional advisors.** Also enclosed is a letter of transmittal and election form to allow holders of Solana's common shares to receive shares of Gran Tierra common stock or GTE Solana Exchangeable Shares, as applicable. Please follow the instructions in the letter of transmittal. Letters of transmittal to allow Solana optionholders and warrant holders to make elections and receive the applicable cash payments or securities in respect of their Solana options and/or warrants will be delivered separately from the proxy materials.

It is important that your Solana securities be represented at the special meeting. Whether or not you are able to attend, we urge you to complete the enclosed form of proxy and return it in the envelope provided or by fax to the attention of Valiant Trust Company, Proxy Department at (403) 233-2857 not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the special meeting.

On behalf of the directors of Solana, I would like to express our gratitude for the support that our shareholders have demonstrated with respect to our decision to combine with Gran Tierra.

Yours very truly,  
/s/ J. Scott Price

J. Scott Price  
President and Chief Executive Officer

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## GRAN TIERRA ENERGY INC.

### NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

#### To Be Held On November 14, 2008

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of **GRAN TIERRA ENERGY INC.**, a Nevada corporation. The meeting will be held on **November 14, 2008** at 9:00 a.m., Mountain Time, at Lougheed House, 707 13<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, for the following purposes:

1. To approve the issuance of shares of Gran Tierra common stock to be issued in connection with the acquisition of the outstanding securities of Solana Resources Limited;
2. To approve an amendment to Gran Tierra's articles of incorporation to create a new special voting share to enable the exchangeable shares to be issued in the proposed transaction with Solana Resources Limited to vote, as well as to make several technical changes;
3. To approve an amendment to Gran Tierra's articles of incorporation to increase the total authorized number of shares of common stock from 300,000,000 to 600,000,000;



4. To approve an amendment to Gran Tierra's articles of incorporation to change the board voting requirement for issuance of common stock from unanimous to a simple board action;
5. To approve Gran Tierra's 2007 Equity Incentive Plan, as amended and restated, to increase the number of shares available for issuance thereunder from 9,000,000 shares to 18,000,000 shares; and
6. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Joint Management Information Circular and Proxy Statement accompanying this Notice.

If the first proposal is not approved by Gran Tierra's stockholders, the proposals numbered 2, 3 and 5 above will not be implemented, notwithstanding that they may have been approved by Gran Tierra's stockholders.

The record date for the special meeting is September 15, 2008. Only stockholders of record at the close of business on that date may vote at the special meeting or any adjournment thereof.

By Order of the Board of Directors  
/s/ Martin Eden

Martin Eden  
Chief Financial Officer and Secretary

## CALGARY, ALBERTA

October 10, 2008

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

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## SOLANA RESOURCES LIMITED

# NOTICE OF SPECIAL MEETING OF SOLANA SECURITYHOLDERS To Be Held On November 14, 2008

**NOTICE IS HEREBY GIVEN** that a special meeting (the *Solana Special Meeting*) of the holders of the common shares (*Solana Shares*), options and warrants (collectively, with the Solana Shares, the *Solana Securities*) of Solana Resources Limited (*Solana*) will be held at the Westin Calgary, 320 Avenue S.W., Calgary, Alberta, Canada, at

8:00 a.m. (Mountain Time) on November 14, 2008 for the following purpose:

- (a) to consider and, if thought advisable, to pass, with or without variation, a special resolution (the **Arrangement Resolution** ), the full text of which is set forth in Annex A to the accompanying Joint Management Information Circular and Proxy Statement dated October 10, 2008 (the **Joint Proxy Statement** ), to approve an arrangement (the **Arrangement** ) involving Solana, Gran Tierra Energy Inc., Gran Tierra Exchangeco Inc. and the holders of the Solana Securities ( **Solana Securityholders** ), all as more particularly described in the Joint Proxy Statement; and
- (b) to transact such further and other business as may properly be brought before the Solana Special Meeting or any adjournment thereof.

Specific details of the matters to be put before the Solana Special Meeting are set forth in the Joint Proxy Statement.

The record date (the **Solana Record Date** ) for determination of Solana Securityholders entitled to receive notice of and to vote at the Solana Special Meeting is September 25, 2008. Only Solana Securityholders whose names have been entered in the registers of the Solana Securityholders on the close of business on the Solana Record Date will be entitled to receive notice of and to vote at the Solana Special Meeting, provided that, to the extent a holder of Solana Shares transfers the ownership of any Solana Shares after the Solana Record Date and the transferee of those Solana Shares establishes ownership of such Solana Shares and demands, not later than 10 days before the Solana Special Meeting, to be included in the list of holders of Solana Shares eligible to vote at the Solana Special Meeting, such transferee will be entitled to vote those Solana Shares at the Solana Special Meeting.

**A Solana Securityholder may attend the Solana Special Meeting in person or may be represented by proxy. Solana Securityholders who are unable to attend the Solana Special Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Solana Special Meeting or any adjournment thereof. To be effective, the form of proxy for Solana Securityholders must be received by Solana c/o Valiant Trust Company, 310, 606 4th Street SW, Calgary, Alberta, T2P 1T1 or by fax to the attention of the Proxy Department at (403) 233-2857 no later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Solana Special Meeting or any adjournment thereof. The time limit for the deposit of proxies may be waived by the chairman of the Solana Special Meeting in his discretion, without notice.**

**Registered holders of Solana Shares have the right to dissent ( *Dissenting Shareholders* ) with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Solana Shares in accordance with the provisions of Section 191 of the Business Corporations Act (Alberta), (the *ABCA* ), and the Interim Order (the *Interim Order* ), a copy of which is attached as Annex C. A Solana Shareholder's right to dissent is more particularly described in the Joint Proxy Statement and the text of Section 191 of the ABCA as set forth in Annex J to the accompanying Joint Proxy Statement. A Dissenting Shareholder must send to Solana a written objection to the Arrangement Resolution, which written objection must be received by Solana, care of its counsel, Davis LLP, 1000, 250 2nd Street S.W., Calgary, Alberta, T2P 0C1, Attention: Kenneth P. Reh by 4:00 p.m. on the fifth Business Day immediately preceding the date of the Solana Special Meeting.**

**Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, may result in the loss of any right to dissent. Persons who are beneficial owners of Solana Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Solana Shares are entitled to dissent. Accordingly, a beneficial owner of**

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Solana Shares desiring to exercise the right to dissent must make arrangements for the Solana Shares beneficially owned by such holder to be registered in the holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Solana or, alternatively, make arrangements for the registered holder of such Solana Shares to dissent on behalf of the holder.

Dated at the City of Calgary, in the Province of Alberta, this 10<sup>th</sup> day of October, 2008.

BY ORDER OF THE BOARD OF  
DIRECTORS OF SOLANA RESOURCES LIMITED

/s/ Ray Antony  
Ray Antony  
Chairman

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**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY  
IN THE MATTER OF Section 193 of the  
*Business Corporations Act, R.S.A. 2000, c. B-9, as  
Amended***

**AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT  
INVOLVING SOLANA RESOURCES LIMITED, GRAN  
TIERRA  
ENERGY INC., GRAN TIERRA EXCHANGE CO INC.,  
AND THE  
SECURITYHOLDERS OF SOLANA RESOURCES  
LIMITED**

**NOTICE OF PETITION**

NOTICE IS HEREBY GIVEN that a petition (the *Petition*) has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the *Court*) on behalf of Solana Resources Limited (*Solana*) with respect to a proposed arrangement (the *Arrangement*) under section 193 of the ABCA, involving Solana, Gran Tierra, Gran Tierra Exchange Co Inc. (*Exchangeco*) and holders of common shares, options and warrants of Solana (*Solana Securityholders*) which Arrangement is described in greater detail in the Joint Management Information Circular and Proxy Statement of Solana and Gran Tierra dated October 10, 2008, accompanying this Notice of Petition. At the

hearing of the Petition, Solana intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement are fair to the Solana Securityholders from a substantive and a procedural point of view;
- (b) an order approving the Arrangement pursuant to the provisions of section 193 of the ABCA;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date as defined in the Arrangement; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

**AND NOTICE IS FURTHER GIVEN** that the said Petition was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, 601 5th Street S.W., Calgary, Alberta, on the 14<sup>th</sup> day of November, 2008 at 10:00 a.m. (Calgary time), or as soon thereafter as counsel may be heard. **Any Solana Securityholder or any other interested party desiring to support or oppose the Petition, may appear at the time of hearing in person or by counsel for that purpose. Any Solana Securityholder or any other interested party desiring to appear at the hearing is required to file with the Court, and serve upon Solana on or before noon on November 12, 2008, a notice of intention to appear, including an address for service in the Province of Alberta together with any evidence or materials which are to be presented to the Court.** Service on Solana is to be effected by delivery to the solicitors for Solana, at the addresses below. If any Solana Securityholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Petition will be given by Solana and that in the event the hearing of the Petition is adjourned only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by order dated October 9, 2008, has given directions as to the calling of the meeting of Solana Securityholders for the purpose of such holders voting upon the resolution to approve the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Petition and other documents in the proceedings will be furnished to any Solana Securityholders or other interested party requesting the same by the undermentioned solicitors for Solana upon written request delivered to such solicitors as follows:

Davis LLP  
1000, 250 4<sup>th</sup> Street S.W.  
Calgary, Alberta T2P 0C1  
Attention: Kenneth P. Reh

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**DATED** at the City of Calgary, in the Province of Alberta, this 10<sup>th</sup> day of October, 2008.

**BY ORDER OF THE BOARD OF  
DIRECTORS OF SOLANA RESOURCES LIMITED**

/s/ J. Scott Price  
J. Scott Price  
President and Chief Executive Officer

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## EXCHANGE RATE OF CANADIAN AND U.S. DOLLARS

On October 9, 2008, the exchange rate for one Canadian dollar expressed in U.S. dollars based on the noon buying rate of the Federal Reserve Bank of New York was US\$ 0.8709.

For each period, the following table provides the high and low exchange rates for one Canadian dollar expressed in U.S. dollars, the average of these exchange rates on the last day of each month during the period, and the exchange rate at the end of the period, in each case based upon the inverse of the noon buying rate in New York City for cable transfers in Canadian dollars, as certified for customer purposes by the Federal Reserve Bank of New York:

	Six Month Period Ended June 30, 2008	Twelve Month Period Ended December 31,				
		2007	2006	2005	2004	2003
High	US\$1.0291	US\$1.0908	US\$0.9100	US\$0.8690	US\$0.8493	US\$0.7738
Low	0.9714	0.8437	0.8528	0.7872	0.7158	0.6384
Average	0.9950	0.9376	0.8844	0.8276	0.7702	0.7186
Period End	0.9818	1.0120	0.8582	0.8579	0.8310	0.7738

On October 9, 2008, the exchange rate for one U.S. dollar expressed in Canadian dollars based on the noon spot rate of the Bank of Canada was CDN\$ 1.1486.

For each period, the following table provides the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, the average of these exchange rates on the last day of each month during such period, and the exchange rate at the end of such period, based upon the noon spot rate of the Bank of Canada:

	Six Month Period Ended June 30, 2008	Twelve Month Period Ended December 31,				
		2007	2006	2005	2004	2003
High	CDN\$1.0324	CDN\$1.1853	CDN\$1.1726	CDN\$1.2704	CDN\$1.3968	CDN\$1.5747
Low	0.9719	0.9170	1.0990	1.1507	1.1774	1.2924
Average	1.0054	1.0666	1.1308	1.2085	1.2980	1.3914
Period End	1.0186	0.9881	1.1653	1.1659	1.2036	1.2924

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# ABBREVIATIONS & CONVERSIONS

## Abbreviations

### Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
MBbls	thousand barrels
MMbbls	million barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day

### *Natural Gas*

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day

## Other

Boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 Boe for 6 Mcf of natural gas
Boe/d	barrel of oil equivalent per day
CDN\$	Canadian dollars
Col\$	Colombian pesos
MBoe	1,000 barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in United States dollars at Cushing, Oklahoma for crude oil of standard grade
GAAP	Generally Accepted Accounting Principles

## Conversions

To Convert from	To	Multiply by
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

## Barrel of Oil Equivalency

The term barrels of oil equivalent may be misleading, particularly if used in isolation. A Boe conversion ratio of six thousand cubic feet per barrel (6 Mcf: 1 Bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

# JOINT MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

with respect to a

## PLAN OF ARRANGEMENT

involving

### GRAN TIERRA ENERGY INC., GRAN TIERRA EXCHANGE CO INC., SOLANA RESOURCES LIMITED and THE SOLANA SECURITYHOLDERS

### QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT

Questions and Answers for Gran Tierra Stockholders and Solana Shareholders, Warrantheolders and  
Optionholders

#### *Why am I receiving these materials?*

You are receiving these materials because Gran Tierra Energy Inc., or *Gran Tierra*, and Solana Resources Limited, or *Solana*, want to combine their businesses, and you are either:

a stockholder of Gran Tierra, and the Gran Tierra board of directors, or the *Gran Tierra Board*, is soliciting your proxy to vote at a special meeting of the stockholders of Gran Tierra, or the *Gran Tierra Special Meeting*, relating to, among other things, this transaction, or

a shareholder, optionholder or warrantholder of Solana, and the Solana board of directors, or the *Solana Board*, is soliciting your proxy to vote at a special meeting of the securityholders of Solana, or the *Solana Special Meeting*, relating to this transaction.

Gran Tierra intends to mail this Joint Management Information Circular and Proxy Statement, or *Joint Proxy Statement*, and its accompanying proxy card on or about October 16, 2008 to all Gran Tierra stockholders of record entitled to vote at the Gran Tierra Special Meeting.

Solana intends to mail this Joint Proxy Statement, its accompanying proxy card and letter of transmittal on or about October 20, 2008 to all holders of Solana common shares, or *Solana Shareholders*, optionholders and warrantholders, or collectively with the Solana Shareholders the *Solana Securityholders*, of record entitled to vote at the Solana

Special Meeting.

***When and where are the special meetings?***

Both meetings will take place on November 14, 2008. The Gran Tierra Special Meeting, will be held at 9:00 a.m., Mountain Time, at Lougheed House, 707 13<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada. The Solana Special Meeting will be held at 8:00 a.m., Mountain Time, at the Westin Calgary, 320 4<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada.

***How will the combination of the two companies be accomplished?***

If approved, the combination of the two companies will be accomplished by a statutory plan of arrangement involving Solana, Gran Tierra, Gran Tierra Exchangeco Inc., an indirect wholly-owned Canadian subsidiary of Gran Tierra, or ***Exchangeco***, and Solana Securityholders, all as more particularly described in this Joint Proxy Statement, and which is referred to as the ***Arrangement***.

***Why do Gran Tierra and Solana want to combine their businesses?***

Gran Tierra and Solana are both oil and gas exploration and production companies the primary asset of which is their respective ownership interests in the Costayaco field, a major oil and gas discovery located in Colombia currently under delineation and development, as well as other complementary interests and operations in Colombia. Gran Tierra and Solana believe that the proposed combination will complement each of its existing businesses. By combining the businesses of both companies, Gran Tierra and Solana expect to consolidate 100% of the working interest in the Costayaco field allowing for more efficient development of the field, and creating a stronger oil and gas exploration company with approximately 7.1 million gross acres (6.2 million net acres), production capacity of approximately 15,000 boe/d net after royalties at the end of 2008 and proved reserves of approximately 18 million barrels.

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***Who will manage the combined company after the combination?***

If completed, under the terms of the Arrangement, Gran Tierra will acquire 100% of the outstanding common shares of Solana, or ***Solana Shares***, and Solana will become a wholly-owned indirect subsidiary of Gran Tierra. The combined company, which will retain the name Gran Tierra Energy Inc. and be headquartered in Calgary, Alberta, Canada, will be managed by the current Gran Tierra management team, and will have a seven member board of directors which will initially include the five current members of the Gran Tierra Board. Scott Price, Solana's current President and Chief Executive Officer, and Ray Antony, Solana's current Chairman of the Board, will also join as members of the Gran Tierra Board.

***What votes are required to complete the Arrangement?***

The Arrangement requires the approval of the holders of at least two-thirds of the Solana Shares, options and warrants, referred to collectively as the ***Solana Securities***, voting in person or by proxy as a single class, at the Solana Special Meeting. The issuance of the Gran Tierra common stock in connection with the consummation of the Arrangement requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Gran Tierra Special Meeting and entitled to vote. The approval of the amendment to Gran Tierra's articles of incorporation that create the special voting share to facilitate the voting of the exchangeable shares of Exchangeco, or the ***GTE-Solana Exchangeable Shares***, and make technical changes to Gran Tierra's articles of incorporation requires the vote of (a) the holders of shares of Gran Tierra common stock and the exchangeable shares of Gran Tierra Goldstrike Inc., or ***GTE-Goldstrike Exchangeable Shares***, entitling them to exercise at least a majority of the



combined voting power of the total number of outstanding shares of Gran Tierra common stock and GTE-Goldstrike Exchangeable Shares, and (b) the holders of shares of GTE-Goldstrike Exchangeable Shares entitling them to exercise at least a majority of the voting power of the total number of outstanding shares of GTE-Goldstrike Exchangeable Shares.

***What votes are required to complete Gran Tierra's other proposals?***

Each of the amendments to Gran Tierra's articles of incorporation to increase the total authorized number of shares of common stock from 300,000,000 to 600,000,000 and to change the board voting requirement for issuance of common stock from unanimous to a simple board action requires the affirmative vote of the holders of shares of Gran Tierra common stock and GTE-Goldstrike Exchangeable Shares entitling them to exercise at least a majority of the combined voting power of the total number of outstanding shares of Gran Tierra common stock and GTE-Goldstrike Exchangeable Shares. The amendment and restatement of Gran Tierra's 2007 Equity Incentive Plan, as amended and restated, to increase the number of shares available for issuance thereunder from 9,000,000 shares to 18,000,000 shares, requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Gran Tierra Special Meeting and entitled to vote.

***What are the other material conditions to consummation of the Arrangement?***

The Arrangement is subject to the receipt of required governmental and regulatory approvals, and approval of the plan of arrangement, attached to the Joint Proxy Statement as Annex D, the ***Plan of Arrangement***, giving effect to the Arrangement by the Court of Queen's Bench of Alberta, or the ***Court***. In addition, Gran Tierra is obligated to file a registration statement on Form S-3 which must be declared effective by the U.S. Securities and Exchange Commission, or the ***SEC***, prior to completion of the Arrangement and, pursuant to the Arrangement Agreement, attached hereto as Annex B, the Arrangement must be completed on or before November 15, 2008, unless extended by the parties. The Arrangement is also subject to other customary closing conditions.

***When do you expect the Arrangement to be completed?***

We expect to complete the Arrangement on or before November 15, 2008.

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***Who do I call if I have more questions?***

For questions about voting and proxies, Gran Tierra stockholders may call:

The Altman Group  
Phone: 866-530-8636

For other information, Gran Tierra stockholders may contact:

Martin Eden  
Chief Financial Officer and Secretary  
Phone: (403) 265-3221  
Fax: (403) 265-3242

For questions about voting and proxies, Solana Securityholders may call:

Valiant Trust Company  
Phone: (403) 233-2801  
Fax: (403) 233-2857

For questions about the letters of transmittal, Solana Securityholders may call:

Computershare Investor Services Inc.  
Phone: 1-800-564-6253  
Email: corporateactions@computershare.com

For other information, Solana Securityholders may contact:

J. Scott Price  
President and Chief Executive Officer  
Phone: (403) 770-1822  
Fax: (403) 770-1826  
E-mail: jsp@solanaresources.com

### **Additional Questions and Answers for Gran Tierra Stockholders**

#### ***Why is Gran Tierra entering into this transaction?***

Gran Tierra believes the transaction is in the best interest of Gran Tierra and its stockholders. The benefits of the transaction include:

Gran Tierra expects the combined company to have a larger asset base with a 100% working interest in the Costayaco field, one of the major oil discoveries in Colombia in recent years, allowing for more efficient development of the field;

Gran Tierra expects the combined company to have substantially increased cash flows and working capital which will allow for the pursuit of additional exploration opportunities on the combined company's large undeveloped land base in Colombia, Argentina and Peru, and additional new venture growth opportunities;

Gran Tierra expects the combined company to have a larger market capitalization and better access to capital and financial markets, which would enable the combined company to raise additional capital more easily, if needed, to fund its expansion plans than either company could if not combined;

Gran Tierra expects the shares of the combined company to have greater public float and liquidity; and

Gran Tierra expects to achieve economies of scale and synergies by combining the two companies.

#### ***Why is Gran Tierra seeking to amend its articles of incorporation to provide for a new special voting share and make other technical amendments?***

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In order for the GTE-Solana Exchangeable Shares to have the voting power of a share of Gran Tierra common stock, there must be a share of Gran Tierra capital stock through which they are entitled to vote. The creation of the new special voting share enables this voting mechanism. In addition, Gran Tierra believes that it is prudent to clarify that the current special voting share created to facilitate the GTE-Goldstrike Exchangeable Shares will vote together with the common stock, the new special voting share and any other shares of preferred stock in the future, as this may not currently be clear in the Gran Tierra articles of incorporation.

#### ***Why is Gran Tierra seeking to increase its authorized common stock?***

Gran Tierra believes that the combination of the two companies will approximately double the asset base and outstanding number of shares of its common stock, and significantly increase the number of its employees. In addition, Gran Tierra believes that it will hire additional personnel in the future. As a result, the Gran Tierra Board believes that it is therefore appropriate to also double the authorized number of shares of its common stock to enable Gran Tierra to be in a position to issue additional shares of its common stock in connection with stock options granted and to be granted, or for purposes of acquiring other companies and assets as the Gran Tierra Board deems advisable.

***Why is Gran Tierra seeking to change the Gran Tierra Board voting requirement to issue authorized but unissued stock?***

Gran Tierra believes that Gran Tierra Board action by majority vote, rather than by unanimous vote, is typical and appropriate for the approval of issuances of authorized but unissued Gran Tierra common stock, and so has included this change as well in the amendment to its articles of incorporation.

***Why is Gran Tierra seeking to increase the number of shares available to it under its 2007 Equity Incentive Plan?***

Gran Tierra believes that the combination of the two companies will approximately double the asset base and outstanding shares of the company and significantly increase its work force. In addition, Gran Tierra intends to hire additional personnel following the combination of the two companies. Gran Tierra therefore believes that it is appropriate to double the number of shares available for issuance under its 2007 Equity Incentive Plan. The granting of stock awards under this plan enables Gran Tierra to attract and retain its employees and consultants, who will be critical to the success of the combined company.

**Additional Questions and Answers for Solana Shareholders, Optionholders and Warrantholders**

***Why is Solana entering into this transaction?***

Solana believes the transaction is in the best interest of Solana Securityholders. The benefits of the transaction include:

0.9527918 of a share of Gran Tierra common stock or 0.9527918 of a GTE-Solana Exchangeable Share represents a significant premium of approximately 26% over the trading price of Solana Shares immediately prior to the announcement of the combination;

Solana expects the combined company to have a larger asset base with a 100% working interest in the Costayaco field, one of the major oil discoveries in Colombia in recent years, allowing for more efficient development of the field;

Solana expects the combined company to have a larger market capitalization and better access to capital and financial markets, which would enable the combined company to raise additional capital more easily, if needed, to fund its expansion plans than either company could if not combined;

Solana expects the shares of the combined company to have greater public float and liquidity;

Solana expects the combined company to have substantially increased cash flows which will allow for the pursuit of additional exploration opportunities on the combined company's large undeveloped land base in Colombia, Argentina and Peru, and additional new venture growth opportunities, thereby increasing the probability of additional exploration success;

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the transaction is structured to provide a tax deferral opportunity for certain Canadian resident Solana Shareholders; Solana expects the combined company to benefit from the strong leadership of directors from both Solana and Gran Tierra; and

Solana warrant holders and some Solana option holders can elect to participate in the combined company by ultimately receiving shares of Gran Tierra common stock or GTE-Solana Exchangeable Shares, as applicable, or can elect to receive a cash payment in exchange for their securities, or a combination of the foregoing, providing alternatives for such security holders.

***What will I receive as a result of this transaction?***

Canadian resident Solana Shareholders (other than Dissenting Shareholders, as defined in the section below entitled ***Dissenters Rights*** on page 14, Solana Shareholders who are partnerships that are not Canadian partnerships for the purposes of the *Income Tax Act* (Canada) and shareholders who are exempt from tax under Part I of the *Income Tax Act* (Canada)) can elect to receive either 0.9527918 of a GTE-Solana Exchangeable Share issued by Exchangeco for each Solana Share or 0.9527918 of a share of Gran Tierra common stock for each Solana Share. All other Solana Shareholders (other than Dissenting Shareholders) can elect to receive 0.9527918 of a share of Gran Tierra common stock. A Solana Shareholder (other than a Dissenting Shareholder) who does not make an election will receive: (i) 0.9527918 of a GTE Solana Exchangeable Share for each Solana Share if its address on the Solana Share register is in Canada on the business day preceding the Effective Date; or (ii) 0.9527918 of a share of Gran Tierra common stock for each Solana Share if its address on the Solana Share register is not in Canada on the business day preceding the Effective Date. The Arrangement will also result in Solana option holders and Solana warrant holders receiving either Solana Shares pursuant to a cashless exercise of their options or warrants or cash payments, in both cases based on the above exchange ratio of 0.9527918, or the ***Exchange Ratio***. In addition, Solana options held by a Solana employee, officer, director or consultant continuing with the combined company may be exchanged for options to purchase shares of Gran Tierra common stock; and holders of Solana warrants may elect to continue to hold warrants, which would be exercisable into shares of common stock of Gran Tierra pursuant to the terms of the warrants.

***What are the GTE-Solana Exchangeable Shares?***

Each GTE-Solana Exchangeable Share has economic and voting rights equivalent to one share of Gran Tierra common stock. Holders of GTE-Solana Exchangeable Shares will be entitled to:

exchange their shares for Gran Tierra common stock on a one-for-one basis (GTE-Solana Exchangeable Shares will automatically be exchanged for Gran Tierra common stock five years from closing of the transaction, and in specified other events);

vote indirectly through a voting trust arrangement at meetings of Gran Tierra stockholders; and receive dividends, if any, on the same basis as Gran Tierra stockholders.

***Will the GTE-Solana Exchangeable Shares be listed on a stock exchange?***

Yes. An application has been made to the Toronto Stock Exchange, or the ***TSX***, to conditionally approve the listing of the GTE-Solana Exchangeable Shares, subject to Exchangeco fulfilling the original listing requirements of the TSX. The GTE-Solana Exchangeable Shares will not be quoted on the American Stock Exchange, on the ***AMEX***. Actions will be taken to de-list the Solana Shares from the TSX Venture Exchange and the Alternative Investment Market of the London Stock Exchange plc, or the ***AIM***, effective upon completion of the Arrangement.

***Why would I continue to hold GTE-Solana Exchangeable Shares?***

The GTE-Solana Exchangeable Share structure will be implemented to provide tax deferral opportunities for Canadian resident Solana Shareholders. As long as the GTE-Solana Exchangeable Shares remain listed on a Canadian stock exchange, they will qualify as an investment that can be held by specified investment vehicles such as RRSPs, RRIFs, RESPs and other savings and pension plans, however rights that accompany

the shares may have an adverse impact on some plans such plans should consult their own tax advisors if they do not elect to acquire shares of Gran Tierra under the Arrangement.

*How do I exchange my Solana security certificates?*

Enclosed with this Joint Proxy Statement is a letter of transmittal and election form that will allow you to receive your GTE-Solana Exchangeable Shares or Gran Tierra common stock, as applicable, which are issuable to you pursuant to this transaction. Letters of transmittal to allow Solana optionholders and warrant holders to make elections and receive the applicable cash payments or securities in respect of their Solana options and/or warrants will be delivered separately from the Joint Proxy Statement. The letters of transmittal and election form and your Solana security certificates, as applicable, must be delivered to Computershare Investor Services Inc. in accordance with the instructions contained therein.

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## **PROXY SUMMARY INFORMATION**

The following is a summary of specified information contained elsewhere in this Joint Proxy Statement. The information contained in this summary is qualified in its entirety by and should be read in conjunction with the more detailed information contained in this Joint Proxy Statement, including the annexes hereto, and the documents incorporated by reference herein.

### **Overview of the Arrangement**

The transaction will combine the businesses of Gran Tierra and Solana, which the companies believe complement each other, to create a more substantial South American oil and gas exploration and production company with significant oil reserves, production and land positions in Colombia. Importantly, it will provide for the consolidation of a 100% working interest in the Costayaco field, a major light oil discovery made in Colombia in 2007 currently undergoing delineation and development.

We will implement the transaction through a share exchange under a Plan of Arrangement. Upon completion of the Plan of Arrangement:

Solana will become an indirect wholly-owned subsidiary of Gran Tierra; Solana Shareholders will cease to be shareholders of Solana and (other than Dissenting Shareholders) will receive, for each Solana Share held, either 0.9527918 of a share of Gran Tierra common stock or 0.9527918 of a GTE Solana Exchangeable Share; each GTE Solana Exchangeable Share will have economic and voting rights equivalent to one share of Gran Tierra common stock, will be exchangeable at the option of the holder for one share of Gran Tierra common stock, and will automatically be exchanged for Gran Tierra common stock five years from closing and in specified other events; each Solana option will fully vest and terminate and the holder of such options will either receive Solana Shares or cash equal to the value of the Solana option or, if the holder will continue as an employee, officer, director or consultant of the combined company or a subsidiary of the combined company, the holder may exchange such Solana option for an option to purchase Gran Tierra common stock, or any combination thereof; and each holder of Solana warrants will either receive Solana Shares or cash equal to the value of the Solana warrant or, if the holder elects, such Solana warrants will become exercisable for Gran Tierra common stock under the terms of the warrants, or any combination thereof.

See Description of the Arrangement Transaction Mechanics and Description of GTE Solana Exchangeable Shares on page 61.

## The Companies

### Gran Tierra (See page 100)

Gran Tierra is an independent international energy company involved in oil and natural gas exploration, development and production. Gran Tierra's exploration, development and production operations are located in Colombia, Argentina and Peru. Gran Tierra made its initial acquisition of oil and gas producing and non-producing properties in Argentina in September 2005. During 2006, it acquired oil and gas producing and non-producing assets in Colombia, non-producing assets in Peru and additional properties in Argentina. Gran Tierra's common stock is listed on the AMEX and the TSX, under the symbol GTE. Gran Tierra's principal executive offices are located at 300, 611 10th Avenue S.W., Calgary, Alberta T2R 0B2, Canada, and its telephone number at its principal executive office is (403) 265-3221.

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### Solana (See page 126)

Solana is a corporation incorporated and subsisting pursuant to the provisions of the *Business Corporations Act* (Alberta), the *ABCA*. Solana is an international resource company engaged in the acquisition, exploration, development and production of oil and natural gas. Solana is headquartered in Calgary, Alberta. Solana's exploration and development properties are located in Colombia, South America and are held through its wholly-owned subsidiary, Solana Petroleum Exploration (Colombia) Limited incorporated in the Cayman Islands, or *Solana Colombia*. Solana currently holds various working interests in nine blocks in Colombia and Solana is the operator in respect of six of these blocks. Five of the blocks contain producing assets. Solana is a reporting issuer in the provinces of Alberta, British Columbia and Ontario and the Solana Shares are listed on the TSX Venture Exchange under the trading symbol SOR and on the AIM under the trading symbol SORL. Solana's head office is located at Suite 100, 522 11 Avenue S.W., Calgary, Alberta T2R 0C8 and the registered office is located at 1000, 250 2 Street, S.W., Calgary, Alberta, T2P 0C1.

### The Combined Company (See page 84)

The combined company will be a more substantial independent oil and gas company with operations in South America. At December 31, 2007, Gran Tierra and Solana combined pro forma worldwide proved reserves, net of all royalties and third party interests, were approximately 14.8 million barrels of oil.

On a pro forma combined basis, assuming the consummation of the Arrangement, the combined company had:

2007 oil and natural gas liquids production, net of royalties, of 2,177 barrels per day;  
first six months of 2008 oil and natural gas liquids production, net of royalties, of 5,763 barrels per day;  
2007 year end total land holdings of 6.5 million acres;

2007 worldwide gas production of 994 thousand cubic feet per day; and  
first six months of 2008 worldwide gas production of 44 thousand cubic feet per day.

In addition, in July 2008, Gran Tierra updated its proved reserves from the Costayaco field in Colombia at June 30, 2008, which were 6.67 million barrels of oil net of royalties compared to 3.27 million barrels of oil net of royalties at year end 2007, an increase of 104%.

## **Background of the Arrangement (See page 39)**

The respective boards of directors and management of Gran Tierra and Solana periodically review their strategic objectives with a view to ensuring that shareholder value is maximized. Each company frequently considers both acquisition and joint venture opportunities involving other participants in the oil and gas sector. Beginning in April of 2007, Gran Tierra and Solana engaged in preliminary discussions regarding a possible business combination of the two companies. However, in November 2007 the companies determined not to proceed, and terminated discussions regarding a potential combination of the two companies.

Beginning in May 2008, Gran Tierra and Solana again began discussions regarding a potential combination, which discussions resulted in the two companies engaging in extensive due diligence with respect to each other and, ultimately, the negotiation of the Arrangement Agreement, which was executed by Gran Tierra and Solana on July 28, 2008.

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## **Reasons for the Arrangement (See pages 43 and 44)**

*Gran Tierra:* The Gran Tierra Board has unanimously approved the combination of Gran Tierra and Solana. In reaching this determination, the Gran Tierra Board consulted with Gran Tierra's management, as well as its financial and legal advisors, and considered the following material factors:

The anticipated business advantages of the combination, including:

Gran Tierra expects the combined company to have a larger asset base with a 100% working interest in the Costayaco field, one of the major oil discoveries in Colombia in recent years, allowing for more efficient development of the field;

Gran Tierra expects the combined company to have substantially increased cash flows and working capital which will allow for the pursuit of additional exploration opportunities on the combined company's large undeveloped land base in Colombia, Argentina and Peru, and additional new venture growth opportunities;

Gran Tierra expects the combined company to have a larger market capitalization and better access to capital and financial markets, which would enable the combined company to raise additional capital more easily, if needed, to fund its expansion plans than either company could if not combined;

Gran Tierra expects the shares of the combined company to have greater public float and liquidity; and

Gran Tierra expects to achieve economies of scale and synergies by combining the two companies.

The Gran Tierra Board also considered the opinion of Blackmont Capital Inc., or **Blackmont**, financial advisor to Gran Tierra, delivered verbally on July 28, 2008 and subsequently confirmed in writing as of that date, to the effect that, based on and subject to the factors and assumptions set forth in the opinion, the Exchange Ratio of 0.9527918 shares of Gran Tierra common stock or GTE Solana Exchangeable Shares, as applicable, for each Solana Share was

fair, from a financial point of view, to Gran Tierra.

*Solana:* The Solana Board, has unanimously approved the combination of Gran Tierra and Solana. In reaching this determination, the Solana Board consulted with Solana's management, as well as its financial and legal advisors, and considered the following material factors:

the consideration offered under the Arrangement represented a significant premium over the trading price of Solana Shares immediately prior to the announcement of the combination;

Solana believes that the combined company will have a larger asset base and greater geographical diversity of operations and markets. The combination creates a company with a 100% working interest in the Costayaco field, one of the most important oil discoveries in Colombia in recent years, allowing for more efficient development of the field;

Solana expects the combined company to have a larger market capitalization and better access to capital and financial markets, which would enable the combined company to raise additional capital more easily, if needed, to fund its expansion plans than either company could if not combined;

Solana expects the shares of the combined company to have greater public float and liquidity;

Solana expects the combined company to have substantially increased cash flows which will allow for the pursuit of additional exploration opportunities on the combined company's large undeveloped land base in Colombia, Argentina and Peru, and additional new venture growth opportunities, thereby increasing the probability of additional exploration success;

the structure of the transaction provides a tax deferral opportunity for certain Canadian resident Solana Shareholders, but may be a taxable transaction for other holders of Solana Shares;

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Solana expects the combined company to benefit from the strong leadership of directors from both Solana and Gran Tierra; and

Solana warrant holders and some Solana option holders can elect to participate in the combined company by ultimately receiving shares of Gran Tierra common stock or GTE Solana Exchangeable Shares, as applicable, or can elect to receive a cash payment in exchange for their securities, or a combination of the foregoing, providing alternatives for such security holders.

The Solana Board also considered the opinion of Tristone Capital Inc., or *Tristone*, financial advisor to Solana, delivered orally on July 28, 2008 and subsequently confirmed in writing as of that date, to the effect that, based on and subject to the factors and assumptions set forth in the opinion, the consideration to be received pursuant to the Arrangement by Solana Shareholders was fair, from a financial point of view, to Solana Shareholders.

## **Fairness Opinions of Financial Advisors (See pages 45 and 53)**

In deciding to approve the Arrangement, the board of directors of each of Gran Tierra and Solana considered the opinion of their respective financial advisor. Gran Tierra received an opinion from Blackmont delivered verbally on July 28, 2008 and subsequently confirmed in writing as of that date, to the effect that, based on and subject to the factors and assumptions set forth in the opinion, the Exchange Ratio was fair, from a financial point of view, to Gran Tierra. Solana received an opinion from Tristone, delivered orally on July 28, 2008 and subsequently confirmed in writing as of that date, that, based on and subject to the factors and assumptions set forth in the opinion, the consideration to be received pursuant to the Arrangement by Solana Shareholders was fair, from a financial point of view, to Solana Shareholders. These opinions are attached as Annexes H and I, respectively. We encourage you to read these opinions.



## Recommendations of the Boards of Directors (See page 45)

### To Gran Tierra Stockholders:

The Gran Tierra Board believes that the Arrangement is fair to its stockholders and is in their best interest, and it unanimously recommends that its stockholders vote (1) For the issuance of Gran Tierra common stock pursuant to the Arrangement, (2) For the amendment of the Gran Tierra articles of incorporation to create a new share of special voting stock, referred to as the *Special B Voting Stock*, to represent the votes cast by the holders of GTE Solana Exchangeable Shares, and make several technical amendments, (3) For the amendment of the Gran Tierra articles of incorporation to increase the number of shares of common stock authorized, (4) the amendment to Gran Tierra's articles of incorporation to change the board voting requirement for issuance of common stock from unanimous to a simple board action, and (5) For the approval of the Gran Tierra 2007 Equity Incentive Plan, as amended and restated, to increase the number of shares issuable under the plan.

### To Solana Securityholders:

The Solana Board, believes that the Arrangement is fair to the Solana Securityholders and in their best interest and unanimously recommends that the Solana Securityholders vote For the approval of the Arrangement.

## What Solana Shareholders Will Receive Pursuant to the Arrangement (See page 61)

Pursuant to the Arrangement, Solana Shareholders who are *eligible shareholders* (Canadian resident Solana Shareholders who are not exempt from Part I tax under the *Income Tax Act* (Canada) and, in the case of partnerships, are Canadian partnerships for purposes of the *Income Tax Act* (Canada)), other than Dissenting Shareholders, can elect to receive 0.9527918 of a GTE Solana Exchangeable Share for each Solana Share held by the shareholder immediately prior to the time at which the *Articles of Arrangement* are filed with the *Registrar*, each as defined in the Plan of Arrangement attached hereto as Annex D, on the date the Arrangement becomes effective under the ABCA, such time being referred to herein as the *Effective Time*.

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Solana Shareholders who do not make the election and whose address on the Solana Shareholder register is in Canada on the business day preceding the Effective Date will also receive 0.9527918 of a GTE Solana Exchangeable Share for each Solana Share held by such shareholder immediately before the Effective Time.

Pursuant to the Arrangement, all Solana Shareholders other than Dissenting Shareholders can elect to receive 0.9527918 of a share of Gran Tierra common stock for each Solana Share held by such shareholder immediately before the Effective Time. Solana Shareholders who do not make any election and whose address on the Solana Shareholder Register is not in Canada on the business day preceding the Effective Date will receive 0.9527918 of a share of Gran Tierra common stock for each Solana Share held by such shareholder immediately before the Effective Time.

Each GTE Solana Exchangeable Share (i) will have voting rights, dividend entitlements and other attributes equivalent to one share of Gran Tierra common stock; (ii) will be exchangeable, at each shareholder's option, on a one-for-one basis, into shares of Gran Tierra common stock; and (iii) subject to compliance with the original listing requirements of the TSX, will be listed on the TSX. The GTE Solana Exchangeable Shares will automatically be exchanged for shares of Gran Tierra common stock five years from the effective date of the Arrangement under the ABCA, or *Effective Date*, and in specified other events.

## What Solana Optionholders Will Receive Pursuant to the Arrangement (See page 72)

Subject to the rights of Continuing Optionholders discussed below, Solana optionholders will receive one or any combination of the following:

if the Solana optionholder elects to receive Solana Shares pursuant to the cashless exercise of its Solana options, referred to as the *Exchange Options*, each such Exchange Option will be deemed to be surrendered to Solana by cashless exercise in exchange for such number of Solana Shares as is equal to the in-the-money value of each Exchange Option divided by the five day weighted trading price (ending on the seventh trading day before the Effective Date) on the TSX of a share of Gran Tierra common stock multiplied by 0.9527918 and these Solana Shares will then be exchanged for shares of Gran Tierra common stock or GTE Solana Exchangeable Shares pursuant to the Arrangement (where the in-the-money value of each Exchange Option is equal to the amount by which the Imputed Transaction Value exceeds the exercise price of such Exchange Option; and where *Imputed Transaction Value* is the five day weighted trading price, ending on the seventh trading day before the Effective Date, on the TSX of a share of Gran Tierra common stock multiplied by 0.9527918); or

if the Solana optionholder elects to receive a cash payment pursuant to the cashless exercise of its Solana options, each such Solana option will be deemed to be surrendered to Solana by cashless exercise in exchange for the in-the-money value of each Solana option (where the in-the-money value of each Solana option is equal to the amount by which the Imputed Transaction Value exceeds the exercise price of such Solana option).

In addition, Solana optionholders who are *Continuing Optionholders* (Solana optionholders who will be any of a director, officer, employee or consultant of Gran Tierra or a subsidiary of Gran Tierra immediately subsequent to the Effective Time) may elect to exchange some or all of their Solana options for 0.9527918 of a Gran Tierra option. The exercise price of each such Gran Tierra option will be equal to the exercise price of the Solana option exchanged divided by 0.9527913, and converted to U.S. dollars.

## What Solana Warranholders Will Receive Pursuant to the Arrangement (See page 73)

Pursuant to the Arrangement, if Solana warranholders elect to effect a cashless exercise of their Solana warrants, the Solana warranholders will receive one or any combination of the following:

if the Solana warranholder elects to receive Solana Shares pursuant to the cashless exercise of its Solana warrants, referred to as the *Exchange Warrants*, each such Exchange Warrant will be deemed to be surrendered to Solana by cashless exercise in exchange for such number of Solana Shares as is equal to the in-the-money value of each Exchange Warrant divided by the five day weighted trading price (ending on the seventh trading day before the Effective Date) on the TSX of

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a share of Gran Tierra common stock multiplied by 0.9527918 and these Solana Shares will then be exchanged for shares of Gran Tierra common stock or GTE Solana Exchangeable Shares pursuant to the Arrangement (where the in-the-money value of each Exchange Warrant is equal to the amount by which the Imputed Transaction Value exceeds CDN\$2.00); or

if the Solana warrant holder elects to receive a cash payment pursuant to the cashless exercise of its Solana warrants, each such Solana warrant will be deemed to be surrendered to Solana by cashless exercise in exchange for the in-the-money value of each Solana warrant (where the in-the-money value of each Solana warrant is equal to the amount by which the Imputed Transaction Value exceeds CDN\$2.00).

If Solana warrant holders do not elect to effect a cashless exercise of all of their Solana warrants, they will continue to hold such Solana warrants, which would be exercisable into shares of Gran Tierra common stock in accordance with the terms and conditions of such Solana warrants.

## **Colombian Participation Agreement (See page 101)**

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.

## **Comparative Per Share Market Price Data (See page 85)**

Gran Tierra common stock was first cleared for quotation on the OTC Bulletin Board, or the *OTCBB*, on November 11, 2005 and traded on the OTCBB from that time until April 8, 2008, under the symbol GTRE.OB. On February 19, 2008, Gran Tierra common stock was listed on the TSX, and is trading under the symbol GTE on the TSX. On April 8, 2008, Gran Tierra common stock was listed on the AMEX, and is trading under the symbol GTE on the AMEX. Upon listing on the AMEX, Gran Tierra's common stock ceased trading on the OTCBB.

Solana Shares are listed on the TSX Venture Exchange, under the symbol SOR and on the AIM, under the symbol SORL.

On July 28, 2008, the last full trading day for each of Gran Tierra and Solana before the public announcement of the Arrangement, Gran Tierra common stock closed at CDN\$5.73 on the TSX and \$5.57 on the AMEX and Solana Shares closed at CDN\$4.35 on the TSX Venture Exchange and £2.13 on the AIM.

## **Listing of Gran Tierra Common Stock and GTE Solana Exchangeable Shares (See page 78)**

It is a mutual condition to the completion of the Arrangement that (i) the TSX shall have conditionally approved the listing of the shares of Gran Tierra common stock to be issued pursuant to the Arrangement, and (ii) the AMEX shall have conditionally approved the listing of the shares of Gran Tierra common stock to be issued pursuant to the Arrangement, subject to official notice of issuance.

Exchangeco has applied to the TSX for conditional approval to list the GTE Solana Exchangeable Shares, subject to Exchangeco meeting the original listing requirements of the TSX.

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## **Who is Entitled to Vote at the Meetings**

### **Gran Tierra Stockholders (See page 30)**

Only stockholders of record at the close of business on September 15, 2008, the *Gran Tierra Record Date*, will be entitled to vote at the Gran Tierra Special Meeting. On the Gran Tierra Record Date, there were 104,595,774 shares of Gran Tierra common stock outstanding and entitled to vote, and one share of special voting stock, or *Special Voting Stock*. On the record date, the share of Special Voting Stock was entitled to 10,984,126 votes, which equals the number of shares of common stock issuable upon exchange of the GTE Goldstrike Exchangeable Shares, outstanding as of the Gran Tierra Record Date, that were issued in connection with the transaction between the former shareholders of Gran Tierra Energy Inc., a privately-held Alberta corporation, referred to as *Gran Tierra Canada*, and Gran Tierra Goldstrike, Inc.

### **Solana Shareholders (See page 36)**

Only Solana Securityholders of record at the close of business on September 25, 2008, the *Solana Record Date*, will be entitled to receive notice of, and attend and vote at, the Solana Special Meeting, except to the extent a holder of Solana Shares transfers any of such securities after the Solana Record Date and the transferee of those Solana Shares establishes ownership of the Solana Shares, and demands, not later than 10 days before the Solana Special Meeting, that the transferee's name be included in the list of holders of Solana Shares entitled to vote, in which case such transferee shall be entitled to vote such Solana Shares at the Solana Special Meeting. As at the Solana Record Date, a total of 126,426,792 Solana Shares, 3,945,000 Solana options and 7,500,000 Solana warrants were issued and outstanding for a total of 137,871,792 Solana securities being issued and outstanding. Each Solana Securityholder is entitled to one vote for each Solana security held and the Solana Securityholders will vote as one class.

## **Shareholder Votes Required**

## **Gran Tierra Proposals (See page 33)**

Each share of Gran Tierra common stock and GTE Goldstrike Exchangeable Share has one vote. The votes required to approve the Gran Tierra proposals are as follows:

to be approved, Proposal 1, the approval of issuance of Gran Tierra common stock pursuant to the Arrangement, must receive the affirmative vote of a majority of the shares present in person or represented by proxy at the Gran Tierra Special Meeting and entitled to vote. Broker non-votes will have no effect and abstentions will have the same effect as Against votes;

to be approved, Proposal 2, the amendment to Gran Tierra's articles of incorporation to create a new special voting share to enable the GTE Solana Exchangeable Shares to vote, as well as to make several technical changes, must receive a For vote from:

the holders of shares of Gran Tierra common stock and GTE Goldstrike Exchangeable Shares entitling them to exercise at least a majority of the combined voting power of the total number of outstanding shares of Gran Tierra common stock and GTE Goldstrike Exchangeable Shares; and

the holders of shares of GTE Goldstrike Exchangeable Shares entitling them to exercise at least a majority of the voting power of the total number of outstanding shares of GTE Goldstrike Exchangeable Shares.

Broker non-votes and abstentions will have the same effect as Against votes;

each of Proposal 3, the amendment to Gran Tierra's articles of incorporation to increase in the number of shares of Gran Tierra common stock authorized for issuance, and Proposal 4, the amendment to Gran Tierra's articles of incorporation to change the board voting requirement for issuance of common stock, must receive a For vote from the holders of shares of Gran Tierra common stock and GTE Goldstrike Exchangeable Shares entitling them to exercise at least a majority of the

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combined voting power of the total number of outstanding shares of Gran Tierra common stock and GTE Goldstrike Exchangeable Shares to be approved. Broker non-votes and abstentions will have the same effect as Against votes; and

to be approved, Proposal 5, the approval of Gran Tierra's 2007 Equity Incentive Plan, as amended and restated, must receive the affirmative vote of a majority of the shares present in person or represented by proxy at the Gran Tierra Special Meeting and entitled to vote. Broker non-votes will have no effect and abstentions will have the same effect as Against votes.

References to voting power of GTE Goldstrike Exchangeable Shares refers to the voting power exercised through the Olympia Trust Company, referred to as the **Goldstrike Trustee**, with respect to the GTE Goldstrike Exchangeable Shares, whether by the Goldstrike Trustee or by proxy.

## **Solana Proposal (See page 37)**

The approval of the Arrangement requires approval by two-thirds of the votes cast in person or by proxy at the Solana Special Meeting.

## **Dissenters Rights (See page 80)**

Pursuant to the Interim Order of the Court under subsection 193(4) of the ABCA, or the *Interim Order*, registered holders of Solana Shares are, subject to the provisions of the Interim Order and the Arrangement Agreement, accorded the right of dissent, or *Dissent Rights*, under Section 191 of the ABCA with respect to the approval of the special resolution to approve the Arrangement under the ABCA, the *Arrangement Resolution*. A Dissenting Shareholder may exercise such Dissent Rights by providing a written objection to the Arrangement Resolution to Solana c/o Davis LLP, Livingston Place 1000 250 2nd St SW Calgary, AB, Canada T2P 0C1, Attention: Kenneth P. Reh, by 4:00 p.m. on the fifth business day immediately preceding the date of the Solana Special Meeting; provided that the Dissenting Shareholder has not voted his or her Solana Shares at the Solana Special Meeting, either by proxy or in person, in favor of the Arrangement Resolution, the dissenting Solana Shareholder exercises the Dissent Rights in respect of all of the Solana Shares held by such Solana Shareholder, and such holder also complies with Section 191 of the ABCA, as modified by the Interim Order, such Dissenting Shareholder referred to herein as a *Dissenting Shareholder*.

The statutory provisions covering the right to dissent are technical and complex. Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Solana Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered holder is entitled to dissent. Accordingly, a beneficial owner of Solana Shares desiring to exercise the right to dissent must make arrangements for such Solana Shares beneficially owned to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution approving the Arrangement is required to be received by Solana, as the case may be, or alternatively, make arrangements for the registered holder of such Solana Shares to dissent on such holder's behalf. Pursuant to the Interim Order, a Solana Shareholder may not exercise their Dissent Rights in respect of only a portion of such holder's Solana Shares. See Description of the Arrangement Dissenting Shareholders Rights.

## **Interests of Solana Directors and Officers (See page 82)**

When considering the recommendation of the Solana Board with respect to the Arrangement, Solana Securityholders should be aware that a number of Solana directors and officers have interests in the transaction that may differ from those of Solana Securityholders generally.

## **Accounting Treatment**

The acquisition of the Solana Securities pursuant to the Plan of Arrangement will be accounted for by Gran Tierra using the purchase method under U.S. GAAP. Under the purchase method, the cost of the purchase will be based on the market value of the Gran Tierra securities issued and the direct transaction costs.

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The cost of the purchase will be allocated to the Solana assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, with any excess of the cost over the amounts allocated being recognized as goodwill. Financial statements of Gran Tierra issued after the acquisition would reflect these fair values and include Solana's results of operations from the date of acquisition; they would not be restated retroactively to reflect to the

historical financial position or results of operations of Solana. This method may result in the carrying value of net assets, including goodwill, acquired from Solana being substantially different from the former carrying values of those net assets in Solana's historical financial statements.

## **Regulatory Approvals (See page 79)**

In addition to the approval of Solana Securityholders, Gran Tierra stockholders and the Court, it is a mutual condition precedent to the implementation of the Arrangement that all requisite regulatory approvals be obtained. See Description of the Arrangement – Regulatory Matters .

The obligations of the parties to complete the Arrangement are subject to the approval by the antitrust authority of Colombia, the Superintendency of Industry and Commerce, or the *SIC*, pursuant to the Colombian merger control regime. By law, Gran Tierra and Solana shall file a notice before the SIC in order to obtain such approval. Once such notice is filed, the SIC has a period of thirty (30) business days to review the filing and issue a decision. If within this thirty (30) business day period the SIC requests from any of the parties to the transaction additional information regarding the filing, this period will commence again from the date of the answer to such request. If the SIC does not issue a decision within the thirty (30) business days counted as of the date the notification was filed or the date of the response to the request for additional information, the transaction shall be deemed approved.

On August 27, 2008 Gran Tierra and Solana filed a request to obtain the necessary authorization to complete the Arrangement before the SIC. On October 7, 2008, the authorization was received.

We do not expect that any of the abovementioned regulatory approvals, filings or any other required regulatory filings, will delay consummation of the Arrangement.

## **Conditions to the Completion of the Arrangement (See page 74)**

The completion of the Arrangement depends upon the satisfaction of a number of conditions, including:

- the receipt of the Interim Order of the Court;
- the approval of the Arrangement by the Solana Securityholders;
- the approval of the issuance of Gran Tierra common stock by Gran Tierra stockholders;
- the absence of any action, suit, proceeding, or objection threatening, or any law or court order prohibiting the Arrangement;
- the receipt of a final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, or the *Final Order* ;
- the receipt of all required consents and regulatory approvals;
- the receipt of the conditional approval to list the Gran Tierra common stock on the TSX and the AMEX;
- a registration statement on Form S-3 filed by Gran Tierra having been declared effective;
- the Articles of Arrangement having been filed with the registrar;
- the Arrangement becoming effective by November 15, 2008;
- if required, the approval of the Arrangement by Gran Tierra's and Solana's lenders;
- the furnishing of board and stockholder resolutions approving the Arrangement by both sides;
- the representations and warranties of the parties set out in the Arrangement Agreement being materially accurate as of the closing of the Arrangement;

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the absence of any material adverse change in the business, operations, assets, capitalization, financial condition or prospects of either party;

- performance by the parties of their pre-closing obligations under the Arrangement Agreement;
- Solana and Gran Tierra having no debt;
- all outstanding debt owed to Solana by any Solana director or officer being repaid in full;
- Solana's employment related obligations not exceeding \$1.5 million and Solana's expenses related to the Arrangement not exceeding \$5 million;
- receipt by Gran Tierra of resignations and releases from Solana's directors and officers; and
- receipt by Gran Tierra of non-solicitation agreements from specified officers of Solana.

Each party has the right to waive the conditions (except for the requisite shareholder and regulatory approvals) to its obligations under the Arrangement Agreement.

## **Termination of the Arrangement Agreement (See page 76)**

Either Gran Tierra or Solana may terminate the Arrangement Agreement if any of the following occurs:

- there has been a material breach of the representations and warranties of the other party, by the other party;
- all closing conditions have not been satisfied or waived on or before November 15, 2008;
- the required approvals of holders of Gran Tierra common stock or Solana Securityholders are not obtained at the respective meetings; or
- a law or court order prohibits the Arrangement.

Gran Tierra can also terminate the Arrangement Agreement if the Solana Board withdraws or modifies its recommendation adversely to Gran Tierra or fails to reaffirm its recommendation upon request by Gran Tierra or after an alternative acquisition proposal meeting specified requirements is announced.

Solana can also terminate the Arrangement Agreement if any of the following occurs:

- the Gran Tierra Board withdraws or modifies adversely to Solana its recommendation; or
- the Solana Board accepts, recommends, approves or implements a proposal superior to this transaction in compliance with the terms of the Arrangement Agreement, a *Solana Superior Proposal* .

## **Termination Fees (See page 77)**

Solana must reimburse Gran Tierra's transaction costs in cash up to \$1.5 million if Gran Tierra terminates the Arrangement Agreement because of a material breach by Solana of its representations and warranties.

Solana must pay Gran Tierra a termination fee of \$21 million in cash if:

- Gran Tierra terminates the Arrangement Agreement because the Solana Board withdraws or modifies adversely its recommendation or fails to reaffirm its recommendation when requested by Gran Tierra to do so or after an alternative acquisition proposal meeting specified requirements is announced; or
- Solana terminates the Arrangement Agreement in order to accept a superior proposal permitted under the Arrangement Agreement.

Gran Tierra must reimburse Solana's transaction costs in cash up to \$1.5 million if Solana terminates the Arrangement



Agreement because of a material breach by Gran Tierra of its representations and warranties.

Gran Tierra must pay Solana a termination fee of \$21 million in cash if Solana terminates the Arrangement Agreement because the Gran Tierra Board withdraws or modifies its recommendation adversely to Solana.

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If either party fails to pay the above fees promptly, then it shall also pay the other party's costs in recovering those fees in addition to interest on the unpaid amount at the prime rate of the Canadian Imperial Bank of Commerce.

### **No Solicitation of Competing Proposals (See page 75)**

Solana may not solicit or encourage any alternative acquisition proposals. However, if a superior, unsolicited proposal is made by a third party, the Solana Board may enter into discussions and negotiations with, and provide information to, the party making the acquisition proposal in order to satisfy its fiduciary duties. Gran Tierra has the right to match any such superior proposal made to Solana.

### **The Transaction Documents**

We have included the Arrangement Agreement and the Plan of Arrangement as Annexes B and D, respectively, to this Joint Proxy Statement. We encourage you to read these agreements as they are the principal legal documents that govern the Arrangement.

### **Tax Consequences of the Arrangement**

#### **Canadian Resident Holders (See page 157)**

The transaction structure provides tax-deferral opportunities in Canada for Canadian resident Solana Shareholders through the exchange of such Solana Shares for GTE Solana Exchangeable Shares. This tax-deferral benefit may continue as long as such holders continue to hold the GTE Solana Exchangeable Shares and for so long as Exchangeco has not exercised its automatic redemption right, which right cannot (subject to specified limited exceptions) be exercised by Exchangeco prior to the five year anniversary of the Arrangement.

Holders of Solana Shares who are not resident in Canada for purposes of the *Income Tax Act* (Canada) will generally not be taxed in Canada with respect to the disposition of such shares under the Arrangement, provided that Solana Shares do not constitute taxable Canadian property to such holders.

#### **U.S. Resident Holders (See page 167)**

It is not clear whether a U.S. Solana Shareholder, as defined below in the section entitled Material U.S. Federal Income Tax Consequences of the Arrangement on page 167, that exchanges Solana Shares for shares of Gran Tierra common stock must recognize a gain or loss on the exchange. Provided specified conditions are satisfied, Gran Tierra

intends to take the position that the Arrangement qualifies as a reorganization. Generally, if the Arrangement qualifies as a reorganization no gain or loss would be recognized by a U.S. Solana Shareholder on the exchange of Solana Shares for shares of Gran Tierra common stock. If the Arrangement does not qualify as a reorganization, gain or loss will be recognized on the exchange. The amount of the gain or loss recognized would equal the difference between the fair market value of the Gran Tierra common stock received in the exchange at the date of such exchange and the U.S. Solana Shareholder's tax basis in the Solana Shares surrendered. The gain or loss recognized would be a capital gain or loss if the Solana Shares were held as a capital asset at the time of the exchange. Provided the Solana Shares were held for more than one year at the time of their exchange, gain recognized would qualify for taxation at preferential long-term capital gain rates. The recognition and the deduction of capital losses are subject to limitations. The tax consequences of the exchange may be significantly altered if Solana was a passive foreign investment company at anytime when the U.S. Solana Shareholder held the Solana Shares surrendered in the exchange. U.S. Solana Shareholders in special circumstances, such as those receiving GTE-Solana Exchangeable Shares for their Solana Shares, should consult their tax advisors to determine the tax consequences of the transaction to them.

For a description of the material federal income tax consequences of the Arrangement, see [Material U.S. Federal Income Tax Consequences of the Arrangement](#).

## **Risk Factors** **(See page [23](#))**

As in any significant business combination transaction, there are a number of risk factors to consider in connection with the Arrangement that are described in the section of this Joint Proxy Statement entitled [Risk](#)

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Factors beginning on page [23](#), or incorporated by reference herein as described in the sections entitled [Documents Incorporated By Reference](#) beginning on page [145](#) and [Gran Tierra Documents Incorporated By Reference](#) on page [231](#). Securityholders should carefully consider all such risk factors in evaluating whether to approve the Arrangement, in the case of Solana Securityholders, and whether to approve the Gran Tierra proposals as described above, in the case of Gran Tierra stockholders.

## **Summary Pro Forma and Historical Financial Data** **(See pages [89](#) and [103](#))**

### **Summary Unaudited Pro Forma Combined Financial Data**

The following tables set forth certain selected pro forma consolidated financial information. Such information should be read in conjunction with the unaudited pro forma consolidated financial statements of Gran Tierra after giving effect to the Arrangement for the six months ended June 30, 2008 and as at and for the year ended December 31, 2007 beginning on page [189](#) in this Joint Proxy Statement.

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma consolidated financial statements. The pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements or of the results expected in future periods.

(Dollars in Thousands Except per Share Amounts)

Year Ended December 31, 2007	Six Months Ended June 30, 2008
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Statement of Operations Data  
Revenues and other income