Caza Oil & Gas Announces Third Quarter Results and Provides Operational Update

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HOUSTON, TEXAS--(Marketwired - Nov 14, 2014) - Caza Oil & Gas, Inc. ("Caza" or the "Company") (TSX:CAZ)(AIM:CAZA) is pleased to provide its unaudited financial and operational results for the three-months ended September 30, 2014 ("Q3 2014").

Third Quarter Unaudited Financial Results

- Caza's revenues from oil and natural gas sales increased 180% to US$7,244,752 for the three-month period ended September 30, 2014, from US$2,583,753 for the comparative period in 2013. This also represents a quarter-on-quarter increase of 15% compared to US$6,286,049 in Q2 2014.
- Adjusted EBITDA increased 729% to US$4,514,389 for the three-month period ended September 30, 2014, from US$618,933 for the comparative period in 2013. This also represents a quarter-on-quarter increase of 38% compared to US$3,269,495 in Q2 2014.
- Caza's oil and natural gas liquids (NGL) production increased 283% to 87,901 bbls for the three-month period ended September 30, 2014, from 22,958 bbls for the comparative period in 2013. This also represents an increase of 34% from 65,823 bbls in Q2 2014.
- Average net production volumes increased 205% to 1,210 Boe/d for the three-month period ended September 30, 2014, from 397 Boe/d for the comparative period in 2013.
- The Company's oil and NGL production has increased to 79% of the Company's combined oil and natural gas production in Q3 2014 from 63% for the comparative period in 2013.
- Caza's natural gas production increased 73% to 140,402 Mcf for the three-month period ended September 30, 2014, from 81,193 Mcf for the comparative period in 2013.
- Operating net back decreased to US$51.43 for the three month period ended September 30, 2014, from US$51.95 for the comparative period in 2013, due mainly to lower oil prices.
- The average oil price received by Caza decreased 21% to US$83.04 per bbl during the three-month period ended September 30, 2014, from US$104.50 per bbl during the comparative period in 2013.
- The average natural gas price received by Caza increased 4% to US$3.62 per Mcf during the three-month period ended September 30, 2014, from US$3.48 per Mcf during the comparative period in 2013.
- The average combined price received by Caza in Q3 2014 decreased 12.7% to US$65.09 per Boe compared to US$74.55 per Boe in Q2 2014.
- Caza had a cash and cash equivalents balance of US$7,405,966 as of September 30, 2014, as compared to US$3,944,944 at June 30, 2014.

Third Quarter Operational Results and Recent Events

CWEI Farmout and Exploration Agreement, Reeves County, Texas. As announced on November 12, 2014, Caza has entered into a significant farmin agreement covering 14,738 leased net acres with Clayton Williams Energy Inc. ("CWEI"). As stated in the announcement, the farmin provides Caza with an opportunity to substantially grow its asset base in the prolific Bone Spring/Wolfcamp Play in the Delaware Basin of Southeast New Mexico and West Texas. The acreage is on trend with currently producing, prolific horizontal Wolfcamp wells with drilling being executed by the following companies among others: CWEI, Energen, Shell, Pioneer Natural Resources, Concho Resources and Cimarex Energy. It also significantly increases the

Company's drilling locations and has the potential to triple its current net leasehold position in what is largely regarded as one of the best oil and liquids-rich plays in North America. Subject to the terms of the farmin agreement, Caza will participate with CWEI on a drill-to-earn basis for a 75% working interest (approximate 56.25% net revenue interest).

East Marathon Road Property, Lea County, New Mexico: As announced on October 9, 2014, Caza entered into an exploration and development agreement with a large independent company (the "partner") to acquire a lease comprising 480 gross acres in the heart of the Bone Spring Play and drill an initial test well. The property is referred to as East Marathon Road because of its close proximity to the Company's Marathon Road Property and is on trend with some of Caza's very prolific producing wells including: Marathon Road 15 PA Fed #1H, West Copperline 29 Fed #4H and Broadcaster 29 Fed #3H wells. The initial well, the Igloo 19 State #2H (the "19-2H well") horizontal Bone Spring test well, is currently drilling ahead in the lateral section of the well at 11,238 feet measured depth in the 3rd Bone Spring Sand. Caza is providing 100% of the costs attributable to the partner's 60% working interest in the property for drilling, completing and equipping the well through production facilities to earn a 30% working interest in the lease and property. All costs and expenses thereafter will be borne on a heads-up basis (Caza 30% and partner 30%).

Broadcaster Property, Lea County, New Mexico: The Broadcaster 29 Fed #3H horizontal 3rd Bone Spring well (the "29-3H well") started producing in September 2014. The well produced a 30 day average gross rate of 1,568 bbls of oil equivalent, which is comprised of 1,261 bbls of oil and 1.84 million cubic feet of natural gas. Caza currently has a 25% working interest (approximate 17.63% net revenue interest) in the 29-3H well and the Broadcaster Property, which is adjacent to the Company's prolific West Copperline Property and wells.

Lennox Property, Lea County, New Mexico: The Lennox 32 State Unit #4H horizontal Bone Spring well (the "32-4H well") reached the intended total measured depth of approximately 15,545 feet on September 18, 2014. The scheduled fracture stimulation date of October 16, 2014, has been rescheduled for early December due to an impending casing repair job, which the Company expects to remedy quickly. Caza currently has a 50.00% working interest (approximate 38.98% net revenue interest) in the 32-4H well and the Lennox Property.

Marathon Road/Lynch Property, Lea County, New Mexico: The operator commenced operations on the Marathon Road 15 OB Fed #1H horizontal Bone Spring well on October 6, 2014. The well reached the intended total measured depth of 15,625 feet on November 6, 2014, and is awaiting fracture stimulation. The market will be updated once the well has been fracture stimulated and producing rates stabilize. This well is a direct offset to the very successful Marathon Road 15 PA Fed #1H horizontal Bone Spring well, which had an initial 30 day average of 1,974 Boe/d gross, consisting of 1,721 bbls of oil and 1.52 MMcf of natural gas. Caza currently has a 14.7% working interest (approximate 12.5% net revenue interest) in these wells and the Marathon Road Property.

Wharton County Texas Properties: The Company completed a sale of its historical Wharton County Texas production on September 19, 2014 for US$1.6 million

Forward Drilling Program and Performance at Current Commodity Prices

- The next scheduled wells to be drilled under the Company's Bone Spring program are anticipated to be as follows: (i) Non-operated Marathon Road 15 NC Federal #1H (December 2014); (ii) CWEI initial commitment well (February 1, 2015): (iii) Operated Gramma Ridge 27 State #4H (February 2015); and (iv) Non-operated second Broadcaster well (March 2015); (v) Operated East Marathon Road Igloo 19 State #4H (March 2015).

- The Bone Spring Play in the Delaware Basin of Southeast New Mexico and West Texas affords Caza the benefit of generating approximately 80% of its total hydrocarbon production from oil and NGLs. This allows the Company to achieve high internal rates of return (IRR) which may not be afforded by other so called "shale plays". Specifically, the Bone Spring Play is made up of mostly tight, clastic, oil reservoirs, not shale (although several economic shale sections are present throughout the play, including the Avalon), that have historically produced from vertical wells. Caza is merely using unconventional methods to extract the hydrocarbons at much higher rates than would be achieved with conventional methods. Caza believes these characteristics provide an opportunity to achieve acceptable IRRs at commodity prices that are much lower than those that currently exist. Although commodity prices have declined recently, Caza believes that this play continues to be viable, and plans to maintain its current drilling program. The Company is also protected from the impact of a lower oil price environment by having favorable hedges in place on approximately 75% of the Company's proved developed producing reserves, as well as an on-going hedging strategy in operation as part of the continuous management of its business risk.

W. Michael Ford, Chief Executive Officer commented:

"We are very pleased to provide our financial and operational results for the third quarter of 2014. Once again, our financial performance has improved year-on year and quarter-on-quarter. Our oil and NGL volumes are up 283% year-on-year and now represent 79% of the Company's combined oil and natural gas production, notwithstanding that our natural gas production was also up 73% year-on-year. These increases have led to a 205% year-on-year increase to the Company's average net production volumes and to significant increases in Company revenues and adjusted EBITDA.

Our production increases and continued success in the Bone Spring/Wolfcamp Play have allowed us more flexibility with our financial options, which should allow us to lower our cost of capital moving forward.

We are extremely pleased with our recent acreage acquisitions in the Bone Spring/Wolfcamp Play, which have been structured to significantly increase the Company's net leasehold position at or below market rates while minimizing the initial capital outlay otherwise required to effect such a step change. In particular, we are delighted with the new farmin opportunity with CWEI. They are a proven player with a very large acreage position in the Bone Spring/Wolfcamp Play. We look forward to working with them in Reeves County, Texas to jointly develop the western portion of their acreage position while utilizing our significant knowledge of the play in this area of the Delaware Basin. This is an exceptional opportunity to substantially increase our drilling locations and acreage position in the play and a great complement to our proven acreage position directly to the north in Southeast New Mexico.

We believe the Company is uniquely suited for further growth into 2015, and have an exciting and active drilling schedule over the coming months, including the initial well on the CWEI acreage. With the opportunities in front of us, we hope to continue generating material value for the Company and our shareholders."

Copies of the Company's unaudited financial statements for the first quarter ended September 30, 2014, and the accompanying management's discussion and analysis are available on SEDAR at www.sedar.com and the Company's website at www.cazapetro.com.

About Caza

Caza is engaged in the acquisition, exploration, development and production of hydrocarbons in the following regions of the United States of America through its subsidiary, Caza Petroleum, Inc.: Permian Basin (West Texas and Southeast New Mexico) and Texas and Louisiana Gulf Coast (on-shore).

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

In accordance with AIM Rules - Guidance Note for Mining, Oil and Gas Companies, the information contained in this announcement has been reviewed and approved by Anthony B. Sam, Vice President Operations of Caza who is a Petroleum Engineer and a member of The Society of Petroleum Engineers.

ADVISORY STATEMENT

Information in this news release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws. Such information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "schedule", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe", "develop", "test", "anticipation" and similar expressions. In particular, information regarding production revenue, future drilling or completion operations, production and revenue growth, potential increases to acreage and drilling locations, future IRRs and available sources of financing contained in this news release constitutes forward-looking information within the meaning of securities laws.

Implicit in this information, are assumptions regarding the future budgets and costs, success and timing of drilling operations, rig availability, projected production, revenue and expenses, commodity prices and well performance. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operations, operating results and economic performance of the Company are subject to a number of risks and uncertainties, including general economic, market and business conditions and could differ materially from what is currently expected as set out above. In addition, the geotechnical analysis and engineering to be conducted in respect of certain wells may not be complete. The flow rates set out herein are not necessarily indicative of long term performance or of ultimate recovery. Future flow rates from wells may vary, perhaps materially, and wells may prove to be technically or economically unviable. Any future flow rates will be subject to the risks and uncertainties set out herein.

For more exhaustive information on these risks and uncertainties you should refer to the Company's most recently filed annual information form which is available at www.sedar.com and the Company's website at www.cazapetro.com. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time except as may be required by securities laws.

GLOSSARY OF ABBREVIATIONS

Adjusted EBITDA	net income (loss) plus interest, depreciation, depletion, amortization, accretion, impairment and stock based compensation	Boe/d	barrels of crude equivalent per day
bbl	one barrel, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons	McfIRR	one thousand cubic feet of natural gas Internal Rate of Return
bbls/d	barrels per day	MMcf	million cubic feet of natural gas
Boe	barrels of crude oil equivalent derived by converting natural gas to crude oil in the ratio of six thousand cubic feet of natural gas to one barrel of crude oil	NGL	natural gas liquids

The term Adjusted EBITDA consists of net income (loss) plus interest, depreciation, depletion, amortization, accretion, impairment and stock based compensation. Adjusted EBITDA is not defined under International Financial Reporting Standards ("**IFRS**") and should not be considered in isolation or as an alternative to conventional IFRS measures. Please see the Company's Management's Discussion & Analysis for the three and six month period ending June 30, 2014 for a discussion of Adjusted EBITDA under the heading "Non-IFRS Measures" and for reconciliation of Adjusted EBITDA to net loss, which is the most directly comparable measure of financial performance calculated under IFRS. Adjusted EBITDA should not be considered in isolation or as an alternative to conventional IFRS measures. Adjusted EBITDA and the underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity.

The term boe may be misleading, particularly if used in isolation. A boe conversion of six thousand cubic feet per one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Caza Oil & Gas, Inc.

Condensed Consolidated Statements of Financial Position

(Unaudited)

(In United States dollars)	September 30, 2014	December 31, 2013

Assets		
Current		
Cash and cash equivalents (Note 7(c))	$ 7,405,966	$ 18,495,086
Restricted cash (Note 9)	441,401	455,317
Accounts receivable	11,928,587	5,582,816
Derivative assets (Note 9)	380,053	-
Prepaid and other	359,892	104,444
	20,515,899	24,637,663
Exploration and evaluation assets (Note 2)	10,728,178	7,843,846
Petroleum and natural gas properties and equipment (Note 3)	56,881,839	46,618,635
	$ 88,125,916	$ 79,100,144
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 16,295,548	$ 16,153,038
Derivative liabilities (Notes 8,9 and 11)	160,799	677,507
Decommissioning liabilities (Note 4)	95,501	122,269
	16,551,848	16,952,814
Notes payable (Notes 10 and 11)	42,079,910	35,855,042
Decommissioning liabilities (Note 4)	1,282,979	850,365
	59,914,737	53,658,221
Total Equity		
Share capital (Note 13)	90,326,588	77,967,487
Warrants	156,365	156,365
Share based compensation reserve	10,852,258	10,480,968
Deficit	(69,666,405)	(60,759,064)
Equity attributable to owners of the Company	31,668,806	27,845,756
Non-controlling interests	(3,457,627)	(2,403,833)
Total equity	28,211,179	25,441,923
	$ 88,125,916	$ 79,100,144

See accompanying notes to the condensed consolidated financial statements

Caza Oil & Gas, Inc.

Condensed Consolidated Statements of Net Loss and Comprehensive Loss

(Unaudited)

(In United States dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue and other				
Petroleum and natural gas	$ 7,244,752	$ 2,583,753	$ 18,122,308	$ 4,931,040
Interest income	3	475	179	1,017
	7,244,755	2,584,228	18,122,487	4,932,057
Expenses				
Production	1,520,217	688,080	3,958,564	1,737,923
General and administrative	1,304,113	1,404,028	4,207,853	4,446,606
Depletion and depreciation (Note 3)	2,392,364	1,040,021	5,800,461	2,193,665
Financing costs	1,896,472	747,790	5,040,372	1,318,211
Other expense (income)	217,191	74,441	(452,494)	97,438
Exploration and evaluation impairment (Note 2)		-	322,752	740,677
(Gain) loss on disposal of assets (Notes 3 and 4)	8,710,713	-	8,710,713	120,041
Realized loss on risk management contracts	101,453	-	521,066	-
Unrealized gain on risk management contracts	(1,153,996)	-	(25,664)	-
	14,988,527	3,954,360	28,083,624	10,654,561

Net loss and comprehensive loss				
	(7,743,772)	(1,370,132)	(9,961,135)	(5,722,504)
Attributable to:				
Owners of the Company	(6,958,204)	(1,192,313)	(8,907,341)	(4,969,617)
Non-controlling interests	(785,568)	(177,819)	(1,053,794)	(752,887)
	$ (7,743,772)	$ (1,370,132)	$ (9,961,135)	$ (5,722,504)
Net loss per share				
- basic and diluted	(0.04)	(0.01)	(0.05)	(0.03)
Weighted average shares outstanding				
- basic and diluted [1]	214,210,273	177,701,939	207,564,037	172,458,003

[1] All options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

Caza Oil & Gas, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(In United States dollars)	2014	2013	2014	2013
OPERATING				
Net loss	$ (7,743,772)	$ (1,370,132)	$ (9,961,135)	$ (5,722,504)
Adjustments for items not affecting cash:				
Depletion and depreciation	2,392,364	1,040,021	5,800,461	2,193,665
Unwinding of the discount (Note 4)	9,744	4,707	26,542	15,208
Share-based compensation	76,356	196,547	371,290	610,216
Non-cash financing costs	733,921	167,411	1,460,699	384,831
Unrealized currency gain	27,399	(26,424)	13,917	(28,596)
Exploration and evaluation impairment	-	-	322,752	740,677
Unrealized gain on risk management contracts	(1,153,996)	-	(25,664)	-
Loss on disposal of assets	8,710,713	-	8,710,713	120,041
Other income (expense)	(418,230)	174,773	(864,522)	154,013
Interest income	(3)	(475)	(179)	(1,017)
Changes in non-cash working capital (Note 7(a))	422,935	(1,690,206)	(6,345,906)	(689,704)
Cash flows from (used in) operating activities	3,057,431	(1,503,776)	(491,032)	(2,223,170)
FINANCING				
Proceeds from issuance of shares	9,368,418	776,001	9,368,418	2,647,661
Proceeds from issuance of notes payable (note 10)	-	5,000,000	10,000,000	25,000,000
Note principal payments	(1,505,149)	(495,000)	(1,505,149)	(1,127,500)
Financing costs paid	-	(99,999)	(740,000)	(1,899,912)
Interest received	3	475	179	1,017
Changes in non-cash working capital (Note 7(a))	49,264	110,349	(229,903)	182,447
Cash flows from financing activities	7,912,536	5,291,826	16,893,545	24,803,713
INVESTING				
Exploration and evaluation expenditures (Note 2)	(5,686,374)	(10,864,096)	(28,804,776)	(18,378,756)
Development and production expenditures (Note 3)	(133,187)	(487,676)	(311,015)	(871,642)
Purchase of office furniture and equipment (Note 3)	(46,356)	-	(47,942)	(1,250)

Restricted cash	-	-	-	(416,048)
Partner reimbursement	-	-	-	61,364
Proceed from the sale of assets	1,555,000	-	1,555,000	-
Changes in non-cash working capital (Note 7a)	(3,198,024)	1,861,426	117,100	3,619,130
Cash flows used in investing activities	(7,508,941)	(9,490,346)	(27,491,633)	(15,987,202)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,461,026	(5,702,296)	(11,089,120)	6,593,341
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	3,944,940	19,105,277	18,495,086	6,809,640
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 7,405,966	$ 13,402,981	$ 7,405,966	$ 13,402,981

See accompanying notes to the condensed consolidated financial statements

Caza Oil & Gas, Inc.

Condensed Consolidated Statements of Changes in Equity

(In United States dollars) (Unaudited)

For the nine month period ended September 30,	2014	2013
Share Capital		
Balance, beginning of period	$ 77,967,487	$ 75,064,216
Common shares issued (Note 13)	12,359,101	2,127,267
Balance, end of period	90,326,588	77,191,483
Share Capital to be issued		
Balance, beginning of period	-	-
Common shares issued	-	776,003
Balance, end of period	-	776,003
Warrants		
Balance, beginning of period	156,365	89,674
Issued	-	-
Balance, end of period	156,365	89,674
Share based compensation reserve		
Balance, beginning of period	10,480,968	9,648,162
Share-based compensation	371,290	590,616
Balance, end of period	10,852,258	10,238,778
Deficit		
Balance, beginning of period	(60,759,064)	(53,298,407)
Net loss allocated to the owners of the Company	(8,907,341)	(4,969,617)
Balance, end of period	(69,666,405)	(58,268,024)
Non-Controlling Interests		
Balance, beginning of period	(2,403,833)	(1,290,125)
Net loss allocated to non-controlling interests	(1,053,794)	(752,887)
Balance, end of period	(3,457,627)	(2,043,012)
Total Equity	$ 28,211,179	$ 27,984,902

See accompanying notes to the condensed consolidated financial statements

Caza Oil & Gas, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

September 30, 2014

1. Basis of Presentation

Caza Oil & Gas, Inc. ("Caza" or the "Company") was incorporated under the laws of British Columbia on June 9, 2006 for the purposes of acquiring shares of Caza Petroleum, Inc. ("Caza Petroleum"). The Company and its subsidiaries are engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves. The Company's common shares are listed for trading on the Toronto Stock Exchange trading as the symbol "CAZ" and AIM stock exchange as the symbol "CAZA". The corporate headquarters of the Company is located at 10077 Grogan's Mill Road, Suite 200, The Woodlands, Texas 77380 and the registered office of the Company is located at Suite 1700, Park Place, 666 Burrard Street Vancouver, British Columbia, V6C 2X8.

The condensed consolidated financial statements (the "Financial Statements") were prepared in accordance with IAS 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2013, which outline the Company's significant accounting policies in Note 2 thereto, as well as the Company's critical accounting judgments and key sources of estimation uncertainty, which have been applied consistently in these Financial Statements. The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for the Financial Statements.

These consolidated financial statements were approved for issuance by the Board of Directors on November 11, 2014.

Accounting pronouncements

On January 1, 2014, Caza adopted the following standards and amendments, as issued by the International Accounting Standards Board ("IASB"):

- IFRIC 21 - *Levies* was issued by the IASB in May 2013 and is an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for financial periods beginning on or after January 1, 2014. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.
- IAS 36 - *Impairment of Assets*. The amendments reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers,* a new standard that specifies recognition requirements for revenue as well as requiring entities to provide the users of financial statements with more informative and relevant disclosures. The standard replaces IAS 11 - *Construction Contracts* and IAS 18 - *Revenue* as well as a number of revenue-related interpretations. The Company will adopt the standard for reporting periods beginning January 1, 2017. The Company is currently evaluating the impact of adoption of this standard and the effect on Caza's consolidated financial statements has not yet been determined.

2. Exploration and evaluation assets ("E&E")

	September 30, 2014	December 31, 2013
Balance, beginning of the period	$ 7,843,846	$ 10,085,746
Additions to exploration and evaluation assets	29,154,556	28,004,357
Transfers to petroleum and natural gas properties and equipment	(25,821,962)	(28,764,566)
Disposals	(125,510)	-
Impairment	(322,752)	(1,481,691)
Balance, end of the period	$ 10,728,178	$ 7,843,846

3. Petroleum and natural gas properties and equipment

Cost	Development & Production ("D&P") Assets	Corporate Assets	Total
Balance, beginning of the period	$ 73,541,238	$ 830,077	$ 74,371,315
Additions	416,501	47,942	464,443
Disposals	(29,420,521)	-	(29,420,521)
Transfers from E&E	25,821,962	-	25,821,962
Balance, end of the period	$ 70,359,180	$ 878,019	$ 71,237,199

Accumulated Depletion and Depreciation	D&P Assets	Corporate Assets	Total
Balance, beginning of the period	$ 26,940,071	$ 813,127	$ 27,753,198
Depletion and depreciation	5,789,368	11,093	5,800,461
Disposals	(19,198,299)	-	(19,198,299)
Balance, end of the period	$ 13,531,140	$ 824,220	$ 14,355,360
Carrying amounts			
At December 31, 2013	$ 46,601,167	$ 17,470	$ 46,618,635
At September 30, 2014	$ 56,828,040	$ 53,799	$ 56,881,839

Future development costs of proved undeveloped reserves of $45,619,300 were included in the depletion calculation at September 30, 2014 (2013 - $59,907,000).

The Company did not capitalize general and administrative expenses directly to E&E or petroleum and natural gas properties and equipment assets in the periods presented. The Company performed an impairment test at December 31, 2013 and September 30, 2014 and no impairment was recorded.

During the nine months ended September 30, 2014, the Company completed the sales of certain oil and gas properties in Wharton county for total cash consideration of $1,555,000 (2013 - $nil), subject to final adjustments. The sales resulted in a loss recognized in comprehensive loss of $8,710,713 (2013 - $nil).

4. Decommissioning Liabilities

The following table is the continuity schedule of the obligation associated with the retirement of oil and gas properties for the periods ended September 30, 2014 and December 31, 2013:

	2014	2013
Decommissioning liabilities, beginning of the period	$ 972,634	$ 967,798
Obligations incurred	390,746	312,894
Revision in estimated cash flows and discount rate	261,034	(190,916)
Obligations settled and disposed	(272,475)	(140,645)
Unwinding of the discount	26,541	23,503
Decommissioning liabilities, end of the period	1,378,480	972,634
Current portion	95,501	122,269
Long-term decommissioning liabilities	$ 1,282,979	$ 850,365

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $3,183,645 (December 31, 2013 - $2,083,992). The September 30, 2014 obligation was calculated using a risk free discount rate of 2.98% (December 31, 2013 - 3.7%) and an inflation rate of 3% (December 31, 2013 - 3%). It is expected that these obligations will be funded from general resources of the Company at the time the costs are incurred with the majority of costs expected to occur between 2015 and 2030.

5. Related Party Transactions

Singular Oil & Gas Sands, LLC ("Singular") is a related party as it is a company under common control with Zoneplan Limited, which is a significant shareholder of Caza.

Singular participated in the drilling of the Matthys McMillan Gas Unit #2 and the O B Ranch #1 and 2 wells located in Wharton County, Texas. Under the terms of that agreement, Singular paid 14.01% of the drilling costs through completion to earn a 10.23% net revenue interest on the Matthys McMillan Gas Unit #2 well and paid 12.5% of the drilling costs to earn a 6.94% net revenue interest on the O B Ranch #1 well. Under the terms of the agreement of the O B Ranch #2 Singular paid 9.375% of the drilling costs to earn approximately 6.8% net revenue interest. This participation was in the normal course of Caza's business and on the same terms and conditions to those of other joint interest partners. Singular owes the Company $4,028 in joint interest partner receivables as at September 30, 2014 (December 31, 2013 - $51,431).

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is comparable to those negotiated with third parties

6. Commitments and Contingencies

As of September 30, 2014, the Company is committed under operating leases for its offices and corporate apartment in the following aggregate minimum lease payments which are shown below as operating commitments:

2014	$52,338
2015	$184,402

The Company is required under the Apollo Note Agreement to convey a proportionately reducible 2% overriding royalty interest in each lease acquired by Caza using the proceeds advanced under this agreement. These amounts are not payable until such a time that these leases produce petroleum and natural gas revenues. See note 10 for additional information.

7. Supplementary Information

a) net change in non-cash working capital

For the three and nine month periods ended September 30,	2014	2013	2014	2013
Provided by (used in)				
Accounts receivable	$ 1,111,402	$ (2,106,380)	$ (6,345,771)	$ (1,495,294)
Prepaid and other	54,738	122,611	(255,448)	202,719
Accounts payable and accrued liabilities	(3,891,965)	2,265,338	142,510	4,404,448
	$ (2,725,825)	$ 281,569	$ (6,458,709)	$ 3,111,873
Summary of charges				
Operating	$ 422,935	$ (1,690,206)	$ (6,345,906)	$ (689,704)
Investing	(3,198,024)	1,861,426	117,100	3,619,130
Financing	49,264	110,349	(229,903)	182,447
	$ (2,725,825)	$ 281,569	$ (6,458,709)	$ 3,111,873

(b) supplementary cash flow information

For the nine month period ended September 30,	2014	2013
Interest paid	$ 1,521,628	$ 623,395
Interest received	179	1,017

(c) cash and cash equivalents

	September 30, 2014	December 31, 2013
Cash on deposit	$ 7,336,405	$ 13,625,703
Money market instruments	69,561	4,869,383
Cash and cash equivalents	$ 7,405,966	$ 18,495,086

The money market instruments bear interest at a rate of 0.010% as at September 30, 2014 (December 31, 2013 - 0.010%).

8. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit, and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. Except as noted below there have been no changes in the Company's risks, or the objectives, policies and processes to manage these risks.

Commodity Price Risk

The Company is subject to commodity price risk for the sale of natural gas. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of natural gas and natural gas liquids commodity prices. On November 6, 2013, the Company entered into swap contracts to limit exposure to declining crude oil prices for approximately 75% of its production from currently producing wells. Under these swaps, the Company receives or pays monthly a cash settlement on the covered production of the difference between the swap price and the month average of the daily closing quoted spot price per barrel of West Texas Intermediate NYMEX crude oil. The fair value of the Company's commodity price derivative contracts represents the estimated amount that would be received for settling the outstanding contracts on September 30, 2014, and will be different than what will eventually be realized. The fair value of these assets at a particular point in time is affected by underlying commodity prices, expected commodity price volatility and the duration of the contract and is determined by the expected future settlements of the underlying commodity. The gain or loss on such contracts is made up of two components; the realized component, which reflects actual settlements that occurred during the period, and the unrealized component, which represents the change in the fair value of the contracts during the period. For the three and nine month periods ended September 30, 2014 the Company recognized a realized loss of $101,453 and $521,065 (2013 - nil and 15,282) on its settled commodity price derivative contracts. For the nine month period ended September 30, 2014 the Company recorded an unrealized gain of $25,664 (2013 - loss of 186,462) on unsettled commodity price derivative contracts due to higher commodity prices.

The following information presents all outstanding positions by year for commodity financial instruments contracts.

Term	Product	Type	Total Volume	$ Price
2014				
January - October	Oil	Swap	32,161 bbls	92.55
January - October	Oil	Swap	21,308 bbls	90.04
May - December	Oil	Swap	32,044 bbls	96.11
November - December	Oil	Swap	22,141 bbls	81.73
November - December	Gas	Swap	68,669 Mcfs	3.74
2015				
January - October	Oil	Swap	23,106 bbls	87.05
January - October	Oil	Swap	12,105 bbls	83.70
January - December	Oil	Swap	26,639 bbls	89.34
January - December	Oil	Swap	82,062 bbls	80.85
January - December	Gas	Swap	271,322 Mcfs	3.72
January - December	Differential	Swap	143,912 bbls	-4.05
2016				
January - May	Oil	Swap	8,428 bbls	85.23
January - December	Oil	Swap	86,613 bbls	80.00
January - December	Gas	Swap	183,349 Mcfs	3.95
2017				
January - December	Gas	Swap	146,564 Mcfs	4.05

Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated statement of financial position date. A majority of the Company's financial assets at the consolidated statement of financial position date arise from oil, natural gas liquids and natural gas sales and the Company's accounts receivable that are with these customers and joint venture participants in the oil & natural gas industry. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. The Company's natural gas and condensate production is sold to large marketing companies. Typically, the Company's maximum credit exposure to customers is revenue from two months of sales. During the nine month period ended September 30, 2014, the Company sold 62% (Year ended December 31, 2013 - 71%) of its natural gas and condensates to a single purchaser. These sales were conducted on transaction terms that are typical for the sale of natural gas and condensates in the United States. In addition, when joint operations are conducted on behalf of a joint interest partner relating to capital expenditures, costs of such operations are paid for in advance to the Company by way of a cash call to the partner of the operation being conducted.

Caza management assesses quarterly whether there should be any impairment of the financial assets of the Company. At September 30, 2014, the Company had overdue past due accounts receivable from certain joint interest partners of $1,664,190 which were outstanding for greater than 60 days (December 31, 2013 - $156,426) and $7,355 that were outstanding for greater than 90 days (December 31, 2013 - $17,460). At September 30, 2014, the Company's three largest joint interest partners represented approximately 76%, 12% and 11% of the Company's joint venture receivable balance (December 31, 2013 - 18%, 4% and 3% respectively). The maximum exposure to credit risk is represented by the carrying amount on the consolidated statement of financial position of cash and cash equivalents, accounts receivable and deposits.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. The Company manages exposure on cash balances by holding cash with large and reputable financial institutions. The Company also assesses the credit worthiness of each counterparty before entering into contracts and ensures that the counterparties meet minimum credit quality requirements.

9. Equity Facility

The Company entered into an Equity Adjustment Agreement (the "Adjustment Agreement") on March 5, 2013, as amended, with Global Master SPV Ltd., an investment fund managed by Yorkville Advisors Global, LP ("Yorkville") in conjunction with its SEDA Agreement dated November 23, 2012 with Yorkville. Pursuant to the Adjustment Agreement, during the three months ended March 31, 2013, the Company issued 3,846,154 common shares to Yorkville at a price of £0.13 per share for aggregate proceeds of £500,000 (US$756,451). The Company has deposited in escrow £275,000 (US$ - $441,401) as security for this contingent payment obligation, which has been recorded within restricted cash on the condensed consolidated statements of financial position.

Under the terms of the Adjustment Agreement, if on December 31 2014, the common share market price (determined as 95% of the average daily volume weighted average price of common shares (VWAP) during the preceding 22 trading days) is greater than £0.13, then Yorkville will pay to the Company the difference multiplied by the number of New Common Shares, and if the market price is less than £0.13 then the Company will pay to Yorkville the difference multiplied by the number of New Common Shares. This derivative liability is classified as a financial instrument measured at fair value though profit or loss. The fair value of the derivative asset amounted to US$380,053 as of September 30, 2014 (December 31, 2013 - $330,768 liability) has been included within current assets on the condensed consolidated statement of financial position, and the change in fair value of US$710,821 since December 31, 2013 is included in other income (expenses) in the condensed consolidated statement of net loss and comprehensive loss. The fair value of this derivative was calculated using Monte-Carlo Simulation at the date of issuance using inputs as of that date and at September 30, 2014 using inputs as of September 30, 2014, including the share price of $0.13 per share, the strike price of $0.19 per share, risk-free interest rate of 0.57%, a dividend yield of nil, a weighted average volatility factor of 48.04%, over the remaining 3 months.

10. Notes Payable - Apollo

The Company entered into a Note Purchase Agreement (the "Note Agreement") dated May 23, 2013 with Apollo Investment Corporation ("the Note Holder"), an investment fund managed by Apollo Investment Management, pursuant to which the Note Holder has agreed to purchase from the Company up to

US$50,000,000 of its senior secured notes. The Company received US$20,000,000 at the closing of the Note Agreement ("Tranche A Apollo Note") with an additional drawdown of US$5,000,000, US$10,000,000 and US$10,000,000 on September 11, 2013, December 19, 2013 and May 19, 2014, respectively. In addition to these funds, the Company will have the ability to reinvest cash flow from program wells back into the drilling program.

The outstanding balance of the Tranche A Apollo Note as at September 30, 2014 was US$42,079,910 (net of unamortized transaction costs of US$2,920,090) (December 31, 2013 - US$32,027,392). This outstanding balance matures on May 23, 2017. The Tranche A Apollo Note bears interest at a floating rate of one-month LIBOR (with a floor of 2%) plus 10% per annum, payable monthly. In an event of default under the Note Purchase Agreement, additional interest will be payable at a default rate of 5% per annum, but only during the period of default.

The Company is required to comply with financial covenants, which are tested quarterly, providing for specified interest coverage ratios beginning in the quarter ending September 30, 2013, and asset coverage ratios and minimum production, beginning in the quarter ending March 31, 2014. Furthermore, the Company is required to maintain a limit on expenditures for general and administrative costs. The Company was compliant with the general and administrative limit and all financial covenants under the note agreement for the three month period ended September 30, 2014.

11. Notes Payable - Yorkville

On November 1, 2013 the Company entered into an agreement in relation to a $4.3 million convertible unsecured loan (the "Loan") from YA Global Master SPV Ltd., an investment fund managed by Yorkville. On July 21, 2014 the Company voluntarily prepaid all amounts owed under the loan. The prepayment amount of $1,676,777 consisted of the outstanding principal of $1,505,149, a prepayment penalty of $150,515 and accrued interest of $21,113 and the recovery of $160,276 relating to the December 31, 2013 derivative liability.

The Loan consisted of US$3.5 million of new credit facilities along with an additional US$0.84 million that was used to repay amounts which were outstanding under the prior loan from Yorkville. In connection with the Loan, the Company incurred a total of US$304,060 in transaction costs. The Loan had a maturity date of November 1, 2014 and was extended until November 16, 2016 by Yorkville. The Loan bore interest on outstanding principal at 8% per annum and interest was payable quarterly only in Common Shares based on a conversion price equal to 92.5% of the average price of the Common Shares during the ten trading days prior to the interest payment date. At Yorkville's option, outstanding principle of the loan was convertible into Common Shares of the Company at a conversion price per Common Share equal to either (a) 92.5% of the average price of the Common Shares during the ten trading days prior to the conversion to a maximum of $450,000 per month or (b) at Yorkville's option, a fixed price of £0.14. In connection with the Loan, Yorkville received an 8% implementation fee and a three year warrants valued at September 30, 2014 on US$72,343 (2013 - $73,865) to purchase 2,529,333 Common Shares at an exercise price of $0.17 per share.

12. Long-term Incentive Plan

On March 25, 2014, the Board of Directors of the Company approved the 2014-2016 Incentive Performance Program, which is implemented under the Company's long-Term Incentive Plan. The Performance Program consists of three measurement periods of one, two and three years ending at each of the respective years 2014 through 2016. Performance awards are payable after the end of each year, based on a specified percentage of each participant's salary determined by the amount of the total shareholder return of the Company during each measurement period compared to the total shareholder return of 10 companies designated in a peer group. Subject to the discretion of the Board of Directors, performance awards are payable one-half in cash and one-half in common shares. Compensation expense resulting from the Performance Program will be accrued over the term of each measurement period beginning in the quarter ended June 30, 2014.

Accrued compensation expense related to the three measurement periods for the quarter or nine months ended September 30, 2014 is $119,061 consisting of the 50% cash portion of $59,530 and the 50% share portion of $59,531 which assumes a payout based on the Company's attaining the midpoint range of total shareholder return compared to the peer group companies' performance.

The Board of Directors has reserved for issuance an aggregate of 4,289,608 common shares in connection with outstanding performance awards during the three-year performance program, based on the Company's attaining the midpoint of the payout performance range. The number of common shares actually issued may be more or less than 4,289,608 common shares.

13. Share Capital

On July 4, 2014, the Company completed an equity raise of US$9,368,418 net of issuance costs (approximately £5.9 million or C$10.7 million) through the placing of 32,679,739 common shares at a price of £0.18 (approximately C$0.33) per share. The Company also issued 20,711,048 shares at an average price of $0.14 for $2,990,683 servicing the Yorkville convertible note. (See note 11)

	September 30, 2014			December 31, 2013		
	Number		$	Number		$
Opening balance common shares	182,965,097	$	77,967,487	164,743,667	$	75,064,216
Stock issuances	53,390,787		12,359,101	17,821,430		2,883,671
Exercise of stock options	-		-	400,000		19,600
Balance, end of year	236,355,884	$	90,326,588	182,965,097	$	77,967,487
Opening balance warrants	3,584,557		156,365	1,055,224		89,674
Common share warrants issued	-		-	2,529,333		66,691
Balance, end of year	3,584,557[1]	$	156,365	3,584,557[1]	$	156,365

[1] 1,055,224 warrants are exercisable at $0.33 and expire on November 23, 2015 and 2,529,333 warrants are exercisable at $0.17 and expire on November 1, 2016.

14. Subsequent Events

On November 6, 2014 the Company entered into a farmout and exploration agreement (the "Agreement") with Clayton Williams Energy Inc. ("CWEI to jointly develop CWEI's 14,738 leased net acres in Reeves County, Texas (the "Farmout Area"), subject to the terms of the Agreement. The Company shall provide 75% of the costs attributable for drilling, completing and equipping the initial commitment well through production facilities to earn a 50% working interest (approximate 37.5% net revenue interest) in the well and the right to participate in the balance of the farmout area. Beyond the initial commitment well, the Company will be obligated to drill and complete, as the operator, two additional horizontal wells in the farmout area by December 31, 2015 in order to continue the Agreement beyond that date or otherwise pay a fee of $1.6 million for each additional commitment well not drilled.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial results for Caza Oil & Gas, Inc. ("Caza", "Corporation" or the "Company") should be read in conjunction with the unaudited condensed consolidated financial statements as at and for the three and nine month periods ended September 30, 2014 and the audited consolidated financial statements and corresponding MD&A for the year ended December 31, 2013. Additional information relating to the Company can be found on SEDAR at www.sedar.com. All figures herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise stated. This MD&A is dated November 11, 2014.

FORWARD LOOKING INFORMATION

In addition to historical information, the MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will", "may", "will likely result,", "should", "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"), are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements.

These statements are based on certain factors and assumptions regarding the results of operations, the performance of projected activities and business opportunities. Specifically, we have used historical knowledge and current industry trends to project budgeted expenditures for 2014. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: risks associated with the Company's stage of development; competitive conditions; share price volatility; risks associated with crude oil and natural gas exploration and development; risks related to the inherent uncertainty of reserves and resources estimates; possible imperfections in title to properties; the volatility of crude oil and natural gas prices and markets; environmental regulation and associated risks; loss of key personnel; operating and insurance risks; the inability to add reserves; risks associated with industry conditions; the ability to obtain additional financing on acceptable terms if at all; non operator activities; the inability of investors in certain jurisdictions to bring actions to enforce judgments; equipment unavailability; potential conflicts of interest; risks related to operations through subsidiaries; risks related to foreign operations; currency exchange rate risks and other factors, many of which are beyond the control of the Company. Accordingly, there is no representation by Caza that actual results achieved during the forecast period will be the same in whole or in part as that forecast. Further, Caza undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

NON-IFRS MEASURES

The financial data presented herein has been prepared in accordance with IFRS. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include "operating netback", "funds flow from (used in) operations" and "Adjusted EBITDA".

Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses from revenues. Funds flow from (used in) operations is cash flow from operating activities before changes in non-cash working capital, and is used to analyze operations, performance and liquidity. The term Adjusted EBITDA consists of net income (loss) plus interest, depreciation, depletion, amortization, accretion, impairment and stock based compensation. Adjusted EBITDA is also adjusted for any gains or losses from extraordinary, unusual or non-recurring items and any gains or losses on disposition of assets. The Company has included Adjusted EBITDA as a supplemental disclosure because its management believes that EBITDA provides useful information regarding our ability to service debt and to fund capital expenditures and provides investors a helpful measure for comparing its operating performance with the performance of other companies that have different financing and capital structures or tax rates.

These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. These measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When these measures are used, they are defined as "Non IFRS" and should be given careful consideration by the reader.

NOTE REGARDING BOES AND MCFES

In this MD&A, barrels of oil equivalent ("boe") are derived by converting gas to oil in the ratio of six thousand cubic feet ("Mcf") of gas to one barrel ("bbl") of oil (6 Mcf: 1 bbl) and one thousand cubic feet of gas equivalent ("Mcfes") are derived by converting oil to gas in the ratio of one bbl of oil to six Mcf (1 bbl: 6 Mcf). Boes and Mcfes may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf of natural gas to 1 bbl of oil, or a Mcfe conversion ratio of 1 bbl of oil to 6 Mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

CURRENCY

References to "dollars" and "$" are to U.S. dollars and references to "CDN$" are to Canadian dollars.

STRATEGY AND ASSETS

Strategy

The Company's strategy is to achieve significant growth in reserves and production through:

- progressing material, internally generated prospects, utilizing cash flows from existing production and exploiting Proven plus Probable reserves; and
- executing strategic acquisitions of assets at all stages of the development cycle to facilitate longer term organic growth.

In the implementation of this strategy, the Company has a clear set of criteria in high-grading projects:

- the Company seeks to retain control of project execution and timing through the operatorship of assets;
- assets should be close to existing established infrastructure, allowing for quick, efficient hook-up and lower operational execution risk;
- drilling targets in close proximity to known producing reservoirs; and
- internal models for core projects should demonstrate the ability to deliver at least a 25% rate-of-return on investment.

Assets

The Company is primarily focused in the Permian Basin of west Texas and southeast New Mexico, the most prolific oil and gas basin in North America. Independent forecasts predict that the Permian Basin will have the greatest oil supply growth of any North American basin over the next five years. This provides the Company with low-risk, liquids-rich development opportunities from many geologic reservoirs and play types. The basin also has a vast operational infrastructure in place. The Company is utilizing recent advances in horizontal drilling and dynamic completion technologies to unlock the significant resources within its asset base and the region.

Management has focused efforts on building a core asset base in the prolific Bone Spring play and has concluded that these assets represent the most significant opportunity for the Company to deliver material production, revenue growth and demonstrable shareholder returns within an acceptable timeframe. The Company expects that expanding and diversifying the producing asset base within the Bone Springs play will not only grow the Company but will also make it more resilient to risks associated with any single project.

The Company now has approximately 298 drilling locations and 28 (8.82 net) producing wells in the Bone Spring play. Management believes that the Company is well-positioned with approximately 5,500 net acres in the play and continues to actively monitor opportunities to build on Caza's current acreage position.

The Company's Bone Spring leases are mostly State and Federal leases with primary terms between 5-10 years. In terms of obligations and commitments, one producing well will hold each lease in its entirety.

Outlook

Subject to the availability of appropriate financing and dependent upon prevailing commodity prices, the

Company's objective is to embark on an accelerated and expanded drilling program in the Bone Spring play over the next two years. Management believes that such a program has the potential to increase shareholder value significantly over the period. A program of this type will require additional financing and would utilize excess operational cash flow to fund further development drilling and lease purchases beyond the initial two year period.

Management believes that such a program can be accomplished by exploiting the Company's existing asset/lease inventory. However, if appropriate, Management will also seek to identify corporate and asset acquisitions, which will enable the Company to increase its position in the Bone Spring play. Accordingly, in line with the Company's stated strategy, Management's goal is to achieve significant growth in the Company's reserves and production, thereby raising the Company's profile in the basin and allowing shareholder value to be maximized and, if appropriate, fully matured over the short-to-medium term.

FINANCIAL AND OPERATING RESULTS

Petroleum and Production Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Natural gas				
Production (Mcf)	140,402	81,193	353,127	176,561
Revenue ($)	507,708	282,709	1,480,419	621,161
Price ($/Mcf)	3.62	3.48	4.19	3.52
Natural gas liquids				
Production (bbls)	10,025	1,935	16,536	4,919
Revenue ($)	270,251	104,011	494,412	225,538
Price ($/bbl)	26.96	53.74	29.90	45.29
Oil Production				
Production (bbls)	77,876	21,023	181,910	42,918
Revenue ($)	6,466,793	2,197,033	16,147,477	4,084,341
Price ($/bbl)	83.04	104.50	88.77	95.17
Combined				
Production (Boe)	111,300	36,491	257,300	77,263
Revenue ($)	7,244,752	2,583,753	18,122,308	4,931,040
Price ($/Boe)	65.09	70.81	70.43	63.82
Mcfe/d	7,259	2,380	5,655	1,699
Boe/d	1,210	397	942	283

Natural gas, natural gas liquids and crude oil revenues increased 180% to $7,244,752 for the three-month period ended September 30, 2014 from $2,583,753 for the three-month period ended September 30, 2013 (the "comparative period") and during the nine month period ended September 30, 2014 increased 268% from the nine-month period ended September 30, 2013. The increase resulted from increased production volumes from new wells brought on line during late 2013 and 2014.
Average daily production increased by 205% to 1,210 boe/d in the third quarter of 2014 from 397 boe/d in the same period in 2013. The increase was mainly due to additional wells coming on line from the drilling program in the New Mexico Bone Spring play. Natural gas production made up 21% of Caza's production during the three month period ended September 30, 2014 with natural gas liquids and crude oil comprising the remaining 79%. This is compared to a total production profile comprised of 37% natural gas production for the same period in 2013. Caza's production volumes increased 205% to 111,300 boe for the three-month period ended September 30, 2014 up from 36,491 boe for the comparative period.

Our future revenue and production volumes will be directly affected by North American natural gas prices, West Texas Intermediate crude oil prices and natural gas liquid prices, the performance of existing wells, drilling success and the timing of the tie-in of new wells into gathering systems.

Operating Netback Summary (Non-IFRS)

The following table presents the Company's operating netback which is a non-IFRS measure:

	Three months ended September 30,		Nine months ended September 30,	
(on a boe basis)	2014	2013	2014	2013
Oil and natural gas revenue	$ 65.09	$ 70.81	$ 70.43	$ 63.82
Production expense	(7.94)	(12.87)	(9.16)	(16.96)
Severance expense	(5.64)	(5.70)	(6.07)	(5.21)
Transportation expense	(0.08)	(0.29)	(0.16)	(0.33)
Operating netback (non-GAAP)	51.43	51.95	55.04	41.32

The change in netbacks for the three months ended September 30, 2014 occurred as a result of a revenue decrease of $5.72 per/boe as compared to the previous year. Production expenses decreased $4.93 /boe as compared to the period ended September 30, 2013. There was a decrease in severance taxes and transportation costs of $ 0.27 per boe from the same three month period in 2013.

Production Expenses

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
Severance ($)	627,689	207,817	1,561,676	402,684
Transportation ($)	8,597	10,695	40,329	25,173
Production ($)	883,931	469,568	2,356,559	1,310,066
Severance, transportation and production ($)	1,520,217	688,080	3,958,564	1,737,923
Severance, transportation and production ($/Boe)	13.66	18.86	15.38	22.47

Severance tax is a tax imposed by states on natural resources such as crude oil, natural gas and condensate extracted from the ground. The tax is calculated by applying a rate to the dollar amount of production from the property or a set dollar amount applied to the volumes produced from the property.

Severance taxes and transportation expenses totaled $636,286 ($5.72/boe) for the three-month period ended September 30, 2014, as compared to $218,512 ($5.99/boe) in the comparative period. Severance taxes and the transportation expense decreased 5% on a per boe basis as a result of the higher production volumes in the three month period ended September 30, 2014 as compared to the comparative period.

Production expenses for the three-month period ended September 30, 2014 were $883,931 as compared to $469,568 for the comparative period. Caza's average lifting cost for the three-month period ended September 30, 2014 was $7.94 per boe versus $12.87 per boe for the comparative period. The decrease in production costs for the three months ended September 30, 2014 on a per boe basis occurred in part due to bringing on line higher volume wells in the New Mexico Bone Spring play that bring about lower per boe production expenses.

Depletion, Depreciation, Amortization and Accretion

Depletion, depreciation, amortization and accretion expense for the three-month period ended September 30, 2014 increased to $2,402,108 ($21.58/boe) from $1,044,728 ($28.63/boe) in the comparative period.

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
Depletion and depreciation ($)	2,392,364	1,040,021	5,800,461	2,193,665
Accretion ($)	9,744	4,707	26,542	15,208
Depletion, depreciation and accretion ($)	2,402,108	1,044,728	5,827,003	2,208,873
Depletion, depreciation and accretion ($/Boe)	21.58	28.63	22.65	28.59

The decreased depletion expense on a per boe basis for the period ended September 30, 2014 occurred as a result of the relationship of the costs incurred in drilling activities carried out in the West Texas and Southeast Texas Cash Generating Units in relation to the associated reserves recorded. This brought about an aggregate 25% decrease in depletion expense on a per boe basis as compared to the respective period in 2013.

Costs of unproved properties of $10,728,178 were excluded from depreciable costs in the exploration and evaluation assets. A proportionate amount of the carrying value will be transferred to the depletable pool as reserves are proven through the execution of Caza's exploration program.

Accretion expense is the increase in the present value of the asset retirement obligation for the current period and the amount of this expense will increase commensurate with the asset retirement obligation as new wells are drilled or acquired through acquisitions.

General and Administrative Expenses

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
General and administrative ($)	1,368,100	1,448,886	4,378,326	4,564,075
General and administrative recovery ($)	(63,987)	(44,858)	(170,473)	(117,469)
Net general and administrative ($)	1,304,113	1,404,028	4,207,853	4,446,606
General and administrative ($/Boe)	12.29	39.71	17.02	59.07
Net general and administrative ($/Boe)	11.72	38.48	16.35	57.55

Net general and administrative expenses for the third quarter 2014 decreased by 7% to $1,304,113 from $1,404,028 for the same period in 2013. On a boe basis, the net general and administrative expenses decreased by 70% to $11.72/boe for the three-month period ended September 30, 2014 due to the increase in production volumes. Share-based compensation expense in the amount of $76,356 is included in general and administrative expenses for the three-month period ended September 30, 2014 and $196,547 is included for the same period in 2013. During the period ended September 30, 2014, Caza did not capitalize general and administrative expenses relating to exploration and development activities.

Gain (Loss) on Risk Management Contracts

The Company has entered into commodity price derivative contracts to limit exposure to declining crude oil prices in accordance with its covenants under the Note Purchase Agreement (as defined herein). All derivative contracts are approved by management before the Company enters into them. The Company's risk management strategy is dictated in part by covenants in the Note Purchase Agreement which require the Company to hedge approximately 75% of its production. The contracts limit exposure to declining commodity prices, thereby protecting project economics and providing increased stability of cash flows and for capital expenditure programs.

Under these contracts, the Company receives or pays monthly a cash settlement on the covered production of the difference between the swap price specified in the applicable contract and the month average of the daily closing quoted spot price per barrel of West Texas Intermediate NYMEX crude oil.

The following information presents all outstanding positions by year for commodity financial instruments contracts.

Term	Product	Type	Total Volume	$ Price
2014				
January - October	Oil	Swap	32,161 bbls	92.55
January - October	Oil	Swap	21,308 bbls	90.04
May - December	Oil	Swap	32,044 bbls	96.11
November - December	Oil	Swap	22,141 bbls	81.73
November - December	Gas	Swap	68,669 Mcfs	3.74
2015				
January - October	Oil	Swap	23,106 bbls	87.05
January - October	Oil	Swap	12,105 bbls	83.70
January - December	Oil	Swap	26,639 bbls	89.34
January - December	Oil	Swap	82,062 bbls	80.85
January - December	Gas	Swap	271,322 Mcfs	3.72
January - December	Differential	Swap	143,912 bbls	-4.05
2016				
January - May	Oil	Swap	8,428 bbls	85.23

January - December	Oil	Swap	86,613 bbls	80.00
January - December	Gas	Swap	183,349 Mcfs	3.95
2017				
January - December	Gas	Swap	146,564 Mcfs	4.05

The fair value of the Company's commodity price derivative contracts represents the estimated amount that would be received for settling the outstanding contracts on September 30, 2014, and will be different than what will eventually be realized. The fair value of these assets at a particular point in time is affected by underlying commodity prices, expected commodity price volatility and the duration of the contract and is determined by the expected future settlements of the underlying commodity. The gain or loss on such contracts is made up of two components; the realized component, which reflects actual settlements that occurred during the period, and the unrealized component, which represents the change in the fair value of the contracts during the period.

For the three month period ended September 30, 2014 the Company recognized a loss of $101,453 (2013 - $nil) on its settled commodity price derivative contracts and recorded an unrealized gain of $1,153,996 (2013 - $nil) on unsettled commodity price derivative contracts due to lower commodity prices.

Net loss

Caza incurred a net loss of $ 7,743,772 for the three-month period ended September 30, 2014 as compared to a net loss of $1,370,132 during the comparative period. The larger net loss for the period ended September 30, 2014 occurred for the most part due to the $8,710,713 net loss incurred as a result of the sale of the non-core properties located in Wharton County offset by the $1,153,996 unrealized gain in the fair value of the hedging contracts. On a per boe basis our net loss increased 85% from $37.55 for the period ended September 30, 2013 to $69.58 for the third quarter in 2014.

Investments

Interest income for the three-month period ended September 30, 2014 was $3, decreasing from $475 in the same period in 2013. Interest was earned on the proceeds received from advances made pursuant the Company's credit facilities and cash on hand. Caza invested these funds in short-term money market funds. The Company does not hold any asset backed commercial paper.

Funds flow from (used in) operations (Non-IFRS)

The following table reconciles the non-IFRS measure "funds flow from (used in) operations" to "cash flows from (used in) operating activities", the most comparable measure calculated in accordance with IFRS. Cash flow from operations before changes in non-cash working capital provides better information as it ignores timing differences resulting primarily from fluctuations in payables and receivables. As such it is a common measure used by management in the oil and gas industry.

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
Cash flows from (used in) operating activities	3,057,431	(1,503,776)	(491,032)	(2,223,170)
Changes in non-cash working capital	(422,935)	1,690,206	6,345,906	689,704
Funds flow (used in) provided by operations	2,634,496	186,430	5,854,874	(1,533,466)
Funds loss per share - basic and diluted	0.01	0.00	0.03	(0.01)

The increase in funds flow from (used in) operations as compared to the previous periods is associated with increased revenues during the nine months of 2014, which was partially offset by increased severance tax expenses and production costs.

Net Loss Compared to Adjusted EBITDA (Non-IFRS)

	Three Months ended September 30,	Nine Months ended September 30,

	2014	2013	2014	2013
Net loss	(7,743,772)	(1,370,132)	(9,961,135)	(5,722,504)
Add Back:				
Financing costs	1,896,472	747,790	5,040,372	1,318,211
Depletion, depreciation and amortization	2,392,364	1,040,021	5,800,461	2,193,665
Accretion	9,744	4,707	26,542	15,208
Share-based compensation	76,356	196,547	252,227	610,216
Exploration and evaluation impairments	-	-	322,752	740,677
Changes in derivative liabilities	207,447	-	(479,036)	55,000
Long term investment plan	119,061	-	238,122	-
Disposal of assets	8,710,713	-	8,710,713	120,041
Unrealized loss on hedging contacts	(1,153,996)	-	(25,663)	-
Adjusted EBITDA	4,514,389	618,933	9,925,355	(669,486)
Adjusted EBITDA per share - basic and diluted	0.02	0.00	0.05	(0.00)

The table above sets forth a reconciliation of Adjusted EBITDA to net loss, which is the most directly comparable measure of financial performance, calculated under IFRS. The increase in Adjusted EBITDA as compared to the comparative period resulted from the success of the drilling program in the Bone Spring play in New Mexico.

Capital Expenditures

	Three Months ended September 30,		Nine Months ended September 30,	
By Type ($)	2014	2013	2014	2013
Drilling and completions	5,787,860	9,545,146	28,472,397	15,900,800
Seismic	-	-	-	126,800
Facilities and lease equipment	-	-	-	-
Office furnishings and equipment	46,356	-	47,942	1,243
Leasehold /geological /geophysical	32,805	1,801,637	48,685	3,075,878
Other costs (recovery)	(1,104)	4,984	594,710	85,559
Total	5,865,917	11,351,767	29,163,734	19,190,280

During the nine month period ended September 30, 2014, Caza drilled 11 gross wells (5.23 net) with activities concentrated in the Bone Spring play in New Mexico.

Outstanding Share Data

Caza is authorized to issue an unlimited number of common shares without par value. Holders of common shares are entitled to one vote per share on all matters voted on a poll by shareholders, and are entitled to receive dividends when and if declared by the board of directors out of funds legally available for the payment of dividends. Upon Caza's liquidation or winding up or other distribution of its assets among its shareholders for the purpose of winding up its affairs, holders of common shares are entitled to share pro rata in any assets available for distribution to shareholders after payment of all obligations of the Company. Holders of common shares do not have any cumulative voting rights or pre-emptive rights to subscribe for any additional common shares.

At November 11, 2014, 236,355,884 common shares were issued and outstanding. Common shares are issuable pursuant to: outstanding incentive compensation options; common share purchase warrants; exchange rights granted to members of management who hold shares of Caza Petroleum, Inc. ("Caza Petroleum"); and performance awards granted pursuant to the Company's long term incentive plan.

The following table sets forth the classes and number of outstanding equity securities of the Company and the number of issued and issuable common shares on a fully diluted basis.

	Issued and Issuable Securities
Common Shares	
Issued and outstanding	236,355,884
Issuable from Exchangeable rights	26,502,000
Issuable from exercise of warrants	3,584,557

Issuable from exercise of stock options	15,918,334
Issuable from exercise of performance awards	4,289,608[1]
Total Common Shares issued and issuable	286,650,383
Warrants Issued and Outstanding	
Warrants to purchase common shares outstanding	3,584,557
Stock Options Issued	
Stock options outstanding	15,918,334

[1] The amount payable pursuant to the Company's performance awards shall vary depending the satisfaction of certain performance thresholds. Subject to the discretion of the board of directors, the performance awards provide that one-half of any award shall be satisfied by a cash payment and the other half-shall be satisfied through an issuance of common shares.The board has authorized the issuance of up to 4,289,608 common shares in connection with the satisfaction of outstanding performance awards.Such number assumes that outstanding awards will be paid at the 100% level (200% being the maximum) and that half of each such award shall be satisfied through the issuance of shares.The actual number of shares issued pursuant to outstanding performance awards could be more or less than 4,289,608 common shares.

Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at September 30, 2014:

Type of Obligation ($)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
Operating leases	236,741	52,339	184,402	-	-
Asset retirement obligations	1,351,240	95,501	-	-	1,255,739
Total contractual commitments	1,587,981	147,840	184,402	-	1,255,739

Liquidity and Capital Resources

Caza's 2014 operating plan calls for participation in ten to twelve wells funded from production revenues, existing cash resources and available financing under the Note Purchase Agreement or the SEDA (each as defined below). In the event additional sources of financing become available, the Company would consider increases to its drilling program. The Company is focused on securing appropriate levels of capitalization to support its business strategy. As commodity prices or production fluctuate or as other circumstances dictate, the Company may alter its capital program or reduce costs in order to maintain an acceptable level of capitalization.

At September 30, 2014, Caza had a working capital surplus of $ 3,840,298 as compared to a surplus of $8,484,624 as at December 31, 2013. This decrease of $4,644,326 in working capital from December 31, 2013 resulted primarily from capital expenditures of $29,163,733 in connection with drilling and lease acquisition activities, offset by $6,281,403 funds flow from operations, the issuance of stock in the amount of $11,431,172 and the issuance of debt in the amount of $6,806,831. Caza had a cash balance of $7,405,966 as of September 30, 2014.

On July 4, 2014, the Company completed an equity raise of US$10.0 million (approximately £5.9 million and C$10.7 million) through the placing of 32,679,739 common shares at a price of £0.18 (approximately C$0.33) per share. The Company intends to use the net proceeds of the Placing on its drilling program in the Bone Spring play, for general corporate purposes and potentially for asset acquisitions in the Bone Spring play.

On November 1, 2013, the Company borrowed $4,338,264 from Yorkville pursuant to the Convertible Loan. On July 21, 2014, the Company voluntarily prepaid all amounts owed under the Convertible Loan. The prepayment amount of $1,676,777 consisted of the outstanding of $1,505,149 a prepayment penalty of $150,515 and accrued interest of $21,113.

Caza and its subsidiary Caza Petroleum Inc. may be considered to be "related parties" for the purposes of Multilateral Instrument 61-101 of the Canadian Securities Administrators. As a result, Caza or Caza Petroleum Inc. may be required to obtain a formal valuation or disinterested shareholder approval before completing certain transactions with the other party.

The Company has arranged for funding under the following agreements:

Note Purchase Agreement

On May 23, 2013, the Company entered into a Note Purchase Agreement (the "Note Agreement") with Apollo Investment Corporation (the "Note Holder"), an investment fund managed by Apollo Investment Management, pursuant to which the Note Holder agreed to purchase up to US$50,000,000 of senior secured notes ("Notes") from the Company. Under the Note Purchase Agreement, as amended, the Company is required to comply with financial covenants, which are tested quarterly, providing for specified interest coverage ratios beginning in the quarter ending September 30, 2013, and asset coverage ratios and minimum production, beginning in the quarter ending March 31, 2014. The Company is also required to maintain a limit on general and administrative costs. The minimum interest coverage ratio in the Note Purchase Agreement has been amended. As a result the Company complied with such ratio as at September 30, 2014. Any outstanding balances of the Notes may be prepaid at the option of the Company at any time at premiums that vary over time. The Note Purchase Agreement is also subject to a mandatory prepayment from the proceeds of the sale of assets and from funds received from transactions outside of the ordinary course of business. Certain mandatory payments are also required if in any period the Company fails to comply with any financial or performance covenants. The Note Agreement provides for customary events of default. Additionally, an event of default would occur upon a change of control of the Company, which consists of (i) a shareholder acquiring more than 35% of the Company's outstanding common shares, (ii) a change in the composition of the board of directors by more than 1/3 during a 12-month period or (iii) a termination of service by any three of the five executive officers of the Company. Outstanding balances under the Notes are secured by first-priority security interests in all of the Company's assets.

In addition to a 2% overriding royalty interest conveyed at the closing of the Note Agreement in its properties in Eddy and Lea Counties, New Mexico, the Company is also required to convey a proportionately reducible 2% overriding royalty interest in each lease acquired with proceeds from the Note Agreement. Upon full repayment of the Notes, the overriding royalty interests will convert to a 25% net profits interest in each property, proportionately reduced to reflect the Company's working interest as provided in the Note Agreement, which will reduce to a 12 1/2% net profits interest at such time as the Note Holder achieves specified investment criteria pursuant to the Note Agreement.

During 2013 and through the period ended September 30, 2014, the Company sold Notes in the aggregate principal amount of US$45,000,000 to the Note Holder. In addition to these funds, the Company has the ability to reinvest cash flow from program wells back into the drilling program.

The outstanding balance of the Notes as at September 30, 2014 was US$45,000,000 (exclusive of unamortized transaction costs US$2,920,090). The Notes bear interest at a floating rate of one-month LIBOR (with a floor of 2%) plus 10% per annum, payable monthly and mature on May 23, 2017. In an event of default under the Note Purchase Agreement, additional interest will be payable at a default rate of 5% per annum, but only during the period of default.

In connection with the sale of the Notes, the Company incurred a total of US$1,667,500 in transaction costs (consisting of US$1,540,000 in issuance costs and US$127,500 relating to the fair value of the 2% overriding royalty conveyed at the closing of the Note Purchase Agreement). In addition, the Company also incurred structuring fees of US$2,359,912 in connection with the Note Purchase Agreement. The Notes are classified as other financial liabilities and are measured at amortized cost.

Standby Equity Distribution Agreement

The Company and Yorkville are party to a £6 million Standby Equity Distribution Agreement ("SEDA") dated November 23, 2012. The SEDA allows Caza to issue equity at a 5% discount to market to fund loan repayments or well costs in certain circumstances. As at September 30, 2014, the company has drawn down an aggregate of £1,450,000 under the SEDA. During 2013, the Company issued 13,975,276 common shares under the SEDA at an average price of £0.0965 per share for gross proceeds of $2,154,210. The SEDA expires on November 23, 2015. The Company did not draw down on the SEDA facility during the first nine months of 2014.

Equity Adjustment Agreement

The Company entered into an Equity Adjustment Agreement (the "Adjustment Agreement") on March 5, 2013 as amended with Yorkville in conjunction with the SEDA. Pursuant to the Adjustment Agreement, during the three months ended June 30, 2013, the Company issued 3,846,154 common shares to Yorkville at a price of £0.13 per share for aggregate proceeds of £500,000. The proceeds were subject to adjustment as more particularly described under note 9 of the Company's financial statements for the three month period ending September 30, 2014.

Transactions with Related Parties

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is comparable to those negotiated with third parties.

In 2010, Singular Oil & Gas Sands, LLC ("Singular") agreed to participate in the drilling of the Matthys McMillan Gas Unit #2 and the O B Ranch #1 wells located in Wharton County, Texas. Under the terms of that agreement, Singular paid 14.01% of the drilling costs through completion to earn a 10.23% net revenue interest on the Matthys McMillan Gas Unit #2 well and paid 12.5% of the drilling costs to earn a 6.94% net revenue interest on the O B Ranch #1 well. This participation was in the normal course of Caza's business and on the same terms and conditions to those of other joint venture partners. Singular is a related party as it is a company under common control with Zoneplan Limited, which is a significant shareholder of Caza.

Summary of Quarterly Results

	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014	Three months ended December 31, 2013
Petroleum and natural gas sales	7,244,752	6,286,049	4,591,507	3,381,486
Net income (loss)	(7,743,772)	(763,150)	(1,454,212)	(2,851,860)
Per share - basic and diluted	(0.03)	(0.01)	(0.01)	(0.01)
Funds flow from operations (See note) *(1)*	2,634,496	2,381,414	893,286	77,238
Per share - basic and diluted	0.01	0.00	0.00	0.00
Net capital expenditures	5,865,917	13,681,171	9,616,646	10,031,758
Average daily production (boe/d)	1,210	937	685	503
Weighted average shares outstanding	214,210,273	199,323,039	187,917,370	182,965,097
	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013	Three months ended December 31, 2012
Petroleum and natural gas sales	2,583,753	1,067,991	1,279,296	1, 580,214
Net income (loss)	(1,370,132)	(3,039,336)	(1,313,035)	(4,384,653)
Per share - basic and diluted	(0.01)	(0.02)	(0.01)	(0.03)
Funds flow from(used in) operations (See note) *(1)*	186,430	(1,352,093)	(367,801)	248,624
Per share - basic and diluted	0.00	(0.00)	(0.00)	0.00
Net capital expenditures	19,190,280	5,275,110	2,563,410	7,341,110
Average daily production (boe/d)	397	223	230	312
Weighted average shares outstanding	177,701,939	170,879,773	165,867,263	164,743,667

(1) Calculated based on cash flow from operations before changes in non-cash working capital.

Factors that have caused variations over the quarters:

- Revenues and operating netback (Non-IFRS) has generally increased as a result of the Company's increased oil production.
- During 2013 and through the period ended September 30, 2014 Caza commenced drilling 11 (5.22 net) wells. Seven (3.32 net) of the 11 wells were completed during that period. As at September 30, 2014, one of the wells (0.14 net) was drilling, two (1.13 net) of the wells were undergoing completion activities and one (0.63 net) disposal well.
- Capital expenditures increased during the second half of 2013 and the first quarter of 2014 as the Company deployed capital made available under the Note Purchase Agreement and other funding arrangements.

Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit, share price and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. See notes 8 and 9 of the Company's financial statements for the three month period ended September 30, 2014 and the disclosure under the heading "Gain (Loss) on Risk Management Contracts" herein for further details of the Company's financial instruments.

Critical Accounting Estimates

The policies discussed below are considered particularly important as they require management to make informed judgments, some of which may relate to matters that are inherently uncertain. The financial statements have been prepared in accordance with Canadian IFRS. In preparing financial statements, management makes certain assumptions, judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. The basis for these estimates is historical experience and various other assumptions that management believes to be reasonable. Actual results could differ from the estimates under different assumptions or conditions.

Reserves - The Company engages independent qualified reserve evaluators to evaluate its reserves each year. Reserve determinations involve forecasts based on property performance, future prices, future production and the timing of expenditures; all these are subject to uncertainty. Reserve estimates have a significant impact on reported financial results as they are the basis for the calculation of depreciation and depletion. Revisions can change reported depletion and depreciation and earnings; downward revisions could result in a ceiling test write down.

Decommissioning Liabilities - The Company provides for the estimated abandonment costs using a fair value method based on cost estimates determined under current legislative requirements and industry practice. The amount of the liability is affected by the estimated cost per well, the timing of the expenditures and the discount factor used. These estimates will change and the revisions will impact future accretion, depletion and depreciation rates.

Income taxes - The utilization of future tax assets subject to an expiry date are based on estimates of future cash flows and profitability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes of estimates in future periods could be significant.

Share-based Compensation - The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. This model is used to value the stock options granted. In addition, option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimates as reflected in the consolidated financial statements

Certain of our accounting policies require that we make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to our annual management's discussion and analysis and Note 2 of the corresponding audited consolidated financial statements for the year ended December 31, 2013 available at www.sedar.com

Recent Accounting Pronouncements

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

On January 1, 2014, Caza adopted the following standards and amendments, as issued by the International Accounting Standards Board ("IASB"):

- IFRIC 21 - *Levies* was issued by the IASB in May 2013 and is an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for financial periods beginning on or after January 1, 2014. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.
- IAS 36 - *Impairment of Assets*. The amendments reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, a new standard that specifies recognition requirements for revenue as well as requiring entities to provide the users of financial statements with more informative and relevant disclosures. The standard replaces IAS 11 - *Construction Contracts* and IAS 18 - *Revenue* as well as a number of revenue-related interpretations. The Company will adopt the standard for reporting periods beginning January 1, 2017. The Company is currently evaluating the impact of adoption of this standard and the effect on Caza's consolidated financial statements has not yet been determined.

The Company will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the CSA, which may affect the timing, nature or disclosure of its adoption of IFRS.

RISK FACTORS

For a discussion about risk and uncertainties, please refer to our Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2013 available at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting (ICFR), as such term is defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for Caza. They have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in our ICFR during the period beginning on September 1, 2014 and ending on September 30, 2014 that materially affected, or are reasonably likely to materially affect, Caza's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

ADDITIONAL INFORMATION

Further information regarding the Company, including its Annual Information Form, can be accessed under the Company's public filings found at http://www.sedar.com and on the Company's website at www.cazapetro.com.

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