

HOUSTON, TEXAS--(Marketwired - March 31, 2015) - Caza Oil & Gas, Inc. ("Caza" or "the Company") (TSX:CAZ) (AIM:CAZA) is pleased to announce the Company's final results for the year ended December 31, 2014.

2014 Financial and Reserve highlights include:

- Annual revenues for the twelve month period ended December 31, 2014 increased 176% to US\$22.9 million ("MM") (US\$8.31MM: 2013)
- Quarterly revenues for the three month period ended December 31, 2014 increased 43% to US\$4.82MM (US\$3.38MM for the comparable three month period ended December 31, 2013)
- Average production volumes for the year 2014, increased 173% to 923 barrels of oil equivalent ("boe") per day ("boe/d") (338 boe/d: 2013)
- As estimated by the independent report completed by NSAI (as defined below under Reserve Data) dated as of December 31, 2014 (all reserve figures are net to Caza):
 - Proven (1P) reserves increased 39.2% to 6.18 MMboe (4.44 MMboe: 2013)
 - Proven plus Probable (2P) reserves decreased 26.2% to 14.24 MMboe (19.3 MMboe: 2013)
 - Proven plus Probable plus Possible (3P) reserves decreased 43.5% to 21.6 MMboe (38.2 MMboe: 2012)
**The decreases reflected in the 2P and 3P reserve figures are due primarily to a combination of lower oil prices, which negatively alter the economics relevant to the determination of 1P, 2P and 3P reserves, and positive drilling results, which moved Probable reserves into the 1P category.*
- Raised gross proceeds of approximately US\$10.0 million (net US\$9.35 million) through the placing of 32,679,739 common shares at a price of £0.18 per share
- Hedged approximately 80% of oil production and 80% of natural gas production through 2017 with a current mark-to-market value of US\$5.49MM for oil and US\$0.38MM for natural gas totaling US\$5.87MM
- Cash and cash equivalents at December 31, 2014, are US\$5.2MM (US\$18.5MM as at December 31, 2013)

Recent developments:

On January 29, 2015, Caza announced that:

- its Marathon Road 15 OB Fed #1H ("15OB-1H") well achieved an initial 30 day average of 1,160 boe/d per day, which consisted of 1,022 bbls/d of oil and 826 Mcf/d of natural gas; and
- its Marathon Road 15 NC #1H development well (the "15NC-1H") commenced drilling operations on January 10, 2015. The 15NC-1H is a direct offset to the 15OB-1H; and
- its East Marathon Road, Igloo 19 State #2H well, which was the initial horizontal Bone Spring test well on this property, achieved an initial 30 day average of 931 boe/d, which consisted of 801 bbls/d of oil and 785 Mcf/d of natural gas.

**Caza has a 14.7% working interest (approximate 12.5% net revenue interest) in the 15OB-1H well; a 14.7% working interest (approximate 9.534% net revenue interest) in the 15NC-1H well; and a 30% working interest (24% net revenue interest) in the Igloo 19 State #2H well.*

On February 19, 2015, Caza announced that it had entered into a US\$5,000,000 facility under a convertible unsecured note agreement (the "Convertible Loan Agreement") dated February 18, 2015 with YA Global Master SPV Ltd., an investment fund managed by Yorkville Advisors LLC, and Global Market Neutral Strategies SICAV P.L.C.

On February 26, 2015, Caza announced the termination of the CWEI farmout agreement. Consistent with the Company's stated strategy to actively manage capital expenditures and other costs, and to focus on near-term only obligation wells during this period of low oil prices, Caza elected not to proceed with its participation in the farmout, which management believes would not provide an appropriate return for its shareholders at the current time.

On March 16, 2015, Caza announced that:

- it had received the entire aggregate initial tranche of US\$4,000,000 in accordance with the terms of the US\$5,000,000 Convertible Loan Agreement; and
- that the Company had also issued an aggregate of 4,752,091 common shares (the "New Common Shares"), 2,929,943 at a price of £0.0568 per share in full satisfaction of the implementation fee payable by the Company in connection with the initial tranche under the Convertible Loan Agreement; and
- as a result of receiving the entire first tranche, the Company's previously announced amendment to its Note Purchase Agreement with Apollo Investment Corporation became effective.

On March 23, 2015, Caza announced that its Marathon Road 15 NC-1H well had reached its intended total measured depth of approximately 15,515 feet. The well was subsequently fracture stimulated and under controlled flowback produced a 24 hour gross

rate of approximately 1,203 boe, which consisted of 1,037 bbls of oil and 995 Mcf of natural gas on March 19, 2015.

W. Michael Ford, Chief Executive Officer commented:

"Operationally, Caza had a very productive year in 2014, having made significant progress across our asset portfolio. We were able to use existing loan facilities, internal cashflow and equity to maintain a continuous drilling program to grow and exploit our inventory of low-risk, liquids-rich properties in the prolific Bone Spring play in southeast New Mexico. We drilled or participated in a total of 15 wells during the course of the year, including one disposal well. If we include post period well results, Caza has drilled or participated in 31 successful wells since the start of our Bone Spring drilling program in 2012. These operations resulted in added shareholder value and grew Company cashflow, production and reserve values.

We recognize that the current low oil price environment is not ideal, but we are well positioned, in what we believe to be one of the best plays in North America, with very good assets, a sound hedging strategy and strong current cashflow. The Company now has approximately 5,100 net acres in the Bone Spring play, which is approximately 23,000 net effective acres when considering the multiple potential pay zones present across our acreage block.

Caza significantly increased its production volumes by 173% and revenues by 176% in Q4 2014, as compared to Q4 2013. Despite low oil prices during the fourth quarter of 2014, our Proven (1P) reserves also increased by more than 39% in the quarter, as compared to Q4 2013. Additionally, the recently announced Marathon Road 15 NC-1H well has recently added to our reported yearend production figures and Proven Developed Producing (PDP) reserve figures.

In an effort to maintain shareholder value in the near term, we continue to scale back G&A costs and capital expenditures associated with non-obligatory wells in our Bone Spring drilling program. Most of our leases are held-by-production, therefore the Company is fortunate to have very few drilling obligations this year. However, cutting capital expenditures for drilling will eventually cause certain covenant violations under the Note Purchase Agreement (the "Apollo Note") with Apollo Investment Corporation ("Apollo"). As a result of this, our auditors have added the \$45 million owed by the Company to Apollo to this year's current assets on our balance sheet, even though the Apollo Note is not due for repayment until 2017. This has resulted in a going concern note being included in the Company's 2014 yearend financial statements. As announced previously, the Company has reached agreement with Apollo on the deferral of the determination of finance and performance covenants under the Note from March 31, 2015 to September 30, 2015. This deferral provides the Company with added flexibility in determining its allocation of capital resources during this period of low oil prices.

Management is actively pursuing options to refinance and retire the Apollo Note and is seeking less expensive sources of capital, which might also allow further headroom for drilling, as circumstances allow. As previously mentioned, Apollo has been a supportive partner and, thus far, has worked with management to ease enforcement of certain financial covenants. We will continue to actively evaluate all options to find a suitable capital structure for the Company that is appropriate and sufficient to allow the Company to deliver on its stated strategy of achieving significant growth in reserves and production over the next two year period and, further, that we are utilizing the most cost effective option for the Company and the shareholders.

We made significant progress in 2014. Our Bone Spring drilling program delivered value to the Company and our shareholders and resulted in significant growth to cashflow, revenue and reserve values over the course of the year. Unfortunately, the decline in global oil prices altered that growth and has impeded our progress for the time being, but management is actively reviewing all options to position Caza for imminent growth once drilling costs appropriately adjust and commodity prices recover. With that goal in mind, the Bone Spring play will remain the focus for value creation for the Company and our shareholders."

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 Southeast New Mexico and West Texas, the most prolific oil and gas

basin in North America. Independent forecasts have predicted 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 Spring play will not only grow the Company but will also make it more resilient to risks associated with any single project.

As at December 31, 2014, the Company had 306 drilling locations and 31 gross (10.06 net) producing wells on its leasehold position in the Bone Spring play. The majority of the Company's leases in the play are held-by-production with no drilling obligations. Management believes that the Company is well-positioned with excellent assets and approximately 5,100 net acres (11,520 gross acres), which is approximately 22,950 net effective acres (51,840 gross effective acres) in the Bone Spring play, and plans to continue actively monitoring opportunities to build on Caza's current production levels and acreage position.

The Company's Bone Spring inventory includes the following 20 properties: Gramma Ridge, Gateway, Marathon Road, East Marathon Road, Lennox, Forehand Ranch, Forehand Ranch South, Jazzmaster, Mad River, Azotea Mesa, Bradley 29, Two Mesas, Quail Ridge, Rover, West Rover, Copperline, West Copperline, Chaparral 33, Madera and Roja.

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 at any depth will hold each lease in its entirety.

Financing

Management believes that once drilling costs come down and commodity prices recover, accelerating and expanding on the 15 Bone Spring play wells drilled in 2014 (including the recently announced Marathon Road 15 NC Fed No. 1H well) will significantly increase both production and cash flows, which will allow the Company to optimize its Bone Spring work program and drive economies of scale.

In this regard, the Company and its advisers have been actively considering all available financing options and may consider other strategic alternatives, including a review of possible asset sales, joint-venture and strategic financing partner options, other debt instruments and equity fundraisings that could provide the Company with sufficient leverage and capital to adequately exploit current and future Bone Spring opportunities.

Outlook

In an effort to maintain shareholder value in the near term, the Company continues to actively review its drilling obligations for the year and continues to scale back G&A costs and capital expenditures associated with non-obligatory wells and direct capital towards lease maintenance wells in its Bone Spring drilling program. However, subject to the availability of appropriate financing and dependent upon drilling costs and prevailing commodity prices, the Company's objective is to eventually accelerate and expand its drilling program in the Bone Spring play over the next two years. Management continues to believe 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, subject to a sufficient downward correction to drilling costs and positive recovery to oil prices, such a program can be accomplished by exploiting the Company's existing asset/lease inventory. However, management will also seek to identify appropriate corporate and asset acquisitions that may result from the current price environment, which will enable the Company to increase its position in the horizontal Bone Spring and Wolfcamp plays in the Permian Basin. Accordingly, inline 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.

Net Reserve Figures by Category:

Caza reported an increase in Proven (1P) reserves at year end 2014 to 6,178.8 Mboe or an increase of 39%; Proven plus Probable (2P) reserves decreased at year end 2014 to 14,244.4 Mboe or a decrease of 26.2%; Proven plus Probable plus Possible (3P) reserves decreased at year end 2014 to 21,579.9 Mboe or a decrease of 43.5% (as depicted in the table below).

Net Reserve Data:

Totals may not add because of rounding. Mbbl, MMcf and Mboe refer to thousand barrels, million cubic feet and thousand boe, respectively.

	2014			2013		
	Mbbl	MMcf	Mboe	Mbbl	MMcf	Mboe
Proven Developed Producing	1,392.0	1,444.6	1,632.8	701.7	1,264.2	912.4
Non-Producing	45.6	32.6	51.0	49.9	269.3	94.8
Undeveloped	3,218.5	7,658.9	4,495.0	2,431.9	6,030.2	3,436.9
Total Proven	4,656.1	9,136.1	6,178.8	3,183.5	7,563.7	4,444.1
Probable	6,423.1	9,854.9	8,065.6	10,615.2	25,518.0	14,868.2
Total Proven + Probable	11,079.2	18,991.0	14,244.4	13,798.7	33,081.7	19,312.3
Possible	6,156.3	7,075.1	7,335.5	12,772.5	36,506.6	18,857.0
Total Proven + Probable + Possible	17,235.5	26,066.1	21,579.9	26,571.2	69,588.3	38,169.3

Present value cash flows of Caza's estimated net Proven and Probable reserves as at December 31, 2014 were as follows:

Present value cash flow, net Proven plus Probable reserves: PV 10% before income taxes PV 10% after income taxes
US\$137.04MM US\$89.08MM

The reserves data set out in this announcement (including in the above tables) have been extracted from the NSAI Report and are disclosed, together with additional information relating to the Company's reserves and properties, in the Company's Annual Information Form for the year ending December 31, 2014 (to be filed on SEDAR at www.sedar.com). The evaluation of the reserves data included in the Annual Information Form and in the NSAI Report complies with standards set out in the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society). References to the NSAI Report are to the report prepared on the Company's reserves by Netherland, Sewell & Associates, Inc. as of December 31, 2014, and entitled "Estimates of Reserves and Future Revenue to the Caza Petroleum, Inc. Interest in Certain Oil and Gas Properties Located in Louisiana, New Mexico, and Texas as of December 31, 2014".

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 (Southeast New Mexico and West Texas) and Texas and Louisiana Gulf Coast (on-shore).

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.

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

Copies of the Company's financial statements for the year ended December 31, 2014, the accompanying management's discussion and analysis and the Company's Annual Information Form for the year ended December 31, 2014 (which contains further information about the Company, its principal properties and its crude oil and natural gas reserves), will be available on SEDAR at www.sedar.com and the Company's website at www.cazapetro.com. The Company's financial statements have been in accordance with Canadian generally acceptable accounting principles applicable to publicly accountable enterprises. All dollar amounts disclosed in this press release are disclosed in United States dollars.

ADVISORY STATEMENT

Information in this news release that is not current or historical factual information may constitute forward-looking statements within the meaning of securities laws. Such information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information regarding future exploration, development and drilling activities (including the timing and scope thereof), the availability, sources, use and sufficiency of funding or capital, the ability to expand and accelerate the Company's drilling programs and the results thereof, the ability to increase shareholder value, future dilution

and the ability to mitigate same, the implementation and impact of the Company's strategy, geologic and seismic interpretation, joint venture relationships, ability to generate projects, strategic acquisitions and Caza's ability to execute its strategic plan contained in this news release constitutes forward-looking information within the meaning of securities laws. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Disclosure related to targeted internal rates of return and internal modeling are disclosed to further an understanding of the Company's strategies and are not projections or forecasts. Actual rates of return are likely to differ materially.

Implicit in this information, particularly in respect of production are assumptions regarding projected revenue and expenses, the performance of wells, drilling and operating results, availability of funds, asset dispositions and the ability to secure joint venture partners and internally generate projects. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company are subject to a number of risks and uncertainties, including general mechanical, economic, market and business conditions and could differ materially from what is currently expected as set out above. Production disclosed in this press release is provided as at the applicable date and the wells described herein are in early stages of production. Future production or flow rates may vary, perhaps materially. The individual well results disclosed herein are not necessarily indicative of long-term performance or of ultimate recovery.

For more exhaustive information on these risks and uncertainties you should refer to the Company's most recently filed Annual Information Form filed on SEDAR at www.sedar.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 required by applicable securities laws.

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.

Statements in this news release relating to net present value or future net revenue do not represent fair market value. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Management's Report to Shareholders

Management has prepared the accompanying consolidated financial statements of Caza Oil & Gas, Inc. in accordance with International Financial Reporting Standards.

Management is responsible for the integrity and objectivity of the financial statements. Where necessary, the financial statements include estimates, which are based on management's informed judgments. Management has established systems of internal control that are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. It exercises its responsibilities primarily through the Audit Committee. The Audit Committee meets periodically with management and the external auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend that the consolidated financial statements be presented to the Board of Directors for approval.

Deloitte LLP has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the fairness of the consolidated financial statements.

(signed) "William M. Ford"
Chief Executive Officer and Director
March 19, 2015

(signed) "James M. Markgraf"
Chief Financial Officer
March 19, 2015

Independent Auditor's Report

To the Shareholders of Caza Oil & Gas, Inc.

We have audited the accompanying consolidated financial statements of Caza Oil & Gas, Inc. which comprise the consolidated

statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of net loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caza Oil & Gas, Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had a working capital deficit of \$44.3 million and a deficit of \$67.1 million at December 31, 2014 and incurred a net loss of \$7.1 million for the year ended December 31, 2014. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon Caza Oil & Gas, Inc.'s ability to continue as a going concern.

(signed) "Deloitte LLP"

Chartered Accountants
Calgary, Alberta
March 25, 2015

Caza Oil & Gas, Inc.
Consolidated Statements of Financial Position
(In United States Dollars)

As at December 31,

2014

2013

Assets

Current

Cash and cash equivalents (Note 10 (c))	\$ 5,160,943	\$ 18,495,086
Restricted cash (Note 13)	428,614	455,317
Accounts receivable	7,531,803	5,582,816
Derivative assets (Note 12)	6,031,350	-
Prepaid and other	650,507	104,444
	19,803,217	24,637,663
Exploration and evaluation assets (Note 3)	6,247,564	7,843,846
Petroleum and natural gas properties and equipment (Note 4)	70,914,961	46,618,635
	\$ 96,965,742	\$ 79,100,144
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 21,356,234	\$ 16,153,038
Notes payable (Notes 14 and 15)	42,366,370	-
Derivative liabilities (Notes 12,13 and 15)	292,088	677,507
Decommissioning liabilities (Note 5)	95,500	122,269
	64,110,192	16,952,814
Notes payable (Notes 14 and 15)	-	35,855,042
Decommissioning liabilities (Note 5)	1,508,155	850,365
	65,618,347	53,658,221
Total Equity		
Share capital (Note 7(b))	90,326,588	77,967,487
Warrants (Note 7(b))	156,365	156,365
Share based compensation reserve	11,091,817	10,480,968
Deficit	(67,061,796)	(60,759,064)
Equity attributable to owners of the Company	34,512,974	27,845,756
Non-controlling interests	(3,165,579)	(2,403,833)
Total equity	31,347,395	25,441,923
	\$ 96,965,742	\$ 79,100,144

See accompanying notes to the consolidated financial statements

On behalf of the Board:
(signed) "J. Russell Porter" (signed) "William M. Ford"
Director Director

Caza Oil & Gas, Inc.
Consolidated Statements of Net Loss and Comprehensive Loss
(In United States Dollars)

For the years ended December 31,	2014	2013
Revenues		
Petroleum and natural gas	\$ 22,945,768	\$ 8,312,526
Interest income	203	1,261
	22,945,971	8,313,787
Expenses (Income)		

Production	6,128,114	2,334,159	
General and administrative	5,939,589	6,209,190	
Depletion and depreciation (Note 4)	7,537,416	3,435,862	
Financing costs (Note 17)	6,713,028	2,516,312	
Other expense	208,996	542,783	
Exploration and evaluation impairment (Note 3)	1,045,875	1,481,691	
Loss on disposal of assets (Note 4)	8,712,773	120,041	
Realized (gain) loss on risk management contracts	(147,620	) 15,283	
Unrealized (gain) loss on hedging contracts (Note 12)	(6,217,813	) 186,463	
Bad debt expense	90,091	46,368	
	30,010,449	16,888,152	
Loss before income taxes	(7,064,478	) (8,574,365)
Income taxes (Note 6)	-	-	
Net loss and comprehensive loss	\$ (7,064,478	) \$ (8,574,365)
Attributable to:			
Owners of the Company	(6,302,732	) (7,460,658)
Non-controlling interests	(761,746	) (1,113,707)
	\$ (7,064,478	) \$ (8,574,365)
Net loss per share			
- basic and diluted	\$ (0.03	) \$ (0.05)
Weighted average shares outstanding			
- basic and diluted ⁽¹⁾	206,941,294	175,085,231	

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive

See accompanying notes to the consolidated financial statements

Caza Oil & Gas, Inc.
Consolidated Statements of Cash Flows
(In United States Dollars)

For the years ended December 31	2014	2013
OPERATING		
Net loss	\$ (7,064,478	) \$ (8,574,365)
Adjustments for items not affecting cash:		
Depletion and depreciation	7,537,416	3,435,862
Unwinding of the discount (Note 5)	36,195	23,503
Share-based compensation	610,849	852,406
Exploration and evaluation impairment (Note 3)	1,045,875	1,481,693
Non-cash financing costs	1,687,723	569,309
Unrealized currency gain	26,704	(39,266)
Loss on disposal of assets	8,712,773	120,041
Realized loss on hedging contracts	-	15,283
Unrealized (gain) loss on risk management contracts	(6,217,813)	186,463
Interest income	(203	) (1,261)
Changes in derivative liabilities and other	(133,455	) 474,104
Changes in non-cash working capital (Note 10(a))	(1,075,858	) (353,874)
Cash flows used in operating activities	5,165,728	(1,810,102)

FINANCING		
Proceeds from issuance of shares (Notes 14 and 15)	9,368,418	2,647,661
Finance costs paid (Notes 14 and 15)	(740,000)	(3,511,146)
Proceeds from the issuance of notes payable and warrants (Notes 14 and 15)	10,000,000	38,628,381
Note principal payments	(1,505,149)	(1,127,500)
Interest received	203	1,261
Changes in non-cash working capital (Note 10(a))	(491,457)	326,374
Cash flow from financing activities	16,632,015	36,965,031
INVESTING		
Exploration and evaluation expenditures (Note 3)	(38,414,099)	(27,977,466)
Development and production expenditures (Note 4)	(2,499,689)	(1,304,691)
Purchase of office furniture and equipment (Note 4)	(48,558)	(1,250)
Proceeds from the sale of assets	1,555,000	-
Restricted cash	-	(416,050)
Partner reimbursement (Note 4)	-	61,364
Changes in non-cash working capital (Note 10(a))	4,275,460	6,168,610
Cash flows used in investing activities	(35,131,886)	(23,469,483)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,334,143)	11,685,446
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,495,086	6,809,640
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,160,943	\$ 18,495,086

See accompanying notes to the consolidated financial statements

Caza Oil & Gas, Inc.
Consolidated Statements of Changes in Equity
(In United States Dollars)

For the years ended December 31,	2014	2013
Share Capital		
Balance, beginning of year	\$ 77,967,487	\$ 75,064,216
Common shares issued	12,359,101	2,903,271
Balance, end of year	90,326,588	77,967,487
Warrants		
Balance, beginning of year	156,365	89,674
Issued	-	66,691
Balance, end of year	156,365	156,365
Share based compensation reserve		
Balance, beginning of year	10,480,968	9,648,162
Exercise of stock options	-	(19,600)
Share-based compensation	610,849	852,406
Balance, end of year	11,091,817	10,480,968
Deficit		
Balance, beginning of year	(60,759,064)	(53,298,407)
Net loss allocated to the owners of the Company	(6,302,732)	(7,460,658)
Balance, end of year	(67,061,796)	(60,759,064)

Non-Controlling Interests		
Balance, beginning of year	(2,403,833)	(1,290,125)
Net loss allocated to non-controlling interests	(761,746)	(1,113,707)
Balance, end of year	(3,165,579)	(2,403,833)
Total Equity	\$ 31,347,395	\$ 25,441,923

See accompanying notes to the consolidated financial statements

1. Basis of Presentation and Going Concern Discussion

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 2300, 550 Burrard Street Vancouver, British Columbia, V6C 2B5.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Caza's presentation currency is the United States ("U.S.") dollar as the majority of its transactions are denominated in this currency.

These consolidated financial statements were approved for issuance by the Board of Directors on March 19, 2015.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

The Company reported a net loss of \$7,064,478 in 2014. The Company also had net working deficit of \$44,306,975 and accumulated deficit of \$67,061,796 as at December 31, 2014.

The Company's ability to continue as a going concern is dependent upon its ability to raise capital, restructure its debt, maintain positive cash flow and, the continued support of its lenders. There is no certainty that such events will occur and that sources of financing will be obtained on terms acceptable to management. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

2. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

(a) Basis of consolidation:

Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Details of the Company's subsidiaries at the end of the reporting year are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the
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		December 31, 2014	December 31, 2013
Caza Petroleum Inc.	Delaware/Texas	90%	87%
Caza Operating, LLC	Texas	100%	100%
Falcon Bay Operating, LLC	Texas	100%	100%
Falcon Bay Sutton County, LLC	Texas	100%	100%

The proportion not owned by the Company is shown as non-controlling interests in these financial statements and relates to exchangeable rights in Caza Petroleum Inc. which are held by management and which are exchangeable into the Company's shares (see Note 7(f)).

Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency:

The Company and its subsidiary companies each determines their functional currency of the primary economic environment in which they operate. The Company's (and its subsidiaries) functional currency is the U.S. Dollar. Transactions denominated in a currency other than the functional currency of the entity are translated at the exchange rate in effect on the transaction date.

(c) Financial instruments:

Derivatives

Derivatives, including derivative liabilities and hedging contracts, are classified as fair value through profit or loss. Changes in the fair value of derivatives are recognized through earnings.

Non-derivative financial instruments:

Non-derivative financial instruments comprise accounts receivable, cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, and notes payable. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments (including money market instruments) with original maturities of three months or less.

Financial assets at fair value through profit or loss:

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash and cash equivalents as fair value through profit and loss.

Loans and receivables:

Non-derivative financial instruments classified as loans and receivables, such as accounts receivable, accounts payable and accrued liabilities, and notes payable, are measured at amortized cost using the effective interest method, less any impairment

losses.

(d) Evaluation and exploration assets:

Pre-license costs are expensed in the statement of operations as incurred.

Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. If exploration does not meet capitalization criteria at this time amounts are expensed as exploration and evaluation.

Assets classified as E&E are not amortized, but are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU").

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as petroleum and natural gas interests.

(e) Development and production costs:

Items of property, plant and equipment ("PPE"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing.

Development costs that may be capitalized as PPE include land acquisition costs, geological and geophysical expenses, the costs of drilling productive wells, the cost of petroleum and natural gas production equipment, directly attributable and incremental general overhead and estimated abandonment costs. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. The carrying amount of any replaced or sold component is derecognized.

Maintenance:

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven reserves, taking into account estimated future development costs necessary to bring those proved reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Other Property and Equipment:

For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

Office equipment	5 - 7 years
Fixtures and fittings	5 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Impairment:

Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than "E&E" assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment test is completed each year for other intangible assets that have indefinite lives or that are not yet available for use. E&E assets are also assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount and before they are reclassified to property and equipment, as oil and natural gas interests.

For the purpose of impairment testing, assets are grouped together into CGUs. A CGU is a grouping of assets that generate cash flows independently of other assets held by the Company. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(g) Decommissioning liabilities:

The Company recognizes a decommissioning liability in the period in which it has a present legal or constructive liability and a reasonable estimate of the amount can be made. Liabilities are measured based on current requirements, technology and price levels and the present value is calculated using amounts discounted over the useful economic life of the assets. Amounts are discounted using a risk-free rate. On a periodic basis, management reviews these estimates and changes, if any, will be applied prospectively. The fair value of the estimated decommissioning liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to finance expense. Periodic revisions to the estimated timing of cash flows or to the original estimated undiscounted cost can also result in an increase or decrease to the decommissioning liability. Actual costs incurred upon settlement of the obligation are recorded against the decommissioning liability to the extent of the liability recorded.

(h) Notes payable and warrants

The component parts of the notes payable (debt and warrants) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar instruments without the attached warrants. The discount on the liability component amount is recorded as a contra amount to

the notes payable and amortized using the effective interest method until maturity.

The amount recorded as warrants was determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. The warrants are classified as equity, are not subsequently remeasured and will remain in equity until the warrant is exercised. On exercise, the balance will be transferred to share capital.

Transaction costs that relate to the issue of the notes payable are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the notes payable using the effective interest method.

(i) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) Share based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The grant date fair value of options granted to employees is recognized as compensation expense on a graded basis over the vesting period, within general and administrative expenses, with a corresponding increase in share based compensation reserve. A forfeiture rate is estimated on the grant date; however, at the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized on a prospective basis.

(k) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline or any other means of transportation. Revenue is measured net of royalties.

(l) Finance income and expenses:

Finance expense comprises interest expense on borrowings, if any, and the unwinding of the discount on decommissioning liabilities.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

(m) Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the year. The Company computes diluted earnings per share using the treasury stock method to determine the dilutive effect of its options and warrants. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options and warrants are used to purchase common shares of the Company at their average market price for the year. No adjustment to diluted earnings per share or diluted shares outstanding is made if the result of the calculations is anti-dilutive.

(n) Changes in accounting and future 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 32 - *Financial Instruments: Presentation*. Amendments to IAS 32 clarify the meaning of "currently has a legal enforceable right to set-off" and require the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. 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.

Since November 2009, the IASB has been in the process of completing a three phase project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments", which includes requirements for hedge accounting, accounting for financial assets and liabilities and impairment of financial instruments. As of February 2014, the mandatory effective date of IFRS 9 has been tentatively set to January 1, 2018. The Company is assessing the effect of this future pronouncement on its financial statements.

(o) Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include:

i. Estimation of reserves

Estimates of recoverable quantities of proved and probable reserves include judgmental assumptions and require interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Reserve estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and are reviewed by third party reservoir engineers.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans

Changes in reported reserves can impact property, plant and equipment impairment calculations, estimates of depletion and the provision for decommissioning obligations due to changes in expected future cash flows based on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices, future costs and the remaining lives and period of future benefit of the related assets.

ii. Identification of cash-generating units

Management reviews the CGU determination on a periodic basis. The recoverability of property, plant and equipment carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgments. The asset composition of a CGU can directly impact the recoverability of the related assets.

iii. Estimation of fair value of stock options

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. In addition, option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes of estimates in future periods could be significant.

iv. Valuation of financial instruments

Caza uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The notes provide detailed information about the key assumptions used in the determination of the fair value of the financial instruments.

Key sources of estimation uncertainty

The following are the key assumptions concerning the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year.

- Estimates of recoverable quantities of proved and probable reserves include judgmental assumptions and the economic, geological and technical factors used to estimate reserves may change from period to period.
- Forward price estimates of the oil and natural gas prices are used in the impairment model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.
- The impairment model uses discount rate to calculate the net present value of cash flows based on management's estimate of the rate that incorporates the risks associated with the assets. Changes in the general economic environment could result in significant changes in this estimate.
- Amounts recorded from joint interest partners are based on the Company's interpretation of underlying agreements and may be subject to joint approval. The Company has recorded balances due from its joint interest partners based on costs incurred and its interpretation of allowable expenditures. Any adjustment required as a result of joint interest partner audits are recorded in the period of the determination with joint interest partners.
- The provision for decommissioning liabilities is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices and discovery and analysis of site conditions and changes in clean-up technology.
- The various inputs and assumptions used in determining the fair value of the unrealized loss on hedging contracts and the derivative liabilities are subject to estimation uncertainty.

The above judgments, estimates and assumptions relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Actual results could differ from these estimates and the differences could be material.

3. Exploration and evaluation assets

	December 31, 2014	December 31, 2013
Balance, beginning of year	\$ 7,843,846	\$ 10,085,746
Additions to exploration and evaluation assets	38,773,781	28,004,357
Transfers to petroleum and natural gas properties and equipment))
	(39,198,678	(28,764,566
Disposals	(125,510) -
Impairment	(1,045,875	) (1,481,691
Balance, end of year	\$ 6,247,564	\$ 7,843,846

Included in the \$38,549,325 additions to E&E are the costs incurred during the year ended December 31, 2014 for the drilling the Bone Spring play in New Mexico.

The Company impaired expired leases in the amount of \$1,045,875 relating to expiring leasehold in Southern Louisiana and East Texas and the plugging of the CML 35 State 3H non-operated well located in New Mexico. During the year ended

December 31, 2013, the Company expensed \$1,481,691 of expiring leasehold in Southern Louisiana and East Texas.

4. Petroleum and natural gas properties and equipment

Cost	Development & Production ("D&P") Assets	Corporate Assets	Total
Balance, December 31, 2012	\$ 43,849,877	\$ 828,826	\$ 44,678,703
Additions	1,399,773	1,250	1,401,023
Disposal of assets	(411,614	) -	(411,614
Transfers from E&E	28,764,566	-	28,764,566
Other	(61,364	) -	(61,364
Balance, December 31, 2013	73,541,238	830,076	74,371,314
Additions	2,817,135	48,558	2,865,696
Disposal of assets	(29,428,930	) -	(29,428,930
Transfers from E&E	39,198,678	-	39,198,678
Balance, December 31, 2014	\$ 86,128,121	\$ 878,634	\$ 87,006,758

Accumulated Depletion, Depreciation and Impairment D&P Assets	Corporate Assets	Total
Balance, December 31, 2012	\$ 780,655	\$ 24,126,626
Depletion and depreciation	31,953	3,653,429
Disposal of assets	) -	(27,376
Balance, December 31, 2013	813,127	27,753,197
Depletion and depreciation	13,572	7,537,416
Disposal of assets	)	(19,198,819
Balance, December 31, 2014	\$ 826,699	\$ 16,091,794

Carrying amounts			
At December 31, 2013	\$ 46,601,167	\$ 17,468	\$ 46,618,635
At December 31, 2014	\$ 70,863,026	\$ 51,935	\$ 70,914,961

Future development costs of proved undeveloped reserves of \$76,719,200 were included in the depletion calculation at December 31, 2014 (2013 - \$59,907,000).

The Company reviewed each CGU comprising its property and equipment at December 31, 2014 for indicators of impairment and determined that indicators were present, related to decreases to future oil and natural gas prices used to estimate the value in use and fair value less cost to sell of each of the Company's CGUs. The Company performed an impairment test at December 31, 2014 to assess whether the carrying value of its petroleum and natural gas properties exceeds recoverable amount. No impairment was required to be recorded (2013 - \$nil).

The impairment test used a 12.5% discount rate at December 31, 2014 (2013 - 12.5%). The petroleum and natural gas future prices are based on commodity price forecasts of the Company's independent reserve evaluators for 2014 as follows:

Year	NYMEX Crude Oil ⁽¹⁾ (\$/bbl)	Natural Gas ⁽¹⁾ (\$/mmbtu)
2015	64.88	3.390
2016	75.35	3.825
2017	81.23	4.075
2018	84.95	4.388
2019	88.57	4.700
Thereafter (inflation %)	+2.0%/yr	+2.0%/yr

(1) Prices used in the impairment test were adjusted for commodity price differentials specific to the Company.

During the twelve months ended December 31, 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 \$8,687,750 (2013 - \$nil).

5. Decommissioning Liabilities

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

	2014	2013
Decommissioning liabilities, beginning of year	\$ 972,634	\$ 967,798
Obligations incurred	501,676	312,894
Revision in estimated cash flows and discount rate	365,625	(190,916)
Obligations settled and disposed	(272,475)	(140,645)
Unwinding of the discount	36,195	23,503
Decommissioning liabilities, end of year	\$ 1,603,655	\$ 972,634
Current portion	95,500	122,269
Long-term decommissioning liabilities	\$ 1,508,155	\$ 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 \$3,254,986 (December 31, 2013 - \$2,083,992). The December 31, 2014 obligation was calculated using a risk free discount rate of 2.5 percent (2013 - 3.7%) and an inflation rate of 3 percent (2013 - 3%). The Company expects these obligations to be settled in approximately 1 to 42 years.

6. Income Taxes

The following is a reconciliation of income taxes, calculated at the combined statutory federal and provincial income tax rates, to the income tax recovery included in the consolidated statements of net loss.

	2014	2013
Loss before income taxes	\$ (7,064,478)	\$ (8,574,365)
Income tax (recovery) at statutory rate of 25% (2013 - 25%)	(1,766,119)	(2,143,591)
Difference in statutory tax rates: Canada vs. United States	(706,448)	(857,436)
Stock-based compensation	146,178	298,342
Other	76,382	(1,181,120)
Unrecognized deferred tax assets	2,250,007	3,883,805
Provision for (recovery) of income taxes	\$ -	\$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's deferred income tax assets and liabilities are as follows:

	2014	2013
United States:		
Deferred income tax liability (asset):		
Petroleum and natural gas properties	\$ 25,165,493	\$ 12,894,704
Decommissioning obligations	(561,280)	(340,423)
Net operating losses carried forward	(47,854,844)	(34,179,543)
	(23,250,631)	(21,625,262)
Unrecognized deferred tax asset	23,250,631	21,625,262
Net deferred income tax liability (asset) \$ -	\$ -	\$ -

The Company has the following net operating losses available to be carried forward to offset future operating income for Caza's US entities:

Expiring at December 31, Amounts

	US
2026	1,484,777
2027	11,146,427
2028	16,409,534
2029	1,887,722
2030	9,004,333
2031	14,887,664
2032	14,704,775
2033	30,358,042
2034	36,842,115

7. Share Capital and Warrants

(a) Authorized

Unlimited number of voting common shares.

(b) Issued

	December 31, 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 (Notes 13 and 15) -	-	-	2,529,333	66,691
Balance, end of year	3,584,557	\$ 156,365	3,584,557	\$ 156,365

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. During 2013 the Company issued 17,821,430 common shares for a value of \$2,881,671 in connection with the Equity Distribution Agreement and the Equity Adjustment Agreement more fully discussed in note 13.

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.

(c) Stock options

The maximum number of common shares for which options may be granted, together with shares issuable under any other share compensation arrangement of the Company, is limited to 10% of the total number of outstanding common shares (plus common shares that would be outstanding upon the exercise of all exchangeable rights) at the time of grant of any option. The exercise price of each option may not be less than the fair market value of the Company's common shares on the date of grant. Except as otherwise determined by the Board and subject to the limitation that the stock options may not be exercised later than the expiry date provided in the relevant option agreement but in no event later than 10 years (or such shorter period required by a stock exchange) from their date of grant, options cease to be exercisable: (i) immediately upon a participant's termination by the Company for cause, (ii) 90 days (30 days in the case of a participant engaged in investor relations activities) after a participant's termination from the Company for any other reason except death and (iii) one year after a participant's death. Subject to the Board's sole discretion in modifying the vesting of stock options, stock options will vest, and become exercisable, as to 33 1/3% on the first anniversary of the date of grant and 33 1/3% on each of the following two anniversaries of the date of grant. All options granted to a participant but not yet vested will vest immediately upon a change of control or upon the Company's termination of a participant's employment without cause. A summary of the Company's stock option plan as at December 31, 2014 and changes during the year ended on those dates is presented below:

Year ended December 31, 2014	Year ended December 31, 2013
---------------------------------	---------------------------------

Stock Options	Number of options	Weighted average Exercise price	Number of options	Weighted average exercise price
Beginning of year	15,985,000	\$0.28	16,900,000	\$0.28
Granted	500,000	\$0.22	-	-
Exercised	-	-	400,000	\$0.07
Forfeited	100,000	\$0.28	515,000	\$0.45
End of year	16,385,000	\$0.28	15,985,000	\$0.28
Exercisable, end of year	14,071,661	\$0.29	11,791,660	\$0.29

Date of Grant	Number Outstanding as at December 31, 2014	Exercise Price	Weighted Average Remaining Contractual Life	Date of Expiry
January 31, 2007	1,725,000	\$ 0.50	2.09	January 31, 2011
December 12, 2007	1,500,000	\$ 0.79	2.95	December 12, 2011
April 7, 2008	500,000	\$ 0.59	3.27	April 7, 2012
April 9, 2010	4,550,000	\$ 0.07	5.28	April 9, 2015
April 12, 2010	400,000	\$ 0.07	5.28	April 12, 2015
May 19, 2010	250,000	\$ 0.07	5.39	May 19, 2015
September 14, 2010	20,000	\$ 0.35	5.71	September 14, 2015
October 12, 2011	1,500,000	\$ 0.13	6.79	October 12, 2016
January 31, 2012	100,000	\$ 0.16	7.09	January 31, 2017
December 4, 2012	5,340,000	\$ 0.28	7.93	December 4, 2017
November 11, 2014	500,000	\$ 0.22	9.87	November 11, 2023
	16,385,000		5.82	

During the year ended December 31, 2014, 500,000 options were granted with a fair value of \$124,500 (2013 - nil). The fair value of these options was determined using the Black-Sholes model with the following assumptions:

	2014
Dividend yield	Nil
Expected volatility	177%
Risk free rate of return	1.55%
Weighted average life	3 years
Forfeiture rate	Nil

(d) 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.

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.

(e) Share based compensation reserve

The following table presents the changes in the share based compensation reserve:

December 31, 2013
December 31, 2014

Balance, beginning of year	\$ 10,480,968	\$ 9,648,162
Exercise of stock options	-	(19,600)
Share based compensation expense	610,849	852,406
Balance, end of year	\$ 11,091,817	\$ 10,480,968

(f) Non-controlling interest

December 31, 2014 December 31, 2013

Number of exchangeable rights outstanding, beginning and end of year (i) 26,502,000 26,502,000

(i) Management has a non-controlling interest in the Company which allows shares of Caza Petroleum, Inc. to be exchanged into the Company's shares at an exchange rate of 2800 to 1.

In 2014, issuances of common shares had a nominal impact on the number of exchangeable rights in the year.

8. 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 operated by the Company. These assets were sold during 2014 and there are no amounts owed to the Company in connection with these properties.

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

Remuneration of key management personnel of the Company, which includes directors, officers and other key personnel, is set out below in aggregate:

Year ended December 31, 2014	2013
Salaries and wages	\$ 1,522,926 \$ 1,727,200
Short term benefits	- -
Share-based payments	325,551 654,774
Total compensation	\$ 1,848,477 \$ 2,381,974

9. Commitments and Contingencies

As of December 31, 2014, the Company is committed under operating leases for its offices in the following aggregate minimum lease payments which are shown below as operating commitments:

2015 \$324,482
2016 \$270,876

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.

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, at its election, was to 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. The Company elected not to participate with its participation in the initial commitment well, which management believes would not have provided an appropriate return for its shareholders in that current oil price environment. In accordance with the Agreement, by not participating in the initial commitment well, the Agreement is terminated and there is no commitment recognized by the Company.

10. Supplementary Information

a) net change in non-cash working capital

Year ended December 31,	2014	2013
Provided by (used in)		
Accounts receivable	\$ (1,948,987)	\$ (1,728,669)
Prepaid and other	(546,063)	362,637
Accounts payable and accrued liabilities	5,203,195	7,507,142
	2,708,145	6,141,110

Summary of changes		
Operating	\$ (1,075,858)	\$ (353,874)
Investing	4,275,460	6,168,610
Financing	(491,457)	326,374
	\$ 2,708,145	\$ 6,141,110

(b) supplementary cash flow information

Year ended December 31,	2014	2013
Interest paid	\$ -	\$ -
Interest received	203	1,261

(c) cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash on deposit	\$ 5,091,380	\$ 13,625,703
Money market instruments	69,563	4,869,383
Cash and cash equivalents	\$ 5,160,943	\$ 18,495,086

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

11. Capital Risk Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as shareholders' equity, working capital (excluding current portion of decommissioning liabilities), credit facilities and notes payable when available. The Company manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity and working capital to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$ (5,160,943)	\$ (18,495,086)
Other current assets	(8,610,924)	(6,142,577)
Accounts payable and accrued Liabilities	63,722,604	16,153,038
Adjusted working capital	\$ 49,950,737	\$ (8,484,625)
Note payable	-	35,855,042
Shareholders' equity	31,347,395	25,441,923
Total capital	\$ 81,298,132	\$ 52,812,340

The Company has evaluated its net working capital balance as at December 31, 2014 and 2013. Due to long lead times on several of the Company's exploration and development projects, from time to time the Company secures capital to fund its investments in petroleum and natural gas exploration projects in advance which has resulted in a net working capital balance. During 2014, the Company issued additional notes payable of \$10.0 million. As exploration and development projects progress the Company expects the net working capital balance may decrease from current levels, and additional capital may be required to fund additional projects. If the Company is unsuccessful in raising additional capital, the Company may have to sell or farm out certain properties. If the Company cannot sell or farm out certain properties, it will be unable to participate with joint interest partners and may forfeit rights to some of its properties.

The Company prepares annual budgets, which are updated as necessary depending on varying factors, including current and

forecast commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions.

Please see Note 14 for a discussion of the Company's covenants. Due to current economic conditions and prices, compliance of financial covenants is highly dependent on realized oil pricing in 2015. The Company is currently not in compliance with all financial covenants and sustained low WTI prices could cause the Company to not be in compliance with all financial covenants through 2015. The Company is proactive in managing debt levels and seeking out other financing alternatives to be able to be in compliance with its financial covenants.

12. 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.

(a) 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 December 31, 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 twelve months ended December 31, 2014 the Company recognized a realized gain of \$147,620 (2013 - \$15,283 loss) on its settled commodity price derivative contracts. For the twelve months ended December 31, 2014 the Company recorded an unrealized gain of \$6,217,813 (2013 - \$186,463 loss) 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
March - October	Oil	Swap	13,277 bbls	52.50
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

(b) 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 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 year ended December 31, 2014, the Company sold 62% (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 December 31, 2014, the Company had overdue past due accounts receivable from certain joint interest partners of \$340,342 which were outstanding for greater than 60 days (2013 - \$156,426) and \$481,887 that were outstanding for greater than 90 days (2013 - \$17,460). At December 31, 2014, the Company's three largest joint interest partners represented approximately 29%, 14% and 4% of the Company's 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 the counterparties meet minimum credit quality requirements.

(c) Foreign Currency Exchange Risk

The Company is exposed to foreign currency exchange fluctuations, as certain general and administrative expenses are or will be denominated in Canadian dollars and United Kingdom pounds sterling. The Company's sales of oil and natural gas are all transacted in US dollars. At December 31, 2014, the Company considers this risk to be relatively limited and not material and therefore does not hedge its foreign exchange risk.

(d) Fair Value of Financial Instruments

The Company has determined that the fair values of the financial instruments consisting of cash and cash equivalents, restricted cash, accounts receivable and accounts payable are not materially different from the carrying values of such instruments reported on the consolidated statement of financial position due to their short-term nature. At December 31, 2014, the fair value of the notes payable is \$42,366,371 plus transaction costs (December 31, 2013 - \$35,855,042) which approximates net book value as interest rates fluctuate.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents and restricted cash, which are classified as fair value through profit or loss, are categorized as Level 1 financial instruments.

All other financial assets are classified as loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the consolidated statement of financial position that have been designated as available-for-sale.

The Company's equity facility balances as described in Note 13 and the note payable - Yorkville as described in Note 15 were recorded at fair value at the inception date using a market interest rate for similar debt issued without the warrants attached. The note payable - Apollo as described in Notes 14 were recorded at fair value on issuance using a market interest rate for similar debt issued without the overriding royalty interest attached. At December 31, 2014, the fair value of the notes payable is recorded at amortized cost and the carrying value approximates fair value.

The Company's derivative liabilities as described in Notes 13 and 15 are Level 2 financial instruments and commodity price contracts are a Level 2 financial instrument.

There have been no changes to the aforementioned classifications during the years presented.

(e) Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines, natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses. The financial liabilities as at December 31, 2014 that subject the Company to liquidity risk are accounts payable, accrued liabilities, notes payable and derivative liabilities. The contractual maturity of these financial liabilities is generally the following sixty days from the receipt of the invoices for goods or services and can be up to the following next six months, except for the notes payable which are a long term financial liability which is due on demand in an event of default. Management believes that current working capital will be adequate to meet these financial liabilities as they become due.

13. Equity Facility

On November 23, 2012 the Company entered into a £6 million Standby Equity Distribution Agreement ("SEDA Agreement") and a \$12 million SEDA-backed Loan Agreement (the "Loan" or "Loan Agreement") with YA Global Master SPV Ltd., an investment fund managed by Yorkville Advisors Global, LP ("Yorkville"). During 2013 the Company received cash in the amount of US\$2,154,211 for shares issued under the SEDA agreement. This agreement has been extended until April 30, 2016.

In 2012, Caza received an initial draw-down of \$2.2 million on the Loan Agreement and may draw a second advance of \$1.8 million at its discretion. Additional draw-downs may be made with the mutual agreement of the parties. Loan repayment is supported by the SEDA Agreement, allowing Caza the option to issue equity at a 5% discount to fair market value. In connection with initial draw-down Caza issued to Yorkville 1,055,224 warrants having an exercise price of \$0.33. These warrants have been valued at US\$89,674. This loan agreement was rolled into the 4.3 million convertible loan agreement discussed below.

The Company entered into an Equity Adjustment Agreement (the "Adjustment Agreement") on March 5, 2013 with Global Master SPV Ltd., an investment fund managed by Yorkville Advisors Global, LP 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\$ - \$428,614) as security for this contingent payment obligation, which has been recorded within restricted cash on the consolidated statements of financial position.

Under the terms of the Adjustment Agreement, if on December 31 2014 and now extended until March 31, 2016 and April 30, 2016 settling one half in each period, 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 through profit or loss. The fair value of the derivative liability amounted to US\$292,088 as of December 31, 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\$137,633 since December 31, 2013 is included in other income (expenses) in the condensed consolidated statement of net loss and comprehensive loss.

14. Notes Payable - Apollo

The Company also 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.

In connection with the Tranche A Apollo Note, 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\$2,399,912 in connection with the Note Purchase Agreement. The Tranche A Apollo Note is classified as other financial liabilities and is measured at amortized cost.

The outstanding balance of the Tranche A Apollo Note as at December 31, 2014 was US\$42,366,371 (December 31, 2013 - US\$32,027,393) (net of unamortized transaction costs US\$2,633,629 (December 31, 2013 - US\$2,972,607)). 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. At December 31, 2014, the Company was not fully in compliance with its financial covenants. In February 2015, the Company and Apollo executed a Third Amendment to the Note Purchase Agreement that provides a waiver of the financial covenants until September 30, 2015. As a result the Company has reclassified the outstanding balance owing as a current liability at December 31, 2014.

Any outstanding balances in the Note Purchase Agreement 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. Additionally, if in any period the Company fails to comply with any financial or performance covenants, certain mandatory payments are required. Outstanding balances under the Note Purchase Agreement are secured by first-priority security interests in all of the Company's assets.

In addition to the 2% overriding royalty interest conveyed at the closing of the Note Purchase 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 by Caza using proceeds from the Note Purchase Agreement. These amounts are not payable until such a time that these leases produce petroleum and natural gas revenues.

Upon full repayment of Tranche A Apollo Note, 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 Agreement, which will reduce to a 12.5% net profits interest at such time as the Note Holder achieves specified investment criteria pursuant to the Note Purchase Agreement. 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.

15. 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 US\$66,691 to purchase 2,529,333 Common Shares at an exercise price of \$0.17 per share.

16. General and Administrative

During the year ended December 31, 2014 the Company incurred general and administrative expenses in the amount of \$5,939,589 (December 31, 2013 - \$6,209,190) and salaries in the amount of \$2,147,986 (December 31, 2013 - \$2,376,209).

Stock compensation amortization accounted for \$417,652 of the general and administrative costs for the year ended December 31, 2014 (December 31, 2013 - \$852,406).

17. Financing costs

Years ended December 31,	2014	2013
Unwinding of the discount (Note 5)	\$ 36,195	\$ 23,502
Amortization of financing fees	1,687,723	604,023
Interest expense	4,989,110	1,888,787
Total financing costs	\$ 6,713,028	\$ 2,516,312

18. Subsequent event

On February 18, 2015 the Company entered into an agreement in relation to a \$4.0 million convertible unsecured loan (the "Loan") to be made available by YA Global Master SPV Ltd., an investment fund managed by Yorkville. Outstanding principal of the Facility is convertible at the Investors' option into Common Shares of the Company. The conversion price, which will be determined at the date of each conversion, will be a price per Common Share equal to either (a) 92.5% of the volume weighted average of the volume weighted average prices ("VWAP") of the Common Shares during the 10 trading days on AIM prior to the conversion (such conversion being restricted to a maximum of US\$1,000,000 per month) or (b) at Investors' option, a fixed price of £0.12 (such conversion being subject to no maximum amount). The Facility bears interest on outstanding principal at 8% per annum, which interest is payable at the time of each conversion only in Common Shares based on a conversion price equal to 92.5% of the volume weighted average price of the VWAP of the Common Shares during the 10 trading days on AIM prior to the interest payment date. The Facility will mature in two years, which may be extended up to one year by principal balance of the Facility will convert into Common Shares at a conversion price equal to the closing price of the Common Shares on the preceding trading day.

Issuances of Common Shares under the Facility will be delayed in certain circumstances if the issuance would result in an investor beneficially owning or controlling more than 9.99% of the outstanding Common Shares.

The Facility may be prepaid in cash in whole or in part by Caza at any time without penalty if the closing price on AIM of the Common Shares is below £0.12. If the closing price is greater than £0.12, Caza may prepay all or part of the outstanding principal amount of the Facility in cash by paying 110% of the principal amount repaid.

The Facility agreement provides for customary events of default. Upon a declaration of an event of default, the outstanding principal balance of the Facility and accrued interest will generally convert into Common Shares at a conversion price equal to 80% of the average closing price of the Common Shares on the five preceding trading days, although the Facility may become immediately due and payable in certain circumstances.

In connection with the Facility, the Investors will receive an aggregate implementation and reimbursement fee of US\$360,000, which will be paid at the time the US\$4,000,000 initial tranche has been completely drawn. The fee will be paid through the issuance of Common Shares on the same basis as shares issued upon conversions of principal and accrued interest.

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 audited consolidated financial statements as at and for the years ended December 31, 2014 and 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 March 19, 2015.

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," "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 2015. 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 volatility of crude oil and natural gas prices and markets; the Company's ability to continue as a going concern; 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; 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 (production, severance and transportation expenses) from revenues. Management utilizes this measure to analyze operating performance.

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 Company considers funds flow from (used in) operations a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from operations may not be comparable to that reported by other companies.

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 Adjusted 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 as non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

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. References to "CDN\$" are to Canadian dollars. References to "£" are to

British pounds.

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 Southeast New Mexico and West Texas, the most prolific oil and gas basin in North America. Independent forecasts have predicted 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 Spring play will not only grow the Company but will also make it more resilient to risks associated with any single project.

As at December 31, 2014, the Company had 306 drilling locations and 31 gross (10.06 net) producing wells on its leasehold position in the Bone Spring play. The majority of the Company's leases in the play are held-by-production with no drilling obligations. Management believes that the Company is well-positioned with excellent assets and approximately 5,100 net acres (11,520 gross acres), which is approximately 22,950 net effective acres (51,840 gross effective acres) in the Bone Spring play, and plans to continue actively monitoring opportunities to build on Caza's current production levels and acreage position.

The Company's Bone Spring inventory includes the following 20 properties: Gramma Ridge, Gateway, Marathon Road, East Marathon Road, Lennox, Forehand Ranch, Forehand Ranch South, Jazzmaster, Mad River, Azotea Mesa, Bradley 29, Two Mesas, Quail Ridge, Rover, West Rover, Copperline, West Copperline, Chaparral 33, Madera and Roja.

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 at any depth will hold each lease in its entirety.

Financing

Management believes that once drilling costs come down and commodity prices recover, accelerating and expanding on the 15 Bone Spring play wells drilled in 2014 (including the recently announced Marathon Road 15 NC Fed No. 1H well) will significantly increase both production and cash flows, which will allow the Company to optimize its Bone Spring work program and drive economies of scale.

In this regard, the Company and its advisers have been actively considering all available financing options and may consider other strategic alternatives, including a review of possible asset sales, joint-venture and strategic financing partner options, other debt instruments and equity fundraisings that could provide the Company with sufficient leverage and capital to adequately exploit current and future Bone Spring opportunities.

Outlook

In an effort to maintain shareholder value in the near term, the Company continues to scale back G&A costs and capital expenditures associated with non-obligatory wells and to direct capital towards lease maintenance wells in its Bone Spring drilling program. However, subject to the availability of appropriate financing and dependent upon drilling costs and prevailing commodity prices, the Company's objective is to eventually accelerate and expand its drilling program in the Bone Spring play over the next two years. Management continues to believe 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, subject to a sufficient downward correction to drilling costs and positive recovery to oil prices, such a program can be accomplished by exploiting the Company's existing asset/lease inventory. However, management will also seek to identify appropriate corporate and asset acquisitions that may result from the current price environment, which will enable the Company to increase its position in the horizontal Bone Spring and Wolfcamp plays in the Permian Basin. Accordingly, inline 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.

SELECT ANNUAL INFORMATION

	2014	2013	2012
Financial			
Revenue oil & gas	22,945,768	8,312,526	4,969,258
Funds flow from (used in) operations ⁽¹⁾	6,241,586	(1,456,228)	(2,323,619)
Per share - basic and diluted	.03	(0.01)	(0.01)
Net loss	(7,064,478)	(8,574,365)	(12,247,999)
Per share - basic and diluted	(0.03)	(0.04)	(0.06)
Capital expenditures	40,962,347	29,222,045	12,024,155
Total assets	96,965,742	79,100,144	41,768,690
Total non-current liabilities	1,508,155	36,705,407	757,102
Cash and working capital	(49,950,737)	8,484,625	445,159
Common shares outstanding, end of year ⁽²⁾	241,107,975	209,467,097	191,245,667
Operations			
Operating netback (\$/boe) ⁽³⁾			
Revenue oil & gas	67.44	67.29	47.72
Severance tax and transportation expense	5.92	5.77	3.73
Production expenses	12.09	13.12	13.85
Operating netback ⁽³⁾	49.43	48.40	30.14
Average daily oil production (boe/day)	932	338	285

1. Calculated based on cash flow from operating activities before changes in non-cash working capital and certain other items. See "Non IFRS Measures".
2. Outstanding share amounts are calculated based on the number of outstanding common shares before the addition of 26,502,000 of common shares issuable pursuant to a share exchange and shareholders agreement among Caza and members of Caza's senior management.
3. Calculated by deducting royalties and operating costs from revenues. See "Non-IFRS Measures".

Highlights

- Natural gas, natural gas liquids and crude oil production increased by 175% in 2014 in comparison to 2013, averaging 932 boe per day in 2014 (includes associated condensate production). The increase was mainly due to the Company focusing on oil rich prospects for exploration activities.
- In the fourth quarter of 2014, production increased by 79% to 82,916 boe for the three month period ending December 31, 2014 as compared to 46,270 boe for the three month period ending December 31, 2013.
- In the fourth quarter of 2014, revenues increased by 43% to \$4,823,459 for the three month period ended December 31, 2014 as compared to \$3,381,486 for the three month period ended December 31, 2013. For the year ended December 31, 2014 revenues increased 176% to \$22,945,767 as compared to \$8,312,526 for the year ended December 31, 2013.
- All of the above increases were primarily due to the Company focusing on developing the Delaware Basin oil rich prospects and conducting successful drilling operations during 2014.

Operating Netback Summary (Non-IFRS)

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

(on a boe basis)	Three Months ended		Twelve Months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Oil and natural gas revenue	\$58.17	\$73.08	\$67.44	\$67.29
Production expense	(21.19)	(6.72)	(12.09)	(13.12)
Severance expense	(4.89)	(5.96)	(5.78)	(5.49)
Transportation expense	(0.08)	(0.21)	(0.14)	(0.28)
Operating netback (non-IFRS)	32.01	60.19	49.43	48.40

1. Calculated by deducting royalties and operating expenses (production, severance and transportation expenses) from revenues. See "Non IFRS Measures

Operating netbacks for the twelve months ended December 31, 2014 were largely unchanged as compared to the previous year. Operating netbacks for the three months ended December 31, 2014 declined in comparison to the three months ended December 31, 2013 by \$28.18, primarily as a result of the decrease in commodity prices and an increase in production expense during the fourth quarter of 2014.

FINANCIAL AND OPERATING RESULTS

Petroleum and Production Revenue

	Three Months ended		Twelve Months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Natural gas				
Production (Mcf)	63,143	72,304	416,270	248,864
Revenue (\$)	247,148	322,166	1,727,567	943,327
Price (\$/Mcf)	3.91	4.46	4.15	3.79
Light/medium crude oil				
Production (bbls)	62,497	32,819	244,407	75,737
Revenue (\$/bbl)	4,324,724	3,050,368	20,472,201	7,134,709
Price (\$/bbl)	69.20	92.95	83.76	94.20
Natural gas liquids				
Production (bbls)	9,894	1,400	26,430	6,319
Revenue (\$/bbl)	251,587	8,952	745,999	234,489
Price (\$/bbl)	25.43	6.39	28.23	37.11
Combined				
Production (boe)	82,916	46,270	340,216	123,533
Revenue (\$)	4,823,459	3,381,486	22,945,767	8,312,526
Price (\$/boe)	58.17	73.08	67.44	67.29
Boe/d	901	503	932	338
Mcf/d	5,408	3,018	5,593	2,032

For the Company, revenues from oil and gas sales increased by 176% to \$22,945,767 in 2014 up from \$8,312,526 in 2013. The increase resulted from an increase in production volumes of 175% as a result of new wells brought on line during 2014 and a 0.23% increase in the average sales price to an average sale price of \$67.44 per boe.

Average daily production increased by 176% to 932 boe/d in 2014 from 338 boe/d 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 20% of Caza's production during 2014 with natural gas liquids and crude oil comprising the remaining 80%. This is compared to a total production profile comprised of 34% natural gas production in 2013, reflecting a shift toward exploration and production of oil based reserves.

Natural gas, natural gas liquids and crude oil revenues increased 43% to \$4,823,459 for the three-month period ended December 31, 2014 from \$3,381,486 for the three-month period ended December 31, 2013. Caza's production volumes increased 79% to 82,916 boe for the three-month period ended December 31, 2014 up from 46,270 boe for the comparative period. This represents an average daily production rate increase of 79% for the three-months period ended December 31,

2014 as compared to the comparative period. The average natural gas, natural gas liquids and crude oil price received by Caza decreased 20% to \$58.17 per boe during the three-month period ended December 31, 2014 from \$73.08 per boe during the comparative period. The increase in revenues and production volumes for the three-month period ended December 31, 2014 from the comparative period occurred is a result of additional wells brought on line during the year in the New Mexico Bone Spring play.

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 wells into gathering systems.

Production Expenses

	Three Months ended		Twelve Months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Severance tax (\$)	405,822	275,956	1,967,498	678,640
Transportation (\$)	6,737	9,498	47,066	34,672
Production (\$)	1,756,991	310,782	4,113,550	1,620,847
Severance, transportation and production (\$)	2,169,551	596,236	6,128,114	2,334,159
Severance, transportation and production (\$/Boe)	26.17	12.89	18.01	18.89

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.

During the year ended December 31, 2014, Caza incurred aggregate production, transportation and severance expenses of \$6,128,113 or an average per boe of \$18.01. During the year ended December 31, 2013, Caza's aggregate production, transportation and severance expenses were \$2,334,159 or an average per boe of \$18.89. Such expenses on a per boe basis have decreased during the year ended December 31, 2014 by 5% as compared to the same period in 2013 as a result of the increased production volumes.

Severance taxes and transportation expenses were \$2,014,564 during the year and are included in production expense. This is an increase of 182% from the prior year's severance taxes and transportation expenses. The increases in severance taxes and transportation expenses are a result of the 175% increase in production levels during 2014 and the 0.23% increase in commodity prices on a per boe basis as compared to the respective periods in 2013.

Severance taxes and transportation expenses totaled \$412,519 (\$4.98/boe) for the three-month period ended December 31, 2014, as compared to \$285,454 (\$6.17/boe) in the comparative period. Severance taxes and the transportation expense increased 45% as a result of the higher production volumes and commodity prices in the three month period ended December 31, 2014 as compared to the comparative period.

Production expenses for the three-month period ended December 31, 2014 were \$1,756,991 as compared to \$310,782 for the comparative period. Caza's average lifting cost for the three-month period ended December 31, 2014 was \$21.19 per boe versus \$6.72 per boe for the comparative period. These higher lifting costs during the fourth quarter of 2014 occurred as a result of several non-recurring workovers conducted by the Company and on other non-operated wells. Production costs on a per boe basis for the year ended December 31, 2014 were \$12.09 per boe as compared to \$13.12 for the comparative period. The increase in production costs for the year ended December 31, 2014 occurred in part due to workovers on certain wells during the fourth quarter and the growth in producing wells in the New Mexico Bone Spring play.

Depletion, Depreciation, Amortization and Accretion

Depletion, depreciation, amortization and accretion expense for the three-month period ended December 31, 2014 increased to \$1,746,608 (\$21.06/boe) from \$1,250,493 (\$27.03/boe) in the comparative period. Depletion, depreciation and accretion expense increased to \$7,573,611 (\$22.26 per boe) in 2014 from \$3,459,365 (\$28.00 per boe) in 2013.

	Three Months ended		Twelve Months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Depletion and depreciation (\$)	1,736,955	1,242,198	7,537,416	3,435,862
Accretion (\$)	9,653	8,295	36,195	23,503
Depletion, depreciation and accretion (\$)	1,746,608	1,250,493	7,573,611	3,459,365
Depletion, depreciation and accretion (\$/Boe)	21.06	27.03	22.26	28.00

The decreased depletion expense on a per boe basis for the year ended December 31, 2014 occurred as a result of the

relationship of the costs incurred in drilling activities carried out in the West Texas and Southeast Texas CGU's in relation to the associated reserves recorded. This brought about an aggregate 21% decrease in depletion expense on a per boe basis as compared to the respective period in 2013.

Costs of unproved properties of \$6,247,564 (2013 - \$7,843,846) 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 December 31,		Twelve Months ended December 31,	
	2014	2013	2014	2013
General and administrative (\$)	1,779,767	1,807,442	6,158,093	6,372,751
Joint venture partner reimbursements (\$)	-	-	-	-
General and administrative recovery (\$)	(48,031)	(44,858)	(218,504)	(163,561)
Net general and administrative (\$)	1,731,736	1,762,584	5,939,589	6,209,190
General and administrative (\$/Boe)	21.46	39.06	18.10	51.59
Net general and administrative (\$/Boe)	20.89	38.09	17.46	50.26

Net general and administrative expenses for 2014 decreased to \$5,939,589 from \$6,209,190 for 2013 showing a decrease of 4% from the comparative period. On a boe basis the net general and administrative expenses decreased by 65% and 45% for the respective year and three-month period ended December 31, 2014 due to the increase in production volumes and the decrease in general and administrative expenses from the comparative period. Stock-based compensation expense in the amount of \$165,424 (2013 - \$242,190) is included in general and administrative expenses for the three-month period ended December 31, 2014 and \$417,652 (2013 - \$852,406) is included for the year ended December 31, 2014. During 2014, Caza did not capitalize general and administrative expenses relating to exploration and development activities. Caza recorded forfeitures of 100,000 stock options for the year ended December 31, 2014 (2013 - 515,000).

Income Taxes

Presently the Company does not expect to pay current taxes in the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the Company's tax horizon will ultimately depend on several factors including commodity prices, property dispositions, future production, corporate expenses, and capital expenditures to be incurred in future reporting periods. Estimated income tax losses available to be carried forward as at January 1, 2015 with respect to the Company's operations are as follows:

Expiring at December 31,	US\$
2026	1,484,777
2027	11,146,427
2028	16,409,534
2029	1,887,722
2030	9,004,333
2031	14,887,664
2032	14,704,775
2033	30,358,042
2034	36,842,115

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
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
March - October	Oil	Swap	13,277 bbls	52.50
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 December 31, 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 December 31, 2014 the Company recognized a gain of \$6,192,149 (2013 - \$15,283 loss) on its settled commodity price derivative contracts and for the year ended December 31, 2014 the Company recorded an unrealized gain of \$6,217,813 (2013 - \$186,463 loss) on unsettled commodity price derivative contracts due to higher commodity prices.

Net loss

Net loss in 2014 decreased by 18% to \$7,064,478 (\$0.03 per share, basic and diluted) compared to \$8,574,365 (\$0.04 per share, basic and diluted) in 2013. Caza incurred a net gain of \$2,896,659 for the three-month period ended December 31, 2014 as compared to a net loss of \$2,851,859 during the comparative period. The decrease in net loss during such periods was attributable to increased success in drilling activity in the Bone Spring play in New Mexico and the unrealized gain on the hedging contracts offset by increased financing costs and the loss on the disposal of the Wharton county properties.

Investments

Interest income for the three-month period ended December 31, 2014 was \$24 and \$203 for the year ended December 31, 2014, a decrease from \$1,261 during the year ended December 31, 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 "net loss", 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 December 31,		Twelve Months ended December 31,	
	2014	2013	2014	2013
<i>Cash flows from (used in) operating activities</i>	5,656,763	413,069	5,165,728	(1,810,102)
<i>Changes in non-cash working capital</i>	5,270,048	335,830	(1,075,858)	(353,874)
<i>Funds flow (used in) provided by operations</i>	386,715	77,239	6,241,586	(1,456,228)
<i>Funds loss per share - basic and diluted</i>	0.00	0.04	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 2014, and decreased general and administrative expense offset by increased production expense and financing expense as compared to 2013.

Net Loss Compared to Adjusted EBITDA (Non-IFRS)

	Three Months ended December 31,		Twelve Months ended December 31,	
	2014	2013	2014	2013
Net loss	2,896,659	(2,851,860)	(7,064,478)	(8,574,363)
Add Back:				
Financing costs	1,672,656	1,198,101	6,713,028	2,516,312
Depletion, depreciation and amortization	1,736,435	1,233,902	7,501,221	3,412,359
Accretion	9,653	8,295	36,195	23,503
Share-based compensation	358,622	242,190	610,849	852,406
Exploration and evaluation impairments	723,124	741,014	1,045,875	1,481,691
Changes in derivative liabilities	688,551	114,577	(147,620)	169,577
Long term investment plan	5,537	-	243,659	-
Loss on disposal of assets	2,069	-	8,712,773	120,041
Bad debt expense	90,091	46,367	90,091	46,368
Unrealized loss under adjustment agreement	-	330,768	-	330,768
Unrealized loss on hedging contacts	(6,192,149)	186,463	(6,217,813)	186,463
Adjusted EBITDA	1,991,248	1,249,817	11,523,780	565,125
Adjusted EBITDA per share - basic and diluted	0.01	0.01	0.05	0.00

(1) 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. See "Non IFRS Measures".

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 and increased production in the Bone Spring play in New Mexico.

Capital Expenditures

By Type (\$)	Three Months ended December 31,		Twelve Months ended December 31,	
	2014	2013	2014	2013
Drilling and completions	11,776,514	10,039,324	40,248,911	25,940,124
Seismic	-	-	-	126,800
Facilities and lease equipment	-	-	-	-
Office furnishings and equipment	-	-	47,942	1,250
Leasehold geological /geophysical	22,099	5,798	70,784	3,081,676
Other costs (recovery)		(13,364)	594,710	72,195
Total	11,798,613	10,031,758	40,962,347	29,222,045

During the year ended December 31, 2014, Caza drilled 13 gross wells (5.73 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 March 19, 2015, 241,107,975 common shares were issued and outstanding. Common shares are issuable pursuant to outstanding incentive compensation options and common share purchase warrants. In addition, the management team has the right at any time to exchange the Caza Petroleum, Inc. ("Caza Petroleum") shares currently held by them for an aggregate of 26,502,000 common shares.

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	241,107,975
Issuable from exchangeable rights	26,502,000
Issuable from exercise of warrants	3,584,557
Issuable from exercise of stock options	16,385,000
Issuable from exercise of performance awards	4,289,608 ¹
Issuable pursuant to 2015 Convertible Loan	- 2
Total Common Shares issued and issuable	291,869,140

Warrants Issued and Outstanding

Warrants to purchase common shares outstanding 3,584,557

Stock Options Issued

Stock options outstanding 16,385,000

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.
2. The Company's obligations under the 2015 Convertible Loan shall be satisfied through the issuance of common shares. The number of common shares issuable pursuant to the 2015 Convertible Loan is not ascertainable at this time. Accordingly, the shares issuable pursuant to the 2015 Convertible Loan are not reflected in the total number of common shares issued and issuable as disclosed in the above table

Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at December 31, 2014:

Type of Obligation (\$)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
Operating leases	595,357	324,481	270,876	-	-
Asset retirement obligations	1,603,655	95,500	-	-	1,508,155
Total contractual commitments	2,199,012	419,981	270,876	-	1,508,155

Liquidity and Capital Resources

Caza's 2015 operating plan calls for participation to be funded from operating cash flows, 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 fluctuates, the Company intends to alter its capital program or reduce costs in order to maintain an acceptable level of capitalization.

At December 31, 2014, Caza had a working capital deficit of \$49,950,737 as compared to a working capital surplus of \$8,484,625 as at December 31, 2013. At December 31, 2014 the Company was not in compliance with its financial covenants (see further discussion below). As a result the Company has reclassified the outstanding balance owing as a current liability at December 31, 2014 resulting in the working capital deficit. Additional changes in working capital resulted from drawdowns from credit facilities in the amount of \$6,426,018, \$6,241,586 in funds flow used in operations and proceeds from sale of assets of \$1,555,000 and stock issuances of \$10,750,717 offset by capital expenditures of \$40,962,347 in connection with drilling and lease acquisition activities and other miscellaneous costs of \$79,994. Caza had a cash balance of \$5,160,943 as of December 31, 2014 (2013 - \$18,495,086).

The Company prepares annual budgets, which are updated as necessary depending on varying factors, including current and forecast commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions.

Due to current economic conditions and prices, compliance of financial covenants is highly dependent on realized oil pricing in 2015. The Company is currently not in compliance with all financial covenants. The Company is proactive in managing debt levels and seeking out financial alternatives to be able to be compliant with its financial covenants. Although the Company has received a waiver of such non-compliance until September 30, 2015, sustained low WTI prices could cause the Company to not be in compliance with all financial covenants through all of 2015 and there can be no assurance that further waivers will be available. The Company's ability to continue as a going concern is dependent upon its ability to raise capital, restructure its debt, maintain positive cash flow and the continued support of its lenders. There is no certainty that such events will occur and that sources of financing will be obtained on terms acceptable to management. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

See "Risk Factors"

The Company has arranged for funding under the following agreements:

Convertible Loan

On February 18, 2015, the Company obtained a \$5,000,000 facility under a convertible unsecured note agreement with YA Global Master SPV Ltd., an investment fund managed by Yorkville Advisors LLC and Global Market Neutral Strategies SICAV P.L.C. An aggregate of 4,000,000 (the "2015 Convertible Loan") has been advanced to Caza under such agreement. Additional tranches may be available with the consent of the lenders. Loan proceeds will be used to cover ongoing operational costs. The injection of the entire initial tranche into the Company resulted in an agreement with its existing debt provider, Apollo Investment Corporation, which deferred determination of finance and performance covenants under the existing Note Agreement (see description below) from March 31, 2015 to September 30, 2015.

Equity raise

On July 4, 2014, the Company completed an equity raise of \$10.0 million (approximately £5.9 million and CDN\$10.7 million) through the placing of 32,679,739 common shares at a price of £0.18 (approximately CDN\$0.33) per share.

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 \$50,000,000 of senior secured notes ("Notes") from the Company. Under the Note Purchase Agreement, 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. Due to drilling delays, the Company did not satisfy its financial covenants at December 31, 2014. These have been waived by Apollo. The Company and Apollo have executed a Third Amendment to the Note Purchase Agreement that provides a waiver of the financial covenants until September 30, 2015. As a result the Company has reclassified the outstanding balance owing as a current liability at December 31, 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.

The Company received \$20,000,000 at the closing of the Note Agreement with an additional drawdown of \$5,000,000, \$10,000,000 and \$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 Notes as at December 31, 2014 was \$45,000,000 (exclusive of unamortized transaction costs \$2,633,629 (2013 - \$35,000,000 (exclusive of unamortized transaction costs \$2,972,607)). 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 \$1,667,500 in transaction costs (consisting of \$1,540,000 in issuance costs and \$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 \$2,399,912 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 December 31, 2014, the company has drawn down an aggregate of -£nil (2013 -£1,450,000) under the SEDA. During 2014, the Company issued nil (2013 - 13,975,276) common shares under the SEDA at an average price of £nil (2013 - £0.965) per share for gross proceeds of (2013 - \$2,154,210). The SEDA expires on April 30, 2016.

Equity Adjustment Agreement

The Company entered into an Equity Adjustment Agreement (the "Adjustment Agreement") on March 5, 2013 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. The proceeds were subject to adjustment as more particularly described under the heading "Share Price Risk".

Transactions with Related Parties

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 operated by the Company. These assets were sold during 2014 and there are no amounts owed to the Company in connection with these properties.

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.

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 may be required to obtain a formal valuation or disinterested shareholder approval before completing certain transactions with Caza Petroleum.

Summary of Quarterly Results

Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014
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Petroleum and natural gas sales	4,823,460	7,244,752	6,286,049	4,591,507
Net income (loss)	2,896,659	(7,743,772)	(763,150)	(1,454,212)
Per share - basic and diluted	0.01	(0.04)	(0.01)	(0.01)
Funds flow from operations (See note) (1)	386,715	2,634,496	2,381,414	893,286
Per share - basic and diluted	0.00	0.01	0.01	0.00
Net capital expenditures	11,798,613	5,865,917	13,681,171	9,616,646
Average daily production (boe/d)	901	1,210	937	685
Weighted average shares outstanding	236,355,884	214,210,273	199,323,039	187,917,370
	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013
Petroleum and natural gas sales	3,381,486	2,583,753	1,067,991	1,279,297
Net income (loss)	(2,851,860)	(1,370,132)	(3,039,336)	(1,313,035)
Per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)
Funds flow from(used in) operations (See note) (1)	276,913	(128,852)	(1,277,772)	(378,779)
Per share - basic and diluted	0.00	(0.00)	(0.00)	(0.00)
Net capital expenditures	10,031,758	19,190,280	5,275,110	2,563,409
Average daily production (boe/d)	503	397	223	230
Weighted average shares outstanding	182,965,097	177,701,939	170,879,773	165,867,263

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

Factors that have caused variations over the quarters:

- Revenues has increased as a result of the Company's increased oil production.
- During 2013 and 2014 Caza commenced drilling 25 (9.29 net) wells. 23 (8.15 net) of the 25 wells were completed during that period. As at December 31, 2014, one (0.5 net) of the wells is undergoing completion activities and one (0.63 net) well was commissioned as a disposal well.
- Capital expenditures increased during the second half of 2013 and through 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.

Commodity Price Risk

The Company is subject to commodity price risk for the sale of natural gas and other hydrocarbons. The Company has and may in the future enter into forward commodity contracts for risk management purposes, in order to protect all or a portion of its future cash flow from the volatility of hydrocarbon commodity prices or to satisfy contractual obligations under loan or other agreements with third parties. See "Gain (Loss) on Risk Management Contracts" for details regarding the Company's existing forward commodity contracts.

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 balance sheet date. A majority of the Company's financial assets at the balance sheet date arise from crude oil, natural gas liquids and natural gas sales and the Company's accounts receivable that are with customers and joint venture participants in the oil and 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, natural gas liquids and crude oil 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 year ended December 31, 2014, the Company sold 61% (December 31, 2013 - 71%) of its natural gas, natural gas liquids and crude oil to a single purchaser. These sales were conducted on transaction terms that are

typical for the sale of natural gas, natural gas liquids and crude oil in the United States. In addition, when joint operations are conducted on behalf of a joint venture partner relating to capital expenditures, costs of such operations are paid for in advance to the Company by way of a cash call by the partner of the operation being conducted.

Caza management assesses quarterly if there should be any impairment of the financial assets of the Company. At December 31, 2014, the Company had overdue accounts receivable from certain joint interest partners of \$340,432 (2013 - \$156,426) which were outstanding for greater than 60 days and \$481,887 (2013 - \$17,460) that were outstanding for greater than 90 days. At December 31, 2014, the Company's two largest joint venture partners represented approximately 36% and 29% of the Company's receivable balance respectively (December 31, 2013 - 18% and 4% respectively). The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of cash and cash equivalents and accounts receivable.

Share Price Risk

Share price risk arises under the terms of the Adjustment Agreement. As amended, such agreement provides that, if on December 31, 2015 the common share market price is greater than £0.13, then Yorkville will pay to the Company the difference multiplied by the number of common shares issued thereunder, and, if the market price is less than £0.13, then the Company will pay to Yorkville the difference multiplied by such number of common shares.

The fair value of this derivative was calculated as at December 31, 2014 using inputs as of that date, including the share price, the strike price and the estimated volatility over the remaining term. The derivative liability is classified as a financial instrument measured at fair value through profit or loss. The fair value and unrealized loss of this derivative liability was \$193,135 as of December 31, 2014

Foreign Currency Exchange Risk

The Company is exposed to foreign currency exchange fluctuations, as certain general and administrative expenses are or will be denominated in Canadian dollars and United Kingdom pounds sterling. The Company's sales of oil and natural gas are all transacted in US dollars. At December 31, 2014, the Company considers this risk to be relatively limited and not material; therefore it does not hedge its foreign exchange risk.

Fair Value of Financial Instruments

The Company has determined that the fair values of the financial instruments consisting of cash and cash equivalents, accounts receivable and accounts payable are not materially different from the carrying values of such instruments reported on the balance sheet due to their short-term nature. See "Gain (Loss) on Risk Management Contracts" and "Share Price Risk" for details regarding the fair value of the Company's existing forward commodity and equity adjustment contracts, respectively

All financial assets except for cash and cash equivalents which are classified as held for trading, are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the balance sheet that have been designated as available-for-sale. There have been no changes to the aforementioned classifications in the current fiscal period ended December 31, 2014.

Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, crude oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses. The financial liabilities as at December 31, 2014 that are subject to liquidity risk are accounts payable and accrued liabilities. The contractual maturity of these financial liabilities is generally the following sixty days from the receipt of the invoices for goods of services and can be up to the following next six months. Management believes that the Company's current working capital will be adequate to support these financial liabilities.

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.

Stock 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

Changes in Account and Future 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 32 - Financial Instruments: Presentation**. Amendments to IAS 32 clarify the meaning of "currently has a legal enforceable right to set-off" and require the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. 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.

Since November 2009, the IASB has been in the process of completing a three phase project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments", which includes requirements for hedge accounting, accounting for financial assets and liabilities and impairment of financial instruments. As of February 2014, the mandatory effective date of IFRS 9 has been tentatively set to January 1, 2018. The Company is assessing the effect of this future pronouncement on its financial statements.

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

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks and uncertainties set out below and elsewhere in this Annual Information Form are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also impair the business and operations of the Corporation and Caza Petroleum or cause the price of the Common Shares to decline. If any of the following risks actually occur, the Corporation's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline and holders of Common Shares may lose all or part of their investment.

Volatility of Crude Oil and Natural Gas Prices and Markets

The Corporation's financial condition, operating results and future growth are dependent on the prevailing prices for crude oil and natural gas production. Historically, the markets for crude oil and natural gas have been volatile and such markets are likely to continue to be volatile in the future. Prices for crude oil and natural gas are subject to large fluctuations in response to relatively minor changes to the demand for crude oil and natural gas, whether the result of uncertainty or a variety of additional factors beyond the control of the Corporation. The Corporation and its subsidiaries must periodically negotiate contracts with a limited number of potential purchasers. The price negotiated is influenced by the size of the crude oil or natural gas stream, the nature of the crude oil or natural gas and its location when produced. Any substantial decline in the prices of crude oil and natural gas could have a material adverse effect on the Corporation and the level of its crude oil and natural gas reserves. Additionally, the economics of producing from some wells may change as a result of lower prices, which could result in a suspension of production. No assurance can be given that crude oil and natural gas prices will be sustained at levels which will enable the Corporation or its subsidiaries to operate profitably. The Corporation and its subsidiaries avail themselves of forward sales or other forms of hedging activities from time to time in accordance with the Note Purchase Agreement with a view to mitigating its exposure to the risk of price volatility. Such agreements may result in sales of crude oil and natural gas which are greater or less than the prevailing spot prices for such products, which will result in realized or unrealized gains or losses for the Corporation. Further details regarding these swap arrangements are set forth in Note 13 of Caza's audited annual financial statements for the year ending December 31, 2014.

Availability of Funding and Ability to Continue as Going Concern

The Corporation's cash flow is and may not be sufficient to fund its ongoing activities. The Corporation currently intends to rely on certain existing sources of funding. Availability of these is dependent on the satisfaction of certain conditions and there can be no assurance such sources will remain available to the Corporation in the future. From time to time, the Corporation may also require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. The lack of availability of existing financing or the failure to obtain additional financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations, and may affect the Corporation's ability to expend the capital required to replace its reserves or to maintain its production. There can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Corporation. This may be complicated by the limited market liquidity for the shares of smaller companies, restricting access to some institutional investors. Continued uncertainty in domestic and international credit markets could also materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions. Furthermore, if additional financing is raised through the issuance of equity, control of the Corporation may change and the shareholders may suffer dilution. The Corporation may also consider asset dispositions or farm-out or joint venture arrangements in order to fund or implement its exploration and development activities; however, there can be no assurance that the Corporation will be able to secure such dispositions or arrangements on acceptable terms or at all. The inability of the Corporation to access sufficient capital for its operations and/or to secure acceptable alternative arrangements may have a material adverse effect on the Corporation's ability to execute its business strategy and on its business, financial condition, results of operations and prospects. If the Corporation is unable to satisfy its obligations or otherwise commits an event of default under its existing credit arrangements, the Corporation's lenders may receive a judgment and have a claim on the Corporation's assets. The proceeds of any sale of assets would be applied to satisfy amounts owed to the creditors. Only after the proceeds of that sale were applied towards the debt would the remainder, if any, be available for distribution to shareholders.

At December 31, 2014 the Company was not in compliance with its financial covenants under the Note Purchase Agreement. As a result, the Company has reclassified the outstanding balance owing as a current liability at December 31, 2014 resulting in the working capital deficit of \$49,950,737. Although the Company has received a waiver of such non-compliance until September 30, 2015, sustained low WTI prices could cause the Company to not be in compliance with all financial covenants through all of 2015 and there can be no assurance that further waivers will be available. The Company's ability to continue as a going concern is dependent upon its ability to raise capital, restructure its debt, maintain positive cash flow and the continued support of its lenders. There is no certainty that such events will occur and that sources of financing will be obtained on terms acceptable to management. These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business and its early stage of development. There are numerous factors which may affect the success of the Corporation's business which are beyond the

Corporation's control including local, national and international economic and political conditions. The Corporation's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The Corporation has no earnings and there can be no assurance that the Corporation's business will be successful or profitable or that additional commercial quantities of crude oil and natural gas will be discovered by the Corporation. The Corporation has not paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. The Corporation's current revenues are not sufficient to fund these activities and the Corporation may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global financial uncertainty exposes the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business.

Global Financial Conditions and Recession

Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions have caused a loss of confidence in the broader U.S. and global credit and financial markets and resulting in government intervention in major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions have improved, the recovery from the recession has been slow in various jurisdictions including in Europe and the United States and has been impacted by various ongoing factors including high sovereign debt levels, concerns regarding defaults by certain governments, particularly in Europe, and high levels of unemployment, which continue to impact commodity prices and to result in high volatility in the stock market.

Competitive Conditions

The oil and natural gas industry is highly competitive and Caza and its subsidiaries compete with a substantial number of other companies that have greater resources. Many of these companies explore for, produce and market oil and natural gas, carry on refining operations and market the resultant products on a worldwide basis. The primary areas in which the Corporation and its subsidiaries encounter substantial competition are in locating and acquiring desirable leasehold acreage for drilling and development operations, locating and acquiring attractive producing oil and natural gas properties, and obtaining purchasers and transporters of the oil and natural gas they produce. Many of these competitors have financial, technical and other resources substantially greater than those of the Corporation. To the extent that these companies enjoy technological advantages, they may be able to implement new technologies more rapidly than Caza and its subsidiaries. There is also competition between producers of oil and natural gas and other industries producing alternative energy and fuel. The inability to acquire desirable properties, assets or service providers as a result of competition may have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Share Price Volatility

The share price of emerging companies can be highly volatile. The price at which the Common Shares are traded and the price at which investors may realize their Common Shares will be influenced by a large number of factors, some specific to Caza and its operations and some which may affect companies trading on exchanges generally. These factors may include the performance of the Corporation and its subsidiaries, large purchases or sales of the Common Shares, legislative changes and general economic, political or regulatory conditions. Prospective investors should be aware that the value of an investment in the Corporation may go down as well as up and that the market price of the Common Shares may not reflect the underlying value of Caza. Investors may therefore realize less than, or lose all of, their investment.

Crude Oil and Natural Gas Exploration and Development

Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Corporation and its subsidiaries will result in discoveries of crude oil, condensate or natural gas that are commercially or economically feasible to produce and sell. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the shortages of and delays in the availability of drilling rigs and equipment, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Corporation's operations are subject to all the risks normally associated with the exploration, development and operation of

crude oil and natural gas properties and the drilling of crude oil and natural gas wells, including encountering unexpected formations or pressures, mechanical failures, premature declines of reservoirs, environmental damage, blow outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others. In accordance with customary industry practice the Corporation and its subsidiaries do maintain insurance coverage, but are not fully insured against all risks, nor are all such risks insurable. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing.

Exploration, appraisal and development of crude oil and natural gas reserves is speculative and involves a significant degree of risk. Few properties that are explored are ultimately developed into new reserves. If at any stage the Corporation and its subsidiaries are precluded from pursuing their exploration or development program, or such program is otherwise not continued, the Corporation's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares is likely to be materially adversely affected.

Reserves and Future Net Revenue Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived from reserves, including many factors beyond the control of the Corporation. The reserves and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flows from Caza Petroleum's properties have been independently evaluated by NSAI in the NSAI Report with an effective date of December 31, 2014. The Corporation owns 89.92% of Caza Petroleum with the balance held by the Management Team. This evaluation includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, abandonment and salvage values, royalties, government levies that may be imposed over the producing life of the reserves and reserves which are currently undiscovered but may be discovered at a future date. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flows derived there from will vary from these evaluations, and such variations could be material. Due to the limited history of Caza Petroleum's producing wells, a significant portion of its reserves have not been estimated on a decline curve analysis of production, but rather on a volumetric basis which assumes certain characteristics of the reservoir.

The present value of estimated future net revenues referred to herein should not be construed as the current market value of estimated crude oil and natural gas reserves attributable to Caza Petroleum's properties. The estimated discounted future net revenues from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net revenues will also be affected by factors such as the amount and timing of actual production, supply and demand for crude oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

Title to Properties

At the Corporation's development stage, its primary emphasis presently is upon acquiring oil and gas leasehold interests in its prospects and properties for purposes of assembling drilling prospects and drilling wells. Those leasehold interests may be acquired by various means, including direct acquisition from the owner of the mineral estate, farmout and farmin agreements with current holders of leasehold interests, participation and exploration agreements by which Caza or its subsidiaries join with other industry participants to share the costs of acquisition, exploration, and/or development costs, and other forms of agreement. In the case of farmout, farmin, participation and exploration agreements, a party may assume certain obligations to pay certain monies, acquire leases, drill wells, and/or share in other costs in order to acquire an interest in a given prospect or well. Pursuant to such agreements, one party may pay or otherwise bear the costs of another party as consideration for earning an interest, which is known as a "carry", or a "carried interest". In essence, the party bearing the costs in such an arrangement has a contractual right to earn an interest in the leases, equipment, and production associated with a given property. Once such leasehold interests are initially earned, depending upon the agreement, a party may relinquish or otherwise forfeit interests or the opportunity to earn additional interests in the future if the earning party fails to continue to bear its share of ongoing or future obligations associated with drilling, maintenance, and development operations.

Caza Petroleum and other subsidiaries of the Corporation have entered such types of agreements with respect to many of their principal prospects and properties, but not all. As to certain prospects and properties, these subsidiaries have entered multiple such agreements which may create complex earning scenarios. As a result, the subsidiaries must perform, or continue to perform, certain obligations in order to earn, or to retain, interests and/or the right to earn interests in the future. As to a number of properties and prospects, leasehold interests must be earned through the drilling and funding of oil and gas wells upon the respective lands. In addition, often parties to such agreements must make participation elections, which potentially may result in their forfeiture of interests, or alternatively, their right to acquire additional interests resulting from forfeitures by other parties. Such elections may occur more than once during the process of drilling a well. The Corporation's subsidiaries future performance under such agreements, coupled with the performance and elections by other parties, can cause these interests to increase or decrease over the time period during which such performance and elections must occur.

At the exploration stage, it is a common practice in the oil and gas industry to employ the services of landmen to review the recorded public records on file to determine the current record title interest owners to the mineral estate beneath a specific tract of land. Since the mineral and surface estates can be severed from one another, it is not uncommon for oil and gas companies

to focus on the mineral estate, for mineral leasing purposes, rather than the surface estate. In a competitive situation, this procedure is also utilized because the time periods necessary to order more thorough abstracts of title and to identify the record title ownership for mineral estates in various tracts of land could place the company at a competitive disadvantage.

Such preliminary title reviews are useful in the determination of apparent title to the subject lands but are subject to error and subject to other matters of record that may burden, diminish or defeat a company's interests in the acquired lands. Caza Petroleum generally employs reputable landmen who are experienced in title searches in the areas in which Caza Petroleum seeks to acquire interests, and the work product of those landmen are ordinarily believed to be accurate for the lands identified and pursued.

Prior to drilling a well, and after leases are secured based upon the preliminary title investigation, a more complete title review may be commissioned, or an abstract of title may be acquired, for purposes of preparing a formal drilling title opinion. Certified abstracts include copies of documents that affect ownership under a given tract of land. Such documents may include evidence of liens and encumbrances, defects in title, boundary conflicts, legal proceedings, competing claims to title, prior leases, regulatory restrictions, and similar factors. The drilling title opinion, if any, is prepared by a title attorney, and examines and discusses certain title elements, identifies certain title issues, and may recommend certain steps to pursue in resolving any such issues prior to drilling an oil or gas well. Title opinions, if any, may be prepared prior to the actual drilling of a well. They may, however, be commissioned prior to the purchase of leases where the size of the tract, the amount of lease bonus at risk, or known complexities in title warrant a detailed investigation before acquiring leases.

Caza and its subsidiaries frequently rely upon landmen to perform title reviews for purposes of acquiring leasehold interests. The Corporation's subsidiaries also review the preliminary title reviews, or title opinions if available, of companies from which it acquires interests or with which it enters agreements to earn such interests. In some cases, a title attorney may be employed to review the ownership of the mineral estate prior to acquiring leases from the owner of the mineral estate, and that review may or may not, depending upon the circumstances, address other estates in the lands (e.g., the surface ownership) and the elements stated above.

Thus, although title reviews have been and may continue to be performed according to standard industry practice prior to the acquisition of most crude oil and natural gas leases or rights to acquire leases in prospects and properties or the commencement of drilling wells, such reviews do not guarantee or preclude that an unidentified or latent defect in the chain of title will not exist, or that a third party claim will not arise that burdens, diminishes or defeats the claim of the Corporation or its subsidiaries which could result in a reduction of the revenue received by the Corporation or its subsidiaries and could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price, if any, of the Common Shares. In addition, the Corporation's subsidiaries may elect to accept certain risks in connection with title to its oil and gas prospects and properties, and acceptance of such risks can result in loss of title to all or a portion of one or more given properties, title curative costs, re-acquisition costs, and/or a reduction in the revenue received by the Corporation or its subsidiaries and could have a material adverse effect on the Corporation's business, financial condition, results of operations, and trading price of the Common Shares.

Environmental Regulation and Risks

Extensive federal, state and local environmental laws and regulations in the United States affect all of the operations of the Corporation and its subsidiaries. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that the Corporation or its subsidiaries will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on the Corporation or its subsidiaries for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation's subsidiaries or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Corporation. Moreover, the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation or its subsidiaries for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation and could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Loss of Key Personnel

The Corporation depends to a large extent on the efforts and continued employment of the Management Team, who have developed the operations of Caza Petroleum and its predecessors since inception. The loss of the services of these officers or other key personnel could adversely affect the Corporation's business, and the Corporation does not maintain key man insurance on any of these persons. The success of drilling operations and other activities integral to its business will depend in part on the ability to attract and retain experienced geologists, engineers and other professionals. Competition for experienced

geologists, engineers and some other professionals is extremely intense. The Corporation's ability to compete in the oil and natural gas exploration and production industry will be harmed to the extent that the Corporation and its subsidiaries are unable to retain and attract experienced technical personal.

Operating and Insurance Risks

The operations of the Corporation and its subsidiaries are subject to hazards and risks inherent in drilling for, producing and transporting crude oil and natural gas. These risks include, among others, fires, explosions, geologic formations with abnormal pressures, collapses of casing surrounding the drill pipe in wells, mechanical failures, failure of oilfield drilling and service tools, uncontrollable flows of underground natural gas, oil and formation water, changes in below ground pressure in a formation that causes the surface to collapse or crater, pipeline ruptures and cement failures, and environmental hazards such as leaks, spills and toxic discharges. These risks can cause substantial losses resulting from personal injury or loss of life, damage and destruction of property and equipment, pollution and other environmental damage, regulatory investigations and penalties, and suspension of operations. As protection against operating hazards and in accordance with customary industry practices, the Corporation and its subsidiaries maintain insurance coverage against some, but not all, potential losses because the insurance coverage is not available or because premium costs are considered too high. Losses could occur for uninsured risks or in amounts exceeding the insurance coverage and these losses could have a materially adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Need to Add Reserves

The Corporation's crude oil and natural gas reserves and production, and therefore its cash flows and earnings are highly dependent upon the Corporation developing and increasing its current reserve base and discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are depleted. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, the Corporation and its subsidiaries may be unable to make the capital investments required to maintain and expand their crude oil and natural gas reserves. There can be no assurance that the Corporation or its subsidiaries will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs. Failure to replace reserves could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Industry Conditions

The crude oil and natural gas industry is intensely competitive and the Corporation and its subsidiaries compete with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce crude oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis. Crude oil and natural gas production operations are also subject to all the risks typically associated with such operations, including but not limited to premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of crude oil and natural gas which may be acquired or discovered by the Corporation or its subsidiaries will be affected by numerous factors beyond the control of the Corporation. Pricing of crude oil is dependent on supply and demand for specific qualities of crude oil in specific market areas and quality differentials are therefore subject to change with time. The ability of the Corporation and its subsidiaries to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation is also subject to market fluctuations in the prices of crude oil and natural gas, uncertainties related to the delivery of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of crude oil and natural gas and many other aspects of the crude oil and natural gas business.

The Corporation and its subsidiaries are also subject to a variety of waste disposal, pollution control and similar environmental laws and regulations in each of the jurisdictions in which the Corporation or its subsidiaries operate or may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with crude oil and natural gas and can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Corporation and its subsidiaries may be responsible for abandonment and site restoration costs.

Non-Operator Activities

The Corporation's subsidiaries do not operate all of the properties in which they have an interest. Some properties are operated by other companies, and the Corporation and its subsidiaries have limited ability to influence or control the operation or future development of these non-operated properties or the amount of capital expenditures that may be required to fund their operation. Dependence on the operator and other working interest owners for these projects and the limited ability to influence or control the operation and future development of these properties could have a material adverse effect on the realization of targeted returns or lead to unexpected future costs.

Inability to Bring Actions or Enforce Judgments by United Kingdom Investors

The Corporation is incorporated under the laws of Canada, and its principal executive offices are located in the United States. A majority of the directors and officers of the Corporation reside principally in the United States and all or a substantial portion of the Corporation's assets and the assets of these persons are located outside the United Kingdom. Consequently, it may not be possible for an investor to effect service of process within the United Kingdom on the Corporation or those persons. Furthermore, it may not be possible for an investor to enforce judgments obtained in United Kingdom courts based upon the civil liability provisions of United Kingdom securities laws or other laws of the United Kingdom against the Corporation or those persons. There is doubt as to the enforceability in original actions in Canadian courts of liabilities deriving from English's securities laws, and as to the enforceability in Canadian courts of judgments of English courts obtained in actions based upon the civil liability provisions of English securities laws.

Equipment Unavailability

Caza Petroleum does not own the drilling rigs and related equipment required to develop its oil and gas properties and relies on third parties to provide drilling and other oil field services. Demand is high for equipment and services in the geographic areas that Caza Petroleum has selected for exploration and development. This demand may reduce the availability of that equipment and services and could delay Caza Petroleum's exploration, development and exploitation activities. The leases under which Caza Petroleum develops properties provide time periods during which it must generate production of oil or gas or the lease expires. Any delay that prevented completion of drilling on leased property during the term of the lease would require additional expenditures by Caza Petroleum to renew the lease or possibly the loss of any benefit from past development expenditures and future production revenue. In addition, the high demand for equipment and services increases the costs to Caza Petroleum of the equipment and associated supplies and personnel. Any substantial delays to gain access to equipment and services or material increases in costs could adversely affect Caza Petroleum's business and financial condition and have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Corporation are subject in connection with the operations of the Corporation. Some of the directors and officers are material shareholders of Caza Petroleum or are engaged and will continue to be engaged in the search for crude oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA.

Operating Through Subsidiaries

The Corporation currently conducts all of its operations through its subsidiary, Caza Petroleum. Therefore the Corporation will be dependent on the cash flows of Caza Petroleum and its subsidiaries to meet its obligations. The ability of Caza Petroleum and its subsidiaries to make payments to the Corporation may be constrained by among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates.

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

Risks of Foreign Operations

All of the Corporation's crude oil and natural gas properties and operations are located in the United States. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies, currency fluctuations and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to terrorism. The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Accordingly, the Corporation's exploration, development and production activities in the United States could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Fluctuations in Foreign Currency Exchange Rates

All of the Corporation's operations are located in the United States and all of the Corporation's sales are denominated in U.S. dollars. The SEDA and certain conversion formulae under the Convertible Loan Agreement are denominated in pounds

sterling. Fluctuations in the U.S. dollar or pound sterling exchange rates may cause a negative impact on revenue and costs or on the Corporation's ability to raise capital and could have a material adverse impact on the Corporation's operations.

Marketability of Production

The ability to generate revenue is dependent upon Caza Petroleum's ability to market its production. The marketability of such production depends in part upon a variety of factors, some of which are beyond Caza Petroleum's control. Some of these factors include the ability to:

- transport its crude oil and natural gas to market;
- access processing facilities and refining capacity; and
- obtain required regulatory approvals.

Caza Petroleum delivers oil and natural gas through pipelines and gathering systems and on barges that it does not own. These facilities may not be available to Caza Petroleum in the future. Other factors influencing the marketability of production include the nature of the crude oil produced, the availability and capacity of production gathering systems and pipelines, U.S. federal and state control and regulation of crude oil and natural gas production, transportation, and export and government intervention in the internal energy demand and supply balance. If marketability factors change, the impact on Caza Petroleum's ability to generate revenues and operate profitably could be substantial.

Seasonal Nature of the Business

Seasonal weather conditions and lease stipulations can limit drilling and producing activities and other oil and natural gas operations in certain areas of the Texas Gulf Coast region. These seasonal anomalies can increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay operations. Such cost increases or delays could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Terrorism

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope, and the United States and others instituted military action in response. These conditions caused instability in world financial markets and generated global economic instability. The continued threat of terrorism, the impact of military and other action, including U.S. military operations in Iraq and Afghanistan and the geopolitical conditions in the Middle East generally may lead to continued volatility in prices for crude oil and natural gas and could affect the markets for Caza Petroleum's production. In addition, future acts of terrorism could be directed against companies operating in the United States. Further, the U.S. government has issued public warnings that indicate that energy assets might be specific targets of terrorist organizations. These developments have subjected Caza Petroleum's operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

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, as at the financial year ended December 31, 2014, 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. The control framework our officers used to design Caza's ICFR is the *Internal Control -- Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Caza conducted an evaluation of the effectiveness of our ICFR as at December 31, 2014 based on the COSO Framework. Based on this evaluation, the officers concluded that Caza's ICFR was effective as of December 31, 2014.

There were no changes in our ICFR during the year ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, Caza's internal control over financial reporting.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Caza's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to Caza's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings

or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Caza's disclosure controls and procedures at the financial year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial year end of the Company.

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.

Contact

Caza Oil & Gas, Inc.
Michael Ford
CEO
+1 432 682 7424

Caza Oil & Gas, Inc.
John McGoldrick
Chairman
+351 282 471 010 (Portugal)

Cenkos Securities plc
Neil McDonald
+44 131 220 6939 (Edinburgh)

Cenkos Securities plc
Nick Tulloch
+44 131 220 9772 (Edinburgh)

Vigo Communications
Chris McMahan
+44 20 7920 2330