Caza Oil & Gas Inc. Announces Results for the Year Ended December 31, 2015

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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, 2015.

2015 Financial and Reserve highlights include:

- Annual revenues for the twelve month period ended December 31, 2015 decreased 56% to US$10.1 million ("MM") (US$22.9MM: 2014)
- Quarterly revenues for the three month period ended December 31, 2015 decreased 63% to US$1.77MM (US$4.82MM for the comparable three month period ended December 31, 2014)
- Average production volumes for the year 2015, decreased 24% to 706 barrels of oil equivalent ("boe") per day ("boe/d") (923 boe/d: 2014)
- As estimated by the independent report completed by CGA (as defined below under Reserve Data) dated as of December 31, 2015 (all reserve figures are net to Caza):
  - Proven (1P) reserves increased 98.1% to 12.243 MMboe (6.18 MMboe: 2014)
  - Proven plus Probable (2P) reserves increased 13.3% to 16.136 MMboe (14.24 MMboe: 2014)
  - Proven plus Probable plus Possible (3P) reserves increased 42.1% to 30.658 MMboe (21.6 MMboe: 2014)
- Raised gross debt restructuring proceeds of approximately US$45.5 million through the placing of approximately 9,467,419,937 common shares at a price of approximately US$0.0048 (equivalent to approximately 0.32 pence) per share (see "Recent Developments" below)
- Entered into a credit agreement for a five-year, senior secured, reserve-based, revolving credit facility for a maximum of US$100 million governed by an initial borrowing base of US$15 million (see "Recent Developments" below)
- Cash and cash equivalents at December 31, 2015, are US$1.62MM (US$5.2MM as at December 31, 2014)

Recent developments:

- On December 23, 2015, Caza issued and sold to Talara Opportunities V, LP ("Talara") an aggregate of 9,467,419,937 common shares in the capital of the Company for aggregate consideration of US$45.5 million. Concurrently with closing, the Company paid an aggregate of US$43.9 million to YA Global Master SPV Ltd. and GSC SICAV p.l.c. (the "Yorkville Parties") and to Apollo Investment Corporation ("AIC") to extinguish all debts and obligations owed to them by the Company and its subsidiaries, as well as all oil and gas interests previously granted to AIC by Caza. The remaining proceeds of the private placement were allocated to working capital for general corporate purposes. Closing followed receipt of requisite approvals from the TSX, including permission to rely on the financial hardship exemption provided for in the TSX Company Manual. Caza is currently subject to a TSX delisting review as a result of its reliance on the financial hardship exemption.
  In connection with the closing, certain members of Caza's Management Team and the Board exchanged their exchangeable shares of Caza Petroleum, Inc. ("Caza Petroleum") for an aggregate of 26,502,000 Common Shares, and purchased from Talara an aggregate of 176,863,889 Common Shares at an effective price of approximately US$0.0048 (equivalent to approximately 0.32 pence) per share. In addition, the Yorkville Parties agreed to transfer ownership of approximately 29,878,886 Common Shares back to the Company in connection with closing.
  Immediately following such transactions, Talara held 9,290,556,048 Common Shares (representing approximately 95.3% of the outstanding Common Shares) and members of the Management Team held 198,707,100 Common Shares (representing approximately 2% of the outstanding Common Shares). The Board was also reconstituted at closing to consist of David Zusman, David Young, Andrew Heyman and Sharon O'Shea, being Talara nominees, J. Russell Porter and Cornelius Dupré II.
  Following admission, the Company had 9,744,153,908 Common Shares admitted to trading. The figure of 9,744,153,908 Common Shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or change their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

- On January 25, 2016, Caza announced that Caza Petroleum entered into a credit agreement for a five-year, senior secured, reserve-based, revolving credit facility with JP Morgan Chase Bank, N.A., as lender and administrative agent ("JPMorgan"), with JP Morgan Securities LLC acting as sole lead arranger and sole bookrunner of the credit facility (the "Credit Facility"). The Credit Facility commitment was for a maximum of US$100 million governed by an initial borrowing base of US$15 million, including a sub-facility for the issuance of letters of credit up to a maximum aggregate face amount of 10% of the borrowing base in effect.

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, which provides the Company with low-risk, liquids-rich development opportunities from many geologic reservoirs and play types. The Permian Basin 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/Wolfcamp play and has concluded that these assets represent the best opportunity for the Company to deliver production and revenue growth within an acceptable timeframe. The Company expects that expanding and diversifying the producing asset base within the 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, 2015, the Company had 226 drilling locations and 33 gross (10.2 net) producing wells on its leasehold position in the Bone Spring/Wolfcamp 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 5,400 net acres (13,260 gross acres), which is approximately 24,300 net effective acres (59,670 gross effective acres) in the Bone Spring/Wolfcamp play, and plans to continue actively monitoring opportunities to build on Caza's current production levels and acreage position.

The Company's Bone Spring/Wolfcamp inventory includes the following 21 properties: Gramma Ridge, Gateway, Marathon Road, East Marathon Road, Lennox, Forehand Ranch, Forehand Ranch South, Jazzmaster, Mad River, Azotea Mesa, China Draw, Bradley 29, Two Mesas, Quail Ridge, Rover, West Rover, Copperline, West Copperline, Chaparral 33, Madera and Roja.

The Company's Bone Spring/Wolfcamp leases are mostly State and Federal leases with primary terms between 5-10 years, many of which are producing and help-by-production. 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 drilling and completion operations on inventoried and producing properties will significantly increase both production and cash flows, which will allow the Company to optimize its Bone Spring/Wolfcamp work program and drive economies of scale.

In this regard, the Company has entered into the Credit Facility with JPMorgan and is constantly evaluating all available financing options that could provide the Company with sufficient leverage and capital to adequately exploit current and future Bone Spring/Wolfcamp opportunities.

Outlook

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/Wolfcamp drilling program. However, 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/Wolfcamp play over the next two years. A program of this type would initially utilize the Company's current Credit Facility with JPMorgan and 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/Wolfcamp plays in the Permian Basin. Accordingly, inline with the Company's stated strategy, management's goal is to achieve material growth in the Company's reserves and production, thereby raising the Company's profile in the basin and allowing its 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 2015 to 12,243.0 Mboe or an increase of 98.1%; Proven plus Probable (2P) reserves increased at year end 2015 to 16,135.5 Mboe or an increase of 13.3%; Proven plus Probable plus Possible (3P) reserves increased at year end 2015 to 30,658.3 Mboe or an increase of 42.1% (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.

	2015			2014		
	Mbbl	MMcf	Mboe	Mbbl	MMcf	Mboe
Proven Developed						
Producing	1,231.8	1,208.0	1,433.1	1,392.0	1,444.6	1,632.8
Non-Producing	204.8	181.8	235.1	45.6	32.6	51.0
Undeveloped	5,296.8	31,667.8	10,574.8	3,218.5	7,658.9	4,495.0
Total Proven	6,733.4	33,057.5	12,243.0	4,656.1	9,136.1	6,178.8
Probable	2,216.5	10,056.4	3,892.5	6,423.1	9,854.9	8,065.6
Total Proven + Probable	8,949.9	43,113.9	16,135.5	11,079.2	18,991.0	14,244.4
Possible	10,095.1	26,566.6	14,522.8	6,156.3	7,075.1	7,335.5

Total Proven + Probable + Possible	19,044.9	69,680.5	30,658.3	17,235.5	26,066.1	21,579.9

Present value cash flows of Caza's estimated net Proven and Probable reserves as at December 31, 2015 were as follows:

Present value cash flow, net Proven plus Probable reserves:	PV 10% before income taxes	PV 10% after income taxes
	US$172,007.2M	US$111,804.7M

The reserves data set out in this announcement (including in the above tables) have been extracted from the CGA 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, 2015 (to be filed on SEDAR at www.sedar.com). The evaluation of the reserves data included in the Annual Information Form and in the CGA 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 CGA Report are to the report prepared on the Company's reserves by Cawley, Gillespie & Associates, Inc. as of December 31, 2015, and entitled "Estimates of Reserves and Future Revenue to the Caza Oil & Gas, Inc. Interest in Certain Oil and Gas Properties Located in Louisiana, New Mexico, and Texas as of December 31, 2015".

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).

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, 2015, the accompanying management's discussion and analysis and the Company's Annual Information Form for the year ended December 31, 2015 (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 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 30, 2016

(signed) "James M. Markgraf"
Chief Financial Officer

March 30, 2016

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, 2015 and 2014 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, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "Deloitte LLP"

Chartered Professional Accountants
Calgary, Alberta
March 30, 2016

Caza Oil & Gas, Inc.
Consolidated Statements of Financial Position

(In United States Dollars)

As at December 31,	2015	2014
Assets		
Current		
Cash and cash equivalents (Note 10 (c))	$1,624,080	$5,160,943
Restricted cash (Note 13)	-	428,614
Accounts receivable	1,627,448	7,531,803
Derivative assets (Note 12)	-	6,031,350
Prepaid and other	700,650	650,507
	3,952,178	19,803,217
Exploration and evaluation assets (Note 3)	7,083,676	6,247,564
Petroleum and natural gas properties and equipment (Note 4)	66,723,489	70,914,961
	$77,759,343	$96,965,742
Liabilities		
Current		
Accounts payable and accrued liabilities	$5,359,873	$21,356,234
Notes payable (Note 14)	-	42,366,370
Derivative liabilities (Note 12)	417,912	292,088
Decommissioning liabilities (Note 5)	7,693	95,500
	5,785,478	64,110,192
Decommissioning liabilities (Note 5)	1,302,359	1,508,155
	7,087,837	65,618,347
Subsequent Event (Note 18)		
Total Equity		
Share capital (Note 7(b))	135,653,313	90,326,588
Warrants (Note 7(b))	-	156,365
Share based compensation reserve	11,285,328	11,091,817
Deficit	(76,267,135)	(67,061,796)
Equity attributable to owners of the Company	70,671,506	34,512,974
Non-controlling interests	-	(3,165,579)
Total equity	70,671,506	31,347,395
	$77,759,343	$96,965,742

See accompanying notes to the consolidated financial statements

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

For the years ended December 31,	2015	2014
Revenues		
Petroleum and natural gas	$10,071,691	$22,945,768
Interest income	521	203
	10,072,212	22,945,971
Expenses (Income)		
Production	4,216,939	6,128,114
General and administrative	5,183,717	5,939,589
Depletion and depreciation (Note 4)	5,700,128	7,537,416
Financing costs (Note 17)	7,336,768	6,713,028
Other expense	(161,169)	208,996
Exploration and evaluation impairment (Note 3)	142,100	1,045,875
Loss on disposal of assets (notes 14 and 15)	(514,445)	8,712,773
Forgiveness of debt (notes 14 and 15)	(5,254,079)	-
Realized loss (gain) on risk management contracts (Note 12)	(7,905,820)	(147,620)
Unrealized loss (gain) on risk management contracts (Note 12)	6,449,261	(6,217,813)
Bad debt expense	-	90,091
	15,193,400	30,010,449
Loss before income taxes	(5,121,188)	(7,064,478)
Income taxes (Note 6)	-	-
Net loss and comprehensive loss	$(5,121,188)	$(7,064,478)
Attributable to:		
Owners of the Company	(4,337,583)	(6,302,732)
Non-controlling interests	(783,605)	(761,746)
	$(5,121,188)	$(7,064,478)
Net loss per share		
- basic and diluted ($)	(0.01)	(0.03)
Weighted average shares outstanding		
- basic and diluted (1)	456,745,886	206,941,294

(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,	2015	2014

OPERATING		
Net loss	$(5,121,188)	$(7,064,478)
Adjustments for items not affecting cash:		
Depletion and depreciation	5,700,128	7,537,416
Unwinding of the discount (Note 5)	35,881	36,195
Share-based compensation	235,320	610,849
Non-cash financing costs	1,555,886	1,687,723
Unrealized currency gain	12,768	26,704
Unrealized loss (gain) on risk management contracts	6,449,262	(6,217,813)
Exploration and evaluation impairment	142,100	1,045,875
(Gain)/loss on disposal of assets	(509,445)	8,712,773
Interest income	(521)	(203)
Debt forgiveness	(4,959,788)	-
Changes in derivative liabilities and other	(333,897)	(133,455)
Changes in non-cash working capital (Note 10(a))	3,047,172	(1,075,858)
Cash flows from / (used in) operating activities	6,253,678	5,165,728
FINANCING		
Proceeds from issuance of shares (Note 7)	45,500,000	9,368,418
Proceeds from the issuance of notes payable and warrants (Note 14 and15)	4,000,000	10,000,000
Note principal payments	(43,745,075)	(1,505,149)
Finance costs paid (Notes 14 and 15)	(49,759)	(740,000)
Interest received	521	203
Changes in non-cash working capital (Note 10(a))	(45,128)	(491,457)
Cash flow from financing activities	5,660,559	16,632,015
INVESTING		
Exploration and evaluation expenditures (Note 3)	(2,065,680)	(38,414,099)
Development and production expenditures (Note 4)	(719,502)	(2,499,689)
Purchase of office furniture and equipment (Note 4)	-	(48,558)
Proceeds from sale of assets	478,274	1,555,000
Changes in non-cash working capital (Note 10(a))	(13,144,192)	4,275,460
Cash flows used in investing activities	(15,451,100)	(35,131,886)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,536,863)	(13,334,143)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,160,943	18,495,086
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,624,080	$5,160,943

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,	2015	2014

Share Capital		
Balance, beginning of year	$90,326,588	$77,967,487
Issued	44,695,716	12,359,101
Conversion of exchangeable shares	918,572	-
Cancelled	(287,563)	-
Balance, end of year	135,653,313	90,326,588
Warrants		
Balance, beginning of year	156,365	156,365
Cancelled	(156,365)	-
Balance, end of year	-	156,365
Share based compensation reserve		
Balance, beginning of year	11,091,817	10,480,968
Share-based compensation	193,511	610,849
Balance, end of year	11,285,328	11,091,817
Deficit		
Balance, beginning of year	(67,061,796)	(60,759,064)
Net loss allocated to the owners of the Company	(4,337,583)	(6,302,732)
Conversion of exchangeable shares (note 7)	(4,867,756)	-
Balance, end of year	(76,267,135)	(67,061,796)
Non-Controlling Interests		
Balance, beginning of year	(3,165,579)	(2,403,833)
Net loss allocated to non-controlling interests	(783,605)	(761,746)
Reduction of non-controlling interest due to share exchange	(918,572)	-
Conversion of exchangeable shares (note 7)	4,867,756	-
Balance, end of year	-	(3,165,579)
Total Equity	$70,671,506	$31,347,395

See accompanying notes to the consolidated financial statements

1. Basis of Presentation

Caza Oil & Gas, Inc. ("Caza" or the "Company") was incorporated under the laws of British Columbia on June 9, 2006 for the purposes of acquiring shares of Caza Petroleum Inc. ("Caza Petroleum"). The Company and its subsidiaries are engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves. The Company's common shares are listed for trading on the Toronto Stock Exchange trading as the symbol "CAZ" and AIM stock exchange "AIM" 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.

The consolidated financial statements (the "Financial Statements") were 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 30, 2016.

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 Company	
		December 31, 2015	December 31, 2014
Caza Petroleum Inc.	Delaware/Texas	100%	90%
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 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 profit or loss.

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 re-measured 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 share-based payment 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) Future accounting pronouncements

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, 2018 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.

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The Company will adopt the standard for reporting periods beginning January 1, 2019. 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

Estimtes 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, 2015	December 31, 2014
Balance, beginning of year	$6,247,564	$7,843,846
Additions to exploration and evaluation assets	2,065,680	38,773,781
Transfers to petroleum and natural gas properties and equipment	(1,080,398)	(39,198,678)
Other adjustments	(7,070)	-
Disposals	-	(125,510)
Impairment	(142,100)	(1,045,875)
Balance, end of year	$7,083,676	$6,247,564

During the year ended December 31, 2015, the Company impaired expired leases in the amount of $142,100 (2014 - $1,045,875) relating to expiring leasehold in Southern Louisiana and East Texas and New Mexico as well as the plugging of the CML 35 State 3H non-operated well located in New Mexico.

4. Petroleum and Natural Gas Properties and Equipment

Cost	Development & Production ("D&P") Assets	Corporate Assets	Total
Balance, December 31, 2013	$73,541,238	$830,076	$74,371,314
Additions	2,817,135	48,558	2,865,693
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	87,006,755
Additions	719,502	-	719,502
Disposal of assets	(5,027,801)	-	(5,027,801)
Other adjustments	(138,617)	-	(138,617)
Transfers from E&E	1,080,398	-	1,080,398
Balance, December 31, 2015	$82,761,603	$878,634	$83,640,237

Accumulated Depletion, Depreciation and Impairment	D&P Assets	Corporate Assets	Total
Balance, December 31, 2013	$26,940,071	$813,127	$27,753,198
Depletion and depreciation	7,523,843	13,572	7,537,415

Disposal of assets	(19,198,819)	-	(19,198,819)
Balance, December 31, 2014	$15,265,095	$826,699	$16,091,794
Depletion and depreciation	5,690,207	9,921	5,700,128
Disposal of assets	(4,875,174)	-	(4,875,174)
Impairment	-	-	-
Balance, December 31, 2015	$16,080,128	$836,620	$16,916,748
Carrying amounts			
At December 31, 2014	$70,863,026	$51,935	$70,914,961
At December 31, 2015	$66,681,475	$42,014	$66,723,489

Future development costs of proved undeveloped reserves of $141,506,000 were included in the depletion calculation at December 31, 2015 (2014 - $76,719,200).

The Company reviewed each CGU comprising its property and equipment at September 30, 2015 and December 31, 2015 for indicators of impairment and determined that indicators were present related to continued decreases in current and future oil and natural gas prices. The company performed an impairment test at September 30, 2015 and recorded a $17,451,220 impairment loss associated with the New Mexico CGU, based on fair value less costs to sell estimates as at September 30, 2015, due to declining commodity prices. The company performed an additional impairment test at December 31, 2015 and concluded that the reserve values estimates at December 31, 2015 as compared to the carrying value of its petroleum and natural gas properties justified the reversal of the previously recorded impairment.

The key assumptions used in determining the recoverable amounts for purposes of the impairment test were the discount rate, commodity prices, resource volumes, future capital cost estimates, and timing of future capital investments.

The impairment test used a 12.5% discount rate at September 30, 2015 and December 31, 2015 (2014 - 12.5%). The petroleum and natural gas future prices for the December 31, 2015 impairment test, are based on commodity price forecasts of the Company's independent reserve evaluators for 2015 as follows:

	NYMEX WTI Crude Oil[1]	Henry Hub Natural Gas[1]
Year	($/bbl)	($/mmbtu)
2016	45.00	2.25
2017	60.00	3.00
2018	70.00	3.50
2019	80.00	4.00
2020	81.20	4.25
2021	82.42	4.31
2022	83.65	4.38
2023	84.91	4.44
2024	86.18	4.51
2025	87.48	4.58
2026	88.79	4.65
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 year ended December 31, 2015, the Company completed the sales of certain oil and gas

properties for total cash consideration of $478,274 (2014 - $1,555,000), subject to final adjustments. The sales resulted in a loss recognized in comprehensive loss of $509,445 (2014 - $8,687,750).

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, 2015 and December 31, 2014:

	2015	2014
Decommissioning liabilities, beginning of year	$1,603,655	$972,634
Obligations incurred	12,479	501,676
Revision in estimated cash flows and discount rate	(272,029)	365,625
Obligations settled and disposed	(69,934)	(272,475)
Unwinding of the discount	35,881	36,195
Decommissioning liabilities, end of year	$1,310,052	$1,603,655
Current portion	7,693	95,500
Long-term decommissioning liabilities	$1,302,359	$1,508,155

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 $2,922,088 (December 31, 2014 - $3,254,986). The December 31, 2015 obligation was calculated using a risk free discount rate of 2.67 percent (December 31, 2014 - 2.5%) and an inflation rate of 3 percent (2014 - 3%). The Company expects these obligations to be settled in approximately 1 to 41 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.

	2015	2014
Loss before income taxes	$(5,121,188)	$(7,064,478)
Income tax recovery at statutory rate of 25% (2014 - 25%)	(1,280,297)	(1,766,119)
Difference in statutory rates: Canada vs. United States	(512,119)	(706,448)
Share-based compensation	68,012	146,178
Other	50,849	76,382
Unrecognized deferred tax assets	1,673,555	2,250,007
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:

	2015	2014
United States:		
Deferred income tax liability (asset):		
Petroleum and natural gas properties	$22,757,290	$25,165,493
Decommissioning obligations	(458,519)	(561,280)

Net operating losses carried forward	(47,222,957)	(47,854,844)
	(24,924,186)	(23,250,631)
Unrecognized deferred tax assets	24,924,186	23,250,631
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
2027	-
2028	7,714,942
2029	16,409,534
2030	1,887,722
2031	9,004,333
2032	14,887,664
2033	14,704,775
2034	30,358,042
2035	39,952,987
2036	-

7. Share Capital and Warrants

a. Authorized

Unlimited number of voting common shares.

b. Issued

	December 31, 2015		December 31, 2014	
	Number	$	Number	$
Opening balance common shares	236,355,884	90,326,588	182,965,097	77,967,487
Stock issuances	9,511,174,910	44,695,716	53,390,787	12,359,101
Conversion of exchangeable shares	26,502,000	918,572	-	-
Cancelled	(29,878,886)	(287,563)	-	-
Balance, end of year	9,744,153,908	135,653,313	236,355,884	90,326,588
Opening balance warrants	3,584,557	156,365	3,584,557	156,365
Expired	(1,055,224)	(89,674)	-	-
Cancelled	(2,529,333)	(66,691)	-	-
Balance, end of year	-	-	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.
On November 4, 2015, the Company issued 24,537,897 common shares to YA Global Masters SPV Ltd. at a price of £0.004649 per share pursuant to receiving a conversion notice in accordance with the terms of the

$4.0 million convertible unsecured loan, see note 15.

On December 24, 2015, the Company closed a private placement through a ("Lender Settlement Agreement") of 9,467,419,937 common shares at US$0.0048 per share for gross proceeds of US$45,500,000, issued 26,502,000 common shares of the Company in exchange of 26,502,000 exchangeable shares in Caza Petroleum held by management. In addition, 29,878,886 common shares held by Global Master SPV Ltd. were returned and cancelled, see note 15.

The 2,529,333 common share warrants are exercisable at $0.17 and expire on November 1, 2016. On December 24, 2015, under the conditions of the Lender Settlement agreement the Company cancelled all remaining common share warrants, see note 15.

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. On December 24, 2015, under the conditions of the Lender Settlement agreement the Company cancelled all remaining outstanding stock options and the remaining unvested stock based compensation expense of $109,813 was recorded.

A summary of the Company's stock option plan as the years ended December 31, 2015 and year end December 31, 2014 presented below:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average Exercise price	Number of options	Weighted average exercise price
Beginning of year	16,385,000	$0.29	15,985,000	$0.28
Granted	-	-	500,000	$0.22
Exercised	-	-	-	-
Cancelled	16,385,000	$0.28	100,000	$0.28
End of year	-	$0.00	16,385,000	$0.28
Exercisable, end of year	-	$0.00	14,071,661	$0.29

During the year ended December 31, 2015, nil (2014 - 500,000) options were granted with a fair value of $nil (2014 - 124,500). 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

The Company's 2014-2016 Inventive 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 the program.

The Board of Directors 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. On March 19, 2015 the Board of Directors approved the issuance of 2,051,308 common shares for the 2014 period under the performance program. The Company has previously recorded an expense of $201,849 to contributed surplus for these shares issued in the second quarter of 2015. On December 24, 2015, under the conditions of the Lender Settlement agreement the Company cancelled all remaining outstanding undistributed performance awards.

e. Share-based compensation reserve

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

	December 31, 2015	December 31, 2014
Balance, beginning of year	$11,091,817	$10,480,968
Share-based compensation expense	193,511	610,849
Balance, end of year	$11,285,328	$ 11,091,817

f. Non-controlling interest

Number of exchangeable rights outstanding	December 31, 2015	December 31, 2014
Beginning of year	26,502,000	26,502,000
Exchanged	(26,502,000)	-
End of year *(i)*	-	26,502,000

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

On December 24, 2015, Management exchanged 26,502,000 exchangeable shares in Caza Petroleum for a total of 26,502,000 common shares of the Company.

In 2015 and 2014, issuances of common shares had a nominal impact on the number of exchangeable rights in the year.

8. Related Party Transactions

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,	2015	2014
Salaries and wages	$1,586,103	$1,522,926
Share-based payments	235,320	325,551
	$1,821,423	$ 1,848,477

9. Commitments and Contingencies

As of December 31, 2015 the Company is committed under operating leases for its offices in the following aggregate minimum lease payments which are shown below as operating commitments:

2016	$145,646
2017	$125,230

10. Supplementary Information

(a) Net change in non-cash working capital

Year ended December 31,	2015	2014
Provided by (used in)		
Accounts receivable	$5,904,355	$(1,948,987)
Prepaid and other	(50,142)	(546,063)
Accounts payable and accrued liabilities	(15,996,361)	5,203,195
	$(10,142,148)	$2,708,145
Summary of changes		
Operating	$3,047,172	$(1,075,858)
Investing	(13,144,192)	4,275,460
Financing	(45,128)	(491,457)
	$(10,142,148)	$2,708,145

(b) Supplementary cash flow information

Year ended December 31,	2015	2014
Interest paid	$5,295,000	$4,940,000
Interest received	521	203

(c) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on deposit	$1,554,469	$5,091,380
Money market instruments	69,611	69,563
Cash and cash equivalents	$1,624,080	$5,160,943

The money market instruments bear interest at a rate of 0.19% as at December 31, 2015 (December 31, 2014 -
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, 2015	December 31, 2014
Cash and cash equivalents	$(1,624,080)	$(5,160,943)
Other current assets	(2,328,098)	(8,610,924)
Accounts payable and accrued liabilities and short term note payable	5,359,873	63,722,604
Adjusted working capital	$ 1,407,695	$49,950,737
Note payable -long term		-
Shareholders' equity	70,671,506	31,347,395
Total capital	$ 72,079,201	$81,298,132

The Company has evaluated its net working capital balance as at December 31, 2015 and December 31, 2014. 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. At December 31, 2015 the notes payable balance was reclassified to current which created a negative working capital balance. On February 18, 2015 the Company issued $4,000,000 under an unsecured convertible note. 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.

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. Except as noted below there have been no changes in the Company's risks, or the objectives, policies and processes to manage these risks.

a. Commodity Price Risk

The Company is subject to commodity price risk for the sale of oil and 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 oil and natural gas commodity prices. The Company has entered into swap contracts to limit exposure to declining crude oil prices. 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, 2015, 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 year ended December 31, 2015 the Company recognized a realized gain of $7,905,820 (2014 - $147,620 gain) on its settled commodity price derivative contracts. For the year ended December 31, 2015 the Company recorded an unrealized loss of $6,449,261 (2014 - $6,217,813 gain) on unsettled commodity price derivative contracts. The fair value of these contracts at December 31, 2015 was $(417,912) (December 31, 2014 $6,031,350).

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

Term	Product	Type	Total Volume	$ Price
2016				
January-December	Differential	Swap	55,906 bbls	-4.25
2017				
January-December	Differential	Swap	43,896 bbls	-4.25

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, 2015, the Company sold 58% (2014 - 62%) 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, 2015, the Company had past due accounts receivable from certain joint interest partners of $102,665 which were outstanding for greater than 60 days (December 31, 2014 - $340,342) and $98,242 that were outstanding for greater than 90 days (December 31, 2014 - $481,887). At December 31, 2015, the Company's three largest joint interest partners represented approximately 13%, 6% and 4% of the Company's receivable balance (December 31, 2014 - 29%, 14% and 4% 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, 2015, 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, 2015, the fair value of the notes payable is $nil plus transaction costs (December 31, 2014 - $42,366,371) 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 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, 2015 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 of 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

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 ("Yorkville") in conjunction with its SEDA Agreement dated November 23, 2012 with Yorkville. Pursuant to the Adjustment Agreement, during the three months ended March 31, 2013, the Company issued 3,846,154 common shares to Yorkville at a price of £0.13 per share for aggregate proceeds of £500,000 (US$756,451).

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 though profit or loss. On December 24, 2015, as part of the Company's Lender Settlement Agreement the Adjustment Agreement obligation and associated derivative liability (December 31, 2014 - US$292,088 liability) was extinguished for no consideration. The change in fair value of US$(12,768) since December 31, 2014 is included in other income (expenses) in the consolidated statement of net loss and comprehensive loss. The Company had deposited in escrow £275,000 (US$ - $428,614) as security for this contingent payment obligation, which had previously been recorded within restricted cash on the consolidated statements of financial position.

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 December 2015, the Company entered into a Lender Settlement Agreement with Apollo whereby all debts and obligations under the Note agreement and all oil and gas interest previously granted by the Company in favour of Apollo, were extinguished on December 24, 2015 in consideration for payments of approximately US$41,025,000.

The outstanding balance of the Tranche A Apollo Note as at December 31, 2015 was US$nil (December 31, 2014 - US$42,366,370) (net of unamortized transaction costs US$nil (December 31, 2014 - US$2,633,629). The Tranche A Apollo Note beared interest at a floating rate of one-month LIBOR (with a floor of 2%) plus 10% per annum, payable monthly.

15. Convertible Unsecured Loan - Yorkville

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 and Global Market Neutral Strategies SICAV P.L.C. (collectively, the "Investors"). On December 24, 2015, the Company entered into Lender Settlement Agreement with the investors whereby all debts and obligations under the Loan were extinguished on December 24, 2015 in consideration for payments of approximately US$2,500,000 and Yorkville in connection the Lender Settlement Agreement cancelled 29,878,886 shares.

The outstanding balance of the convertible note at December 31, 2015 was US$nil (net of unamortized transaction costs of $nil). The 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.

16. General and Administrative

During the year ended December 31, 2015 the Company incurred general and administrative expenses in the amount of $5,183,717 (December 31, 2014 - $5,939,589) and salaries in the amount of $2,060,592 (December 31, 2014 - $2,147,986). Share-based compensation expense accounted for $235,320 of the general and administrative costs for the year ended December 31, 2015 (December 31, 2014 - $417,652).

17. Financing costs

Years ended December 31,	2015	2014
Unwinding of the discount (Note 5)	$35,882	$36,195
Amortization of financing fees	1,298,639	1,687,723
Interest expense	6,002,247	4,989,110
	$7,336,768	$6,713,028

18. Subsequent event

On January 25, 2016, the Company's wholly owned subsidiary, Caza Petroleum entered into a credit agreement for a five-year, senior secured, reserve-based, revolving credit facility (the "Credit Facility"). Pursuant to the credit agreement, the Credit Facility commitment is a maximum US$100.0 million, governed by an initial borrowing base of US$15.0 million, including a sub-facility for the issuance of letters of credit up to a maximum aggregate face amount of 10% of the borrowing base in effect. Interest on loans under the Credit Facility may be elected by Caza Petroleum to be based on LIBOR or a base rate (determined as the greatest of the prime rate, federal funds rate + 0.50% and adjusted LIBOR + 1%) from time to time, plus a margin determined based upon utilization of the borrowing base ranging from 2% to 3% for LIBOR loans and ranging from 1% to 2% for base rate loans. The Credit Facility also requires Caza Petroleum to pay a commitment fee equal to 0.50% per annum based on the average daily unused portion of the borrowing base. Additionally, upfront fees will be paid to the lender at closing in an amount equal to 0.50% of the initial borrowing base. The Credit Facility includes financial covenants tested on a quarterly basis, including a maximum funded debt to EBITDAX ratio of 4.0x and a minimum current asset to current liabilities ratio of 1.0x, each tested on a consolidated basis for Caza Petroleum and its subsidiaries. The Credit Facility also includes representations, warranties, affirmative and negative covenants, events of default, remedial provisions and other terms that are usual and customary for secured reserve-based credit facilities. Subject to the borrowing base in effect, the Credit Facility is available on a revolving basis during the period commencing on the closing date and ending on the fifth anniversary of the closing date, which is January 21, 2021.

The borrowing base is the loan value to be assigned to the proved reserves attributable to the Company's proved oil and gas properties, as evaluated in the most recent reserve report(s) and delivered pursuant to the credit agreement. As of the closing date, the borrowing base was set at US$15.0 million until the next scheduled redetermination or as the borrowing base is otherwise adjusted or redetermined. Redeterminations based on updated reserve reports are scheduled semi-annually, and each of Caza Petroleum and the lender have the ability to request one interim redetermination in each six-month period between scheduled redeterminations. The initial borrowing base redetermination will occur on July 1, 2016, unless the borrowing base is adjusted or redetermined before such date in accordance with the terms of the Credit Facility.

The Credit Facility is guaranteed by Caza Petroleum's wholly owned subsidiary, Caza Operating, LLC ("Caza Operating"), and the collateral provided to secure the Credit Facility (and any hedges or cash management obligations owing to the lender) consists of substantially all of Caza Petroleum's and Caza Operating's respective now owned or hereafter acquired personal property, as well as at least 80% of the PV-9 of their oil and gas properties.

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 for the years ended December 31, 2015 and 2014. 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 30, 2016.

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 2016 and have made certain assumptions about the Company's ability to continue as a going concern and to complete a financing or other strategic transaction on suitable terms. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: risks associated with the Company's ability to continue as a going concern; the Company's ability to complete a strategic transaction; volatility of crude oil and natural gas prices and markets; 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 will be the same as those set forth herein. Actual results may vary, perhaps materially. 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, if any, 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 certain other items, 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 share-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, which provides the Company with low-risk, liquids-rich development opportunities from many geologic reservoirs and play types. The Permian Basin 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/Wolfcamp play and has concluded that these assets represent the best opportunity for the Company to deliver production and revenue growth within an acceptable timeframe. The Company expects that expanding and diversifying the producing asset base within the 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, 2015, the Company had 226 drilling locations and 33 gross (10.2 net) producing wells on its leasehold position in the Bone Spring/Wolfcamp 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 5,400 net acres (13,260 gross acres), which is approximately 24,300 net effective acres (59,670 gross effective acres) in the Bone Spring/Wolfcamp play, and plans to continue actively monitoring opportunities to build on Caza's current production levels and acreage position.

The Company's Bone Spring/Wolfcamp inventory includes the following 21 properties: Gramma Ridge, Gateway, Marathon Road, East Marathon Road, Lennox, Forehand Ranch, Forehand Ranch South, Jazzmaster, Mad River, Azotea Mesa, China Draw, Bradley 29, Two Mesas, Quail Ridge, Rover, West Rover, Copperline, West Copperline, Chaparral 33, Madera and Roja.

The Company's Bone Spring/Wolfcamp leases are mostly State and Federal leases with primary terms between 5-10 years, many of which are producing and help-by-production. 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 drilling and completion operations on inventoried and producing properties will significantly

increase both production and cash flows, which will allow the Company to optimize its Bone Spring/Wolfcamp work program and drive economies of scale.

In this regard, the Company has entered into the Credit Facility with JPMorgan and is constantly evaluating all available financing options that could provide the Company with sufficient leverage and capital to adequately exploit current and future Bone Spring/Wolfcamp opportunities.

Outlook

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/Wolfcamp drilling program. However, 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/Wolfcamp play over the next two years. A program of this type would initially utilize the Company's current Credit Facility with JPMorgan and 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/Wolfcamp plays in the Permian Basin. Accordingly, inline with the Company's stated strategy, management's goal is to achieve material growth in the Company's reserves and production, thereby raising the Company's profile in the basin and allowing its value to be maximized and, if appropriate, fully matured over the short-to-medium term.

See "Liquidity and Capital Resources" and "Risk Factors".

SELECT ANNUAL INFORMATION

	2015	2014	2013
Financial			
Revenue oil & gas	10,071,691	22,945,768	8,312,526
Funds flow from (used in) operations [1]	3,206,500	6,241,586	(1,456,228)
Per share - basic and diluted	0.01	0.03	(0.01)
Net loss	(5,121,188)	(7,064,478)	(8,574,365)
Per share - basic and diluted	(0.01)	(0.03)	(0.04)
Capital expenditures	2,785,181	40,962,347	29,222,045
Total assets	77,759,343	96,965,742	79,100,144
Total non-current liabilities	1,302,359	1,508,155	36,705,407
Cash and working capital	(1,833,299)	(49,950,737)	8,484,625
Common shares outstanding, end of year [2]	9,744,153,908	241,107,975	209,467,097
Operations			
Operating netback ($/boe) [3]			
Revenue oil & gas	39.08	67.44	67.29
Severance tax and transportation expense	3.48	5.92	5.77
Production expenses	12.88	12.09	13.12
Operating netback [3]	22.72	49.43	48.40
Average daily oil production (boe/day)	706	932	338

[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) 2014 and 2013 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 expenses (production, severance and transportation expenses) from revenues. See "Non-IFRS Measures".

Operating Netback Summary (Non-IFRS)

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

	Three Months ended December 31,		Twelve Months ended December 31,	
($/boe)	2015	2014	2015	2014
Oil and natural gas revenue	33.42	58.17	39.08	67.44
Production expense	(19.08)	(21.19)	(12.88)	(12.09)
Severance expense	(2.77)	(4.89)	(3.22)	(5.78)
Transportation expense	(0.63)	(0.08)	(0.26)	(0.14)
Operating netback (non-IFRS)	10.94	32.01	22.72	49.43

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

Operating netbacks for the three and twelve months ended December 31, 2015 were $10.94/boe and $22.72/boe compared to $32.01/boe and $49.43/boe, respectively in the previous year. Operating netbacks in 2015 declined in comparison to prior year as a result of the significant decrease in commodity prices and increases in production expenses.

FINANCIAL AND OPERATING RESULTS

Petroleum and Production Revenue

	Three Months ended December 31,		Twelve Months ended December 31,	
	2015	2014	2015	2014
Natural gas				
Production (Mcf)	47,646	63,143	203,898	416,270
Revenue ($)	135,238	247,148	609,649	1,727,567
Price ($/Mcf)	2.84	3.91	2.99	4.15
Light/medium crude oil				
Production (bbls)	38,609	62,497	200,927	244,407
Revenue ($/bbl)	1,554,297	4,324,724	9,160,159	20,472,202
Price ($/bbl)	40.26	69.20	45.59.33	83.76
Natural gas liquids				
Production (bbls)	6,302	9,894	22,798	26,430
Revenue ($/bbl)	76,780	251,587	301,883	745,999
Price ($/bbl)	12.18	25.43	13.24	28.23
Combined				

Production (boe)	52,852	82,916	257,707	340,216
Revenue ($)	1,766,315	4,823,459	10,071,691	22,945,768
Price ($/boe)	33.42	58.17	39.08	67.44
Boe/d	574	901	706	932
Mcfe/d	3,447	5,408	4,236	5,593

Revenues from oil and gas sales decreased by 56% to $10,071,691 for year ended December 31, 2015 compared to $22,945,768 in 2014. The decrease is mainly due to decreases in commodity prices and production volumes in 2015.

Average daily production decreased by 24% to 706 boe/d in 2015 from 932 boe/d in 2014. Natural gas liquids and crude oil production made up 87% of Caza's production during 2015 with natural gas comprising the remaining 13%. This is compared to a total production profile comprised of 20% natural gas production in the comparative period in 2014, reflecting a shift toward exploration and production of oil based reserves.

Revenues from oil and gas decreased 63% to $1,766,315 for the three-month period ended December 31, 2015 from $4,823,459 for the three-month period ended December 31, 2014. Caza's production volumes decreased 36% to 52,852 boe for the three-month period ended December 31, 2015 down from 82,916 boe for the comparative period. This represents an average daily production rate decrease of 36% for the three-months period ended December 31, 2015 as compared to the comparative period. The average natural gas, natural gas liquids and crude oil price received by Caza decreased 43% to $33.42 per boe during the three-month period ended December 31, 2015 from $58.17 per boe during the comparative period. The decrease in revenues and production volumes for the three-month period ended December 31, 2015 from the comparative period occurred is a result of the dramatic decrease on commodity prices and the decreased drilling activity throughout the year.

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 December 31,		Twelve Months ended December 31,	
	2015	2014	2015	2014
Severance tax ($)	146,239	405,822	831,074	1,967,498
Transportation ($)	33,516	6,737	67,869	47,066
Production ($)	1,008,237	1,756,991	3,317,996	4,113,550
Severance, transportation and production ($)	1,187,992	2,169,551	4,216,939	6,128,114
Severance, transportation and production ($/boe)	22.48	26.17	16.36	18.01

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, 2015, Caza incurred aggregate production, transportation and severance expenses of $4,216,939 ($16.36/boe) compared to $6,128,114 ($18.01/boe) in 2014. Such expenses on a per boe basis have decreased during the year ended December 31, 2015 by 9% as compared to the same period in 2014 as a result of the decreased production costs in relation to the volumes produced during the year. During the three-month period ended December 31, 2015, Caza incurred aggregate production, transportation and severance expenses of $1,187,992 or an average per boe of $22.48. Such expenses on a per boe basis have decreased during the three-month period by 14% as

compared to the same period in 2014 as a result of the costs incurred each period in relation to the volumes produced during that period.

Severance taxes and transportation expenses totaled $898,943 ($3.49/boe) for the year ended December 31, 2015, as compared to $2,014,564 ($5.92/boe) in the comparative period. Severance taxes and the transportation expense decreased 55% as a result of the lower commodity prices in 2015 as compared to the comparative period. Severance taxes and transportation expenses totaled $179,755 ($3.40/boe) for the three-month period ended December 31, 2015, as compared to $412,559 ($4.98/boe) in the comparative period in 2014. Severance taxes and the transportation expense decreased 56% as a result of lower commodity prices as well as the decrease in production volumes as compared to the comparative period.

Production costs on a per boe basis for the year ended December 31, 2015 were $12.88 per boe as compared to $12.09 for the comparative period. The decrease in production costs for the year ended December 31, 2015 occurred in part due to Company cost savings measures implemented during the year on producing wells in the New Mexico Bone Spring play. Production expenses for the three-month period ended December 31, 2015 were $1,008,237 as compared to $1,756,991 for the comparative period in 2014. Caza's average lifting cost for the three-month period ended December 31, 2015 was $19.08 per boe versus $21.19 per boe for the comparative period. These lower lifting costs on a per boe basis occurred as a result of the costs savings activities implemented by the Company.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense in 2015 decreased to $5,736,009 ($22.26/boe) from $7,573,611 ($22.26/boe) in the comparative period in 2014. Depletion, depreciation and accretion expense for the three-month period ended December 31, 2015 decreased to $735,976 ($13.93/boe) from $1,746,608 ($21.06/boe) in the comparative period in 2014.

	Three Months ended December 31,		Twelve Months ended December 31,	
	2015	2014	2015	2014
Depletion and depreciation ($)	727,231	1,736,955	5,700,128	7,537,416
Accretion ($)	8,745	9,653	35,881	36,195
Depletion, depreciation and accretion ($)	735,976	1,746,608	5,736,009	7,573,611
Depletion, depreciation and accretion ($/boe)	13.93	21.06	22.26	22.26

The decreased depletion expense on a per boe basis for the year ended December 31, 2015 occurred as a result of the relationship of the costs incurred in drilling activities carried out in the New Mexico Cash Generating Unit in relation to the associated reserves recorded. This brought about an aggregate 41% decrease in depletion expense for the three-month period ended December 31, 2015 as compared to the comparative period in 2014.

Costs of unproved properties of $7,083,677 (2014 - $6,247,564) 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,	
	2015	2014	2015	2014

General and administrative ($)	1,611,452	1,779,767	5,276,917	6,158,093
General and administrative recovery ($)	(21,279)	(48,031)	(93,200)	(218,504)
Net general and administrative ($)	1,590,173	1,731,736	5,183,717	5,939,589
General and administrative ($/boe)	30.49	21.46	20.48	18.10
Net general and administrative ($/boe)	30.09	20.89	20.11	17.46

Net general and administrative expenses for 2015 decreased to $5,183,717 from $5,939,589 for 2014 showing a decrease of 13% from the comparative period. Net general and administrative expenses for three-month period ended December 31, 2015 decreased 8% to $1,590,173 from $1,731,736 for the comparative period in 2014. On a per boe basis the net general and administrative expenses increased by 15% and 44% for the twelve and three months ended December 31, 2015, respectively. The increase is due to the decrease in production volumes offset by the decrease in general and administrative expenses from the comparative period in 2014. The Company is continuing to strive to find cost savings measures in overhead expenditures that are reflected in the lower general and administrative costs as compared to the same periods in 2014.

Share-based compensation expense in the amount of $235,320 (2014 - $417,652) is included in general and administrative expenses for the year ended December 31, 2015. During 2015, Caza did not capitalize general and administrative expenses relating to exploration and development activities. Under the conditions of the Lender Settlement Agreement the Company forfeited all of the remaining outstanding of stock options on December 24, 2015 (2014 - 100,000).

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, 2016 with respect to the Company's operations are as follows:

Expiring at December 31,	Amounts
	US
2027	-
2028	7,714,942
2029	16,409,534
2030	1,887,722
2031	9,004,333
2032	14,887,664
2033	14,704,775
2034	30,358,042
2035	39,952,987
2036	-

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. By mutual agreement with the lender the Company has not taken on any new hedges

in the current commodity environment.

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
2016				
January - December	Differential	Swap	55,906 bbls	-4.25
2017				
January - December	Differential	Swap	43,896 bbls	-4.25

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, 2015, 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 year ended December 31, 2015 the Company recognized a realized gain of $7,905,820 (2014 - $147,620 gain) on its settled commodity price derivative contracts. For the year ended December 31, 2015 the Company recorded an unrealized loss of $6,449,262 (2014 - $6,217,813 gain) on unsettled commodity price derivative contracts. The fair value of these contracts at December 31, 2015 was $(417,912) (December 31, 2014 $6,031,350).

Net loss

Net loss for the year ended December 31, 2015 decreased by 28% to $5,121,188 ($0.01 loss per share, basic and diluted) compared to $7,064,478 ($0.03 loss per share, basic and diluted) in the comparative period in 2014. Net gain for the three-month period ended December 31, 2015 increased by 496% to $17,254,644 compared to net income of $2,896,659 in the comparative period in 2014. The annual decrease in net loss during such periods was attributable to the recorded gain on debt forgiveness of 5,254,079 and the 7,905,820 gain from hedging contract settlements during the current period offset by lower commodity prices and production as a result of the slowing in drilling activity in the Bone Spring play in New Mexico, and the unrealized hedging gain of $6,217,813 recorded in the comparative period.

Investments

Interest income for the year and three-months ended December 31, 2015 was $521 and $118, compared to $203 and $24 respectively in 2014. Interest was earned on the proceeds received from advances made pursuant the Company's credit facilities and cash on hand. The Company does not hold any asset backed commercial paper.

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

The following table reconciles the non-IFRS measure "funds flow from (used in) operations" to "cash flows from (used in) operating activities", the most comparable measure calculated in accordance with IFRS. Cash flow from operations before changes in non-cash working capital provides better information as it ignores

timing differences resulting primarily from fluctuations in payables and receivables. As such it is a common measure used by management in the oil and gas industry.

	Three Months ended December 31,		Twelve Months ended December 31,	
	2015	2014	2015	2014
Cash flows from (used in) operating activities	(1,216,089)	5,656,763	6,253,678	5,165,728
Changes in non-cash working capital	95,311	5,270,048	3,047,172	(1,075,858)
Funds flow (used in) provided by operations	(1,311,400)	386,715	3,206,506	6,241,586
Funds gain per share - basic and diluted	0.00	0.00	0.01	0.03

The increase in funds flow from (used in) operations as compared to the previous period is associated with the realized gains in hedging contracts and a decrease in general and administrative expense offset by the decreased revenues due to lower commodity prices during 2015.

Net Loss Compared to Adjusted EBITDA (Non-IFRS)

	Three Months ended December 31,		Twelve Months ended December 31,	
	2015	2014	2015	2014
Net loss	17,254,644	2,896,659	(5,121,188)	(7,064,478)
Add Back:				
Financing costs	1,630,961	1,672,656	7,300,887	6,713,028
Depletion and depreciation	727,231	1,736,435	5,700,128	7,501,221
Accretion	8,745	9,653	35,881	36,195
Share-based compensation	109,813	358,622	235,320	610,849
Exploration and evaluation impairments	142,100	723,124	142,100	1,045,875
Development and producing recovery	(17,451,220)	-	-	-
Changes in derivative liabilities	-	688,551	(168,934)	(147,620)
Long term investment plan	-	5,537	-	243,659
Loss on disposal of assets	(5,000)	2,069	(514,445)	8,712,773
Changes in restricted cash exchange valuation	-	-	20,337	-
Debt forgiveness	(5,254,079)	-	(5,254,079)	-
Bad debt expense	-	90,091	-	90,091
Unrealized loss (gain) on hedging contacts	2,670,248	(6,192,149)	6,449,262	(6,217,813)
Adjusted EBITDA	(166,557)	1,991,248	8,825,269	11,523,780
Adjusted EBITDA per share - basic and diluted	(0.00)	0.01	0.02	0.05

(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 decreases in Adjusted EBITDA for the year ended December 31, 2015 as compared to the comparative period resulted from a combination of lower commodity prices and production, which were partially offset by realized gains on hedges.

Capital Expenditures

	Three Months ended December 31,		Twelve Months ended December 31,	
By Type ($)	2015	2014	2015	2014
Drilling and completions	211,206	11,776,514	2,714,247	40,248,911
Seismic	-	-	-	-
Facilities and lease equipment	-	-	-	-
Office furnishings and equipment	-	-	-	47,942
Leasehold, geological and geophysical	9,454	22,099	70,935	70,784
Other costs (recovery)	-	-	-	594,710
Total	220,660	11,798,613	2,785,182	40,962,347

During the year ended December 31, 2015, Caza drilled 1.0 gross well (0.147 net) in the Bone Spring play in New Mexico reflecting the environment brought about by a 42% drop in commodity prices as compared to this period in 2014.

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.

On November 18, 2015, the Company issued 24,537,897 common shares to YA Global Masters SPV Ltd. at a price of £0.004649 per share pursuant to receiving a conversion notice in accordance with the terms of the $4.0 million convertible unsecured loan.

On December 24, 2015, the Company closed a private placement of 9,479,419,937 common shares at US$0.0048 per share for gross proceeds of US$45,500,000, issued 26,502,000 common shares of the Company in exchange of 26,502,000 exchangeable shares in Caza Petroleum Inc. ("Caza Petroleum") held by management. In addition, 29,878,886 common shares held by Global Master SPV Ltd. were returned and cancelled as part of the debt repayments.

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	9,744,153,908
Issuable from exchangeable rights	-
Issuable from exercise of warrants	-
Issuable from exercise of stock options	-
Issuable from exercise of performance awards	-
Issuable pursuant to 2015 Convertible Loan	- [2]
Total Common Shares issued and issuable	9,744,153,908

Warrants Issued and Outstanding

Warrants to purchase common shares outstanding	-
Stock Options Issued	
Stock options outstanding	-

[1] The amount payable pursuant to the Company's performance awards shall vary depending on 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. On March 19, 2015 the Board of Directors authorized the issuance of 2,051,308 shares under this performance awards program that were issued during May 2015 leaving a balance of 2,238,300 shares issuable. As a result of the private placement that closed on December 24, 2015 all unissued performance awards were repealed.

[2] The Company's obligations under the 2015 Convertible Loan shall ordinarily 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 and shall vary depending on the trading price on the Alternative Investment Market of the London Stock Exchange of the common shares from time-to-time. Accordingly, the common 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. As a result of the private placement and the Lender Settlement Agreement, the Convertible Loan was retired on December 24, 2015.

Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at December 31, 2015:

Type of Obligation ($)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
Operating leases	270,876	-	270,876	-	-
Asset retirement obligations	1,310,051	7,693	-	5,789	1,296,569
Total contractual commitments	1,580,927	7,693	270,876	5,789	1,296,569

Liquidity and Capital Resources

On December 24, 2015, the Company closed a private placement of 9,479,419,937 common shares at US$0.0048 per share for gross proceeds of US$45,500,000. Concurrently with Closing, the Company paid an aggregate of US$43.5 million to YA Global Master SPV Ltd., GSC SICAV p.l.c. and to Apollo Investment Corporation, to extinguish all debts and obligations owed to them by the Company and its subsidiaries, as well as all oil and gas interests previously granted to Apollo by the Company. The remaining proceeds of the Private Placement have been allocated to working capital for general corporate purposes, including payment of transaction expenses.

On January 25, 2016, the Company's wholly owned subsidiary, Caza Petroleum entered into a credit agreement for a five-year, senior secured, reserve-based, revolving credit facility (the "Credit Facility"). Pursuant to the credit agreement, the Credit Facility commitment is a maximum US$100.0 million, governed by an initial borrowing base of US$15.0 million, including a sub-facility for the issuance of letters of credit up to a maximum aggregate face amount of 10% of the borrowing base in effect.

Completion of the Private Placement, Credit Facility and the settlements with the Company's former lenders and certain trade creditors, has materially improved the Company's working capital position and cash flow through the elimination of monthly interest payments to Apollo of approximately US$450,000 and an

overriding royalty in respect of certain of its producing assets formerly held by Apollo. These improvements in the Company's financial position have secured its ability to continue as a going concern, eliminated the significant uncertainties associated with the now-terminated Apollo credit facility and have allowed it to obtain lower cost capital, which may be used to implement its business plan when commodity prices improve.

At December 31, 2015, Caza had a working capital deficit of $1,833,299 as compared to a working capital deficit of $44,306,975 as at December 31, 2014. The difference of $42,481,370 is reconciled in the table below.

	Working Capital Reconciliation ($)
Working Capital as at December 31, 2014	(44,306,975)
Funds flow used in operations	3,206,506
Proceeds from convertible loan	3,595,534
Stock issuance	637,667
Derivative valuation changes	292,088
Capital expenditures	(2,785,181)
Non-cash financing costs	(1,138,517)
Unrealized (loss) - hedging	(6,449,262)
Sale of assets	478,274
Asset retirement obligation	(7,693)
Other miscellaneous items	83,255
Debt Forgiveness	44,561,005
Total Change in Working Capital	(1,833,299)
Working Capital as at December 31, 2015	

Caza had a cash balance of $1,624,080 as of December 31, 2015 (December 31, 2014 - $5,160,943).

Caza's 2016 operating plan calls for participation to be funded from operating cash flows, existing cash resources, the Credit Facility or other appropriate sources of funding if available. 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.

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.

See "Risk Factors" below

The Company has arranged for funding under the following agreements:

Equity raise

On December 24, 2015, the Company closed a private placement of 9,467,419,937 common shares at US$0.0048 per share for gross proceeds of US$45,500,000.

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.

Credit Facility

On January 25, 2016, the Company's wholly owned subsidiary, Caza Petroleum entered into a credit agreement for a five-year, senior secured, reserve-based, revolving Credit Facility. Pursuant to the credit agreement, the Credit Facility commitment is a maximum US$100.0 million, governed by an initial borrowing base of US$15.0 million, including a sub-facility for the issuance of letters of credit up to a maximum aggregate face amount of 10% of the borrowing base in effect. Interest on loans under the Credit Facility may be elected by Caza Petroleum to be based on LIBOR or a base rate (determined as the greatest of the prime rate, federal funds rate + 0.50% and adjusted LIBOR + 1%) from time to time, plus a margin determined based upon utilization of the borrowing base ranging from 2% to 3% for LIBOR loans and ranging from 1% to 2% for base rate loans. The Credit Facility also requires Caza Petroleum to pay a commitment fee equal to 0.50% per annum based on the average daily unused portion of the borrowing base. Additionally, upfront fees will be paid to the lender at closing in an amount equal to 0.50% of the initial borrowing base. The Credit Facility includes financial covenants tested on a quarterly basis, including a maximum funded debt to EBITDAX ratio of 4.0x and a minimum current asset to current liabilities ratio of 1.0x, each tested on a consolidated basis for Caza Petroleum and its subsidiaries. The Credit Facility also includes representations, warranties, affirmative and negative covenants, events of default, remedial provisions and other terms that are usual and customary for secured reserve-based credit facilities. Subject to the borrowing base in effect, the Credit Facility is available on a revolving basis during the period commencing on the closing date and ending on the fifth anniversary of the closing date, which is January 21, 2021.

The borrowing base is the loan value to be assigned to the proved reserves attributable to the Company's proved oil and gas properties, as evaluated in the most recent reserve report(s) and delivered pursuant to the credit agreement. As of the closing date, the borrowing base was set at US$15.0 million until the next scheduled redetermination or as the borrowing base is otherwise adjusted or redetermined. Redeterminations based on updated reserve reports are scheduled semi-annually, and each of Caza Petroleum and the lender has the ability to request one interim redetermination in each six-month period between scheduled redeterminations. The initial borrowing base redetermination will occur on July 1, 2016, unless the borrowing base is adjusted or redetermined before such date in accordance with the terms of the Credit Facility.

The Credit Facility is guaranteed by Caza Petroleum's wholly owned subsidiary, Caza Operating, LLC ("Caza Operating"), and the collateral provided to secure the Credit Facility (and any hedges or cash management obligations owing to the lender) consists of substantially all of Caza Petroleum's and Caza Operating's respective now owned or hereafter acquired personal property, as well as at least 80% of the PV-9 of their oil and gas properties.

Caza Petroleum and Caza Operating will use the proceeds of the loans for (i) the payment of transaction fees and expenses in connection with the closing of the Credit Facility; and (ii) funding the working capital, capital expenditures and other general corporate purposes of Caza Petroleum and Caza Operating.

Convertible Loan

On February 18, 2015, the Company obtained a $5,000,000 facility under a convertible unsecured note agreement (the"2015 Convertible Loan") 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 has been advanced to Caza under such agreement. Additional tranches may be available with the consent of the lenders. In December 24, 2015, the Company entered into a private placement through a Lender Settlement Agreement with the lenders whereby all debts and obligations under the Loan were extinguished in consideration for payments of approximately US$2,500,000.

Note Purchase Agreement

On May 23, 2013, the Company entered into a Note Purchase Agreement (the "Note Agreement") with Apollo, an investment fund managed by Apollo Investment Management, pursuant to which Apollo agreed to purchase up to $50,000,000 of senior secured notes ("Notes") from the Company. In December 2015, the Company entered into a Lender Settlement Agreement with Apollo whereby all debts and obligations under the Note agreement and all oil and gas interest previously granted by the Company in favour of Apollo, were

extinguished on December 24, 2015 in consideration for payments of approximately US$41,025,000.

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, 2015, the company has drawn down £nil (December 31, 2014 - £nil) under the SEDA. During 2015, the Company issued nil (2014 - nil) common shares under the SEDA at an average price of £nil (2014 - £nil) per share for gross proceeds of $nil (2014 - $nil). The Company did not draw down on the SEDA facility in 2015 and 2014. The SEDA expires on April 30, 2016. As a result of the Lender Settlement Agreement with Yorkville on December 24, 2015, the SEDA facility was cancelled.

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. On December 24, 2015, as part of the Lender Settlement Agreement with Yorkville the Adjustment agreement was cancelled.

Transactions with Related Parties

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

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, 2015	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Petroleum and natural gas sales	1,766,315	1,996,350	2,941,812	3,367,214
Net income (loss)	17,254,644	(17,791,270)	(3,309,806)	(1,274,754)
Per share - basic and diluted	0.02	(0.07)	(0.01)	(0.01)
Funds flow from operations (See note) *(1)*	3,206,500	910,868	2,225,718	1,381,323
Per share - basic and diluted	0.00	0.00	0.01	0.01
Net capital expenditures	220,659	195,794	563,327	1,805,400
Average daily production (boe/d)	574	594	744	917
Weighted average shares outstanding	1,093,736,053	247,072,290	237,960,016	237,306,302

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014

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 (used in) 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

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

Factors that have caused variations over the quarters:

- During 2014 and 2015 Caza commenced drilling of 15 (5.87 net) wells. 13 (4.75 net) of the 15 wells were completed during that period. As at December 31, 2015, 1 (0.5 net) well is undergoing completion activities.
- Capital expenditures and revenues from oil, natural gas and NGL sales decreased during the three-month period ended December 31, 2015, as a result of the effects of falling commodity prices.

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 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, 2015, the Company sold 58% (2014 - 61%) 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, 2015, the Company had past due accounts receivable from certain joint interest partners of $102,665 which were outstanding for greater than 60 days (December 31, 2014 - $340,342) and $98,242 that were outstanding for greater than 90 days (December 31, 2014 - $481,887). At December 31,

2015, the Company's three largest joint interest partners represented approximately 13%, 6% and 4% of the Company's receivable balance (December 31, 2014 - 29%, 14% and 4% 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.

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. As a result of the Lender Settlement Agreement with Yorkville on December 24, 2015, the Adjustment Agreement was cancelled.

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, 2015, the Company considers this risk to be relatively limited and not material and therefore 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, 2015.

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, 2015 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 of 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.

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

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

Certain of our accounting policies require that we make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to our annual management's discussion and analysis and Note 2 of the corresponding audited consolidated financial statements for the year ended December 31, 2015 available at www.sedar.com.

Future Accounting Pronouncements

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 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.

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.

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.

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 are speculative and involve 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, 2015. The Corporation owns 100% of Caza Petroleum. 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.

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 12 of Caza's audited annual financial statements for the year ending December 31, 2015.

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, 2015, 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, 2015 based on the COSO Framework. Based on this evaluation, the officers concluded that Caza's ICFR was effective as of December 31, 2015.

There were no changes in our ICFR during the year end December 31, 2015 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.

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