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

	June 30, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents (Note 7 (c))	**$ 2,438,024**	$ 5,160,943
Restricted cash (Note 10)	**432,436**	428,614
Accounts receivable	**2,620,718**	7,531,803
Derivative assets (Note 9)	**1,505,235**	6,031,350
Prepaid and other	**603,023**	650,507
	7,599,436	19,803,217
Exploration and evaluation assets (Note 2)	**7,178,131**	6,247,564
Petroleum and natural gas properties and equipment (Note 3)	**68,458,678**	70,914,961
	$ 83,236,245	$ 96,965,742
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 8,007,657**	$ 21,356,234
Notes payable (Note 11)	**42,934,177**	42,366,370
Derivative liabilities (Notes 10)	**206,600**	292,088
Decommissioning liabilities (Note 4)	**-**	95,500
	51,148,434	64,110,192
Notes payable (Note 12)	**3,648,877**	-
Decommissioning liabilities (Note 4)	**1,251,699**	1,508,155
	56,049,010	65,618,347
Total Equity		
Share capital (Note 5(b))	**90,704,742**	90,326,588
Warrants (Note 5(b))	**156,365**	156,365
Share based compensation reserve	**11,138,064**	11,091,817
Deficit	**(71,069,550)**	(67,061,796)
Equity attributable to owners of the Company	**30,929,621**	34,512,974
Non-controlling interests	**(3,742,386)**	(3,165,579)
Total equity	**27,187,235**	31,347,395
	$ 83,236,245	$ 96,965,742

See accompanying notes to the condensed consolidated financial statements and note 1 concerning going concern

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Revenues				
Petroleum and natural gas	**$ 2,941,812**	$ 6,286,049	**$ 6,309,026**	$ 10,877,556
Interest income	**258**	56	**263**	176
	2,942,070	6,286,105	**6,309,289**	10,877,732
Expenses (Income)				
Production	**943,922**	1,408,977	**2,088,421**	2,438,347
General and administrative	**1,302,883**	1,535,370	**2,356,813**	2,903,740
Depletion and depreciation (Note 3)	**1,611,622**	1,859,742	**3,555,145**	3,408,097
Financing costs (Note 13)	**1,777,164**	1,554,461	**3,468,460**	3,143,900
Other expense (income)	**(129,995)**	(687,490)	**(94,312)**	(669,685)
Exploration and evaluation impairment (Note 2)	**-**	322,752	**-**	322,752
Realized (gain) loss on risk management contracts (Note 9)	**(2,966,523)**	278,795	**(4,497,347)**	419,612
Unrealized loss on risk management contracts (Note 9)	**4,222,248**	776,648	**4,526,115**	1,128,333
Disposal of assets	**(509,445)**	-	**(509,445)**	-
	6,251,876	7,049,255	**10,893,850**	13,095,096
Net loss and comprehensive loss	**$ (3,309,806)**	$ (763,150)	**$ (4,584,561)**	$ (2,217,364)
Attributable to:				
Owners of the Company	**(2,859,240)**	(673,466)	**(4,007,754)**	(1,949,136)
Non-controlling interests	**(450,566)**	(89,684)	**(576,807)**	(268,228)
	$ (3,309,806)	$ (763,150)	**$ (4,584,561)**	$ (2,217,364)
Net loss per share				
- basic and diluted ($)	**(0.01)**	(0.00)	**(0.02)**	(0.01)
Weighted average shares outstanding				
- basic and diluted [(1)]	**237,960,016**	199,323,039	**239,546,303**	193,651,712

(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 condensed consolidated financial statements

Caza Oil & Gas, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited) (In United States Dollars)

For the six month periods ended June 30,	**2015**	2014
OPERATING		
Net loss	**$ (4,584,561)**	$ (2,217,364)
Adjustments for items not affecting cash:		
Depletion and depreciation	**3,555,145**	3,408,097
Unwinding of the discount (Note 4)	**18,513**	16,798
Share-based compensation	**88,056**	175,874
Non-cash financing costs	**644,596**	726,780
Unrealized currency gain	**(3,822)**	165,708
Unrealized loss on risk management contracts	**4,526,115**	608,707
Exploration and evaluation impairment	**-**	322,752
Gain on disposal of assets	**(509,445)**	-
Interest income	**(263)**	(176)
Changes in derivative liabilities and other	**(127,293)**	13,206
Changes in non-cash working capital (Note 7(a))	**2,535,768**	(7,611,855)
Cash flows from / (used in) operating activities	**6,142,809**	(4,391,473)
FINANCING		
Finance costs paid (Notes 12 and 13)	**(49,759)**	(740,000)
Proceeds from the issuance of notes payable and warrants (Note 12)	**4,000,000**	10,000,000
Interest received	**263**	176
Changes in non-cash working capital (Note 7(a))	**42,735**	(111,515)
Cash flow from financing activities	**3,993,239**	9,148,661
INVESTING		
Exploration and evaluation expenditures (Note 2)	**(1,790,678)**	(23,118,402)
Development and production expenditures (Note 3)	**(578,051)**	(177,828)
Purchase of office furniture and equipment (Note 3)	**-**	(1,586)
Proceeds from sale of assets	**478,274**	-
Changes in non-cash working capital (Note 7(a))	**(10,968,512)**	3,990,486
Cash flows used in investing activities	**(12,858,967)**	(19,307,330)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,722,919)**	(14,550,142)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**5,160,943**	18,495,086
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,438,024**	$ 3,944,944

See accompanying notes to the condensed consolidated financial statements

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

For the six month periods ended June 30,	**2015**	2014
Share Capital		
Balance, beginning of period	**$ 90,326,588**	$ 77,967,487
Common shares issued	**378,154**	2,990,683
Balance, end of period	**90,704,742**	80,958,170
Warrants		
Balance, beginning of period	**156,365**	156,365
Issued	**-**	-
Balance, end of period	**156,365**	156,365
Share based compensation reserve		
Balance, beginning of period	**11,091,817**	10,480,968
Share-based compensation	**46,247**	235,404
Balance, end of period	**11,138,064**	10,716,372
Deficit		
Balance, beginning of period	**(67,061,796)**	(60,759,064)
Net loss allocated to the owners of the Company	**(4,007,754)**	(1,949,136)
Balance, end of period	**(71,069,550)**	(62,708,200)
Non-Controlling Interests		
Balance, beginning of period	**(3,165,579)**	(2,403,833)
Net loss allocated to non-controlling interests	**(576,807)**	(268,228)
Balance, end of period	**(3,742,386)**	(2,672,061)
Total Equity	**$ 27,187,235**	$ 26,450,646

See accompanying notes to the condensed consolidated financial statements

1. Basis of Presentation and Going Concern Discussion

Caza Oil & Gas, Inc. ("Caza" or the "Company") was incorporated under the laws of British Columbia on June 9, 2006 for the purposes of acquiring shares of Caza Petroleum, Inc. ("Caza Petroleum"). The Company and its subsidiaries are engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves. The Company's common shares are listed for trading on the Toronto Stock Exchange trading as the symbol "CAZ" and AIM stock exchange "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 condensed consolidated financial statements (the "Financial Statements") were prepared in accordance with IAS 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Caza's presentation currency is the United States ("U.S.") dollar as the majority of its transactions are denominated in this currency.

These Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2014, which outline the Company's significant accounting policies in Note 2 thereto, as well as the Company's critical accounting judgments and key sources of estimation uncertainty, which have been applied consistently in these Financial Statements. The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for the Financial Statements.

These condensed consolidated financial statements were approved for issuance by the Board of Directors on August 11, 2015.

For the six month period ended June 30, 2015 the Company incurred a net loss of $4,584,561 (year ended December 31, 2014 – net loss of $7,064,478). The Company also had a net working capital deficit of $43,548,998 (December 31, 2014 - $44,306,975) and accumulated deficit of $71,069,550 (December 31, 2014 - $67,061,796). These factors result in a material uncertainty which casts significant doubt upon the Company's ability to continue as a going concern.

Please see Note 11 for a discussion on the Company's covenants. Due to current economic conditions and prices, compliance of financial covenants is highly dependent on realized oil pricing in 2015. The Company is currently not in compliance with all financial covenants and sustained low WTI prices could cause the Company to not be in compliance with all financial covenants through 2015. The Company is proactive in managing debt levels and seeking out other financing alternatives to be able to be in compliance with its financial covenants.

These financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to raise capital, restructure its debt, maintain positive cash flow and/or the continued support of its lenders. There is no certainty that such events will occur and that sources of financing will be obtained on terms acceptable to management. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of property and equipment, liabilities, the reported expenses, and the classifications used in the statement of financial position. Such adjustments could be material.

2. Exploration and evaluation assets

	June 30, 2015	December 31, 2014
Balance, beginning of period	**$ 6,247,564**	$ 7,843,846
Additions to exploration and evaluation assets	**1,790,678**	38,773,781
Transfers to petroleum and natural gas properties and equipment	**(851,533)**	(39,198,678)
Other adjustments	**(8,578)**	-
Disposals	-	(125,510)
Impairment	-	(1,045,875)
Balance, end of period	**$ 7,178,131**	$ 6,247,564

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

3. 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	**578,051**	**-**	**578,051**
Disposal of assets	**(5,027,801)**	**-**	**(5,027,801)**
Other adjustments	**(178,095)**	**-**	**(178,095)**
Transfers from E&E	**851,533**	**-**	**851,533**
Balance, June 30, 2015	**$ 82,351,809**	**$ 878,634**	**$ 83,230,443**

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	**3,550,184**	**4,961**	**3,555,145**
Disposal of assets	**(4,875,174)**	**-**	**(4,875,174)**
Balance, June 30, 2015	**$ 13,940,105**	**$ 831,660**	**$ 14,771,765**
Carrying amounts			
At December 31, 2014	$ 70,863,026	$ 51,935	$ 70,914,961
At June 30, 2015	**$ 68,411,704**	**$ 46,974**	**$ 68,458,678**

The Company reviewed each CGU comprising its property and equipment at June 30, 2015 for indicators of impairment and determined that no impairment indicators were present

4. Decommissioning Liabilities

The following is the continuity schedule of the obligation associated with the retirement of oil and gas properties for the six month period ended June 30, 2015 and year ended December 31, 2014:

	2015	2014
Decommissioning liabilities, beginning of period	**$ 1,603,655**	$ 972,634
Obligations incurred	**12,481**	501,676
Revision in estimated cash flows and discount rate	**(199,152)**	365,625
Obligations settled and disposed	**(183,798)**	(272,475)
Unwinding of the discount	**18,513**	36,195
Decommissioning liabilities, end of period	**$ 1,251,699**	$ 1,603,655
Current portion	**-**	95,500
Long-term decommissioning liabilities	**$ 1,251,699**	$ 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 $3,236,775 (December 31, 2014 - $3,254,986). The June 30, 2015 obligation was calculated using a risk free discount rate of 2.8 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.

5. Share Capital and Warrants

(a) Authorized

Unlimited number of voting common shares.

(b) Issued

	June 30, 2015		December 31, 2014	
	Number	**$**	Number	$
Opening balance common shares	236,355,884	$ 90,326,588	182,965,097	$ 77,967,487
Stock issuances	**6,803,399**	**378,154**	53,390,787	12,359,101
Exercise of stock options	**-**	**-**	-	-
Balance, end of period	**243,159,283**	**90,704,742**	236,355,884	$ 90,326,588
Opening balance warrants	3,584,557	$ 156,365	3,584,557	156,365
Common share warrants issued	**-**	**-**	-	-
Balance, end of period	**3,584,557**	**$ 156,365**	3,584,557	$ 156,365

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

(c) Stock options

A summary of the Company's stock option plan as the six month period ended June 30, 2015 and year end December 31, 2014 presented below:

Stock Options	June 30, 2015 Number of options	June 30, 2015 Weighted average Exercise price	December 31, 2014 Number of options	December 31, 2014 Weighted average exercise price
Beginning of period	**16,385,000**	**$0.28**	15,985,000	$0.28
Granted	-	-	500,000	$0.22
Exercised	-	-	-	-
Forfeited	**1,170,000**	**$0.28**	100,000	$0.28
End of period	**15,215,000**	**$0.28**	16,385,000	$0.28
Exercisable, end of period	**13,124,996**	**$0.28**	14,071,661	$0.29

(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 has reserved for issuance an aggregate of 4,289,608 common shares in connection with outstanding performance awards during the three-year performance program, based on the Company's attaining the midpoint of the payout performance range. 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.

6. Commitments and Contingencies

As of June 30, 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:

2015	$ 162,705
2016	$ 145,646
2017	$ 125,230

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

7. Supplementary Information

(a) Net change in non-cash working capital

	Six months ended June 30, 2015	2014
Provided by (used in)		
Accounts receivable	**$ 4,911,085**	$ (7,457,173)
Prepaid and other	**47,483**	(310,186)
Accounts payable and accrued liabilities	**(13,348,577)**	4,034,475
	$ (8,390,009)	$ (3,732,884)
Summary of changes		
Operating	**$ 2,535,768**	$ (7,611,855)
Investing	**(10,968,512)**	3,990,486
Financing	**42,735**	(111,515)
	$ (8,390,009)	$ (3,732,884)

(b) Supplementary cash flow information

	Six months ended June 30, 2015	2014
Interest paid	**$ 2,700,000**	$ 2,240,000
Interest received	**263**	176

(c) Cash and cash equivalents

	June 30, 2015	December 31, 2014
Cash on deposit	**$ 2,368,461**	$ 5,091,380
Money market instruments	**69,563**	69,563
Cash and cash equivalents	**$ 2,438,024**	$ 5,160,943

The money market instruments bear interest at a rate of 0.05% as at June 30, 2015 (December 31, 2014 – 0.010%).

8. 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.

	June 30, 2015	December 31, 2014
Cash and cash equivalents	**$ (2,438,024)**	$ (5,160,943)
Other current assets	**(5,161,412)**	(8,610,924)
Accounts payable and accrued liabilities and short term note payable	**51,148,434**	63,722,604
Adjusted working capital	**$ 43,548,998**	$ 49,950,737
Note payable –long term	**3,648,877**	-
Shareholders' equity	**27,187,235**	31,347,395
Total capital	**$ 74,385,110**	$ 81,298,132

The Company has evaluated its net working capital balance as at June 30, 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 which has resulted in a net 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.

9. 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 June 30, 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 three and six months ended June 30, 2015 the Company recognized a realized gain of $2,966,523 and $4,497,347 (2014 – $278,795 and $419,612 loss, respectively) on its settled commodity price derivative contracts. For the three and six months ended June 30, 2015 the Company recorded an unrealized loss of $4,222,248 and $4,526,115 (2014 – $776,648 and $1,128,333 loss, respectively) on unsettled commodity price derivative contracts due to higher commodity prices during the second quarter and the partial monetization of the 2016 oil hedging contracts. The fair value of these contracts at June 30, 2015 was $1,505,235 (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
2015				
January – December	Oil	Swap	28,411 bbls	87.05
January – December	Oil	Swap	15,069 bbls	83.70
January – December	Oil	Swap	26,639 bbls	89.34
January – December	Oil	Swap	82,062 bbls	80.85
March - October	Oil	Swap	13,277 bbls	52.50
January – December	Gas	Swap	271,322 Mcfs	3.72
January – December	Differential	Swap	143,912 bbls	-4.05
2016				
January – May	Oil	Swap	8,428 bbls	61.25
January – December	Oil	Swap	86,613 bbls	61.25
January – December	Gas	Swap	183,349 Mcfs	3.95
January-December	Differential	Swap	55,906 bbls	-4.25
2017				
January – December	Gas	Swap	146,564 Mcfs	4.05
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 six months ended June 30, 2015, the Company sold 56% (2014 – 60%) 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 June 30, 2015, the Company had past due accounts receivable from certain joint interest partners of $47,952 which were outstanding for greater than 60 days (December 31, 2014 - $340,342) and $270,877 that were outstanding for greater than 90 days (December 31, 2014 - $481,887). At June 30, 2015, the Company’s three largest joint interest partners represented approximately 11%, 7% and 5% 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.

10. 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. The fair value of the derivative liability amounted to US$206,600 as of June 30, 2015 (December 31, 2014 - US$292,088 liability) has been included within current assets on the condensed consolidated statement of financial position, and the change in fair value of US$(85,486) since December 31, 2014 is included in other income (expenses) in the condensed consolidated statement of net loss and comprehensive loss. The Company has deposited in escrow £275,000 (US$ - $432,436) as security for this contingent payment obligation, which has been recorded within restricted cash on the condensed consolidated statements of financial position.

11. 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.

The outstanding balance of the Tranche A Apollo Note as at June 30, 2015 was US$42,934,177 (December 31, 2014 - US$42,366,370) (net of unamortized transaction costs US$2,065,822 (December 31, 2014 - US$2,633,629). This outstanding balance matures on May 23, 2017. The Tranche A Apollo Note bears interest at a floating rate of one-month LIBOR (with a floor of 2%) plus 10% per annum, payable monthly. In an event of default under the Note Purchase Agreement, additional interest will be payable at a default rate of 5% per annum, but only during the period of default.

The Company is required to comply with financial covenants, which are tested quarterly, providing for specified interest coverage ratios beginning in the quarter ending September 30, 2013, and asset coverage ratios and minimum production, beginning in the quarter ending March 31, 2014. Furthermore, the Company is required to maintain a limit on expenditures for general and administrative costs. At June 30, 2015 and December 31, 2014, the Company was not fully in compliance with its financial covenants. In February 2015, the Company and Apollo executed a Third Amendment to the Note Purchase Agreement that provides a waiver of the financial covenants until September 30, 2015. As a result the Company has reclassified the outstanding balance owing as a current liability at June 30, 2015 and December 31, 2014.

12. 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”). 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.

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

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

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

In connection with the Facility, the Investors received an aggregate implementation and reimbursement fee of US$378,154. The fee was paid through the issuance of 4,752,091 Common Shares on the same basis as shares issued upon conversions of principal and accrued interest.

13. Financing costs

Six months ended June 30, 2015	**2015**	2014
Unwinding of the discount (Note 4)	**$ 18,513**	$ 16,798
Amortization of financing fees	**644,596**	726,780
Interest expense	**2,805,351**	2,400,322
Total financing costs	**$ 3,468,460**	$ 3,143,900