

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial results for Caza Oil & Gas, Inc. ("Caza", "Corporation" or the "Company") should be read in conjunction with the unaudited condensed consolidated financial statements as at and for the three and nine months ended September 30, 2015 and the audited consolidated financial statements for the year ended December 31, 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 November 10, 2015.

FORWARD LOOKING INFORMATION

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

These statements are based on certain factors and assumptions regarding the results of operations, the performance of projected activities and business opportunities. Specifically, we have used historical knowledge and current industry trends to project budgeted expenditures for 2015 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 stock based compensation. Adjusted EBITDA is also adjusted for any gains or losses from extraordinary, unusual or non-recurring items and any gains or losses on disposition of assets. The Company has included Adjusted EBITDA as a supplemental disclosure because its management believes that Adjusted EBITDA provides useful information regarding our ability to service debt and to fund capital expenditures and provides investors a helpful measure for comparing its operating performance with the performance of other companies that have different financing and capital structures or tax rates.

These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. These measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When these measures are used, they are defined as “Non IFRS” and should be given careful consideration by the reader as non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

NOTE REGARDING BOES AND MCFES

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

as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

CURRENCY

References to “dollars” and “\$” are to U.S. dollars. References to “CDN\$” are to Canadian dollars. References to “£” are to British pounds.

STRATEGY AND ASSETS

Strategy

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

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

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

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

Assets

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

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

As at September 30, 2015, the Company had 306 drilling locations and 32 gross (10.20 net) producing wells on its leasehold position in the Bone Spring play. The majority of the Company’s leases in the play are held-by-production with no drilling obligations. Management believes that the Company is well-positioned with excellent assets and approximately 5,400 net acres (13,260 gross acres), which is

approximately 24,300 net effective acres (59,670 gross effective acres) in the Bone Spring play, and plans to continue actively monitoring opportunities to build on Caza's current production levels and acreage position.

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

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

Financing

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. Therefore, Caza's objective is to conclude a financing or a complete refinancing structure that might enable the Company to retire the Note Purchase Agreement (as defined herein), together with sums owed pursuant to the Convertible Loan Agreement (as defined herein). Accordingly, the Company and its advisers have been actively considering all available debt and equity financing options, as well as asset sales.

As announced on October 1, 2015, and November 2, 2015, the Company is in advanced discussions with a third party regarding a potential equity financing of the Company (the "Potential Transaction") In connection with such discussions, the Company has agreed to a short period of exclusivity with such counterparty. The proposed terms of the Potential Transaction are subject to, among other things, continued negotiation, a due diligence period, board approval, and the entry of the parties into definitive agreements. Given the number of conditions to the consummation of the Potential Transaction, there can be no certainty that the Potential Transaction will be concluded on acceptable terms. Furthermore, although the Company has had the continued support of Apollo during the course of these discussions, there can be no certainty that the Potential Transaction will close or that Apollo will continue to grant ongoing forbearance (see "Note Purchase Agreement" below for additional details regarding Apollo's ongoing forbearance).

If the Potential Transaction is consummated, it is likely to take the form of an equity investment in the Company which, given the current oil and gas commodity pricing environment, is likely to subject the Company's existing shareholders to significant dilution.

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

Outlook

In an effort to maintain shareholder value and to continue as a going concern, the Company has been considering all available debt and equity financing options, as well as asset sales, and is actively pursuing the Potential Transaction, as described above. In addition, the Company continues to scale back G&A costs and capital expenditures associated with non-obligatory wells and to direct capital towards lease maintenance wells in its Bone Spring drilling program.

Subject to the availability of appropriate financing and dependent upon drilling costs and prevailing commodity prices, the Company's objective is to eventually accelerate and expand its drilling program in the Bone Spring play over the next two years. A program of this type will require additional financing and would utilize excess operational cash flow to fund further development drilling and lease purchases beyond the initial two-year period.

Management believes that, subject to a sufficient downward correction to drilling costs and positive recovery to oil prices, such a program can be accomplished by exploiting the Company's existing asset/lease inventory. However, management will also seek to identify appropriate corporate and asset acquisitions that may result from the current price environment, which will enable the Company to increase its position in the horizontal Bone Spring and Wolfcamp plays in the Permian Basin. Accordingly, in line with the Company's stated strategy, management's goal is to achieve significant growth in the Company's reserves and production, thereby raising the Company's profile in the basin and allowing shareholder value to be maximized and, if appropriate, fully matured over the short-to-medium term.

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

SELECT QUARTERLY INFORMATION

Three month period ending September 30	2015	2014	2013
Financial			
Revenue oil & gas	1,996,350	7,244,752	2,583,753
Funds flow from (used in) operations ⁽¹⁾	910,868	2,634,496	186,430
Per share – basic and diluted	0.00	0.01	0.00
Net loss	(17,791,270)	(7,743,772)	(1,370,132)
Per share – basic and diluted	(0.07)	(0.04)	(0.01)
Capital expenditures	195,794	5,865,917	11,351,767
Total assets	63,868,901	88,125,916	66,300,804
Total non-current liabilities	4,978,576	43,362,889	24,250,650
Cash and working capital	(42,405,992)	3,840,298	5,488,240
Common shares outstanding, end of period ⁽²⁾	255,572,960	236,355,884	182,965,097
Operations			
Operating netback (\$/boe) ⁽³⁾			
Revenue oil & gas	36.52	65.09	70.81
Severance tax and transportation expense	(3.52)	(5.72)	(5.99)
Production expenses	(13.69)	(7.94)	(12.87)
Operating netback ⁽³⁾	19.31	51.43	51.95
Average daily oil production (boe/day)	594	1,210	397

(1) Calculated based on cash flow from operating activities before changes in non-cash working capital and certain other items. See "Non IFRS Measures".

(2) Outstanding share amounts are calculated based on the number of outstanding common shares before the addition of 26,502,000 of common shares issuable pursuant to a share exchange and shareholders agreement among Caza and members of Caza's senior management.

(3) Calculated by deducting royalties and operating 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:

(\$/boe)	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Oil and natural gas revenue	36.52	65.09	40.54	\$70.43
Production expense	(13.69)	(7.94)	(11.28)	(9.16)
Severance expense	(3.39)	(5.64)	(3.34)	(6.07)
Transportation expense	(0.13)	(0.08)	(0.17)	(0.16)
Operating netback (non-IFRS)	19.31	51.43	25.75	55.04

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

FINANCIAL AND OPERATING RESULTS

Petroleum and Production Revenue

	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Natural gas				
Production (Mcf)	50,027	140,402	156,252	353,127
Revenue (\$)	152,079	507,708	474,410	1,480,419
Price (\$/Mcf)	3.04	3.62	3.04	4.19
Light/medium crude oil				
Production (bbls)	46,258	77,876	167,188	181,910
Revenue (\$/bbl)	1,840,818	6,466,793	7,679,161	16,147,477
Price (\$/bbl)	39.79	83.04	45.93	88.77
Natural gas liquids				
Production (bbls)	65	10,025	11,625	16,536
Revenue (\$/bbl)	3,454	270,251	151,805	494,412
Price (\$/bbl)	53.14	26.96	13.06	29.90
Combined				
Production (boe)	54,661	111,300	204,855	257,300
Revenue (\$)	1,996,350	7,244,752	8,305,376	18,122,308
Price (\$/boe)	36.52	65.09	40.54	70.43
Boe/d	594	1,210	750	942
Mcf/d	3,565	7,259	4,502	5,655

Revenues from oil and gas sales decreased by 72% to \$1,996,350 for the three-month period ended September 30, 2015 compared to \$7,244,752 in 2014 and during the nine month period ended September

30, 2015 decreased 55% compared to 2014. The decreases during such periods resulted from decreases in commodity prices and production volumes in 2015.

Average daily production decreased by 51% to 594 boe/d for the three months ended September 30, 2015 from 1,210 boe/d in the comparative period in 2014. Natural gas liquids and crude oil production made up 85% of Caza's production during the three-month period ended September 30, 2015 with natural gas comprising the remaining 15%. This is compared to a total production profile comprised of 21% natural gas production in the comparative period in 2014, reflecting a shift toward exploration and production of oil based reserves.

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 September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Severance tax (\$)	185,240	627,689	684,835	1,561,676
Transportation (\$)	6,834	8,597	34,353	40,329
Production (\$)	748,452	883,931	2,309,759	2,356,559
Severance, transportation and production (\$)	940,526	1,520,217	3,028,947	3,958,564
Severance, transportation and production (\$/boe)	17.21	13.66	14.79	15.38

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 three-month period ended September 30, 2015, Caza incurred aggregate production, transportation and severance expenses of \$940,526 or an average per boe of \$17.21. Such expenses on a per boe basis have increased during the three-month period ended September 30, 2015 by 26% 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 \$192,075 (\$3.51/boe) for the three-month period ended September 30, 2015, as compared to \$636,286 (\$5.72/boe) in the comparative period in 2014. Severance taxes and the transportation expense decreased 70% as a result of lower commodity prices as well as the decrease in production volumes as compared to the comparative period.

Production expenses for the three-month period ended September 30, 2015 were \$748,451 as compared to \$883,931 for the comparative period in 2014. Caza's average lifting cost for the three-month period ended September 30, 2015 was \$13.69 per boe versus \$7.94 per boe for the comparative period. These higher lifting costs on a per boe basis occurred as a result of the lower production volumes offset by lower production costs incurred during the period.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the three-month period ended September 30, 2015 decreased to \$1,426,375 (\$26.09/boe) from \$2,402,108 (\$21.58/boe) in the comparative period in 2014.

	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Depletion and depreciation (\$)	1,417,752	2,392,364	4,972,897	5,800,461
Accretion (\$)	8,623	9,744	27,136	26,542
Depletion, depreciation and accretion (\$)	1,426,375	2,402,108	5,000,033	5,827,003
Depletion, depreciation and accretion (\$/boe)	26.09	21.58	24.41	22.65

The decreased depletion expense on a per boe basis for the three months ended September 30, 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 as compared to the comparative period in 2014.

Costs of unproved properties of \$7,186,973 (2014 - \$10,728,178) were excluded from depreciable costs in the exploration and evaluation assets. A proportionate amount of the carrying value will be transferred to the depletable pool as reserves are proven through the execution of Caza's exploration program.

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

General and Administrative Expenses

	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
General and administrative (\$)	1,258,617	1,368,100	3,665,465	4,378,326
General and administrative recovery (\$)	(21,886)	(63,987)	(71,921)	(170,473)
Net general and administrative (\$)	1,236,731	1,304,113	3,593,544	4,207,853
General and administrative (\$/boe)	23.03	12.29	17.89	17.02
Net general and administrative (\$/boe)	22.63	11.72	17.54	16.35

Net general and administrative expenses for three-month period ended September 30, 2015 decreased 5% to \$1,236,731 from \$1,304,113 for the comparative period in 2014. On a per boe basis the net general and administrative expenses increased by 93% for the respective three-month period ended September 30, 2015 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 \$37,450 (2014 - \$76,356) is included in general and administrative expenses for the three-month period ended September 30, 2015. During 2015, Caza did not capitalize general and administrative expenses relating to exploration and development activities. Caza recorded no forfeitures of stock options for the three-month period ended September 30, 2015 (2014 - 66,666).

Gain (Loss) on Risk Management Contracts

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

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

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

Term	Product	Type	Total	
			Volume	\$ Price
2015				
January – 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 – 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 September 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-month period ended September 30, 2015 the Company recognized a gain of \$2,673,112 (2014 - \$101,453 loss) on its settled commodity price derivative contracts and an unrealized gain of \$747,101 (2014 - \$1,153,996 gain) on unsettled commodity price derivative contracts due to higher commodity prices.

Net loss

Net loss in the three-month period to September 30, 2015 increased by 130% to \$17,791,270 (\$0.07 per share, basic and diluted) compared to \$7,743,772 ((\$0.04) per share, basic and diluted) in the comparative period in 2014. The increase in net loss during such periods was attributable to the lower commodity prices and production as a result of the slowing in drilling activity in the Bone Spring play in New Mexico, the development and producing impairment of \$17,451,220 offset by the gains on the hedging contracts.

Investments

Interest income for the three-month period ended September 30, 2015 was \$140, an increase from \$3 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 September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
<i>Cash flows from (used in) operating activities</i>	1,326,961	3,057,431	7,469,771	(491,032)
<i>Changes in non-cash working capital</i>	416,093	(422,935)	2,951,861	6,345,906
<i>Funds flow (used in) provided by operations</i>	910,868	2,634,496	4,517,910	5,854,874
<i>Funds gain per share – basic and diluted</i>	0.00	0.01	0.02	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 September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Net loss	(17,791,270)	(7,743,772)	(22,375,832)	(9,961,135)
Add Back:				
Financing costs	2,219,979	1,896,472	5,697,062	5,040,372
Depletion and depreciation	1,417,752	2,392,364	4,972,897	5,800,461
Accretion	8,623	9,744	27,136	26,542
Share-based compensation	37,450	76,356	125,506	252,227
Exploration and evaluation impairments	-	-	-	322,752
Development and producing impairment	17,451,220		17,451,220	
Changes in derivative liabilities	(83,448)	207,447	(168,934)	(479,036)
Long term investment plan	-	119,061	-	238,122
Disposal of assets		8,710,713	(509,445)	8,710,713
Unrealized loss (gain) on hedging contacts	(747,101)	(1,153,996)	3,779,014	(25,663)
Adjusted EBITDA	2,513,206	4,514,389	8,998,624	9,925,355
Adjusted EBITDA per share – basic and diluted	0.01	0.02	0.04	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 nine month period ended September 30, 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

By Type (\$)	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Drilling and completions	158,259	5,787,860	2,503,041	28,472,397
Seismic		-		-
Facilities and lease equipment		-		-
Office furnishings and equipment		46,356		47,942
Leasehold, geological and geophysical	37,535	32,805	36,555	48,685
Other costs (recovery)		(1,104)		594,710
Total	195,794	5,865,917	2,539,596	29,163,734

During the nine months ended September 30, 2015, Caza drilled 1 gross well (0.147 net) in the Bone Spring play in New Mexico reflecting the environment brought about by a 44% 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.

At November 10, 2015, 255,572,960 common shares were issued and outstanding. Common shares are issuable pursuant to outstanding incentive compensation arrangements, common share purchase warrants and the 2015 Convertible Loan (as defined below). In addition, the management team has the right at any time to exchange the Caza Petroleum, Inc. (“Caza Petroleum”) shares currently held by them for an aggregate of 26,502,000 common shares.

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

	Issued and Issuable Securities
Common Shares	
Issued and outstanding	255,572,960
Issuable from exchangeable rights	26,502,000
Issuable from exercise of warrants	3,584,557
Issuable from exercise of stock options	15,215,000
Issuable from exercise of performance awards	2,238,300 ¹
Issuable pursuant to 2015 Convertible Loan	- ²
Total Common Shares issued and issuable	<u>290,699,140</u>
Warrants Issued and Outstanding	
Warrants to purchase common shares outstanding	3,584,557
Stock Options Issued	
Stock options outstanding	15,215,000

- (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.
- (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

Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at September 30, 2015:

Type of Obligation (\$)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
Operating leases	352,692	130,056	222,636	-	-
Asset retirement obligations	1,374,186	-	-	-	1,374,186
Total contractual commitments	1,726,878	130,056	222,636	-	1,374,186

Liquidity and Capital Resources

Due to current economic conditions and prices, compliance with financial covenants is highly dependent on realized oil pricing. The Company is currently not in compliance with all financial covenants. The Company is proactive in managing debt levels and is seeking financial alternatives to be able to be compliant with its financial covenants. Although the Company has received a waiver of such non-compliance until November 30, 2015, sustained low WTI prices could cause the Company to not be in compliance with all financial covenants through all of 2015 and there can be no assurance that further waivers will be available. The Company's ability to continue as a going concern is dependent upon its ability to raise capital, restructure its debt, maintain positive cash flow and / 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. The Company is currently pursuing the Potential Transaction as a means of obtaining the funds required to retire the amounts outstanding under the Note Purchase Agreement and the Convertible Loan Agreement.

At September 30, 2015, Caza had a working capital deficit of \$42,405,992 as compared to a working capital deficit of \$44,306,975 as at December 31, 2014. The difference of \$1,900,983 is reconciled in the table below. At September 30, 2015 and December 31, 2014 the Company was not in compliance with its financial covenants (see further discussion below). As a result the Company has reclassified the outstanding balance owing as a current liability at September 30, 2015 and December 31, 2014 resulting in the working capital deficit.

Working Capital as at December 31, 2015	Working Capital Reconciliation (\$) (44,306,975)
Funds flow used in operations	4,517,910
Proceeds from convertible loan	3,595,534
Stock issuance	637,667
Derivative valuation changes	168,934
Capital expenditures	(2,564,522)
Non-cash financing costs	(1,236,933)
Unrealized (loss) – hedging	(3,779,014)
Sale of assets	478,274
Other miscellaneous items	83,133
Total Change in Working Capital	<u>1,900,983</u>
Working Capital as at September 30, 2015	<u>(42,405,992)</u>

Caza had a cash balance of \$1,807,338 as of September 30, 2015 (December 31, 2014 - \$5,160,943).

Caza’s 2015 operating plan calls for participation to be funded from operating cash flows, existing cash resources, the SEDA (as defined below) 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:

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. Loan proceeds will be used to cover ongoing operational costs. The injection of the entire initial tranche into the Company resulted in an agreement with its existing debt provider under the Note Purchase Agreement, Apollo Investment Corporation (“Apollo”), which deferred determination of finance and performance covenants under the existing Note Purchase Agreement (see description below) from March 31, 2015 to September 30, 2015.

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. Under the Note Purchase Agreement, the Company is required to comply with financial covenants, which are tested quarterly, providing for specified interest coverage ratios beginning in the quarter ending September 30, 2013, and asset coverage ratios and minimum production, beginning in the quarter ending March 31, 2014. The Company is also required to maintain a limit on general and administrative costs. Due to drilling delays and decreasing commodity prices the Company did not satisfy its financial covenants at September 30, 2015 and December 31, 2014. These have been waived by Apollo. 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 September 30, 2015 and December 31, 2014.

On September 30, 2015, the Company and Apollo executed a Forbearance and Reservation of Rights Agreement, pursuant to which Apollo agreed, subject to certain customary limitations and conditions, to forbear from exercising certain of its rights and remedies under the Note Agreement with respect to the Company’s breach of certain financial and other covenants until October 31, 2015, subject to earlier termination. On October 30, 2015, the Company and Apollo executed an Amended and Restated Forbearance and Reservation of Rights Agreement which replaced the Forbearance Agreement in its entirety, and pursuant to which Apollo agreed, subject to certain customary limitations and conditions, to forbear from exercising certain of its rights and remedies under the Note Agreement with respect to the Company’s breach of certain financial and other covenants until November 30, 2015, subject to earlier termination. The Amended Forbearance Agreement provides that if Apollo determines in its sole discretion that the Company and its operating subsidiary are not diligently pursuing a transaction substantially similar to the Potential Transaction (see “Financing” above for details of the Potential Transaction) during the forbearance period, Apollo may, by three days’ advance written notice, shorten the forbearance period so that it ends on the latter of November 15, 2015, or the third day after such notice is delivered.

Any outstanding balances of the Notes may be prepaid at the option of the Company at any time subject to premiums that expire in May of 2016. The Note Purchase Agreement is also subject to a mandatory prepayment from the proceeds of the sale of assets and from funds received from transactions outside of the ordinary course of business. Certain mandatory payments are also required if in any period the Company fails to comply with any financial or performance covenants. The Note Agreement provides for customary events of default. Additionally, an event of default would occur upon a change of control of the Company, which consists of (i) a shareholder acquiring more than 35% of the Company’s outstanding common shares, (ii) a change in the composition of the board of directors by more than $\frac{1}{3}$ during a 12-month period or (iii) a termination of service by any three of the five executive officers of the Company. Outstanding balances under the Notes are secured by first-priority security interests in all of the Company’s assets.

In addition to a 2% overriding royalty interest conveyed at the closing of the Note Purchase Agreement in its properties in Eddy and Lea Counties, New Mexico, the Company is also required to convey a proportionately reducible 2% overriding royalty interest in each lease acquired with proceeds from the Note Agreement. Upon full repayment of the Notes, the overriding royalty interests will convert to a 25% net profits interest in each property, proportionately reduced to reflect the Company’s working interest as provided in the Note Purchase Agreement, which will reduce to a 12½% net profits interest at such time as the Note Holder achieves specified investment criteria pursuant to the Note Purchase Agreement.

The outstanding balance of the Notes as at September 30, 2015 was \$45,000,000 (exclusive of unamortized transaction costs \$1,778,073 (December 31, 2014 - \$45,000,000 (exclusive of unamortized

transaction costs \$2,633,629)). The Notes bear interest at a floating rate of one-month LIBOR (with a floor of 2%) plus 10% per annum, payable monthly and mature on May 23, 2017. In an event of default under the Note Purchase Agreement, additional interest will be payable at a default rate of 5% per annum, but only during the period of default. In addition to these funds, the Company has the ability to reinvest cash flow from program wells back into the drilling program.

In connection with the sale of the Notes, the Company incurred a total of \$1,667,500 in transaction costs (consisting of \$1,540,000 in issuance costs and \$127,500 relating to the fair value of the 2% overriding royalty conveyed at the closing of the Note Purchase Agreement). In addition, the Company also incurred structuring fees of \$2,399,912 in connection with the Note Purchase Agreement. The Notes are classified as other financial liabilities and are measured at amortized cost.

Standby Equity Distribution Agreement

The Company and Yorkville are party to a £6 million Standby Equity Distribution Agreement (“SEDA”) dated November 23, 2012. The SEDA allows Caza to issue equity at a 5% discount to market to fund loan repayments or well costs in certain circumstances. As at September 30, 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 during the first nine months of 2015 and 2014. The SEDA expires on April 30, 2016.

Equity Adjustment Agreement

The Company entered into an Equity Adjustment Agreement (the “Adjustment Agreement”) on March 5, 2013 with Yorkville. Pursuant to the Adjustment Agreement, during the three months ended March 31, 2013, the Company issued 3,846,154 common shares to Yorkville at a price of £0.13 per share for aggregate proceeds of £500,000.

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 September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended December 31, 2014
Petroleum and natural gas sales	1,996,350	2,941,812	3,367,214	4,823,460
Net income (loss)	(17,791,270)	(3,309,806)	(1,274,754)	2,896,659
Per share – basic and diluted	(0.07)	(0.01)	(0.01)	0.01
Funds flow from operations (See note) (1)	910,868	2,225,718	1,381,323	386,715
Per share – basic and diluted	0.00	0.01	0.01	0.00
Net capital expenditures	195,794	563,327	1,805,400	11,798,613
Average daily production (boe/d)	594	744	917	901
Weighted average shares outstanding	247,072,290	237,960,016	237,306,302	236,355,884
	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014	Three months ended December 31, 2013
Petroleum and natural gas sales	7,244,752	6,286,049	4,591,507	3,381,486
Net income (loss)	(7,743,772)	(763,150)	(1,454,212)	(2,851,860)
Per share – basic and diluted	(0.04)	(0.01)	(0.01)	(0.01)
Funds flow from(used in) operations (See note) (1)	2,634,496	2,381,414	893,286	276,913
Per share – basic and diluted	0.01	0.01	0.00	0.00
Net capital expenditures	5,865,917	13,681,171	9,616,646	10,031,758
Average daily production (boe/d)	1,210	937	685	503
Weighted average shares outstanding	214,210,273	199,323,039	187,917,370	182,965,097

(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 September 30, 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 September 30, 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. See note 9 of the Company's financial statements for the three-month period ended September 30, 2015 and the disclosure under the heading "Commodity Price Risk" herein for further details of the Company's financial instruments.

Critical Accounting Estimates

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

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

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

Income taxes - The utilization of 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, 2014 available at www.sedar.com.

Future Accounting Pronouncements

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

For a discussion about risk and uncertainties, please refer to our Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2014 available at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting (ICFR), as such term is defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for Caza. They have, as at the three months ended September 30, 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 September 30, 2015 based on the COSO Framework. Based on this evaluation, the officers concluded that Caza's ICFR was effective as of September 30, 2015.

There were no changes in our ICFR during the three months ended September 30, 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.