

**August 7, 2009**

**Caza Oil & Gas, Inc.**

**CAZA OIL & GAS ANNOUNCES SECOND QUARTER RESULTS**

HOUSTON, TEXAS Caza Oil & Gas, Inc. ("Caza" or the "Company") (TSX: CAZ) (AIM: CAZA) is pleased to provide its unaudited financial and operational results for the three months ended June 30, 2009.

Highlights for the quarter include:

- Caza's production increased 33% to 121,786 Mcfe for the three-month period ended June 30, 2009, up from 91,519 Mcfe for the comparative period in 2008;
- Lower costs as net G&A expenses were reduced to \$576,770 for the three-month period ended June 30, 2009, following savings and contributions from joint venture partners (Q2 2008 \$1,377,619);
- Cash balance of \$11.2 million as of June 30, 2009 (March 31, 2009 \$9.8m). Improved cash position is primarily a result of joint venture receipts and reimbursements;
- The Caza/Endeavour participation agreement executed and effective as of April, 2009.

**W. Michael Ford, Chief Executive Officer commented:**

"I'm very pleased with progress to date in 2009, and believe that Caza is positioned to not only survive in the current gas price environment but do well as a result of the actions we have taken. The work program with Endeavour International Corporation has been agreed through year end, and the first of several planned wells is currently drilling. Our cash position is strong and we look forward to providing operational updates throughout the second half of the year."

Copies of the Company's unaudited financial statements for the first quarter ended June 30, 2009, and the accompanying management's discussion and analysis are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.cazapetro.com](http://www.cazapetro.com).

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

## **ADVISORY REGARDING FORWARD LOOKING STATEMENTS**

Information in this news release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws. Such information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Information regarding the Prolithic exploration agreement and the Endeavour participation agreement contained in this news release constitutes forward-looking information within the meaning of securities laws.

Implicit in this information, particularly in respect of “joint ventures” and the Endeavour participation agreement and work program and budget are assumptions regarding projected revenue and expenses. Specifically, the Company has assumed that these agreements will produce positive results. 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 economic, market and business conditions and could differ materially from what is currently expected as set out above.

For more exhaustive information on these risks and uncertainties you should refer to the Company's most recently filed annual information form which is available at [www.sedar.com](http://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.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following interim Management's Discussion and Analysis (“MD&A”) of the financial results for Caza Oil & Gas, Inc. (“Caza” or the “Company”) should be read in conjunction with the unaudited consolidated interim financial statements as at and for the three and six month periods ended June 30, 2009, the audited consolidated financial statements and corresponding MD&A for the year ended December 31, 2008. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). All figures herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) unless otherwise stated. This MD&A is dated August 7, 2009.

### **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 2009 and into 2010. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

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

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

#### **Non-GAAP Measures**

The financial data presented herein has been prepared in accordance with GAAP. 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. 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" and "funds flow from (used in) operations". Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses from revenues. Funds flow from (used in) operations is cash flow from operating activities before changes in non-cash working capital, and is used to analyze operations, performance and liquidity. These measures are not defined under GAAP and should not be considered in isolation or as an alternative to conventional GAAP 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 GAAP" and should be given careful consideration by the reader.

#### **Note Regarding Boe and Mcfe**

In this MD&A, barrels of oil equivalent ("Boes") 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.

#### **Currency**

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

## FINANCIAL AND OPERATING RESULTS

### Petroleum and Production Revenue

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Natural gas</b>				
Production (Mcf)	96667	89073	170605	173927
Revenue (\$)	307097	1017719	636556	1710627
Price (\$/Mcf)	3.18	11.43	3.73	9.84
<b>Natural gas liquids</b>				
Production (bbls)	387	202	763	477
Revenue (\$/bbl)	13185	23996	28812	50972
Price (\$/bbl)	34.03	118.97	37.75	106.95
<b>Oil Production</b>				
Production (bbls)	3799	206	9972	297
Revenue (\$/bbl)	240801	25650	449631	35050
Price (\$/bbl)	63.38	124.56	45.09	117.91
<b>Combined</b>				
Production (Mcf)	121786	91519	235019	178267
Revenue (\$)	561083	1067365	1114999	1796648
Price (\$/Mcf)	4.61	11.66	4.74	10.08
<b>Mcf/d</b>				
	1338	1005	1298	985
<b>Boe/d</b>				
	223	168	216	164

Revenues from oil and gas sales decreased 47% to \$561,083 for the three-month period ended June 30, 2009 from \$1,067,365 for the three-month period ended June 30, 2008 (the "comparative period") and were 38% lower than the than the six-month period ended June 30, 2008. Caza's production increased 33% to 121,786 Mcfe for the three-month period ended June 30, 2009, up from 91,519 Mcfe for the comparative period. This represents an average daily production rate increase of 333 Mcfe/d for the three months ended June 30, 2009 to 1,338 Mcfe/d, as compared to 1,005 Mcfe/d for the comparative period. The average natural gas price received by Caza decreased 61% to \$4.61 per Mcfe during the three-month period ended June 30, 2009 from \$11.66 per Mcfe during the comparative period. The decrease in revenues from the second quarter of 2008 is a result of the decrease in commodity prices. Presently the Company has not hedged any of its production and does not have any commodity price management programs in place.

### Operating Netback Summary

The following table reconciles the Company's operating netback which is considered to be a non-GAAP measure:

(on a Mcfe basis)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Oil and natural gas revenue	\$4.61	\$11.66	\$9.50	\$20.08
Production expense	(1.49)	(0.54)	(2.63)	(1.46)
Severance expense	(0.32)	(0.79)	(0.67)	(1.38)
Transportation expense	(0.13)	(0.12)	(0.21)	(0.24)
Operating netback (non-GAAP)	2.67	10.21	5.99	17.00

### Production Expenses

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Severance (\$)	38747	72619	78566	123783
Transportation (\$)	15500	11891	24784	22183
Production (\$)	180970	49567	310187	128998
Severance, transportation and production (\$)	235217	134077	413537	274964
Severance, transportation and production (\$/Mcfe)	1.93	1.47	1.76	1.54

Severance taxes and transportation expenses totaled \$54,247 (\$0.45/Mcfe) for the three-month period ended June 30, 2009, representing a decrease of 36% from \$84,510 (\$0.91/Mcfe) incurred during the comparative period. 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. The decrease in severance taxes and transportation costs are a result of a 61% decrease in the average commodity price received by Caza during the second quarter of 2009.

Production expenses for the three-month period ended June 30, 2009 were \$180,970 compared to \$49,567 for the comparative period. Caza's average lifting cost for the three-month period ended June 30, 2009 was \$1.49 per Mcfe versus \$0.54 per Mcfe for the comparative period. This increase in lifting costs occurred as a result of declining production rates, suspended production periods on the Matthys-McMillan GU #1 well where a siphon string was installed to improve production, replacing of two 750 bbl tanks on the SL18582 well and the reworking operations conducted on the Mud Slide Slim well. In addition, four wells were placed on pump at the Glass Ranch property which has inherently higher lifting costs.

### Depletion, Depreciation and Accretion

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Depletion and depreciation (\$)	725370	352174	1392486	671110
Accretion (\$)	6154	3567	12307	7132

Depletion, depletion and accretion (\$)	<b>731524</b>	355741	<b>1404793</b>	678242
Depletion, depletion and accretion (\$/Mcf)	<b>6.01</b>	3.88	<b>5.98</b>	3.80

Depletion, depreciation, amortization and accretion expense for the three months ended June 30, 2009 increased to \$731,524 (\$6.01/Mcfe) from \$355,741 (\$3.88/Mcfe) in the comparative period. The increase resulted from drilling costs associated with, and production from, the wells drilled by Caza during 2008.

Costs of acquiring unproved properties of \$10,927,505 were excluded from depletable costs in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 16. A proportionate amount of the carrying value will be transferred to the depletable pool as reserves are proven up through the execution of Caza's exploration program.

### General and Administrative Expenses

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
General and administrative (\$)	<b>1182202</b>	1451564	<b>2239805</b>	2712934
Joint venture partner reimbursements (\$)	<b>(575823)</b>	-	<b>(575823)</b>	-
General and administrative recovery (\$)	<b>(29609)</b>	(73945)	<b>(47050)</b>	(117064)
Net general and administrative (\$)	<b>576770</b>	1377619	<b>1616932</b>	2595870
General and administrative (\$/Mcf)	<b>9.70</b>	15.87	<b>9.53</b>	15.22
Net general and administrative (\$/Mcf)	<b>4.74</b>	15.06	<b>6.88</b>	14.56

Net general and administrative expenses were \$576,770 for the three-month period ended June 30, 2009 and \$1,377,619 for the comparative period. Stock-based compensation expense in the amount of \$132,915 is included in general and administrative expenses for the three-month period ended June 30, 2009 (\$67,639 in 2008). During the three-month period ended June 30, 2009, Caza capitalized general and administrative expenses relating to exploration and development activities of \$170,292, of which \$61,041 related to capitalized stock-based compensation. Under certain joint venture agreements Caza receives reimbursements of general and administrative expenses.

### Net loss

Caza incurred a net loss of \$982,247 for the three-month period ended June 30, 2009 compared to a net loss of \$536,701 during the comparative period. The increase in net loss from the comparative period occurred as a result of significant reductions in commodity prices and the recognition of future income tax recovery in the second quarter of 2008. The net loss in the quarter was mitigated through reductions in general and administrative expenses.

### Investments

Interest income for the three-month period ended June 30, 2009 was \$740 down from \$33,461 during the same period in 2008. Caza invested its cash in short-term money market funds. The Company does not hold any asset backed commercial paper.

### Funds flow from (used in) operations (Non-GAAP)

The following is a reconciliation of funds flow used in operations to net loss:

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Net loss	<b>(982247)</b>	(536701)	<b>(2318127)</b>	(1172386)
Depletion, depreciation, amortization and accretion	<b>731524</b>	355741	<b>1404793</b>	678242
Stock-based compensation	<b>132915</b>	67639	<b>272649</b>	252227
Asset retirement obligations settled	-	-	-	(9767)
Future income tax expense (recovery)	-	(213529)	-	(424478)
Funds flow from (used in) operations	<b>(117808)</b>	(326850)	<b>(640685)</b>	(676162)
Funds loss per share – basic and diluted	<b>0.00</b>	0.00	<b>0.00</b>	0.00

### Capital Expenditures

By Type (\$)	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Drilling and completions	<b>74493</b>	2535064	<b>230158</b>	5556436
Seismic	<b>(275500)</b>	16314	<b>19427</b>	166314
Facilities and lease equipment	<b>120021</b>	434314	<b>202151</b>	1375045
Office furnishings and equipment	-	60124	-	100156
Leasehold /geological /geophysical	<b>(50563)</b>	40688	<b>636648</b>	178443
Other costs (recovery)	<b>(70590)</b>	150638	<b>24582</b>	13914
Total	<b>(202139)</b>	3237142	<b>1112966</b>	7390308

During the three month period ended June 30, 2009 Caza initiated the 2009 drilling schedule with the Lucky Penny 10 State #1 well located in Lea County, New Mexico. Caza plans to drill sequentially 4 Abo-Wolfcamp wells in 2009. During the three month period ended June 30, 2009, the Company received payments for prior period costs incurred as a result of new joint exploration agreements. This resulted in a decrease to capitalized lease acquisition costs of \$556,589 and payments for seismic reprocessing costs previously incurred of \$435,500. In addition, the Company increased its working interests in certain oil and gas properties in consideration for the settlement of certain joint venture accounts receivable due to the Company.

### Outstanding Share Data

Caza is authorized to issue an unlimited number of common shares without par value, of which 119,319,000 common shares are currently issued and outstanding. An additional 26,502,000 common shares are issuable pursuant to certain exchange rights attached to certain outstanding common shares of Caza Petroleum (as defined herein).

The following table sets forth the classes and number of outstanding securities of the Company and the number of issued and issuable Common Shares on a fully diluted basis. See note 5 to the interim financial statements.

	<b>Issued and Issuable Securities</b>
<b>Common Shares</b>	
Issued and outstanding	119319000
Issuable from exchangeable shares	26502000
Issuable from exercise of warrants	19800000
Issuable from exercise of broker warrants	700000
Issuable from exercise of stock options	<u>6585000</u>
<b>Total Common Shares issued and issuable</b>	<b><u>172906000</u></b>
<b>Warrants Issued</b>	
Warrants to purchase common shares	19800000
Broker warrants	<u>700000</u>
Total warrants	<u>20500000</u>
<b>Stock Options Issued</b>	
Total stock options outstanding	<u>6585000</u>

### Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at June 30, 2009:

<u>Type of Obligation (\$)</u>	<u>Total</u>	<u>&lt;1 Year</u>	<u>1-3 Years</u>	<u>4-5 Years</u>	<u>Thereafter</u>
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	110336	110336			
Operating leases			-	-	-
	767972	11714	94195		
Asset retirement obligations				90,973	571,090
Total contractual commitments	878308	122050	94195	90,973	571,090

### Liquidity and Capital Resources

At June 30, 2009, Caza had a working capital surplus of \$9,058,397 (December 31, 2008 \$10,812,048). The decrease in working capital of \$1,753,651 for the six month period was a result of a net funds outflow from operations of \$640,685 and capital expenditures of \$1,112,966. During the quarter ended June 30, 2009 the Company's cash position increased to \$11,215,814 from \$9,765,472 at March 31, 2009. This was a result of joint venture partner lease acquisition reimbursements of \$992,089, a net inflow of working capital of \$944,024 which was offset by a net use of funds in operations of \$117,808 and by exploration and leasehold expenditures of \$367,963. Caza had no bank credit facilities drawn or in place.

On April 8, 2009, the Company entered into a participation agreement with Endeavour Operating Corporation to participate in a jointly established exploration and development program in the United States. The exploration program will primarily focus on Caza's existing onshore acreage position and portfolio of identified opportunities throughout Texas, Louisiana and New Mexico. Under the terms of the Agreement, Endeavour has the right to participate in assets presented to it in its sole discretion. With respect to those assets in which Endeavour elects to participate, Endeavour will fund the acquisition, exploration and appraisal activity costs attributable to Caza's interest in such assets. In consideration for these payments, Endeavour will earn a 75% participating interest in any interest then owned by Caza in any particular asset in which Endeavour elects to participate. The term of the Agreement will run for two years. Endeavour has also agreed to pay a program fee of US\$3 million per annum to be paid monthly. However, either party may terminate the Agreement as of the end of each anniversary period by giving 60 days prior written notice. If neither party terminates the Agreement, it shall automatically renew for subsequent one-year periods.

Caza will typically use four sources of funding to finance its capital expenditure program: internally generated cash flow from operations, proceeds from the sale of properties, bank debt where appropriate and if available new equity issues.

The Company's investing activities in the quarter consisted primarily of expenditures on its capital program. As a result of the current international credit crisis, capital markets with respect to both equities and debt have tightened significantly. However, due to the \$21.4 million financing completed in June and July of 2008 and the joint venture with Endeavour Operating Corporation completed on April 8, 2009, management anticipates that the Company will have adequate liquidity to fund its operations and budgeted capital expenditures.

Caza and its subsidiary, Caza Petroleum, Inc. ("Caza Petroleum") may be considered to be "related parties" for the purposes of Multilateral Instrument 61101 of the Canadian Securities Administrators. As a result, 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.

### Summary of Quarterly Results

	Three months ended June 30, 2009	Three months ended March 31, 2009	Three months ended December 31, 2008	Three months ended September 30, 2008
Petroleum and natural gas sales	561,083	553,916	650,186	905,055
Net income (loss)	(982247)	(1335880)	(1749825)	(2164475)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from operations (non-GAAP) <sup>(1)</sup>	(117808)	(522877)	(1046915)	(841092)
Per share – basic and diluted	0.00	0.00	0.00	(0.01)
Net capital expenditures (recovery)	(202139)	1315105	3851867	6691112
Average daily production (mcf/d)	1338	1258	1130	994
Weighted average shares outstanding	145,821,000	145,821,000	145,821,000	145,675,139

  

	Three months ended June 30, 2008	Three months ended March 31, 2008	Three months ended December 31, 2007	Three months ended September 30, 2007
Petroleum and natural gas sales	1,067,364	729,284	600,431	272,543
Net income (loss)	(536701)	(635685)	(554402)	(673096)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from(used in) operations (non- GAAP) <sup>(1)</sup>	(326850)	(349312)	(427152)	(808214)
Per share – basic and diluted	0.00	0.00	(0.01)	(0.01)
Net capital expenditures	3237140	4153166	3047631	3730017
Average daily production (mcf/d)	1005	957	1019	489
Weighted average shares outstanding	97,723,874	95,821,000	80,782,196	73,336,717

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

#### Factors that have caused variations over the quarters:

- In 2008 and 2009, Caza purchased a 50% participation right in approximately 7,082 gross acres in three separate properties located in Lea County New Mexico. Caza refers to the three properties as Moore Cap (4,002 gross acres), Bada-Bing (2,760 gross acres) and Bada Bing North (320 gross acres). Caza also purchased a 75% participation right in approximately 1120 gross acres in Chaves County, New Mexico. Caza refers to this property as Round Tank.
- On April 8, 2009, the Company completed a participation agreement with Endeavour Operating Corporation to participate in a jointly established exploration and development program in the United States.
- The Company drilled 16 gross (6.15 net) wells in Texas, New Mexico and Louisiana during 2007 and 2008 of which 13 gross (4.33 net) wells were completed. One well is waiting further completion operations pending the drilling of an appraisal well.
- In two separate transactions during the first quarter of 2008, Caza purchased the participation rights of third parties who had the option to participate for 25% of Caza's potential working interest in all projects located under certain Transition Zone seismic data volumes covering approximately 2,300 square miles located in South Louisiana and the Texas Gulf Coast Regions. As a result of the transactions, Caza increased its potential working interest and has a controlling interest in projects derived from these data volumes.

## **Financial Instruments**

For a discussion about financial instruments, please refer to the corresponding June 30, 2009 consolidated interim financial statements and our Management's Discussion and Analysis for the year ended December 31, 2008 available at [www.sedar.com](http://www.sedar.com).

### **Critical Accounting Estimates**

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, 2008 available at [www.sedar.com](http://www.sedar.com).

### **Recent Accounting Pronouncements**

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

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that effective January 1, 2011, Canadian GAAP for publicly accountable entities will be replaced in full with International Financial Reporting Standards (IFRS) as promulgated by the International AcSB. Management is currently assessing the impact of adopting IFRS and is developing a plan to achieve convergence to IFRS by January 1, 2011. Based on management's initial assessments, the Company has identified that the accounting and disclosure of capital assets are the areas that will have the greatest potential impact upon conversion.

In January 2009, the AcSB issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In January 2009, the AcSB issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, *Financial Instruments — Disclosures*. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in IFRS. The Company will include these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

### **Risks and Uncertainties**

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, 2008 available at [www.sedar.com](http://www.sedar.com).

**Internal Control Over Financial Reporting**

There was no change to Caza's internal control over financial reporting during the period from January 1, 2009 to June 30, 2009 that materially affected, or is reasonably likely to materially affect, Caza's internal control over financial reporting.

<b>(In United States dollars)</b>	<b>June 30, 2009</b>	<b>(Unaudited)</b> December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$11215814	\$14103827
Accounts receivable	1325343	3346720
Prepaid and other	135872	215301
	<b>12677029</b>	17665848
<b>Property and equipment (Note 3)</b>	<b>36962764</b>	37112470
	<b>\$49639793</b>	\$54778318
 <b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$3618632	\$6853800
<b>Asset retirement obligations (Note 4)</b>	<b>520775</b>	493919
	<b>4139407</b>	7347719
 <b>Shareholders' Equity</b>		
Share capital (Note 5(b))	51481597	51481597
Contributed surplus (Note 5(f))	4605049	4217135
Deficit	(10586260)	(8268133)
	<b>45500386</b>	47430599
	<b>\$49639793</b>	\$54778318

See accompanying notes to the interim consolidated financial statements

**Caza Oil & Gas, Inc.**  
**Consolidated Statements of Net Loss, Comprehensive Loss, and Deficit**  
**(Unaudited)**

(In United States dollars)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Revenue</b>				
Petroleum and natural gas	\$561083	\$1067365	\$1114999	\$1796648
Interest income and other income	740	33461	2881	144913
	561823	1100826	1117880	1941561
<b>Expenses</b>				
Production	235217	134077	413537	274964
General and administrative	576770	1377619	1616932	2595870
Depletion, depreciation, amortization and accretion	731,524	355,741	1,404,793	678,242
Interest	559	1371	745	3946
	1544070	1868808	3436007	3553022
<b>Loss before income taxes</b>	<b>(982247)</b>	<b>(767982)</b>	<b>(2318127)</b>	<b>(1611461)</b>
<b>Income taxes</b>				
Current income taxes	-	(17752)	-	(14597)
Future income tax recovery	-	(213529)	-	(424478)
	-	(231281)	-	(439075)
<b>Net loss and comprehensive loss</b>	<b>(982247)</b>	<b>(536701)</b>	<b>(2318127)</b>	<b>(1172386)</b>
<b>Deficit, Beginning of Period</b>	<b>(9604013)</b>	<b>(3817125)</b>	<b>(8268133)</b>	<b>(3181440)</b>
<b>Deficit, End of Period</b>	<b>(\$10586260)</b>	<b>(\$4353826)</b>	<b>(\$10586260)</b>	<b>(\$4353826)</b>
<b>Loss per share</b>				
basic and diluted	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)
<b>Weighted average shares outstanding</b>				
basic and diluted <sup>(1)</sup>	145821000	97723874	145821000	96772437

(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 interim consolidated financial statements

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

(In United States dollars)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>				
<b>OPERATING</b>				
Net loss	(982247)	(536701)	(2318127)	(1172386)
Adjustments for items not affecting cash:				
Depletion, depreciation, amortization and accretion	731524	355741	1404793	678242
Stock-based compensation	132915	67639	272649	252227
Future income tax expense (recovery)	-	(213529)	-	(424478)
Asset retirement obligations settled	-	-	-	(9767)
Changes in non-cash working capital (Note 8(a))	(1429411)	(1913467)	(2696594)	(296762)
Cash flows from (used in) operating activities	<u>(1547219)</u>	<u>(2240317)</u>	<u>(3337279)</u>	<u>(972924)</u>
<b>FINANCING</b>				
Proceeds from issuance of shares, net of issue costs	-	18,301,741	-	18,301,741
Changes in non-cash working capital (Note 8(a))	-	185550	-	(650898)
Cash flows from financing activities	<u>-</u>	<u>18487291</u>	<u>-</u>	<u>17650843</u>
<b>INVESTING</b>				
Exploration and development expenditures	(367963)	(3177017)	(1683067)	(7316099)
Purchase of equipment	-	(60125)	-	(74209)
Partner reimbursement	992089	-	992089	-
Changes in non-cash working capital (Note 8(a))	2373435	(6188232)	1140244	(990487)
Cash flows used in investing activities	<u>2997561</u>	<u>(9425374)</u>	<u>449266</u>	<u>(8380795)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1450342</b>	<b>6821600</b>	<b>(2,888,013)</b>	<b>8,297,124</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>9765472</b>	<b>14670113</b>	<b>14103827</b>	<b>13194589</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>11215814</u></b>	<b><u>21491713</u></b>	<b><u>11215814</u></b>	<b><u>21491713</u></b>

## 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 interim unaudited consolidated financial statements of Caza have been prepared by management, in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. These interim consolidated financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008. The interim consolidated financial statements have been prepared following the same significant accounting policies as the most recently reported audited consolidated financial statements of Caza except as disclosed in Note 2.

Caza's reporting currency is the United States ("US") dollar as the majority of its transactions are denominated in the currency.

## 2. Changes in Significant Accounting Policies

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after January 1, 2009.

(a) Section 3064, "Goodwill and Intangible Assets" which replaced CICA Handbook Sections 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The adoption of this new section did not have a material impact on the consolidated financial statements.

(b) Future Accounting Pronouncements

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

In January 2009, the AcSB issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In January 2009, the AcSB issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, Financial Instruments — Disclosures. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with

recent amendments to financial instrument disclosure standards in IFRS. The Company will include these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

### 3. Property and Equipment

	June 30, 2009			December 31, 2008		
	Cost	Accumulated depletion and depreciation	Net Book Value	Cost	Accumulated depletion and depreciation	Net Book Value
Petroleum and natural gas properties and equipment	\$40,573,662	\$4,008,035	\$36,565,627	\$39,330,883	\$2,681,632	\$36,649,251
Office equipment and furniture	\$718,523	\$321,386	\$397,137	\$718,523	\$255,304	\$463,219
	<b>\$41,292,185</b>	<b>\$4,329,421</b>	<b>\$36,962,764</b>	\$40,049,406	\$2,936,936	\$37,112,470

At June 30, 2009 the cost of petroleum and natural gas properties includes \$10,927,505 (December 31, 2008 - \$10,778,079) relating to unproven properties which have been excluded from costs subject to depletion and depreciation. No events or circumstances suggest that the undeveloped properties, and all associated costs are impaired at June 30, 2009. Future development costs of proved undeveloped reserves of \$11,224,800 were included in the depletion calculation at June 30, 2009 and December 31, 2008.

During the three month period ended June 30, 2009 the Company received reimbursements of prior period costs as a result of joint exploration agreements with other companies. This resulted in a decrease of \$992,089 to the petroleum and natural gas properties and equipment. In addition the Company increased its working interest in certain oil and gas properties in consideration for the settlement of certain accounts receivable of the Company.

During the three and six month periods ended June 30, 2009 the Company capitalized general and administrative expenses of \$170,292 and \$422,605 respectively (three and six month periods ended June 30, 2008 - \$259,804 and \$603,947) directly relating to exploration and development activities of which \$61,041 and \$115,265 related to stock based compensation for the period ended June 30, 2009 (2008 - \$50,238 and \$117,587 respectively).

### 4. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

	June 30, 2009	December 31, 2008
Asset retirement obligation, beginning of period	\$493919	\$286019
Obligations incurred	14549	203405
Accretion expense	12307	14262
Obligations settled	-	(9767)
Asset retirement obligation, end of period	<b>\$520775</b>	\$493919

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 as at June 30, 2009 to be \$767,972 (December 31, 2008 - \$740,472). The obligation was calculated using a credit-adjusted risk free discount rate of 6 percent and an inflation rate of 3 percent.

## 5. Share Capital

### (a) Authorized

Unlimited number of voting common shares.

### (b) Issued

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
	Shares	Amounts	Shares	Amounts
Opening balance common shares	119319000	\$46423526	69319000	\$25037117
Private placement	-	-	50000000	21386409
Balance end of period	119319000	\$46423526	119319000	\$46423526
Opening balance exchangeable rights	26502000	918571	26502000	918571
Balance end of period	26502000	918571	26502000	918571
Opening balance warrants	20500000	4139500	25100000	4855100
Expired broker warrants March 22, 2008	-	-	(24000000)	(285600)
Surrendered warrants May 21, 2008	-	-	(22000000)	(430000)
Balance end of period (i)	20500000	4139500	20500000	4139500
		\$51481597		\$51481597

(i) The weighted average life of the warrants is 1.23 years (December 2008 – 1.73 years) and the weighted average exercise price is \$0.99 (December 2008 - \$0.99).

### (c) Warrants

The following table summarizes the warrants outstanding as at June 30, 2009.

Date of Grant	Number Outstanding	Exercise Price	Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2009
September 22, 2006	16731000	1.00	1.23	September 22, 2010	16731000
November 20, 2006	2535500	1.00	1.39	November 20, 2010	2535500
January 17, 2007	533500	1.00	1.45	December 12, 2010	533500
December 12, 2007	700000	0.80	0.45	December 12, 2009	700000
	20500000				20500000

(d) Stock options

A summary of the Company's stock option plan as at June 30, 2009 and December 31, 2008 and changes during the respective years ended on those dates is presented below.

Stock Options	June 30, 2009		December 31, 2008	
	Number of options	Weighted average Exercise price	Number of options	Weighted average exercise price
Beginning of period	6585000	\$0.61	6605000	\$0.62
Granted	-	-	980000	0.52
Exercised	-	-	-	-
Forfeited	-	-	(1000000)	0.59
End of period	6585000	\$0.61	6585000	\$0.61
Exercisable, end of period	3123334	\$0.58	2876667	\$0.58

Date of Grant	Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2009
January 31, 2007	3025000	0.50	7.59	January 31, 2017	2016667
May 10, 2007	220000	0.50	7.85	May 10, 2017	146667
June 11, 2007	20000	0.50	7.95	June 11, 2017	13333
December 12, 2007	2340000	0.79	8.45	December 12, 2017	780000
April 7, 2008	500000	0.59	8.77	April 7, 2018	166667
August 11, 2008	480000	0.44	9.11	August 11, 2018	-
	6585000		8.11		3123334

(e) Escrowed securities

In accordance with Canadian securities laws requirements and the policies of the TSX, at the time of the Company's initial public offering on December 12, 2007, a total of 20,457,500 common shares owned by management (which reflected 19,880,000 unissued common shares receivable pursuant to management's exchangeable rights) and 25,200,000 common shares owned by non-management parties were originally placed in escrow pursuant to an escrow agreement. In addition, 262,500 warrants owned by management that are exercisable for 288,750 common shares, and 9,750,000 warrants owned by non-management parties exercisable for 10,725,000 common shares were similarly placed in escrow. On June 12, 2009, the 6,825,700 management shares and 8,400,000 non-management shares that remained in escrow were released from escrow, as were the 87,500 management warrants exercisable for 96,250 common shares and the 2,750,000 non-management warrants exercisable for 3,025,000 common shares. At June 30, 2009, no securities remained in escrow.

(f) Contributed surplus

The following table presents the changes in contributed surplus:

	June 30, 2009	December 31, 2008
Balance, beginning of period	<b>\$4217135</b>	\$2787434
Expired broker warrants	-	285,600
Surrendered warrants	-	430,000
Stock based compensation (i)	<b>387914</b>	714101
Balance, end of period	<b>\$4605049</b>	\$4217135

(i) During the quarter ended June 30, 2009, \$132,915 of the stock based compensation expense was recognized in the statement of net loss (June 30, 2008 - \$67,639) and for the quarter ended June 30, 2009 \$61,041 was capitalized (June 30, 2008 - \$50,238).

## 6. Related Party Transactions

The aggregate amount of expenditures made to related parties:

- (a) An Officer of Caza Petroleum, prior to becoming an employee, was a consultant to Caza Petroleum and as a consultant was eligible to receive a 2% carried working interest (subject to proportionate reduction based on the Company's working interest) to casing point in the initial test well in certain prospects. The applicable prospects are the Bongo, Puku, Eland and Sable properties. As a result of these carried working interests, the officer of Caza Petroleum has working interests in certain of these properties and as at June 30, 2009, \$748 of joint venture receivables owed to the Company. Since becoming an employee this individual is no longer eligible to participate for additional interests beyond those described.
- (b) In February 2008, Caza Petroleum entered into a farm out agreement with Singular Oil & Gas Sands, LLC ("Singular") to participate in the drilling of the Jonell Cerny well in Wharton County, Texas. Under the terms of that agreement, Singular paid 13.33% of the drilling costs through completion of the Jonell Cerny well to earn a 10.00% interest in the property thereafter. This participation was in the normal course of Caza's business and on the same terms and conditions to those of other joint venture partners. Singular owes the Company \$4,998 in joint venture partner receivables as at June 30, 2009. Singular is a related party as it is a company under common control with Zoneplan Limited, which is a significant shareholder of Caza.

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.

## 7. Commitments and Contingencies

- (a) As of June 30, 2009, the Company is committed under operating leases for its offices and corporate apartment. The Company is committed to the following aggregate minimum lease payments which are shown below:

2009	110336
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- (b) The Company received \$2,565,962 in 2004, 2005 and 2006 under an agreement whereby the funds received are only repayable from production from three wells on the Aldwell Ranch project at a rate of 47.281% of 100% of the revenues equal to the original amount of investment and 40.787% of 100% of the revenues thereafter. The payment obligation ceases upon ninety percent (90%) of the then current estimated recoverable reserves being produced. This has been accounted for as a net profits interest and has reduced the carrying amount of the cost center.

## 8. Supplementary Information

### (a) net change in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Provided by (used in)</b>				
Accounts receivable	499046	429653	1599389	(470416)
Prepaid and other	29679	104332	79429	159945
Accounts payable and accrued liabilities	415299	(8450134)	(3235168)	(1627676)
	<b>944024</b>	<b>(7916149)</b>	<b>(1556350)</b>	<b>(1938147)</b>
<b>Summary of changes</b>				
Operating	(1429411)	(1913467)	(2696594)	(296762)
Financing	-	185550	-	(650898)
Investing	2373435	(6188232)	1140244	(990487)
	<b>944024</b>	<b>(7916149)</b>	<b>(1556350)</b>	<b>(1938147)</b>

### (b) supplementary cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Interest paid	559	1371	745	3946
Interest received	740	53461	2881	144913
Taxes paid	-	-	-	3155

### (c) cash and cash equivalents

	June 30, 2009	December 31, 2008
Cash on deposit	3938850	1129745
Money market instruments	7276964	12974082
Cash and cash equivalents	<b>11215814</b>	14103827

The money market instruments bear interest at a rate of 0.033% as at June 30, 2009 (December 31, 2008 – 0.089%).

## 9. 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 shareholder equity (\$45,500,386, 2008 - \$47,430,599), working capital (\$9,058,397, 2008 - \$10,812,048) and credit facilities (\$0, 2008 - \$0) when available. The Company manages the capital structure and makes adjustments to it 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. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

## 10. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit, and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

### (a) Commodity Price Risk

The Company is subject to commodity price risk for the sale of 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, natural gas and natural gas liquids commodity prices. To date the Company has not entered into any forward commodity contracts.

### (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 balance sheet date. A majority of the Company's accounts receivable at the balance sheet date arise from oil, natural gas liquids and natural gas sales and the Company's accounts receivable that are with these customers and joint venture participants in the oil & natural gas industry. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. The Company's natural gas and condensate production is sold to large marketing companies. Typically, the Company's maximum credit exposure to customers is revenue from two months of sales. During the period ended June 30, 2009, the Company sold 96.59% (June 30, 2008 – 93.97%) 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 venture partner relating to capital expenditures, costs of such operations are paid for in advance to the Company by way of a cash call by the partner of the operation being conducted. The Company currently holds its cash and cash equivalent balances in a reputable bank, therefore, management believes the credit risk on cash and cash equivalents is minimal.

Caza management assesses quarterly if there should be any impairment of the financial assets of the Company. At June 30, 2009, the Company had overdue accounts receivable from certain joint interest partners of \$24,543 which were outstanding for greater than 60 days and \$239,763 that were outstanding for greater than 90 days. During the six month period ended June 30, 2009, there was no impairment required on any of the financial assets of the Company. At June 30, 2009, the Company's two largest joint venture partners represented approximately 15% and 10% of the Company's receivable balance (December 31, 2008 21% and 15% respectively). The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of cash and cash equivalents, accounts receivable and deposits.

### (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 June 30, 2009, 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, 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.

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 held-for-trading or available-for-sale. There have been no changes to the aforementioned classifications in the six month period ended June 30, 2009.

(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 financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines if any, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses. The financial liabilities as at June 30, 2009 that impact the Company's liquidity risk are accounts payable and accrued liabilities. The contractual maturity of these financial liabilities is generally the following sixty days from the receipt of the invoices for goods or services and can be up to the following next six months. Management believes that current working capital will be adequate to support these financial liabilities.