

**Caza Oil & Gas, Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

<b>(In United States dollars)</b>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 11,116,454	\$ 14,103,827
Accounts receivable	2,173,605	3,346,720
Prepaid and other	47,562	215,301
	<b>13,337,621</b>	<b>17,665,848</b>
<b>Property and equipment (Note 3)</b>	<b>36,684,362</b>	<b>37,112,470</b>
	<b>\$ 50,021,983</b>	<b>\$ 54,778,318</b>
 <b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,482,990	\$ 6,853,800
<b>Asset retirement obligations (Note 4)</b>	<b>526,929</b>	<b>493,919</b>
	<b>5,009,919</b>	<b>7,347,719</b>
 <b>Shareholders' Equity</b>		
Share capital (Note 5(b))	51,481,597	51,481,597
Contributed surplus (Note 5(f))	4,670,150	4,217,135
Deficit	(11,139,683)	(8,268,133)
	<b>45,012,064</b>	<b>47,430,599</b>
	<b>\$ 50,021,983</b>	<b>\$ 54,778,318</b>

*See accompanying notes to the interim consolidated financial statements*

**Caza Oil & Gas, Inc.**

**Consolidated Statements of Net Loss, Comprehensive Loss, and Deficit  
(Unaudited)**

<b>(In United States dollars)</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>				
Petroleum and natural gas	\$ 553,793	\$ 905,055	\$ 1,668,792	\$ 2,701,703
Interest income and other income	193	132,295	3,074	277,208
	<b>553,986</b>	<b>1,037,350</b>	<b>1,671,866</b>	<b>2,978,911</b>
<b>Expenses</b>				
Production	219,709	153,329	633,246	428,293
General and administrative	267,295	1,857,337	1,884,971	4,457,153
Depletion, depreciation, amortization and accretion	620,405	323,608	2,025,199	1,001,850
	<b>1,107,409</b>	<b>2,334,274</b>	<b>4,543,416</b>	<b>5,887,296</b>
<b>Loss before income taxes</b>	<b>(553,423)</b>	<b>(1,296,924)</b>	<b>(2,871,550)</b>	<b>(2,908,385)</b>
<b>Income taxes</b>				
Current income taxes	-	16,991	-	2,394
Future income tax recovery	-	850,560	-	426,082
	-	867,551	-	428,476
<b>Net loss and comprehensive loss</b>	<b>(553,423)</b>	<b>(2,164,475)</b>	<b>(2,871,550)</b>	<b>(3,336,861)</b>
<b>Deficit, Beginning of Period</b>	<b>(10,586,260)</b>	<b>(4,353,826)</b>	<b>(8,268,133)</b>	<b>(3,181,440)</b>
<b>Deficit, End of Period</b>	<b>\$(11,139,683)</b>	<b>\$(6,518,301)</b>	<b>\$(11,139,683)</b>	<b>\$(6,518,301)</b>
Loss per share basic and diluted	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
Weighted average shares outstanding basic and diluted <sup>(1)</sup>	<b>145,821,000</b>	<b>145,675,139</b>	<b>145,821,000</b>	<b>113,192,322</b>

(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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>				
<b>OPERATING</b>				
Net loss	(553,423)	(2,164,475)	(2,871,550)	(3,336,681)
Adjustments for items not affecting cash:				
Depletion, depreciation, amortization and accretion	620,405	323,608	2,025,199	1,001,850
Stock-based compensation	90,563	149,215	363,212	401,441
Future income tax expense (recovery)	-	850,560	-	(426,082)
Asset retirement obligations settled	-	-	-	(9,767)
Changes in non-cash working capital (Note 8(a))	(232,037)	1,529,745	(2,928,631)	1,232,985
Cash flows from (used in) operating activities	<u>(74,492)</u>	<u>688,653</u>	<u>(3,411,770)</u>	<u>(284,270)</u>
<b>FINANCING</b>				
Proceeds from issuance of shares, net of issue costs	-	3,084,668	-	21,386,409
Changes in non-cash working capital (Note 8(a))	-	-	-	(650,899)
Cash flows from financing activities	<u>-</u>	<u>3,084,668</u>	<u>-</u>	<u>20,735,510</u>
<b>INVESTING</b>				
Exploration and development expenditures	(775,835)	(6,643,351)	(2,458,903)	(13,959,449)
Purchase of equipment	(7,464)	(47,761)	(7,464)	(121,970)
Partner reimbursement	-	-	992,089	-
Changes in non-cash working capital (Note 8(a))	758,431	(780,235)	1,898,675	(1,770,723)
Cash flows used in investing activities	<u>(24,868)</u>	<u>(7,471,347)</u>	<u>424,397</u>	<u>(15,852,142)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(99,360)</b>	<b>(3,698,026)</b>	<b>(2,987,373)</b>	<b>4,599,098</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>11,215,814</b>	<b>21,491,713</b>	<b>14,103,827</b>	<b>13,194,589</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>11,116,454</b>	<b>17,793,687</b>	<b>11,116,454</b>	<b>17,793,687</b>

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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

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**1. Basis of Presentation**

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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 that currency.

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**2. Changes in Significant Accounting Policies**

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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) The Company adopted Section 3064, *Goodwill and Intangible Assets* and amended Section 1000, *Financial Statement Concepts* clarifying the criteria for recognizing assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The adoption of this section did not have a material impact on the results of operations or financial position.
  - (b) On January 20, 2009 the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not have a significant impact on the Company's financial statements.
  - (c) In February 2008, the AcSB confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the results of operations, financial position and disclosures.
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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
(unaudited)

**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

**2. Changes in Significant Accounting Policies - continued**

- (d) 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.
- (e) 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 on the results of operations or financial position.

**3. Property and Equipment**

	September 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	\$40,902,047	\$4,589,352	\$36,312,695	\$39,330,883	\$2,681,632	\$36,649,251
Office equipment and furniture	\$725,987	\$354,320	\$371,667	\$718,523	\$255,304	\$463,219
	<b>\$41,628,034</b>	<b>\$4,943,672</b>	<b>\$36,684,362</b>	<b>\$40,049,406</b>	<b>\$2,936,936</b>	<b>\$37,112,470</b>

At September 30, 2009 the cost of petroleum and natural gas properties includes \$11,364,481 (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 September 30, 2009. Future development costs of proved undeveloped reserves of \$4,366,750 were included in the depletion calculation at September 30, 2009 and \$11,224,800 was included in the depletion calculation at December 31, 2008.

During the nine month period ended September 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 nine month periods ended September 30, 2009 the Company capitalized general and administrative expenses of \$58,887 and \$481,492 respectively (three and nine month periods ended September 30, 2008 - \$305,469 and \$909,416) directly relating to exploration and development activities of which \$39,422 and \$154,687 related to stock based compensation for the period ended September 30, 2009 (2008 - \$49,276 and \$166,865 respectively).

**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
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**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

**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:

	<b>September 30, 2009</b>	December 31, 2008
Asset retirement obligation, beginning of period	<b>\$ 493,919</b>	\$ 286,019
Obligations incurred	<b>14,549</b>	203,405
Accretion expense	<b>18,461</b>	14,262
Obligations settled	-	(9,767)
Asset retirement obligation, end of period	<b>\$ 526,929</b>	\$ 493,919

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 September 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

	<b>Nine months Ended</b>		Year Ended	
	<b>September 30, 2009</b>		December 31, 2008	
	<b>Shares</b>	<b>Amounts</b>	Shares	Amounts
<b>Opening balance common shares</b>	<b>119,319,000</b>	<b>\$ 46,423,526</b>	69,319,000	\$ 25,037,117
Private placement	-	-	50,000,000	21,386,409
Balance end of period	<b>119,319,000</b>	<b>\$ 46,423,526</b>	119,319,000	\$ 46,423,526
<b>Opening and ending exchangeable rights</b>	<b>26,502,000</b>	<b>918,571</b>	26,502,000	918,571
<b>Opening balance warrants</b>	<b>20,500,000</b>	<b>4,139,500</b>	25,100,000	4,855,100
Expired broker warrants March 22, 2008	-	-	(2,400,000)	(285,600)
Surrendered warrants May 21, 2008	-	-	(2,200,000)	(430,000)
Balance end of period (i)	<b>20,500,000</b>	<b>4,139,500</b>	20,500,000	4,139,500
		<b>\$ 51,481,597</b>		\$ 51,481,597

(i) The weighted average life of the warrants is 0.98 years (December 2008 – 1.73 years) and the weighted average exercise price is \$0.99 (December 2008 - \$0.99).

**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
(unaudited)

**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

**5. Share Capital - continued**

(c) Warrants

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

<b>Date of Grant</b>	<b>Number Outstanding</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life</b>	<b>Date of Expiry</b>	<b>Number Exercisable September 30, 2009</b>
September 22, 2006	16,731,000	1.00	0.98	September 22, 2010	16,731,000
November 20, 2006	2,535,500	1.00	1.14	November 20, 2010	2,535,500
January 17, 2007	533,500	1.00	1.20	December 12, 2010	533,500
December 12, 2007	700,000	0.80	0.20	December 12, 2009	700,000
	<b>20,500,000</b>				<b>20,500,000</b>

(d) Stock options

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

<b>Stock Options</b>	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Beginning of period	<b>6,585,000</b>	<b>\$0.61</b>	6,605,000	\$0.62
Granted	-	-	980,000	0.52
Forfeited	<b>(466,667)</b>	<b>0.58</b>	(1,000,000)	0.59
End of period	<b>6,118,334</b>	<b>\$0.61</b>	6,585,000	\$0.61
Exercisable, end of period	<b>4,025,000</b>	<b>\$0.56</b>	2,876,667	\$0.58

<b>Date of Grant</b>	<b>Number Outstanding</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Date of Expiry</b>	<b>Number Exercisable September 30, 2009</b>
January 31, 2007	2,691,667	0.50	7.34	January 31, 2017	2,691,667
May 10, 2007	220,000	0.50	7.59	May 10, 2017	146,667
June 11, 2007	20,000	0.50	7.70	June 11, 2017	13,333
December 12, 2007	2,206,667	0.79	8.20	December 12, 2017	846,667
April 7, 2008	500,000	0.59	8.52	April 7, 2018	166,667
August 11, 2008	480,000	0.44	8.86	August 11, 2018	160,000
	<b>6,118,334</b>		<b>7.88</b>		<b>4,025,000</b>

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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
(unaudited)

As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008

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**5. Share Capital - continued**

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(e) Escrowed securities

At September 30, 2009, no securities remained in escrow.

(f) Contributed surplus

The following table presents the changes in contributed surplus:

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 4,217,135	\$ 2,787,434
Expired broker warrants	-	285,600
Surrendered warrants	-	430,000
Stock based compensation (i)	453,015	714,101
Balance, end of period	\$ 4,670,150	\$ 4,217,135

(i) For the three and nine month periods ended September 30, 2009, \$90,563 and \$363,212 of stock based compensation expense was recognized in the statement of net loss (2008 - \$149,215 and \$401,441) and \$39,422 and \$154,686 was capitalized during the respective three and nine month periods (2008 - \$49,276 and \$166,865).

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**6. Related Party Transactions**

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The aggregate amount of expenditures made to related parties:

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 \$14,760 in joint venture partner receivables as at September 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.

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**7. Commitments and Contingencies**

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As of September 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	\$48,674
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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
(unaudited)

**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

**8. Supplementary Information**

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Provided by (used in)</b>				
Accounts receivable	(426,274)	634,556	1,173,115	164,150
Prepaid and other	88,310	88,463	167,739	248,411
Accounts payable and accrued liabilities	864,358	26,481	(2,370,810)	(1,601,198)
	<u>526,394</u>	<u>749,510</u>	<u>(1,029,956)</u>	<u>(1,188,637)</u>
<b>Summary of changes</b>				
Operating	(232,037)	1,529,745	(2,928,631)	1,232,985
Financing	-	-	-	(650,899)
Investing	758,431	(780,235)	1,898,675	(1,770,723)
	<u>526,394</u>	<u>749,510</u>	<u>(1,029,956)</u>	<u>(1,188,637)</u>

*(b) supplementary cash flow information*

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Interest paid	4	6,198	749	10,144
Interest received	193	132,295	3,074	277,208
Taxes paid	-	12,891	-	16,046

*(c) cash and cash equivalents*

	September 30, 2009	December 31, 2008
Cash on deposit	3,839,297	1,129,745
Money market instruments	7,277,157	12,974,082
Cash and cash equivalents	<u>11,116,454</u>	<u>14,103,827</u>

The money market instruments bear interest at a rate of 0.01% as at September 30, 2009 (December 31, 2008 – 0.089%).

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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
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**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

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**9. Capital Risk Management**

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The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as shareholders' equity (\$45,012,064, 2008 - \$47,430,599), working capital (\$8,854,632, 2008 - \$10,812,048) and credit facilities when available. Currently the Company does not have a credit facility in place. 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.

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**10. Financial Instruments**

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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 and natural gas industry. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. The Company's natural gas 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 September 30, 2009, the Company sold 40.94% (September 30, 2008 – 91.69%) 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 large national bank therefore management believes the credit risk on cash and cash equivalents are minimal.

Caza management assesses quarterly if there should be any impairment of the financial assets of the Company. At September 30, 2009, the Company had overdue accounts receivable from

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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
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**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

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**10. Financial Instruments - continued**

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certain joint interest partners of \$19,995 which were outstanding for greater than 60 days and \$109,432 that were outstanding for greater than 90 days.

During the nine month period ended September 30, 2009, there was no impairment required on any of the financial assets of the Company. At September 30, 2009, the Company's two largest joint venture partners represented approximately 35% 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 September 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 nine month period ended September 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 September 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

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**Caza Oil & Gas, Inc.**  
**Notes to Consolidated Financial Statements**  
(unaudited)

**As at September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008**

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**10. Financial Instruments - continued**

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goods of 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.