



ANNUAL INFORMATION FORM

For the Fiscal Year Ended December 31, 2009

March 29, 2010

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ADDENDA

APPENDIX "A" FORM 51-101F2 REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

APPENDIX "B" FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE IN FORM 51-101F3

APPENDIX "C" CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF CAZA OIL & GAS, INC.

DEFINED TERMS

“**2006 Act Provisions**” means Section 793 of the *Companies Act* (UK) (2006);

“**2-D Seismic**” means seismic data acquired for the purpose of defining geology and prospects in a grid that is relatively broad;

“**3-D Seismic**” means seismic data that is acquired for the purpose of defining geology and prospects in a grid that is relatively close spaced and dense;

“**AIM**” means AIM, a market operated by the London Stock Exchange plc;

“**Alpine Participation Agreement**” means the Seismic Funding Agreement dated July 24, 2003 among Falcon Bay, Alpine Oil Company, Douglas H. Christensen and Christensen Petroleum, Inc.;

“**Annual Information Form**” means this annual information form of Caza dated March 29, 2010;

“**Articles**” means the articles of incorporation of Caza;

“**Audit Committee**” means the audit committee of the Board;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Board**” means the board of directors of Caza;

“**Caza**” or the “**Corporation**” means Caza Oil & Gas, Inc., a corporation incorporated under the laws of British Columbia;

“**Caza Petroleum**” means Caza Petroleum, Inc. a corporation incorporated under the laws of Delaware and a subsidiary of Caza;

“**Caza Petroleum Share**” means a common share in the capital of Caza Petroleum;

“**COGE Handbook**” means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society);

“**Common Share**” means a common share in the capital of the Corporation;

“**Cox Participation Agreement**” means the seismic participation agreement dated December 15, 2003 among Falcon Bay, J.M. Cox Resources Inc., Douglas H. Christensen and Christensen Petroleum, Inc.;

“**DHGU #3**” has the meaning given to such term under the heading “General Development of the Business – Three Year History – 2008”;

“**Disclosure and Transparency Provisions**” means the provisions of Rule 5 of *Disclosure and Transparency Rules* (UK) of the UK Financial Services Authority;

“**Endeavour**” means Endeavour International Corporation;

“**Endeavour Agreement**” means the definitive participation agreement dated April 8, 2009 between the Corporation and Endeavour;

“Escrow Agreement” means the escrow agreement dated December 12, 2007 among the Corporation, certain of the Corporation’s shareholders (including certain directors and officers of the Corporation) and Computershare Investor Services Inc.;

“EXL Agreement” means the participation agreement dated April 17, 2009 among the Corporation, EXL Petroleum, LP and Ambrose Energy I, Ltd.

“Falcon Bay” means Falcon Bay Energy LLC, a Texas limited liability company formed in 2003 that merged with Caza Petroleum on September 14, 2006 and includes its predecessor that was formed in 2000;

“Initial Placement” means the initial private placement of the Corporation completed in three successive closings on September 22, 2006, November 20, 2006 and January 17, 2007, pursuant to which the Corporation issued and sold an aggregate of 44,000,000 Common Shares and 20,000,000 Warrants for gross proceeds of US\$20,000,000;

“Initial Public Offering” means the initial public offering of the Corporation completed on December 12, 2007 pursuant to which the Corporation issued and sold an aggregate of 18,821,000 Common Shares for net proceeds of approximately US\$11.2 million;

“Management Team” means collectively John R. McGoldrick, W. Michael Ford, James M. Markgraf, Anthony B. Sam and Richard R. Albro;

“MGNR” means Millennium Global Natural Resources Fund Ltd.;

“Net Revenue Interest” means the percentage of revenues due to an interest holder in a property, net of royalties, overriding royalties or other burdens on the working interest;

“NI 51-101” means National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities;

“NSAI” means Netherland, Sewell & Associates Inc., independent petroleum engineers, petrophysicists, geologists and geophysicists with an office located at 1221 Lamar Street, Suite 1200, Houston, Texas, 77010;

“NSAI Report” means the report prepared by NSAI dated as of December 31, 2009 and entitled “12/31/09 year end reserve report”.

“Operator” means the entity with the right and obligation to operate a mineral lease or leases, arising when there are multiple working interest owners under an operating agreement executed by the working interest owners of the lease or leases;

“Prolithic” means Prolithic Energy Company, L.P.

“Royalty” means an interest in an oil and gas property reserved by a mineral interest lessor under a mineral lease entitling the owner to a share of hydrocarbon production free of costs of production and net of taxes measured by production;

“RTR” means RTR Fund I, Ltd.;

“Services Agreement” means the agreement for management and administrative services between the Corporation and Caza Petroleum dated September 22, 2006;

“Share Exchange Agreement” means the share exchange and shareholders agreement dated September 22, 2006 among Caza, Caza Petroleum and the Management Team and their respective spouses, as amended;

“Share Purchase Agreement” means the share purchase agreement dated November 28, 2007 between the Corporation and Caza Petroleum;

“TSX” means the Toronto Stock Exchange;

“UK” or “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland; and

“Warrants” means the 18,000,000 outstanding Common Share purchase warrants issued to purchasers in the Initial Placement which each entitle the holder thereof to acquire 1.1 Common Shares (19,800,000 total) for an exercise price of US\$1.00 per share until the earlier of December 12, 2010 and the fourth anniversary of its issuance.

GENERAL MATTERS

Unless otherwise indicated, references in this Annual Information Form to “Cdn\$” are to Canadian dollars, and references to U.S. dollars and “US\$” are to United States dollars.

Certain terms used throughout this Annual Information Form are defined under the heading “Defined Terms”. Certain technical terms used throughout this prospectus are defined under the heading “Glossary of Abbreviations” and certain conversions between Standard Imperial Units and the International System of Units (or metric units) are set forth under the heading “Conversion of Measures”.

GLOSSARY OF ABBREVIATIONS

In this Annual Information Form, the abbreviations set forth below have the following meanings:

bbbl	one barrel, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons	Mcfe	one thousand cubic feet of natural gas equivalent derived by converting crude oil to natural gas in the ratio of one barrel of oil into six thousand cubic feet of natural gas
bbbl/d	barrels per day		
Bcf	billion cubic feet	Mcfe/d	one thousand cubic feet of natural gas equivalent per day
Bcfe	billion cubic feet of natural gas equivalent		
boe	barrels of crude oil equivalent derived by converting natural gas to crude oil in the ratio of six thousand cubic feet of natural gas to one barrel of crude oil	MMboe	one million barrels of crude oil equivalent
		MMbtu	million British thermal units
boe/d	barrels of crude equivalent per day	MMcf	one million cubic feet of natural gas
btu	British thermal units	MMcf/d	one million cubic feet per day
Mbbl	one thousand barrels	MMcfe	one million cubic feet of natural gas equivalent
Mboe	one thousand barrels of crude oil equivalent	MMcfe/d	one million cubic feet of natural gas equivalent per day
Mcf	one thousand cubic feet of natural gas	psi	pounds per square inch
		WTI	West Texas Intermediate

Boe or Mcfe may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf: 1 bbl or a Mcfe conversion ratio of 1 bbl : 6 Mcf 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.

CONVERSION OF MEASURES

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply by
cubic feet	cubic metres ("m ³ ")	0.028
cubic metres	cubic feet	35.301
bbls	m ³	0.159
m ³	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.4710

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements. These statements relate to future events or future performance of Caza. When used in this Annual Information Form, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “seek”, “propose”, “expect”, “potential”, “continue”, and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Corporation’s current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Annual Information Form as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements in this Annual Information Form include, among others, statements pertaining to the following:

- factors upon which Caza will decide whether or not to undertake a specific course of action;
- Caza’s exploration and development program;
- world-wide supply and demand for petroleum products;
- expectations regarding Caza’s ability to raise capital;
- Endeavour’s election to terminate the Endeavour Agreement and the effects thereof;
- expectations regarding Caza’s ability to enter into farm-in, joint venture or similar arrangements;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this Annual Information Form, Caza has made assumptions, regarding, among other things:

- the current global credit crisis and recession;
- commodity prices;
- the impact of increasing competition;
- Caza’s ability to obtain additional financing on satisfactory terms;
- Caza’s ability to locate suitable partners and to enter into farm-in and joint venture arrangements on satisfactory terms; and
- Caza’s ability to attract and retain qualified personnel.

Caza’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- current global credit crisis and recession;
- changes in the general economic, market, and business conditions;

- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital;
- alternatives to and changing demand for petroleum products; and
- the other factors considered under “Risk Factors” herein.

Furthermore, statements relating to “reserves or “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future. Future flow rates from wells may vary from the flow rates disclosed herein, perhaps materially, and the wells in question may prove to be technically or economically unviable. Any future flow rates will be subject to the risks and uncertainties set out herein.

Financial outlook information contained in this Annual Information Form 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 Annual Information Form should not be used for purposes other than for which it is disclosed herein.

The forward-looking statements contained in this Annual Information Form are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this Annual Information Form. The Corporation does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

CORPORATE STRUCTURE

Incorporation

Caza Oil & Gas, Inc. was incorporated pursuant to the BCBCA under incorporation number BC0760208 on June 9, 2006.

On September 5, 2006 and September 19, 2006, the holders of Common Shares approved certain amendments to the Articles which were appropriate for a private company and which related to the management of the Corporation and to the Board's authority to amend the Articles.

On November 1, 2007, Caza amended its Articles to incorporate by reference the 2006 Act Provisions and the Disclosure and Transparency Provisions, to reflect the enactment of the *Securities Transfer Act* (British Columbia) and to generally modify the Articles so that they would be appropriate for a public company.

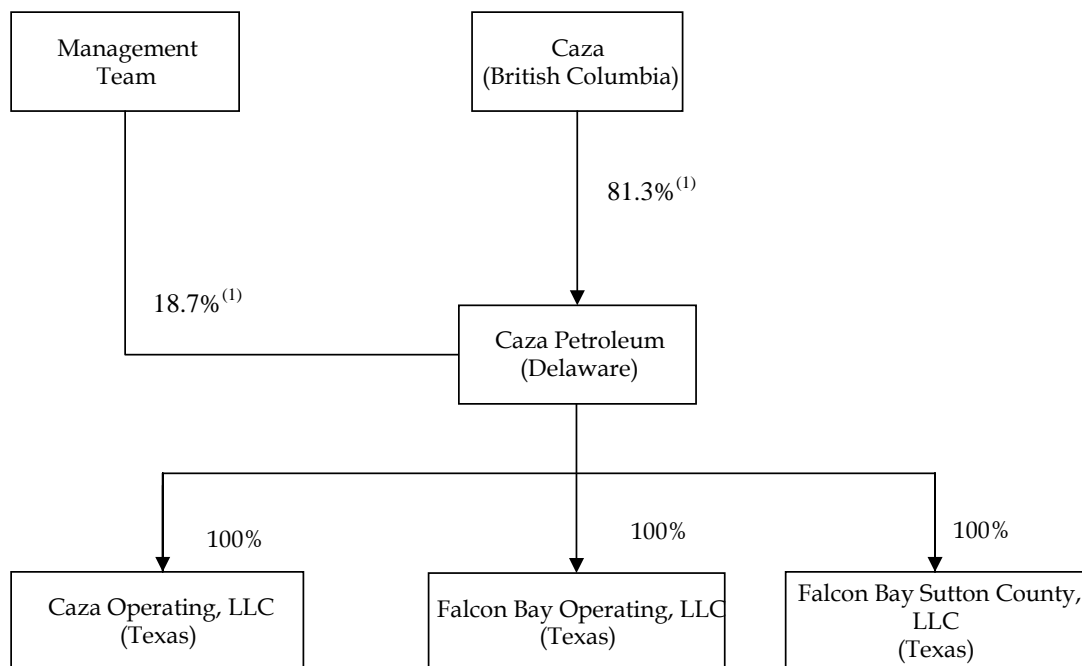
Address

The corporate headquarters of the Corporation is located at 10077 Grogan's Mill Road, Suite 200, The Woodlands, Texas, 77380 and the registered office of the Corporation is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

Intercorporate Relationships

Corporate Structure

The Corporation has four subsidiaries: Caza Petroleum, Inc., a company incorporated under the laws of the State of Delaware, and Caza Operating, LLC, Falcon Bay Operating, LLC and Falcon Bay Sutton County, LLC, which are each incorporated under the laws of the State of Texas. The following chart illustrates the Corporation's current organizational structure:



Note:

(1) Pursuant to the Share Exchange Agreement, the Management Team is not permitted to transfer their Caza Petroleum Shares (other than among themselves and family members) to any party other than Caza. In addition, the Management Team has the right at any time to exchange the Caza Petroleum Shares currently held by them for an aggregate of 26,502,000 Common Shares based on an exchange ratio of 2,800 Common Shares for each Caza Petroleum Share held, subject to adjustment in certain events. The Corporation has the right to cause each member of the Management Team to exchange his Caza Petroleum Shares for Common Shares in certain circumstances, including a change of control, liquidation, sale of substantially all of the assets, or bankruptcy of the Corporation or of Caza Petroleum, or the divorce, death, incapacity of a member of the Management Team or a breach by a member of the Management Team of the Share Exchange Agreement.

Relationship Between Caza and Caza Petroleum

Caza's only material asset is an 81.3% interest in Caza Petroleum. The Corporation, Caza Petroleum and the Management Team and their respective spouses have entered into the Share Exchange Agreement to govern the transfer and exchange of the Caza Petroleum Shares held by the Management Team. The Corporation and Caza Petroleum have entered into the Services Agreement to govern the provision of certain administrative services by the Corporation to Caza Petroleum and the Share Purchase Agreement to govern the purchase by the Corporation of Caza Petroleum Shares with the net proceeds of the Initial Public Offering and future offerings of equity securities.

The authorized share capital of Caza Petroleum consists of 100,000 shares of common stock, each having a par value of US\$0.01 per share.

As of the date hereof, there are 50,650 Caza Petroleum Shares issued and outstanding, 41,185 of which are held by Caza and 9,465 of which are held by the Management Team. There are no outstanding securities, rights or entitlements to acquire Caza Petroleum Shares other than pursuant to the Share Exchange Agreement.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2007 and Prior

Caza Petroleum and its predecessors by merger have been engaged in oil and natural gas exploration and development activities in Texas and Louisiana since October 2000 when a predecessor of Falcon Bay was formed by Messrs. Ford, Sam, Albro and a third party. In 2003, Falcon Bay was formed, the interest of the third party was redeemed and Messrs. Ford, Sam and Albro exchanged their interests in the predecessor for interests in Falcon Bay. At that time, Messrs. McGoldrick and Markgraf also became owners and officers of Falcon Bay and all assets and operations of the predecessor were transferred to Falcon Bay.

In 2000, a predecessor of Falcon Bay acquired non exclusive viewing rights to 3-D Seismic covering approximately 1,100 square miles along the Texas gulf coast, subject to certain burdens. Such non-exclusive data viewing rights were subsequently extended to cover a larger area when Falcon Bay acquired data licenses covering approximately 8,000 square miles of 3-D Seismic data located in south Texas and the coastal regions or “transition zone” of Texas and Louisiana in a series of transactions.

In connection with these data licenses, Falcon Bay also entered into various participation, exploration, funding and farm out agreements with third parties typically containing on the whole industry standard provisions for such agreements. These agreements may require Caza Petroleum to pay certain drilling fees or to grant royalties or carried working interests to third parties when drilling wells on lands covered by its 3-D Seismic database. Pursuant to the Alpine Participation Agreement and Cox Participation Agreement, third parties are responsible for paying all costs incurred by Caza Petroleum associated with any reprocessing, copying and reproduction of 3-D Seismic data, together with any additional costs of shooting or acquiring associated data that the parties may jointly agree in writing while Caza Petroleum is responsible for all seismic interpretation, analysis and oil and natural gas leasing activities associated with such data. In consideration for paying such costs and the initial seismic costs, such third parties have participation rights ranging from 35% to 50% in prospects generated by Caza Petroleum’s analysis of its 3-D Seismic database.

During the period from 2003 to 2005, Falcon Bay participated in an exploration and drilling program to exploit approximately 5,500 acres in Sutton County, Texas in which Falcon Bay had obtained an interest through a third party farm in agreement. The program consisted of drilling 15 “tight” sand natural gas exploration and development wells at a cost of US\$8 million which resulted in the completion of 14 producing wells.

Based on geophysical interpretation and analysis of the 3-D Seismic available to it, Falcon Bay selected the Wharton County, Texas region as a core area for exploration and development purposes. See “Business Description - Principal Properties – Texas Gulf Coast”.

On June 1, 2005, Falcon Bay sold a lease option covering approximately 5,500 acres in the Sutton County, Texas region to a third party. The sale agreement provides that Caza Petroleum will retain a carried 12.5% working interest in the first four wells drilled by the purchaser on the subject lands. Thereafter, Caza Petroleum retains the right to participate on a well by well basis for an 18.75% working interest.

Effective February 1, 2006, Falcon Bay sold its interest in 11 producing Sutton County wells to a third party. The proceeds from this sale were paid to a lender in full satisfaction of the outstanding debt incurred to finance the drilling project. As a condition of the sale, Falcon Bay and the purchaser entered into a new farmout agreement in respect of approximately 5,000 acres in the Sutton County area in which each party will have a 50% interest in any new drilling conducted by the other party in the region.

During the summer of 2006, management of Falcon Bay incorporated Caza and Caza Petroleum in order to implement a reorganization and equity financing strategy it had developed to provide the capital required for Falcon Bay's exploration and drilling program.

On August 28, 2006, Caza raised an aggregate of US\$250,000 by way of an offering of 5,000,000 Common Shares.

On September 14, 2006, Falcon Bay merged with Caza Petroleum, and Caza Petroleum, as the successor entity, acquired all the assets and assumed all the liabilities of Falcon Bay. In connection with this transaction, Caza Petroleum made a prepayment of US\$500,000 to one of its 3-D Seismic licensors, which may be applied against future drilling fees payable to such licensor under the relevant agreements. Caza has applied \$75,000 in drilling fees toward the \$500,000 prepayment leaving a credit balance of \$425,000.

During the period from September 22, 2006 to January 17, 2007, Caza completed the Initial Placement for gross proceeds of US\$20 million and used the net proceeds therefrom to acquire approximately 61.6% of Caza Petroleum.

The Corporation subsequently acquired an additional 2.0% of Caza Petroleum when a member of the Management Team indirectly exchanged 535 Caza Petroleum Shares for 1,498,000 Common Shares, which Common Shares were sold to third parties.

During 2006 Falcon Bay drilled and completed an exploration well in the Dulac Field located in Terrebonne Parish, Louisiana. The well was completed as a natural gas producer and commenced production in December of that year. See "Crude Oil and Natural Gas Reserves – Other Oil and Gas Information - Principal Properties – South Louisiana".

In March, 2007, Caza Petroleum began drilling the Matthys McMillan #1 well in the Texas Gulf Coast region. The well reached total depth of 17,700 feet and was completed as a natural gas producer and commenced production in July of that year. See "Crude Oil and Natural Gas Reserves – Other Oil and Gas Information - Principal Properties – Texas Gulf Coast".

Caza Petroleum participated in the drilling of the E.W. Brown #1 well on the Thunder Stud Prospect, which targeted the Yegua formation in the Phoenix Lake Field. This well reached a total depth of 17,905 feet on May 3, 2007. Caza Petroleum, as a non operator, anticipates that an appraisal program will be undertaken, subject to such program and to partner and other approvals.

Effective October 1, 2007, Caza Petroleum purchased the interest of RTR in all prospects associated with its Safari Project in Wharton County, Texas. RTR had a 10% working interest, subject to existing burdens, in the associated properties. The principal properties affected by this transaction were the Bongo, Puku, Sable and Eland properties. See "Crude Oil and Natural Gas Reserves – Other Oil and Gas Information – Principal Properties – Texas Gulf Coast".

On December 12, 2007, the Corporation completed the Initial Public Offering for net proceeds of approximately US\$11.4 million. Caza also issued an aggregate of 700,000 broker's warrants to the brokers retained by Caza in connection with the Initial Public Offering. All such warrants expired without being exercised. The Corporation used the net proceeds of the Initial Public Offering to purchase 6,722 Caza Petroleum Shares from Caza Petroleum in accordance with the Share Purchase Agreement.

2008

On January 15, 2008, Caza Petroleum elected not to participate in drilling on the Northwest Raptor property in Lea County, New Mexico and surrendered its interest in this property as a result.

The Bell Minerals #1 Well, located on the Alligator property in Calcasieu Parish, Louisiana, reached its target depth of 9,400 feet in the Hackberry Section on January 16, 2008. The well was then logged but did not encounter hydrocarbons. Caza Petroleum has no further plans for this property.

In two separate commercial transactions which closed on December 30, 2007 and January 11, 2008, respectively, Caza Petroleum purchased participation rights from Austex Enterprises and Midland Oil & Gas, Inc., equal to 25% of Caza Petroleum'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.

Drilling operations were commenced on the Lynch property on January 12, 2008, and reached a total depth of 13,513 feet on March 2, 2008. Analysis of log data indicated the well encountered Morrow Sand Pay at multiple intervals from 13,040 feet to 13,160 feet. Completion operations were commenced on April 30, 2008, and the well produced approximately 76 MMcfe from the Morrow Sand Pay. After completing in and producing 76 MMcfe from the Morrow Sand Pay, the zone depleted and required plug back operations. The plug back operation resulted in the well being re-completed in the Lower Bone Springs formation in May, 2009. The well produced an aggregate of 1,440 Mcfe during December 2009.

Drilling operations were commenced on the Wilcox 116 property on January 15, 2008, and the Jonell Cerny G.U. #1 reached a total depth of 16,510 feet on March 3, 2008. Analysis of log data indicated the well encountered Wilcox Sand pay at multiple intervals from 13,500 feet to 16,400 feet. Completion operations began on April 2, 2008, but the operations encountered difficulties and the well was subsequently plugged back and completed in the Yegua formation. The well was fracture stimulated on August 25, 2008, and is producing from perforated intervals between 10,966 and 10,991 feet. Caza Petroleum is evaluating further opportunities to access shallower intervals within the existing well bore. See "Principal Properties – Texas Gulf Coast".

Drilling operations were commenced on the Eland property in Wharton County, Texas on April 19, 2008, and the Hinton #1501 well reached a total depth of 6,719 feet on April 25, 2008 in the Frio formation. Analysis of log data indicated the well encountered Frio sand pay and the well was perforated at an interval from 5,024 feet to 5,039 feet. The well was shut in to conduct a gravel pack completion and further evaluation of the production potential of the well. After the evaluation, Caza Petroleum decided to plug and abandon the well and has no plans for future development of this property.

Drilling operations were commenced on the Puku property on April 29, 2008, and the Andel #2201 well reached a total depth of 6,310 feet on May 6, 2008 in the Frio formation. Analysis of log data indicated the well encountered Frio sand pay at depths ranging from 5,670 feet to 5,836 feet. Two Frio intervals between 5,832-5,837 feet and 5,748-5,752 feet were perforated and tested. The two intervals produced limited volumes of natural gas before being plugged back to the current producing interval in the Frio. The well was perforated and completed at an interval from 5,728 feet to 5,731 feet and is currently producing natural gas from that interval.

On May 22, 2008, MGNR agreed to surrender 2,000,000 Warrants to the Corporation and to donate to Caza a portion of the proceeds resulting from the future disposition of 2,846,550 Common Shares. MGNR also agreed to refrain from voting 646,550 Common Shares and to certain restrictions on the transfer of such Common Shares.

On June 1, 2008, Caza Petroleum executed an exploration agreement with Wise Oil & Gas No. 8, Ltd., naming Caza Petroleum as Operator to jointly and exclusively (subject to certain conditions) lease acreage in Lea, Eddy and Chaves Counties of southeast New Mexico on a 50/50 basis. Under the exploration agreement the parties began leasing in three separate properties located in the developing Wolfcamp horizontal oil and gas play in Lea County, New Mexico. Caza Petroleum refers to the properties as Moore Cap, Sombrero and Bada-Bing. Caza Petroleum, as operator, is currently evaluating future work schedules for the properties. Caza Petroleum (with Endeavour) and Wise continued the leasing effort into 2009.

Drilling operations were commenced by Momentum Energy Corp. on the Glass Ranch property on June 17, 2008, in the Wolfberry trend in the Permian Basin. Four wells (the Glass Ranch A #1, A #3, B #1 and B #3) have been drilled, fracture stimulated, completed and are producing across multiple pay sections in the Wolfcamp and Sprayberry formations (Wolfberry).

Following the drilling of the Glass Ranch wells, Caza Petroleum has acquired leases on three additional properties located within the Wolfberry trend: (i) the Windham Wolfberry property (1,317 gross/net acres) in Upton County, Texas; (ii) the Sheep Mountain property (487 gross/net acres) in Crockett County, Texas; and (iii) Grierson property (320 gross/net acres) in Reagan County, Texas.

On July 3, 2008, Caza completed a private placement of 50,000,000 Common Shares for gross proceeds of approximately US\$22.4 million. The Corporation used the net proceeds from the private placement to acquire 17,857 Caza Petroleum Shares in accordance with the Share Purchase Agreement.

The Perez #1 well, located on the Rosita Creek property in Duval County, Texas, reached its target depth of 3,616 feet in the Jackson Bar Sands formation on August 27, 2008. The well was logged but did not encounter hydrocarbons. Caza Petroleum currently has no additional plans for this property.

The FEM 14-12 well, located in the Sawyer (Canyon) Field on the Aldwell Ranch property, reached its target depth of 7,855 feet on August 27, 2008. Electric logs indicated multiple potential pay sands in the Canyon formation. The well has been fracture stimulated and as at December 31, 2009 was producing gas from the fractured interval at a rate of 25 Mcfe/d net to Caza Petroleum.

The Thisco #3 well, operated by Key Operating and located on the Haakon property in St. Landry Parish, Louisiana, reached a total depth of 8,232 feet on October 17, 2008. Based on electric logs and sidewall core data the well was completed in the Frio formation and production testing commenced. See “Principal Properties – South Louisiana”.

The Dorothy Hite Gas Unit #3 (Wilcox) well (“DHGU #3”), operated by Forest Oil and located in the Wharton West Wilcox Field in Wharton County, Texas, encountered hydrocarbons and flowed at a gross rate of 4.4 MMcfe/d through a 12/64 choke at 5,075 psi. The DHGU #3 is a development well drilled in the Dorothy Hite Gas Unit and is contiguous to Caza Petroleum’s Matthys-McMillan Gas Unit.

2009

Based on results of the FEM 14-12 well on the Aldwell Ranch property in Sutton County, Texas, Caza Petroleum and Foundation Energy Management, LLC (operator) decided not to renew the farmout agreement on this property and it expired under its own terms on or about February 19, 2009. Caza still maintains an interest in approximately 6,900 gross acres (1,240 net acres) in this property.

Caza Petroleum entered into an exploration agreement with Prolithic effective March 1, 2009, covering portions of Caza Petroleum’s Las Animas property in Duval County, Texas to jointly develop the property. Caza Petroleum and Prolithic each had obtained leasehold within the prospective limits of the property and concluded the most efficient way forward was to combine the leasehold for joint exploration. Among other things the exploration agreement names Caza Petroleum as the operator of the property and gives each company the right to participate in an initial test well on a 50/50 basis.

On March 3, 2009, the DHGU #3 was successfully fracture stimulated. Following stimulation, the well flowed at approximately 7.84 MMcfe/d through a 16/64 choke at 6,400 psi and at December 31, 2009, the well was flowing at a gross rate of approximately 10 MMcfe/d. The DHGU #3 has confirmed the extension of productive limits within the Wharton West Wilcox Field, which supports additional development drilling offsetting Caza Petroleum’s Matthys-McMillan Gas Unit #1 well. It also supports the possibility of significantly increased production profiles through fracture stimulation within the field. Accordingly, Caza Petroleum has started drilling the Matthys-McMillan Gas Unit #2 development well. See “General Development of the Business – Recent Developments” and also “Principal Properties – Texas Gulf Coast”.

On April 8, 2009, Caza, through Caza Petroleum, entered into the Endeavour Agreement to participate in a jointly established exploration and development program in the United States. The exploration program primarily focuses 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, as well as a program fee of USD\$3 million per annum to be paid in monthly installments, Endeavour will earn a 75% participating interest in any interest then owned by Caza in any particular asset in which Endeavour elects to participate. Caza remains as program Operator. Endeavour has elected to terminate the agreement effective April 8, 2010. See “General Development of the Business – Recent Developments”.

Drilling operations on the Lucky Penny 10 State #1, the Moore Bailout 11 State #1, and the Bada Bing 23 State #1 horizontal test wells were commenced in connection with the Endeavour Agreement and the exploration agreement with Wise Oil & Gas No. 8, Ltd. The Lucky Penny well reached a total measured depth of 10,571 feet on July 21, 2009. The Moore Bailout well reached a total measured depth of 10,916 feet on September 23, 2009. The Bada Bing well reached a total measured depth of 12,835 feet on November 17, 2009. The drilling of a fourth horizontal test well in the program, the Moore Cowbell 27 State #1, commenced on November 29, 2009. The well was drilled to a total measured depth of 10,083 feet. Although core data indicated a 14 foot interval in the Abo zone from 8,679-8,693 feet to be pay, the horizontal leg of the well did not encounter any producible reservoir zones. The well is currently shut in awaiting further geological evaluation. See “Principle Properties – Southeast New Mexico”.

Effective July 1, 2009, Westhouse Securities Limited (formerly known as Hanson Westhouse Limited), agreed to act as nominated adviser and broker in the United Kingdom to the Corporation and, inter alia, provide the services in connection therewith pursuant to the rules of AIM. In consideration for such services, the Corporation has agreed to pay the nominated advisor a fee of £50,000 plus VAT per annum payable half yearly in advance and to reimburse the nominated advisor for out of pocket expenses. The Corporation also agreed to indemnify the nominated advisor and certain of its associates in connection with the services provided to the Corporation.

During July, August, September and October 2009, Caza increased its acreage position in the Abo/Wolfcamp play by 135% to approximately 19,260 gross acres (3,354 net acres) through the acquisition of acreage around its existing prospect areas.

Caza entered into the EXL Agreement covering 480 acres of the Sheep Mountain Property in Crockett County, Texas. Pursuant to the terms of the Agreement, Caza was paid US\$200,000 for an undivided 50% interest in its leasehold, and Caza was also given a 50% ownership interest (with a corresponding net revenue interest of 37.5%) in the University # 201 well, which was drilled by EXL Petroleum, LP and placed on pump for oil production.

Recent Developments

Caza Petroleum commenced drilling operations on the Matthys-McMillan Gas Unit #2 development well located in the Wharton West Wilcox Field on February 25, 2010. The well is planned to be drilled to a total depth of 15,200 feet and is a direct offset to Caza Petroleum’s Matthys-McMillan Gas Unit #1 well. The well is expected to take 60 days to drill and an additional 30 days to complete. Caza is the operator of this well and has a 19.6% working interest and a corresponding 14.4% Net Revenue Interest. See “Crude Oil and Natural Gas Reserves - Principal Properties – Hite Offset Property”.

Caza Petroleum has recently leased 550 acres covering its Arran Property in the Bol Mex trend in South Louisiana. Caza Petroleum currently has a 50% working interest (37.5% Net Revenue Interest) in the property. Caza Petroleum is currently in discussions to farm out a portion of its interest in this property and plans to drill the property, as operator, in the latter part of 2010.

Endeavour has determined for strategic reasons that it will not participate in any of Caza Petroleum’s wells in Texas and Louisiana and has elected to terminate the Endeavour Agreement in accordance with its terms effective April 8, 2010.

Effective April 1, 2010, Michael Ford, the Company’s Chief Executive Officer, will assume overall responsibility for the management of the Company on a day-to-day basis, and John McGoldrick, the Company’s Executive Chairman, will step down from his full-time management position. However, the Company is pleased to announce that Mr. McGoldrick will remain Chairman of the Caza Board of Directors, and the Company will continue to have access to his services on a consulting basis.

Significant Acquisitions

The Corporation did not make any significant acquisitions during its most recently completed financial year for which disclosure would be required under Part 8 of National Instrument 51-102 – “*Continuous Disclosure Obligations*”.

BUSINESS DESCRIPTION

General

Caza is an independent oil and natural gas company engaged in the acquisition, exploration, development and production of oil and natural gas reserves through its subsidiary, Caza Petroleum. Caza Petroleum's operations are concentrated in the onshore Gulf Coast region of Texas, south Louisiana, southeast New Mexico and the Permian Basin of west Texas. Caza Petroleum operates the majority of its acreage, and therefore has a high degree of control over its capital expenditure budget and other operational matters.

Caza Petroleum operates in proven oil and natural gas areas which are well served by gathering facilities and are characterised by low development and operating costs. Although these areas have been drilled heavily, many of the wells in these areas have been completed in comparatively shallow horizons and have been drilled using only subsurface well control or 2-D Seismic data, which tends to offer little insight into prospectivity at depths greater than 12,000 feet. Caza Petroleum's strategy is to use its non-exclusive data library of approximately 8,000 square miles of 3-D Seismic to explore and exploit deeper targets in those areas.

Caza Petroleum and its predecessors have been managed by members of the Management Team and have been engaged in hydrocarbon acquisition, exploration, development and production activities in Caza Petroleum's core operating areas since 2000.

The NSAI Report estimates that, as of December 31, 2009, Caza Petroleum's total net proved, probable and possible oil and natural gas reserves were approximately 2,336.4 Mbbl of light and medium crude oil, 75.8853 Bcf of natural gas and 619.1 Mbbl of natural gas liquids. The NSAI Report also attributes a net present value of US\$274.074 million to Caza Petroleum's proved, probable and possible reserves, before taxes, based on a discount rate of 10% and forecast prices effective as of December 31, 2009.

As at December 31, 2009, Caza Petroleum's daily production was 1,312 Mcfe/d and Caza Petroleum had an interest in approximately 55,246 gross (16,769 net) acres of land.

Employees

As at the date hereof, Caza had five employees (being the Management Team) and Caza Petroleum had 13 full time employees (including the Management Team). Caza Petroleum also retains the services of independent consultants involved in land, regulatory, accounting, geology & geophysics, financial and other disciplines as needed. None of its employees are represented by labour unions or subject to any collective bargaining agreement.

RISK FACTORS

The risks and uncertainties set out below and elsewhere in this Annual Information Form are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also impair the business and operations of the Corporation and Caza Petroleum and cause the price of the Common Shares to decline. If any of the following risks actually occur, the Corporation's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline and purchasers of the Common Shares may lose all or part of their investment.

Global Credit Crisis and Recession

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to and reductions in commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, restricted access to debt or equity financing, widening of credit spreads, a lack of price transparency, increased credit losses

and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted the Corporation's valuations and will impact the performance of the global economy going forward.

The current global credit crisis and recession has prices expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business and its early stage of development. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including local, national and international economic and political conditions. The Corporation's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The Corporation has a limited history of operations and no earnings and there can be no assurance that the Corporation's business will be successful or profitable or that additional commercial quantities of crude oil and natural gas will be discovered by the Corporation. The Corporation has not paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. The Corporation's current revenues may not be sufficient to fund these activities and the Corporation may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global credit crisis exposes the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations, and may affect the Corporation's ability to expend the capital required to replace its reserves or to maintain its production. There can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Corporation. This may be complicated by the limited market liquidity for the shares of smaller companies, restricting access to some institutional investors. Continued uncertainty in domestic and international credit markets could also materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions. Furthermore, if additional financing is raised through the issuance of equity, control of the Corporation may change and the shareholders may suffer dilution. The Corporation may also consider asset dispositions or farm-out or joint venture arrangements in order to fund or implement its exploration and development activities; however, there can be no assurance that the Corporation will be able to secure such dispositions or arrangements on acceptable terms or at all. The inability of the Corporation to access sufficient capital for its operations and/or to secure acceptable alternative arrangements may have a material adverse effect on the Corporation's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Competitive Conditions

The oil and natural gas industry is highly competitive and Caza and its subsidiaries compete with a substantial number of other companies that have greater resources. Many of these companies explore for, produce and market oil and natural gas, carry on refining operations and market the resultant products on a worldwide basis. The primary areas in which the Corporation and its subsidiaries encounter substantial competition are in locating and acquiring desirable leasehold acreage for drilling and development operations, locating and acquiring attractive producing oil and natural gas properties, and obtaining purchasers and transporters of the oil and natural gas they produce. Many of these competitors have financial, technical and other resources substantially greater than those of the Corporation. To the extent that these companies enjoy technological advantages, they may be able to implement new technologies more rapidly than Caza and its subsidiaries. There is also competition between producers of oil and natural gas and other industries producing alternative energy and fuel. The inability to acquire desirable properties, assets or service providers as a result of competition may have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Share Price Volatility

The share price of emerging companies can be highly volatile. The price at which the Common Shares are traded and the price at which investors may realize their Common Shares will be influenced by a large number of factors, some specific to Caza and its operations and some which may affect companies trading on exchanges generally. These factors may include the performance of the Corporation and its subsidiaries, large purchases or sales of the Common Shares, legislative changes and general economic, political or regulatory conditions. Prospective investors should be aware that the value of an investment in the Corporation may go down as well as up and that the market price of the Common Shares may not reflect the underlying value of Caza. Investors may therefore realize less than, or lose all of, their investment.

Crude Oil and Natural Gas Exploration and Development

Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Corporation and its subsidiaries will result in discoveries of crude oil, condensate or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the shortages of and delays in the availability of drilling rigs and equipment, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Corporation's operations are subject to all the risks normally associated with the exploration, development and operation of crude oil and natural gas properties and the drilling of crude oil and natural gas wells, including encountering unexpected formations or pressures, mechanical failures, premature declines of reservoirs, environmental damage, blow outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others. In accordance with customary industry practice the Corporation and its subsidiaries do maintain insurance coverage, but are not fully insured against all risks, nor are all such risks insurable. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing.

Exploration, appraisal and development of crude oil and natural gas reserves is speculative and involves a significant degree of risk. Few properties that are explored are ultimately developed into new reserves. If at any stage the Corporation and its subsidiaries are precluded from pursuing their exploration or development program, or such program is otherwise not continued, the Corporation's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares is likely to be materially adversely affected.

Reserves and Resources Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and prospective reserves and cash flows to be derived from reserves, including many factors beyond the control of the Corporation. The reserves, resources and cash flow information set forth in this Annual Information Form represent estimates only. The reserves, resources and estimated future net cash flows from Caza Petroleum's properties have been independently evaluated by NSAI in the NSAI Report with an effective date of December 31, 2009. The Corporation owns 81.3% of Caza Petroleum. This evaluation includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, abandonment and salvage values, royalties, government levies that may be imposed over the producing life of the reserves and reserves which are currently undiscovered but may be discovered at a future date. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flows derived there from will vary from these evaluations, and such variations could be material. Due to the limited history of Caza Petroleum's producing wells, a significant portion of its reserves have not been estimated on a decline curve analysis of production, but rather on a volumetric basis which assumes certain characteristics of the reservoir.

The present value of estimated future net cash flows referred to herein should not be construed as the current market value of estimated crude oil and natural gas reserves attributable to Caza Petroleum's properties. The estimated discounted future net cash flows from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net cash flows will also be affected by factors such as the amount and timing of actual production, supply and demand for crude oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

Title to Properties

At the Corporation's development stage, its primary emphasis presently is upon acquiring oil and gas leasehold interests in its prospects and properties for purposes of assembling drilling prospects and drilling wells. Those leasehold interests may be acquired by various means, including direct acquisition from the owner of the mineral estate, farmout and farmin agreements with current holders of leasehold interests, participation and exploration agreements by which Caza or its subsidiaries join with other industry participants to share the costs of acquisition, exploration, and/or development costs, and other forms of agreement. In the case of farmout, farmin, participation and exploration agreements, a party may assume certain obligations to pay certain monies, acquire leases, drill wells, and/or share in other costs in order to acquire an interest in a given prospect or well. Pursuant to such agreements, one party may pay or otherwise bear the costs of another party as consideration for earning an interest, which is known as a "carry", or a "carried interest". In essence, the party bearing the costs in such an arrangement has a contractual right to earn an interest in the leases, equipment, and production associated with a given property. Once such leasehold interests are initially earned, depending upon the agreement, a party may relinquish or otherwise forfeit interests or the opportunity to earn additional interests in the future if the earning party fails to continue to bear its share of ongoing or future obligations associated with drilling, maintenance, and development operations.

Caza Petroleum and other subsidiaries of the Corporation have entered such types of agreements with respect to many of their principal prospects and properties, but not all. As to certain prospects and properties, these subsidiaries have entered multiple such agreements which may create complex earning scenarios. As a result, the subsidiaries must perform, or continue to perform, certain obligations in order to earn, or to retain, interests and/or the right to earn interests in the future. As to a number of properties and prospects, leasehold interests must be earned through the drilling and funding of oil and gas wells upon the respective lands. In addition, often parties to such agreements must make participation elections, which potentially may result in their forfeiture of interests, or alternatively, their right to acquire additional interests resulting from forfeitures by other parties. Such elections may occur more than once during the process of drilling a well. The Corporation's subsidiaries future performance under such agreements, coupled with the performance and elections by other parties, can cause these interests to increase or decrease over the time period during which such performance and elections must occur.

At the exploration stage, it is a common practice in the oil and gas industry to employ the services of landmen to review the recorded public records on file to determine the current record title interest owners to the mineral estate beneath a specific tract of land. Since the mineral and surface estates can be severed from one another, it is not uncommon for oil and gas companies to focus on the mineral estate, for mineral leasing purposes, rather than the surface estate. In a competitive situation, this procedure is also utilized because the time periods necessary to order more thorough abstracts of title and to identify the record title ownership for mineral estates in various tracts of land could place the company at a competitive disadvantage.

Such preliminary title reviews are useful in the determination of apparent title to the subject lands but are subject to error and subject to other matters of record that may burden, diminish or defeat a company's interests in the acquired lands. Caza Petroleum employs reputable landmen who are experienced in title searches in the areas in which Caza Petroleum seeks to acquire interests, and the work product of those landmen are ordinarily believed to be accurate for the lands identified and pursued.

Prior to drilling a well, and after leases are secured based upon the preliminary title investigation, a more complete title review is generally commissioned, or an abstract of title is acquired, for purposes of preparing a formal drilling title opinion. Certified abstracts include copies of documents that affect ownership under a given tract of land. Such documents may include evidence of liens and encumbrances, defects in title, boundary conflicts, legal proceedings, competing claims to title, prior leases, regulatory restrictions, and similar factors. The drilling title opinion, prepared by a title attorney, thoroughly examines and discusses such title elements, identifies title issues, and recommends steps to pursue in resolving any such issues prior to drilling an oil or gas well. Title opinions are ordinarily prepared prior to the actual drilling of a well. They may, however, be commissioned prior to the purchase of leases where the size of the tract, the amount of lease bonus at risk, or known complexities in title warrant a detailed investigation before acquiring leases.

Caza and its subsidiaries frequently rely upon landmen to perform title reviews for purposes of acquiring leasehold interests. The Corporation's subsidiaries also reviews the preliminary title reviews, or title opinions if available, of companies from which it acquires interests or with which it enters agreements to earn such interests. In some cases, a title attorney may be employed to review the ownership of the mineral estate prior to acquiring leases from the owner of the mineral estate, and that review may or may not, depending upon the circumstances, address other estates in the lands (e.g., the surface ownership) and the elements stated above.

Thus, although title reviews have been and will continue to be performed according to standard industry practice prior to the acquisition of most crude oil and natural gas leases or rights to acquire leases in prospects and properties or the commencement of drilling wells, such reviews do not guarantee or preclude that an unidentified or latent defect in the chain of title will not exist, or that a third party claim will not arise that burdens, diminishes or defeats the claim of the Corporation or its subsidiaries which could result in a reduction of the revenue received by the Corporation or its subsidiaries and could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price, if any, of the Common Shares. In addition, the Corporation's subsidiaries may elect to accept certain risks in connection with title to its oil and gas prospects and properties, and acceptance of such risks can result in loss of title to all or a portion of one or more given properties, title curative costs, re acquisition costs, and/or a reduction in the revenue received by the Corporation or its subsidiaries and could have a material adverse effect on the Corporation's business, financial condition, results of operations, and trading price of the Common Shares.

Volatility of Crude Oil and Natural Gas Prices and Markets

The Corporation's financial condition, operating results and future growth are dependent on the prevailing prices for crude oil and natural gas production. Historically, the markets for crude oil and natural gas have been volatile and such markets are likely to continue to be volatile in the future. Prices for crude oil and natural gas are subject to large fluctuations in response to relatively minor changes to the demand for crude oil and natural gas, whether the result of uncertainty or a variety of additional factors beyond the control of the Corporation. The Corporation and its subsidiaries must periodically negotiate contracts with a limited number of potential purchasers. The price negotiated is influenced by the size of the crude oil or natural gas stream, the nature of the crude oil or natural gas and its location when produced. Any substantial decline in the prices of crude oil and natural gas could have a material adverse effect on the Corporation and the level of its crude oil and natural gas reserves. Additionally, the

economics of producing from some wells may change as a result of lower prices, which could result in a suspension of production. No assurance can be given that crude oil and natural gas prices will be sustained at levels which will enable the Corporation or its subsidiaries to operate profitably. From time to time the Corporation or its subsidiaries may avail itself of forward sales or other forms of hedging activities with a view to mitigating its exposure to the risk of price volatility.

Environmental Regulation and Risks

Extensive federal, state and local environmental laws and regulations in the United States affect all of the operations of the Corporation and its subsidiaries. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that the Corporation or its subsidiaries will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on the Corporation or its subsidiaries for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation's subsidiaries or non compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Corporation. Moreover, the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation or its subsidiaries for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation and could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Loss of Key Personnel

The Corporation depends to a large extent on the efforts and continued employment of the Management Team, who have developed the operations of Caza Petroleum and its predecessors since inception. The loss of the services of these officers and other key personnel could adversely affect the Corporation's business, and the Corporation does not maintain key man insurance on any of these persons. The success of drilling operations and other activities integral to its business will depend in part on the ability to attract and retain experienced geologists, engineers and other professionals. Competition for experienced geologists, engineers and some other professionals is extremely intense. The Corporation's ability to compete in the oil and natural gas exploration and production industry will be harmed to the extent that the Corporation and its subsidiaries are unable to retain and attract experienced technical personal.

Operating and Insurance Risks

The operations of the Corporation and its subsidiaries are subject to hazards and risks inherent in drilling for, producing and transporting oil and natural gas. These risks include, among others, fires, explosions, geologic formations with abnormal pressures, collapses of casing surrounding the drill pipe in wells, mechanical failures, failure of oilfield drilling and service tools, uncontrollable flows of underground natural gas, oil and formation water, changes in below ground pressure in a formation that causes the surface to collapse or crater, pipeline ruptures and cement failures, and environmental hazards such as leaks, spills and toxic discharges. These risks can cause substantial losses resulting from personal injury or loss of life, damage and destruction of property and equipment, pollution and other environmental damage, regulatory investigations and penalties, and suspension of operations. As protection against operating hazards and in accordance with customary industry practices, the Corporation and its subsidiaries maintains insurance coverage against some, but not all, potential losses because the insurance coverage is not available or because premium costs are considered too high. Losses could occur for uninsured risks or in amounts exceeding the insurance coverage and these losses could have a materially adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Need to Add Reserves

The Corporation's crude oil and natural gas reserves and production, and therefore its cash flows and earnings are highly dependent upon the Corporation developing and increasing its current reserve base and discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are depleted. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, the Corporation and its subsidiaries may be unable to make the capital investments required to maintain and expand their crude oil and natural gas reserves. There can be no assurance that the Corporation or its subsidiaries will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs. Failure to replace reserves could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Industry Conditions

The crude oil and natural gas industry is intensely competitive and the Corporation and its subsidiaries compete with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce crude oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis. Crude oil and natural gas production operations are also subject to all the risks typically associated with such operations, including but not limited to premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of crude oil and natural gas which may be acquired or discovered by the Corporation or its subsidiaries will be affected by numerous factors beyond the control of the Corporation. Pricing of crude oil is dependent on supply and demand for specific qualities of crude oil in specific market areas and quality differentials are therefore subject to change with time. The ability of the Corporation and its subsidiaries to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation is also subject to market fluctuations in the prices of crude oil and natural gas, uncertainties related to the delivery of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of crude oil and natural gas and many other aspects of the crude oil and natural gas business.

The Corporation and its subsidiaries are also subject to a variety of waste disposal, pollution control and similar environmental laws and regulations in each of the jurisdictions in which the Corporation or its subsidiaries operate or may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with crude oil and natural gas and can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Corporation and its subsidiaries may be responsible for abandonment and site restoration costs.

Non Operator Activities

The Corporation's subsidiaries do not operate all of the properties in which they have an interest. Some properties are operated by other companies, and the Corporation and its subsidiaries have limited ability to influence or control the operation or future development of these non operated properties or the amount of capital expenditures that may be required to fund their operation. Dependence on the Operator and other working interest owners for these projects and the limited ability to influence or control the operation and future development of these properties could have a material adverse effect on the realization of targeted returns or lead to unexpected future costs.

Inability to Bring Actions or Enforce Judgments by United Kingdom Investors

The Corporation is incorporated under the laws of Canada, and its principal executive offices are located in the United States. A majority of the directors and officers of the Corporation reside principally in the United States or Canada and all or a substantial portion of the Corporation's assets and the assets of these persons are located outside the United Kingdom. Consequently, it may not be possible for an investor to effect service of process within the United Kingdom on the Corporation or those persons. Furthermore, it may not be possible for an investor to enforce

judgments obtained in United Kingdom courts based upon the civil liability provisions of United Kingdom securities laws or other laws of the United Kingdom against the Corporation or those persons. There is doubt as to the enforceability in original actions in Canadian courts of liabilities deriving from English's securities laws, and as to the enforceability in Canadian courts of judgments of English courts obtained in actions based upon the civil liability provisions of English securities laws.

Equipment Unavailability

Caza Petroleum does not own the drilling rigs and related equipment required to develop its oil and gas properties and relies on third parties to provide drilling and other oil field services. Demand is high for equipment and services in the geographic areas that Caza Petroleum has selected for exploration and development. This demand may reduce the availability of that equipment and services and could delay Caza Petroleum's exploration, development and exploitation activities. The leases under which Caza Petroleum develops properties provide time periods during which it must generate production of oil or gas or the lease expires. Any delay that prevented completion of drilling on leased property during the term of the lease would require additional expenditures by Caza Petroleum to renew the lease or possibly the loss of any benefit from past development expenditures and future production revenue. In addition, the high demand for equipment and services increases the costs to Caza Petroleum of the equipment and associated supplies and personnel. Any substantial delays to gain access to equipment and services or material increases in costs could adversely affect Caza Petroleum's business and financial condition and have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Corporation are subject in connection with the operations of the Corporation. Some of the directors and officers are material shareholders of Caza Petroleum or are engaged and will continue to be engaged in the search for crude oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA.

Operating Through Subsidiaries

The Corporation currently conducts all of its operations through its subsidiary, Caza Petroleum. Therefore the Corporation will be dependent on the cash flows of Caza Petroleum and its subsidiaries to meet its obligations. The ability of Caza Petroleum and its subsidiaries to make payments to the Corporation may be constrained by among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates.

In addition, the Corporation and Caza Petroleum may be considered to be "related parties" for the purposes of Multilateral Instrument 61-101 of the Canadian Securities Administrators and Caza or Caza Petroleum may therefore be required to obtain a formal valuation or disinterested shareholder approval before completing certain transactions with the other party.

Endeavour Agreement

Either Endeavour or Caza Petroleum may terminate the Endeavour Agreement as of the end of each anniversary period by giving 60 days prior written notice. Endeavour has notified Caza Petroleum that the endeavour Agreement will terminate on April 8, 2010. Following the termination of this agreement Caza Petroleum will be required to locate additional sources of funding and/or farm-in or joint venture partners to implement its drilling plan for the properties formerly subject to such agreement. See "Risk Factors – Substantial Capital Requirements" and "Risk Factors – Additional Funding Requirements".

Risks of Foreign Operations

All of the Corporation's crude oil and natural gas properties and operations are located in the United States. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies, currency fluctuations and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to terrorism. The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Accordingly, the Corporation's exploration, development and production activities in the United States could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations and trading price of the Common Shares.

Fluctuations in Foreign Currency Exchange Rates

All of the Corporation's operations are located in the United States and all of the Corporation's sales are denominated in U.S. dollars. Fluctuations in the U.S. dollar exchange rates may cause a negative impact on revenue and costs and could have a material adverse impact on the Corporation's operations.

Marketability of Production

The ability to generate revenue is dependent upon Caza Petroleum's ability to market its production. The marketability of such production depends in part upon a variety of factors, some of which are beyond Caza Petroleum's control. Some of these factors include the ability to:

- transport its crude oil and natural gas to market;
- access processing facilities and refining capacity; and
- obtain required regulatory approvals.

Caza Petroleum delivers oil and natural gas through pipelines and gathering systems and on barges that it does not own. These facilities may not be available to Caza Petroleum in the future. Other factors influencing the marketability of production include the nature of the crude oil produced, the availability and capacity of production gathering systems and pipelines, U.S. federal and state control and regulation of crude oil and natural gas production, transportation, and export and government intervention in the internal energy demand and supply balance. If marketability factors change, the impact on Caza Petroleum's ability to generate revenues and operate profitably could be substantial.

Seasonal Nature of the Business

Seasonal weather conditions and lease stipulations can limit drilling and producing activities and other oil and natural gas operations in certain areas of the Texas Gulf Coast region. These seasonal anomalies can increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay operations. Such cost increases or delays could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

Terrorism

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope, and the United States and others instituted military action in response. These conditions caused instability in world financial markets and generated global economic instability. The continued threat of terrorism, the impact of military and other action, including U.S. military operations in Iraq and Afghanistan and the geopolitical conditions in the Middle

East generally may lead to continued volatility in prices for crude oil and natural gas and could affect the markets for Caza Petroleum's production. In addition, future acts of terrorism could be directed against companies operating in the United States. Further, the U.S. government has issued public warnings that indicate that energy assets might be specific targets of terrorist organizations. These developments have subjected Caza Petroleum's operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on Caza's business, financial condition, results of operations and trading price of the Common Shares.

CRUDE OIL AND NATURAL GAS RESERVES

Crude Oil and Natural Gas Reserves

The following is a summary the Corporation's crude oil and natural gas reserves as at December 31, 2009. The Corporation owns 81.3% of Caza Petroleum with the balance held by the Management Team. Pursuant to NI 51-101, the Corporation is required to include 100% of the reserves owned by Caza Petroleum in its oil and gas reserves disclosure.

Reserves and Future Net Revenue

NSAI was engaged to evaluate the Corporation's crude oil and natural gas reserves and the value of future net revenue attributable to such reserves as at December 31, 2009. The NSAI Report was prepared on March 5, 2010 using the assumptions and methodology guidelines outlined in the COGE Handbook and the reserves data set forth below complies with requirements of 51-101. All of the reserves assigned in the NSAI Report are located in the United States.

All evaluations of future revenue contained in the NSAI Report are after the deduction of royalties, development costs, production costs and abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenues contained in the following tables do not necessarily represent the fair market value of the Corporation's reserves. There is no assurance that the forecast price and cost assumptions contained in the NSAI Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the notes to the tables. The recovery and reserves estimates of Caza Petroleum's properties described herein are estimates only. The actual reserves on the Corporation's properties may be greater or less than those calculated.

Reserves Data (Forecast Prices and Costs)

The following is a summary of the crude oil and natural gas reserves and the value of future net revenue of Caza Petroleum as at December 31, 2009 as evaluated by NSAI in the NSAI Report. The pricing used in the forecast price evaluations are set forth in the notes to the tables. Some of the tables may not add due to rounding.

Forecast prices used in the NSAI Report are based on the average of four forecasts of December 31, 2009, NYMEX WTI prices prepared by Canadian independent consultants and are adjusted by field for quality, transportation fees, and regional price differentials. Gas prices used are based on the average of four forecasts of December 31, 2009, NYMEX Henry Hub prices prepared by Canadian independent consultants and are adjusted by field for energy content, transportation fees, and regional price differentials.

OIL AND GAS RESERVES BASED ON FORECAST PRICES AND COSTS – DECEMBER 31, 2009⁽¹⁰⁾

RESERVES CATEGORY	Gross ⁽¹⁾			Net ⁽²⁾		
	Light and Medium Oil (Mbbbl)	Natural Gas (Mbbbl)	Natural Gas Liquids (MMcf)	Light and Medium Oil (Mbbbl)	Natural Gas (Mbbbl)	Natural Gas Liquids (MMcf)
PROVED ⁽³⁾						
Developed Producing ⁽³⁾⁽⁶⁾⁽⁷⁾	73.4	2,329.7	6.1	56.5	1,728.5	4.5
Developed	22.9	278.7	0.6	17.0	214.0	0.5

Non-Producing ⁽³⁾⁽⁶⁾⁽⁸⁾ Undeveloped ⁽⁵⁾⁽⁹⁾	<u>0.0</u>	<u>3,364.1</u>	<u>2.6</u>	<u>0.0</u>	<u>2,455.8</u>	<u>1.9</u>
TOTAL PROVED ⁽³⁾	96.4	5,972.5	9.4	73.5	4,398.3	6.9
PROBABLE ⁽⁴⁾	<u>919.6</u>	<u>21,987.3</u>	<u>285.1</u>	<u>696.7</u>	<u>16,377.0</u>	<u>206.7</u>
TOTAL PROVED + PROBABLE ⁽³⁾⁽⁴⁾	1,016.0	27,959.8	294.5	770.2	20,775.3	213.7
POSSIBLE ⁽⁵⁾	<u>1,994.3</u>	<u>75,209.1</u>	<u>556.6</u>	<u>1,566.2</u>	<u>55,110.0</u>	<u>405.4</u>
TOTAL PROVED + PROBABLE + POSSIBLE ⁽³⁾⁽⁴⁾⁽⁵⁾	3,010.3	103,168.9	851.2	2,336.4	75,885.3	619.1

**NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON
FORECAST PRICES AND COSTS – DECEMBER 31, 2009⁽¹⁰⁾**

RESERVES CATEGORY	Before Deducting United States Federal and State Income Taxes					After Deducting United States Federal and State Income Taxes					Unit Value Before Income Tax Deduction At USS/unit as set forth below 10%/Year
	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%	
PROVED ⁽³⁾											
Developed Producing ⁽³⁾⁽⁶⁾⁽⁷⁾	11,729.5	10,077.8	8,824.7	7,852.1	7,080.5	7,624.2	6,542.2	5,721.5	5,083.7	4,577.0	4.21
Developed Non-Producing ⁽³⁾⁽⁶⁾⁽⁸⁾	2,157.0	1,637.2	1,270.7	1,007.0	813.0	1,402.1	1,063.6	825.3	653.8	527.8	3.98
Undeveloped ⁽³⁾⁽⁹⁾	12,668.4	9,914.1	7,836.1	6,238.1	4,989.0	8,234.5	6,441.0	5,088.4	4,048.9	3,236.7	3.18
TOTAL PROVED ⁽³⁾	26,554.9	21,629.1	17,931.5	15,097.2	12,882.5	17,260.7	14,046.9	11,635.3	9,786.5	8,341.4	3.67
PROBABLE ⁽⁴⁾	130,101.2	85,341.9	58,122.8	40,525.4	28,602.5	84,565.8	55,495.2	37,820.4	26,391.8	18,649.0	2.67
TOTAL PROVED + PROBABLE ⁽³⁾⁽⁴⁾	156,656.1	106,971.0	76,054.3	55,622.6	41,485.0	101,826.5	69,542.1	49,455.6	36,178.3	26,990.5	2.85
POSSIBLE ⁽⁵⁾	568,817.1	284,581.6	171,019.7	113,014.6	79,022.7	369,731.1	184,791.6	110,847.4	73,062.1	50,910.9	2.55
TOTAL PROVED + PROBABLE + POSSIBLE ⁽³⁾⁽⁴⁾⁽⁵⁾	725,473.2	391,552.6	247,074.0	168,637.2	120,507.7	471,557.6	254,333.7	160,303.0	109,240.3	77,901.3	2.64

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
BASED ON FORECAST PRICES AND COSTS – DECEMBER 31, 2009⁽⁹⁾**

(US\$000's)	Revenue	Royalties ⁽¹¹⁾	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
United States								
PROVED ⁽³⁾								
Developed Producing ⁽³⁾⁽⁶⁾⁽⁷⁾	23,484.1	7,759.3	3,826.7	0.0	168.6	11,729.5	4,105.3	7,624.2
Proved Developed Non-Producing ⁽³⁾⁽⁶⁾⁽⁸⁾	4,212.4	1,381.6	396.6	200.4	76.8	2,157.0	755.0	1,402.1
Undeveloped ⁽³⁾⁽⁹⁾	26,932.6	9,378.0	571.4	4,303.9	10.9	12,668.4	4,433.9	8,234.5
TOTAL PROVED ⁽³⁾	54,629.1	18,518.9	4,794.7	4,504.3	256.3	26,554.9	9,294.2	17,260.7
PROBABLE ⁽⁴⁾	284,415.3	90,973.2	18,961.1	43,759.9	619.9	130,101.2	45,535.4	84,565.8
TOTAL PROVED PLUS PROBABLE ⁽³⁾⁽⁴⁾	339,044.4	109,492.1	23,755.8	48,264.2	876.2	156,656.1	54,829.6	101,826.5
POSSIBLE ⁽⁵⁾	994,920.2	325,712.8	35,795.7	64,152.1	442.5	568,817.1	199,086.0	369,731.1
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE ⁽³⁾⁽⁴⁾⁽⁵⁾	1,333,964.6	435,204.9	59,551.5	112,416.3	1,318.7	725,473.2	253,915.6	471,557.6

**FUTURE NET REVENUE BY PRODUCTION GROUP BASED ON
FORECAST PRICES AND COSTS – DECEMBER 31, 2009⁽⁹⁾**

	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (US\$000's)	Unit Basis (US\$/bbl or US\$/Mcf)
Proved Reserves ⁽³⁾	Light and Medium Crude Oil (including solution gas and other by-products)	1,996.5	24.83
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	15,935.0	3.62
Proved Plus Probable Reserves ⁽³⁾⁽⁴⁾	Light and Medium Crude Oil (including solution gas and other by-products)	16,450.0	16.72
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	59,604.3	2.87
Proved Plus Probable Plus Possible Reserves ⁽³⁾⁽⁴⁾⁽⁵⁾	Light and Medium Crude Oil (including solution gas and other by-products)	46,672.7	15.79
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	200,401.3	2.64

Notes:

- (1) "Gross" reserves are Caza Petroleum's working interest (operating or non operating) share before deduction of royalties and without including any royalty interests of Caza Petroleum.
- (2) "Net" reserves are Caza Petroleum's working interest (operating or non operating) share after deduction of royalty obligations, plus Caza Petroleum's royalty interests in reserves.
- (3) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (4) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (5) "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is only a 10% probability that the quantities actually recovered will exceed the sum of the estimated proved plus probable plus possible reserves.
- (6) "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
- (7) "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (8) "Developed Non Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
- (9) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.
- (10) The pricing assumptions used in the NSAI Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth below. NSAI is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
AS OF DECEMBER 31, 2009
FORECAST PRICES AND COSTS**

Period Ending	Light and Medium Crude Oil Price (WTI) (US\$/bbl)	Natural Gas Price (Henry Hub) (US\$/Mcf)	Inflation⁽¹⁾ (%/year)
12/31/2010	78.54	5.88	2

	Light and Medium Crude Oil Price (WTI) (US\$/bbl)	Natural Gas Price (Henry Hub) (US\$/Mcf)	Inflation⁽¹⁾ (%/year)
12/31/2011	83.17	6.76	2
12/31/2012	86.54	7.03	2
12/31/2013	90.18	7.40	2
12/31/2014	94.18	7.80	2
12/31/2015	98.00	8.06	2
12/31/2016	101.36	8.35	2
12/31/2017	103.38	8.64	2
12/31/2018	105.43	8.96	2
12/31/2019	107.57	9.17	2

Thereafter, esc. 2% on Jan. 1 of each year.

Note:

(1) All lease, well operating and capital costs have been escalated at the indicated rate.

(11) Royalties include severance and ad valorem taxes.

Reserves Reconciliation

The following table sets forth the changes between the reserve volume estimates made as at December 31, 2009 and the corresponding estimates as at December 31, 2008 based on forecast prices, net of royalties.

	PROVED				PROBABLE				PROVED + PROBABLE			
	Light/ Medium Crude Oil (mbbl)	NGLs (mbbl)	Natural Gas (mmcf)	Total (mmcfe)	Light/ Medium Crude Oil (mbbl)	NGLs (mbbl)	Natural Gas (mmcf)	Total (mmcfe)	Light/ Medium Crude Oil (mbbl)	NGLs (mbbl)	Natural Gas (mmcf)	Total (mmcfe)
12/31/2008	270.4	0.0	5117.7	6740.1	745.7	0.0	16903.1	21377.3	1016.1	0.0	22020.8	28117.4
Extensions and Improved Recovery	0.0	0.0	0.0	0.0	-75.0	0.0	-147.7	-597.7	-75.0	0.0	-147.7	-597.7
Technical Revisions	-178.6	0.0	-308.5	-1380.1	7.7	0.0	-599.9	-553.7	-170.9	0.0	-908.4	-1933.8
Discoveries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	8.6	0.0	10.4	62.0	225.0	0.0	221.6	1571.6	233.6	0.0	232.0	1633.6
Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Factors	0.0	0.0	-4.6	-4.6	0.0	0.0	0.0	0.0	0.0	0.0	-4.6	-4.6
Production	-19.9	0.0	-416.7	-536.1	0.0	0.0	0.0	0.0	-19.9	0.0	-416.7	-536.1
12/31/2009	80.4	0.0	4398.3	4880.7	903.4	0.0	16377.0	21797.4	983.8	0.0	20775.3	26678.1

Additional Information Relating to Reserves Activities

Undeveloped Reserves

Proved Undeveloped Reserves

The NSAI Report disclosed proved undeveloped net reserves of 0.409 Mboe consisting of 2,456 MMcf of natural gas. This compares to 3,739 MMcfe year end 2008, 505 MMcfe year end 2007, and an aggregate of 587 MMcfe in previous years. These are reserves which can be estimated with a high degree of certainty to be recoverable, provided a significant expenditure is made to render them capable of production. Caza Petroleum intends to develop its proved undeveloped reserves in accordance with the NSAI Report. The total undiscounted amount of capital required to develop the proved undeveloped reserves is approximately US\$4.304 million using the forecast price assumptions in the NSAI Report with such capital to be expended through 2012.

Probable Undeveloped Reserves

The NSAI Report disclosed probable undeveloped net reserves of 21.797 Bcfe consisting of 696.7 Mbbl of light and medium crude oil, 16.377 Bcf of natural gas and 206.7 Mbbl of NGLs. This compares to 21.4 Bcfe year end 2008, 14.59 Bcfe year end 2007, and an aggregate of 1.41 Bcfe in previous years. Probable reserves are less certain to be recovered than proved reserves. The amount of probable reserves that will be recovered is materially dependent on the recovery factor eventually achieved through effective reservoir management including waterflood or other enhanced recovery methods. Caza Petroleum intends to develop its probable undeveloped reserves in accordance with the NSAI Report. The total undiscounted capital required to develop the undeveloped probable reserves is US\$43.759 million using the forecast price assumption in the NSAI Report, with US\$10.905 million incurred in 2010, US\$12.207 million incurred in 2011, US\$16.357 million incurred in 2012 and the balance incurred thereafter. The reclassification of these reserves from probable to proven reserves will also depend in large part upon the performance of new and existing wells subject to enhanced recovery operations.

Significant Factors or Uncertainties

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Corporation. The reserve data included herein represents estimates only. In general, estimates of economically recoverable crude oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates, and such variances could be material.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

Consistent with the securities disclosure legislation and policies of Canada, the Corporation has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil, curtailments or increases in consumption by oil purchasers, changes in governmental regulations and taxations, currency exchange rates and the impact of inflation on costs.

Future Development Costs

The table below sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves and proved plus probable reserves using forecast prices based upon the NSAI Report.

(US\$000's)	Total Proved Estimated	Total Proved Plus Probable Estimated
2010	4,334.1	15,239.1
2011	0.0	12,026.7
2012	25.6	16,382.5
2013	58.4	3,247.3
2014	0.0	0.0
Total for all years undiscounted	<u>4,504.3</u>	<u>48,264.2</u>

Caza Petroleum expects to fund these development costs through a combination of internally generated cash flows, the issuance of additional Common Shares, farm-in or similar arrangements and the use of future credit facilities which Caza Petroleum may obtain from lenders, if any. There can be no guarantee that funds will be available or that Caza Petroleum will allocate funding to develop all of the reserves attributed in the NSAI Report. Failure to develop those reserves would have a negative impact on future production and cash flow and could result in negative revisions to Caza Petroleum's reserves. The interest and other costs of external funding are not included in the reserves and future net revenue estimates set out in the NSAI Report and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. Caza does not anticipate that interest or other funding costs would make development of any property uneconomic.

Other Oil and Gas Information

Principal Properties

Caza Petroleum's oil and natural gas exploration, appraisal and development activities are focused on the following project areas:

- Texas Gulf Coast;
- South Louisiana;
- Southeast New Mexico; and
- Permian Basin of West Texas.

The following sections describe Caza Petroleum's principal properties and prospects in these areas and the reserves or resources attributed to these project and prospect areas in the NSAI Report. The estimates of reserves for individual project areas may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. Where reference is made only to possible reserves, no proved or probable reserves have been attributed by the NSAI Report to the property in question. Caza Petroleum has included these properties because it expects to develop the reserves within a reasonable time period. The possible reserves have been qualified in accordance with the COGE Handbook, and are reasonably supported and defined by one or more of the following: (i) geological interpretation, (ii) geophysical interpretation, (iii) proximity to production, (iv) petrophysical interpretation, and/or (v) stratigraphic interpretation.

Caza Petroleum operates all of the principal properties and prospects described below other than the Glass Ranch property, certain wells located in the Aldwell Ranch property, the Haakon property, the Dorothy Hite property and the Thunder Stud property.

Prospects typically are identified based upon geological and geophysical characteristics as learned through analysis of seismic data and through information gleaned from producing wells. The size of a prospect may fluctuate on the basis of further analysis of data or unsuccessful drilling results, among other factors. Caza Petroleum at times competes with other companies to acquire leasehold interests in a given prospect area, and thus Caza Petroleum may not own or have the right to acquire interests in all acreage within a prospect, or it may not own or have the right to acquire leasehold interests representing 100% of the mineral estate in a given tract within a prospect area. Typically around the time a well is drilled, a unit will be formed with the objective of encompassing acreage from which oil and/or gas is expected to be produced by the subject well. Under circumstances where mineral ownership is fragmented within a unit, production usually is shared in proportion to: (a) acreage contributed to the unit; and (b) mineral ownership within a given tract of land. Further, Caza Petroleum may acquire interests around the perimeter of a prospect area to protect against other parties encroaching upon the prospect.

Caza Petroleum's ultimate interests in the following property and prospect areas (and any wells drilled and units formed therein) will depend upon the extent to which unrelated parties might own undivided leasehold interests in tracts co-owned with Caza Petroleum, the extent to which tracts in which Caza Petroleum owns no leasehold interests are included within any such units, the rights of various participants to acquire interests in properties under

various participation, funding and similar agreements and other factors. The working interests and Net Revenue Interests stated below represent Caza Petroleum's best estimate of the interests that ultimately will be owned by Caza Petroleum upon fulfillment of contractual elections and obligations to be made on the part of Caza Petroleum and other parties to the various applicable agreements. Caza Petroleum's interests could ultimately be greater than, or less than, the interests stated below, depending upon factors such as participation elections by various parties, availability of capital for funding drilling costs, and like factors.

Properties that have been attributed non producing reserves in the NSAI Report are well served by pipelines and gathering systems.

Texas Gulf Coast

General

Caza Petroleum holds interests in approximately 14,687 gross acres (7,238 net acres) in a total of 12 properties and prospects in the Wilcox, Frio, and Yegua trends located in Wharton, Webb and Duval counties of Texas. Out of those properties, the 8 properties and prospects described below comprise a total of approximately 13,421 gross acres (6,732 net acres) of Caza Petroleum's interest in the area.

In the Wilcox trend, Caza Petroleum targets normally pressured structural closures at depths of approximately 9,500 feet and over pressured closures at depths from 14,000 to 18,000 feet. Caza Petroleum's prospects in the Frio and Yegua trends are typically amplitude natural gas plays at depths of between 3,500 and 8,500 feet. All of Caza Petroleum's prospects in these properties have been generated through 3-D Seismic data, advanced reprocessing and attribute analysis.

Proven, probable and possible net reserves of 54.5 Bcfe are assigned to Caza Petroleum's Texas Gulf Coast properties in the NSAI Report. As of December 31, 2009 Caza Petroleum was producing an average of 798.4 Mcfe/d net from its 6 gross (1.77 net wells) producing wells in this region.

All of Caza Petroleum's Texas Gulf Coast properties and prospects are located in areas which are well served by gathering systems.

Caza Petroleum's principal Texas Gulf Coast properties and prospects are described below.

Hite Offset Property

The Hite Offset property is located in the Wharton West Wilcox Field in the south central part of Wharton County, Texas. Caza Petroleum has interests in approximately 1,149 gross acres (225 net acres) and a 19.6% working interest (14.32% Net Revenue Interest) in this property. NSAI has assigned proven, probable and possible net reserves of 19.4 Bcfe to Caza Petroleum's interest in this property in the NSAI Report.

During 2008, Caza Petroleum, as Operator, drilled the Matthys McMillan Gas Unit #1 well to a depth of 17,700 feet. The well was completed in the Upper Wilcox formation. As of December 31, 2009 the well was producing 250.7 Mcfe/d net to Caza Petroleum.

Caza Petroleum has started drilling the Matthys-McMillan Gas Unit #2 in the same unit as the Matthys-McMillan Gas Unit #1. Consequently, Caza Petroleum's working interest and Net Revenue Interest will remain the same as stated above. See "General Development of the Business - Recent Developments".

The Hite Offset property targets a geopressed Upper Wilcox formation which has historically produced hydrocarbons from two zones ranging in depth from 14,200 to 14,800 feet. This accumulation is trapped by a three-way upthrown closure on a down to the southeast fault.

Wilcox 116 Property

The Jonell Cerny Gas Unit #1 Well, was drilled to test the Wilcox 116 property which is located approximately 3.2 miles to the southwest of and on trend with the accumulation found by the Caza Petroleum Matthys McMillan #1. Caza Petroleum drilled and earned a 29.9% working interest (which reduces to a 27.8% working interest after completion of the initial well) and a corresponding 20.9% Net Revenue Interest. The prospect is a 3-D seismically defined high side threeway closure covering approximately 1,547 gross acres (416 net acres) in this property. The NSAI Report has assigned possible gross reserves of 57.9 Bcf of natural gas (net 12.1 Bcf of natural gas) to the Wilcox 116 property.

Drilling operations were commenced on January 15, 2008 and reached a total depth of 16,510 feet on March 3, 2008. Analysis of log data indicates the well encountered potential Wilcox Sand pay at multiple intervals from 13,500 feet to 16,400 feet. Completion operations began on April 2, 2008, but the operations encountered difficulties and the well was subsequently plugged back and completed in the Yegua formation. The well was fracture stimulated on August 25, 2008. As of December 31, 2009, the well was producing 0.5 Mcfe/d net to Caza Petroleum from perforated intervals between 10,966 and 10,991 feet. Caza Petroleum is evaluating further opportunities in shallower pay zones within the existing well bore.

Bongo Property

The Bongo property is located approximately 2.2 miles to the south of the Hite Offset property. Caza Petroleum holds approximately 3,872 gross acres (2,513 net acres) and a 65% working interest (45.9% Net Revenue Interest) in this property. The NSAI report has assigned possible net reserves of 11.1 Bcfe to Caza Petroleum's interest in the property.

The property targets an upthrown threeway closure adjacent to the Matthys McMillan #1 well.

Puku Property

The Puku Andel property is located approximately two miles southeast of the Bongo property. Caza Petroleum holds approximately 221 gross acres (103 net acres) and a 64.4% working interest (48.95% Net Revenue Interest) in this property. The NSAI report has assigned proven net reserves of 56.9 MMcfe to Caza Petroleum's interest in this property.

The Andel #2201 well commenced drilling on April 29, 2008, and reached a total depth of 6,310 feet on May 6, 2008. The well was completed in the Frio Formation, and produced limited volumes of natural gas before being plugged back to the producing, perforated interval between 5,728 and 5,731 feet, and as of December 31, 2009, was producing 78.9 Mcfe/d of natural gas net to Caza Petroleum.

Kudu Property

The Kudu property is located approximately ¼ mile north of the Puku property. Caza Petroleum holds approximately 165 gross acres (88 net acres) and a 53.6% working interest (40.8% Net Revenue Interest) in this property. NSAI has assigned proven and probable net reserves of 463.6 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

During 2006, Caza Petroleum drilled the Rachunek #201 well on this property to a depth of 6,300 feet. The well was completed in the Frio Formation and as of December 31, 2009, was producing 95.7 Mcfe/d of natural gas net to Caza Petroleum.

Las Animas Prospect

The Las Animas prospect is located in Duval County, Texas. Caza Petroleum has leasehold interests in approximately 5,984 gross acres (3,265 net acres) in the prospect area made up of gross working interests ranging from 100% to 28% (with corresponding gross Net Revenue Interests of 80% to 75%) in various tracts which, in

conjunction with various agreements, results in a weighted average 42.8% working interest (30.0% Net Revenue Interest) in this prospect. NSAI has assigned best estimate net prospective resources of 41.4 Bcf of natural gas to Caza Petroleum's interest in this prospect from a previous NSAI report dated June 30, 2007. See "Crude Oil and Natural Gas Reserves – Additional Information Relating to Oil and Gas Activities - Properties with No Attributed Reserves".

The prospect targets two upthrown threeway high side closures in the Upper Wilcox Duval Complex. One is estimated to be 5,000 acres at the primary objective Upper Wilcox sand interval and the other is estimated to be 1,500 acres, both at depths of 14,000 to 18,000 feet.

Soledad Creek Property

The Soledad Creek property is located in Duval County, Texas. Caza Petroleum has an interest in approximately 163 gross acres (106 net acres) and a 62.29% working interest (47.3% Net Revenue Interest) in this property. NSAI has assigned probable and possible net reserves of 11.1 Bcfe to Caza Petroleum's interest in this property in the NSAI Report.

The property targets a 500 acre fault intersection closure located underneath existing Upper Wilcox production.

Dorothy Hite Property

The Dorothy Hite property is located in Wharton County, Texas. Caza Petroleum has an interest in approximately 320 gross acres (14.5 net acres) and a 4.51% working interest (3.51% Net Revenue Interest) in this property. The NSAI report has assigned proved net reserves of 252.2 MMcfe to Caza Petroleum's interest in this property.

DHGU #3 was drilled on this property and successfully encountered hydrocarbons on July 5, 2008. As of December 31, 2009, the well was producing 354.6 Mcfe/d of natural gas net to Caza Petroleum. DHGU #3 is a development well drilled in the Dorothy Hite Gas Unit and is contiguous to Caza Petroleum's Matthys-McMillan Gas Unit. Caza Petroleum, as a non-operator, acquired a 6.02% working interest in the DHGU #3 via farmout on a 1/3 for 1/4 promoted basis through the casing point. After casing point Caza Petroleum's working interest changed to its current 4.51% interest.

The DHGU #3 well has confirmed the extension of productive limits within the Wharton West Wilcox Field, which supports additional development drilling on Caza Petroleum's HBP (held by production) acreage offsetting its Matthys-McMillan Gas Unit #1 well. Caza Petroleum has plans to drill the Matthys-McMillan Gas Unit #2 development well in early 2010 (See "Recent Events" section).

South Louisiana

General

Caza Petroleum holds interests in approximately 4,228 gross acres (572 net acres) covering three properties in trends located in Calcasieu, St. Landry and Terrebonne Parishes, Louisiana. The Dulac Field property is located in Terrebonne Parish, the Haakon property is located in St. Landry Parish and the Thunder Stud property is located in Calcasieu Parish.

Caza Petroleum's prospects in south Louisiana are predominantly focused on the Hackberry, Yegua and Middle Miocene trends. The Hackberry trend is typically located at depths between 8,500 and 10,000 feet. The Yegua and Middle Miocene structural and stratigraphic plays are at depths between 9,000 and 20,000 feet. All of Caza Petroleum's prospects in these properties have been generated through 3-D Seismic data, advanced reprocessing and attribute analysis.

NSAI has assigned proven, probable and possible net reserves of 20.5 Bcfe to Caza Petroleum's south Louisiana properties in the NSAI Report. As of December 31, 2009 Caza Petroleum was producing 152.6 Mcfe/d net from

2 gross (0.22 net) wells in this region. All of Caza Petroleum's south Louisiana properties are located in areas which are well served by gathering systems.

Caza Petroleum's principal Louisiana properties are described below.

Dulac Field Property

The Dulac Field property is located in Terrebonne Parish, Louisiana. Caza Petroleum holds approximately 205 gross acres (17 net acres) and an approximate 8.2% working interest (5.9% Net Revenue Interest) in this property. NSAI has assigned proven and probable net reserves of 443.6 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

In July 2006, Falcon Bay, as Operator, drilled the State Lease 18582 #1 well as an exploratory test well to a depth of 14,118 feet. The well was completed in the Middle Miocene Eggerella sand and, as of December 31, 2009, was producing 129.2 Mcfe/d net to Caza Petroleum.

Thunder Stud Property

The Thunder Stud property is located in the southwest corner of Calcasieu Parish, Louisiana. Caza Petroleum holds a 13.75% non operated working interest (9.9% net Revenue Interest) in approximately 3,983 gross acres (546 net acres) subject to a back in after project payout reduction of 37.5%. NSAI has assigned probable and possible net reserves of 19.9 Bcfe to Caza Petroleum's interest in this property in the NSAI Report.

Caza Petroleum participated in the drilling of the E.W. Brown #1 well on the Thunder Stud Prospect, which targeted the Yegua formation in the Phoenix Lake Field. This well reached a total depth of 17,905 feet on May 3, 2007. Caza Petroleum, as a non operator, anticipates that an appraisal program will be undertaken, subject to partner and other approvals in 2010.

The E.W. Brown #1 well encountered both oil & gas potential from multiple horizons within the Yegua formation. The well has additional Hackberry sands behind pipe. The NSAI report has assigned probable plus possible net reserves of 368.6 MMcfe to Caza Petroleum's interest in the Hackberry sands.

Haakon Property

The Haakon property is located in St. Landry Parish, Louisiana. Caza Petroleum has an interest in approximately 40 gross acres (9 net acres) and a 22% working interest (16.3% Net Revenue Interest) in this property. The NSAI report has assigned proved net reserves of 114.7 MMcfe to Caza Petroleum's interest in this property.

The Thisco #3 well, operated by Key Operating and located on the Haakon property, reached a total depth of 8,232 feet on October 17, 2008. Based on electric logs and sidewall core data the well was completed in the Frio formation and production testing commenced. As of December 31, 2009, the well was producing 23.4 Mcfe/d net to Caza's interest.

Southeast New Mexico

General

Caza Petroleum has interests in approximately 24,425 gross acres (4,780 net acres) in 12 properties in southeast New Mexico.

These properties target primarily Pennsylvanian Clastics formations consisting of lowstand gas and condensate bearing marine deltaic sandstone reservoirs in the Atoka Morrow formations at depths ranging from 8,000 feet to 15,000 feet and Permian oil objectives at depths ranging from 2,000 to 8,500 feet.

Caza Petroleum's land holdings in southeast New Mexico are a combination of state and federal leases and limited fee lands. The state and federal jurisdictions hold periodic auctions for leases which provide opportunity for Caza Petroleum to acquire additional land positions over time. Leases for federal lands have a ten year primary term while state leases have a five year primary term.

NSAI has assigned proved plus probable plus possible net reserves of 10.1 Bcfe to Caza Petroleum's interest in its southeast New Mexico prospects in the NSAI Report. All of these properties are located in areas which are well served by gathering systems.

Caza Petroleum's principal Southeast New Mexico properties are described below.

Lynch Property

The Mudslide Slim Federal 15-1 well, located in Section 15, T-20-S, R-34-E, Lea County, New Mexico, was drilled to test the Lynch (Morrow) Prospect. Caza Petroleum has earned a 40% working interest (31.3% Net Revenue Interest) before payout which reduces to a 27.8% working interest (20.9% Net Revenue Interest) after payout of the initial well in this property. Caza Petroleum holds approximately 320 gross acres 128 net acres in this property. The NSAI Report has assigned proved plus probable plus possible net reserves of 1.83 Bcfe to Caza Petroleum's working interest in this property.

Drilling operations were commenced on January 13, 2008 and reached a total depth of 13,513 feet on March 2, 2008. After completing in and producing an aggregate of 76 MMcfe from the Morrow formation, the zone depleted and required plug back operations. After the plug back operation, the well was re-completed in the Lower Bone Springs formation in May, 2009. The well produced an aggregate of 1,440 Mcfe during December 2009, for an average rate of 46.5 Mcfe/d.

China Draw Property

The China Draw property is located in Eddy County. Caza Petroleum holds approximately 1,740 gross acres (580 net acres) and a 33% working interest (28.2% Net Revenue Interest) in this property. NSAI has not assigned reserves to Caza Petroleum's interest in this property.

The property targets the Morrow formation.

Forehand Ranch Property

The Forehand Ranch property is located in Eddy County. Caza Petroleum holds approximately 800 gross acres (350 net acres) and a weighted average 43.3% working interest (36.2% Net Revenue Interest) in this property. NSAI has assigned probable net reserves of 566.5 MMcfe to Caza Petroleum's interest in this property.

The property targets the middle Morrow formation, which produces to the northwest and southeast of the block.

Azotea Mesa Property

The Azotea Mesa property is located in Eddy County. Caza Petroleum holds 1,280 gross acres (640 net acres) and a 50% working interest (42.3% Net Revenue Interest) in this property. NSAI has assigned probable net reserves of 1.6 Bcfe to Caza Petroleum's interest in this property.

The property targets the Middle Morrow Teal sands and the Lower Morrow LMD sands. Both reservoir systems produce up structure in the Cemetery Field.

Moore Cap 1 Property

The Moore Cap 1 property is located in Lea County, New Mexico. Caza Petroleum holds approximately 5,586 gross acres (698 net acres) and a 12.5% working interest (9.4% Net Revenue Interest) in this property. NSAI has assigned proved net reserves of 20.7 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

On August 6, 2009, Caza Petroleum, as Operator, commenced drilling operations on the Moore Bailout 11 State #1 well. The well was drilled to a measured depth of 10,916 feet. As of December 31, 2009, the well was producing 18.5 Mcfe/d net to Caza Petroleum.

The property targets the Wolfcamp formation.

Moore Cap 2 Property

The Moore Cap 2 property is located in Lea County, New Mexico. Caza Petroleum holds approximately 1,883 gross acres (235 net acres) and a 12.5% working interest (9.4% Net Revenue Interest) in this property. NSAI has assigned proved net reserves of 20.7 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

On May 18, 2009, Caza Petroleum, as Operator, commenced drilling operations on the Lucky Penny 10 State #1 well. The well was drilled to a measured depth of 10,571 feet. As of December 31, 2009, the well was producing 7.55 Mcfe/d net to Caza Petroleum.

The property targets the Wolfcamp formation.

Moore Cap 3 Property

The Moore Cap 3 property is located in Lea County, New Mexico. Caza Petroleum holds approximately 3,160 gross acres (395 net acres) and a 12.5% working interest (9.4% Net Revenue Interest) in this property.

On November 28, 2009, Caza Petroleum, as Operator, commenced drilling operations on the Moore Cowbell 27 State #1 well. As of December 31, 2009, the well was still being drilled. Therefore, NSAI has assigned no proved reserves to Caza Petroleum's interest in this property in the NSAI Report. The property targets the Wolfcamp formation.

Bada-Bing Property

The Bada-Bing property is located in Lea County, New Mexico. Caza Petroleum holds approximately 2,880 gross acres (360 net acres) and a 12.5% working interest (10.2% Net Revenue Interest) in this property.

On October 10, 2009, Caza Petroleum, as Operator, commenced drilling operations on the Bada Bing 23 State #1 well. The well was drilled to a measured depth of 12,835 feet. As of December 31, 2009, the well was on flow back test after having been fracture stimulated. NSAI has assigned possible net reserves of 852.8 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

The property targets the Wolfcamp formation.

Sombrero Property

The Sombrero property is located in Lea County, New Mexico. Caza Petroleum holds approximately 1,280 gross acres (640 net acres) and a 50.0% working interest (41.7% Net Revenue Interest) in this property. NSAI has assigned possible net reserves of 2,331 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

The property targets the Wolfcamp formation.

Round Tank Property

The Round Tank property is located in Chaves County, New Mexico. Caza Petroleum holds approximately 1,120 gross acres (210 net acres) and an 18.75% working interest (16.41% Net Revenue Interest) in this property. NSAI has assigned possible net reserves of 688 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

The property targets the Wolfcamp formation.

Bada Bing North Property

The Bada Bing North property is located in Lea County, New Mexico. Caza Petroleum holds approximately 320 gross acres (40 net acres) and a 12.5% working interest (10.16% Net Revenue Interest) in this property.

The property targets the Wolfcamp formation.

Tulk Property

The Tulk property is located in Lea County, New Mexico. Caza Petroleum holds approximately 4,053 gross acres (507 net acres) and a 12.5% working interest (10.29% Net Revenue Interest) in this property. NSAI has assigned possible net reserves of 568.5 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

The property targets the Wolfcamp formation.

Permian Basin of West Texas

General

Caza Petroleum has interests in approximately 9,485 gross acres (3,286 net acres) in the Permian Basin of west Texas located in Crane, Upton, Reagan, Crockett and Sutton counties.

These properties target the Spraberry/Wolfcamp formation at depths of 8,000 to 10,000 feet and the Canyon Sands formation at depths of 6,500 to 9,000 feet.

NSAI has assigned proven, probable and possible net reserves of 8.5 Bcfe to Caza Petroleum's interest in its Permian Basin properties. Caza Petroleum is currently producing 182.3 Mcf/d net from seven gross (2.91 net) producing wells located in this region.

All of Caza Petroleum's Permian Basin of west Texas properties are located in areas which are well served by gathering systems.

Caza Petroleum's principal Permian Basin of west Texas properties are described below.

Glass Ranch Property

The Glass Ranch property is located in Crane and Upton counties, Texas. Caza Petroleum holds approximately 320 gross acres (160 net acres) and a weighted average 50% working interest (38.81% Net Revenue Interest) in this property before payout in each well, which will change after payout to a 47.41% working interest (36.05% Net Revenue Interest). NSAI has assigned possible net reserves of 334.9 MMcfe to Caza Petroleum's interest in this property in the NSAI Report.

Drilling operations were commenced by Momentum Energy Corp. on the Glass Ranch property on June 17, 2008, in the Wolfberry trend in the Permian Basin. Four wells (the Glass Ranch A #1, A #3, B #1 and B #3) have been drilled, fracture stimulated, completed and are producing across multiple pay sections in the Wolfcamp and Spraberry formations (Wolfberry). As of December 31, 2009, the wells were collectively producing 176.3 Mcfe/d of natural gas net to Caza Petroleum.

The property targets the Spraberry/Wolfcamp formation.

Aldwell Ranch Property

The Aldwell Ranch property is located in the southwest part of Sutton County, Texas. In 2006, Caza Petroleum sold its initial nine wells located in the northern block series and entered into a joint venture to develop the remaining acreage relating to its remaining north block interests. Caza Petroleum holds 1,461 gross (731 net) acres and a 50.0% working interest before completion and 45.5% working interest after completion (34.1% Net Revenue Interest) in the north block, which has been partially developed, and approximately 5,500 gross (520 net) acres and a 9.4% working interest (7.5% Net Revenue Interest) of undeveloped land in the southern block, which is held by production.

NSAI has assigned proved, probable and possible net reserves of 148.1 MMcfe to Caza Petroleum’s interest in this property in the NSAI Report. Caza Petroleum is currently producing 68.4 Mcf/d net from one gross (0.6357 net) producing wells located in the area.

The property targets the Canyon Sands formation.

Windham Wolfberry

The Windham Wolfberry property is located in Upton County, Texas. Caza Petroleum holds approximately 1,318 gross acres (1,318 net acres) and a 100% working interest (75% Net Revenue Interest) in this property. NSAI has assigned probable and possible net reserves of 6,286.6 MMcfe to Caza Petroleum’s interest in this property in the NSAI Report.

The property targets the Spraberry/Wolfcamp formation.

Sheep Mountain Property

The Sheep Mountain property is located in Crockett County, Texas. Caza Petroleum became the operator of this property in 2009, and holds approximately 487 gross acres (243 net acres) and a 50% working interest (37.5% Net Revenue Interest) in this property as the result of the EXL Agreement. NSAI has assigned probable net reserves of 750.5 MMcfe to Caza Petroleum’s interest in this property in the NSAI Report.

The property targets the Spraberry/Wolfcamp and Strawn formations.

Grierson Property

The Grierson property is located in Reagan County, Texas. Caza Petroleum holds approximately 320 gross acres (320 net acres) and a 100% working interest (75% Net Revenue Interest) in this property. NSAI has assigned possible net reserves of 973.9 MMcfe to Caza Petroleum’s interest in this property in the NSAI Report.

The property targets the Spraberry/Wolfcamp formation.

Crude Oil and Natural Gas Wells

The following table sets forth the number of wells in which Caza Petroleum held a working interest as at December 31, 2009:

	Oil Wells				Gas Wells				Other Wells ⁽³⁾	
	Producing		Non-Producing		Producing		Non-Producing		Gross ⁽¹⁾	Net ⁽²⁾
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾		
Louisiana, USA	1.0	0.22	-	-	1.0	0.08	1.0	0.10	-	-

	Oil Wells				Gas Wells				Other Wells ⁽³⁾	
	Producing		Non-Producing		Producing		Non-Producing		Gross ⁽¹⁾	Net ⁽²⁾
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾		
Texas, USA	7.0	3.34	1.0	0.28	4.0	1.68	1.0	0.62	-	-
New Mexico, USA	2.0	0.25	2.0	0.25	1.0	0.40	-	-	-	-
Total	10.0	3.81	3.0	0.53	6.0	2.16	2.0	0.72	-	-

Notes:

- (1) "Gross" means the total number of wells in which Caza Petroleum has an interest.
- (2) "Net" means the number of wells obtained by aggregating Caza Petroleum's working interest in each of its gross wells.
- (3) Includes service, disposal, injection and standing wells.

Caza Petroleum's proved non-producing reserves are behind pipe at intervals shallower than those currently producing. All such reserves are located in proven producing areas which are well served by gathering systems.

Location of Production

Other than one gross well located in shallow water Louisiana, all of Caza Petroleum's producing properties are located onshore in the State of Texas.

NGLs are barged from the well location in shallow water Louisiana to Houma, Louisiana and then pipelined to a processing facility located in St. James, Louisiana. Natural gas is gathered by the Texas Eastern pipeline in Sutton County and the Cross Tex pipeline in Wharton County where it enters a common carrier pipeline. There are no obligations or work programs outstanding on any of the concessions.

Caza Petroleum currently sells the majority of its natural gas and natural gas liquids directly from the wellhead to a third party purchaser who arranges for all transportation and marketing pursuant to agreements terminable following primary terms of 12 to 18 months and thereafter upon 30 days notice prior to the end of the automatic one month or six month extension terms. Such purchaser normally arranges for truck, barge, rail and pipeline transportation, and offers Caza Petroleum industry competitive prices as well as safe movement of its production.

Normal handling and marketing fees for oil and condensate range from US\$2 to US\$5 per bbl dependent on whether land or water location. Natural gas pricing is based on daily Houston Ship Channel price less handling, processing and marketing fees which in total amount to less than US\$0.55 per MMBtu. The purchaser does not participate directly in speculative trading, but in certain instances will provide, if asked, price hedging services by utilizing the cash, futures and derivative markets.

Properties with No Attributed Reserves

Caza Petroleum has an interest in 11,837 gross acres (4,582 net acres) located in the United States to which no reserves have been attributed. The prospective resources attributed specifically to the Las Animas prospect area were prepared for the Corporation by NSAI in a report dated June 30, 2007, as set out in the following table.

Prospective Gas Resources (Bcf)

	Gross			Net		
	Low Estimate ⁽¹⁾	Best Estimate ⁽¹⁶⁾	High Estimate ⁽¹⁶⁾	Low Estimate ⁽¹⁶⁾	Best Estimate ⁽¹⁶⁾	High Estimate ⁽¹⁶⁾
Las Animas						
Wilcox 3	15.2	47.4	98.0	4.0	17.6	40.6
Wilcox 5	9.0	41.0	90.8	3.1	16.0	36.7
Wilcox 6	7.5	19.4	37.8	2.7	7.8	16.2

Notes

- (1) The prospective resource estimates were prepared for the Corporation by NSAI, as at June 30, 2007, in accordance with the COGE Handbook. In the COGE Handbook, "prospective resources" are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. There is no assurance the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Under the COGE Handbook: "Low Estimate" reflects a level of confidence indicating a probability of 90% that the estimated amount or more will be

recovered from the accumulation; "Best Estimate" reflects a level of confidence indicating a probability of 50% that the estimated amount or more will be recovered from the accumulation; and "High Estimate" reflects a level of confidence indicating a probability to 10% that the estimated amount or more will be recovered from accumulation.

Based on Caza Petroleum's existing drilling program, the Corporation expects that Caza Petroleum's rights in 747 gross (337 net) acres of land will expire in the next 12 months.

Forward Contracts

Neither Caza nor Caza Petroleum has entered into any forward contracts.

Additional Information Concerning Abandonment and Reclamation Costs

Caza Petroleum estimates well abandonment and reclamation costs area by area. Such costs are included in the NSAI Report as deductions in arriving at future net revenue. The expected total abandonment and reclamation costs included in the NSAI Report for 5 net wells under the proved reserves category approximately US\$256,000 undiscounted based on forecast prices and costs. Of this undiscounted amount, the Corporation anticipates approximately US\$76,000 will be incurred in the next three years.

Tax Horizon

Presently the Corporation does not expect to pay current taxes into the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the Corporation's tax horizon will ultimately depend on several factors including commodity prices, property dispositions, future production, corporate expenses, and capital expenditures to be incurred in future reporting periods.

Costs Incurred

The following table summarizes the capital expenditures made by Caza Petroleum and its predecessors on crude oil and natural gas properties for the year ended December 31, 2009.

Country	Property Acquisition Costs (US\$000's)		Exploration Costs (US\$000's)	Development Costs (US\$000's)
	Proved Properties	Unproved Properties		
United States	79	1,402	110	279

Exploration and Development Activities

The following table sets forth the gross and net exploratory wells in which Caza Petroleum participated during the year ended December 31, 2009. Caza did not drill any development wells during such year.

United States		
Exploratory Wells	Gross⁽¹⁾	Net⁽²⁾
Natural Gas	-	-
Service	4.0	0.50
Dry	-	-
Total:	4.0	0.50

Notes:

(1) "Gross" means the total number of wells in which Caza Petroleum has an interest.

(2) "Net" means the number of wells obtained by aggregating Caza Petroleum's working interest in each of its gross wells.

All of Caza Petroleum's wells have been drilled in the United States. Caza Petroleum considers the Wharton West Wilcox Field development to be the most likely candidate for near term, future, development drilling. There is also

near term potential for our New Mexico Wolfcamp and Permian Basin Wolfberry exploration projects, which were assigned probable and possible reserves in the NSAI Report.

Production Estimates

The following table sets out the volume of Caza Petroleum's production estimated in the NSAI Report for the year ending December 31, 2010, that is reflected in the estimate of future net revenue disclosed in the tables contained under "Statement of Reserves Data and Other Oil and Gas Information – NSAI Report".

United States	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (bbl/d)	Total (boe/d)
Gross proved reserves	47	2,099	4	401
Gross probable reserves	35	589	7	141

The following table sets out Caza Petroleum's estimated net production by field which accounts for 20% or more of estimated production for the year ended December 31, 2010 based on proved plus probable reserves.

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (bbl/d)	Total (boe/d)
Wharton, W. Texas	0	1,771	1	297
Others	82	917	10	245
Total	82	2,688	11	542

Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by Caza Petroleum during the year ended December 31, 2009. All production has been in the United States.

	2009			
	Three Months Ended March 31	Three Months Ended June 30	Three Months Ended September 30	Three Months Ended December 31
Average Daily Production				
Light/Medium Crude Oil (bbl/d)	67.10	41.75	40.49	51.81
Natural Gas (Mcf/d)	803.65	1,062.27	1,015.71	1,081.65
Natural Gas Liquids (bbl/d)	4.08	4.26	2.73	2.24
Average Net Prices Received				
Light/Medium Crude Oil (US\$/bbl)	33.83	63.38	65.13	72.46
Natural Gas (US\$/Mcf)	4.46	3.18	3.22	4.30
NGLs (US\$/bbl)	41.59	34.03	65.38	69.22

2009

	Three Months Ended March 31	Three Months Ended June 30	Three Months Ended September 30	Three Months Ended December 31
Royalties				
Light/Medium Crude Oil (US\$/bbl)	-	-	-	-
Natural Gas (US\$/Mcf)	-	-	-	-
NGLs (US\$/bbl)	-	-	-	-
Production Costs				
Light/Medium Crude Oil (US\$/bbl)	8.82	13.05	12.28	13.97
Natural Gas (US\$/Mcf)	1.62	1.87	1.85	2.00
NGLs (US\$/bbl)	11.60	13.30	15.59	18.07
Netback Received				
Light/Medium Crude Oil US\$/bbl)	25.00	50.34	52.85	58.48
Natural Gas (US\$/Mcf)	2.84	1.31	1.38	2.30
NGLs (US\$/bbl)	29.98	20.73	49.79	51.15

The following table sets out Caza Petroleum's aggregate production volume by important field for the year ending December 31, 2009.

Field	Light and Medium Oil (Bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbl/d)	Total (boe/d)
Wharton, W. Wilcox	-	592.09	0.68	92.69
Wharton, S.	-	111.54	-	18.56
Dulac	-	155.52	1.93	27.85
Glass Ranch, Spraberry	36.81	30.64	-	41.92
Total	36.81	849.59	2.61	181.02

DIVIDEND POLICY

The Corporation has not declared or paid any dividends on its Common Shares since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions that the Board may consider appropriate in the circumstances. Caza's directors have resolved that during the time the Management Team owns any Caza Petroleum Shares, the entire amount of any dividend distribution received by the Corporation from Caza Petroleum will in turn be distributed by the Corporation to its shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Description of Authorized Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares. As at December 31, 2009, there were 119,319,000 issued and outstanding Common Shares. In addition, the Management Team has the right at any time to exchange their Caza Petroleum Shares currently held by them for an aggregate of 26,502,000 Common Shares based on an exchange ratio of 2,800 Common Shares for each Caza Petroleum Share held, subject to adjustment in certain events. See "Material Contracts".

Holders of Common Shares are entitled to dividends as and when declared by the Board and to notice of, and one vote per share at, meetings of the shareholders of the Corporation. Upon liquidation or dissolution of the Corporation, holders of Common Shares are entitled to share equally, share for share, in the remaining property of the Corporation.

Shareholder Notification of Interests

As a corporation incorporated under the BCBCA, the Corporation is not subject to the provisions of the Disclosure and Transparency Rules and, consequently, shareholders would not ordinarily be subject to any UK requirement to disclose to the Corporation the level of their interests in Common Shares. However, in line with guidance set out in the AIM Rules for Companies, the Corporation has amended its Articles to incorporate by reference the Disclosure and Transparency Provisions and the 2006 Act Provisions.

The Disclosure and Transparency Provisions detail the circumstances in which a person may be obliged to notify the Corporation that he has an interest in voting rights in respect of the Common Shares, or has had such an interest, in Common Shares. These provisions impose an obligation to notify the Corporation: (a) when a person is interested in 3% or more of the voting rights attaching to the Common Shares, and (b) where such person's interest alters by a complete integer of 1% of the Common Shares.

The 2006 Act Provisions permit the Corporation to serve a notice on any person where the Corporation has reasonable cause to believe such person is interested in the Common Shares or has been interested in the Common Shares at any time during the three years immediately preceding the date on which the notice is issued. Such notice may require the person to confirm or deny that he is or was interested in the Common Shares and, if he holds, or has during that time held, any such interest to give such further information as may be required in accordance with the 2006 Act Provisions.

The full text of the Disclosure and Transparency Provisions and the 2006 Act Provisions will be made available to any shareholder free of charge on application to Caza's secretary.

Although the Disclosure and Transparency Provisions and the 2006 Act Provisions are incorporated by reference in the Articles, it should be noted that there is no Canadian enforcement mechanism that will be placed on the Corporation as existing Canadian law does not provide any remedy for failure of any person to comply with these provisions nor, as described above, are there otherwise any statutory obligations on shareholders (other than insider and early warning reporting obligations) to disclose to the Corporation the level of their interests in Common Shares. As such, the Corporation's obligations to announce information to the public pursuant to Rule 17 of the AIM Rules for Companies in so far as it relates to the above disclosure requirements may be affected.

MARKET FOR SECURITIES

Trading Price and Volume

The Corporation's Common Shares are listed and commenced trading on the TSX under the symbol "CAZ" and on AIM under the symbol "CAZA" on December 12, 2007. During 2009, an aggregate of 7,467,713 Common Shares were traded on the TSX at prices ranging from Cdn\$0.03 to Cdn\$0.22 and an aggregate of 28,325,223 Common Shares were traded on AIM at prices ranging from 1.75 pence to 11.5 pence.

The following table sets forth the high and low trading prices and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated (as quoted by the TSX) intraday:

2009			
Period	High (Cdn\$)	Low (Cdn\$)	Volume
January	0.075	.005	190,000
February	0.07	0.03	370,962

2009

Period	High (Cdn\$)	Low (Cdn\$)	Volume
March	0.08	0.03	1,172,126
April	0.20	0.05	1,490,150
May	0.18	0.095	473,100
June	0.22	0.14	509,048
July	0.18	0.13	96,660
August	0.19	0.15	122,801
September	0.17	0.14	135,900
October	0.18	0.15	272,716
November	0.20	0.10	346,250
December	0.17	0.10	2,288,000

The following table sets forth the high and low trading prices and the aggregate volume of trading of the Common Shares on AIM for the periods indicated (as quoted by AIM) intraday:

2009

Period	High (pence)	Low (pence)	Volume
January	6.50	3.00	660,014
February	3.50	2.00	1,011,340
March	5.00	1.75	4,658,155
April	7.25	3.75	11,232,996
May	9.25	6.50	1,021,253
June	11.25	7.75	1,303,169
July	9.75	8.75	112,385
August	9.25	8.75	429,585
September	9.25	8.75	649,139
October	11.50	7.75	3,730,837
November	11.47	8.09	2,183,064
December	9.50	7.47	1,333,286

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON
TRANSFER**

To the knowledge of the Corporation, no securities of any class of the Corporation are in escrow or are subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

The name, municipality of residence, positions held with the Corporation and principal occupation during the preceding five years of each of the directors and executive officers of the Corporation are as follows:

Name and Municipality Province and Country of Residence	Offices Held and Time as Director or Officer	Principal Occupation (for last five years)
James Russell Porter ⁽¹⁾⁽²⁾⁽³⁾ Houston, Texas Age: 48	Director since June 2006	President and Chief Executive Officer of Gastar Exploration, Ltd. since February 2004; Vice President, Business Development and Chief Operating Officer of Gastar Exploration, Ltd. from September 2000 to February 2004.
John Ross Rooney ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Age: 53	Lead Director since September 2007 and Director since June 2006	Director, President and Chief Executive Officer of Northern Blizzard Resources Inc.; prior thereto Director and Chief Executive Officer of TUSK Energy Corporation from December 2006 to April 2009; President and Chief Executive Officer of Zenas Energy Corp. from August 2005 to January 2007; President and Chief Executive Officer of Blizzard Resources Inc. from December 2002 to July 2005, Vice President and Chief Financial Officer and then President and Chief Executive Officer of Equatorial Energy Inc. from May 1999 to July 2002.
Cornelius Dupre II ⁽¹⁾⁽²⁾⁽³⁾ Houston, Texas Age: 58	Director since April 2008	Chairman, Venture Transport and Logistics since June 2004; Senior Vice President, Sales & Marketing/Chief Sales Officer, National Oil from July 1999 to May 2004
John Russell McGoldrick The Woodlands, Texas Age: 52	Executive Chairman since August 2006 and a Director since June 2006	Executive Chairman of Caza Petroleum since June 2006; Executive President of Falcon Bay from February 2004 to August 2006; President of Enterprise Oil Gulf of Mexico Inc. from August 2000 to October 2002.
William Michael Ford Midland, Texas Age: 51	Chief Executive Officer since August 2006 and a Director since June 2006	President of Caza Petroleum since June 2006; Vice President of Falcon Bay Energy from November 2000 to July 2006.
James Michael Markgraf Midland, Texas Age: 57	Vice President Finance and Chief Financial Officer since August 2006	Vice President and Chief Financial Officer of Caza Petroleum since June 2006; Chief Financial Officer and Treasurer of Falcon Bay from October 2001 to July 2006.
Anthony Bryan Sam Midland, Texas	Vice President, Operations since August 2006	Vice President, Operations of Caza Petroleum since June 2006; Vice

Age: 49

Richard Ronald Albro
The Woodlands, Texas
Age: 44

Vice President Land and Secretary
since August 2006

President, Operations of Falcon Bay
from October 2000 to July 2006.

Vice President, Land of Caza
Petroleum since June 2006; Vice
President, Land of Falcon Bay from
November 2000 to July 2006.

Notes:

- (1) Member of the Technical Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Human Resources and Corporate Governance Committee.

Each member of the Board shall serve until the earlier of his resignation or the election of his successor at an annual meeting of the holders of Common Shares.

As at December 31, 2009, the directors and executive officers of the Corporation and Caza Petroleum, as a group, beneficially own, directly or indirectly, or exercise control or direction over 1,515,000 Common Shares representing approximately 1.3% of the issued and outstanding Common Shares. In addition, pursuant to the Share Exchange Agreement, the Management Team has the right to exchange the Caza Petroleum Shares currently held by them for an aggregate of 26,502,000 Common Shares, based on a ratio of 2,800 Common Shares for each Caza Petroleum Share held, subject to adjustment in certain events.

Corporate Cease Trade Orders or Bankruptcies

No current director or executive officer of the Corporation is, or was within the last ten years prior to the date hereof a director, chief executive officer or chief financial officer of any issuer (i) that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemption for a period of more than thirty (30) consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to act in that capacity, in such issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days; or (iii) while or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets in any jurisdiction.

Penalties or Sanctions

No current director or officer or security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by any other securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body in any jurisdiction that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No current director or executive officer or to Caza's knowledge any security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or security holder.

Conflicts of Interest

Circumstances may arise where members of the Board or officers of the Corporation are directors or officers of companies, which are in competition to the interests of the Corporation. No assurances can be given that

opportunities identified by such board members or officers will be provided to the Corporation. Pursuant to the BCBCA, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

As of the date hereof, other than in connection with the ownership of Caza Petroleum Shares by the Management Team or as otherwise disclosed elsewhere in this Annual Information Form, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

PROMOTERS

No person or company has acted as a promoter of the Corporation or any of its subsidiaries in the two most recently completed financial years.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings to which the Corporation or a subsidiary of the Corporation is a party or to which any of their respective property is the subject matter, nor to the best of the knowledge of the Board and executive officers of the Corporation are any such proceedings contemplated by any person.

No penalties or sanctions were imposed against Caza or its subsidiaries by a court, securities or other regulatory authority during the year ended December 31, 2009.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation, any person beneficially owning, or exercising control or direction over, directly or indirectly, more than 10% of the Corporation's voting securities, or any associate or affiliate of such person in any transaction or any proposed transaction since January 1, 2007, which in either case has materially affected or will materially affect the Corporation or its subsidiaries, other than as disclosed elsewhere herein and as follows:

- Caza Petroleum has leased approximately 2,100 acres in Wharton County, Texas which are owned by an affiliate of Zoneplan Limited., a principal security holder of the Corporation. Caza Petroleum negotiated this lease on an arm's length basis with an independent negotiator retained by such affiliate of the principal security holder for such purpose

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares of the Corporation is Computershare Trust Company of Canada, Suite 600, 530 - 8th Ave SW, Calgary, Alberta T2P 3S8 with principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts entered into by the Corporation in the Corporation's most recently completed financial year or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business, are as follows:

- Share Exchange Agreement – The Share Exchange Agreement provides that the Management Team may not transfer their Caza Petroleum Shares (other than among themselves and family members) to any party other than Caza. In addition, the Management Team has the right at any time to exchange the Caza Petroleum Shares currently held by them for an aggregate of 26,502,000 Common Shares based on an exchange ratio of 2,800 Common Shares for each Caza Petroleum Share held, subject to adjustment in certain events. In addition, the Corporation has the right to cause each member of the Management Team to exchange his Caza Petroleum Shares for Common Shares in certain circumstances, including upon a

change of control, liquidation, sale of substantially all of the assets, or bankruptcy of the Corporation or of Caza Petroleum, or the divorce, death, incapacity of a member of the Management Team or a breach by a member of the Management Team of the Share Exchange Agreement;

- Share Purchase Agreement – The Share Purchase Agreement obligates Caza to use the net proceeds from any distribution of equity securities to purchase that number of Caza Petroleum Shares from the treasury of Caza Petroleum (and Caza Petroleum to sell such Caza Petroleum Shares to the Corporation in consideration for the payment of such net proceeds) that is equal to the number of equity securities so distributed divided by 2,800. This agreement also provides that each party thereto shall guarantee or secure the debts, loans and other obligations of the other party in the manner specified by the other party, provided the provision of such guarantee or security is demanded in writing by the other party and by the holder of such debt, loan or other obligation;
- Services Agreement – The Services Agreement obligates Caza to provide certain accounting and financial support and other administrative services to Caza Petroleum at the request of, and subject to the management and direction of, the board of directors of Caza Petroleum. In consideration for such services, Caza Petroleum is obligated to pay US\$250,000 per year to Caza, together with all direct out of pocket third party expenses incurred by Caza in providing such services. The Services Agreement may be terminated by either party upon giving 30 days' prior written notice;
- Alpine Participation Agreement – Pursuant to this agreement, third parties are responsible for paying all costs incurred by Caza Petroleum associated with any reprocessing, copying and reproduction of certain 3-D Seismic data, together with any additional costs of shooting or acquiring associated data that the parties may jointly agree in writing while Caza Petroleum is responsible for all seismic interpretation, analysis and oil and natural gas leasing activities associated with such data. In consideration for paying such costs and the initial seismic costs, such third parties have participation rights ranging from 35% to 50% in prospects generated by Caza Petroleum's analysis of its 3-D Seismic database;
- Cox Participation Agreement – Pursuant to this agreement, third parties are responsible for paying all costs incurred by Caza Petroleum associated with any reprocessing, copying and reproduction of certain 3-D Seismic data, together with any additional costs of shooting or acquiring associated data that the parties may jointly agree in writing while Caza Petroleum is responsible for all seismic interpretation, analysis and oil and natural gas leasing activities associated with such data. In consideration for paying such costs and the initial seismic costs, such third parties have participation rights ranging from 35% to 50% in prospects generated by Caza Petroleum's analysis of its 3-D Seismic database; and
- Endeavour Agreement – See “General Development of the Business – Three Year History - 2009” and “General Development of the Business - Recent Developments”.

Copies of these agreements may be viewed online at www.sedar.com or inspected at the head office of the Corporation.

INTERESTS OF EXPERTS

Deloitte & Touche LLP, Chartered Accountants, are the Corporation's auditors, and are independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

NSAI are the Corporation's independent engineers and have prepared the NSAI Report. To the knowledge of the Corporation, neither NSAI nor its officers, directors, employees or consultants beneficially own, directly or indirectly, any of the outstanding Common Shares of the Corporation. In addition, none of the officers, directors, employees or consultants of NSAI are currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any of its associates or affiliates.

AUDIT COMMITTEE

The Audit Committee consists of Messrs. Rooney (chair), Porter and Dupre, each of whom is considered “independent” and “financially literate” within the meaning of Multilateral Instrument 52-110 – Audit Committees.

Mandate of the Audit Committee

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities, including with respect to:

- (i) the integrity of the Corporation’s financial statements;
- (ii) the integrity of the financial reporting process;
- (iii) the system of internal control and management of financial risks;
- (iv) the external auditors’ qualifications and independence; and
- (v) the external audit process and the Corporation’s processes for monitoring compliance with laws and regulations.

The Charter of the Audit Committee is attached hereto as Appendix “C”.

Relevant Education Experience of Audit Committee Members

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Corporation.

Name of Audit Committee Member	Relevant Education and Experience
John Ross Rooney (Chairman)	BA, Economics, University of Western Ontario 1979 Chartered Accountant, 1983, see “Directors & Officers”
James Russell Porter	BS, Petroleum Land Management, Louisiana State University, Master of Business Administration 1990, The University of North Carolina at Chapel Hill, see “Directors & Officers”
Cornelius Dupre II	BS, Louisiana State University 1977; Master of Business Administration, University of Louisiana 1980; Juris Doctor, Louisiana State University 1980; Member of Louisiana State Bar Association 1980, see “Directors & Officers”

Audit Committee Oversight

At no time since the commencement of the Corporation’s most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board of Directors of the Corporation.

External Auditor Fees

For the year ended December 31, 2009 Deloitte & Touche LLP and its affiliates were paid approximately Cdn\$201,521 as detailed below:

Audit Fees

Audit fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements. The aggregate audit fees billed by the Corporation's external auditor for the financial year ended December 31, 2009 were Cdn\$94,340.

Audit-Related Fees

Audit-related fees include fees relating to the review of the Corporation's quarterly financial statements. The aggregate audit-related fees billed by the Corporation's external auditor for the financial year ended December 31, 2009 were Cdn\$76,387.

Tax Fees

Tax fees include fees relating to tax compliance, tax planning, tax advice and various taxation matters. The aggregate fees billed by the Corporation's external auditor for the financial year ended December 31, 2009 were Cdn\$21,254.

All Other Fees

All other fees consist of fees for services provided by Deloitte & Touche LLP other than audit, audit-related and tax services. The aggregate fees billed by the Corporation's external auditor for the financial year ended December 31, 2009 other than audit fees, audit-related fees and tax fees, were Cdn\$9,540.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for its most recently completed financial year. Copies of the foregoing documents and additional information relating to the Corporation can be viewed at www.sedar.com.

**APPENDIX “A”
FORM 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT
QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Caza Oil & Gas, Inc. (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2009. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009 estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Second Edition of the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2009 and identifies the respective portions thereof that we have evaluated and reported on to the Company’s management:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country of Foreign Geographic Area)	Net Present Value of Future Net Revenue (before U.S. federal income taxes, 10% discount rate) (US\$)			
			Audited	Evaluated	Reviewed	Total
Netherland, Sewell & Associates, Inc.	December 31, 2009	USA	nil	76,054.3	nil	76,054.3

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after its preparation date. Although this report was originally printed on March 31, 2009, it was based on an effective date of December 31, 2009.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

NETHERLAND, SEWELL & ASSOCIATES, INC.

Houston, Texas, USA

By: (signed) "Danny D. Simmons"
Danny D. Simmons, P.E.
President and Chief Operating Officer

**APPENDIX “B”
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND
GAS DISCLOSURE IN FORM 51-101F3**

Management of Caza Oil & Gas, Inc. (the “Corporation”) is responsible for the preparation and disclosure of information with respect to the Corporation’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves, estimated as at December 31, 2009, using forecast prices and costs;
- (a) (ii) the related estimated future net revenue;
- (b) (i) proved and proved plus probable oil and gas reserves, estimated as at December 31, 2009, using constant prices and costs; and
- (b) (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Corporation’s reserves data. The report of the independent qualified reserves evaluator is presented below.

The Technical Committee of the board of directors of the Corporation has

- (c) reviewed the Corporation’s procedures for providing information to the independent qualified reserves evaluator;
- (d) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (e) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Technical Committee of the board of directors has reviewed the Corporation’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Technical Committee, approved

- (f) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (g) the filing of the report of the independent qualified reserves evaluator on the reserves data; and
- (h) the content and filing of this report. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) “*William Michael Ford*”

Chief Executive Officer

(signed) “*James Michael Markgraf*”

Vice President Finance and Chief Financial Officer

(signed) “*James Russell Porter*”

Director and Chair of the Technical Committee

(signed) “*John Ross Rooney*”

Director and Member of the Technical Committee

**APPENDIX “C”
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF CAZA OIL & GAS, INC.**

1. PURPOSE

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Caza Oil & Gas, Inc. (including, as applicable, the subsidiaries and affiliates of Caza Oil & Gas, Inc., the “Corporation”). The Committee and its Chair are appointed by the Board for the purpose of assisting the Board in fulfilling their oversight responsibilities. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of the Board and the Corporation, and in carrying out its role of assisting the Board in fulfilling their oversight responsibilities the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out.

2. LIMITATIONS ON COMMITTEE’S DUTIES

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Board is subject.

It is not the duty of the Committee to prepare financial statements or ensure their accuracy or absence of errors and omissions, to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

3. COMPOSITION AND MEETINGS

The Committee is comprised of not less than three members of the Board, each of whom is and must at all times be independent and financially literate within the meaning of applicable Canadian securities laws. The members of the Committee, and its Chair, shall be appointed by the Board on an annual basis or until their successors are duly appointed.

The Committee shall meet not less than four times annually. The Committee shall meet within 45 days following the end of the first three financial quarters of the Corporation and shall meet within 90 days following the end of the fiscal year of the Corporation. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine, provided that the Chair is present.

Any member of the committee may request a meeting of the Committee. In addition, each of the Chairman, the Chief Executive Officer and the Chief Financial Officer of the Corporation, and the external auditor shall be entitled to request that the Chair call a meeting.

The external auditors shall receive notice of and have the right to attend all meetings of the Committee and the Chairman, Chief Executive Officer and the Chief Financial Officer shall be invited to attend all meetings, except private committee sessions and private sessions with the external auditors.

A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee in person or by telephone.

The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee and each director of the Corporation.

The Committee may ask members of the Corporation's management, employees or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to all information of the Corporation (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Corporation with management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair will meet at least once per year with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups desires to discuss privately. In addition, the Committee or its Chair will meet with the Corporation's management from time to time in connection with the Corporation's interim financial statements.

4. COMMITTEE ACTIVITIES

As part of its function in assisting the Board in fulfilling their oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will:

A. Financial Disclosure

- (1) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related Management's Discussion & Analysis, as well as such other financial information of the Corporation provided to the public or any governmental body as the Committee or the Board require.
- (2) Review and recommend to the Board for approval any press releases of the Corporation that contain financial information.
- (3) Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the related Management's Discussion & Analysis, and periodically assess the adequacy of those procedures.

B. Relationship with the External Auditor

- (1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
- (2) Have the authority to communicate directly with the external auditor.
- (3) Advise the external auditor that it is required to report to the Committee, and not to management of the Corporation.
- (4) Monitor the relationship between management and the external auditor, including reviewing any management letters or other reports of the external auditor, discussing any material differences of opinion between management and the external auditor and resolving disagreements between the external auditor and management.
- (5) Review and discuss on an annual basis with the external auditor all significant relationships they have with the Corporation, its management or employees that might interfere with the independence of the external auditor.

- (6) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
- (7) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.
- (8) Periodically consult with the external auditor out of the presence of management about:
 - (a) any significant risks or exposures facing the Corporation;
 - (b) internal controls and other steps that management has taken to control such risks; and
 - (c) the fullness and accuracy of the financial statements of the Corporation, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (9) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Corporation.

C. Audit Process

- (1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (2) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (3) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (4) Where there are significant unsettled issues between management and the external auditor that does not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (5) Review with the external auditor and management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (6) Review the system in place to seek to ensure that the financial statements, Management's Discussion & Analysis and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.

D. Financial Reporting Processes

- (1) Review the integrity of the Corporation's financial reporting processes, both internal and external, in consultation with the external auditor.
- (2) Review all material balance sheet issues, material contingent obligations and material related party transactions.
- (3) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any

alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.

E. General

- (1) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
- (2) Respond to requests by the Board with respect to the functions and activities that the Board request the Committee to perform.
- (3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (4) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
 - (i) the Charter of the Committee;
 - (ii) the composition of the Committee;
 - (iii) the relevant education and experience of each member of the Committee;
 - (iv) the external auditor services and fees; and
 - (v) such other matters as the Corporation are required to disclose concerning the Committee.
- (5) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives.
- (6) Perform any other activities consistent with this mandate, the Corporation's Articles and governing laws as the Committee or the Board deems necessary or appropriate.

5. COMPLAINT PROCEDURES

- (1) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair of the Committee will oversee treatment of such complaints.
- (2) Complaints are to be directed to the attention of the Chair of the Committee.
- (3) Complaints may be submitted to the Chair on a confidential basis to one of the following confidential e-mail address: jrooney@cazapetro.com. The Committee will endeavour to keep the identity of the complainant confidential.
- (4) The Chair of the Committee shall lead the review and investigation of a complaint. The Committee shall retain a record of all complaints received. Corrective action will be taken when and as warranted.