Zacks Small-Cap Research

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: Project Update conference call & Annual Information Form clarify 2013 events, YE reserve valuation and 2014 plans.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	01/26/2014
Current Price (04/21/14)	$0.23
Six- Month Target Price	**$0.52**

OUTLOOK

Dejour Energy is producing natural gas from the Williams Fork formation in the Piceance Basin and oil & gas from the Halfway pool at Woodrush in British Columbia. In late March, the company announced an acquisition of additional Canadian production and gas processing assets which are located adjacent to the company's Woodrush leasehold. Later in 2014, management plans to drill an additional Williams Fork natural gas wells and a Niobrara shale gas well at Kokopelli, if funding can be secured. We reiterate our Outperform rating and raise our price target slightly to $0.52.

SUMMARY DATA

52-Week High	**$0.29**
52-Week Low	**$0.10**
One-Year Return (%)	**24.93**
Beta	**1.15**
Average Daily Volume (shrs.)	**3,292,785**
Shares Outstanding (million)	**163.4**
Market Capitalization ($ mil.)	**$37.6**
Short Interest Ratio (days)	**0.18**
Institutional Ownership (%)	**7**
Insider Ownership (%)	**7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**5.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2014 Estimate	**N/M**
P/E using 2015 Estimate	**11.5**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**6 of 15**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	1.93 A	1.77 A	1.55 A	1.63 A	6.88 A
2013	2.04 A	2.53 A	2.40 A	2.36 A	9.32 A
2014	2.31 E	2.12 E	2.37 E	2.23 E	9.03 E
2015					11.50 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.00 A	-$0.00 A	-$0.01 A	-$0.06 A	-$0.08 A
2013	-$0.01 A	-$0.01 A	-$0.03 A	$0.03 A	-$0.02 A
2014	-$0.00 E	-$0.00 E	-$0.00 E	-$0.00 E	-$0.01 E
2015					$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly revenues and EPS do not equal annual figures due to rounding.

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KEY POINTS

- Management continues to proceed with the development of the **Kokopelli project** (a tight gas sand play) in Colorado's Piceance Basin. Also, management is planning on developing the **Niobrara/Mancos shale gas play** at Kokopelli.
    - At the **Kokopelli** project in Colorado, all four wells of Phase 1 are now in production. The Phase 2 plan consists of drilling and completing 7 Williams Fork and 1 Niobrara vertical wells during the second half of 2014, if funding can be secured. Management seeks to demonstrate the **Niobrara/Mancos potential** of Dejour's Colorado properties.
    - A surprisingly successful discovery well by WPX Energy in Garfield County is generating considerable excitement about the potential of the **Niobrara/Mancos shale play** in this area of the Piceance Basin. Management of WPX believes the Estimated Ultimate Recovery (EUR) of the well is in the range of 7-to-10 BCF with the well having produced 1.4 BCF of natural gas over the first six months of operation. **The WPX Energy well is situated directly between Dejour's Roan Creek and Kokopelli properties.**
- Dejour Energy has benefited from very **strong natural gas pricing** during 2013 and thus far in 2014.
- **Management seeks to opportunistically acquire oil & gas assets**, especially in Canada where funding is available through an acquisition provision of an existing credit line with Canadian Western Bank.
- For 2014, management has designated a **$2.4 million capex budget** to further develop Woodrush, especially the capped natural gas wells acquired in March 2014 and potentially commingling sweet gas from the Gething sandstone formation that overlies the Halfway pool.
- Dejour Energy announced leadership changes including retirement of Harrison Blacker, COO and Co-Chairman and the departure of two other Directors, Steven Mut and Richard Bachmann. The changes ought to contribute significantly to **management's plan to reduce G&A expenses by approximately 40%.**
- Management has a strong track record of developing oil and gas properties. CEO Robert Hodgkinson has twice founded oil and gas companies that mounted successful, large-scale drilling programs. The companies were subsequently acquired by medium-capitalization exploration companies.
- After receiving a letter from NYSE in November regarding non-compliance with three of the minimum listing requirements, Dejour Energy submitted a Plan of Compliance to NYSE MKT to regain compliance. The reversal of the impairment recorded during the third quarter of 2013, along with strong fourth quarter operations, resulted in raising net shareholder equity to $9.1 million, well above the $4.0 million required for the NYSE-MKT.
- We maintain an Outperform rating on Dejour's stock and slightly raise our target to $0.52 per share, which based upon a calculation of Net Asset Value (NAV) using the updated 51-101-compliant Reserve Report, recently filed 2013 financial reports and the latest company announcements, including the project update conference call held on April 17th.

RECENT NEWS

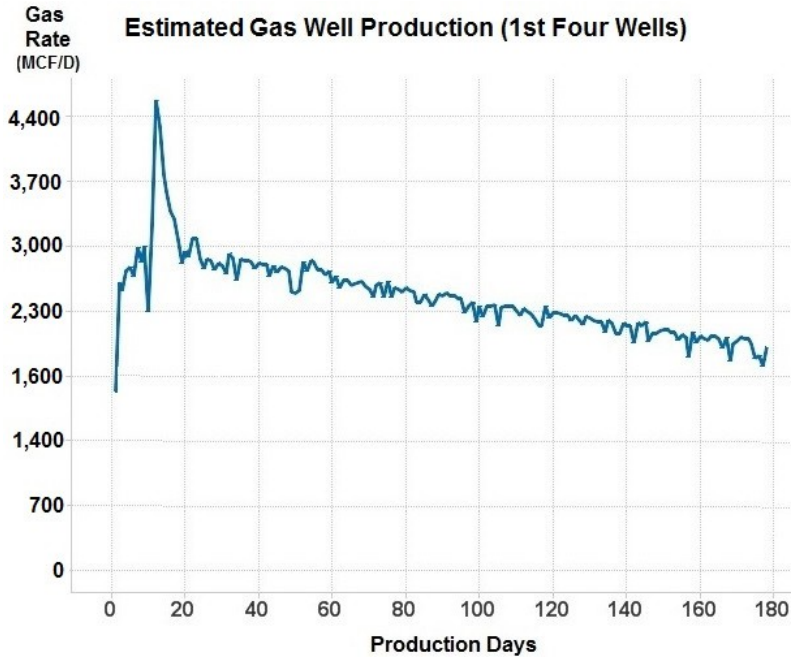
Kokopelli – Colorado LOI Developments

On February 19, 2013, Dejour Energy announced that the LOI signed by Dejour for the creation of a strategic partnership with Cepu Sakti Energy Pte. Ltd., a Singapore-based energy company, had lapsed. Subject to further due diligence and approvals, Cepu Sakti Energy would have invested $27.5 million into Dejour ($4.5 million as an immediate capital injection and $10.5 million in 2014 and $12 million in 2015 for developing Kokopelli) in return for 85% of Dejour's oil & gas interests in its Colorado properties. After the initial $4.5 million injection and the $10.5 million in capex, the development costs of Kokopelli would have been shared on a pro rata basis. The Singapore-based company also was to assume 85% of the ongoing expenses of Dejour's U.S. operations. At the same time, Napier Ventures Inc. (NAP - TSX.V)

had entered into an LOI with Cepu Sakti Energy for the acquisition of the 85% interest of Dejour's Colorado properties. On March 5, 2014, Cepu Sakti Energy filed suit against Dejour Energy in the Colorado District Court for breach of contract. A Scheduling Conference has been set for May 8th.

Production at Kokopelli

According to Dejour's most recent Corporate Presentation (April 2014), the current gross production rate from the wells at Kokopelli is **280 BOEPD**, which is equivalent to **1,680 MCF/D**. The graph below depicts an estimation of Kokopelli's gross production based on the company's announcements. In late August, production from the four wells was at least **4,500 MCF/D** while the third quarter filing relayed that the initial production rate (usually determined for the initial 30 days of production) was approximately 3,300 MCF/D and 15 BOPD (or **565 BOEPD** or roughly equivalent to **3,390 MCF/D**). Typically a gas well produces rapidly increasing amounts of gas for the first 12-to-15 days, after which production falls off to a level that gradually declines over time.



Until the drilling fund receives its return of investment of $8.125 million, Dejour's share of net revenues is approximately equivalent to 25%, which is a combination of an amount roughly corresponding to a 10%-to-14% working interest equivalent plus a $0.20 per MCF infrastructure usage fee. We estimate that Kokopelli added approximately $700,000 to revenues in the fourth quarter of 2013 and will contribute roughly $600,000 during the first quarter of 2014 based on the anticipated production stream determined from decline-curve analysis.

On March 25, 2014, Dejour Energy announced that effective April 1st the arrangement for processing the Kokopelli gas production has been revised such that the Enterprise Meeker cryogenic plant will process Dejour Energy's gas and NGLs until approximately July 2016, when the Parachute Creek cryogenic plant (to be constructed by Williams Field Services) will handle the function. Until then, the Enterprise Meeker plant's method of processing is expected to improve the value for the residue and natural gas liquids of Dejour's gas production by 20% after all costs, taxes etc.

Acquisition near Woodrush

On March 26, 2014, Dejour Energy announced the acquisition of working interests in production leaseholds [5,500 net acres], a **sour gas processing facility** (96.8% working interest) and 24 km of **pipeline** (96.8%+ working interests) near the company's Woodrush oilfield. The oil & gas lease includes a 54% working interest in a **producing well** (currently producing 800 MCF/D gross [432 MCF/D net] from

the Halfway formation) and a 74% working interest in **three shut-in natural gas wells**, which management expects to reactivate and potentially to begin delivering up to 485 MCF/D gross [360 MCF/D net]. The sales pipeline will allow the company to eliminate paying a pipeline tariff to transport the gas from the company's tank battery at Woodrush. The purchase was funded by cash on hand and drawing upon an acquisition provision of an existing credit line with Canadian Western Bank.

Fourth Quarter and Year-end Results

On March 20, 2014, Dejour Energy reported results for the fourth quarter and full year of 2013 ending December 31, 2013. **Quarterly earnings were a net profit** of CDN $0.022 per diluted share versus a loss of $0.063 in the comparable quarter last year. Gross oil and gas revenues (before royalties) for the quarter increased 45.0% year-over-year to $2.36 million driven a 259% increase in gas production and a 44.3% increase in gas price realizations, very slightly offset by a routine workover of one of the main oil producing wells at Woodrush which reduced oil production by 20.3%. Operating income turned positive (5.05 million) as Operating & transportation expenses to increase a disproportionate 16.8%, and management's cost cutting program reduced G&A expenses by 8.9%.

For the year, earnings were a loss of CDN $0.017 per diluted share versus a loss of $0.083 in 20121. Gross oil and gas revenues (before royalties) increased 35.4% to $9.32 million primarily due to higher gas production and improved pricing (**realized natural gas prices increased 55.8%** as realized oil prices rose 6.0%). **The new production from the four wells at Kokopelli drove the 65.4% increase in gas production.** Average gross production improved 35.5% to 504 BOEPD versus 372 BOEPD reported in 2012.

Daily Gross Production

Gross Production (BOEPD)	1Q (March)	2Q (June)	3Q (Sept)	4Q (Dec)	Total (Year)
2010	317	599	610	418	**487**
2011	408	287	514	471	**421**
2012	416	406	346	319	**372**
2013	379	422	591	620	**504**

Operating & transportation expenses declined 10.4% to $3.40 million while G&A expenses declined 1.4%. Adjusting for non-recurring severance payments to Harrison Blacker, the company's former COO and Co-Chairman, G&A expenses would have declined 12%. As of December 31, 2013, Dejour Energy had a working capital deficiency of $8.91 million, of which, only $1.24 million is due within one year.

For 2014, management has designated a $2.4 million capex budget to further develop Woodrush, especially the capped natural gas wells acquired in March 2014 and potentially commingling sweet gas from the Gething sandstone formation that overlies the Halfway pool.

Updated Annual Reserve Assessments

After reporting results for the fourth quarter and full year, on March 31st, Dejour filed its 2013 Annual Information Form, which includes the 51-101-compliant report of estimated reserves and associated economic evaluation. Based on Gustavson Associates evaluations for U.S. properties and GLJ Petroleum Consultants for Canadian properties, net reserves decreased 15.6% from 34,341 MBOE to 28,999 MBOE; however, due to improved pricing, **the value of the annual reserve assessments** (Net Present Value at 10% discount rate of 2P reserves) **increased 12.1%** from $98.886 million to $100.874 million. Due to the successful four-well drilling program at Kokopelli, it appears approximately 24,000 MMCF in natural gas reserves were upgraded from the probable to the proven category; management cited that the number of PUDS (proven undeveloped) increased 51% to 139 locations.

Woodrush Update

On April 15, 2014, Dejour announced that gross daily production at Woodrush was 540 BOEPD (380 net). In addition, one of the three shut-in Halfway pool gas wells (which Dejour acquired a 74% working interest in March) has been reactivated.

Divestitures

In December 2013, Dejour Energy sold its 77% working interest in South Rangely (4,850 net acres).

Financing

Thus far in 2014, the company has received approximately $2.2 million in capital. On January 21, 2014, Dejour Energy closed a non-brokered private placement of 7,000,000 shares at a price of C$0.11 per share. The net proceeds of approximately $716,000 were targeted to eliminate U.S. payables. Insiders purchased 900,000 shares (or 13%) of this placement. Also, management exercised 7,522,501 options at $0.20 providing $1.5 million in capital.

On December 17, 2013, Dejour Energy announces the renewal of a $3.5 million revolving credit facility with the Canadian Western Bank at an interest rate at Prime +1%. As of December 31, 2013, Dejour had drawn $2.90 million against this loan facility. The loan facility has an acquisition provision that provides for incremental funds for a Canadian acquisition, which would more easily allow for management to pursue its stated corporate initiative to acquire additional reserves. Dejour utilized $600,000 of the credit facility to initially fund the acquisition of natural gas properties near Woodrush announced on March 26th.

On June 19, 2013, Dejour borrowed $3.5 million from a Canadian institutional lender. The 14% loan facility matures on December 14, 2014. In partial consideration for the loan, the lender was issued 7,291,667 warrants exercisable at $0.24 per share until June 18, 2015. As of December 31, 2013, the balance of the loan facility was $2.91 million.

OVERVIEW

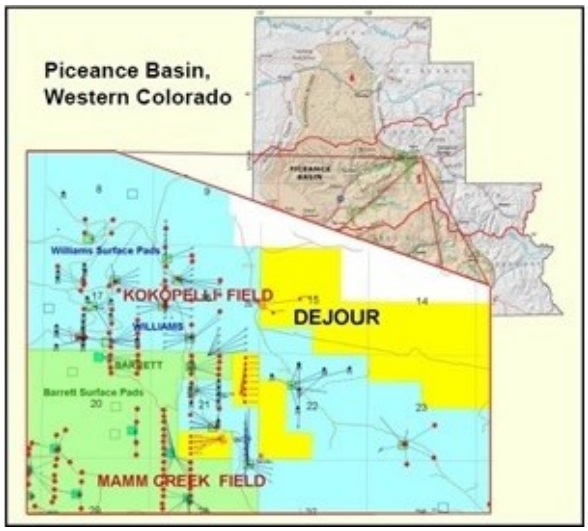
Based in Vancouver, British Columbia, Dejour Energy (DEJ) is a Canadian independent oil and natural gas company and holds interests in approximately **79,000 net acres** of oil and gas leases in North America[1]. As of the beginning of 2014, net Proved and Probable Reserves were 29.0 million barrels of oil equivalent (MMBOE)[2]. All Proved Producing Reserves are in the Canadian **Woodrush** area of the Peace River Arch, which has eleven producing wells (three light oil and eight gas wells, two of which were acquired in early 2014) and two water injection wells. Acreage holdings consist of approximately 13,000 net acres[3] in northeastern British Columbia and northwestern Alberta, and approximately 71,500 net acres in Colorado and Utah in the Piceance, Uinta and Paradox Basins[4]. Net Proved and Probable Undeveloped Reserves in the U.S., primarily at **Kokopelli** are 6.45 million barrels of natural gas liquids (NGL) and 133.5 billion cubic feet (BCF) of natural gas[5]. Production at Kokopelli commenced in August 2013. Dejour has a 71.4% interest in the 2,240 acre Kokopelli Project with Brownstone Energy (BWN: TSX-V, BWSOF: OTC) holding the remaining 28.5%. However, to accelerate the development of the Kokopelli Project, the Bakken Drilling Fund III provided $6.5 million in capital in exchange for a significant

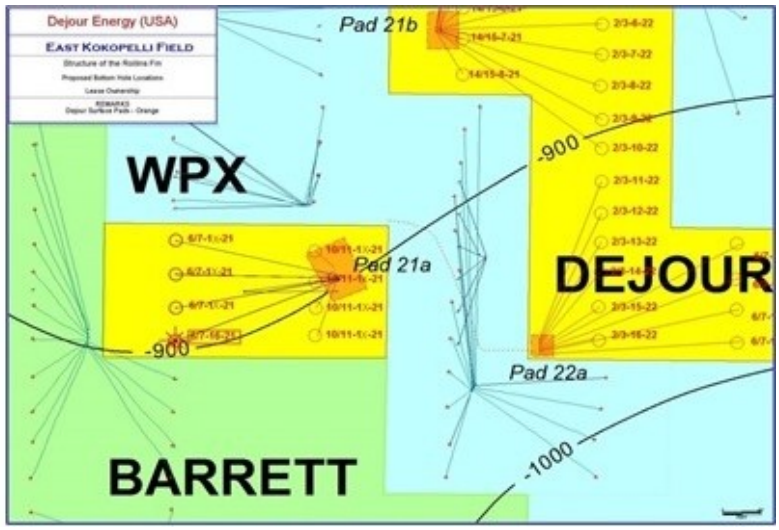
[1] Annual Information Report for the year ended December 31, 2013, p. 4.
[2] Dejour Energy Annual Information Form, estimated by the independent consultant firms of GLJ Petroleum Consultants and Gustavson Associates as of December 31, 2013, p.17.
[3] 7,500 net acres of oil and gas leases cited Annual Information Report for the year ended December 31, 2013 (p. 6) plus the 5,500 net acres acquired in March 2014.
[4] Annual Information Report for the year ended December 31, 2013, p. 5.
[5] Annual Information Report for the year ended December 31, 2013, p. 17.

portion of the cash flow after costs (up to 90% during the First Phase). The company is the operator of its developed acreage. During 2009 Dejour sold its shares in Titan Uranium Inc., but maintained a 10% carried interest and 1% Net Smelter Return on approximately 966,969 acres in Saskatchewan, Canada until 2013, when the company sold the interests in its uranium lease for $150,000.

KOKOPELLI

The initial well at Kokopelli (Federal 6-7-16-21) was drilled between September and November 2012. The 8,436-foot well intersected five gas-bearing zones in the Williams Fork (Mesaverde) formation. The two zones without groundwater were the targets for perforation and hydraulic fracturing. After receiving $6.5 million in capital from the Bakken Drilling Fund III, a private Denver-based oil and gas drilling fund, Dejour successfully drilled of three additional wells from the existing pad 21-A. Patterson-UTI Energy (PTEN: NASDAQ) was contracted to drill and case the new wells which target the Williams Fork (aka Mesaverde) sandstone formation down to a depth of 8,400 feet. The second well (Federal 6-7-13-21) was drilled to a depth of 8,124 feet in April 2013 followed by Federal 6-7-14-21 (depth of 8,400 feet) and Federal 6-7-15-21(8,130 feet) in May. All three wells drilled in 2013 encountered ample gas shows from multiple horizons of the NGL-rich Williams Fork formation. Thereafter, in July 2013, Halliburton (HAL: NYSE) completed all four wells by perforating and hydraulic fracturing multiple zones of the Williams Fork formation in an eight-stage fracking process. In addition, the gas sales line tie in was completed in May. Production began in early August from two of the wells, while the other two came online later after the clean-up phase.





Financing of 1st Tranche of Kokopelli Wells

The Bakken Drilling Fund III provided $6.5 million of the $8.2 million needed to complete the multi-well Kokopelli project. As a result, the Denver-based drilling fund will receive a priority payout from initial production until 125% of the capital contribution is received. After the fund has received $8.125 million, Dejour's payout in the four-well project will increase from between 10% and 14% (the specific percentage will be determined by the actual cash invested in the drilling program) to approximately 39% to 35%, and the drilling fund will earn between 54% and 58% of the cash flow after costs. During the entire production phase, Dejour will receive an infrastructure usage fee of $0.20 per MCF of gas produced. Despite the financial agreement, Dejour retains ownership of a 93% working interest of the four-well project with Brownstone owing the remaining 7%. The fund has the right of first refusal on the next multi-well project at Kokopelli, which would entail the fund to provide an additional $8.5 million capital funding. The terms of the financing do not pertain to Dejour's 71.4% working interest in the deeper Niobrara/Mancos shale gas play over the entire 2,240 gross acres of the lease.

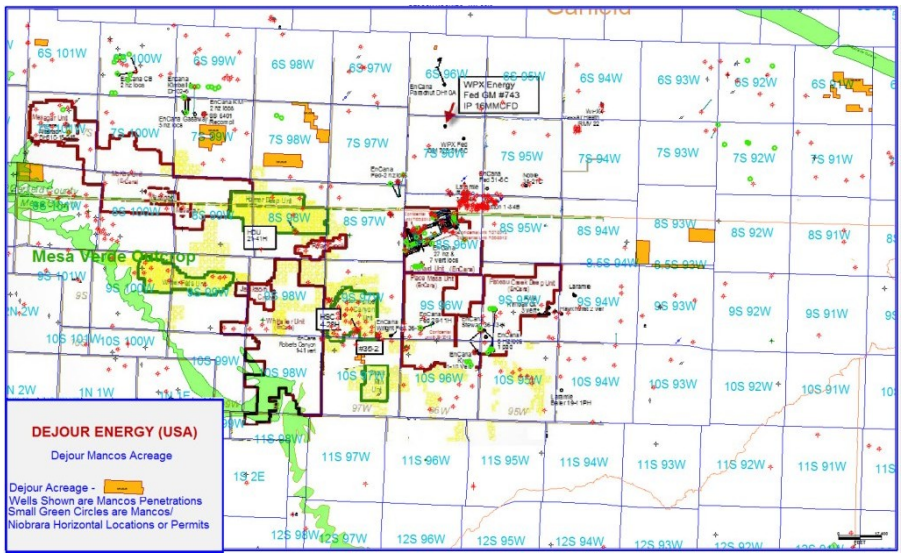
Future of Kokopelli

According to management, the lease on the entire 2,240 gross acres at Kokopelli was preserved through a diligent drilling effort in late 2012, for which Colorado's Bureau of Land Management provided a two-year extension on the original 10-year lease dated November 2002. Since production has been achieved, the lease on the southern 680 acres is being held-by-production (HBP). According to management, the time constraint to preserve the leasehold northern 1,500 acres has been suspended by Dejour's good faith discussions with the Bureau of Land Management (BLM) and Bureau of Wildlife Management. Under a Phase 2 plan, management is planning to drill and complete 7 Williams Fork and 1 Niobrara vertical wells, which would then hold the leasehold by production.

NIOBRARA/MANCOS POTENTIAL (Kokopelli and Roan Creek)

In Garfield County, Colorado, Dejour Energy controls the oil & gas leaseholds on approximately 12,500 gross acres (7,700 net acres) with Niobrara/Mancos shale gas potential. The acreage includes Kokopelli in T6S R91W (see map below) and the West Grand Valley area, especially the 1,440-acre Roan Creek project in T7S R98W. For the next developmental phase of the company, management is contemplating horizontal (Hz) development to explore the Niobrara formation for gas accumulations in this area for two primary reasons: 1) the major discovery by WMX Energy in T7S R96W and 2) superior economics to Williams Fork gas (an estimated 57% versus 13% IRR for Williams Fork gas at the current price of gas).

In August 2012, WPX Energy (WPX: NYSE) drilled a surprisingly successful discovery well in the Piceance Basin. Targeting the Niobrara/Mancos shale at a 10,200-foot vertical depth and a 4,600-foot horizontal leg, the test well produced over 1 BCF of natural gas in roughly the first 100 days of operation and 1.4 BCF of natural gas over the first six months. The well initially produced 16 MMCFPD. WPX Energy estimates the well's EUR in the range of 7-to-10 BCF and the resource potential in the range of 20-to-30 TCF on its 180,000 acres. **The WPX Energy well is situated directly between Dejour's Roan Creek and Kokopelli properties.** Also, Encana has been drilling the Niobrara/Mancos shale formation in the area. Of the seven wells on which Encana disclosed production, the output of three rival WPX's test well.



In the past, natural gas drilling in the Piceance Basin predominantly targeted the Williams Fork (or Mesaverde) formation. The encouraging production results from recent wells completed by WPX Energy, Encana (ECA: NYSE) and Black Hills Corp. (BKH: NYSE) that targeting the Niobrara/Mancos shale formation has intensified the interest in this deeper (10,000-13,000 feet) play with the potential of over

twice the net reserves of the shallower (6,000-9,000 feet) Williams Fork plays. Even though drilling costs are higher (approximately $7 million) in the Niobrara/Mancos play (due to both the greater vertical depth and the requirement for a horizontal leg), the potential for higher production and reserves contribute the higher estimated return.

Management has re-evaluated the potential of the Mancos play and re-prioritized the company's capital expenditure program to focus on development of this deep, liquids-rich shale at Kokopelli. A project to test the formation is now in the planning stage. Dejour's management believes that the Mancos formation offers superior economics to the Williams Fork (an estimated 57% IRR for Niobrara/Mancos gas versus 13% for Williams Fork gas). However, the capital cost higher ($7-to-$8 million per well versus $2 million for a Williams Fork well).

A much higher level of expertise is necessary to develop a deep Niobrara well with a horizontal lateral. For example, the challenges incurred by Williams (WPX: NYSE) for its 10,200-foot vertical depth well with a 4,600-foot horizontal lateral included locating an area where the structural dip of the 50-foot thick formation was gentle, the use of tools and equipment that tolerate the 300 °F temperature and the need for engineered proppant to handle the highly over-pressurized formation (10,000 pounds per square inch). Also, completion operations of the Williams well involved 17 stages of hydraulic fracturing.

VALUATION

The valuation process for small and mid-cap E&P oil & gas companies is based upon Net Asset Value (NAV), which involves evaluating a company's assets and reserves, and then determining an appropriate discount at which the stock should trade. The NAV calculation entails applying several subjective inputs, such as land valuation (cost or market), a predicted oil price, oil versus gas mix, predicted gas price, drilling costs deep offshore wells versus, drilling success rate, mix of development and exploratory wells, etc. The discount attempts to quantify many factors, including but not limited to the average length of time that will be required to put the reserve additions on the company's books, R/P (reserves to annual production ratio), the company's PUD (Proved Undeveloped reserve) to 2P reserve ratio, and the stock's liquidity.

Dejour's NAV is estimated to be $115.6 million ($0.52 per diluted share). The $115.6 million is attained by adding the company's assets of $110.8 million[6] of PV-10 Proved Reserves, $13 million of land (at cost), $5.6 million in tax loss carry-forwards and then adjusting for the $8.9 million in negative working capital and deducting $4.87 million in debt (listed as a financial contract liability [to the Bakken Drilling Fund III] on the company's balance sheet)[7]. Finally, the previous assets values, which are reported in Canadian dollars, are converted into U.S dollars at the current exchange rate. Therefore, **our target price is $0.52 per share.**

[6] Based on the reserve estimation and economic assessment in the 2013 Annual Information Form (dated as of December 31, 2013).
[7] Balance sheet items valued as of December 31, 2013.

DEJOUR ENERGY, INC.			
	Gross Acres	Net Acres	Net Proved Reserves (PV-10)
WOODRUSH (British Columbia) 51-101 dated 12/31/2013	8,200	7,500	
KOKOPELLI (Colorado) 51-101 dated 12/31/2013	2,240	1,600	
ACQUISITION ADJACENT TO WOODRUSH	N/A	5,500	
TOTAL - U.S. and CANADIAN PROPERTIES			110,824,000
UNDRILLED LAND (at cost)		74,133	13,000,000
TAX LOSES AND POOLS			5,600,000
NET WORKING CAPITAL			(8,908,000)
(DEBT) (financial contract liability to drilling fund)			(4,873,000)
	TOTAL	88,733	115,643,000
	Shares outstanding		163,438,875
	Fully diluted shares		202,883,178
	NAV per outstanding share		0.71
	NAV per diluted share ($CDN)		**0.57**
	NAV per diluted share ($US)		**0.52**

2012 Transactions in the Piceance and Uinta Basins

In November 2012, two significant transactions were announced pertaining to natural gas leases in the Piceance and Uinta Basins: Vanguard Natural Resources LLC agreed to purchase 254,000 net acres of leasehold from Bill Barrett Corp. (BBG: NYSE) for $335 million, and a private company agreed to purchase 61,000 net acres of leasehold and the 30 miles of gathering pipeline of Antero Resources (also a private company) for $325 million. Though both transactions involve producing properties in the 50 MMCFE per day range, the deals may be indicative of the value of the Kokopelli project once the field demonstrates consistent production. The average valuation of the two agreements is roughly $1.4 million per BCFE of reserves. Based on the most recent resource estimates, we estimate that the Kokopelli project contains 85 BCFE of reserves that would be classified as proven developed reserves (PDs), which would be valued at $119 million in a transaction consistent with the ones executed in November 2012, which is slightly higher than our NAV-based target of $115.6 million.

PROJECTED INCOME STATEMENT

Dejour Energy Inc. Earnings Model

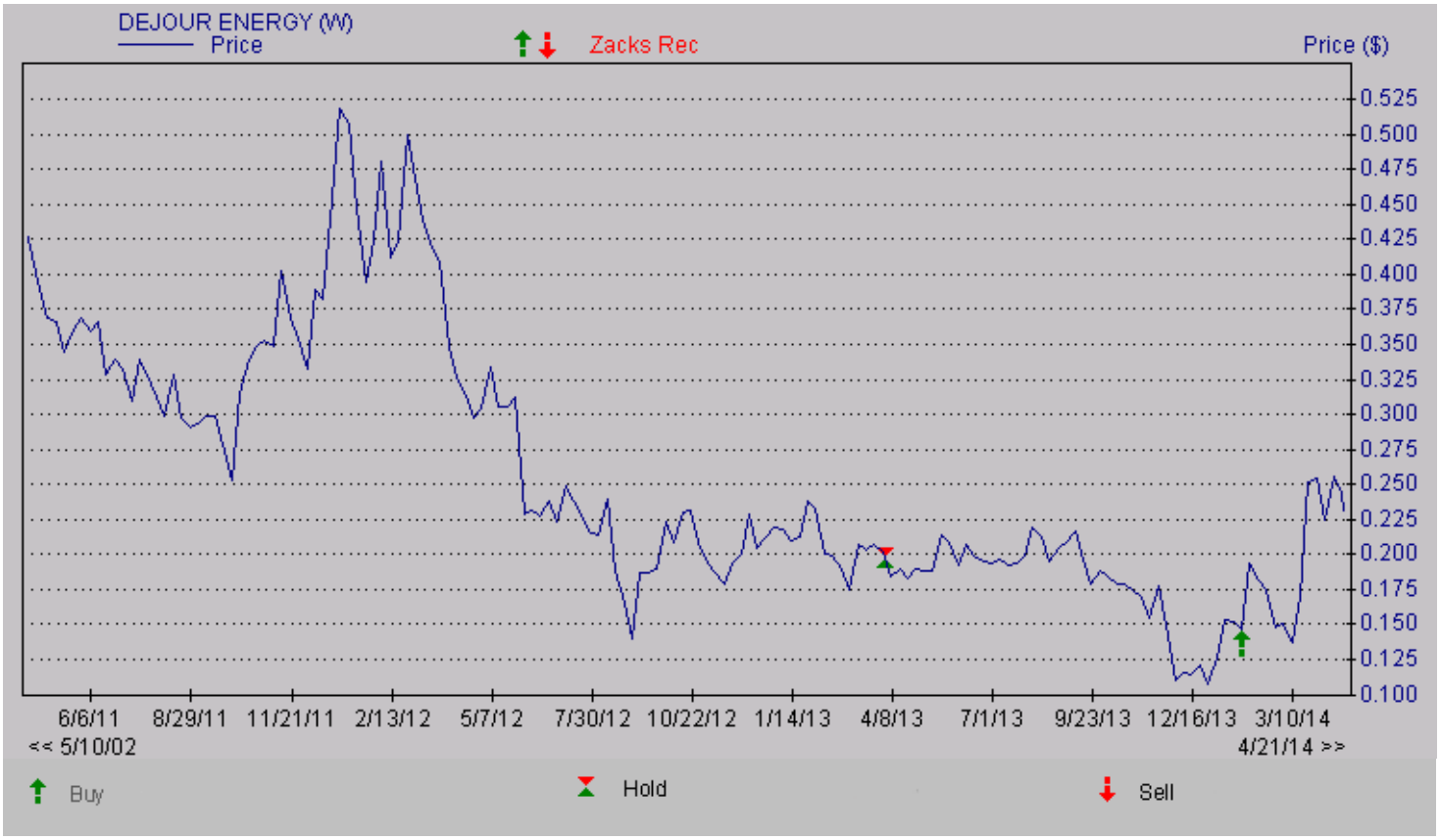
($CDN thousands) YEARS ENDING 12/31	IFRS 2011	IFRS Q1	IFRS Q2	IFRS Q3	IFRS Q4	IFRS 2012	IFRS Q1	IFRS Q2	IFRS Q3	IFRS Q4	IFRS 2013	IFRS Q1 E	IFRS Q2 E	IFRS Q3 E	IFRS Q4 E	IFRS 2014 E
PRODUCTION VOLUMES (net)																
Woodrush natural gas (MMCF)	**432.2**	115.7	104.3	91.3	69.5	**380.8**	79.7	76.7	52.0	95.1	**303.4**	87.5	80.5	114.0	104.9	**386.9**
Crude oil (MBO)	**81.5**	18.6	19.6	16.6	17.8	**72.6**	20.9	25.6	16.3	15.3	**78.1**	14.9	14.4	16.0	15.5	**60.8**
Kokopelli natural gas (MMCF)									172.0	154.6	**326.6**	136.0	119.7	105.3	92.7	**453.7**
Total (MBOE)	**153.5**	37.8	36.9	31.9	29.3	**136.0**	34.2	38.4	53.6	56.9	**455.3**	52.1	47.8	52.6	48.4	**579.0**
OIL PRICE REALIZATIONS / GAS HUB PRICES																
Natural gas (CAD/MCF)	**3.67**	2.47	2.16	2.49	3.15	**2.57**	3.85	3.98	3.63	4.55	**4.00**	4.40	4.20	4.30	4.30	**4.30**
Oil (CAD/BBL)	**88.93**	88.46	78.85	79.66	78.50	**81.37**	82.94	86.66	95.20	80.17	**86.24**	89.00	89.00	89.00	89.00	**89.00**
Natural gas liquids (CAD/BBL)																
INCOME STATEMENT (CAD 000 except EPS)																
Woodrush natural gas revenues	**1,591**	286	225	227	219	**957**	307	305	189	432	**1,233**	385	338	490	451	**1,664**
Woodrush crude oil revenues	**7,233**	1,643	1,543	1,325	1,394	**5,904**	1,732	2,221	1,552	1,229	**6,733**	1,323	1,284	1,423	1,380	**5,410**
Kokopelli natural gas revenues	-	-	-	-	-	-	-	-	659	703	**1,361**	598	503	453	399	**1,953**
Total oil and gas revenues	**8,824**	1,928	1,771	1,552	1,630	**6,882**	**2,038**	**2,526**	**2,399**	**2,364**	**9,317**	**2,307**	**2,124**	**2,366**	**2,230**	**9,026**
Royalties	**1,628**	331	291	234	261	**1,116**	378	494	438	501	**1,811**	448	413	460	433	**1,001**
Total oil and gas revenues (net)	**7,196**	1,598	1,480	1,318	1,370	**5,766**	1,660	2,032	1,961	1,863	**7,506**	1,858	1,711	1,906	1,797	**8,026**
Financial instrument gain (loss)	**(59)**	(55)	0	0	0	**(55)**	0	0	0	0	**0**	0	0	0	0	**0**
Other operating income	**34**	0	8	8	0	**33**	0	0	0	0	**0**	0	0	0	0	**0**
TOTAL REVENUES	**7,171**	**1,543**	**1,489**	**1,326**	**1,370**	5,744	**1,660**	**2,032**	**1,961**	**1,863**	7,506	**1,858**	**1,711**	**1,906**	**1,797**	8,026
Operating expenses																
Operating and transportation	**2,499**	952	840	1,209	792	**3,793**	911	764	798	925	**3,398**	674	617	684	641	**2,616**
General and administrative	**4,042**	927	855	714	937	**3,433**	983	853	694	854	**3,384**	508	533	560	588	**2,188**
Amortization, depletion & acc.	**8,652**	691	696	597	783	**2,766**	787	735	5,298	(3,190)	**3,630**	899	828	922	869	**3,517**
Change in fair value of warranty liability	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	(45)	(343)	(371)	**(1,101)**	(200)	(200)	(200)	(200)	**(800)**
Change in fair value of derivative liability	-	-	-	-	-	-	-	-	(107)	(157)	**(264)**	(75)	(75)	(75)	(75)	**(300)**
Financial contract liability	-	-	-	-	-	-	-	-	-	(1,268)	**(1,268)**					
Stock based compensation	**662**	300	66	26	474	**867**	57	243	29	19	**348**	50	300	50	50	**450**
Total operating expenses	**17,436**	**1,760**	**1,777**	**2,530**	**2,951**	9,017	**2,396**	**2,550**	**6,369**	**(3,188)**	8,127	**1,855**	**2,003**	**1,940**	**1,872**	7,671
OPERATING INCOME	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(518)**	**(4,408)**	**5,051**	**(621)**	**3**	**(292)**	**(34)**	**(76)**	**355**
Interest (expense)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(294)	(412)	(352)	**(1,182)**	(400)	(400)	(400)	(400)	**(1,600)**
Interest income	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	**0**	-	-	-	299	**299**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on disposal of E&E assets	**0**	-	-	-	-	**0**	(216)	-	-	31	**(185)**	-	-	-	-	**0**
Gain (loss) disposal of property & equip.							-	-	-	(107)	**(107)**					
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**0**	8	-	-	(92)	**(84)**	6	6	5	6	**23**	5	5	5	5	**20**
Impairments	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	(269)	173	(269)	**(505)**	0	0	0	0	**0**
Pretax income	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(1,075)	(4,642)	4,360	**(2,577)**	(392)	(687)	(429)	(471)	**(1,225)**
Inc. tax recovery (expense)	**187**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	**0**
REPORTED NET INCOME	**(11,044)**	**(354)**	**(580)**	**(1,365)**	**(9,462)**	**(11,745)**	**(1,210)**	**(1,075)**	**(4,642)**	**4,360**	**(2,577)**	**(392)**	**(687)**	**(429)**	**(471)**	**(1,225)**
Foreign currency translation adjustment	**292**	(160)	177	(309)	117	**(175)**	334	533	(337)	552	**1,082**	0	0	0	0	**0**
Comprehensive Income (loss)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(542)	(4,979)	4,912	**(1,495)**	(374)	(389)	(404)	(377)	**(1,225)**
Weighted Avg. Shares Out.	**120,300**	130,786	136,165	148,916	148,916	**141,056**	148,916	148,916	148,916	148,916	**148,916**	154,319	155,916	155,916	155,916	**155,517**
EPS before NRI	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.01)	(0.03)	0.03	**(0.02)**	(0.00)	(0.00)	(0.00)	(0.00)	**(0.01)**
REPORTED NET INCOME	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.01)	(0.03)	0.03	**(0.02)**	(0.00)	(0.00)	(0.00)	(0.00)	**(0.01)**

BALANCE SHEET

Dejour Energy Inc.

($CDN thousands)	IFRS	IFRS	IFRS	IFRS
YEARS ENDING 12/31	**2010**	**2011**	**2012**	**2013**
ASSETS				
Cash and cash equivalents	4,758	2,488	1,508	505
Accounts receivable	689	887	549	831
Share subscription receivable	-	516	-	-
Prepaids and deposits	93	100	92	49
Current Assets	**5,539**	**3,992**	**2,149**	**1,385**
Deposits	442	404	392	447
Exploration and evaluation assets	10,257	5,283	3,890	3,281
Property and equipment	14,175	19,760	21,144	20,386
Total Assets	**30,413**	**29,438**	**27,575**	**25,499**
LIABILITIES				
Bank credit facilities	4,800	5,545	5,957	2,900
Loan facility	-	-	-	2,911
Accounts payable & acc. liabilities	2,473	3,958	2,019	2,623
Loans from related parties	250	-	-	-
Warrant liability	1,093	2,245	1,425	324
Derivative liability	-	-	-	287
Flow-through shares liability	187	-	-	-
Current financial contract liability	-	-	1,305	1,248
Current Liabilities	**8,803**	**11,749**	**10,706**	**10,293**
Decommissioning liability	706	1,339	1,429	1,212
Other liabilities	32	44	32	22
Financial contract liability	-	-	5,162	4,873
Total Liabilities	**9,540**	**13,131**	**17,329**	**16,400**
SHAREHOLDERS' EQUITY				
Share capital	79,386	85,076	90,274	90,274
Contributed surplus	7,639	8,134	8,802	9,150
Deficit	(65,467)	(76,510)	(88,262)	(90,839)
Acc. other comprehensive income (loss)	(685)	(393)	(568)	514
Total Shareholders' Equity	**20,873**	**16,307**	**10,246**	**9,099**
Total Liabilities and Shareholders' Equity	**30,413**	**29,438**	**27,575**	**25,499**
Shares outstanding (thousands)	110,181	126,892	148,916	148,916

HISTORICAL ZACKS RECOMMENDATIONS



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