Zacks Small-Cap Research

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: Kokopelli drilling program of at least 8 wells commences with construction of pad 21-B.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	01/26/2014
Current Price (07/25/14)	$0.26
Six- Month Target Price	**$0.50**

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. With the recent Kokopelli JV agreement and the production-oriented transactions at Woodrush, Dejour Energy is building growing revenue and cash flow streams. At least 7 Williams Fork natural gas wells should be completed by November. The 8th well may test the Niobrara shale, if a permit for deeper drilling can be secured in short order. Also, 3 wells at Woodrush are anticipated to come on line by year-end under a $2.5 million capex program. We maintain our Outperform rating.

SUMMARY DATA

52-Week High	**$0.29**
52-Week Low	**$0.10**
One-Year Return (%)	**28.80**
Beta	**0.99**
Average Daily Volume (shrs.)	**816,112**
Shares Outstanding (million)	**170.5**
Market Capitalization ($ mil.)	**$44.3**
Short Interest Ratio (days)	**0.63**
Institutional Ownership (%)	**7**
Insider Ownership (%)	**7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**7.0**
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	**13.0**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**12 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	2.79 A	2.30 E	2.46 E	2.33 E	9.90 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	-$0.02 A	-$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.
    - In Phase 1, four gas wells were completed and fractured. During the first quarter, the average production of these wells was 2.06 MMCF/D.
    - Phase 2 consists of drilling, completing and fracturing 8-to-10 Williams Fork wells during the second half of 2014. Potentially one will be a vertical well to test the Niobrara.
- The company has expanded its exposure to Woodrush with two strategic transactions:
    - Effective February 1, 2014, Dejour acquired working interests in natural gas producing leaseholds [5,500 net acres], along with a 96.8% working interest in both a **sour gas processing facility** and 24 km of **pipeline,** all near the company's Woodrush oilfield. The oil & gas lease includes a 54% working interest in a **producing well** and a 74% working interest in **three shut-in natural gas wells**, one of which was reactivated in mid-April.
    - In July 2014, Dejour acquired an additional 24% working interest in the Woodrush project, bringing the company's stake to 99%.
- Also, management is planning on testing the **Mancos-Niobrara shale gas play** at Kokopelli. If a permit can be secured in time, the company hopes to pursue the opportunity to test the Niobrara strata of the Lower Mancos during the Phase 2 drilling program. A successful test would enhance the reserve value for the Kokopelli property.
    - An extremely successful discovery well in Garfield County was completed during December 2012 by WPX Energy. The well generated considerable excitement about the potential of the Niobrara/Mancos shale play in this area of the Piceance Basin. The well has produced over 2.5 BCF of natural gas through May 2014. This WPX Energy well is situated directly between Dejour's Roan Creek and Kokopelli properties.
- Dejour Energy benefited from **strong natural gas pricing** during 2013 and in 1Q 2014.
- For 2014, management has allocated **$2.5 million in capex** to further develop Woodrush, especially the capped natural gas wells acquired in March 2014. Part of the developmental program is to test for sweet gas from the Gething sandstone formation that overlies the Halfway pool.
- Also, management has **plans to advance Roan Creek and North Rangely**.
- G&A expenses have been significantly reduced through the retirement of Harrison Blacker (COO and Co-Chairman) and by transferring the operatorship of Kokopelli to a US-based E&P company.
- 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 2013 regarding non-compliance with three of the minimum listing requirements, Dejour Energy regained compliance in regard to two deficiencies in June 2014. The NYSE MKT confirmed that Dejour has demonstrated its ability to regain compliance with the third requirement [Section 1003(a)(iv)] and granted an extension to July 15, 2014 to make further progress.
- We maintain an Outperform rating on Dejour's stock.

RECENT NEWS

Kokopelli (Colorado) - JV formed to accelerate development

At the end of June 2014, Dejour Energy entered into a **joint venture** with a private, US-based Exploration and Production (E&P) company to develop Kokopelli. Dejour Energy received **$3.75 million** at closing, which will be used retire the 14% CDN$3.5 million loan facility from a Canadian institutional lender.

The JV has been structured such that **the E&P company has earned a 65% working interest** of the Kokopelli project, **Dejour Energy retains 25%** and Brownstone Energy holds 10%. The E&P company has assumed operatorship of the Kokopelli project, which will result in a 70% reduction in G&A expenses at Dejour USA. The JV does not include the four producing natural gas wells that are under a separate agreement with a private Denver-based drilling fund.

Initially, the JV will drill at least eight new Williams Fork wells on the southern Kokopelli leasehold. **The E&P company will be carrying** both **Dejour Energy** and Brownstone Energy **through this next phase of developing the Kokopelli project up to $16 million**. Therefore, Dejour's share of drilling expenditures of this drilling program is fully funded. After the initial $16 million in development costs, it would appear that subsequent costs would be shared on a pro rata basis.

In addition, the JV is charged with obtaining a Surface Utility Agreement for the 1,520-acre **north lease at Kokopelli**. The good faith work toward developing the north lease should hold the lease in good standing with the Bureau of Land Management (BLM) and Bureau of Wildlife Management.

Drilling Program at Kokopelli Commences

On July 17, 2014, Dejour Energy announced that the 2014 developmental project commenced with the **construction of Pad 21-B**, from which 8-to-10 wells will be drilled into the Williams Fork formation on the southern Kokopelli leasehold. Drill permits for 42 Williams Fork wells have already been acquired. Also, an additional permit for a vertical test well of the deeper Mancos/Niobrara is being pursued. After the pad is completed and equipped, a **water disposal well** will be drilled to support the production wells to be drilled in this area of southern Kokopelli. Management anticipates that at least 8 production wells will be completed and fractured by the end of November 2014.

WPX Transaction

On June 4, 2014, WPX Energy sold its working interests in some of its historical Piceance Basin wells to Legacy Reserves LP for $355 million. The working interests represent 279 BCF of reserves, which are expected to produce an average of 71 MMCF/D over the next five years. Though this package of legacy, producing wells are not yet comparable to Dejour's prospective wells, it is very interesting that the deal excluded WPX Energy's Kokopelli interests and Niobrara plays.

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**, one of which was reactivated in mid-April. 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.

Working Interest in Legacy Woodrush Increased to 99%

On July 3, 2014, Dejour Energy acquired an **additional 24% working interest in the Woodrush** oil & gas project for 9.6 million shares of Dejour common stock (worth $1.94 million). The transaction is fairly valued and does not impact our valuation model with the added value from the incremental working interest equal to the dilution from the issuance of new shares. However, the deal fulfills two of management's goals for 2014, namely increasing production in British Columbia and expanding the company's assets through acquisition.

$2.5 million CAPEX Program at Woodrush

Management plans to invest up to $2.5 million in a developmental program to drill two new wells and rework several existing capped natural gas wells at Woodrush beginning in the third quarter. Also, the project includes testing the sweet gas zone of the Gething sandstone formation that overlies the Halfway pool and potentially commingling the Gething gas with Halfway pool gas. Management anticipates that the program could add an additional 300 BOE/D in production by the end of the year.

First Quarter Results

On May 13, 2014, Dejour Energy reported results for the first quarter of 2014 ending March 31, 2014. Quarterly earnings were a loss of CDN $2.98 million (0.019 per diluted share) versus a loss of $1.21 million ($0.008 per diluted share) in the comparable quarter last year. Gross oil and gas revenues (before royalties) for the quarter increased 36.6% year-over-year to $2.78 million driven a **159% increase in gas production** and improved pricing (**realized natural gas prices increased 76.6%**. The production from the four wells at Kokopelli accounted for 90.0% of total gas production. Oil production declined 29.2% to 14.8 MBO since production at one of the three producing wells at Woodrush was curtailed for an unspecified reason. However, realized oil prices increased 12.7% from $82.84 to $93.51. **Average gross production improved 44.1%** to 546 BOEPD versus 372 BOEPD reported in the first quarter of 2013.

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**
2014	546				

G&A expenses declined 14.8% to approximately $838,000 driven by a 24% decline in salary and benefits. Operating & transportation expenses increased 7.2%. As of March 31, 2014, Dejour Energy had a working capital deficiency of approximately $10.1 million.

OVERVIEW

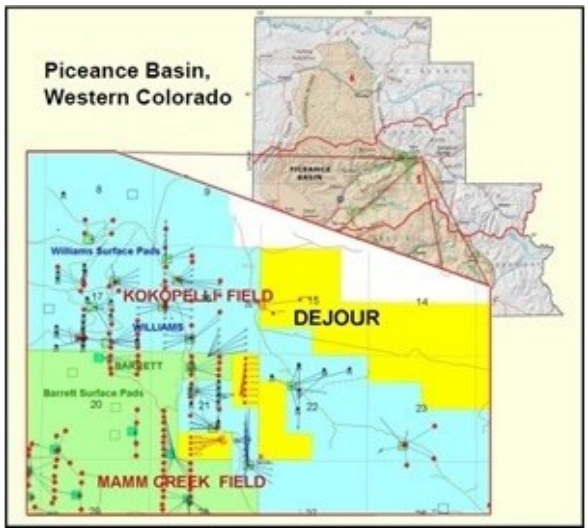
Based in Vancouver, British Columbia, Dejour Energy (DEJ) is a Canadian independent oil and natural gas company and holds interests in approximately **84,500 net acres** of oil and gas leases in North America[1]. Acreage holdings consist of approximately 13,000 net acres[2] in northeastern British Columbia and northwestern Alberta, and approximately 71,500 net acres in Colorado and Utah in the Piceance, Uinta and Paradox Basins[3]. In the Canadian **Woodrush** area of the Peace River Arch, Dejour Energy operates 11 producing wells (three light oil and eight gas wells, two of which were acquired in early 2014) and two water injection wells. The company also has a 96.8% working interests in a sour gas processing facility and a 24 km of pipeline near the company's Woodrush oilfield. Production at **Kokopelli** commenced in August 2013. Dejour has a 25% interest in the 2,240 acre Kokopelli Project; Brownstone Energy (BWN: TSX-V, BWSOF: OTC) holds 10.0%. In the first 4 well project (Pad 21-A), the Bakken

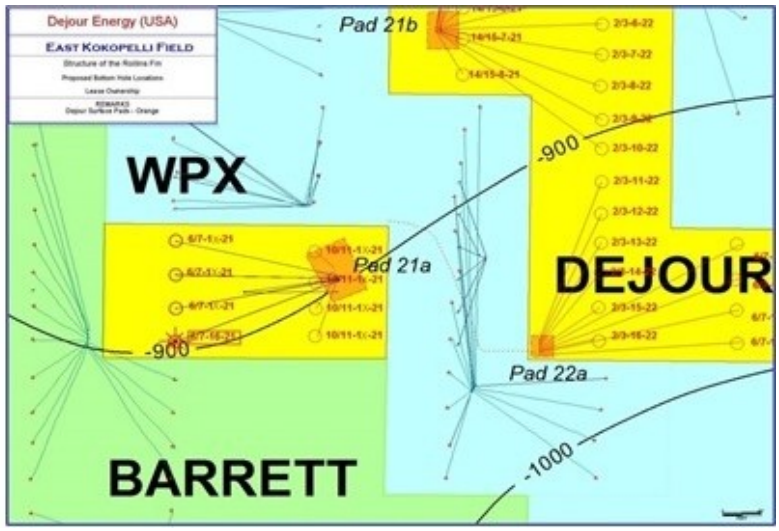
[1] Annual Information Report for the year ended December 31, 2013, p. 4 (79,000 net acres) plus 5,500 net acres acquired in March 2014.
[2] Annual Information Report for the year ended December 31, 2013, p. 6 (7,500 net acres) plus 5,500 net acres acquired in March 2014.
[3] Annual Information Report for the year ended December 31, 2013, p. 5.

Drilling Fund III holds the remaining 65% until the wells return $8.125 million to the fund. In the rest of Kokopelli, an un-named, private, US-based E&P company holds a 65% working interest and operatorship, starting with Pad 21-B which is currently under construction. Dejour Energy holds a 71.5% working interest in the deeper Niobrara/Mancos shale gas play over the entire 2,240 gross acres of the Kokopelli lease. The company also has two exploration properties: Roan Creek and North Rangely.

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 2013 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 two multi-well projects (Tranche 2 and 3) 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.

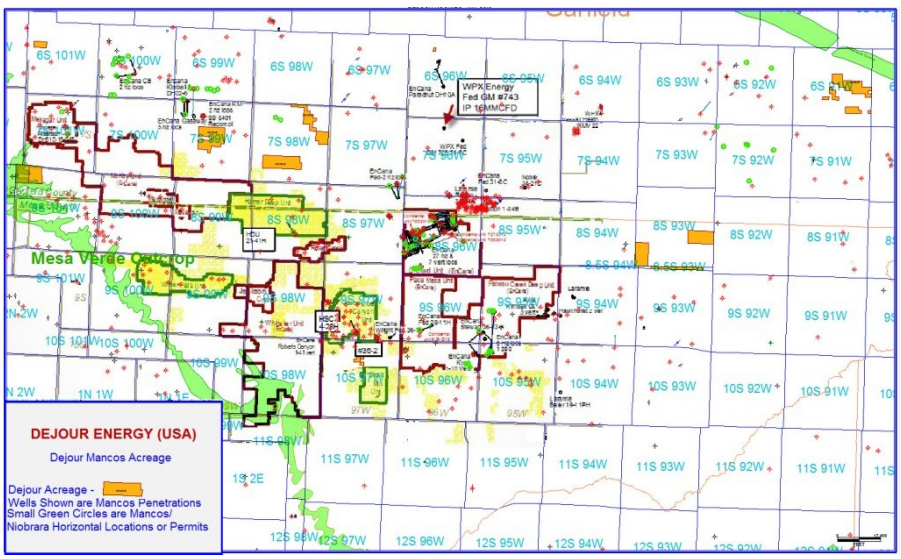
Future of Kokopelli

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). Under the Phase 2 developmental project, management is planning to drill and complete 8-to-10 Williams Fork wells and one Niobrara vertical well in south Kokopelli. Construction of pad 21-B began in July 2014; management anticipates the wells to be completed, fractured and producing by November. According to management, the time constraint to preserve the leasehold northern 1,520 acres has been suspended by Dejour's good faith discussions with the Bureau of Land Management (BLM) and Bureau of Wildlife Management. The Kokopelli JV is responsible for obtaining a Surface Utility Agreement for the north lease at Kokopelli.

NIOBRARA-MANCOS POTENTIAL (Kokopelli and Roan Creek)

In Garfield County, Colorado, Dejour Energy hold interests in oil & gas leaseholds with Niobrara/Mancos shale gas potential. The acreage includes Kokopelli in T6S R91W (see map below) and the 1,440-acre Roan Creek project in T7S R98W. For the next developmental phase of the company, management is contemplating a developmental program 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 December 2012, WPX Energy (WPX: NYSE) completed 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, 1.4 BCF of natural gas over the first six months and 2.5 BCF over the first 18 months. The well initially produced 16 MMCFPD. WPX Energy estimated 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 targeted 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 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 ENERGY, INC.

	Gross Acres	Net Acres	Net Proved Reserves (PV-10)
WOODRUSH (British Columbia)	8,200	8,118	
51-101 dated 12/31/2013			
KOKOPELLI (Colorado)	2,240	560	
51-101 dated 12/31/2013			
ACQUISITION ADJACENT TO WOODRUSH			
	10,185	5,500	
TOTAL - U.S. and CANADIAN PROPERTIES			112,812,800
JV with US-based E&P Company			
Cash investment			19,750,000
(less 65% earned interest in Kokopelli Project)			(67,426,756)
PROPERTY & EQUIPMENT			9,594,000
UNDRILLED LAND (at cost)		76,748	13,000,000
TAX LOSSES AND TAX POOL DEDUCTIONS			5,600,000
NET WORKING CAPITAL			(10,062,000)
TOTAL	**90,926**		**83,268,044**
Shares outstanding			170,516,000
NAV per outstanding share			**0.49**

Dejour's NAV is estimated to be $84.3 million ($0.49 per share outstanding). The $84.3 million is attained by adding the company's assets of $112.8 million[4] of PV-10 Proved Reserves, the $19.75 million from the JV agreement, the $13 million of land (at cost), $5.6 million in tax loss carry-forwards and then adjusting for the $67.4 million in reserves earned by the US-based E&P company and the $10.1 million in negative working capital.[5] Therefore, **our target price is $0.50 per share.**

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	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**	20.7	19.0	57.5	52.9	**150.2**
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**	14.8	14.3	15.9	15.4	**60.4**
Kokopelli natural gas (MMCF)									172.0	154.6	**326.6**	185.6	163.3	143.7	126.5	**619.1**
Total (MBOE)	**153.5**	37.8	36.9	31.9	29.3	**136.0**	34.2	38.4	53.6	56.9	**455.3**	49.2	44.7	49.4	45.3	**704.5**
Gross average production (BOEPD)						**372**	379	422	591	620	**504**	546				
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**	6.80	4.70	4.40	4.40	**5.08**
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**	93.51	100.50	99.00	99.00	**98.00**
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**	141	90	253	233	**762**
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**	1,382	1,441	1,575	1,527	**5,924**
Kokopelli natural gas revenues	-	-	-	-	-	-	-	-	659	703	**1,361**	1,262	768	632	556	**3,218**
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**	**2,785**	**2,298**	**2,460**	**2,317**	**9,904**
Royalties	**1,628**	331	291	234	261	**1,116**	378	494	438	501	**1,811**	511	422	451	425	**1,096**
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**	2,274	1,876	2,009	1,891	**8,808**
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	**2,274**	**1,876**	**2,009**	**1,891**	8,808
Operating expenses																
Operating and transportation	**2,499**	952	840	1,209	792	**3,793**	911	764	798	925	**3,398**	977	654	697	652	**2,980**
General and administrative	**4,042**	927	855	714	937	**3,433**	983	853	694	854	**3,384**	838	880	675	709	**3,102**
Amortization, depletion & acc.	**8,652**	691	696	597	783	**2,766**	787	735	5,298	(3,190)	**3,630**	738	609	652	614	**2,613**
Change in fair value of warranty liability	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	(45)	(343)	(371)	**(1,101)**	1,298	(800)	(800)	(800)	**(1,102)**
Change in fair value of derivative liability	-	-	-	-	-	-	-	-	(107)	(157)	**(264)**	608	(100)	(100)	(100)	**308**
Financial contract liability	-	-	-	-	-	-	-	-	-	(1,268)	**(1,268)**	-	-	-	0	
Stock based compensation	**662**	300	66	26	474	**867**	57	243	29	19	**348**	87	300	50	50	**487**
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	**4,546**	**1,543**	**1,174**	**1,125**	8,388
OPERATING INCOME	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(518)**	**(4,408)**	**5,051**	**(621)**	**(2,272)**	**333**	**835**	**766**	**420**
Interest (expense)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(294)	(412)	(352)	**(1,182)**	(441)	(441)	(546)	(546)	**(1,974)**
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)**	-	-	-	0	**0**
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**0**	8	-	-	(92)	**(84)**	6	6	5	6	**23**	6	5	5	5	**21**
Impairments	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	(269)	173	(269)	**(505)**	(275)	0	0	0	**(275)**
Pretax income	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(1,075)	(4,642)	4,360	**(2,577)**	(2,982)	(103)	294	225	**(1,808)**
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)**	**(2,982)**	**(103)**	**294**	**225**	**(1,808)**
Foreign currency translation adjustment	**292**	(160)	177	(309)	117	**(175)**	334	533	(337)	552	**1,082**	645	0	0	0	**645**
Comprehensive Income (loss)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(542)	(4,979)	4,912	**(1,495)**	(2,337)	(103)	294	225	**(1,163)**
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**	155,478	155,478	165,078	165,078	**160,278**
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)**	(0.02)	(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)**	(0.02)	(0.00)	0.00	0.00	**(0.01)**

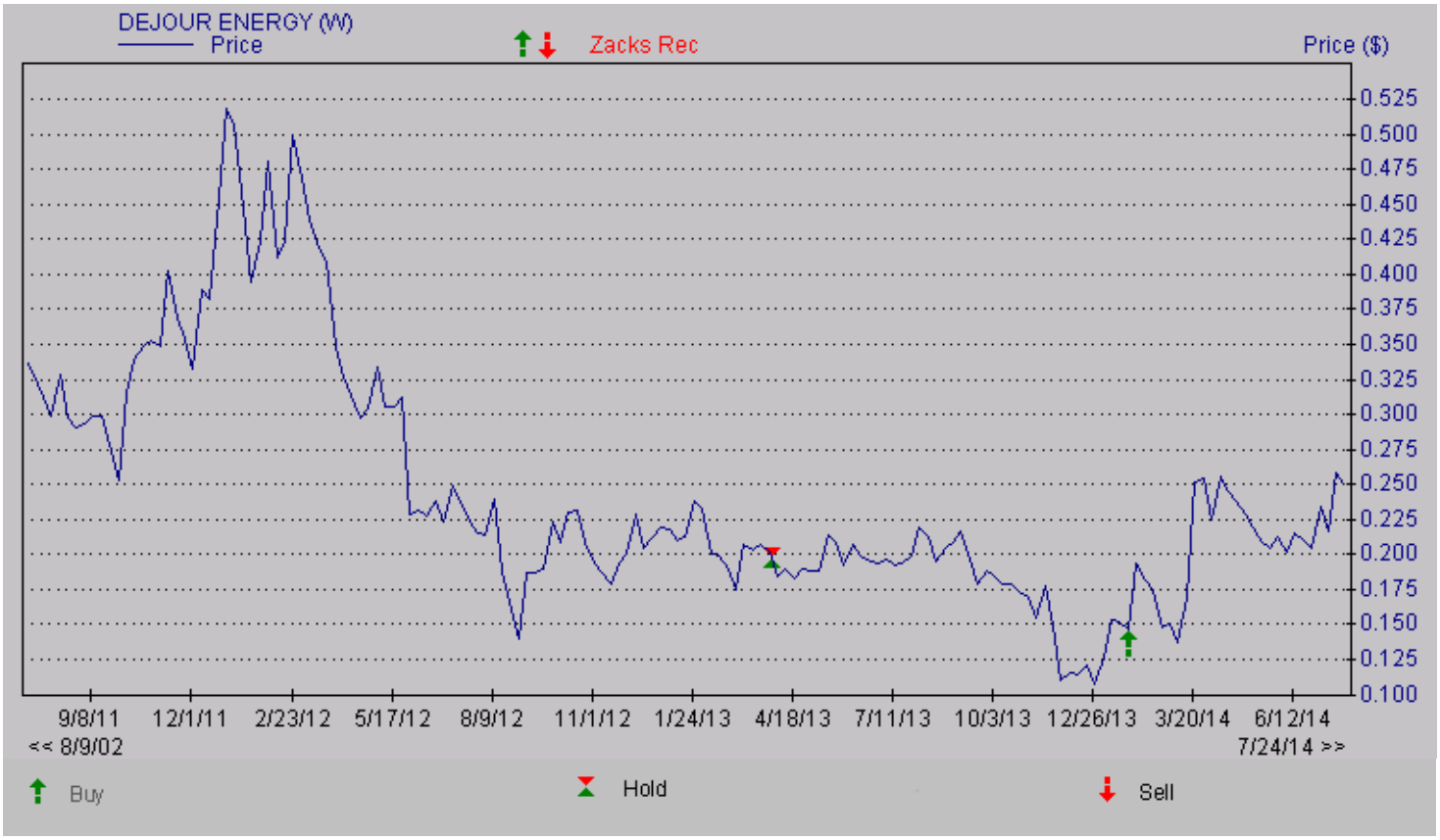
[4] Based on the reserve estimation and economic assessment in the 2013 Annual Information Form (dated as of December 31, 2013).
[5] Balance sheet items valued as of March 31, 2014.

BALANCE SHEET

Dejour Energy Inc.

($CDN thousands) YEARS ENDING 12/31	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 1Q/2014
ASSETS					
Cash and cash equivalents	4,758	2,488	1,508	505	959
Accounts receivable	689	887	549	831	878
Share subscription receivable	-	516	-	-	-
Prepaids and deposits	93	100	92	49	76
Current Assets	**5,539**	**3,992**	**2,149**	**1,385**	**1,913**
Deposits	442	404	392	447	452
Exploration and evaluation assets	10,257	5,283	3,890	3,281	3,558
Property and equipment	14,175	19,760	21,144	20,386	22,562
Total Assets	**30,413**	**29,438**	**27,575**	**25,499**	**28,485**
LIABILITIES					
Bank credit facilities	4,800	5,545	5,957	2,900	3,011
Loan facility	-	-	-	2,911	3,043
Accounts payable & acc. liabilities	2,473	3,958	2,019	2,623	2,318
Loans from related parties	250	-	-	-	-
Warrant liability	1,093	2,245	1,425	324	1,622
Derivative liability	-	-	-	287	895
Flow-through shares liability	187	-	-	-	-
Current financial contract liability	-	-	1,305	1,248	1,086
Current Liabilities	**8,803**	**11,749**	**10,706**	**10,293**	**11,975**
Decommissioning liability	706	1,339	1,429	1,212	2,936
Other liabilities	32	44	32	22	19
Financial contract liability	-	-	5,162	4,873	5,046
Total Liabilities	**9,540**	**13,131**	**17,329**	**16,400**	**19,976**
SHAREHOLDERS' EQUITY					
Share capital	79,386	85,076	90,274	90,274	92,284
Contributed surplus	7,639	8,134	8,802	9,150	8,887
Deficit	(65,467)	(76,510)	(88,262)	(90,839)	(93,821)
Acc. other comprehensive income (loss)	(685)	(393)	(568)	514	1,159
Total Shareholders' Equity	**20,873**	**16,307**	**10,246**	**9,099**	**8,509**
Total Liabilities and Shareholders' Equity	**30,413**	**29,438**	**27,575**	**25,499**	**28,485**
Shares outstanding (thousands)	110,181	126,892	148,916	148,916	160,916

HISTORICAL ZACKS RECOMMENDATIONS



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Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.4%, Hold/Neutral- 78.0%, Sell/Underperform – 4.9%. Data is as of midnight on the business day immediately prior to this publication.