Zacks Small-Cap Research

November 5, 2014

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: 3rd of 8 new wells spudded at Kokopelli; 2 wells planned for Woodrush.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	01/26/2014
Current Price (11/04/14)	$0.25
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. The company is building growing revenue stream through the JV at Kokopelli and the further development of Woodrush/Hunter. At least 8 Williams Fork natural gas wells should be completed at Kokopelli under the current program with the 8th well possibly testing the Niobrara shale, if a permit for deeper drilling can be secured. Management anticipates 2 wells at Woodrush to come on line by year-end under a separate $2.0 million capex program. We maintain our Outperform rating.

SUMMARY DATA

52-Week High	**$0.33**
52-Week Low	**$0.10**
One-Year Return (%)	**52.17**
Beta	**0.95**
Average Daily Volume (shrs.)	**871,881**
Shares Outstanding (million)	**182.4**
Market Capitalization ($ mil.)	**$45.6**
Short Interest Ratio (days)	**1.21**
Institutional Ownership (%)	**7**
Insider Ownership (%)	**7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**8.3**
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	**12.5**
Zacks Rank	**2**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**1 of 17**

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	2.60 A	2.55 E	2.20E	10.23 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 A	$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 in late 2013.
    - Phase 2 consists of drilling, completing and fracturing at least 8 Williams Fork wells during the second half of 2014 in a $16 million program. Potentially one well will vertically test the Niobrara.
- During early 2014, Dejour 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.
- For 2014, management has allocated **$2.0 million in capex to further develop Woodrush**. Part of the developmental program is to test for sweet gas from the Gething sandstone formation that overlies the Halfway pool.
- With the recent Kokopelli JV agreement driving the drilling program in Colorado and the production-oriented transactions at Woodrush, Dejour Energy is building growing revenue and cash flow streams.
- 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.
- We maintain an Outperform rating on Dejour's stock.

RECENT NEWS

Drilling Program at Kokopelli

On July 17, 2014, Dejour Energy announced that the 2014 developmental project commenced with the **construction of Pad 21-B**, from which at least 8 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.

Pad 21-B, including its gas connection, was completed in August, and a **water disposal well** was completed and cased in early October from Pad 21-A, which is located less than 500 yards from Pad 21-B. The water disposal will support the production wells to be drilled in this area of southern Kokopelli.

According to filings with COGIS (Colorado Oil and Gas Information System), Federal 14-15-1-21 was spud on October 8th, Federal 14-15-2-21 on October 21st and Federal 14-15-3-21 on November 1st. The operator is listed as Coachman Energy Operating Company LLC. Management anticipates that at least 8 production wells will be completed and fractured by the end of 2014. The first 7 natural gas wells are targeting the Williams Fork Formation with the 8th well possibly also testing the deeper Niobrara shale, if a permit for deeper drilling can be secured.

As a result of the JV, which was formed in late June, Dejour Energy owns a 25% working interest in the Kokopelli Project while Dejour's JV partner is earning a 65% working interest and has become the operator of the Project. Dejour is being carried for its 25% proportional share of the first US$16 million in expenditures.

$2.0 million CAPEX Program at Woodrush

Management plans to invest $2.0 million in a developmental program to drill two new wells at Woodrush upon approval of drilling permits by British Columbia. Management anticipates that two wells will be drilled and completed by the end of 2014. 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. The $2.0 million will be funded by cash on hand. Management anticipates that the program could add an additional 300 BOE/D in production by the end of the year.

Roan Creek – Estimated Contingent and Prospective Resources

On July 29 2014, Dejour Energy announced the completion of a **NI 51-101-compliant report** on its **Roan Creek** properties which included an assessment of Contingent and Prospective Resources. The report's best estimates (at the P-50 confidence level) are Contingent Gas and Condensate Resources of 5.5 MMBOE in the Mancos Shale formation and Prospective Gas and Condensate Resources of 3.8 MMBOE within the Mesaverde Group (which includes William Fork formation), which total 67.5 BCFE. Utilizing the Best Estimates (P-50), we estimate that the Contingent and Prospective Resources adds approximately $3.8 million in asset value, which is somewhat offset by additional shares outstanding in our NAV-valuation model.

Summary of Contingent Resource Estimates

	Contingent Gas Resources, BSCF			Contingent Condensate Resources, Mbbl		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Gross	28.4	39.8	52.7	3.2	15.3	87.3
Net	22.7	31.9	42.1	2.6	12.2	69.9

Summary of Prospective Resource Estimates

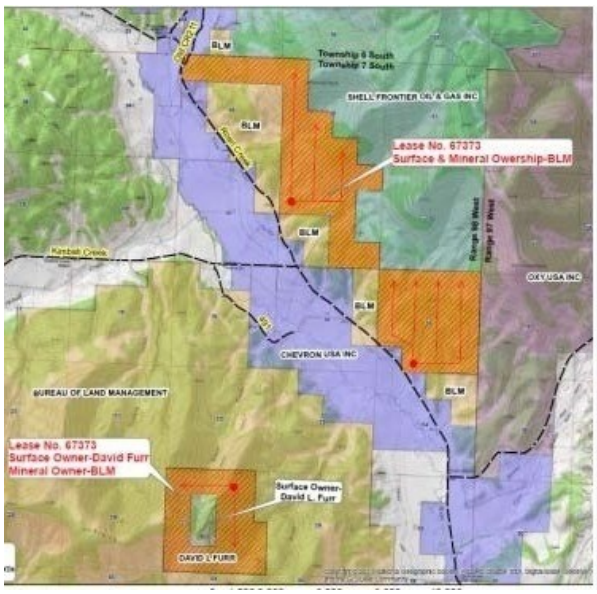
	Prospective Gas Resources, BSCF			Prospective Condensate Resources, Mbbl		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Gross	17.4	27.4	41.9	24.9	49.2	90.5
Net	13.9	22.0	33.5	19.9	39.4	72.4

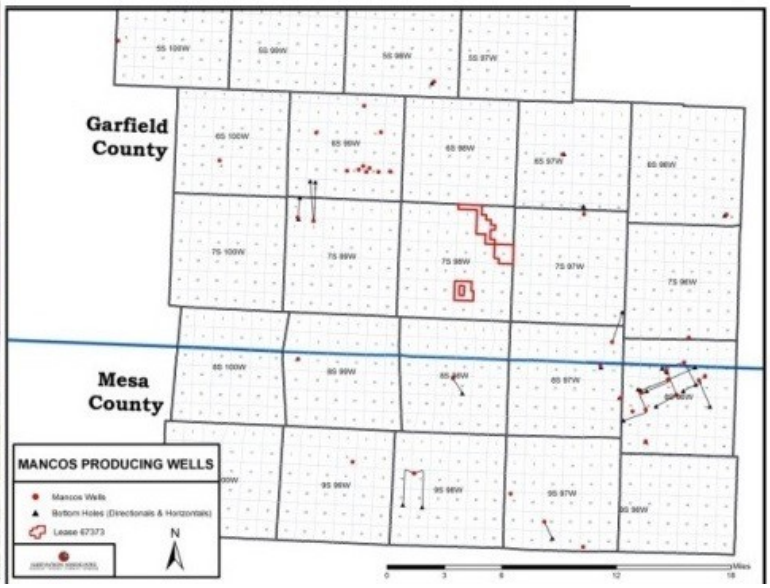
For those unfamiliar with NI 51-101 prospective resource terminology, prospective resources are "those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations" by application of future development projects. "Prospective resources have both an associated chance of discovery and a chance of development," The key elements of prospective resources are that they are undiscovered, yet deemed potentially recoverable since they are considered

to be “technically viable and economic to recover” under existing economic conditions, operating methods and government regulations.

Contingent resources are “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but are not yet considered” to be commercially developable “because of one or more contingencies.” The applicable contingency at Roan Creek is that the development of the Mancos Group in the immediate area is still in its early stages; therefore, there is insufficient data regarding the productivity of the Mancos reservoirs to assign a reserve estimate.

Nevertheless, within two townships of the Roan Creek properties, there are 48 wells producing from the Mancos Group: 29 vertical and 19 horizontal. The closest Mancos producing wells are nine miles to the west in the Gasaway Field and 10 miles to the southeast in the Orchard Field, both by Encana.





Gas and liquids are being produced from the Williams Fork formation as close as one mile to the east, just over one mile to the north and two miles to the southeast. Despite the close proximity of producing wells, Gustavson Associates (the independent, third-party preparer of the resource estimates) classified the resources as Prospective rather than Contingent citing that the Roan Creek leasehold “is near the edge of the continuous accumulation in the Williams Fork Formation.”

Dejour Energy holds 100% of the oil & gas leasehold on the 1,960-acre Roan Creek properties and carries an 80% net revenue interest. Currently, the lease is currently in suspension, and Dejour has filed an APD (Application for Permit to Drill) with the Bureau of Land Management. A suspension of an oil and gas lease effectively extends a lease and allows the lessee to continue development. Without a lease suspension, the lease's term would expire. Also, Dejour Energy has already filed an Environmental Assessment.

Second Quarter Results

On August 7, 2014, Dejour Energy reported results for the second quarter ending June 30, 2014. Gross oil and gas revenues (before royalties) increased 2.8% Year-Over-Year (YOY) to $2.60 million, which was driven by the contribution of the first 4 Kokopelli wells which was partially offset by lower production at Woodrush. Oil & gas production at Woodrush declined 29.2% YOY to 17.5 MBO due to curtailed production for an overhaul of the main compressor facility and related cleaning of various production tanks and also due to production downtime as a result of the Oil and Gas Commission of British Columbia’s annual inspection of the main oil producing wells. Nevertheless, gross production averaged 561 BOEPD during the quarter, a 32.9% increase YOY from 422 BOEPD and a sequential increase of

2.7% over the first quarter's 546 BOEPD. On the other hand, oil and natural gas price realizations sequentially decreased 6.1% and 22.5%, respectively.

Operating & transportation expenses increased 83.8% YOY due to a number of factors: the costs associated with two well workovers at Woodrush (one oil and one gas well), start-up costs related to a recently acquired well adjacent to Woodrush and higher NGL processing fees and higher water hauling costs for the four Kokopelli wells. G&A expenses were reduced by 8.8% YOY. Quarterly earnings were CAD $0.004 per diluted share versus a loss of $0.007 in the comparable quarter last year. The quarter was profitable due to a significant $1.9 million non-re-occurring gain on the disposal of a portion of Dejour's working interest (65% of 71.43%) in the initial four wells drilled at Kokopelli.

Daily Gross Production

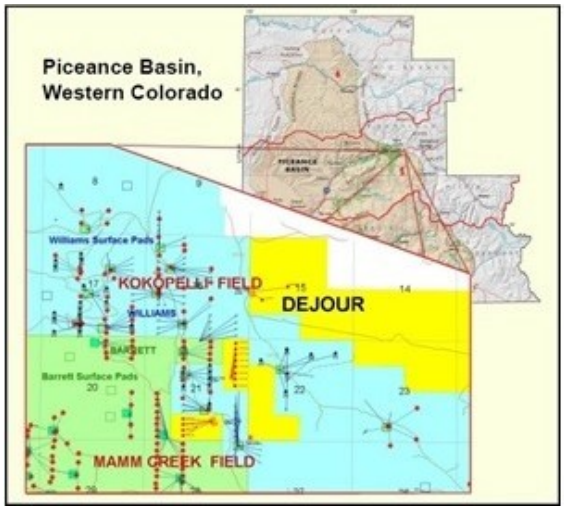
Gross Production (BOEPD)	1Q (March)	2Q (June)	3Q (Sept)	4Q (Dec)	Total (Year)
2010	317	599	610	418	**487**
2011	408	287	514	471	**421**
2012	416	406	346	319	**372**
2013	379	422	591	620	**504**
2014	546	561			

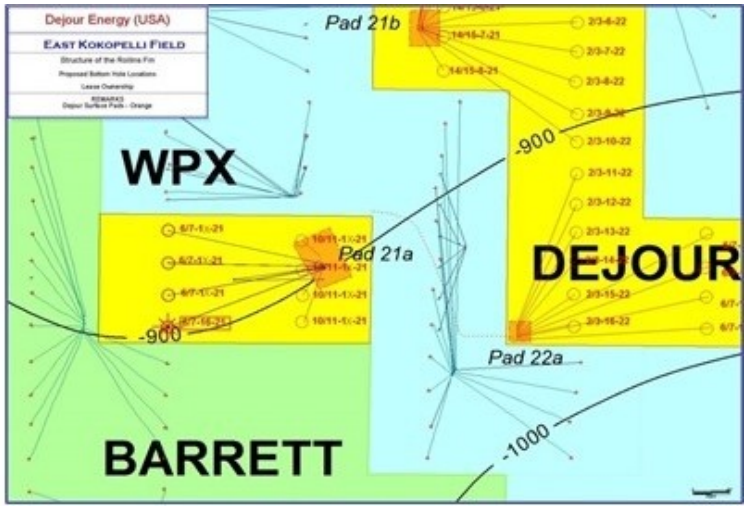
US$1.5 Million Financing Closes for Woodrush Developmental Plan

On August 15th, Dejour Energy announced that 6,000,000 Units were issued under the company's shelf registration to three institutional investors. Each Unit consists of one common share and one warrant exercisable at US$ 0.35 per share until December 31, 2015. At a price of US$0.25 per unit, the net proceeds of the offering were approximately US$1.425 million, which will be used towards the Woodrush-Hunter development program, which encompasses reworking two shut-in wells and drilling two additional wells. Hunter was acquired in the acquisition of a package of properties adjacent to Woodrush during the first quarter. Bringing these wells into production should result in a more robust reserve assessment at the end of the year and further contribute to our NAV-based valuation model. The validation of the Hunter's 2P reserves, which is included in management's estimate of $11.5 million for the entire Woodrush/Hunter project, should at least compensate for the 3.7% dilution incurred through the offering.

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 three additional wells (Federal 6-7-13-21, Federal 6-7-15-21 and Federal 6-7-16-21) from the existing Pad 21-A in April 2013. All the wells 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.

JV formed to Accelerate Development of Kokopelli

On June 30 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. Dejour's management expects the between 8 and 16 Williams Fork / Mancos wells will be drilled and completed in 2015.

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.

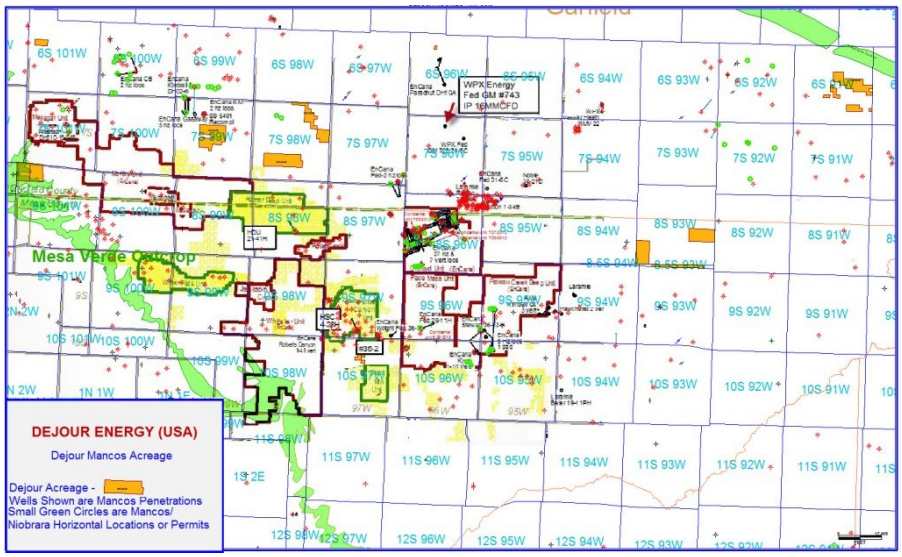
Future of Kokopelli

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 at least 8 Williams Fork wells and possibly 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 the end of 2014. 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.

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

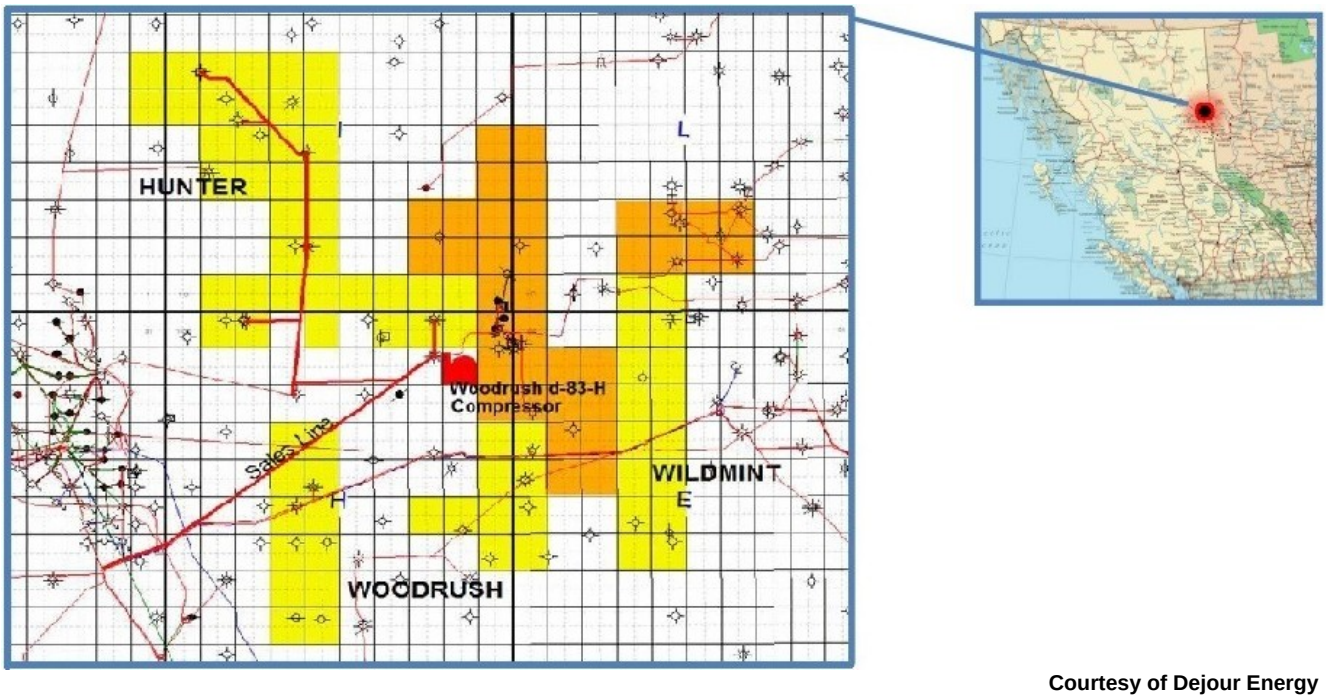
twice the net reserves of the shallower (6,000-9,000 feet) Williams Fork plays. Even though drilling costs are higher (approximately $7 million) in the Niobrara-Mancos play (due to both the greater vertical depth and the requirement for a horizontal leg), the potential for higher production and reserves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

WOODRUSH PROPERTY (British Columbia) in the Peace River Arch

Dejour Energy owns and operates exploration and production projects in the Peace River Arch located in northeastern British Columbia and northwestern Alberta. The projects (denoted as Woodrush, Hunter and Wildmint) encompass 25,000 gross (19,000 net to Dejour) acres. Dejour holds a 99% working interest in the **Woodrush** area, where the company benefits from production from nine wells (three light oil and six gas)[1]. Four gas wells are producing from Notekwin formation and three oil wells and two gas wells producing from Halfway reservoir. These three oil wells are in close proximity (500 meters) to each other. Two additional gas wells operate in the adjacent Hunter project



Courtesy of Dejour Energy

On March 26, 2014, Dejour Energy announced the acquisition of working interests in production leaseholds [totaling 5,500 net acres], a **sour gas processing facility** (96.8% working interest) and 24

[1] Average well production in 2010.

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** (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 2014. The sales pipeline allows Dejour 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.

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 deal fulfilled two of management's goals for 2014, namely increasing production in British Columbia and expanding the company's assets through acquisition.

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 effective date 12/31/2013			
KOKOPELLI	(Colorado)	2,240	560	
	51-101 effective date 12/31/2013			
ACQUISITION ADJACENT TO WOODRUSH		10,185	5,500	
ROAN CREEK	(Colorado)	1,960	1,960	3,801,000
	51-101 effective date 6/1/2014			
	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				17,088,000
UNDRILLED LAND	(at cost)		74,788	13,000,000
TAX LOSSES AND TAX POOL DEDUCTIONS				5,600,000
NET WORKING CAPITAL				(3,353,000)
	TOTAL			**101,272,044**
	Shares outstanding			182,400,000
	NAV per outstanding share			**0.56**
	Fully diluted shares			204,350,025
	NAV per diluted share			**0.50**

Dejour's NAV is estimated to be $101.3 million ($0.56 per share outstanding). The $101.3 million is attained by adding the company's assets of $112.8 million[2] 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 $3.35 million in negative net working capital.[3] After accounting for dilutive options and warrants, **our target price is $0.50 per diluted share.**

PROJECTED INCOME STATEMENT

Dejour Energy Inc. Earnings Model

($CDN thousands)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
YEARS ENDING 12/31	**2011**	**Q1**	**Q2**	**Q3**	**Q4**	**2012**	**Q1**	**Q2**	**Q3**	**Q4**	**2013**	**Q1**	**Q2**	**Q3 E**	**Q4 E**	**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	20.1	58.5	53.9	**153.2**
Crude oil & NGL (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	17.5	19.0	18.4	**69.8**
Kokopelli natural gas (MMCF)									172.0	154.6	**326.6**	185.6	180.6	159.0	139.9	**665.1**
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	51.0	55.3	50.7	**760.4**
Gross average production (BOEPD)		416	406	346	319	**372**	379	422	591	620	**504**	546	561			
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	5.27	4.60	4.55	**5.31**
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	87.76	81.70	71.38	**83.59**
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	106	269	245	**813**
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	1,539	1,553	1,316	**5,831**
Kokopelli natural gas revenues	-	-	-	-	-	-	-	-	659	703	**1,361**	1,262	952	731	637	**3,582**
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**	**2,597**	**2,554**	**2,198**	**10,226**
Royalties	**1,628**	331	291	234	261	**1,116**	378	494	438	501	**1,811**	511	442	452	389	**1,079**
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	2,155	2,102	1,809	**9,147**
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**	**2,155**	**2,102**	**1,809**	9,147
Operating expenses																
Operating and transportation	**2,499**	952	840	1,209	792	**3,793**	911	764	798	925	**3,398**	977	1,404	937	803	**4,121**
General and administrative	**4,042**	927	855	714	937	**3,433**	983	853	694	854	**3,384**	838	778	675	709	**3,000**
Amortization, depletion & acc.	**8,652**	691	696	597	783	**2,766**	787	735	5,298	(3,190)	**3,630**	738	692	679	584	**2,693**
Change in fair value of warranty liability	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	(45)	(343)	(371)	**(1,101)**	1,298	(594)	(700)	(700)	**(696)**
Change in fair value of derivative liability	-	-	-	-	-	-	-	-	(107)	(157)	**(264)**	608	(312)	(250)	(250)	**(204)**
Financial contract liability	-	-	-	-	-	-	-	-	-	(1,268)	**(1,268)**	-	-	-	0	
Stock based compensation	**662**	300	66	26	474	**867**	57	243	29	19	**348**	87	434	100	250	**871**
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**	**2,402**	**1,440**	**1,395**	9,784
OPERATING INCOME	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(518)**	**(4,408)**	**5,051**	**(621)**	**(2,272)**	**(247)**	**661**	**414**	**(637)**
Interest (expense)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(294)	(412)	(352)	**(1,182)**	(441)	(440)	(545)	(545)	**(1,971)**
Interest income	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	**0**	-	-	-	299	**299**	-	-	-	-	**0**	-	(388)	-	-	**0**
Gain (loss) on disposal of E&E assets	**0**	-	-	-	-	**0**	(216)	-	-	31	**(185)**	-	(389)	-	-	**(389)**
Gain (loss) disposal of property & equip.							-	-	-	(107)	**(107)**	-	1,935	-	0	**1,935**
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**0**	8	-	-	(92)	**(84)**	6	6	5	6	**23**	6	11	5	5	**27**
Impairments	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	(269)	173	(269)	**(505)**	(275)	248	0	0	**(27)**
Pretax income	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(1,075)	(4,642)	4,360	**(2,577)**	(2,982)	730	121	(126)	**(1,062)**
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)**	**730**	**121**	**(126)**	**(1,062)**
Foreign currency translation adjustment	**292**	(160)	177	(309)	117	**(175)**	334	533	(337)	552	**1,082**	645	(481)	0	0	**164**
Comprehensive Income (loss)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(542)	(4,979)	4,912	**(1,495)**	(2,337)	249	121	(126)	**(898)**
Weighted Avg. Diluted Shares Out.	**120,300**	130,786	136,165	148,916	148,916	**141,056**	148,916	148,916	148,916	195,064	**148,916**	155,478	209,607	219,207	219,207	**200,875**
DILUTED EPS before NRI	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.01)	(0.03)	0.02	**(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)	0.02	**(0.02)**	(0.02)	0.00	0.00	(0.00)	**(0.01)**

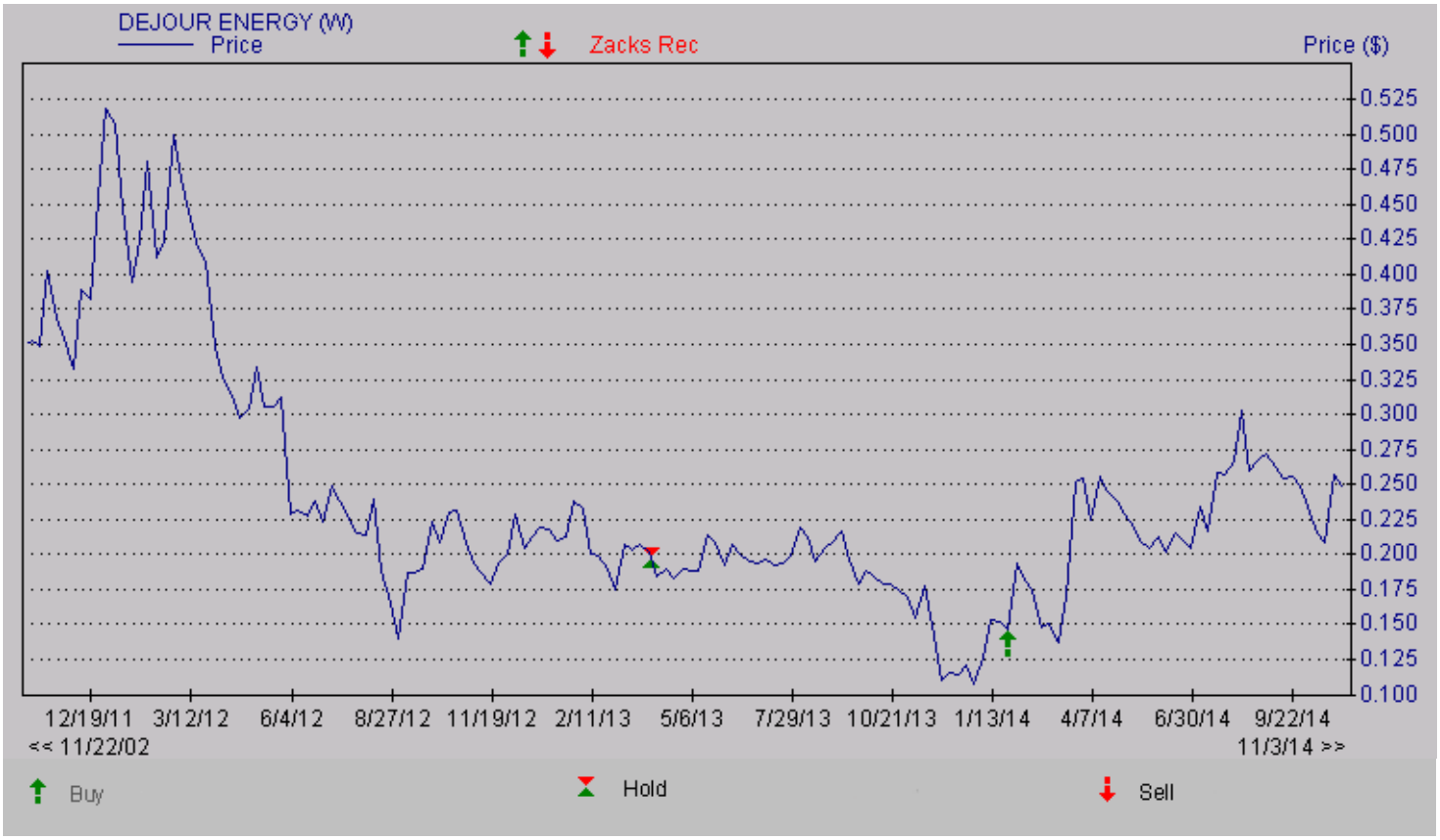
[2] Based on the reserve estimation and economic assessment in the 2013 Annual Information Form (dated as of December 31, 2013).
[3] Balance sheet items valued as of June 30, 2014.

BALANCE SHEET

Dejour Energy Inc.

($CDN thousands) YEARS ENDING 12/31	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 2Q/2014
ASSETS					
Cash and cash equivalents	4,758	2,488	1,508	505	912
Accounts receivable	689	887	549	831	1,343
Share subscription receivable	-	516	-	-	-
Prepaids and deposits	93	100	92	49	41
Current Assets	**5,539**	**3,992**	**2,149**	**1,385**	**2,296**
Deposits	442	404	392	447	479
Exploration and evaluation assets	10,257	5,283	3,890	3,281	2,798
Property and equipment	14,175	19,760	21,144	20,386	17,088
Total Assets	**30,413**	**29,438**	**27,575**	**25,499**	**22,661**
LIABILITIES					
Bank credit facilities	4,800	5,545	5,957	2,900	2,560
Loan facility	-	-	-	2,911	-
Accounts payable & acc. liabilities	2,473	3,958	2,019	2,623	2,506
Loans from related parties	250	-	-	-	-
Warrant liability	1,093	2,245	1,425	324	1,028
Derivative liability	-	-	-	287	583
Flow-through shares liability	187	-	-	-	-
Current financial contract liability	-	-	1,305	1,248	-
Current Liabilities	**8,803**	**11,749**	**10,706**	**10,293**	**6,677**
Decommissioning liability	706	1,339	1,429	1,212	2,881
Other liabilities	32	44	32	22	16
Financial contract liability	-	-	5,162	4,873	3,240
Total Liabilities	**9,540**	**13,131**	**17,329**	**16,400**	**12,814**
SHAREHOLDERS' EQUITY					
Share capital	79,386	85,076	90,274	90,274	93,165
Contributed surplus	7,639	8,134	8,802	9,150	9,095
Deficit	(65,467)	(76,510)	(88,262)	(90,839)	(93,091)
Acc. other comprehensive income (loss)	(685)	(393)	(568)	514	678
Total Shareholders' Equity	**20,873**	**16,307**	**10,246**	**9,099**	**9,847**
Total Liabilities and Shareholders' Equity	**30,413**	**29,438**	**27,575**	**25,499**	**22,661**
Shares outstanding (thousands)	110,181	126,892	148,916	148,916	164,290

HISTORICAL ZACKS RECOMMENDATIONS



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