Zacks Small-Cap Research

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: Two Kokopelli wells are producing and the other two should be in production next week.

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	04/01/2013
Current Price (08/01/13)	$0.20
Six- Month Target Price	**$0.50**

OUTLOOK

Dejour Energy is now producing natural gas from the Williams Fork formation in the Piceance Basin. Initial production figures from the first two wells are encouraging. We look forward to the announcement of the initial production profile from the Kokopelli wells in a few weeks so that we can better value Dejour's reserves relative to the year-end resource assessment. Until then, our rating on Dejour's stock remains Neutral with a price target of $0.50.

SUMMARY DATA

52-Week High	**$0.24**
52-Week Low	**$0.14**
One-Year Return (%)	**-11.82**
Beta	**1.88**
Average Daily Volume (shrs.)	**255,338**
Shares Outstanding (million)	**148.9**
Market Capitalization ($ mil.)	**$29.8**
Short Interest Ratio (days)	**0.67**
Institutional Ownership (%)	**5**
Insider Ownership (%)	**15**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**4.2**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2013 Estimate	**N/M**
P/E using 2014 Estimate	**20.0**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**5 of 15**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	1.31 A	1.46 A	2.34 A	2.06 A	7.17 A
2012	1.54 A	1.49 A	1.33 A	1.37 A	5.74 A
2013	1.66 A	1.78 E	2.06 E	2.15 E	7.70 E
2014					9.15 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.02 A	-$0.00 A	-$0.00 A	-$0.07 A	-$0.09 A
2012	-$0.00 A	-$0.00 A	-$0.01 A	-$0.06 A	-$0.08 A
2013	-$0.01 A	-$0.00 E	-$0.01 E	-$0.01 E	-$0.02 E
2014					$0.01 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 develop its prime properties: **Woodrush** in British Columbia's Peace River Arch, the **Kokopelli project** (a tight gas sand play) in Colorado's Piceance Basin and the **South Rangely** unitized leasehold situated on the western side of the Douglas Creek Arch. Management is considering developing the **Niobrara/Mancos shale gas play** on the northern lease of Kokopelli.
  - At the **Kokopelli** project in Colorado, the two wells that were fracture stimulated and completed in mid-July are now in production. The other two were completed by Halliburton last week and should be in production by August 9th.
  - 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.**
- 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.
- The rating on Dejour's stock is Neutral with a price target of $0.50 per share, which is based upon Net Asset Value (NAV), which involves evaluating a company's assets and reserves. We look forward to the announcement of the initial production profile from the Kokopelli wells so that we can better value Dejour's reserves relative to the year-end resource assessment.

RECENT NEWS

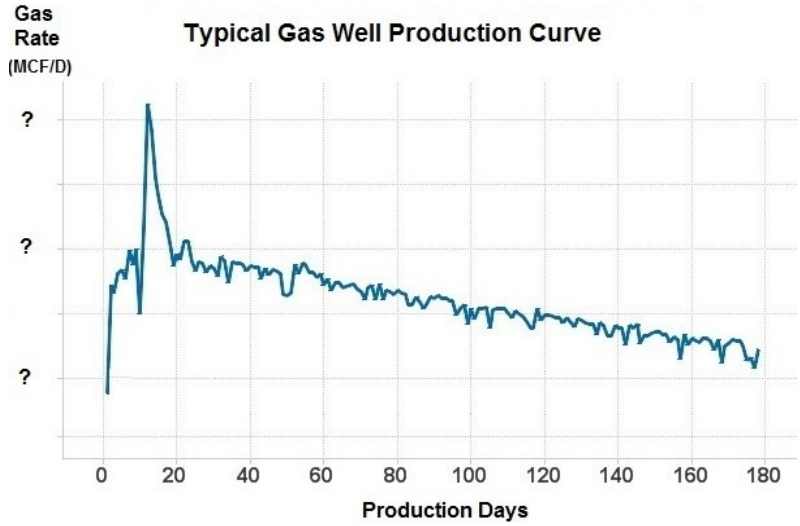
Drilling at Kokopelli

After the close yesterday, Dejour Energy announced that the first two of four new wells at the Kokopelli project are in production. Combined sales of natural gas from the two wells began at approximately 550 MCF per day (MCF/D) and have increased to 1,500 MCF/D over two days. The wells are expected to continue cleaning up for at least two more weeks.

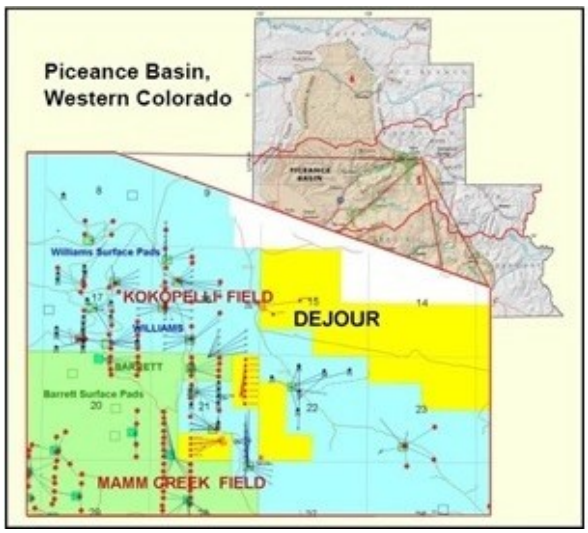
The remaining two wells (of the four on the pad) have been hydraulically fractured. Flow back (water-based fluid that flows back to the surface after the completion of hydraulic fracturing) from those wells will begin next week, and all four wells should be producing by August 9th.

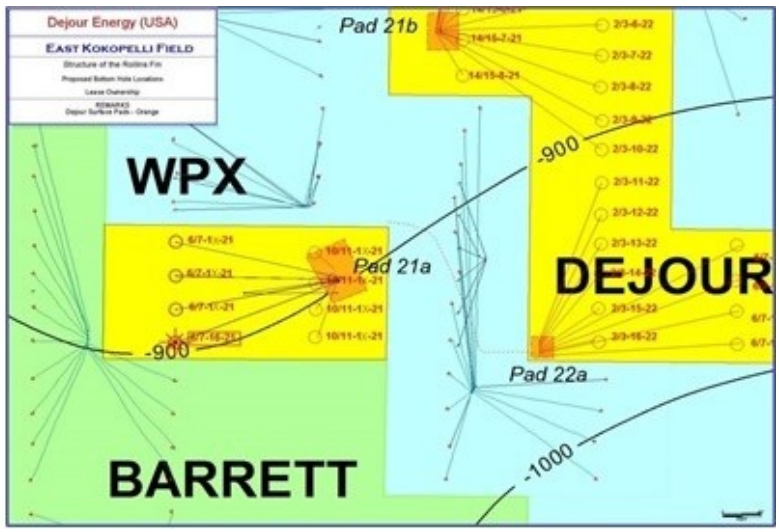
The process of defining initial production usually takes about a month. Typically a pilot gas well (not a offset well) produces increasing amounts of gas for the first 12-to-15 days, after which production tails off to a level that will decline very slowly over the next two months. Though it is too early to definitively determine the production profile, a rate of 750 MCF/D per producing well after two days of production is thus far relatively consistent with management's expectations, which are that the four wells should produce a combined 5.0 MMCF/D during the initial production phase.

Actual initial production (IP) rates will be determined after several weeks and released thereafter. The IP rates will aid in evaluating Estimated Ultimate Recovery (EUR) and possibly allow for adjusting the 51-101 year-end reserve estimates to better reflect Dejour's assets in the ground at 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. Two zones are without groundwater and will be the targets for perforation and hydraulic fracturing. Since receiving $6.5 million in capital from a private Denver-based drilling fund in January, Dejour has announced the successful drilling 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.





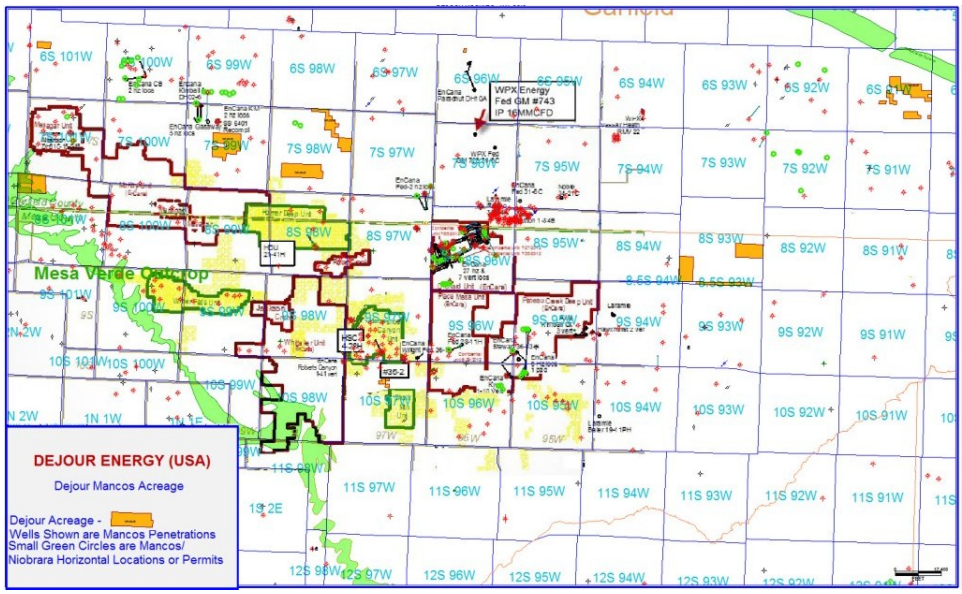
For its financial investment of $6.50 million of the $8.2 million needed to complete the multi-well Kokopelli project, the Denver-based drilling fund will receive a priority payout from initial production until 125% of the capital contribution is received. After the fund has received $8.125 million, 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 2,200 gross acres of the lease.

According to management, the lease on the entire 2,200 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 now being held-by-production (HBP) with the northern 1,500 acres requiring a well by mid-2014 to preserve that portion of the leasehold. Therefore, management is contemplating the drilling and completion of a well into the Niobrara/Mancos formation in the northern lease before the deadline.

Niobrara/Mancos Potential in Garfield County (Kokopelli, Roan Creek, et al.)

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 for a production test well tentatively scheduled for the fourth quarter of 2013. 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). A venture with a partner is being sought to help finance the estimated $7 million developmental costs for a Mancos test well at Kokopelli.

First Quarter Results

On May 15, 2013, Dejour Energy reported results for the first quarter ending March 31, 2013. Quarterly earnings were a loss of CAD $0.008 per diluted share versus a loss of $0.003 in the comparable quarter last year. Gross oil and gas revenues (before royalties) for the quarter increased 5.7% year-over-year to $2.04 million. Although operating & transportation expenses declined 4.3%, general & administrative expenses increased by 6.1%. During the first quarter, working interests in certain oil and gas leases located in Colorado and Utah were sold for gross proceeds of $96,000 and resulted in the recognition of a loss on disposal of Exploration and Evaluation (E&E) assets of $216,000.

On a sequential quarter basis, oil production improved 12.4% due to reduced operating downtime and the successful maintenance of sustained pressure through the implementation of the waterflood at Woodrush. In addition, the average oil price received sequentially increased 5.7% to $82.94 per barrel. However, natural gas production sequentially declined 31.1% as the waterflood encroached upon the natural gas in the Halfway reservoir. Also, the decline in natural gas production occurred despite the new gas producing well (Federal 36-24A) at South Rangely contributing to production for the first time in the first quarter of 2013. Nevertheless, natural gas revenues sequentially increased 40.2% since the average price received for natural gas increased 22.2% to $3.85 per MCF, which, by the way, is meaningfully above the assumption for an average of $2.33 per MCF for 2013 provided by Gustavson in the independent report of estimated reserves and economic evaluation, which was effective as of December 31, 2012.

At Woodrush, Dejour operates eight producing wells (three oil and six gas). Gross oil equivalent (includes gas) production at Woodrush averaged 421 BOEPD (barrels of oil equivalent per day) during the first quarter. Production has continued to improve to a level of approximately 600 BOEPD thus far during the second quarter. Results indicate that progress is being made toward management's expectation of achieving production of 700 BOEPD at Woodrush sometime in 2013.

Financing

On June 19, 2013, Dejour Energy announced the closing of a C$3.5 MM debt facility due December 2014, the proceeds of which are being received in two parts. A part of the first portion, which totals C$2.5 million, was received last week and has been utilized to retire the entire non-revolving Tranche B of the bank credit facility (C$1.45 million), which was due on June 30th, and part of revolving Tranche A (C$200,000), both as required by the covenant of the bank credit facility. The balance of the first part and the second part (C$1.0 million) will be received in July. The revolving $3.7 MM bank credit facility (Tranche A), which is collateralized by the assets of the company, continues to be available to Dejour.

The C$3.5 million debt facility, which is being provided by Invico Performance Yield Fund Limited Partnership, carries incremental costs, but also provides benefits. On the cost-side, 1) it carries a 14% annual interest rate, which is higher than the rate on Tranche A (Prime +1%) and Tranche B (Prime +3½%) of bank credit facility; 2) it requires a 3.5% cash fee (or C$122,500) payable to Colonial Advisory,

which acted as agent for the transaction; and 3) it entails the issuance of 7,291,667 two-year warrants exercisable at C$0.24 per share, which will result in more shares of Dejour being issued if and when Dejour common rallies above the exercise price. On the other hand, the benefits include 1) the fulfillment of Dejour's obligation to retire Tranche B of the bank credit facility by June 30th, 2) a new relationship with a Canadian institutional lender, 3) a more comfortable relationship with the company's existing Canadian bank in terms of satisfying the terms of the covenant of the bank credit facility, the receipt of $1.75 million if and when the warrants are exercised and 4) the improvement of the company's working capital position to better support the completion of and the initiation of NGL production from the initial four wells at the Kokopelli project in Colorado.

OUTLINE OF 2013 EVENTS

During the first half of 2013, management was focused on a four-well completion program at the Kokopelli project in Colorado, along with increasing oil production from the Halfway oil pool at **Woodrush** in British Columbia. In January 2013, Dejour executed a $6.5 million financial contract with a private oil and gas drilling fund to help finance the **Kokopelli** project. By mid-May, all four wells have been drilled and cased to a depth around 8,000 feet. Ample gas shows were observed during the drilling process. Halliburton fracture stimulated and completed all four wells during July.

During the second half of 2013, management plans to conduct a geological and operational review of Drake/Woodrush project in Canada for the purpose of improving operating efficiencies and defining additional drilling targets. Also, management is seeking a means to aid in demonstrating the **Niobrara/Mancos potential** of Dejour's Colorado properties. It appears management is contemplating the possibility of drilling and completing a well into the Niobrara/Mancos formation in the northern portion of Kokopelli by mid-2014, which would preserve the leasehold on those 1,500 acres by attaining held-by-production (HBP) status.

OVERVIEW

Based in Vancouver, British Columbia, Dejour Energy (DEJ) is a Canadian independent oil and natural gas company and holds interests in approximately **130,285 net acres** of oil and gas leases in North America[1]. As of the beginning of 2013, net Proved and Probable Reserves were 34.3 million barrels of oil equivalent (MMBOE)[2]. All Proved Producing Reserves are in the Canadian **Woodrush** area of the Peace River Arch, which has nine producing wells (three light oil and six gas) and two water injection wells. Acreage holdings consist of approximately 6,150 net acres[3] in northeastern British Columbia and northwestern Alberta, and approximately 124,000 net acres (almost all undeveloped, initial production from one well at South Rangely began in December 2012 and production is expected to commence at Kokopelli in June 2013) in Colorado and Utah in the Piceance, Uinta and Paradox Basins. Net Proved and Probable Undeveloped Reserves at **Kokopelli** are 320 thousand barrels of oil (MBO), 13.4 million barrels of natural gas liquids (NGL) and 124 billion cubic feet (BCF) of natural gas[4]. The company is the operator of its developed acreage. During 2009 Dejour sold its shares in Titan Uranium Inc., but still maintains a 10% carried interest and 1% Net Smelter Return on approximately 966,969 acres in Saskatchewan, Canada. Dejour has a 71.5% interest in the 2,200 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, a drilling fund provided $6.5 million in capital in exchange for a significant portion of the cash flow after costs (up to 90% during the First Phase).

[1] MDA for the year ended December 31, 2012, p. 19.
[2] Dejour Energy Annual Information Form, estimated by the independent consultant firms of AJM Deloitte and Gustavson as of January 1, 2013, p.17.
[3] Dejour has a 75% interest in 8,200 acres located in British Columbia.
[4] As estimated by the independent consultant firms of AJM Deloitte (Canadian properties) Gustavson Associates LLC (US) as of January 1, 2013.

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 $79.0 million ($0.51 per diluted share). The $79.0 million is attained by adding the company's assets of $18 million of land (at cost), $55.7 million[5] of PV-10 Proved Reserves and net cash of $2.0 million, a $9.3 million adjustment for a low natural gas pricing assumption on the proven reserves and then deducting $6.0 million in debt (listed as a current liability on the company's balance sheet) [6]. Therefore, **our target price is $0.50 per share.**

DEJOUR ENERGY, INC.

		Gross Acres	Net Acres	Net Proved Reserves (PV-10)
WOODRUSH	(British Columbia) 51-101 dated 1/1/2013	8,200	6,150	
KOKOPELLI	(Colorado) 51-101 dated 1/1/2013	2,200	1,571	
SOUTH RANGELY	(Colorado) 51-101 dated 1/1/2013	5,500	4,490	
MISCELLANEOUS		N/A	1,360	
	TOTAL - U.S. and CANADIAN PROPERTIES			55,675,800
ADJUSTMENT FOR LOW PRICING ASSUMPTION ON PROVEN RESERVES				9,267,910
UNDRILLED LAND	(at cost)		117,676	18,000,000
NET CASH				917,000
(DEBT)	(line of credit)			(5,100,000)
		TOTAL	131,247	78,760,710
		Shares outstanding		148,916,374
		Fully diluted shares		192,358,636
		NAV per outstanding share		0.53
		NAV per diluted share		**0.51**

[5] Based on the reserve estimation and economic assessment in the 2012 Annual Information Form (dated as of January 1, 2013).
[6] Balance sheet items valued as of December 31, 2012.

We are cognizant that there are nuances concerning the quality of reserves that are not captured in our valuation model. One such feature is that by treating PDs and PUDs similarly, our model does not capture some of the inherent risks of PUDs. Since uncertainties exist about the ultimate conversion of PUDs to PDs, there is an inherent discount valuation related to PUDs that must be considered.

In the case of Dejour, the majority of proven reserves are undeveloped ($46.9 million of the $55.7 million). However, these PUDs are within or adjacent to a known producing gas field. Williams Companies has somewhat extended a pipeline from its Grand Valley gathering system towards the Kokopelli Field, where Dejour's PUDs are located. This both reduces most of the uncertainties related to the PUDs and also provides an efficient method to transport Dejour's natural gas into a large-scale, high-volume distribution system.

As gas wells begin to produce, the natural gas reserves associated with the wells become proved developed producing reserves (PDs or PDPs) instead of proven undeveloped reserves (PUDs). **We expect a positive valuation increment** in the marketplace **as PUDs at Kokopelli become PDs.** When the uncertainties associated with PUDs abate, the discount to NAV that pertains to the PUDs at Kokopelli should be reduced or entirely eliminated. As PUDs become producing wells in the third quarter of 2013, the marketplace may start to eliminate the discount to NAV to a portion of the 220 PUDs located at Kokopelli. As the certainty of the value of the PUDs increases, we expect the valuation of Dejour's stock to migrate towards Net Asset Value.

Our rating on Dejour's stock remains Neutral. Despite the progress at Kokopelli, Dejour has been hampered by a lack of sufficient working capital to independently develop production from its oil & gas leases. The company has relied on capital from a drilling fund (at a significant cost of future production) to finance the drilling of three additional wells and the completion of all four wells at Kokopelli. In addition, Dejour utilized a bank credit facility as an operating loan and a 14% debt facility from an institutional lender.

Also, we are concerned that at least one production well must be completed by mid-2014 to retain the oil & gas lease of the northern portion of Kokopelli. We look forward to analyzing the initial production profile of the four Williams Fork wells at Kokopelli. The resultant cash flow may be the catalyst for providing operating capital needed to pursue additional drilling in Kokopelli North and further prove the company's Colorado gas & NGL assets, especially the potential of the deep Niobrara/Mancos play that is not yet included in the Dejour's estimated reserves.

2012 Transactions in the Piceance and Uinta Basins

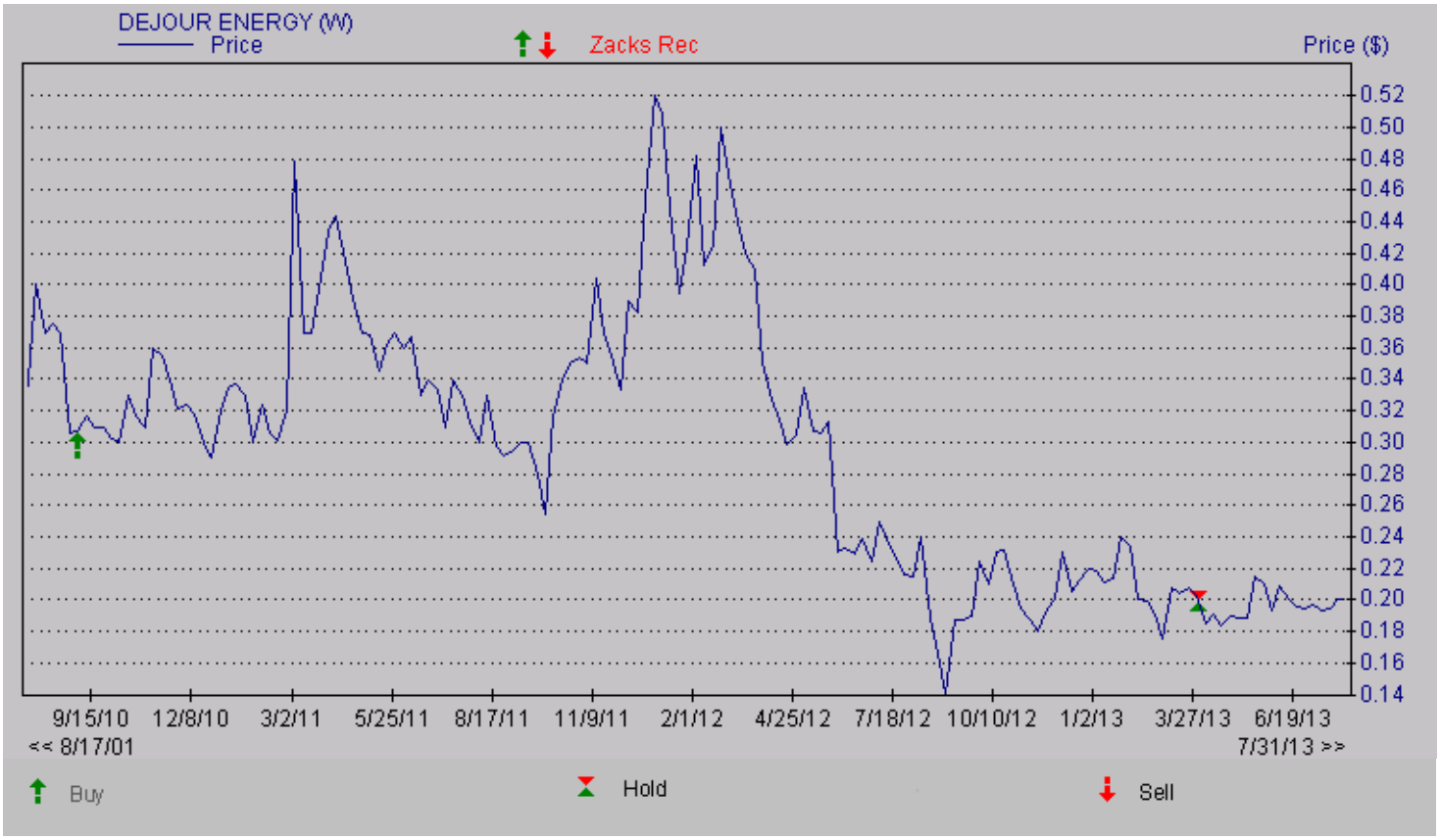
In November 2012, two significant transactions were announced pertaining to natural gas leases in the Piceance and Uinta Basins: Vanguard Natural Resources LLC agreed to purchase 254,000 net acres of leasehold from Bill Barrett Corp. (BBG: NYSE) for $335 million, and a private company agreed to purchase 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 significantly higher than our NAV-based target of $79 million.

PROJECTED INCOME STATEMENT

Dejour Energy Inc. Earnings Model

YEARS ENDING 12/31	IFRS Q1	IFRS Q2	IFRS Q3	IFRS Q4	IFRS 2011	IFRS Q1	IFRS Q2	IFRS Q3	IFRS Q4	IFRS 2012	IFRS Q1	IFRS Q2 E	IFRS Q3 E	IFRS Q4 E	IFRS 2013 E
PRODUCTION VOLUMES (net)															
Woodrush natural gas (MMCF)	146.7	55.9	103.0	125.5	**432.2**	115.7	104.3	91.3	69.5	**380.8**	79.7	82.0	89.0	93.0	**343.7**
Crude oil (MBO)	12.3	16.9	30.1	22.1	**81.5**	18.6	19.6	16.6	17.8	**72.6**	20.9	21.2	22.0	22.5	**86.6**
Kokopelli natural gas (MMCF)		0.5											21	31	**52.0**
Total (MBOE)	36.7	26.7	47.3	43.0	**153.5**	37.8	36.9	31.9	29.3	**136.0**	34.2	34.9	40.3	43.2	**195.9**
OIL PRICE REALIZATIONS / GAS HUB PRICES															
Natural gas (CAD/MCF)	3.89	3.91	3.66	3.23	**3.67**	2.47	2.16	2.49	3.15	**2.57**	3.85	4.10	3.85	3.85	**3.91**
Oil (CAD/BBL)	82.51	94.83	85.37	93.00	**88.93**	88.46	78.85	79.66	78.50	**81.37**	82.94	83.80	91.00	91.00	**87.19**
Natural gas liquids (CAD/BBL)															
INCOME STATEMENT (CAD 000 except EPS)															
Woodrush natural gas revenues	571	218	377	425	**1,591**	286	225	227	219	**957**	307	336	343	358	**1,345**
Crude oil revenues	1,013	1,598	2,570	2,053	**7,233**	1,643	1,543	1,325	1,394	**5,904**	1,732	1,777	2,002	2,048	**7,548**
Kokopelli natural gas revenues													84	127	**211**
Total oil and gas revenues	1,583	1,816	2,946	2,478	**8,824**	1,928	1,771	1,552	1,630	**6,882**	**2,038**	**2,113**	**2,429**	**2,532**	**9,104**
Royalties	237	348	614	430	**1,628**	331	291	234	261	**1,116**	**378**	329	370	379	**1,396**
Total oil and gas revenues (net)	1,347	1,468	2,333	2,048	**7,196**	1,598	1,480	1,318	1,370	**5,766**	1,660	1,784	2,058	2,153	**7,707**
Financial instrument gain (loss)	(47)	(12)	0	0	**(59)**	(55)	0	0	0	**(55)**	0	0	0	0	**0**
Other operating income	8	8	9	8	**34**	0	8	8	0	**33**	0	0	0	0	**0**
TOTAL REVENUES	**1,308**	**1,465**	**2,341**	**2,056**	7,171	**1,543**	**1,489**	**1,326**	**1,370**	5,744	**1,660**	**1,784**	**2,058**	**2,153**	7,707
Operating expenses															
Operating and transportation	507	471	664	857	**2,499**	952	840	1,209	792	**3,793**	911	634	1,131	1,018	**3,286**
General and administrative	960	990	718	1,374	**4,042**	927	855	714	937	**3,433**	983	867	858	858	**3,566**
Amortization, depletion & acc.	718	498	1,417	819	**8,652**	691	696	597	783	**2,766**	787	749	844	863	**3,183**
Change in fair value of warranty liability	874	(795)	(543)	2,044	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	0	0	0	**0**
Stock based compensation	189	210	150	113	**662**	300	66	26	474	**867**	57	21	5	120	**202**
Total operating expenses	**3,247**	**1,375**	**2,407**	**5,207**	17,436	**1,760**	**1,777**	**2,530**	**2,951**	9,017	**2,396**	**2,271**	**2,838**	**2,859**	10,238
OPERATING INCOME	**(1,939)**	**90**	**(66)**	**(3,151)**	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(487)**	**(780)**	**(706)**	**(2,531)**
Interest (expense)	(243)	(283)	(270)	(72)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(135)	(75)	(124)	**(458)**
Interest income	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	-	-	-	-	**0**	-	-	-	299	**299**	-	-	-	-	**0**
Gain (loss) on disposal of E&E assets	-	-	-	-	**0**	-	-	-	-	**0**	(216)	-	-	-	**(216)**
Equity income (loss)	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	-	-	-	-	**0**	8	-	-	(92)	**(84)**	6	-	-	-	**0**
Impairments	-	-	-	(5,200)	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**
Foreign exchange gain (loss)	(84)	4	(11)	0	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	**0**	**0**	**0**	**(140)**
Pretax income	(2,266)	(189)	(347)	(8,422)	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(622)	(855)	(830)	**(3,345)**
Inc. tax recovery (expense)	187	0	0	0	**187**	0	0	0	0	**0**	0	0	0	0	**0**
REPORTED NET INCOME	**(2,079)**	**(189)**	**(347)**	**(8,422)**	**(11,044)**	**(354)**	**(580)**	**(1,365)**	**(9,462)**	**(11,745)**	**(1,210)**	**(622)**	**(855)**	**(830)**	**(3,345)**
Foreign currency translation adjustment	(287)	(66)	991	(347)	**292**	(160)	177	(309)	117	**(175)**	334	0	0	0	**334**
Comprehensive Income (loss)	(2,366)	(255)	645	(8,769)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(622)	(855)	(830)	**(3,011)**
Weighted Avg. Shares Out.	116,652	118,000	121,391	125,159	**120,300**	130,786	136,165	148,916	148,916	**141,056**	148,916	148,916	152,000	160,000	**152,458**
EPS before NRI	(0.02)	(0.00)	(0.00)	(0.07)	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.00)	(0.01)	(0.01)	**(0.02)**
REPORTED NET INCOME	(0.02)	(0.00)	(0.00)	(0.07)	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.00)	(0.01)	(0.01)	**(0.02)**

HISTORICAL ZACKS RECOMMENDATIONS



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