Zacks Small-Cap Research

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: Presence of gas throughout Mancos formation encountered by Kokopelli test well.

OUTLOOK

Dejour Energy is producing natural gas from the Williams Fork formation in the Piceance Basin and oil & gas from the Halfway & Gething pools at Woodrush/Hunter in British Columbia. The company is building a growing revenue stream through the JV at Kokopelli and the further development of Woodrush/Hunter. Eight Williams Fork natural gas wells have been drilled at Kokopelli under the current program with the one well also testing the Niobrara shale. Fracking, completion and tie-in options are now being assessed. Two wells at Woodrush/Hunter drilled in December have come on line in January. We maintain our Outperform rating.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	01/26/2014
Current Price (02/10/15)	$0.15
Six- Month Target Price	**$0.45**

SUMMARY DATA

52-Week High	**$0.33**
52-Week Low	**$0.14**
One-Year Return (%)	**-16.36**
Beta	**1.20**
Average Daily Volume (shrs.)	**639,874**
Shares Outstanding (million)	**182.4**
Market Capitalization ($ mil.)	**$27.4**
Short Interest Ratio (days)	**0.27**
Institutional Ownership (%)	**7**
Insider Ownership (%)	**7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**8.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2015 Estimate	**N/M**
P/E using 2016 Estimate	**15.0**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**3 of 18**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2013	2.04 A	2.53 A	2.40 A	2.36 A	9.32 A
2014	2.79 A	2.60 A	2.26 A	1.40 E	9.05 E
2015	1.31 E	2.41 E	2.08 E	2.52E	8.32 E
2016					10.50 E

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

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2013	-$0.01 A	-$0.01 A	-$0.03 A	$0.03 A	-$0.02 A
2014	-$0.02 A	$0.00 A	-$0.01 A	-$0.01 E	-$0.02 E
2015	-$0.01 E	-$0.01 E	-$0.01 E	-$0.00 E	-$0.02 E
2016					$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.

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 July 2013.
  - Phase 2 consists of drilling, completing and fracturing 8 Williams Fork wells in a $16 million program. One well vertically tested the Niobrara. The drilling program has been accomplished and fracking, completion and tie-in options are now being assessed.
  - The Kokopelli JV with an E&P company drove an impressive drilling program in Colorado during 2014 and will result in growing revenue and cash flow streams.
- 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 [9,800 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%.
  - The drilling of two wells in December 2014, which are now in production, will enhance Dejour's production profile in 2015, along with boosting the company's Canadian reserves.
- Management is in the process of testing the **Mancos-Niobrara shale gas play** at Kokopelli. The logs of the Mancos vertical test well encountered the presence of gas throughout the deeper Mancos/ Niobrara formations. Additional cased-hole logs are to be run in February 2015. A successful test would enhance the reserves of 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.
- 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.
- Dejour Energy is not yet in full compliance with Section 1003(a)(iv) of the Company Guide for the continued listing standards of the NYSE: MKT. However, the company is making a reasonable demonstration to regain compliance. Listing is being continued pursuant to an extension to May 22, 2015.
- We maintain an Outperform rating on Dejour's stock. Our target has been adjusted to $0.45 per share due to the recent 10% decrease in the value of the Canadian dollar versus the U.S. dollar.

RECENT NEWS

Drilling Program at Kokopelli During 2014

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 would be drilled into the Williams Fork formation on the southern Kokopelli leasehold. Drill permits for 42 Williams Fork wells had already been acquired, and an additional permit for a vertical test well of the deeper Mancos/Niobrara was being pursued.

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

According to filings with COGIS (Colorado Oil and Gas Information System), the Kokopelli wells targeting only the Williams Fork Formation were spud in quick succession from Federal 14-15-1-21 on October 8th through Federal 14-15-8-21 on December 11th. The last well spud, Federal 14-15-1-21, on December 20th also tested the deeper Mancos/Niobrara shale. The operator is listed as Coachman Energy Operating Company LLC.

2014 Kokopelli Drilling program

Well	Spud Date	Depth (feet)	Formation
Federal 14-15-1-21	10/08/2014	7,913	Williams Fork
Federal 14-15-2-21	10/21/2014	7,810	Williams Fork
Federal 14-15-3-21	11/01/2014	7,825	Williams Fork
Federal 14-15-4-21	11/14/2014	7,674	Williams Fork
Federal 14-15-5-21	11/24/2014	7,607	Williams Fork
Federal 14-15-6-21	12/02/2014	7,556	Williams Fork
Federal 14-15-7-21	12/20/2014	13,550	Williams Fork & Mancos
Federal 14-15-8-21	12/11/2014	7,638	Williams Fork

Logs of the Williams Fork wells indicate that their production profiles should be similar with prior four wells completed in July 2013. Fracking, completion and tie-in options are now being assessed by Coachman Energy Operating Company LLC, the operator. The logs of the Mancos vertical test well encountered the presence of gas throughout the deeper Mancos/ Niobrara. Additional cased-hole logs are to be run in February 2015.

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, operator of the project, is earning a 65% working interest. Dejour is being carried for its 25% proportional share of the first US$16 million in expenditures.

Drilling Program at Woodrush/Hunter During 2014

Hunter was acquired in the acquisition of a package of properties adjacent to Woodrush in March 2014. To fund the 2014 Woodrush-Hunter development program, Dejour Energy issued 6,000,000 Units under the company's shelf registration during August. The net proceeds of approximately US$1.41 million from the private placement helped fund the completion of two production wells.

Soon after receiving permits from the British Columbia Oil & Gas Commission on November 23rd, Dejour contracted Ensign Drilling Partnership to drill the two wells at Woodrush. The drilling rig arrived within days, and by December 16th, the first well (B-100) had been drilled, logged and cased. The logs indicated 38 feet of net combined productive pay from the Halfway oil and Gething gas pools, though the Gething gas will remain behind pipe in this well. The second well (A-100) was drilled, logged and cased by December 24th, and the logs indicated 17 feet of net productive pay from the Gething gas pool. By January 26, 2015, both wells were tied-in to existing gathering lines and are **currently producing at a**

combined rate of 350 BOEPD. Dejour Energy owns a 99% working interest in these two wells and is the project operator.

The Gething gas pool discovery and the confirmation of the geographical extension of the Halfway pool to the south are expected to enhance Dejour's reserve base for the Woodrush/Hunter project. A-100 confirms the extension of the Gething gas zone to several sections of Dejour's land under oil & gas leases while B-100 confirms a southerly extension of the main Woodrush Halfway pool. Logs and production rates of both wells have been provided to GLJ Petroleum Consultants, the consulting firm that provides independent petroleum resource assessments for Dejour. **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.

Management's gross production target for Woodrush/Hunter is 700 BOEPD, which should be attained in 2015. The placement of B-100 allows for improved waterflood management of the Halfway oil pool at Woodrush, which should translate into improved ultimate recoveries. Management is also striving to increase the production base at Woodrush with two planned workovers on existing wells during 2015.

Management plans to drill and complete an additional Gething well in the first half of 2015. Finding and development costs at Woodrush/Hunter are only $5 per BOE. In addition, the incremental gas production would leverage the operation of the Dejour's sour gas processing facility and utilization of the excess capacity of company's 24 km of pipeline.

Third Quarter Results

On November 13, 2014, Dejour Energy reported results for the third quarter ending September 30, 2014. Gross oil and gas revenues (before royalties) declined 5.9% Year-Over-Year (YOY) to $2.26 million, which was primarily due to the sale of a 65% working interest in the Kokopelli Project (including the four producing natural gas wells) to a private U.S.-based E&P company effective June 30th. Dejour's reduced participation in the production at Kokopelli was partially offset by a 17.9% YOY increase in average realized prices for natural gas. Oil production at Woodrush increased 18.3% YOY to 19.3 MBO, which was driven by the acquisition of an additional 24% working interest in the Woodrush oilfield. Gross production averaged 382 BOEPD during the quarter, a 35.4% decline YOY from 591 BOEPD during the third quarter of 2013 and a sequential decline of 31.9% over the second quarter's 561 BOEPD.

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	382		

Operating & transportation expenses increased 9.6% versus the comparable quarter last year due to a number of factors: the costs associated with the workover of one gas well at Woodrush, continued start-up costs related to the production facilities and natural gas wells acquired in March (adjacent to Woodrush) and higher water hauling costs for the four Kokopelli wells.

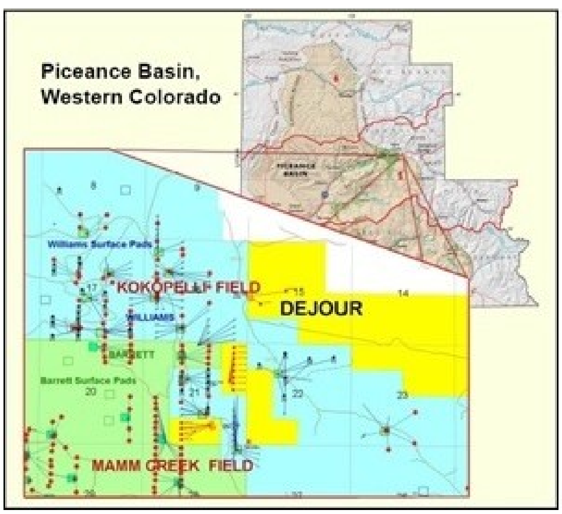
The quarterly loss was CAD$1.62 million ($0.009 per diluted share) versus a loss of CAD$4.64 million ($0.031) in the comparable quarter last year. The decrease in the loss was primarily due to the lack of impairment losses ($4.58 million) related to the write-down of the carrying value of the Woodrush oilfield that occurred during last year's third quarter.

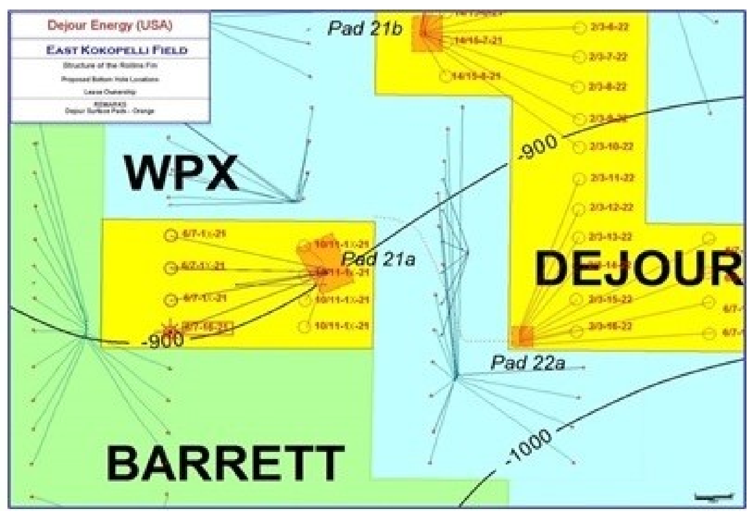
Since the first quarter of 2014, the working capital deficit has improved from $10.1 million to $2.56 million primarily from the January and August equity financings and the exercise of warrants and options. Shares outstanding increased 22.5% (or 33,485,765 shares) YOY primarily as a result the acquisition of Hunter for 9,600,000 shares, two equity financings totaling 13,000,000 shares and the exercise of 10,885,765 stock options and warrants.

During the third quarter, Dejour Energy closed the acquisition of an additional 24% working interest in the Drake/Woodrush oilfield in northeastern British Columbia, raising the company's working interest to 99%. The incremental working interest was purchased for 9,600,000 newly-issued common shares (valued at $1.939 million).

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 retained 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. Subsequent filings with COGIS (Colorado Oil and Gas Information System) identified the E&P company as Coachman Energy Operating Company LLC. 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 **Dejour Energy retains 25% of the Kokopelli project**, the E&P company has earned a 65% working interest and Brownstone Energy holds 10%. Coachman Energy 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 drilled eight new Williams Fork wells on the southern Kokopelli leasehold. Coachman Energy is carrying both Dejour Energy and Brownstone Energy through this 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 appears 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.

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, eight Williams Fork wells have been drilled with one also vertically testing the deeper Mancos/Niobrara.

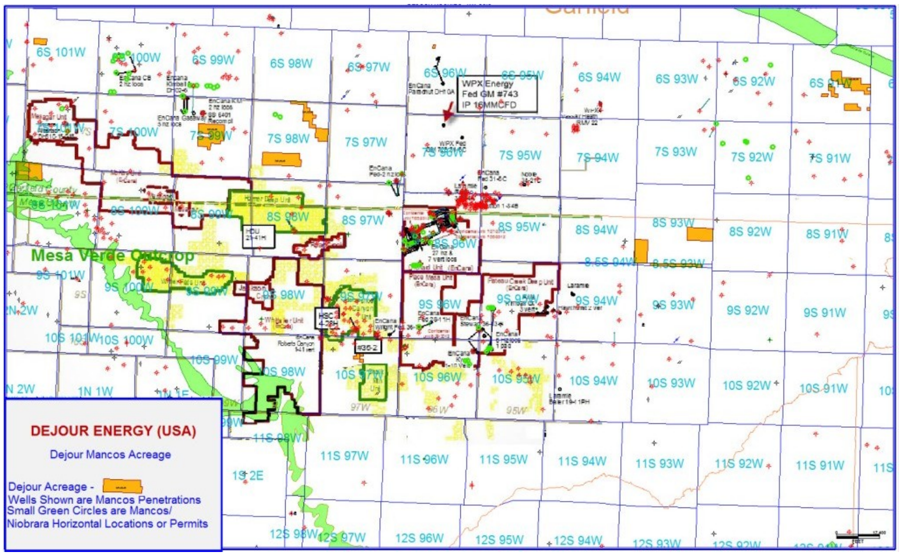
In November 2014, Dejour Energy retained Casimir Capital LP to assist in financing the Kokopelli Project in 2015, 2016 and 2017 through the issuance of debt. **Management anticipates the 2015 drilling campaign to encompass the completion of at least 10 additional wells**. There remain approximately 250 potential drilling targets at Kokopelli.

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.

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

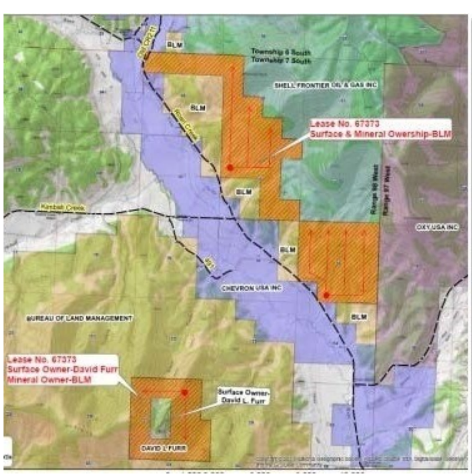
Summary of Prospective Resource Estimates

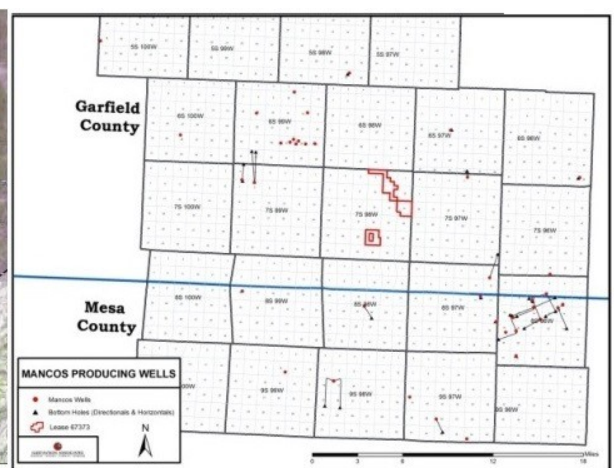
	Prospective Gas Resources, BSCF			Prospective Condensate Resources, Mbbl		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Gross	17.4	27.4	41.9	24.9	49.2	90.5
Net	13.9	22.0	33.5	19.9	39.4	72.4

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.



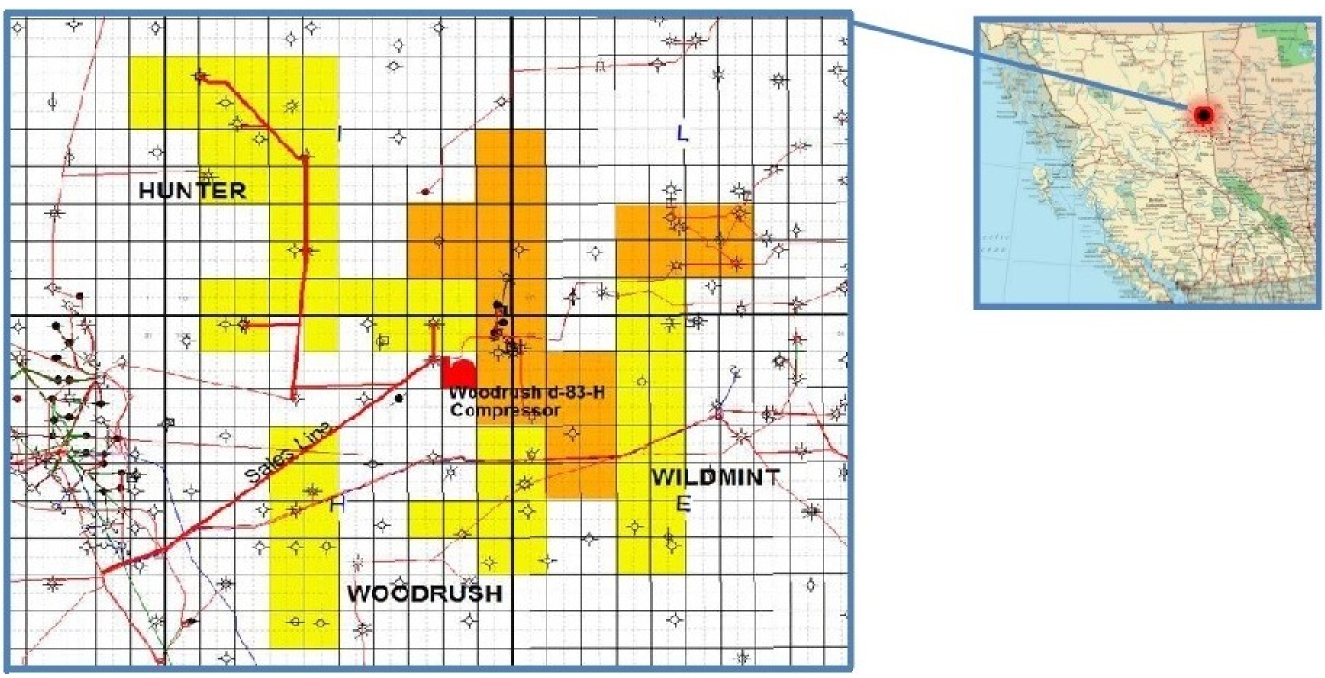


Gas and liquids are being produced from the Williams Fork formation as close as one mile to the east, just over one mile to the north and two miles to the southeast. Despite the close proximity of producing wells, Gustavson Associates (the independent, third-party preparer of the resource estimates) 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.

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 23,000 gross (17,000 net to Dejour) acres. Dejour holds a 99% working interest in the **Woodrush** area, where the company benefits from production from 14 wells (five light oil and nine gas). Four gas wells are producing from Notekwin formation, one gas well producing from Gething gas pool, and five oil wells and two gas wells producing from Halfway reservoir. Three of the oil wells at Woodrush are in close proximity (500 meters) to each other. There are also two water injection wells supporting waterflood operations.



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 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.

Woodrush/Hunter Active Wells

Well (WA Number)	Spud Date	Depth (meters)	Fluid Type
18812	01/26/2005	778	Gas
22719	02/25/2007	819	Gas
22881	03/26/2007	806	Gas
22887	04/02/2007	782	Gas
23467	01/08/2009	1,185	Gas
23736	01/18/2008	824	Gas
23737	01/21/2008	1,123	Gas
23844	02/11/2008	1,173	Oil
23845	02/04/2008	1,136	Oil
25180	03/10/2010	1,182	Oil
25228	10/02/2010	1,190	Water Injection
25232	12/02/2009	1,195	Gas
26783	01/31/2011	1,466	Water Injection
27916	11/23/2011	1,224	Oil
30889 (B-100)	12/07/2014	Confidential	Oil
N/A (A-100)	12/17/2014	Confidential	Gas

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	6,060,000
	51-101 effective date 12/31/2013			
	Purchase of additional 24% WI			1,939,200
KOKOPELLI	(Colorado)	2,240	560	104,813,600
	51-101 effective date 12/31/2013			
ACQUISITION ADJACENT TO WOODRUSH		14,800	8,882	626,000
ROAN CREEK	(Colorado)	1,960	1,960	3,801,000
	51-101 effective date 6/1/2014			
ANTICIPATED VALUE OF GETHING GAS POOL & HALFWAY EXPANSION				2,060,400
ANTICIPATED VALUE OF DERIVED FROM KOKOPELLI DRILLING PROGRAM				9,433,224
	TOTAL - U.S. and CANADIAN PROPERTIES			128,733,424
JV with US-based E&P Company				
	Cash investment			19,750,000
	(less 65% earned interest in Kokopelli Project)			(67,426,756)
PROPERTY & EQUIPMENT				19,167,000
UNDRILLED LAND	(at cost)		57,985	13,000,000
TAX LOSSES AND TAX POOL DEDUCTIONS				5,600,000
NET WORKING CAPITAL				(1,191,000)
		TOTAL		**117,632,668**
		Shares outstanding		182,402,139
		NAV per outstanding share		**0.64**
		Fully diluted shares		213,113,263
		NAV per diluted share ($CDN)		**0.55**
		NAV per diluted share ($US)		**0.44**

Dejour's NAV is estimated to be CDN$117.6 million (CDN$0.64 per share outstanding). The $117.6 million is attained by adding the company's assets of $128.7 million[1] of estimated 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 $1.19 million in negative net working capital.[2] After accounting for dilutive options and warrants, **our target price is US$0.45 per diluted share.**

RISKS

- Dejour Energy is not yet in full compliance with Section 1003(a)(iv) of the Company Guide for the continued listing standards of the NYSE: MKT. Section 1003(a)(iv) concerns a company's Financial Condition and/or Operating Results, which states: "The Exchange will normally consider suspending dealings in, or removing from the list, securities of an issuer which: has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether such issuer will be able to continue operations and/or meet its obligations as they mature." However, the company is making a reasonable demonstration to regain compliance. Listing is being continued pursuant to an extension to May 22, 2015.

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

Dejour Energy Inc. Earnings Model

($CDN thousands)	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**
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**
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**
Kokopelli natural gas (MMCF)									172.0	154.6	**326.6**
Total (MBOE)	**153.5**	37.8	36.9	31.9	29.3	**136.0**	34.2	38.4	53.6	56.9	**455.3**
Gross average production (BOEPD)		416	406	346	319	**372**	379	422	591	620	**504**
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**
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**
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**
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**
Kokopelli natural gas revenues	-	-	-	-	-	-	-	-	659	703	**1,361**
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**
Royalties	**1,628**	331	291	234	261	**1,116**	378	494	438	501	**1,811**
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**
Financial instrument gain (loss)	**(59)**	(55)	0	0	0	**(55)**	0	0	0	0	**0**
Other operating income	**34**	0	8	8	0	**33**	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**
Operating expenses											
Operating and transportation	**2,499**	952	840	1,209	792	**3,793**	911	764	798	925	**3,398**
General and administrative	**4,042**	927	855	714	937	**3,433**	983	853	694	854	**3,384**
Amortization, depletion & acc.	**8,652**	691	696	597	783	**2,766**	787	735	5,298	(3,190)	**3,630**
Change in fair value of warranty liability	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	(45)	(343)	(371)	**(1,101)**
Change in fair value of derivative liability	-	-	-	-	-	-	-	-	(107)	(157)	**(264)**
Financial contract liability	-	-	-	-	-	-	-	-	-	(1,268)	**(1,268)**
Stock based compensation	**662**	300	66	26	474	**867**	57	243	29	19	**348**
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**
OPERATING INCOME	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(518)**	**(4,408)**	**5,051**	**(621)**
Interest (expense)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(294)	(412)	(352)	**(1,182)**
Interest income	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	**0**	-	-	-	299	**299**	-	-	-	-	**0**
Gain (loss) on financial contract liability											
Gain (loss) on disposal of E&E assets	**0**	-	-	-	-	**0**	(216)	-	-	31	**(185)**
Gain (loss) disposal of property & equip.							-	-	-	(107)	**(107)**
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**0**	8	-	-	(92)	**(84)**	6	6	5	6	**23**
Impairments	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	(269)	173	(269)	**(505)**
Pretax income	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(1,075)	(4,642)	4,360	**(2,577)**
Inc. tax recovery (expense)	**187**	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)**
Foreign currency translation adjustment	**292**	(160)	177	(309)	117	**(175)**	334	533	(337)	552	**1,082**
Comprehensive Income (loss)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(542)	(4,979)	4,912	**(1,495)**
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**
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)**
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)**

PROJECTED INCOME STATEMENT

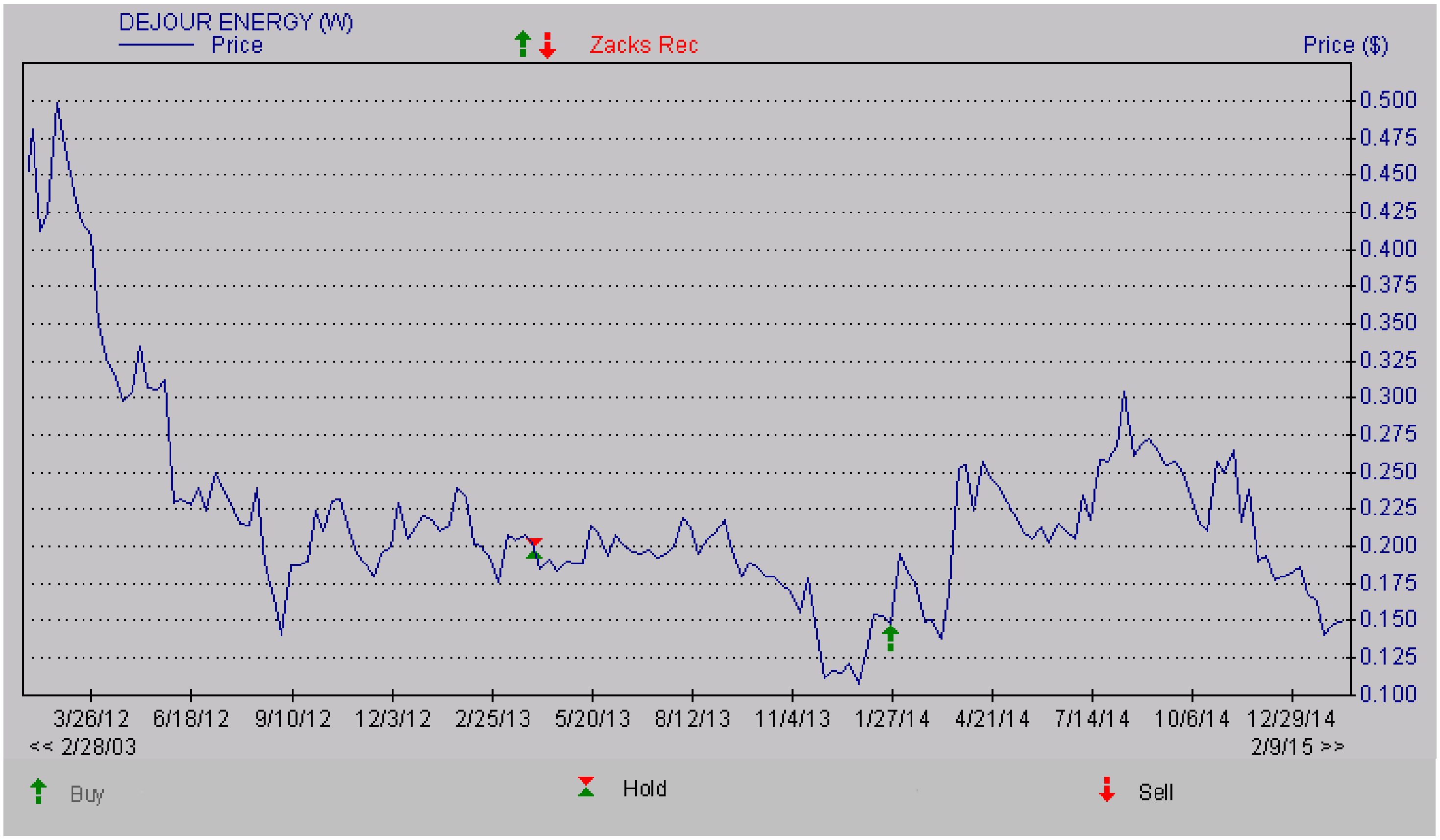
Dejour Energy Inc. Earnings Model

($CDN thousands) YEARS ENDING 12/31	IFRS 2013	IFRS Q1	IFRS Q2	IFRS Q3	IFRS Q4 E	IFRS 2014 E	IFRS Q1 E	IFRS Q2 E	IFRS Q3 E	IFRS Q4 E	IFRS 2015 E
PRODUCTION VOLUMES (net)											
Woodrush natural gas (MMCF)	**303.4**	20.7	20.1	9.6	8.8	**59.2**	15.0	15.0	15.0	18.0	**63.0**
Crude oil & NGL (MBO)	**78.1**	14.8	17.5	19.3	18.7	**70.3**	23.4	24.6	18.4	24.6	**90.9**
Kokopelli natural gas (MMCF)	**326.6**	185.6	180.6	84.7	74.6	**525.5**	65.6	397.7	352.9	310.6	**1,126.8**
Total (MBOE)	**455.3**	49.2	51.0	35.0	32.6	**605.7**	36.8	93.3	79.7	79.3	**1,228.3**
Gross average production (BOEPD)	**504**	546	561	382	360	**462**	407	1,031	881	876	**799**
OIL PRICE REALIZATIONS / GAS HUB PRICES											
Natural gas (CAD/MCF)	**4.00**	6.80	5.27	4.28	3.29	**4.91**	2.57	2.62	2.62	2.88	**2.67**
Oil (CAD/BBL)	**86.24**	93.51	87.76	96.07	60.20	**84.39**	47.00	47.00	47.00	52.00	**48.25**
Natural gas liquids (CAD/BBL)											
INCOME STATEMENT (CAD 000 except EPS)											
Woodrush natural gas revenues	**1,233**	141	106	41	29	**291**	38	39	39	52	**168**
Woodrush crude oil revenues	**6,733**	1,382	1,539	1,853	1,126	**5,933**	1,099	1,154	866	1,277	**4,387**
Kokopelli natural gas revenues	**1,361**	1,262	952	363	245	**2,821**	168	1,041	923	894	**3,026**
Total oil and gas revenues	**9,317**	**2,785**	**2,597**	**2,257**	**1,400**	**9,045**	**1,306**	**2,234**	**1,828**	**2,223**	**7,581**
Royalties	**1,811**	511	442	339	210	**1,098**	196	336	275	334	**812**
Total oil and gas revenues (net)	**7,506**	2,274	2,155	1,918	1,190	**7,948**	1,110	1,898	1,554	1,889	**6,769**
Financial instrument gain (loss)	**0**	0	0	0	0	**0**	0	0	0	0	**0**
Other operating income	**0**	0	0	0	0	**0**	0	0	0	0	**0**
TOTAL REVENUES	**7,506**	**2,274**	**2,155**	**1,918**	**1,190**	**7,948**	**1,110**	**1,898**	**1,554**	**1,889**	**6,769**
Operating expenses											
Operating and transportation	**3,398**	977	1,404	875	461	**3,717**	430	1,404	875	567	**3,276**
General and administrative	**3,384**	838	778	759	797	**3,172**	800	816	832	849	**3,297**
Amortization, depletion & acc.	**3,630**	738	692	834	517	**2,781**	410	692	834	591	**2,527**
Change in fair value of warranty liability	**(1,101)**	1,298	(594)	(18)	(18)	**668**	150	150	150	150	**600**
Change in fair value of derivative liability	**(264)**	608	(312)	94	94	**484**	0	0	0	0	**0**
Financial contract liability	**(1,268)**	-	-	-	0		-	-	-	0	
Stock based compensation	**348**	87	434	404	250	**1,175**	400	400	400	400	**1,600**
Total operating expenses	**8,127**	**4,546**	**2,402**	**2,948**	**2,102**	**11,998**	**2,190**	**3,462**	**3,091**	**2,557**	**11,301**
OPERATING INCOME	**(621)**	**(2,272)**	**(247)**	**(1,030)**	**(912)**	**(4,050)**	**(1,081)**	**(1,564)**	**(1,538)**	**(668)**	**(4,531)**
Interest (expense)	**(1,182)**	(441)	(440)	(132)	(132)	**(1,145)**	(132)	(132)	(132)	(132)	**(528)**
Interest income	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	**0**	-	(388)	-	-	**0**	-	-	-	-	**0**
Gain (loss) on financial contract liability		-	-	(338)	-		-	-	-	-	**0**
Gain (loss) on disposal of E&E assets	**(185)**	-	(389)	-	-	**(389)**	-	-	-	-	**0**
Gain (loss) disposal of property & equip.	**(107)**	-	1,935	45	0	**1,980**	-	-	-	-	**0**
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**23**	6	11	5	5	**27**	-	-	-	-	**0**
Impairments	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(505)**	(275)	248	(170)	0	**(197)**	-	-	-	-	**0**
Pretax income	**(2,577)**	(2,982)	730	(1,620)	(1,039)	**(3,774)**	(1,213)	(1,696)	(1,670)	(800)	**(5,059)**
Inc. tax recovery (expense)	**0**	0	0	0	0	**0**	0	0	0	0	**0**
REPORTED NET INCOME	**(2,577)**	**(2,982)**	**730**	**(1,620)**	**(1,039)**	**(3,774)**	**(1,213)**	**(1,696)**	**(1,670)**	**(800)**	**(5,059)**
Foreign currency translation adjustment	**1,082**	645	(481)	538	0	**702**	0	0	0	0	**0**
Comprehensive Income (loss)	**(1,495)**	(2,337)	249	(1,082)	(1,039)	**(3,072)**	(1,213)	(1,696)	(1,670)	(800)	**(5,059)**
Weighted Avg. Diluted Shares Out.	**148,916**	155,478	209,607	178,239	182,402	**181,431**	182,402	191,522	191,522	195,353	**190,200**
DILUTED EPS before NRI	**(0.02)**	(0.02)	0.00	(0.01)	(0.01)	**(0.02)**	(0.01)	(0.01)	(0.01)	(0.00)	**(0.03)**
REPORTED NET INCOME	**(0.02)**	(0.02)	0.00	(0.01)	(0.01)	**(0.02)**	(0.01)	(0.01)	(0.01)	(0.00)	**(0.03)**

BALANCE SHEET

Dejour Energy Inc.					
($CDN thousands)	IFRS	IFRS	IFRS	IFRS	IFRS
YEARS ENDING 12/31	2010	2011	2012	2013	3Q/2014
ASSETS					
Cash and cash equivalents	4,758	2,488	1,508	505	1,824
Accounts receivable	689	887	549	831	883
Share subscription receivable	-	516	-	-	-
Prepaids and deposits	93	100	92	49	97
Current Assets	**5,539**	**3,992**	**2,149**	**1,385**	**2,804**
Deposits	442	404	392	447	459
Exploration and evaluation assets	10,257	5,283	3,890	3,281	2,919
Property and equipment	14,175	19,760	21,144	20,386	19,167
Total Assets	**30,413**	**29,438**	**27,575**	**25,499**	**25,349**
LIABILITIES					
Bank credit facilities	4,800	5,545	5,957	2,900	2,290
Loan facility	-	-	-	2,911	-
Accounts payable & acc. liabilities	2,473	3,958	2,019	2,623	1,099
Loans from related parties	250	-	-	-	-
Warrant liability	1,093	2,245	1,425	324	1,365
Derivative liability	-	-	-	287	606
Flow-through shares liability	187	-	-	-	-
Current financial contract liability	-	-	1,305	1,248	-
Current Liabilities	**8,803**	**11,749**	**10,706**	**10,293**	**5,360**
Decommissioning liability	706	1,339	1,429	1,212	3,286
Other liabilities	32	44	32	22	4
Financial contract liability	-	-	5,162	4,873	3,732
Total Liabilities	**9,540**	**13,131**	**17,329**	**16,400**	**12,382**
SHAREHOLDERS' EQUITY					
Share capital	79,386	85,076	90,274	90,274	97,133
Contributed surplus	7,639	8,134	8,802	9,150	9,329
Deficit	(65,467)	(76,510)	(88,262)	(90,839)	(94,711)
Acc. other comprehensive income (loss)	(685)	(393)	(568)	514	1,216
Total Shareholders' Equity	**20,873**	**16,307**	**10,246**	**9,099**	**12,967**
Total Liabilities and Shareholders' Equity	**30,413**	**29,438**	**27,575**	**25,499**	**25,349**
Shares outstanding (thousands)	110,181	126,892	148,916	148,916	182,402

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- 15.3%, Hold/Neutral- 76.8%, Sell/Underperform – 7.1%. Data is as of midnight on the business day immediately prior to this publication.