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Zacks Small-Cap Research

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Dejour Energy, Inc. (DEJ-AMEX)

DEJ: Upgrading to Outperform on expected positive update of 51-101 reserve estimates and expected follow-through of LOI announcement.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	01/26/2014
Current Price (01/27/14)	$0.14
Six- Month Target Price	**$0.50**

OUTLOOK

Dejour Energy is producing natural gas from the Williams Fork formation in the Piceance Basin. During 2014, management plans to drill an additional 7 Williams Fork natural gas wells and a Niobrara shale gas well at Kokopelli. Funding for the Phase 2 project is expected from the announced venture with a Singapore-based company. Also, we anticipate a positive revision of the reserve estimates in the annual release of the 51-101-compliant assessment due out in the next couple of months. We raise our rating on Dejour's stock to Outperform and raise our price target back up to $0.50.

SUMMARY DATA

52-Week High	**$0.25**
52-Week Low	**$0.09**
One-Year Return (%)	**-31.43**
Beta	**1.47**
Average Daily Volume (shrs.)	**893,120**
Shares Outstanding (million)	**155.9**
Market Capitalization ($ mil.)	**$22.6**
Short Interest Ratio (days)	**0.04**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**4.4**
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	**3.6**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Oil – C$ E&P**
Zacks Rank in Industry	**12 of 15**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	1.93 A	1.77 A	1.55 A	1.63 A	6.88 A
2013	2.04 A	2.53 A	2.40 A	2.28 E	9.29 E
2014	2.04 E	2.09 E	2.25 E	2.89 E	9.49 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	-$0.01 E	-$0.05 E
2014	-$0.00 E	$0.00 E	$0.00 E	$0.00 E	$0.01 E
2015					$0.04 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. Also, management is planning on developing the **Niobrara/Mancos shale gas play** at Kokopelli.
    - At the **Kokopelli** project in Colorado, all four wells of Phase 1 are now in production. The Phase 2 plan consists of drilling and completing 7 Williams Fork and 1 Niobrara vertical wells during mid-2014. Management seeks both to demonstrate the **Niobrara/Mancos potential** of Dejour's Colorado properties and to preserve the leasehold on northern portion of Kokopelli by attaining held-by-production (HBP) status. Drilling must commence by mid-year in order to preserve the lease on the northern 1,500 acres.
    - 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.**
- **Natural gas prices have been very strong** across all delivery dates recently. The very cold weather pushed the February delivery price over 15% last week to above $5.00 per MM Btu. The updated NI 51-101 reserve estimate, which usually is released in February or March, should boost the value of the Net Proved Reserves (PV-10) of Kokopelli, if the independent evaluation of reserves utilizes a more accurate forecast of natural gas prices than last year's assessment. In addition, the production profile of the Kokopelli wells should aid in the assessment of the reserves.
- **Financing for Phase 2** of the development of Kokopelli and other initiatives to increase production
    - In December, Dejour signed a LOI with a private Singapore-based company, which is expected to invest $27.5 million in Dejour's Kokopelli project in return for 85% of Dejour's Colorado interests
    - Also in December, Canadian Western Bank renewed Dejour Energy's existing $3.5 million credit facility.
    - In January, Dejour Energy closed a private placement of 7,000,000 shares at C$0.11 per share.
- Dejour Energy announced leadership changes including retirement of Harrison Blacker, COO and Co-Chairman and the departure of two other Directors, Steven Mut and Richard Bachmann. The changes ought to contribute significantly to **management's plan to reduce G&A expenses by approximately 40%.**
- Management has a strong track record of developing oil and gas properties. CEO Robert Hodgkinson has twice founded oil and gas companies that mounted successful, large-scale drilling programs. The companies were subsequently acquired by medium-capitalization exploration companies.
- After receiving a letter from NYSE in November regarding non-compliance with 3 of the minimum listing requirements, Dejour Energy submitted a Plan of Compliance to NYSE MKT to regain compliance.
- The rating on Dejour's stock is **upgraded to Outperform** 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 expect the re-adjusted 51-101-compliant year-end reserve valuation, along with the consummation of a definitive agreement with a Singapore-based company and strong natural gas pricing, to provide positive momentum that should outweigh recent disappointments that have pressured the stock over the last few months.

RECENT NEWS

LOI for the Development of Kokopelli

On December 16, 2013, after the close, Dejour Energy announced that an LOI had been signed by Dejour for the creation of a strategic partnership with an unnamed Singapore-based company for the purpose of developing Dejour's Kokopelli project in the Piceance Basin. In after-hours trading, Dejour's stock rallied 27% to $0.14.

Subject to further due diligence and approvals, the Singapore-based company would invest $27.5 million into Dejour ($4.5 million as an immediate capital injection and $10.5 million in 2014 and $12 million in 2015 for developing Kokopelli) in return for 85% of Dejour's oil & gas interests in its Colorado properties. After the initial $4.5 million injection and the $10.5 million in capex, the development costs of Kokopelli would be shared on a pro rata basis. The Singapore-based company will also assume 85% of the ongoing expenses of Dejour's U.S. operations.

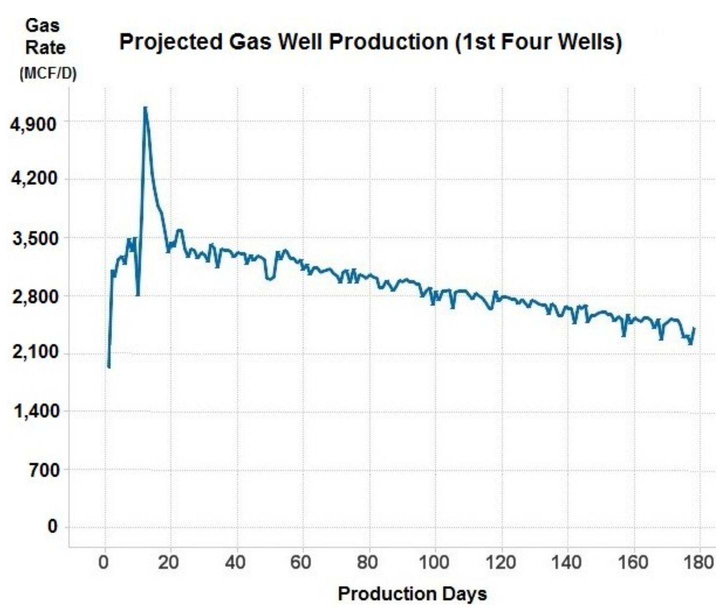
The $4.5 million capital injection will bolster the company's balance sheet, improving the company's working capital, which should resolve the concerns raised by the NYSE in its letter delivered in late November. Also, the $10.5 million in development funding earmarked for 2014 should assure the completion of a drilling program on the northern Kokopelli lease, preserving the leasehold by attaining held-by-production (HBP) status. Though we have not been able to contact management yet, the dollar amounts would be consistent with a Williams Fork drilling program in 2014 to secure the leasehold and a horizontal drilling effort targeting the deeper Mancos/Niobrara formation in 2015.

When consummated with a definitive contract signed by both parties, which management expects to be completed by the end of January, Dejour will have considerably more financial flexibility. In addition, the pathway for further monetization of Kokopelli's reserves will be better defined.

Under the terms of the LOI, Dejour's working capital position would improve, however, at the cost of 85% of Dejour's net interests in all its Colorado properties. In our NAV-based valuation model, we estimate that the NAV of the capital & funding is approximately $26.7 million while the NAV of the 85% interest is $33.7 million. Though the confidence improves for further progress at Kokopelli by Dejour signing a LOI for capital and development, we await the signing of a definitive contract by both parties.

Production at Kokopelli

On August 28, 2013, Dejour Energy announced that the current production rate from the four wells at Kokopelli was at least **4,500 MCF/D** into the sales pipe. In addition, 4-hour tests of each of the four wells yielded flow rates between 1,300 MCF/D and of 2,100 MCF/D with an average rate of 1,700 MCF/D per well or a total of 6,800 MCF/D for all four wells. Management stated that production from the last two wells that were stimulated by hydraulic fracturing was still ramping up, since the recovery of fracture fluid is restricting the production rate. In the third quarter filing, the initial production rate was released as a combined production rate of approximately **3,300 MCF/D** and **15 BOPD**. Typically a gas well produces increasing amounts of gas for the 12-to-15 days, after which production tails off to a level that will decline very slowly over the next two months.



Until the drilling fund receives its return of investment of $8.125 million, Dejour's share of net revenues is approximately equivalent to 25%, which is a combination of an amount roughly corresponding to a 10%-to-14% working interest equivalent plus a $0.20 per MCF infrastructure usage fee. We expect Kokopelli to add approximately $635,000 to revenues in the fourth quarter of 2013 based on the anticipated production stream determined from decline-curve analysis.

Third Quarter Results

On November 11, 2013, Dejour Energy reported results for the third quarter ending September 30, 2013. Gross revenues (before royalties) increased 54.6% to $2.40 million, primarily due to the combination of higher natural gas production (+148%) and higher gas price realizations (+45.8%). The increase in natural gas production was a result of new production from the four wells at Kokopelli. Though oil production was flat, oil price realizations increased 19.5% to $95.20 per barrel. Operating & transportation expenses decreased 34.0% and net G&A expenses were reduced by 2.8%. Quarterly earnings were a loss of CAD $0.03 per diluted share versus a loss of $0.01 in the comparable quarter last year.

Daily Gross Production

Gross Production (BOE/day)	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	571 E	**490 E**

During the third quarter, oil production at Woodrush declined significantly leading management to reduce its estimate of recoverable oil reserves. As a result, an impairment of approximately $4.6 million related to the Woodrush oilfield was taken as the carrying value was reduced from $8.436 million (on June 30, 2013) to $3.500 million (as of September 30, 2013). Therefore, during the quarter, Dejour reported negative cash flow ($121,000) from operating activities, which includes the non-cash impairment charge. Removing the charge (for analytical purposes) would have resulted in impressive positive operating cash flow.

Cost Reduction Plan

On November 6, 2013, management presented a plan to the Board of Directors that targets a 40% reduction of consolidated G&A expenses. The plan encompasses all the company's operating units and takes effect on approximately January 1, 2014.

Leadership Changes

On January 15, 2014, Dejour Energy announced the retirement of Harrison Blacker (President, COO and member of the Board of Directors) and the departure of two other Directors, Steven Mut and Richard Bachmann. Concurrently, Ron Bozzer, LLB, was appointed as a Director.

Financing

On December 17, 2013, Dejour Energy announces the renewal of a $3.5 million revolving credit facility with the Canadian Western Bank at an interest rate at Prime +1%. Currently, Dejour has drawn $2.785 million against this loan facility. The loan facility has an acquisition provision that provides for incremental funds for a Canadian acquisition, which would more easily allow for management to pursue its stated corporate initiative to acquire additional reserves.

On January 21, 2014, Dejour closed a previously announced non-brokered private placement of 7,000,000 shares at a price of C$0.11 per share. The net proceeds are to be used to eliminate U.S. payables. Insiders purchased 900,000 shares (or 13%) of this placement.

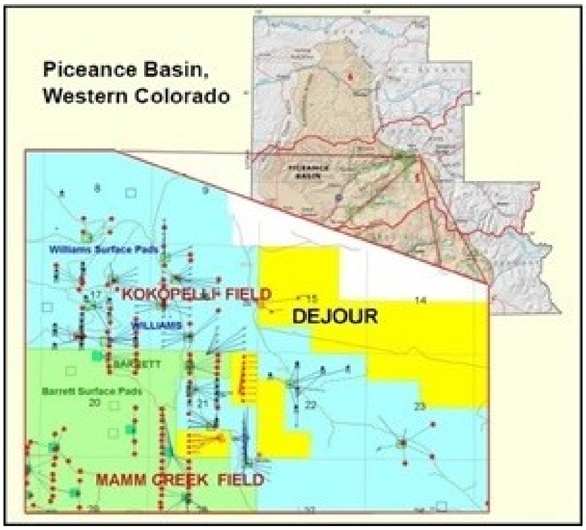
OVERVIEW

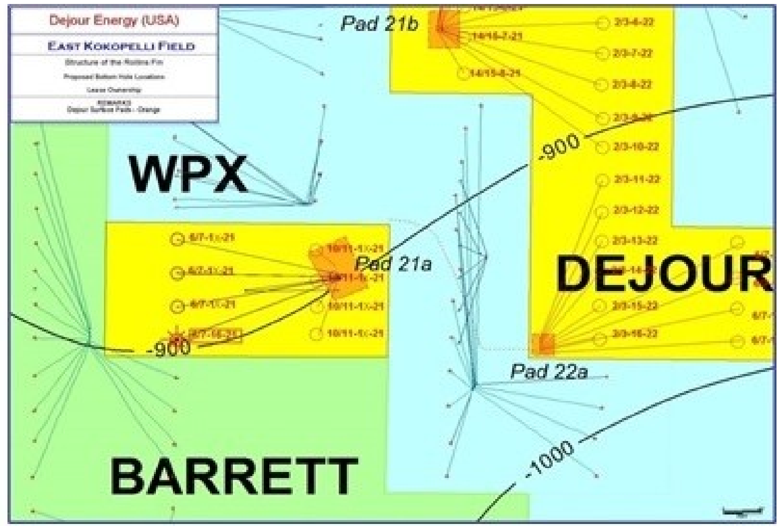
Based in Vancouver, British Columbia, Dejour Energy (DEJ) is a Canadian independent oil and natural gas company and holds interests in approximately **130,285 net acres** of oil and gas leases in North America[1]. As of the beginning of 2013, net Proved and Probable Reserves were 34.3 million barrels 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, the Bakken Drilling Fund III 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).

KOKOPELLI

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

[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.





Financing of 1st Tranche of Kokopelli Wells

The Bakken Drilling Fund III provided \$6.5 million of the \$8.2 million needed to complete the multi-well Kokopelli project. As a result, the Denver-based drilling fund will receive a priority payout from initial production until 125% of the capital contribution is received. After the fund has received \$8.125 million, Dejour's payout in the four-well project will increase from between 10% and 14% (the specific percentage will be determined by the actual cash invested in the drilling program) to approximately 39% to 35%, and the drilling fund will earn between 54% and 58% of the cash flow after costs. During the entire production phase, Dejour will receive an infrastructure usage fee of \$0.20 per MCF of gas produced. Despite the financial agreement, Dejour retains ownership of a 93% working interest of the four-well project with Brownstone owing the remaining 7%. The fund has the right of first refusal on the next multi-well project at Kokopelli, which would entail the fund to provide an additional \$8.5 million capital funding. The terms of the financing do not pertain to Dejour's 71.4% working interest in the deeper Niobrara/Mancos shale gas play over the entire 2,200 gross acres of the lease.

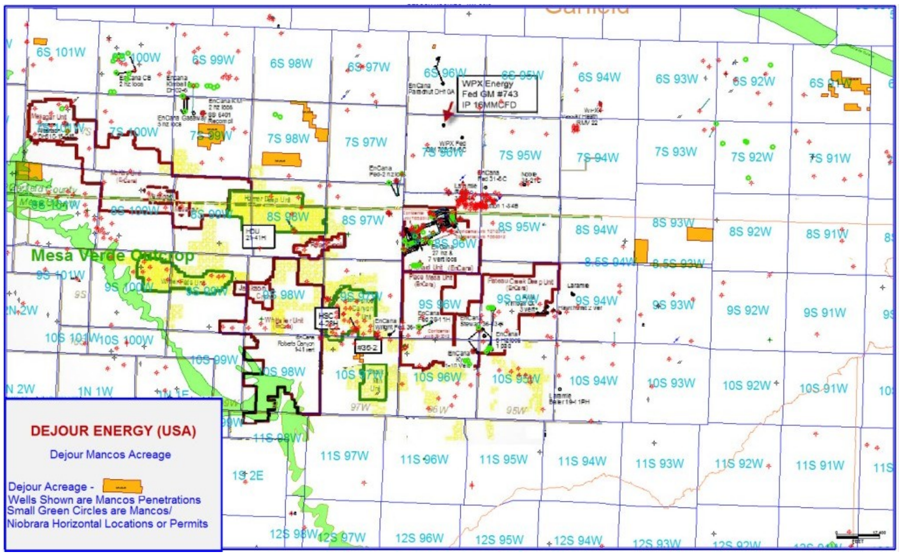
Future of Kokopelli

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, under a Phase 2 plan, management is planning to drill and complete 7 Williams Fork and 1 Niobrara vertical wells before the deadline during 2014.

NIOBRARA/MANCOS POTENTIAL (Kokopelli and Roan Creek)

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

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



In the past, natural gas drilling in the Piceance Basin predominantly targeted the Williams Fork (or Mesaverde) formation. The encouraging production results from recent wells completed by WPX Energy, Encana (ECA: NYSE) and Black Hills Corp. (BKH: NYSE) that targeting the Niobrara/Mancos shale formation has intensified the interest in this deeper (10,000-13,000 feet) play with the potential of over twice the net reserves of the shallower (6,000-9,000 feet) Williams Fork plays. Even though drilling costs are higher (approximately $7 million) in the Niobrara/Mancos play (due to both the greater vertical depth and the requirement for a horizontal leg), the potential for higher production and reserves contribute the higher estimated return.

Management has re-evaluated the potential of the Mancos play and re-prioritized the company's capital expenditure program to focus on development of this deep, liquids-rich shale at Kokopelli. A project to test the formation is now in the planning stage. Dejour's management believes that the Mancos formation offers superior economics to the Williams Fork (an estimated 57% IRR for Niobrara/Mancos gas versus 13% for Williams Fork gas). However, the capital cost higher ($7-to-$8 million per well versus $2 million for a Williams Fork well). The LOI announced with the Singapore-based company provides an avenue for an immediate $4.5 million capital injection and $10.5 million in 2014 to help finance the estimated $7 million developmental costs for a Mancos test well at Kokopelli.

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

VALUATION

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

Dejour's NAV is estimated to be $82.4 million ($0.51 per diluted share). The $82.4 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 with a positive $29.6 million adjustment for a low natural gas pricing assumption on the proven reserves and then adjusting for the $8.6 million in negative working capital and deducting $5.3 million in debt (listed as a current liability on the company's balance sheet)[6]. We also account for the anticipated consummation of a definitive negotiated contract with the Singapore-based company. 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				29,630,670
LOI with Singapore-based Company				
	Cash investment			26,714,953
	(less earned interest in Colorado Properties)			(33,724,430)
UNDRILLED LAND	(at cost)		117,676	18,000,000
NET WORKING CAPITAL				(8,629,900)
(DEBT)	(financial contract liability to drilling fund)			(5,314,000)
		TOTAL	131,247	82,353,093
		Shares outstanding		155,916,374
		Fully diluted shares		199,358,636
		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.

2012 Transactions in the Piceance and Uinta Basins

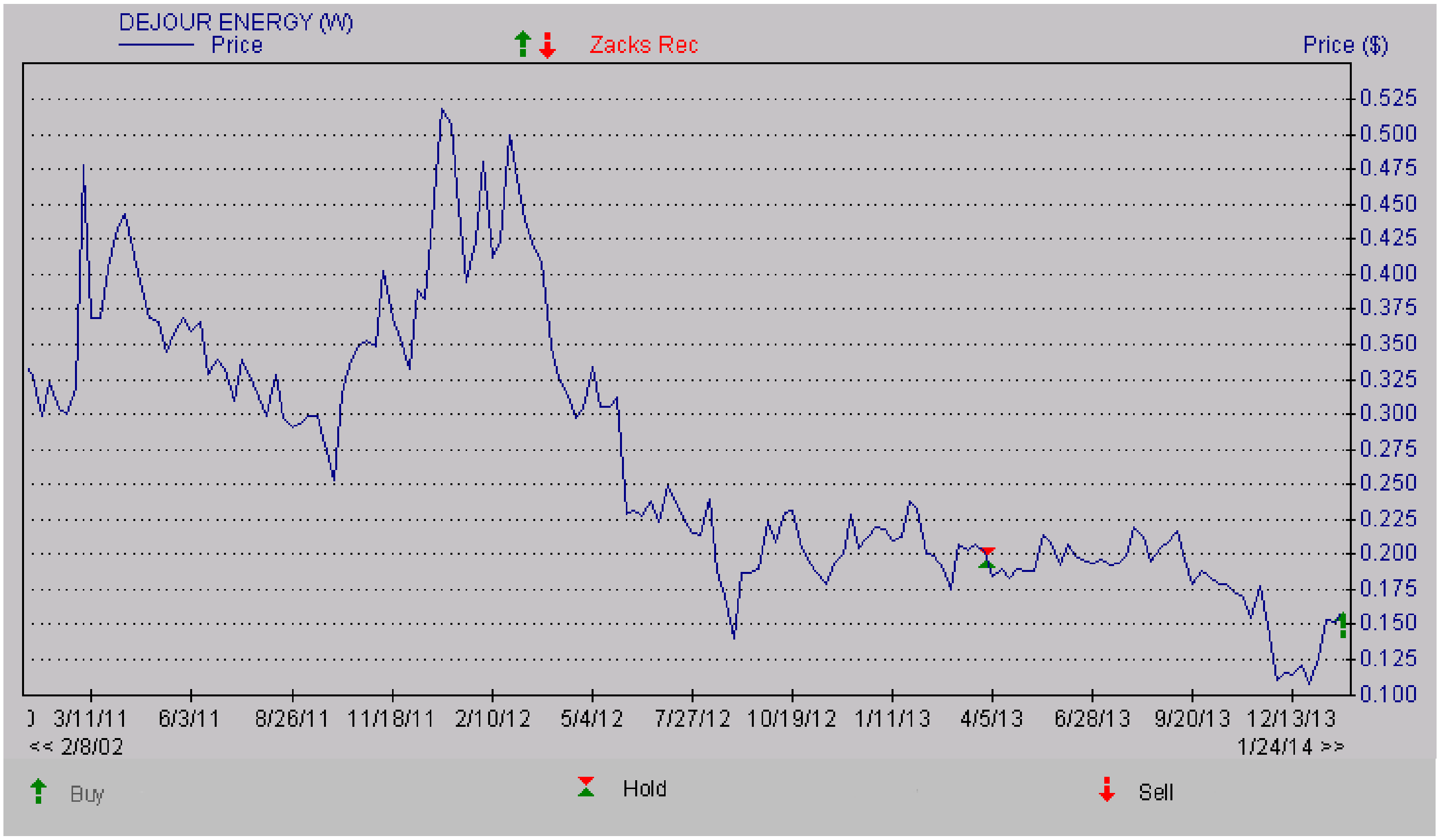
In November 2012, two significant transactions were announced pertaining to natural gas leases in the Piceance and Uinta Basins: Vanguard Natural Resources LLC agreed to purchase 254,000 net acres of leasehold from Bill Barrett Corp. (BBG: NYSE) for $335 million, and a private company agreed to purchase 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 $82.4 million.

PROJECTED INCOME STATEMENT

Dejour Energy Inc. Earnings Model

	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 E	2013 E	Q1 E	Q2 E	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	50.0	**258.3**	48.0	46.0	44.0	42.0	**180.0**
Crude oil (MBO)	**81.5**	18.6	19.6	16.6	17.8	**72.6**	20.9	25.6	16.3	16.0	**78.8**	15.5	15.1	14.6	14.2	**59.3**
Kokopelli natural gas (MMCF)									172	165	**337.0**	145.2	127.8	169.2	320.9	**763.1**
Total (MBOE)	**153.5**	37.8	36.9	31.9	29.3	**136.0**	34.2	38.4	53.6	51.8	**458.9**	47.7	44.0	50.1	74.6	**852.4**
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	3.65	**3.78**	4.40	4.20	4.30	4.30	**4.30**
Oil (CAD/BBL)	**88.93**	88.46	78.85	79.66	78.50	**81.37**	82.94	86.66	95.20	91.50	**89.07**	89.00	89.00	89.00	89.00	**89.00**
Natural gas liquids (CAD/BBL)																
INCOME STATEMENT (CAD 000 except EPS)																
Woodrush natural gas revenues	**1,591**	286	225	227	219	**957**	307	305	189	183	**976**	211	193	189	181	**774**
Woodrush crude oil revenues	**7,233**	1,643	1,543	1,325	1,394	**5,904**	1,732	2,221	1,552	1,464	**7,020**	1,381	1,340	1,300	1,261	**5,281**
Kokopelli natural gas revenues	-	-	-	-	-	-	-	-	659	635	**1,294**	668	562	761	1,444	**3,436**
Total oil and gas revenues	**8,824**	1,928	1,771	1,552	1,630	**6,882**	**2,038**	**2,526**	**2,399**	**2,282**	**9,290**	**2,038**	**2,095**	**2,250**	**2,885**	**9,491**
Royalties	**1,628**	331	291	234	261	**1,116**	378	494	438	429	**1,299**	383	394	423	542	**977**
Total oil and gas revenues (net)	**7,196**	1,598	1,480	1,318	1,370	**5,766**	1,660	2,032	1,961	1,853	**7,991**	1,655	1,702	1,828	2,343	**8,514**
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**	**1,853**	**7,991**	**1,655**	**1,702**	**1,828**	**2,343**	**8,514**
Operating expenses																
Operating and transportation	**2,499**	952	840	1,209	792	**3,793**	911	764	798	800	**3,273**	597	614	659	845	**2,715**
General and administrative	**4,042**	927	855	714	937	**3,433**	983	853	694	675	**3,205**	481	505	530	557	**2,072**
Amortization, depletion & acc.	**8,652**	691	696	597	783	**2,766**	787	735	5,298	772	**7,592**	690	709	762	977	**3,138**
Change in fair value of warranty liability	**1,580**	(1,110)	(681)	(16)	(35)	**(1,842)**	(342)	(45)	(343)	0	**(730)**	(200)	(200)	(200)	(200)	**(800)**
Change in fair value of derivative liability	-	-	-	-	-	-	-	-	(107)	0	**(107)**	(100)	(100)	(100)	(100)	**(400)**
Stock based compensation	**662**	300	66	26	474	**867**	57	243	29	120	**449**	100	100	100	100	**400**
Total operating expenses	**17,436**	**1,760**	**1,777**	**2,530**	**2,951**	**9,017**	**2,396**	**2,550**	**6,369**	**2,367**	**13,682**	**1,568**	**1,628**	**1,751**	**2,179**	**7,125**
OPERATING INCOME	**(10,266)**	**(217)**	**(288)**	**(1,204)**	**(1,581)**	**(3,273)**	**(736)**	**(518)**	**(4,408)**	**(514)**	**(5,692)**	**87**	**74**	**76**	**165**	**1,389**
Interest (expense)	**(868)**	(125)	(208)	(67)	(188)	**(588)**	(124)	(294)	(412)	(400)	**(1,230)**	(400)	(50)	(50)	(100)	**(600)**
Interest income	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on investments	**0**	-	-	-	299	**299**	-	-	-	-	**0**	-	-	-	-	**0**
Gain (loss) on disposal of E&E assets	**0**	-	-	-	-	**0**	(216)	-	-	-	**(216)**	-	-	-	-	**0**
Equity income (loss)	**0**	-	-	-	-	**0**	-	-	-	-	**0**	-	-	-	-	**0**
Other income	**0**	8	-	-	(92)	**(84)**	6	6	5	5	**0**	5	5	5	5	**20**
Impairments	**0**	-	-	-	(7,910)	**(7,910)**	-	-	-	-	**0**	-	-	-	-	**0**
Foreign exchange gain (loss)	**(98)**	(20)	(84)	(95)	9	**(189)**	(140)	(269)	173	0	**(236)**	0	0	0	0	**0**
Pretax income	**(11,231)**	(354)	(580)	(1,365)	(9,462)	**(11,745)**	(1,210)	(1,075)	(4,642)	(909)	**(7,374)**	(308)	29	31	70	**809**
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)**	**(909)**	**(7,374)**	**(308)**	**29**	**31**	**70**	**809**
Foreign currency translation adjustment	**292**	(160)	177	(309)	117	**(175)**	334	533	(337)	0	**530**	0	0	0	0	**0**
Comprehensive Income (loss)	**(10,752)**	(514)	(403)	(1,674)	(9,345)	**(11,920)**	(876)	(542)	(4,979)	(909)	**(6,844)**	(308)	29	31	70	**809**
Weighted Avg. Shares Out.	**120,300**	130,786	136,165	148,916	148,916	**141,056**	148,916	148,916	148,916	148,916	**148,916**	154,916	155,916	155,916	155,916	**155,666**
EPS before NRI	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.01)	(0.03)	(0.01)	**(0.05)**	(0.00)	0.00	0.00	0.00	**0.01**
REPORTED NET INCOME	**(0.09)**	(0.00)	(0.00)	(0.01)	(0.06)	**(0.08)**	(0.01)	(0.01)	(0.03)	(0.01)	**(0.05)**	(0.00)	0.00	0.00	0.00	**0.01**

HISTORICAL ZACKS RECOMMENDATIONS



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