



DEJOUR ENTERPRISES LTD.

**Management Discussion and
Analysis**

Quarter Ended March 31, 2006

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

For the quarter ended March 31, 2006

The following is a discussion of the operating results and financial position of Dejour Enterprises Ltd (“Company”) for the quarter ended March 31, 2006. It should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2005.

Company Overview

Dejour Enterprises Ltd. is a micro-cap Canadian energy company developing high impact exploration opportunities in the current energy super cycle. The Company's focus is uranium and oil & gas.

The Company sets high standards for both our people and our projects. Dejour creates shareholder value by:

- Innovative, creative approach to the energy industry
- Leadership strength
- Significant public resource company expertise and market focus
- Proven multi-talented expertise in the businesses of oil and gas and uranium
- Concise goals, achievable objectives
- Timely acquisition and development of high-impact projects

Uranium Exploration

History of Uranium Exploration in the Athabasca Basin

Dejour’s uranium properties are situated along the western and eastern margins and in the center of the Athabasca Basin (“Basin”). The Basin became the focus for uranium exploration following the discovery in 1968 of a new, unconformity-related, high-grade type of uranium deposit along the eastern edge of the Basin at Rabbit Lake. This marked the beginning of the uranium exploration boom in the Basin. Major discoveries were made in the 1970’s (Collins Bay, Key Lake and Midwest) and the 1980’s (Cigar Lake, McArthur, Eagle Point, and Dominique-Peter).

The main exploration focus was on the definition of sub-Athabasca basement graphitic rocks, recognizable as electromagnetic conductors, because of the role they played in controlling the locations of the unconformity-type uranium deposits at or near the Athabasca –basement contact.

The Basin has been explored sporadically from the late 1960’s through to the present day with most of the work being carried out in the late 1970’s and 1980’s. The main companies involved included Saskatchewan Mining Development Company, now Cameco Corp, Cogema, and Uranerz Exploration and Mining Limited. These and numerous other exploration companies flew airborne electromagnetic, magnetic and radiometric surveys, carried out prospecting, ground geophysics, till and lake water and lake sediment sampling and diamond drilling.

The majority of the work was carried out on the eastern side of the Basin. The exploration work carried out to date on and in the vicinity of Dejour's property has not been exhaustive. New and improved exploration technologies successful in defining anomalies elsewhere in the Basin are now being utilized on Dejour's properties.

Property Geology

Dejour's properties are underlain by metamorphosed Aphebian sedimentary rocks, which contain graphitic horizons, and felsic intrusive rocks. These in turn are overlain by the flat lying late Proterozoic Athabasca Sandstone Formation which consists primarily of coarse sandstone with pebbly and conglomeratic layers. The thickness of the sandstone varies considerably from property to property.

On the Virgin River Trend South property the sandstone has been completely eroded. On the Virgin River North property the sandstone is 800m to 1500m thick and on the remaining thirteen projects the sandstone is 50 to 800m thick. On several properties the sandstone is cut by thin diabase dykes. Pre-Athabasca and post-Athabasca faulting is common on all the properties.

On the Maybelle River and Gartner Lake projects on the very west side of the Basin the sandstone also has a thin cover of Cretaceous clastic sediments.

All of the properties have been glaciated and have a thin veneer of glacial sediments covering the sandstone and basement rocks.

On all of the Dejour projects the information available from government and exploration sources indicates that the properties have geological features comparable to those found in the vicinity of uranium mineralization elsewhere in the Basin.

Current Uranium Holdings

As at March 31, 2006 the Company held the fifth largest mineral holdings in the Basin. The Company currently has 100% interest in the following properties:

	Hectares	Acres
Virgin Trend North	132,613	327,693
Virgin Trend South	31,594	78,070
R-Seven	54,531	134,739
Sand Hill Lake	74,312	183,628
Fleming	34,325	84,819
Gartner Lake	24,157	59,693
Maybelle River	16,473	40,706
Meanwell Lake	14,989	37,038
Thorburn Lake	2,802	6,924
Hoppy North	1,924	4,754
Hoppy South	1,271	3,141
Umpherville Lake	1,095	2,706
Sheila	759	1,876
Umpherville West	321	793
Bozo	154	380
Total	391,320	966,969

Virgin Trend North/South

This extensive property [4 permits and 5 claims (164,207 hectares/405,763 acres)] covers the trace of the Virgin River Shear Zone/Dufferin Fault/Black Lake Fault which is a major fault system with repeated movement during the period of Athabasca sandstone deposition and uranium mineralization. Most of the property, except the southern off sandstone permit (31,594 hectares/78,070 acres), has at least 700m of sandstone covering the metasediments known to be favorable for uranium mineralization.

On the Cameco joint venture property to the south drill hole VR-018 intersected 5.83% U3O8 over 6.4 metres and drilling done by Cameco in 2005 extended and better defined the mineralized zone associated with this major fault structure.

Prior exploration on the Dejour property has been minimal but of note is a large boron and clay anomaly at the south end of the property. Boron is a significant indicator element often associated with uranium mineralization. Sampling carried out by Dejour in the summer of 2005 confirmed the boron and clay alteration extends onto Dejour's property for 20 kilometres.

R-Seven

This large property [12 claims (54,531 hectares/134,749 acres)] extends from the edge of the sandstone north for more than 33 kilometres. Previous exploration, conducted until the late 1990s, identified numerous graphitic electromagnetic conductive zones in the sub-sandstone basement rocks.

However, only eight holes were drilled on the property during that period. One of the holes encountered significantly anomalous radioactivity as well as clay mineral alteration that frequently haloes uranium deposits. This area, and the many other conductive zones on the property, provides targets for future uranium exploration.

The property was flown with Fugro's state of the art MEGATEM II airborne electromagnetic system and confirmed the known conductors, traced these conductors to the north under deeper cover and also identified previously unknown conductors. As a result one new claim was staked (4,535 hectares/11,206 acres).

Sand Hill Lake

This property [18 claims (74,312 hectares/183,628 acres)] follows the southern margin of the Athabasca basin for more than 25 kilometres. Historic work on the eastern portion near Virgin Lake identified graphite in basement rocks and a series of northeast-trending faults.

These are part of the Dufferin Lake structural zone. It hosts the significant uranium mineralization in Cameco's Centennial Zone on the adjoining property where hole VR-018 intersected 5.83% U₃O₈ over 6.4 metres. Such structures associated with basement graphite near Virgin Lake are prime exploration targets.

Elsewhere on the project, graphite is associated with faulting that trends northwest through an area on the project where uranium is enriched in the bottom sediments of several lakes. This may be an area where a chimney of alteration above a uranium deposit comes to surface.

The property was flown with Fugro's state of the art GEOTEM 1000 and MEGATEM II airborne electromagnetic systems. The surveys confirmed the conductors identified by earlier exploration and traced these conductors north under deeper cover. The surveys also identified several new conductors and a total of 12 new claims were staked to cover these new conductors (42,070 hectares/111,370 acres).

Fleming

Historic exploration on the property [(10 claims (34,325 hectares/84,819 acres)] traced a graphitic electromagnetic zone from the southwest to the southern part of the present property, where a pitchblende veinlet in a diabase dyke yielded a grab sample result of 3.2 % U₃O₈.

To the northeast, the geophysical data became difficult to interpret and more than 15 shallow drill holes failed to adequately trace the graphitic conductive zone or discover significant mineralization. The property was surveyed using the state of the art MEGATEM II airborne electromagnetic system. This new survey defined the earlier known conductor and also discovered several new previously unknown conductors believed to be caused by graphitic horizons. As a result four new claims were staked (6,971 hectares/17,226 acres) to cover the new conductors.

Maybelle River

The property [3 claims (16,473 hectares/40,706 acres)] covers a poorly explored part of the Athabasca basin immediately east of the Alberta border. Government magnetic data shows the northern part of the property to be underlain by low magnetic rocks, probably metasediments

which may be graphitic. Previous exploration has been hampered by the thick cover of Paleozoic and Cretaceous sediments.

As a first step in assessing this property an airborne electromagnetic survey was flown using Fugro's state of the art deep penetrating MEGATEM II system. This survey was successful in detecting previously unknown conductors.

Gartner Lake

The property [5 claims (24,157 hectares/59,693 acres)] covers a poorly explored part of the Athabasca basin where Cretaceous sediments cover the Athabasca sandstone which overlies basement metasediments favorable for uranium mineralization. Prior exploration around the property detected electromagnetic anomalies related to graphitic conductors which appear to trend on to Dejour' ground but are obscured by Cretaceous cover.

As a first step in exploring the ground an airborne electromagnetic survey was flown to detect graphitic conductors using Fugro's powerful state of the art MEGATEM II system. Several conductors were identified.

Meanwell Lake

Based on historical exploration data, a zone of graphitic metasediments trends northeast across the property [3 claims (14,989 hectares/37,038 acres)]. Additionally, a northwest trending fault offsets the graphitic rocks. The resulting zone of structural disruption of the graphitic basement rocks may have localized deposition of a uranium deposit that will be the target of future exploration.

The Company will provide information on other claims and permits once they become available.

2005 Activities

After acquiring claims and permits in 2004 and the first quarter of 2005, Dejour initially concentrated on compiling the historical uranium exploration data. This was done in order to properly assess the work that had been done on the properties so as to determine how best to follow up existing anomalies and to determine which exploration techniques should be used to further explore the properties.

Seven of Dejour's properties were then flown with Fugro's state of the art Geotem 1000 (1969 line kilometres) and Megatem II (5395 line km) electromagnetic systems to define basement graphitic horizons. In addition to the survey data provided by Fugro, Dejour contracted Condor Geophysics of Denver, CO to carry out advanced processing of this data to enhance the Fugro interpretation.

The airborne EM surveys were successful in confirming and extending known anomalies and also identified horizons not previously detected by earlier lower powered surveys. As a result of the encouraging information a total of 18 additional claims comprising 60,129 hectares (148,581 acres) were staked to cover the new airborne anomalies. A total of 250 kilometres of EM anomalies have now been defined on Dejour properties.

Dejour completed lithochemical sampling of sandstone boulders on the Virgin Trend North and Fleming properties. The sampling confirmed and extended the boron and clay alteration

anomaly at the south end of the Virgin Trend property. The results on the Fleming property showed erratic anomalous samples and more sampling may be required. Similar boron and clay lithogeochemical anomalies are known in the vicinity of uranium mineralization in the eastern part of the Basin.

2006 Activities

The Company contracted with Hy-Tech Drilling to carry out 5,000 metres of drilling to test targets on the Company's R-Seven, Meanwell Lake and Sand Hill Lake properties. The helicopter supported drilling programme is expected to finish in June 2006. The Company is presently preparing for a summer exploration program.

Oil & Gas Exploration

Dejour has acquired interests in potentially significant oil and gas prospects in North America based on the following criteria:

- Multi-zone potential for both gas and oil
- High quality reservoirs
- Proximity to infrastructure and production facilities
- Year round drilling, operating and production
- An attractive available land position

Tinsley Prospect

By agreement dated September 1, 2005 the Company acquired the rights to participate in an oil and gas exploration joint venture known as the Tinsley Deep Prospect located in Yazoo County, Mississippi (the "Tinsley Prospect"). The Tinsley Prospect is comprised of 5,100 gross acres and 4,613 net acres. During December 2005 the operator commenced drilling operations on a test well drilled to a total depth of 11,237 feet.

The Company paid acquisition costs representing the Company's 43% prospect interest which include payment for leasehold interests, brokerage, seismic processing and prospect development. In the initial well the Company shall pay 46.583333% of the drilling and/or abandonment costs, and 34.9375% of completion costs to earn a 34.9375% WI BPO (working interest before payout) [28.21875% NRI BPO (net revenue interest before payout)] and 29.428126% WI APO (working interest after payout) [25.633635% NRI APO (net revenue interest after payout)]. The agreement also contains an Area of Mutual Interest consisting of approximately 45 sq. miles defined by the area covered by certain seismic data.

In March 2006, the Company was advised by the operator of the Tinsley Prospect that the well is not economic. As a result, the Company will be recording an impairment provision of approximately \$2,062,000 including drilling costs incurred during the first quarter ended March 31, 2006.

Lavaca Prospect

By agreement dated October 1, 2005 the Company acquired the rights to participate in an oil and gas exploration joint venture known as the Lavaca Prospect located in Mitchell County, Texas (the "Lavaca Prospect"). The Lavaca Prospect is comprised of 6,181 gross acres and 3,998 net

acres. During November 2005 the operator commenced drilling operations on a test well drilled to 8,200 feet.

The Company paid acquisition costs representing the Company's 10% interest which include payment for leasehold interests, brokerage and prospect development. In the initial well the Company will pay 13.33333% of the drilling and/or abandonment costs and 10% of completion costs estimated at to earn a 10% WI (working interest) [7.5% NRI (net revenue interest)]. The agreement also contains an Area of Mutual Interest consisting of all land within one mile from the outside borders of the leasehold lands.

Alberta Oil & Gas Joint Venture

Commencing April 1, 2006 the Company has entered a joint venture arrangement with Charles W.E. Dove, who has been an advisory board member of the Company since November 2004, and a principal with Dove & Kay Exploration Ltd. of Calgary.

Mr. Dove, a geophysicist, with over 27 years oil & gas experience, left his geophysical consulting business to join with Dejour to identify, generate and pursue certain oil & gas opportunities in the Western Sedimentary Basin. The Joint Venture is owned and will be funded 90% by Dejour, with Mr. Dove's company, Wild Horse Energy Ltd. owning and funding the remaining 10%. A number of potential oil & gas opportunities are under consideration.

Retamco Project

The Company entered into a conditional Letter of Intent with Retamco Operating Co., a private Texas corporation, to acquire an interest in oil & gas leases located in the Piceance and Uintah Basins respectively in the States of Colorado and Utah. These basins represent areas containing some of the hottest oil & gas opportunities today in the continental USA.

There are both Resource Prospects and a deeper Overthrust Prospect consisting of over 250,000 gross acres. The Company will retain a minimum net 25% working interest in the Resource Prospects and a minimum net 12.5% working interest in the Overthrust Prospect.

The Company has committed to pay to Retamco, on closing, a payment in the amount of USD \$5.0 million, issue a promissory note in the amount of USD \$5.0 million maturing December 31, 2006 and issue no fewer than 5.5 million common shares of the Company.

The Company is planning to conclude this acquisition during June 2006.

Share Capital

Authorized: Unlimited common shares
Unlimited first preferred shares, issuable in series
Unlimited second preferred shares, issuable in series

	Shares	Value
Common shares issued:		
Balance at December 31, 2004	15,795,962	2,726,819
Common shares issued during 2005:		
- for cash by private placements	21,030,214	14,696,916
- for services	11,500	9,200
- for cash on exercise of agent's options	217,783	152,448
- for cash on exercise of warrants	1,806,365	883,160
- for cash on exercise of stock options	154,965	52,286
- contributed surplus reallocated on exercise of stock options	-	35,480
- renounced flow through share expenditures	-	(366,135)
Balance at December 31, 2005	39,016,789	\$ 18,190,174
Common shares issued in the quarter ended March 31, 2006		
- for cash by private placements	5,983,333	8,129,291
- for cash on exercise of warrants and agents options	897,884	898,598
- for cash on exercise of stock options	112,667	70,962
Balance at March 31, 2006	46,010,673	\$ 27,289,025

Stock Options and Warrants

The following table summarizes information about stock options transactions:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2004	950,000	0.275	4.83 years
Options granted	2,606,192	0.603	
Options exercised	(154,965)	0.337	
Options cancelled and expired	(90,035)	0.415	
Balance, December 31, 2005	3,311,192	\$ 0.527	2.71 years
Options granted	350,000	1.357	
Options exercised	(154,965)	0.391	
Options cancelled and expired	-	-	
Balance, March 31, 2006	3,311,192	\$ 0.614	2.43 years

Details of changes in the Company's contributed surplus balance are as follows:

Balance, December 31, 2004	6,131
Stock compensation on vesting of options	308,434
Allocated to share capital on exercise of options	(35,480)
Balance, December 31, 2005	\$ 279,085
Stock compensation on vesting of options	153,477
Allocated to share capital on exercise of options	(26,915)
Balance, March 31, 2006	\$ 405,647

Details of warrants outstanding as at March 31, 2006 are as follows:

Number	Price	Remaining Contractual Life
6,458,672	\$ 0.80	0.96 years
122,362	0.85	0.96 years
2,661,201	1.10	1.71 years
806,667	1.65	1.75 years
10,048,902	\$ 0.95	1.22 years

In addition, as part of the private placement closed in March 2005, the Company issued 717,692 agents' options that are exercisable into units at a price of \$0.70 per unit until March 17, 2007. Each unit consists of one common share and one half of a share purchase warrant. Each whole share purchase warrant is exercisable into a common share at a price of \$0.85 per share until March 17, 2007. As at March 31, 2006, 12,815 of these agent's options remain unexercised.

Related Party Transactions

During the quarter-ended March 31, 2006, the Company entered into the following transactions with related parties:

- a) The Company incurred \$34,000 in fees and \$5,547 in expense reimbursements to a private company controlled by a director of the Company.
- b) The Company incurred \$34,500 in fees to a private company controlled by a director of the Company.
- c) The Company incurred \$4,695 in fees and \$1,998 in expense reimbursements to directors
- d) The Company incurred \$24,783 in fees and \$723 in expense reimbursements to a private company controlled by an officer of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Subsequent Events

In April 2006, the Company granted a total of 1,350,000 options to consultants, directors and officers. These options are exercisable at \$2.10 per share before April 30, 2009.

In May 2006, the Company completed the private placement of 2,103,333 common share units at \$1.50 per Unit for total gross proceeds of \$3,155,000. Each Unit consists of one common share and one-half of one share purchase warrant with each whole share purchase warrant exercisable into a common share at \$1.65 per share before December 31, 2007. The Company paid finders' fees of \$138,150 and issued 92,100 warrants exercisable into a common share at \$1.65 per share before December 31, 2007.

Retamco Oil & Gas Project

In May 2006, the Company entered into a conditional Letter of Intent with Retamco Operating Co., a private Texas corporation, to acquire an interest in oil & gas leases located in the Piceance and Uinta Basins respectively in the States of Colorado and Utah. These basins represent areas containing some of the hottest oil & gas opportunities today in the continental USA.

There are both Resource Prospects and a deeper Overthrust Prospect consisting of over 250,000 gross acres. The Company will retain a minimum net 25% working interest in the Resource Prospects and a minimum net 12.5% working interest in the Overthrust Prospect.

The Company has committed to pay to Retamco, on closing, a payment in the amount of USD\$5.0 million, a promissory note in the amount of USD\$5.0 million maturing December 31, 2006 and issue no fewer than 5.5 million common shares of the Company.

Results of Operations – Quarter ended March 31, 2006

The Company's net loss for 2006 Q1 was \$3,178,144, or \$0.08 per share, compared to \$188,525 or \$0.01 per share for 2005 Q1. The increase in net loss was largely related to a write-down of Tinsley oil & gas prospect for \$2,329,730.

Interest revenue increased to \$96,876 in 2006 Q1, from \$10,508 in 2005 Q1, as the Company had a higher cash balance in 2006 Q1.

Investor relations expense increased to \$500,087 in 2006 Q1 from \$30,711 in 2005 Q1. The Company was reactivated to Tier 2 Issuer status on the TSX Venture Exchange in November 2004. Therefore, in 2005 Q1, our investor base and investor relations expenses were small. As the Company expanded, it incurred trade shows, travel and newsletter printing costs to broaden the Company's shareholders' base and to better communicate the Company's business plan to potential investors.

Since its reactivation, the Company had been actively looking for projects that would add to shareholder values. Due to significantly increased business activities, management and consulting fees rose to \$138,898 in 2006 Q1 from \$58,358 in 2005 Q1. During 2005, the Company moved to a larger office premise to accommodate more staff. As a result, office and general expenses also increased to \$78,615 in 2006 Q1 from \$32,070 in 2005 Q1.

In 2006 Q1, the Company recorded \$153,477 of non-cash stock based compensation expenses, compared to \$30,044 in 2005 Q1, calculated using the Black-Scholes option pricing model.

Summary of Quarterly Results

(Unaudited - Prepared by Management)

Quarter ended year	Mar 31, 2006 \$	Dec 31, 2005 \$	Sep 30, 2005 \$	Jun 30, 2005 \$	Mar 31, 2005 \$	Dec 31, 2004 \$	Sep 30, 2004 \$	Jun 30, 2004 \$
Revenues	96,876	37,562	22,784	28,677	10,507	Nil	Nil	Nil
Net Loss	(3,275,020)	(503,460)	(509,430)	(410,504)	(188,525)	(310,446)	(30,114)	(31,857)
Loss per share ⁽¹⁾	(0.08)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.00)	(0.00)
Fully diluted loss per share	(0.08)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.00)	(0.00)

Liquidity and Financings

Since its reactivation to Tier 2 Issuer status on the TSX Venture Exchange in November 2004 to May 26, 2006, the Company has raised gross proceeds of over \$32 million, through seven private placements and the exercise of warrants and options. As at May 26, 2006, the Company had \$23 million in cash.

Although to date the Company's main source of funding has been through equity issues, it is actively looking for revenue generating projects of merit in the energy sector.

Working capital increased to \$18,396,420 on March 31, 2006 from \$12,167,334 on December 31st, 2005 and \$6,337,453 on March 31, 2005. Cash balances on March 31, 2006 were \$19,806,706, compared to \$12,387,314 and \$6,314,347 on December 31, 2005 and on March 31st, 2005 respectively.

The Company does not have any debt.

In December 2005, the Company raised \$2,415,000 through the issuance of 2,300,000 flow-through shares ("FTS"). Under the FTS agreement, the Company is obligated to spend \$2,415,000 in CEEs by December 31, 2006.

In March 2006, the Company issued 5,300,000 flow-through common shares at \$1.50 per shares and raised \$7,950,000 through a brokered private placement. Under the FTS agreement, the Company is obligated to spend \$7,950,000 in CEEs by December 31, 2007.

During 2006 Q1, the Company incurred approximately \$870,000 in CEEs.

Forward Looking Statements

Statements contained in this document which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause such differences include, but not limited to, are volatility and sensitivity to market price for uranium, environmental and safety issues including increased regulatory burdens, possible change in political support for nuclear energy, changes in government regulations and policies, and significant changes in the supply-demand fundamentals for uranium that could negatively affect prices. Although the Company believes that the assumptions inherent in forward looking statements are reasonable we recommend that one should not rely heavily on these statements. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.