DEJOUR ENTERPRISES LTD.

Management Discussion and Analysis

2006

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS
For the year and quarter ended December 31, 2006

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

Company Overview

Dejour Enterprises Ltd. is a micro cap Canadian company focused on oil & gas exploration and production with a significant investment in uranium discovery. The company acquires high-impact energy assets and strategically monetizes them through partnerships and co-ventures to limit exposure and enhance returns.

The Company's focus is uranium and oil & gas.

We have set 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 oil and gas and uranium markets
- Concise goals, achievable objectives
- Timely acquisition and development of high-impact projects

Uranium Exploration Projects

History of Uranium Exploration in Athabasca Basin

January 2005 Dejour announced it is entry into the business of exploration for uranium with the staking of its first mining claims located in the Athabasca Basin in northern Saskatchewan (the "Basin"). The Basin is the number one uranium address in the world. In less than 2 years the Company staked or acquired mineral rights to 68 claims and 4 permits consisting of 966,969 acres (391,320 hectares) with the Company owning 100% of the interest. The Company had spent approximately $7.0 million in acquisition and exploration on its uranium properties.

During October 2006 the Company announced a transaction with Titan Uranium Inc. ("Titan") whereby Titan acquired Dejour's uranium properties and in return Dejour received 17.5 million common shares of Titan and 3.0 million Titan warrants while retaining a 1% NSR and a carried 10% working interest to completed bankable feasibility study following which Dejour could elect to convert its 10% carried interest to another 1% NSR. As at December 15, 2006 Dejour owned roughly 37% of the outstanding common shares of Titan.

According to an Estimate Valuation Report by independent business valuator BDO Dunwoody Valuation Inc., dated March 29, 2007, the estimated value of the 17.5 million common shares of Titan and 3.0 million Titan warrants received were approximately $36.5 million. This figure excludes the values for the 1% NSR and 10% carried interest. A gain on disposition of $30.2M was recognized in 2006.

About the Athabasca Basin

Dejour's previously owned uranium properties are situated along the western and eastern margins and in the center of the Basin. The Basin became the focus for uranium exploration following the discovery in 1968 of a new, unconformity-related, high-grade 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 the Dejour-Titan properties has not been exhaustive. New and improved exploration technologies successful in defining anomalies elsewhere in the Basin are now being utilized on the properties.

Property Geology

The uranium 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 properties 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 and Gartner properties 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 properties 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 December 31, 2006 the Company held a 10% carried interest and 1% NSR in the following uranium properties:

	Hectares	Acres
Virgin Trend North	132,613	327,693
Virgin Trent South	31,594	78,070
R-Seven	54,531	134,739
Sand Hill Lake	74,312	183,678
Fleming Island	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 Project	759	1,875
Umpherville West	321	793
Bozo Project	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 one drill hole intersected 5.83% U3O8 over 6.4 metres and drilling was done by Cameco in 2005 to extend and better define the mineralized zone associated with this major fault structure.

Prior exploration on this 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 this 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 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 which hosts the significant uranium mineralization in Cameco's hole VR-018 on the adjoining property, which intersected 5.83% U_3O_8 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 Island

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 % U_3O_8.

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 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 less explored part of the 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.

The continuity of expenditures on the Company’s uranium properties is as follows:

	Dec 31, 2005	Consulting and General	Drilling	Geochemical Surveys	Geophysical Surveys	Disposal	Dec 31, 2006
Bozo	$ 3,298	$ 2,131	$ -	$ -	$ 7,250	$ (11,411)	$ 1,298
Fleming Island	263,605	27,429	7,652	-	70,138	(331,942)	36,882
Gartner Lake	208,141	21,294	1,568	-	500	(208,353)	23,150
Hoppy North	22,080	3,569	-	-	30,316	(50,369)	5,596
Hoppy South	15,374	3,003	-	-	20,402	(34,901)	3.878
Maybelle River	178,372	16,671	1,568	-	500	(177,400)	19,711
Meanwell Lake	153,683	51,644	357,035	-	130,781	(623,829)	69,314
R-Seven	351,883	104,806	1,110,321	2,134	512,866	(1,873,809)	208,201
Sand Hill Lake	505,568	86,583	482,292	-	530,673	(1,444,604)	160,512
Carlson Creek Project	9,948	3,795	-	-	15,186	(26,036)	2,893
Thorburn Lake	31,547	3,869	-	-	24,717	(54,120)	6,013
Umpherville Lake	13,447	2,338	-	-	15,294	(27,971)	3,108
Umpherville West	5,038	2,239	-	-	7,228	(13,054)	1,451
Virgin Trend North	342,978	58,072	192,683	-	858,533	(1,307,039)	145,227
Virgin Trend South	92,177	3,859	968	-	864	(88,081)	9,787
Total	$2,197,139	$ 391,302	$2,154,087	$ 2,134	$ 2,225,248	$(6,272,919)	$696,991

2005 Activities

After acquiring claims and permits in 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 the properties were then flown with Fugro's state of the art Geotem 1000 (1969 line kilometres) and Megatem II (5395 line km) electromagnetic systems in order 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 the properties.

Dejour completed lithogeochemical 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 lithogeochemical anomalies are known in the vicinity of uranium mineralization in the eastern part of the Basin.

2006 Activities

The Company contracted Patterson Geophysics to carry out ground TDEM to confirm and better define the airborne EM anomalies detected by Fugro. Hy-Tech Drilling was contracted to carry out 5,000 metres of drilling to test targets on the R-Seven, Meanwell Lake and Sand Hill Lake properties. This helicopter supported drilling programme finished in early June 2006 and additional drilling to follow up on anomalous values was completed in July. Empulse Geophysics Ltd and Quantec Geosciences Ltd carried out very deep penetrating audio magneto telluric (AMT) surveys on the Virgin Trend North and Sand Hill Lake projects in September. One line of lithogeochemical sampling was done on the R-Seven property. Geotech Ltd flew helicopter borne VTEM airborne EM surveys in September and October on most of the projects.

Maybelle River

The property [3 claims (16,473 hectares/40,706 acres)] covers a under explored part of the Basin immediately east of the Alberta border. In 2005 a MEGATEM II survey was flown which defined several previously unknown basement conductors. No work was done in 2006.

Gartner Lake

The property [5 claims (24,157 hectares/59,693 acres)] covers a poorly explored part of the Basin where Cretaceous sediments locally cover the Athabasca sandstone. In 2005 a MEGATEM II survey was flown which defined several new basement conductors. No work was done in 2006.

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.

In 2005 the property was flown with MEGATEM II which 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).

In 2006 Patterson Geophysics completed ground TDEM surveying during the first quarter on three grids (31.5 km) to better define the airborne EM anomalies. Additional surveying (one 13 km line of step loop TDEM, 59 km of readings) on S-108062 and S-108063 was done in August as was lithogeochemical boulder sampling on the same line. The boulder sampling showed no anomalies.

During April and May 2006, seven holes were drilled, for a total of 3576.8 metres. Several holes had elevated values of uranium (to 3.8 ppm U in RS 06-06) and pathfinder minerals boron and lead. Follow up drilling in three areas was completed in July (888m). Analytical results showed elevated uranium (to 3.68 ppm U) in hole RS 06-09, adjacent to RS 06-06 and HK-006, an historical drill hole which intersected anomalous radioactivity at the unconformity.

In September of 2006, Geotech flew a VTEM survey over the southern four claims. Preliminary results show several strong basement conductors and crosscutting structures.

Meanwell Lake

The property [3 claims (14,989 hectares/37,038 acres)] covers a sequence of metasedimentary rocks with the Athabasca sandstone cover being 0 to 600m thick. In 2005 a GEOTEM 1000 survey defined several basement conductors,

In 2006, Patterson Geophysics completed ground TDEM surveying during the first quarter on two grids (30 km) to define airborne EM anomalies. In April two holes (758m) were drilled to test two conductors; elevated values of uranium (to 4.8 ppm U) and pathfinder element boron were encountered in both holes (MW 06-01, 02). Two follow up holes were drilled adjacent to MW 06-02 in July and analytical results show elevated uranium (to 2.99 ppm U) in both holes. Geotech flew VTEM over the southern claim block and as expected defined several conductors in this area of shallow to nil sandstone cover.

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% U_3O_8 over 6.4 metres. Such structures associated with basement graphite near Virgin Lake are prime exploration targets.

The property was flown with 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).

In 2006 Patterson Geophysics completed ground TDEM surveying during the first quarter on seven grids (91.5 km) to define airborne EM anomalies. In May six holes (1056.0m) were drilled to test several conductors; elevated values of uranium (to 2.32 ppm U) and pathfinder elements boron and lead were encountered in several holes. Two follow up holes were drilled in July, the first of which intersected highly anomalous uranium and boron values in the sandstone and basement. Both the sandstone and graphitic basement rocks showed alteration and structural features typically seen near uranium mineralization.

In September Empulse completed one line of AMT and Geotech completed VTEM surveying over areas of the project that had no recent airborne EM surveys.

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.

The Cameco Virgin River joint venture property to the south of Dejour’s Virgin Trend North project hosts the Centennial zone where drill hole VR-018 intersected 5.83% U3O8 over 6.4 metres.

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.

In 2006 Empulse Geophysics completed three lines (31 km) of AMT surveying at the south end of the Virgin Trend North project; and Quantec completed surveying on 11 lines (87.3km). Preliminary results show conductive features, however final processing and interpretation are required to define significant basement and sandstone conductors.

No work was done on the Virgin Trend South permit in 2006.

Fleming

The property (10 claims, 34,325 hectares/84,819 acres) covers a sequence of metasedimentary rocks with graphitic horizons covered by 100 to 450 metres of sandstone. Prospecting in the 1970’s located thin pitchblende veinlets in a diabase dyke where a grab sample assayed 3.2 % U3O8.

In 2005 the property was surveyed using the MEGATEM II system. This survey defined the known conductor and also discovered several 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. Lithogeochemical boulder sampling was carried out in 2005 but located no anomalous samples.

In 2006 Patterson Geophysics carried out ground TDEM surveying (37.5 km) which better defined the airborne EM anomaly on the west side of the project. Geotech completed a VTEM survey in September, 2006 over the four new claims; preliminary results show several conductors.

Eastern Athabasca Properties

The seven small properties [Bozo, Carlson Creek (formerly "Sheila"), Hoppy South, Hoppy North, Umpherville Lake, Umpherville West and Thorburn Lake] comprise 12 claims (8,326 hectares/20,574 acres). No work was done in 2005; in 2006 Geotech flew VTEM over all the projects. The preliminary results show a previously undetected EM anomaly on the Carlson Creek property.

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 was originally comprised of 5,100 gross acres and 4,613 net acres. During December 2005 the operator commenced drilling operations on a test well known as the Merit Partners #1, eventually drilled to a total depth of 11,237 feet.

The Company paid acquisition costs representing the Company's 43% prospect interest which included payment for leasehold interests, brokerage, seismic processing and prospect development. In the initial well the Company paid 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 was not economic. As a result, the Company recorded an impairment provision of $2,375,926 in 2006.

In the 1st quarter of 2007 the Company reached an agreement with the Operator such that the Company intends to transfer its interest in the Merit Partners #1 wellbore along with certain shallow rights in roughly 616 net acres of oil & gas leases and in return the Company expects that it will end up with approximately a 100% ownership of 1,736 net acres of oil & gas leases containing the rights below the base of the Hosston formation. The Company will not be required to pay its share of plugging and abandonment costs.

Currently the Company is in negotiations with a publicly traded Mississippi based company. The basis of the negotiations is that the Company will contribute its land and technical information from the Tinsley Prospect to a potential joint venture and the Mississippi based corporation will acquire additional land, identify partners and an operator and together with the Company. Additional wells are planned for drilling over the next 12 months.

Lavaca Prospect

By agreement dated October 1, 2005 the Company acquired the rights to participate in oil and gas exploration joint venture known as the Lavaca Prospect located in Mitchell County, Texas (the "Lavaca Prospect"). The Lavaca Prospect was originally 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 paid 13.33333% of the drilling 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.

In September 2006, the Company was advised by the operator of the Lavaca Prospect that the Purvis #1 well is not economic and commenced operations to plug and abandon the well. As a result, the Company recorded an impairment provision of $220,148 in 2006.

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 30 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 incorporated as Dejour Energy (Alberta) Ltd. ("Dejour Alberta") and is owned and funded 90% by Dejour, with Mr. Dove's company, Wild Horse Energy Ltd. owning and funding the remaining 10%.

Numerous oil and gas prospects are presently being developed or negotiated. Dejour Alberta has elected to manage risk by taking varying working interest positions based upon reserve potential and perceived exploration risk. These interests range from 10% to 100%. Most business terms are structured in such a way that a drilling or re-entry commitment is tied to additional drilling options or other lands on the various prospects.

During the 1st quarter of 2007, Dejour Alberta concluded business agreements on four additional prospects resulting with the drilling of four wells. Land acquisition through purchase or earning has resulted in Dejour Alberta owning an average 22% interest in approximately 45,000 acres of land in the Peace River Arch area of Alberta and British Columbia.

In October 2006 Dejour Alberta successfully concluded a Participation Agreement allowing it to participate in the drilling of a high potential natural gas well in an area known as the Noel Area, in N.E. British Columbia, Canada. Dejour Alberta will pay 15% of the costs to earn a 9.375% working interest in 2220 acres with an option to drill additional wells earning 2220 acres to a maximum of 10,725 acres. Drilling commenced in the 1st quarter of 2007 and the well is expected to reach total depth around the end of April 2007. Dejour Alberta's estimated cost for drilling the first test well is $700,000. Negotiations to add more land to this Noel prospect are ongoing.

Dejour Alberta has successfully drilled two wells on the 100% before payout in northern BC, refer to as the "Drake lands", resulting in two gas wells. Production tests indicate these two wells should produce at a combined rate of 1500 to 2000 mcf/day. The wells will be tied in and produced as soon as ground conditions permit. These wells have earned 60% interest in additional lands on which two more low risk wells are planned for the next winter drilling season. There exists potential on this land in deeper formations which will be investigated over the summer prior to finalizing depths for future drilling.

Land evaluation, posting for sale and acquisition is ongoing in other areas, after which additional results will be released. To facilitate the growing operation in Alberta and British Columbia and in that Dejour Alberta has increased its retained working interests in prospects and obtained the required permits to drill and operate oil and gas

properties. As operator in the Drake area, the second well drilled was taken from initial license application to being drilled and cased in approximately 3 weeks. Independent valuation consultants based in Calgary, Alberta are in the process of conducting an independent evaluation of the winter season drilling and land acquisition results.

Retamco Oil & Gas Project

In July 2006, the Company successfully concluded the purchase of its interests in 267 oil and gas leases covering 254,068 net acres (397 sections of land) in the Piceance and Uinta Basins of Western Colorado and Eastern Utah for a total cost of CAD$25,152,510 in cash, stock, note and debentures.

Subsequently, the company acquired an interest in an additional 19,791 net acres (31 sections) such that the current total of leases is 284. These additional 17 leases are contained within an Area of Mutual Interest as defined in the purchase agreement.

The project consists of two project types. The Company holds a 25% working interest in the "Natural Gas Resource" projects which are a well defined stratigraphic gas resource, covering 205,762.75 net acres containing low geologic risk natural gas assets plus the opportunity for deeper Jurassic reserves. The Company holds a 12.5% interest in the second project, a massive deep "Subthrust Oil" project covering 68,097 net acres in the northern Piceance/Uinta Basins with a high reward potential and commensurate risk. According to Retamco, the Subthrust project has prospective resource estimates of 2 billion barrels of oil, and is directly analogous to the Rangeley field located immediately adjacent; having produced over 1 billion barrels to date.

Leasehold acreage NRI is 80%. Dejour will pay an unpromoted proportionate share of all exploration expenses including seismic, drilling, completion or abandonment and equipping.

The cost to Dejour includes USD$5 million cash, 5,500,000 common shares of the Company valued at USD$10,726,700 ($2.17 CDN per share), a USD$5,000,000 zero coupon note maturing in stages from January 2, 2007 to June 30, 2007, and the issuance of a two-year, 8% convertible debenture with face value of USD$1,397,846.

The current working interest partners are:

	'Natural Gas Resource'	'Overthrust Oil'
Dejour Energy (USA) Corp.	25%	12.5%
Brownstone Ventures (US) Inc.	10%	10%
Retamco Operating, Inc.	65%	77.5%

The continuity of expenditures on the Company's oil & gas properties is as follows:

	Dec 31, 2005	Acquisition Cost	Drilling Costs	Write-down	Dec 31, 2006
Retamco Project	$ -	$25,182,532	$ -	$ -	$25,182,532
Lavaca Prospect	163,622	-	56,526	(220,147)	-
Tinsley Prospect	1,064,391	-	1,311,536	(2,375,927)	1
Golden Prairie Prospect	1	-	-	-	1
Turtle Bayou, Louisiana	1	-	-	-	1
	$ 1,228,015	$ 25,182,532	$1,368,062	$(2,596,074)	$25,182,535

Planned Exploration Program

Dejour, Brownstone Ventures Inc. (TSX-V: "BWN") and Retamco are currently conducting a systematic geologic and operational review of the properties with the intent of scaling up a continuous drilling program that includes utilizing up to 4 rigs capable of collectively drilling 36-40 wells per year and with an annual capital budget approximating USD$40,000,000. Drilling is estimated to commence in 2007.

Financing

Since its reactivation to Tier 2 Issuer status on the TSX Venture Exchange in November 2004 to April 2, 2007, the Company has raised gross proceeds of over $41 million, through private placements and the exercise of warrants and options.

During October 2006 the Company sold its uranium properties to Titan for 17.5 million common shares of Titan and 3.0 million Titan warrants while retaining a 1% NSR and a carried 10% working interest to completed bankable feasibility study.

Based on an Estimate Valuation Report by independent business valuator BDO Dunwoody Valuation Inc., dated March 29, 2007, the estimated value of the 17.5 million common shares of Titan and 3.0 million Titan warrants received were approximately $36.5 million. This figure excludes the values for the 1% NSR and 10% carried interest.

The Company had successfully securitized its $7.0 million investment in its uranium properties into shares of a well-capitalized public company and record a gain on disposition of $30.2M in 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 during 2006:		
- for acquisition of Retamco Project (Note 4)	5,500,000	12,088,991
- for cash by private placements	8,071,333	11,329,002
- for cash on exercise of agent's options	499,909	349,937
- for cash on exercise of warrants	7,051,285	7,076,746
- for cash on exercise of stock options	760,407	433,321
- contributed surplus reallocated on exercise of stock options	-	257,520
- renounced flow through share expenditures	-	(1,054,308)
Balance at December 31, 2006	60,899,723	$ 48,671,383

Stock Options and Warrants

The following table summarizes information about stock option 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	2,010,000	0.603	
Options exercised	(760,407)	(0.337)	
Options cancelled and expired	-	(0.415)	
Balance, December 31, 2006	4,560,785	$ 1.140	1.93 years

Details of options outstanding and exercisable as at December 31, 2006 are as follows:

Number	Exercise Price	Remaining Contractual Life
402,529	$0.275	1.83 years
389,307	0.550	1.24 years
735,000	0.600	1.65 years
33,334	0.650	0.25 years
22,332	0.660	1.29 years
2,250	0.900	0.58 years
66,667	1.250	0.09 years
100,000	1.400	2.25 years
2,083	1.750	2.84 years
50,000	1.800	0.83 years
25,000	1.950	1.92 years
331,750	2.100	2.33years
2,160,252		

In addition, during the year the Company issued 554,700 agent's options in connection with a private placement financing. The agent's options are exercisable into units at a price of $1.65 per unit until December 31, 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 $1.65 per share until December 31, 2007. As at December 31, 2006, 179,637 of these agent's warrants remain unexercised respectively.

The following table summarizes information about warrants:

	Outstanding Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2004	1,500,000	$ 0.45	1.00 years
Warrants issued	9,709,436	0.88	
Warrants exercised	(1,806,365)	0.49	
Warrants expired	-	-	
Balance, December 31, 2005	9,403,071	0.89	1.42 years
Warrants issued	2,192,720	1.56	
Warrants exercised	(7,051,285)	1.00	
Warrants expired	-	-	
Balance, December 31, 2006	4,544,506	$ 1.03	0.41 years

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

Number	Exercise Price	Remaining Contractual Life
3,319,868	$ 0.80	0.21 years
12,500	0.85	0.21 years
1,212,138	1.65	0.89 years
4,544,506		

Related Party Transactions

The Company entered into the following transactions with related parties:

a) During 2006, the Company incurred a total of $136,670 (2005 - $100,000) in consulting fees and accrued $17,282 (2005 – nil) of interest at 8% per annum related to US$400,000 of convertible debentures as discussed in Note 6, and a $63,000 bonus payment to a private company ("HEC") controlled by the CEO. In October 2006, the Company assigned 25% of its interest in the Noel Area, described in Note 5, to HEC, which agreed to assume 25% of the related obligations. In November 2006, the Company had received $234,251 from HEC, being the estimated 25% share of the exploration expenditures for the Noel Area.
b) During 2006, the Company incurred a total of $179,000 (2005 - $122,356) in consulting fees and accrued $8,641 (2005 – nil) of interest at 8% per annum related to US$400,000 of convertible debentures discussed in Note 6, and a $13,000 bonus payment to the President of a private company controlled by the President of the Company.
c) During 2006, the Company incurred $107,640 (2005 - $64,480) in consulting fees to a private company controlled by the CFO. The Company also accrued $17,282 (2005 – nil) of interest at 8% per annum related to US$400,000 of convertible debentures as discussed in Note 6 to an individual related to the CFO.\
d) During 2006, the Company's 90% owned joint venture subsidiary ("DEAL") incurred $105,625 of consulting fee to a company controlled by a director of DEAL.

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

Subsequent to the year-end, the Company granted a total of 1,950,000 options to consultants. These options have an average exercise price of $2.47 per share and average expiry date of four years.

Subsequent to the year-end, 3,336,453 warrants and 129,117 options were exercised for total proceeds of $2,741,582.

The Company spent approximately $3.0 million to $3.5 million in acquisition and exploration expenditures to acquire interests approximating an average 22% in over 45,000 acres of oil and gas exploration properties in the Peace River Arch area near the border of BC and Alberta.

Results of Operations – Year Ended December 31, 2006

The Company's net income for the year ended December 31, 2006 was $23,887,726, or $0.45 per share, compared to a net loss of $1,611,919, or $0.06 per share in the year ended December 31, 2005.

In December 2006, the Company completed the sale of the Company's uranium properties, consisting of 68 claims and 4 permits totaling 966,969 acres located in the Athabasca Basin, Saskatchewan, Canada, and all related exploration data to Titan Uranium Inc. ("Titan"), a public company traded on the TSX-V.

According to an Estimate Valuation Report by independent business valuator BDO Dunwoody Valuation Inc., the estimated value of the 17.5 million common shares of Titan and 3.0 million Titan warrants received were approximately $31.5 million and $4.8 million respectively. This figure excludes the values for the 1% NSR and 10% carried interest.

The Company realized a gain on disposition of $30,177,082.

The investment in Titan has been accounted for using the equity method of accounting and includes related legal fees and other costs of acquisition of $107,983. The Company's share of losses in Titan for the period ended December 31, 2006 was $19,031. The Company owned approximately 33% of Titan as at April 2, 2007.

Interest income of $673,559 was significantly higher in 2006 than $99,530 in 2005, due to a higher cash balance derived from equity financings completed in late 2005 and early 2006.

Investor relations expenses in 2006 were $1,079,161, as compared to $626,686 in 2005. In 2006, the Company incurred more 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.

In 2006, 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 $826,712 in 2006 from $454,410 in 2005. Office and general expenses also increased to $224,475 in 2006 from $159,799 in 2005. Rent also increased to $175,655 in 2006 from $126,718 in 2005, as the Company setup an office in Calgary, Alberta.

Regulatory filing fees decreased to $92,713 in 2006 from $150,474 in 2005. The Company incurred a one-time cost to list the Company's shares on the Frankfurt Stock Exchange and registered with the Securities Exchange Commission (SEC) as a foreign private issuer in 2005.

The granting and vesting of stock options during 2006 resulted in non-cash stock-based compensation expenses of $1,295,127, compared to $308,434 in 2005. The Company determined the fair value of stock options using the Black-Scholes option pricing model.

In February 2006, the Company renounced $3,090,000 of Canadian Exploration Expenditures ("CEEs") to investors. The Company had previously unrecognized future income tax assets related to a loss carry forward to be applied against taxable income in future years. Under Canadian generally accepted accounting principles, the Company's previously unrecognized future income tax assets were offset against future income tax liabilities resulting from the renunciation of CEEs.

Results of Operations – 2006 4th Quarter

The Company's net income for 2006 Q4 was $29,164,453 or $0.57 per share, compared to a net loss of $503,460 or $0.01 per share for 2005 Q4.

As discussed previously, the Company successfully closed the sale of its uranium properties to Titan and recorded a gain on disposition of $30,177,082.

Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three fiscal years:

For Years Ended December 31
(In Canadian $)

	2006	2005	2004
Total Assets	80,677,728	16,016,353	1,630,840
Cash	17,660,163	12,387,314	1,592,838
Resource Properties	25,879,526	3,425,154	2
Gain on disposition	30,177,082	-	-
Interest income	673,559	99,530	NIL
Net Income (Loss)	23,887,726	(1,611,919)	(392,099)

Summary of Quarterly Results

(Unaudited - Prepared by Management)

Quarter ended year	Dec 31, 2006 $	Sep 30, 2006 $	Jun 30, 2006 $	Mar 31, 2006 $	Dec 31, 2005 $	Sep 30, 2005 $	Jun 30, 2005 $	Mar 31, 2005 $
Revenues	184,061	192,043	200,579	96,876	37,562	22,784	28,677	10,507
Net Income (Loss)	28,926,640	(953,748)	(907,022)	(3,178,144)	(503,460)	(509,430)	(410,504)	(188,525)
Gain (Loss) per share (1)	0.57	(0.02)	(0.02)	(0.08)	(0.01)	(0.02)	(0.02)	(0.01)
Fully diluted loss per share	0.54	(0.02)	(0.02)	(0.08)	(0.01)	(0.02)	(0.02)	(0.01)

Liquidity

In 2006, the Company successfully raised net proceeds of $19.5 million through private placements and the exercise of warrants and options. As a result, its working capital position improved significantly.

Working capital was $11,769,159 on December 31st, 2006, as compared to $10,877,552 on September 30, 2006 and $12,167,334 on December 31, 2005. Cash balances on December 31, 2006 were $17,425,912, compared to $17,016,843 and $12,387,314 on September 30th, 2006 and December 31st, 2005 respectively.

On July 14, 2006, a promissory note with face value $5,643,000 (US$5,000,000) and convertible debenture with a face value of $1,577,609 (US$1,397,846) were issued to Retamco for the acquisition of the Retamco project. Please refer to Note 6 of the financial statements for details.

The US$5,000,000 promissory note is secured, bore no interest to January 1, 2007 and thereafter it bears interest at 4.4% per annum. This promissory note matures as follows:

January 2, 2007	US$	2,000,000	(paid subsequently)
March 31, 2007		1,500,000	(paid subsequently)
June 30, 2007		1,500,000	
	US$	5,000,000	

The Company estimated that the fair value of the promissory note at the date of issue was $4,877,058 and has capitalized the accreted interest to December 31, 2006 as resource property costs. The fair value of the promissory note approximates its carrying value at December 31, 2006.

The convertible debentures mature on July 15, 2008, is unsecured, bear an 8% coupon, payable quarterly and are convertible at $1.52 (US$1.35) per unit. Each unit consists of one common share and one warrant, exercisable at $1.69 (US$1.50) per share, expiring on July 15, 2008.

In March 2006, the Company issued 5,300,000 flow-through common shares (“FTS”) 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 Canadian Exploration Expenditures (“CEEs”) by December 31, 2007, of which $2.6 million had been spent to December 31, 2006.

As at December 31, 2006, the Company had already fulfilled its obligation to spend $2,415,000 in CEE under the FTS agreement entered in December 2005. The Company has until December 31, 2007 to fulfill the remaining $5.3 million of CEE obligation.

Disclosure of Internal Controls

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the Company. Internal controls over financial reporting have been established to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated and concluded that disclosure controls and procedures are effective to provide reasonable assurance that all material or potentially material information about the activities of the Company is made known to them by others within the Company. However, management does not expect that the Company's disclosure controls and procedures will prevent all errors or fraud. Management believes that any system of internal controls over financial reporting, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

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.