CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

March 31, 2009

The unaudited interim financial statements have not been reviewed by the Company’s auditor.

DEJOUR ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

		March 31, 2009 (Unaudited)		December 31, 2008 (Audited)
ASSETS				
Current				
Cash and cash equivalents	$	**1,679,411**	$	406,775
Accounts receivable		**1,319,552**		840,695
Prepaids and deposits		**465,467**		428,321
Unrealized financial instrument gain		**-**		107,768
Investment in Titan (Note 3)		**81,250**		-
		3,545,680		1,783,559
Equipment, net (Note 4)		**111,668**		116,584
Investment in Titan (Note 3)		**-**		2,721,875
Uranium properties (Note 5 (a))		**681,991**		696,991
Oil and gas properties, net (Note 5 (b))		**54,799,022**		56,986,727
	$	**59,138,361**	$	62,305,736
LIABILITIES				
Current				
Bank line of credit (Note 6)	$	**5,700,000**	$	5,550,000
Accounts payable and accrued liabilities		**4,053,557**		3,741,770
Loan from related party (Note 7 (b))		**-**		600,000
Loan from joint-venture partner (Note 7 (a))		**4,767,714**		4,604,040
		14,521,271		14,495,810
Loan from related party (Note 7 (b))		**1,859,358**		1,950,000
Asset retirement obligations (Note 8)		**366,645**		363,109
Future income tax liabilities		**354,029**		1,133,140
		17,101,303		17,942,059
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		**64,973,500**		64,939,177
Contributed surplus (Note 11)		**6,091,444**		5,895,560
Deficit		**(29,027,886)**		(26,578,828)
Accumulated other comprehensive income		**-**		107,768
		42,037,058		44,363,677
	$	**59,138,361**	$	62,305,736

Contingency (Note 6)
Subsequent Events (Note 16)

Approved on behalf of the Board:

"Robert Hodgkinson" — Robert Hodgkinson – Director

"Craig Sturrock" — Craig Sturrock – Director

DEJOUR ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
REVENUES		
Oil and natural gas revenue	$ 2,431,139	$ -
Realized financial instrument gain (Note 15(f))	289,561	-
	2,720,700	-
EXPENSES		
Amortization, depletion and accretion	2,710,248	7,264
Operating and transportation	1,016,831	-
Royalties	526,356	-
General and administrative	938,379	1,247,960
Interest expense and finance fee	200,008	49,947
Stock based compensation (Note 10)	209,959	772,728
	5,601,780	2,077,899
LOSS BEFORE THE FOLLOWING AND INCOME TAXES	(2,881,080)	(2,077,899)
Interest and other income	258,113	158,774
Loss on disposition of investment	(310,796)	(14,247)
Equity loss from Titan (Note 3)	(142,196)	(318,060)
Foreign exchange (loss) gain	(152,210)	73,217
LOSS BEFORE INCOME TAXES	(3,228,169)	(2,178,215)
FUTURE INCOME TAXES RECOVERY	779,111	620,984
NET LOSS FOR THE PERIOD	(2,449,058)	(1,557,231)
DEFICIT, BEGINNING OF THE PERIOD	(26,578,828)	(5,688,075)
DEFICIT, END OF THE PERIOD	$ (29,027,886)	$ (7,245,306)
NET LOSS PER SHARE - BASIC AND DILUTED	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	73,721,421	70,457,718

DEJOUR ENTERPRISES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

	Three Months Ended March 31, 2009 (Unaudited)	Year Ended December 31, 2008 (Audited)
NET LOSS FOR THE PERIOD	**$ (2,449,058)**	$ (20,890,753)
Unrealized financial instrument gain	**-**	107,768
COMPREHENSIVE LOSS FOR THE PERIOD	**$ (2,449,058)**	$ (20,782,985)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEGINNING OF THE PERIOD	**$ 107,768**	$ (5,400)
Unrealized gains arising during the period	**-**	107,768
Realized (gains) losses during the period	**(107,768)**	5,400
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF THE PERIOD	**$ -**	$ 107,768

The accompanying notes are an integral part of these consolidated financial statements

DEJOUR ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**$ (2,449,058)**	$ (1,557,231)
Adjustment for items not affecting cash:		
Amortization, depletion and accretion	**2,710,248**	7,264
Equity loss from Titan	**142,196**	318,060
Non-cash stock based compensation	**209,959**	772,728
Capitalized interests on convertible debentures	**-**	91,392
Unrealized foreign exchange loss	**163,674**	-
Future income taxes recovery	**(779,111)**	(620,984)
Loss on disposal of investment	**310,796**	14,247
Changes in non-cash working capital balances (Note 12)	**(204,216)**	17,726
	104,488	(956,798)
CASH FLOWS FROM (USED) IN INVESTING ACTIVITIES		
Purchase of equipment	**(4,599)**	(21,254)
Proceeds from sales of marketable securities	**-**	27,403
Disposal of investment in Titan (Note 3)	**2,187,633**	-
Resource properties expenditures	**(494,491)**	(5,889,488)
	1,688,543	(5,883,339)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Bank line of credit	**150,000**	-
Repayment of loan from related party	**(690,642)**	-
Shares issued for cash	**20,248**	329,605
	(520,394)	329,605
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,272,637**	(6,510,532)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**406,775**	13,511,655
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 1,679,412**	$ 7,001,123

Supplemental Cash Flow Information (Note 12)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Dejour Enterprises Ltd. (the "Company") is a public company trading on the New York Stock Exchange Alternext ("NYSE-Alt") and the Toronto Stock Exchange ("TSX"), under the symbol "DEJ." The Company ceased to trade on the TSX Venture Exchange ("TSX-V") and graduated to the TSX effective November 20, 2008. The Company is in the business of exploring and developing energy projects with a focus on oil and gas in North America.

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by the Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the interim financial statements are the same as those described in the audited December 31, 2008 consolidated financial statements and the notes thereto. The interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2008. All dollar amounts are stated in Canadian dollars, the Company's reporting currency, unless otherwise indicated. Certain of the comparative figures have been reclassified to conform to the current year's presentation, if necessary.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Dejour Energy (USA) Corp. ("Dejour USA"), incorporated in Nevada, and Dejour Energy (Alberta) Ltd. ("DEAL") and Wild Horse Energy Ltd. ("Wild Horse"), incorporated in Alberta. All intercompany transactions are eliminated upon consolidation.

The consolidated financial statements for the three months ended March 31, 2009 have been prepared on a going concern basis, which presumes the Company will continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operation. During the period, the Company has incurred a net loss of $2,449,058 (2008 – $1,557,231). The Company's continued existence is dependent upon management's ability to raise required funding through future equity issuances, debt, asset sales or a combination thereof. Management is also aware that significant material uncertainties exist, related to current economic conditions that could cast significant doubt upon the entity's ability to continue to finance its exploration activities. As a result, management plans on reducing spending in order to preserve cash and maintain liquidity until overall market conditions improve. Management is not able to assess the likelihood or timing of improvements in the equity markets for raising capital for future acquisitions or expenditures. This uncertainty represents a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

NOTE 2 – RECENTLY ADOPTED ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

(a) Recently Adopted Accounting Policies

(i) Effective January 1, 2009, the Company adopted the new recommendations of the CICA under CICA Handbook Section 3064 Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The adoption of this new standard had no effect on the amounts disclosed in the financial statements.

(ii) Effective January 1, 2009, the Company adopted the newly issued guidance of the Emerging Issues Committee EIC-173, Credit Risk and the Fair value of Financial Assets and Liabilities, which requires that an entity should take into account the credit risk of the entity and the counterparty in determining the fair value of financial assets and financial liabilities. This guidance is adopted retrospectively, with restatement. No retroactive revision was disclosed related to the prior period as there were no effects on the fair values of financial assets and financial liabilities.

NOTE 2 – RECENTLY ADOPTED ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

(a) Recently Adopted Accounting Policies (continued)

(iii) Effective January 1, 2009, the Company adopted the newly issued guidance of the Emerging Issues Committee EIC-174, Mining Exploration Costs, which provides guidance on the accounting and the impairment review of exploration costs. The adoption of this EIC did not have an effect on the Company's financial statements.

(b) Future Accounting Pronouncements

The following accounting pronouncements are applicable to future reporting periods. The Company is currently evaluating the effects of adopting these standards:

(i) The CICA issued the following new Sections: 1582 Business Combinations, 1601 Consolidations, and 1602 Non-Controlling Interest. These standards are effective January 1, 2011. The impact of the adoption of these standards on the Company's financial statements has not yet been determined.

(ii) In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

NOTE 3 – INVESTMENT IN TITAN URANIUM INC.

In December 2006, the Company sold a 90% interest in its 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, under the following terms:

(a) Titan issued the Company 17,500,000 fully paid and assessable common shares in the capital of Titan (representing a 36.47% of Titan's issued and outstanding shares at closing). The Company is restricted from transferring beneficial ownership of Titan shares until the first anniversary of the date of closing, at which time up to 20% of the original number may be traded in any twelve month period, and any trades in excess of this annual limit will be subject to prior approval of the Board of Directors of Titan;

(b) Titan issued the Company 3,000,000 transferable common share purchase warrants, entitling the holder to acquire up to 3,000,000 common shares in the capital of Titan at an exercise price of $2.00 per common share for a period of 24 months, subject to a forced exercise provision whereby Titan can call the automatic exercise of the warrants should Titan's common shares trade on the TSX-V at a price of $4.00 or more for 20 consecutive trading days. These warrants expired unexercised on December 15, 2008;

(c) The Company retained a 1% Net Smelter Return on all properties and a 10% working interest in each claim, carried by Titan to completed bankable feasibility study after which the Company may elect to participate as to its 10% interest or convert to an additional 1% Net Smelter Return.

Until the majority of the Company's investment in Titan was disposed of during the three months ended March 31, 2009, the investment in Titan had been accounted for using the equity method of accounting. The Company's share of loss in Titan for the three months ended March 31, 2009 was $142,196 (2008 – $318,060). During the three months ended March 31, 2009, the Company received proceeds of $2,187,633 from the sale of 16,250,000 Titan shares, resulting in a loss of $310,796. The Company owned approximately 0.9% of Titan's shares as at March 31, 2009. As at March 31, 2009, the stock price of Titan shares was $0.28 per share and the fair market value of the Company's owned Titan shares was $140,000.

NOTE 4 – EQUIPMENT

Equipment is recorded at cost with amortization being provided using the declining balance basis at the following rates:

Office furniture and equipment	20%
Computer equipment	45%
Software	100%

	March 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture, fixtures and equipment	$ 134,372	$ 59,644	$ 74,728	$ 134,373	$ 55,711	$ 78,662
Computer equipment	84,518	55,302	29,216	83,837	51,642	32,195
Software	19,489	11,765	7,724	15,570	9,843	5,727
	$ 238,379	$ 126,711	$ 111,668	$ 233,780	$ 117,196	$ 116,584

NOTE 5 – RESOURCE PROPERTIES

(a) Uranium Properties

In 2005 and 2006, the Company acquired interests in and staked uranium exploration properties in the Athabasca Basin region of Saskatchewan, Canada and commenced exploration on certain properties. In December 2006, the Company sold a 90% interest in these properties to Titan as disclosed in Note 3 and realized a gain on disposition of $30,177,082. The carrying value of the remaining 10% carried interest and 1% net smelter return was $681,991 as at March 31, 2009 and $696,991 as at December 31, 2008.

(b) Oil and Gas Properties

United States (US) Oil and Gas Projects

Colorado / Utah Oil & Gas Projects

In July 2006, the Company concluded the purchase of interests in 267 oil and gas leases covering 254,068 net acres in the Piceance and Uinta Basins in the States of Colorado and Utah from Retamco Operating Co. (“Retamco”), a private Texas corporation. The cost to the Company was $25,182,532.

In June 2008, the Company entered into a Purchase and Sale Agreement with Retamco, resulting in the acquisition of an additional 64,000 net acres. The additional acreage was acquired in exchange for the Company's 25% working interest in approximately 3,500 acres and two wells at North Barcus Creek, and a cash payment of $4,078,800 (US$4,000,000). The North Barcus Creek wells were drilled on joint acreage by Retamco at the end of 2007 and are awaiting production tie-in. As part of the transaction, Brownstone Ventures Inc. (“Brownstone”), a working interest partner in the Colorado/Utah Projects, provided the Company with a $4,078,800 (US $4,000,000) secured loan, due on July 1, 2009, which was used to purchase the additional acreage interests (refer to Note 7(a)).

As at March 31, 2009, the Company had working interests ranging from 25% to 72% and net revenue interests ranging from 78% to 87.5%, in approximately 272,777 net acres of lands in US.

NOTE 5 – RESOURCE PROPERTIES (continued)

(b) Oil and Gas Properties (continued)

Canadian Oil and Gas Projects

As at March 31, 2009, the Company owned an average 54% working interest in approximately 39,283 acres of lands in Canada.

A continuity summary of capitalized acquisition costs and exploration expenditures in the Company's oil and gas properties for the three months ended March 31, 2009 and for the year ended December 31, 2008 is as follows:

	Balance Dec. 31, 2007	Acquisition Costs	Exploration & Development	Write-down	Capitalized Interests, Depletion & Other	Balance Dec. 31, 2008	Acquisition Costs	Exploration & Development	Capitalized Interests, Depletion & Other	Balance Mar. 31, 2009
US Oil and Gas Properties:										
Colorado / Utah Projects	$ 27,408,361	$ 3,947,305	$ -	$ (2,029,942)	$ -	$ 29,325,724	$ 134,597	$ 91,607	$ -	$ 29,551,927
Others	37,406	130,268	-	-	-	167,674	-	-	-	167,674
	27,445,767	4,077,573	-	(2,029,942)	-	29,493,398	134,597	91,607	-	29,719,601
Canadian Oil and Gas Properties:										
Carson Creek	535,504	265	1,252,109	-	-	1,787,878	-	25,717	-	1,813,595
Drake	2,387,180	4,046	6,698,214	-	-	9,089,440	4,046	125,850	-	9,219,336
Montney	-	907,733	-	-	69,317	977,050	(90,642)	1,458	10,919	898,785
Saddle Hills	534,970	269	451,898	-	-	987,137	-	35,172	-	1,022,309
Woodrush	74,267	6,323	9,845,351	-	-	9,925,941	-	120,808	-	10,046,749
Others	3,736,811	14,269	4,206,269	-	-	7,957,349	2,330	47,630	-	8,007,309
Asset retirement obligations	-	-	-	-	404,311	404,311	-	-	-	404,311
Property depletion	-	-	-	-	(3,635,777)	(3,635,777)	-	-	(2,697,197)	(6,332,974)
	7,268,732	932,905	22,453,841	-	(3,162,149)	27,493,329	(84,266)	356,635	(2,686,278)	25,079,420
	$ 34,714,499	$ 5,010,478	$ 22,453,841	$ (2,029,942)	$ (3,162,149)	$ 56,986,727	$ 50,331	$ 448,242	$ (2,686,278)	$ 54,799,022

NOTE 6 – BANK LINE OF CREDIT

In August 2008, DEAL secured a revolving operating loan facility with a Canadian Bank for up to $7,000,000, subject to certain production targets. This facility, secured by DEAL's oil and gas assets in Canada, is at an interest rate of Canadian prime plus 1%. As at March 31, 2009, $5,700,000 (December 31, 2008 – $5,550,000) had been drawn on the line of credit. In accordance with the terms of the facility, DEAL is required to maintain an adjusted working capital ratio of not less than 1.10:1. The adjusted working capital ratio is defined as the ratio of (i) current assets plus any undrawn availability under the facility, to (ii) current liabilities less any amount drawn under the facility. This working capital ratio requirement only applies to DEAL, not to the parent company. However, subsequent to March 31, 2009, the terms of the revolving operating loan facility were restructured. Refer to Note 16(a). As a result of the restructuring, the adjusted working capital ratio requirement was also waived by the Canadian Bank for the three months ended March 31, 2009.

NOTE 7 – LOANS FROM JOINT-VENTURE PARTNER AND RELATED PARTY

(a) Loan from joint-venture partner

On June 18, 2008, a promissory note with a face value of $4,078,800 (US $4,000,000) was issued to Brownstone (refer to Note 5(b)). The US $4,000,000 promissory note is secured by a general security agreement issued by the Company in favour of Brownstone, and bears interest at 5% per annum. The principal and interest are repayable by the earlier of the Company completing an equity or debt financing and July 1, 2009. On July 1, 2008, a repayment of $222,948 (US$220,000) was made and as at March 31, 2009, $4,767,714 (US$3,780,000) remained outstanding.

(b) Loan from related party

On May 15, 2008, DEAL issued a promissory note for up to $2,000,000 to a private company controlled by the Chief Executive Officer ("CEO") of the Company. The promissory note is secured by the assets, equipment, fixtures, inventory and accounts receivable of DEAL, bears interest at the Royal Bank of Canada Prime Rate per annum, and has a loan fee of 1% of the outstanding amount per month. The principal, interest and loan fee were payable on demand after August 15, 2008, upon 10 days written notice by the lender. Upon securing the bank line of credit (refer to Note 6), the private company controlled by the CEO of the Company signed a subordination and postponement agreement which restricts the principal repayment of the promissory note subject to the bank's prior approval and DEAL meeting certain loan covenants (refer to Note 6). $1,950,000 were advanced on the promissory note during the year ended December 31, 2008. On March 5, 2009, a repayment of $90,642 was made and as at March 31, 2009, $1,859,358 remained outstanding.

On August 11, 2008, the Company borrowed $600,000 from a private company controlled by the CEO of the Company. The loan was secured by all assets of the Company, repayable on demand, bore interest at the Canadian prime rate per annum, and had a loan fee of 1% of the outstanding amount per month. On March 19, 2009, a repayment of $600,000 was made and as at March 31, 2009, no balance remained outstanding.

On September 12, 2008, as consideration for the private company controlled by the CEO of the Company agreeing to postpone the $2,000,000 promissory note and providing the additional loan of $600,000, the private company was granted an option to become a working interest partner with DEAL. Upon electing to become a working interest partner, the private company must pay DEAL an amount equal to 10% of the actual price paid for the acquisition of the lands in the emerging "Montney" natural gas resource play in northeastern British Columbia. The private company is also required to pay its pro-rata share of the operating costs. During the three months ended March 31, 2009, the private company controlled by the CEO of the Company exercised its option and elected to become a working interest partner with DEAL. The option price was $90,642.

The transactions are considered to be in the normal course of operations and are measured at the exchange amounts which are the amounts established and agreed to by the related parties.

NOTE 8 – ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. The Company estimated the total undiscounted amount of the cash flows required to settle the retirement obligations related to its oil and gas properties in Canada as at March 31, 2009 to be $720,137. These obligations are expected to be settled by year 2029. A credit adjusted risk-free rate of 5% and an inflation rate of 2.5% was used to calculate the present value of the asset retirement obligations.

NOTE 8 – ASSET RETIREMENT OBLIGATIONS (continued)

Balance at December 31, 2007	$ -
Liabilities incurred during the year	404,311
Accretion expense	16,412
Actual costs incurred	(57,614)
Balance at December 31, 2008	363,109
Accretion expense	3,536
Balance at March 31, 2009	$ 366,645

NOTE 9 – SHARE CAPITAL

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

	Common Shares	Value
Balance at December 31, 2007	70,128,329	$ 61,393,964
- For conversion of convertible debenture	884,242	1,214,497
- For cash on exercise of stock options	1,681,048	887,621
- For cash on exercise of warrants	958,263	1,447,464
- Contributed surplus reallocated on exercise of stock options	-	532,531
- Renounced flow through share expenditures	-	(536,900)
Balance at December 31, 2008	73,651,882	64,939,177
- For cash on exercise of stock options	73,630	20,248
- Contributed surplus reallocated on exercise of stock options	-	14,075
Balance at March 31, 2009	73,725,512	$ 64,973,500

During the year ended December 31, 2008:

In January 2008, the Company renounced $1,820,000 flow-through funds to investors, using the look-back rule. Of this $1,820,000, $263,222 of renounced Canadian Exploration Expenditures (“CEEs”) had been spent by December 31, 2007 and the remaining flow-through funds had been fully spent by February 29, 2008. As a result of the renunciation, future income tax recovery of $536,900 was recognized against share capital.

In February 2008, the Company filed a Part XII.6 tax return with the Canada Revenue Agency related to CEEs with an effective date of renunciation of December 31, 2006 and paid $236,348 of Part XII.6 tax.

NOTE 10 – STOCK OPTIONS AND SHARE PURCHASE WARRANTS

During the three months ended March 31, 2009, the Company granted 1,223,000 (2008 – 2,120,000) options to its officers, directors, consultants and advisors. In addition, 2,659,750 (2008 – 266,800) options were cancelled or expired with a weighted average exercise price at $1.74.

As at March 31, 2009, there were 5,688,000 options outstanding with a weighted exercise price at $0.82, of which 1,960,083 were vested. The vested options can be exercised for up to periods ending March 10, 2014 to purchase common shares of the Company at prices ranging from $0.275 to $2.10 per share.

The Company expenses the fair value of all stock options granted over their respective vesting periods for directors and employees and over the service life for consultants. The fair value of the options granted during the three months ended March 31, 2009 was determined to be $352,610 (2008 - $1,691,600). The Company determined the fair value of stock options granted using the Black-Scholes option pricing model using the following weighted average assumptions: Expected option life of 3.95 years (2008 – 3.34 years), risk-free interest rate of 1.59% (2008 – 3.27%) and expected volatility of 101.24% (2008 – 82.50%).

During the three months ended March 31, 2009, the Company recognized a total of $209,959 (2008 - $772,728) of stock based compensation relating to the vesting of options.

As at March 31, 2009, there were 3,727,917 unvested options included in the balance of the outstanding options. The following table summarizes information about stock option transactions:

	Outstanding Options		Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2007	5,627,481	$	1.49	1.96 years
Options granted	4,945,000		0.88	
Options exercised	(1,681,048)		0.53	
Options cancelled and expired	(1,693,053)		1.83	
Balance, December 31, 2008	7,198,380	$	1.22	2.94 years
Options granted	1,223,000		0.45	
Options exercised	(73,630)		0.28	
Options cancelled and expired	(2,659,750)		1.74	
Balance, March 31, 2009	5,688,000	$	0.82	3.14 years

NOTE 10 – STOCK OPTIONS AND SHARE PURCHASE WARRANTS (continued)

Details of stock options vested and exercisable as at March 31, 2009 are as follows:

Number of Options Outstanding and vested	Exercise Price	Weighted Average Remaining Contractual Life (Years)
36,000	$ 0.275	0.59
416,500	0.450	3.59
74,000	0.550	1.28
406,250	1.400	0.65
25,000	1.450	2.08
150,000	1.500	1.88
125,000	1.600	0.76
20,833	1.750	0.59
472,500	2.000	1.01
234,000	2.100	0.08
1,960,083	$ 1.398	1.43

The following table summarizes information about warrant transactions:

	Outstanding Warrants	Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2007	2,372,531	$ 3.15	1.31 years
Warrants issued	884,242	1.53	
Warrants exercised	(958,263)	1.53	
Warrants expired	(194,381)	1.53	
Balance, December 31, 2008 and March 31, 2009	2,104,129	3.35	0.15 years

Details of warrants outstanding as at March 31, 2009 are as follows:

Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Contractual Life (Years)
2,104,129	$ 3.35	0.15

NOTE 11 – CONTRIBUTED SURPLUS

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

Balance at December 31, 2007	$ 3,735,270
Stock compensation on vesting of options	2,719,957
Value of conversion feature on convertible debenture	(27,136)
Allocated to share capital on exercise of options	(532,531)
Balance at December 31, 2008	5,895,560
Stock compensation on vesting of options	209,959
Allocated to share capital on exercise of options	(14,075)
Balance at March 31, 2009	$ 6,091,444

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Changes in non-cash working capital balances:		
Accounts receivable	**$ (478,857)**	$ -
Prepaids and deposits	**(37,146)**	(242,100)
Accounts payable and accrued liabilities	**311,787**	259,826
	$ (204,216)	$ 17,726
Other cash flow information:		
Interest paid	**$ 200,008**	$ 8,119
Components of cash and cash equivalents		
Cash	**$ 179,411**	$ 2,593,451
Money market instruments	**-**	360,451
Guaranteed investment certificates	**1,500,000**	-
Bank acceptances	**-**	4,047,221
	$ 1,679,411	$ 7,001,123

NOTE 13 – RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2009 and 2008, the Company entered into the following transactions with related parties:

(a) The Company incurred a total of $79,175 (2008 – $205,670) in consulting fees, directors and meeting attendance fees to independent directors and private companies controlled by officers and directors of the Company.

(b) The Company received total rental income of $7,500 (2008 – $Nil) from private companies controlled by officers of the Company.

(c) DEAL incurred a total of $29,162 (2008 – $47,250) in consulting fees to a private company controlled by the President of DEAL.

(d) On February 26, 2009, the private company controlled by the CEO of the Company exercised its option and elected to become a working interest partner with DEAL. The option price was $90,642. Refer to Note 7(b).

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

NOTE 14 – SEGMENTED DISCLOSURE

As at March 31, 2009 and December 31, 2008, the Company's significant assets, losses and revenue by geographic location were as follows:

	March 31, 2009	December 31, 2008
Canada		
Revenue	**$ 2,720,700**	$ 5,751,672
Interest and other income	**195,883**	124,208
Future income tax recovery	**782,150**	(596,240)
Segmented loss	**2,099,302**	(17,301,636)
Assets:		
Current Assets	**3,216,145**	1,428,149
Equipment, net	**77,628**	80,701
Investment in Titan	**-**	2,721,875
Uranium properties	**681,991**	696,991
Oil and gas properties, net	**25,079,421**	27,493,329
	29,055,185	32,421,045
U.S.A.		
Revenue	**$ -**	$ 13,883
Interest and other income	**62,230**	112,630
Segmented loss	**346,717**	(3,589,117)
Assets:		
Current Assets	**329,535**	355,410
Equipment, net	**34,040**	35,883
Oil and gas properties, net	**29,719,601**	29,493,398
	30,083,176	29,884,691
Total assets	**$ 59,138,361**	$ 62,305,736

NOTE 15 – FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT STRATEGY

The Company is engaged primarily in mineral and oil and gas exploration and production and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company also has exposure to a number of risks from its use of financial instruments including: credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit Risk

Credit risk relates to the Company's receivables from joint venture partners and oil and natural gas marketers and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with customers in the energy industry and are subject to normal industry credit risk. The Company generally grants unsecured credit but routinely assesses the financial strength of its partners and marketers.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company sells the majority of its production to one oil and natural gas marketer and therefore is subject to concentration risk. To date the Company has not experienced any collection issues with its oil and natural gas marketer. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining joint venturer approval of significant capital expenditures prior to expenditure. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners as disagreements occasionally arise that increases the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint venturers; however in certain circumstances, it may elect to cash call a joint venture partner in advance of the work, and it also has the ability to withhold production from joint venture partners in the event of non-payment.

As at March 31, 2009, the Company's receivables consisted of $320,381 (December 31, 2008 – $282,786) from joint venture partners, $976,765 (December 31, 2008 – $424,207) of receivables from an oil and natural gas marketer, and $22,406 (December 31, 2008 – $75,863) of other receivables. The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at March 31, 2009.

NOTE 15 – FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT STRATEGY (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As the industry in which the Company operates is very capital intensive, the majority of the Company's spending is related to its capital programs. The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has a revolving reserve based credit facility (see Note 6). The Company also attempts to match its payment cycle with collection of oil and natural gas revenues on the 25th of each month.

Accounts payable are considered due to suppliers in one year or less while the bank line of credit, which is subject to renewal after a 364-day revolving period, could be potentially due within the next year if the facility is not renewed for a further 364-day period.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company utilizes financial derivatives to manage certain market risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

(d) Foreign Currency Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's oil and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollars. Given that changes in exchange rate have an indirect influence, the impact of changing exchange rates cannot be accurately quantified. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2009.

(e) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its credit facility which bears a floating rate of interest. The Company had no interest rate swaps or financial contracts in place at or during the three months ended March 31, 2009.

NOTE 15 – FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT STRATEGY (continued)

(f) Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Company has attempted to mitigate commodity price risk through the use of financial derivative sales contracts. As at December 31, 2008, the Company had outstanding a natural gas derivatives contract for 1,000 gigajoules ("GJ") per day for the period from January 1, 2009 to December 31, 2009. This contract consisted of a $6.27 CAD per GJ forward sale agreement. During the year ended December 31, 2008, no gain was realized under this contract. However, as at December 31, 2008, an unrealized gain of $107,768 relating to this contract was recorded in accumulated other comprehensive income. During the three months ended March 31, 2009, a gain of $289,561 was realized under this contract.

(g) Capital Management Strategy

The Company's policy on capital management is to maintain a prudent capital structure so as to maintain financial flexibility, preserve access to capital markets, maintain investor, creditor and market confidence, and to allow the Company to fund future development. The Company considers its capital structure to include shareholders' equity of $42,037,058 (December 31, 2008 – $44,363,677), bank line of credit of $5,700,000 (December 31, 2008 – $5,550,000), loan from joint-venture partner of $4,767,714 (December 31, 2008 – $4,604,040), loan from related party of $1,859,358 (December 31, 2008 – $2,550,000), and working capital deficiency of $10,975,591 (December 31, 2008 – $12,712,251). In order to maintain or adjust capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected operating cash flows and debt levels.

The Company's share capital is not subject to any external restrictions. The revolving operating loan facility with a Canadian Bank (see Note 6) has no restrictions other than a requirement to maintain an adjusted working capital ratio of not less than 1.10:1 by DEAL. As at March 31, 2009, the Company was in compliance with all flow-through share expenditure requirements but was not in compliance with the covenant related to the loan facility as DEAL's adjusted working capital ratio was approximately 0.66:1. However, subsequent to March 31, 2009, the terms of the revolving operating loan facility were restructured. Refer to Note 16(a). As a result of the restructuring, the adjusted working capital ratio requirement was also waived by the Canadian Bank for the three months ended March 31, 2009. The Company has not paid or declared any dividends, nor are any contemplated in the foreseeable future. There have been no changes to the Company's capital management strategy during the three months ended March 31, 2009.

NOTE 16 – SUBSEQUENT EVENTS

(a) Bank Line of Credit

Subsequent to March 31, 2009, the terms of the Company's revolving operating loan facility with a Canadian Bank were restructured. Refer to Note 6. Effective April 1, 2009, the facility was reduced from $7,000,000 to $6,100,000, and the interest rate was increased from Canadian prime rate plus 1% to Canadian prime rate plus 3%. The Company shall make certain repayments on account of the credit facility using the net proceeds from the sale of properties. Refer to Note 16(c).

Pursuant to the restructuring of the loan facility, the adjusted working capital ratio requirement was also waived by the Canadian Bank for the three-month periods ending December 31, 2008 and March 31, 2009.

NOTE 16 – SUBSEQUENT EVENTS (continued)

(b) Stock Options

Subsequent to March 31, 2009, the Company granted a total of 1,344,000 incentive stock options with a weighted average exercise price at $0.45 per share to independent directors, management, officers, employees and consultants of the Company.

Subsequent to March 31, 2009, 434,000 incentive stock options were forfeited.

(c) Sale of Oil and Gas Properties

Subsequent to March 31, 2009, the Company accepted an offer from an unrelated third party to dispose of 17.59% of the Company's working interest in the Drake/Woodrush area, for a sale price of $3,166,667. The transaction is expected to close in May 2009. The transaction is subject to the Board of Directors approval and satisfactory corporate due diligence by the purchaser. The Company had received a refundable deposit of $158,333 from the purchaser.

Subsequent to March 31, 2009, the Company sold to another unrelated third party, 100% of the Company's working interest in the Carson Creek area, for a sale price of $2,100,000, effective May 1, 2009.