MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2008

Date of Report: March 20, 2009

FORM 51-102F1

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The following is a discussion of the operating results and financial position of Dejour Enterprises Ltd. (the "Company"), including its wholly-owned subsidiaries, Dejour Energy (USA) Corp. ("Dejour USA"), incorporated in Nevada, Dejour Energy (Alberta) Ltd. ("DEAL") and Wild Horse Energy Ltd. ("Wild Horse"), incorporated in Alberta, for the year ended December 31, 2008. It should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2008.

All financial information in this Management's Discussion and Analysis ("MD&A") is expressed and prepared in accordance with the Canadian generally accepted accounting principles. All references are in Canadian dollars, the Company's reporting currency, unless otherwise noted. Some numbers in this MD&A have been rounded to the nearest thousand for discussion purposes.

Certain forward-looking statements are discussed in this MD&A with respect to the Company's activities and future financial results. These are subject to risks and uncertainties that may cause projected results or events to differ materially from actual results or events.

COMPANY OVERVIEW

The Company's shares trade on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange Alternext ("NYSE-Alt") 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 exploration in Canada and the United States and through its interest in Titan Uranium which holds uranium exploration properties located in the Athabasca Basin in northern Saskatchewan, and the Thelon Basin, Nunavut, Canada. The Company also has a carried and royalty interest in a portion of the Titan uranium properties and may in the future elect to convert its carried interest for an additional royalty interest.

The Company holds approximately 140,000 net acres of oil and gas leases in the following regions:

- The Peace River Arch of northwestern British Columbia and northeastern Alberta, Canada
- The Piceance and Uinta basins in the US Rocky Mountains

The Company's near term business objective is to grow oil and gas production to generate sufficient cash flows to sustain operations and enhance shareholder value, through a strategy of acquiring working interests on a joint venture basis, in areas and projects that it believes have high discovery potential.

In Q2 2008, the Company commenced production and started receiving revenue from its Peace River Arch oil & gas properties, realizing the shift from a pure play exploration company to an oil and gas production company.

2008 HIGHLIGHTS

a) Peace River Arch, Canada

- Tied in seven of the eleven wells drilled to production, capable of producing 1,000 boe / day
- Established Proved and Probable (2P) reserves of $31 million as at December 31, 2008
- Acquired 6,350 net acres in a new "Montney" formation natural gas prospect in British Columbia

b) Piceance and Uinta Basins, USA

- Increased land holdings to 128,000 net acres
- Established a joint venture on 14,000 gross acres with Fidelity Exploration & Production Company, a subsidiary of a NYSE listed company with US$4.2 billion in revenues, MDU Resources Group Inc.
- Established a joint venture on 22,000 gross acres with Laramie Energy II LLC ("Laramie")

c) Common share listing upgraded to TSX from TSX Venture Exchange

d) Financial Condition and Liquidity

As at December 31, 2008, the Company had a working capital deficit of $12,712,000, broken down as follows:

Current assets	$1,783,559
Bank line of credit	(5,550,000)
Accounts payable and accrued liabilities	(3,741,770)
Loan from CEO	(600,000)
Loan from joint-venture partner	(4,604,040)
	($12,712,251)

The working capital deficit was mainly due to significant accounts payable resulting from the preparation of oil and gas production, the bank line of credit secured during Q3 2008, the loan from Chief Executive Officer ("CEO") that is due on demand, and the loan from joint-venture partner that is due on July 1, 2009.

The Company had cash and cash equivalents of $407,000 as at December 31, 2008. In addition to the cash balance, the Company also had accounts receivable of $783,000, most of which related to December 2008 oil and gas sales and had been received subsequent to December 31, 2008.

As at December 31, 2008, the Company had 16,750,000 shares of Titan. Between January 1 and March 20, 2009, Dejour sold 16,150,000 shares of Titan and realized cash proceeds of $2,159,722. As at March 20, 2009, the Company had 600,000 shares of Titan, with a market value of $180,000.

On June 18, 2008, a promissory note with a face value of US $4,000,000 was issued to Brownstone Ventures Inc. ("Brownstone"), a working interest partner in the Colorado/Utah Projects. The proceeds were used for the acquisition of additional acreage interests. The promissory note is secured by a general security agreement issued by the Company 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. As at March 20, 2009, US $220,000 had been repaid and US $3,780,000 of the principal currently remains outstanding. The Company is in discussion with Brownstone on the loan terms.

In August 2008, DEAL secured a revolving operating loan facility with a Canadian Bank for up to $7,000,000. This facility, secured by DEAL's oil and gas assets in Canada, is at interest rate of Canadian prime plus 1%. As at December 31, 2008, $5,550,000 had been drawn on the line of credit.

In accordance with the terms of the revolving operating loan facility obtained in Q3 2008, DEAL is required to maintain an adjusted working capital ratio of not less than 1.10:1. As at December 31, 2008, DEAL's adjusted working capital ratio was approximately 0.60:1. Therefore, DEAL was not in compliance with the covenant. However, DEAL is currently working with the bank to restructure the loan terms and to correct the loan facility covenant violation.

In management's opinion, the Company has sufficient funds to meet the Company's general and administration expenses for the ensuing twelve months and to continue with work on the planned exploration and development activities. In addition, the Company has met the goal of achieving 8 mmcfe/d production in Canada's Peace River Arch in Q4 2008, which will further increase the Company's revenues and cash flows to sustain its operations.

BUSINESS ENVIRONMENT AND OUTLOOK

In the fall of 2008, the crisis in global financial markets accelerated, and commodity prices fell precipitously from their springtime highs as the world moved into recession. These forces, coupled with previously announced changes to royalty trust taxation and to the royalty regime in the Province of Alberta, have changed the landscape in which the Company operates. With this changed landscape comes the need to evolve new strategies. The Company intends to focus on funding projects that can generate future revenues and cash flows in order to sustain operations. Accordingly, the majority of the Company's capital expenditures in the second half of the 2008 fiscal year were incurred to bring the wells in the Drake/Woodrush area of northeast British Columbia and in Carson Creek, Alberta, online so that production of oil and gas could commence.

In light of the current business environment, the Company believes that capital preservation is paramount, and is working to maintain financial flexibility by restricting capital spending and by selling assets that do not offer opportunities consistent with the Company's growth strategy.

The Company also reduced its staff count in early 2009 and is taking other steps to manage costs. Beginning in January 2009, top management and certain staffs have deferred 15% of their compensation to conserve cash.

The capital preservation imperative is expected to have a clear impact on capital allocation decisions in 2009. Capital spending will be targeted at securing new opportunities to advance the new strategies. The Company operates in some of the most desirable areas in British Columbia and Alberta and believes that the distress in the industry will allow the Company to secure new growth opportunities and position the Company to prosper in better days ahead.

OIL AND GAS EXPLORATION

US Activities

Colorado - Utah Oil & Gas Projects (Piceance)

In 2006, Dejour USA acquired working interests in 267 oil and gas leases covering 254,068 net acres (397 sections of land) in the Piceance, Uinta and Paradox Basins, located in western Colorado and eastern Utah respectively, from Retamco. All except one of the leases contain an 80% - 87.5% Net Revenue Interest ("NRI"). Dejour USA subsequently acquired an interest in an additional 21,866 net acres which are within the area of interest under the Participation Agreement with Retamco; however, leases affecting approximately 4,547 net acres have expired.

Dejour USA's interests in the Piceance, Uinta and Paradox Basins consist of two project types. The Company holds a 25% - 72% working interest in 24 Resource Projects which primarily represent natural gas projects which are a well defined stratigraphic gas resource covering 204,078 net acres containing low geologic risk natural gas assets plus the opportunity for deeper Jurassic reserves. The Company also holds a 72% working interest in a massive

deep Subthrust (or Overthrust) Project which is primarily representing a potential oil project covering 68,669 net acres. All of the leasehold NRI is 80%-87.5% except for 1 lease that is 78%. Dejour USA is the operator of 6 of the projects in which it holds a 72% working interest and Brownstone owns the remaining 28% working interest.

As Dejour USA is the owner of the leases, it will pay its proportionate ownership share of all exploration expenses including seismic, drilling, completion or abandonment and equipping. The Piceance and Uinta Basins lie at an elevation ranging from approximately 5,000 feet up to approximately 9,500 feet, and have an arid to semi-arid climate, with most of the land covered in limited and low-lying vegetation, primarily sage. The area is sparsely settled, although access to much of the area is provided by several highways and then by secondary roads used for ranching, with 4x4 access for the remainder. Precipitation in the Basins averages about 17 inches per year.

The basins have several hydrocarbon targets. The Mesaverde formation is the primary gas target for most of the region, with the upper portion of the formation known as the Williams Fork. The Williams Fork is often 2,500 feet to 3,800 feet thick, while the lower 1,000 feet to 2,000 feet of the formation contains the primary gas targets. The gas sands are considered to be “unconventional” “tight gas” and newer fracturing technology utilized during completions. Several other gas bearing formations, including Mancos, Dakota, and Entrada sands are also targets in the basins. Current oil & gas spacing units in the region range from 40 – 640 acres; however, based on an improved understanding of the basins, recent studies have indicated that 10-acre spacing in select areas may provide for higher gas recovery.

The Subthrust oil project is located in Moffat County, Colorado and Uintah County, Utah. This project is on the flank of the Douglas Creek Anticline and the primary target is the Pennsylvania Weber Sandstone formation with anticipated drilling depth of 15,000 feet.

The region contains several historic oil and gas fields, and infrastructure exists to support these operations. However, as the project areas are currently within one of the most active exploration regions in North America, significant new infrastructure capacity is currently under construction, including new pipelines and gas plants.

In June 2008 Dejour USA entered into a further Purchase and Sale agreement with Retamco, resulting in acquisition of an additional 64,000 net acres. The additional acreage was acquired in exchange for Dejour USA's 25% working interest in approximately 3,500 acres and two wells at North Barcus Creek, and a cash payment of approximately US$4 million. As part of the transaction, Brownstone provided Dejour with a US$4 million secured loan, due on July 1, 2009, which was used to purchase its additional acreage interests. As a result of the exchange of the North Barcus Creek acreage and wells, all of Dejour USA’s oil & gas proved and probable reserves in the US were disposed of.

On November 14, 2008, a joint venture agreement was signed with Laramie Energy II LLC (“Laramie”), a privately funded exploration and production company with corporate offices in Denver, Colorado. The joint venture involves approximately 22,000 gross acres (15,700 net to Dejour USA) in an area at the northwest edge of the Piceance Basin. Under the terms of the agreement, Laramie will begin a continuous drilling program on the Dejour USA leases in the second half of 2009 and will have the right to earn up to 55% of the acreage covered under the agreement by completing at least four commercially productive wells over the next three to four years.

As at December 31, 2008 and March 20, 2009, Dejour USA presently has working interests ranging from 25% to 72%, subject to an 80%-87.5% NRI except for 1 lease, in a total of 296 leases covering 272,777 net acres (426 sections of land). Pursuant to the agreement, Dejour USA, along with its joint venture partner, Brownstone, now controls 100% of approximately 125,000 net acres (Dejour 72% and Brownstone 28%). The joint venture partners' interests remain unchanged, being Dejour at 25%, Brownstone at 10% and Retamco at 65% working interests in the 164,000 acres not being acquired in this transaction.

Other Significant U.S.A. Oil and Gas Interests

Tinsley Prospect. Pursuant to an agreement dated September 1, 2005 Dejour USA acquired the rights to participate in an oil and gas exploration joint venture known as the Tinsley Deep Prospect located in Yazoo County, Mississippi originally comprised of 5,100 gross acres and 4,613 net acres. During December 2005 the operator commenced drill operations to drill a test well known as the Merit Partners #1 that was drilled to 11,237 feet. In March 2006 the Operator advised that the well was not economic. In the first quarter of 2007 Dejour USA transferred its interest in the Merit Partners #1 well along with certain shallow hydrocarbon rights in roughly 616 net acres of oil and gas leases to the operator of the Tinsley Deep Prospect and in return Dejour USA received 100% ownership of 1,736 net acres of oil and gas leases containing hydrocarbon rights below the base of the Hosston formation. In 2007, Dejour USA contributed its ownership interest in the leases and other valuable technical information from the Tinsley Prospect to a joint venture with a private Mississippi-based company. The private Mississippi-based company has acquired additional leasehold interests and added additional working interest partners in the new project of which Dejour USA's interest is a 35% working interest in a total of 7,057 net acres (8,349 gross) acres. The Mississippi company is searching for an operator for the project with an objective to drill additional wells in the area.

Summary of Capitalized US Oil and Gas Expenditures

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

	December 31, 2007	December 31, 2008		
	Net Book Value	**Net Expenditures**	**Write-off**	**Net Book Value**
US Oil and Gas Properties				
Colorado/Utah Projects				
Acquisition	25,467,708	3,807,764	(2,029,942)	27,245,530
Consulting and general	143,804	126,123	-	269,927
Drilling program	1,796,849	13,418	-	1,810,267
	27,408,361	3,947,305	(2,029,942)	29,325,724
Lavaca Project				
Acquisition	381	-	-	381
	381	-	-	381
Tinsley Prospect				
Acquisition	37,024	130,268	-	167,292
	37,024	130,268	-	167,292
Turtle Bayou				
Acquisition	1	-	-	1
	1	-	-	1
Total US Oil and Gas Properties	**$ 27,445,767**	**$ 4,077,573**	**$ (2,029,942)**	**$ 29,493,398**

Canadian Activities

In April 2006, the Company entered a joint venture arrangement with Charles W.E. Dove, who had 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 29 years of oil & gas experience, left his geophysical consulting business to join the Company to identify, generate and pursue certain oil & gas opportunities in the Western Sedimentary Basin. The Joint Venture was incorporated as DEAL and was originally owned and funded 90% by the Company, with Mr. Dove's company, Wild Horse, owning and funding the remaining 10%.

Effective June 1, 2007, the Company purchased 100% of Wild Horse from Mr. Dove. This purchase resulted in DEAL becoming an indirect wholly owned subsidiary of the Company. The purchase price was based on land and reserve values established by McDaniel and Associates Consultants Ltd., an independent evaluation firm in Calgary, Alberta. Mr. Dove continues as President and COO and Director of DEAL and is also a Director of the Company.

In October 2006, DEAL concluded a Participation Agreement allowing it to participate in the drilling of a natural gas well in an area known as the Noel Area, in northeastern British Columbia, Canada. DEAL paid 15% of the costs to earn a 9.375% working interest in 2,220 acres with an option to drill additional wells earning 2,220 acres to a maximum of 10,725 acres. Drilling commenced in the 1st quarter of 2007 and the well was dry. The Company had earned the working interest of 2,220 acres, but the Company decided not to exercise options to earn more lands. As a result, the Company recorded an impairment provision of $670,794 for the year ended December 31, 2007.

During Q1 and Q2 2007, DEAL concluded business agreements on four additional prospects resulting with the drilling of four wells and re-entry of a fifth. During Q3 and Q4 2007, DEAL purchased additional lands through crown and private sales and seismic programs were conducted to evaluate land for drilling in 2008 and 2009.

During the year ended December 31, 2008, the Company made significant progress in its drilling program in Canada's Peace River Arch, with the goal of achieving 8,000,000 cubic feet of natural gas equivalent per day (mmcfe/d) (1,300 barrels of oil equivalent (boe/d)) production by 2008 Q4. Highlights include:

- Five gas wells and one oil well in British Columbia and one gas and oil well in Alberta have been placed on production. Planning and execution of the tie in of 2 additional wells in the Cecil and Manning areas has been suspended due to low commodity prices and prioritization of capital expenditures. A farm out of a deeper zone at Cecil in an older suspended well bore on the property was negotiated resulting in this deeper zone being completed for production at no cost to DEAL. The farmee is in the process of initiating production. Another partner is being sought for further development of a seismically defined shallower zone in the prior to tie-in of the winter 2008 well.

- GLJ Petroleum Consultants completed an independent Dec 31, 2008 "Reserves Assessment and Evaluation of Canadian Oil and Gas Properties" resulting in Net Present Value 10% (NPV10) values for proven and probable reserves of $30,789,000 using the GLJ commodity price deck and $11,018,000 using the SEC Constant Price Analysis.

- Reserve Classification as of December 31, 2008 is 52% Proven Reserves and 48% Probable Reserves.

- December 31, 2008 reserves are 56% Light and Medium Crude Oil, 42% Natural Gas and 2% Natural Gas Liquids.

The Company has drilled or participated in drilling 16 wells on 9 of its 14 project areas, since inception of exploration activity in Canada's Peace River Arch in late 2006. Nine wells tested gas and two tested both gas and oil. Two projects are currently suspended and negotiations to bring in a joint venture partner to carry out further completion operations are being pursued. Three wells were tested to be non-economic and abandoned. Of these three abandoned wells, the Company had only minor interests of 10% and 15% in two of the wells and 70% in the third well.

Testing of these wells showed total test flow capability in the Peace River Arch area of > 10 mmcfe/d production of which 50% is oil. Maximum allowable production rates will be imposed on the oil wells and gas wells are being produced at rates to maximize total reserve recovery. This results in maximum allowable production total of approximately 2.2 mmcf per day and 230 bopd. The Company has applied for GPP (Good Production Practice) on one well which should result in an incremental 150 bopd. At sustained test rates, prior to reduction to allowable limits, the sum of the production from all wells has been approximately 2.75 mmcf/d and 620 bopd resulting in total daily production of 6.47 mmcfe/day (1,080 boe/d). Three non-operated wells including the Manning well described above were flow tested on completion at a combined total of over 3 mmcf/day and are waiting on operators to commence pipeline construction.

Land posting and acquisition has commenced on a Montney formation natural gas prospect in British Columbia. To date 9 contiguous sections have been acquired.

Activity in Q1 2008 included drilling of 11 wells, 9 of which were operated by DEAL with an average working interest of over 95%. Two were partner-operated with average working interest of 35%. In one of these areas DEAL conducted a seismic program on behalf of the joint venture. As at December 31, 2008, the Company owned an average 54% working interest in approximately 39,283 acres of lands in Canada.

Investment requirements for our work program in DEAL increased as two of the wells which were drilled to evaluate deeper prospects encountered sour gas and oil in significant quantities. This required additional equipment, facilities and pipeline. The oil well is a new pool discovery and has been granted a 3 year royalty holiday subject to a total royalty free production limit of approximately 72,000 bbls. These facilities will include capacity to add development wells in the future.

Four gas wells in British Columbia were brought on production in early April 2008. Initial total rates for the four wells were 2,700 mcf/day. The production from these wells was 1,500 mcf/day as of December 31, 2008. One additional gas well and one oil well commenced production in Q3 2008 and these are currently producing at rates of 500 mcf/day and 375 bopd. A fourth gas and oil well was brought on production in Q4 2008 at rates of 200 bopd and 750 mcf/day. Results and activity on the significant prospects are summarized below.

Drake/Woodrush

843ha (2,108 acres) of the lands purchased in 2007 are in the Drake area of northeast British Columbia. The two gas wells resulting from the Q2 2007 drilling at Drake are tied in and producing. Initial total rate from these two wells was approximately 1,500 mcf/day net to the Company. During the 2007/2008 winter drilling season a total of four new wells, three of which were drilled to evaluate the deeper Halfway formation as well as the proven Notikewin sands, were drilled. Two are on lands earned by last winter's drilling and two on 100% working interest lands purchased at a crown sale. Working interest in lands earned last winter has been increased from 60% to 92% on 700 of the 1,400 acres earned. Interest in the remaining 700 acres remains at 100% before payout and 60% after payout.

Final locations for the 2007/2008 winter drilling were chosen based on interpretation of 3D seismic data purchased over all the Company's working interest land in the area. These four wells were drilled and completed for production in Q1 2008. All of these are currently producing at a combined rate of approximately 2,000 mcf/day and 375 bopd. Infrastructure placed at the Drake site has design capabilities to handle planned development. Results to

date have been encouraging and development drilling is being planned for Q3 2009 to further exploit the lands and infrastructure.

Carson Creek

At Carson Creek, land was purchased privately and a test well commenced drilling in late 2007. This well tested 3,000 mcf/day gas and in excess of 100 barrels of oil and natural gas liquids per day. Construction of pipeline and facilities was completed in Q4 2008. Production rates were increased slowly and stabilized at 200 bopd and 750 mcf/day. An allowable of 50 bopd will be set on this well. The company will be making application for GPP (Good Production Practice) which if approved will allow the well to be produced at the higher rates.

Montney

In summer 2008, DEAL acquired 2,541 hectares (6,352 gross and net acres) of lands in the emerging Montney natural gas resource play in northeastern British Columbia at government oil and gas drilling rights auctions. These lands are adjacent to necessary pipeline infrastructure. In early 2009, the Company also acquired an existing wellbore intended for re-entry and testing of the play.

DEJ
DEJOUR ENTERPRISES LTD.
ENERGY INDEPENDENCE

Summary of Capitalized Canadian Oil and Gas Expenditures

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

	December 31, 2007	December 31, 2008		
	Net Book Value	Net Expenditures	Write-off	Net Book Value
Canadian Oil and Gas Properties				
Carson Creek				
Acquisition	$ -	$ 625	$ -	$ 625
Consulting and general	16,405	20,545	-	36,950
Drilling program	518,624	1,209,991	-	1,728,615
Seismic	475	13,364	-	13,839
	535,504	1,244,525	-	1,780,029
Drake				
Acquisition	731,265	9,012	-	740,277
Consulting and general	184,651	100,323	-	284,974
Drilling program	1,231,218	5,946,124	-	7,177,342
Seismic	317,145	13,891	-	331,036
	2,464,279	6,069,350	-	8,533,629
Montney				
Acquisition	-	907,732	-	907,732
Capitalized interest	-	69,316	-	69,316
Consulting and general	-	2,000	-	2,000
	-	979,048	-	979,048
Saddle Hills				
Acquisition	9,724	-	-	9,724
Consulting and general	1,080	2,483	-	3,563
Drilling program	500,425	374,136	-	874,561
Seismic	23	75,740	-	75,763
	511,252	452,359	-	963,611
Woodrush				
Consulting and general	-	186,420	-	186,420
Drilling program	20,887	10,272,572	-	10,293,459
Seismic	-	-	-	-
	20,887	10,458,992	-	10,479,879
Others				
Acquisition	897,819	17,428	-	915,247
Consulting and general	78,549	407,061	-	485,610
Drilling program	2,175,359	3,476,545	-	5,651,904
Seismic	585,083	350,755	-	935,838
	3,736,810	4,251,789	-	7,988,599
Corporate Costs				
Asset retirement obligations	-	404,311	-	404,311
Depletion	-	-	(3,635,777)	(3,635,777)
	-	404,311	(3,635,777)	(3,231,466)
Total Canadian Oil and Gas Properties	**$ 7,268,732**	**$ 23,860,374**	**$ (3,635,777)**	**$ 27,493,329**

The following table summarizes the breakdown of capital expenditures by type for the years ended December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Acquisition	4,872,829	1,638,807
Capitalized interest	69,316	-
Consulting and general	844,955	280,685
Drilling program	21,292,786	5,117,307
Seismic	453,750	902,726
	27,533,636	7,939,525

Daily Production

	December 31, 2008	December 31, 2007
By Product		
Natural gas (mcf/d)	**1,395**	-
Natural gas liquids (bbls/d)	**2**	-
Oil (bbls/d)	**22**	-
Total (boe/d)	**256**	-

Annual production for 2008 averaged 256 boe per day, an increase of 100 percent compared to 2007, due to the commencement of oil and gas production in April 2008.

URANIUM EXPLORATION PROJECTS

History of Uranium Exploration in Athabasca Basin

In January 2005, Dejour announced its 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 whereby Titan acquired Dejour's uranium properties and in return Dejour received 17,500,000 common shares of Titan and 3,000,000 Titan warrants while retaining a 1% net smelter return royalty ("NSR") and a carried 10% working interest to completed bankable feasibility study following which the Company could elect to convert its 10% carried interest to another 1% NSR.

According to an Estimate Valuation Report by independent business valuator BDO Dunwoody Valuation Inc., dated March 29, 2007, the estimated value of the 17,500,000 common shares of Titan and 3,000,000 Titan warrants received were approximately $36,500,000. This figure excludes the values for the 1% NSR and 10% carried interest. A gain on disposition of $30,000,000 was recognized in 2006. As at December 31, 2008, the Company owned roughly 31.7% of Titan's outstanding common shares with a carrying value of $2,721,875 net of an impairment charge of $12,990,343 in 2008 and $21,600,000 in 2007.

Current Uranium Holdings

As at December 31, 2008, the Company held a 10% carried interest and 1% NSR in 966,969 acres of uranium exploration claims and leases. The carrying values of the Company's 10% carried interests were $696,991 as at December 31, 2008 and December 31, 2007.

SHARE CAPITAL

The following is a summary of share transactions for the fiscal years ended December 31, 2008 and 2007:

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, 2006	60,899,723	$ 48,671,383
- For conversion of convertible debenture	273,399	394,752
- For cash by private placements	4,773,980	11,287,668
- For cash on exercise of warrants	3,444,490	2,859,863
- For cash on exercise of stock options	736,737	557,800
- Contributed surplus reallocated on exercise of stock options	-	335,038
- Renounced flow through share expenditures	-	(2,712,540)
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

As at March 20, 2009, the Company had 73,725,512 issued and outstanding common shares.

STOCK OPTIONS AND SHARE PURCHASE WARRANTS

The following table summarizes information about stock option transactions:

	Outstanding Options	Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2006	4,560,785	$ 1.14	1.93 years
Options granted	3,095,000	2.20	
Options exercised	(736,737)	0.76	
Options cancelled and expired	(1,291,567)	2.39	
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

Details of stock options vested and exercisable as at December 31, 2008 are as follows:

Number of Options Outstanding and vested	Exercise Price	Weighted Average Remaining Contractual Life (Years)
109,630	$ 0.275	0.83
43,125	0.450	1.82
120,250	0.450	4.83
200,000	1.400	0.25
781,417	1.400	1.91
18,750	1.450	2.33
150,000	1.500	2.12
125,000	1.600	0.01
18,750	1.750	0.84
947,500	2.000	2.67
741,083	2.100	0.33
3,255,505	$ 1.663	1.67

As at December 31, 2008, 109,630 outstanding and vested options were “in the money” (the exercise price was less than the market trading price). If these options were fully exercised, the Company would realize approximately $30,000 in additional capital.

STOCK OPTIONS AND SHARE PURCHASE WARRANTS (continued)

The following table summarizes information about share purchase warrants:

	Outstanding Warrants	Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2006	4,544,506	$ 1.03	0.41 years
Warrants issued	2,372,531	3.15	
Warrants exercised	(3,444,490)	0.83	
Warrants expired	(1,100,016)	1.64	
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	2,104,129	$ 3.35	0.40 years

Details of warrants outstanding as at December 31, 2008 are as follows:

Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Contractual Life (Years)
2,104,129	$ 3.35	0.40

RELATED PARTY TRANSACTIONS

a) During the years ended December 31, 2008 and 2007, the Company entered into the following transactions with related parties as a result of ongoing consulting agreements which automatically renew on a year-to-year basis:

   i) The Company incurred a total of $608,279 (2007 - $777,021) in consulting fees, directors and meeting attendance fees to independent directors and private companies controlled by officers and directors of the Company.

   ii) DEAL incurred a total of $173,333 (2007 - $172,750) in consulting fees to a private company controlled by the President of DEAL.

b) During the years ended December 31, 2008 and 2007, the Company received total rental income of $28,700 (2007 - $Nil) from private companies controlled by officers of the Company.

c) On May 15, 2008, DEAL issued a promissory note for up to $2,000,000 to a private company controlled by the 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 in Q3 2008, 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. As at December 31, 2008, $1,950,000 had been advanced on the promissory note.

d) On August 11, 2008, the Company borrowed $600,000 from the private company controlled by the CEO of the Company. The loan is secured by all assets of the Company, payable on demand, bears interest at the Canadian prime rate per annum, and has a loan fee of 1% of the outstanding amount per month.

e) 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.

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

RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2008 AND 2007

Summary of Operational Highlights

DEAL Production and Netback Summary

	2008	2007
Production Volumes:		
Oil (bbls)	8,058	-
Gas (mcf)	509,034	-
Natural gas liquids (bbls)	764	-
Total (boe)	93,661	-
Average Price Received:		
Oil ($/bbls)	55.21	-
Gas ($/mcf)	9.48	-
Natural gas liquids ($/bbls)	110.90	-
Total ($/boe)	57.16	-
Royalties ($/boe)	12.26	-
Operating Expenses ($/boe)	19.41	-
Netbacks ($/boe)	25.49	-

Revenues

	December 31, 2008	December 31, 2007
Revenue		
Natural gas	**$ 4,962,614**	$ -
Oil	**703,167**	-
Natural gas liquids	**99,774**	-
Total oil and gas revenue	**$ 5,765,555**	$ -

For the year ended December 31, 2008, the Company recorded $803,000 in crude oil and natural gas liquids sales and $4,963,000 in natural gas sales as compared to $nil in crude oil and natural gas liquids and $nil in natural gas sales for the year ended December 31, 2007. The increase in revenues for the year ended December 31, 2008 over the year ended December 31, 2007 was due to the commencement of oil and gas production in April 2008.

The following table summarizes the commodity prices realized by the Company and the crude oil and natural gas benchmark prices for the years ended December 31, 2008 and December 31, 2007:

	December 31, 2008	December 31, 2007
Dejour Average Prices		
Natural gas ($/mcf)	**$ 9.48**	$ -
Oil ($/bbl)	**55.21**	-
Natural gas liquids ($/boe)	**110.90**	-
Total average price ($/boe)	**$ 57.16**	$ -
Benchmark Pricing		
Crude oil - WTI (US$ per bbl)	**$ 99.48**	$ 72.39
Crude oil - Edmonton Par Price (Cdn$ per bbl)	**103.44**	77.06
Natural gas - AECO-C Spot ($ per mcf)	**$ 8.16**	$ 6.65

Royalties

	December 31, 2008	December 31, 2007
Royalties		
Crown	**$ 809,884**	$ -
Freehold and GORR	**338,771**	-
Total royalties	**$ 1,148,655**	$ -
$ per boe	**$ 12.26**	$ -
As a percentage of oil and gas revenue	**20%**	0%

Royalties for the year ended December 31, 2008 and December 31, 2007 were $1,149,000 or $12.26 per boe as compared to $nil or $nil per boe respectively. The increase was due to the commencement of oil and gas production in April 2008.
The Government of Alberta announced a new royalty framework which took effect on January 1, 2009. The new framework was announced in response to a report released by an independent Royalty Review Panel appointed by the Government of Alberta in September 2007 that recommended an increase in the overall resource charges to oil and gas producers in the Province of Alberta. Under the new royalty framework, royalty rights will be increased on conventional oil, natural gas and the oil sands. The Government of Alberta estimated that overall royalties will increase by approximately 20% (representing an increase of approximately $1.4 billion) over its previous estimated royalty revenues for 2010. The Company believes that the impact of the new framework on overall netbacks and net asset values will be modest. The Company will continue to carefully monitor any developments with respect to royalties.

Operating and Transportation Expenses

Operating and transportation expenses include all costs associated with the production of oil and natural gas and the transportation of oil and natural gas to the processing plants. The major components of operating expenses include labour, equipment maintenance, work-overs, fuel and power. Operating and transportation expenses for the year ended December 31, 2008 were $3,122,000 or $33.33 per boe as compared to $nil or $nil per boe for the year ended December 31, 2007. The increase was due to the commencement of oil and gas production in April 2008.

General and Administrative Expenses

For the year ended December 31, 2008, the Company's general and administrative expenses decreased by $125,000, compared to the year ended December 31, 2007. Major components of the decrease were decreases of $381,000 in fees for management and consultants, $243,000 in investor relations, $53,000 in travel and accommodation, and $251,000 in office and general expenses, offset by increases of $123,000 in rent, $126,000 in professional, regulatory and filing fees, and $554,000 in salaries and benefits.

The decrease in fees for management and consultants was mainly due to the change in status of several consultants from independent contractors to employees and the termination of a consulting agreement with a senior executive of the Company. Investor relations expenses decreased in the year ended December 31, 2008 compared to the year ended December 31, 2007, as the Company had a large mail-out of newsletters in 2007. The decrease in travel and accommodation and office and general expenses was a result of the Company's efforts in cutting down its costs during the economic downturn.

The increase in professional, regulatory and filing fees was mainly due to the significantly increased business activities in the Company's Vancouver, Calgary and Denver offices with respect to development and production preparation in oil and gas projects. The Company had been actively looking for oil and gas properties and developing aggressive drilling programs that would add to shareholder values. The increases in rent and salaries and benefits were mainly as a result of the setup of the Denver office and the expansion of the Calgary office.

Interest and Finance Fees

During the year ended December 31, 2008, the Company recorded interest and finance fees of $481,000, compared to $294,000 for the year ended December 31, 2007. The increase is primarily a result of the revolving operating loan facility obtained in August 2008.

Amortization, Depletion and Accretion

For the year ended December 31, 2008, amortization and depletion of property and equipment and the accretion of the asset retirement obligations was $3,691,000 compared to $34,000 for the year ended December 31, 2007. The increase was due to the commencement of oil and gas production in April 2008. Total costs subject to depletion and amortization include $1,199,000 relating to future development costs estimated to complete oil and gas wells for which proved reserves have been assigned. $979,000 of unproven properties was excluded from the costs subject to depletion and amortization.

Stock Based Compensation

During the year ended December 31, 2008, the Company recorded non-cash stock based compensation expense of $2,720,000 compared to $2,461,000 for the year ended December 31, 2007. The increase was mainly due to the vesting of stock options previously granted. The Company determined the fair value of stock options using the Black-Scholes option pricing model. The compensation cost was measured at the date of grant and was expensed over the vesting period for employees and over the service life for consultants.

Income Taxes

Future income tax expense in the current year was $596,000, as compared to recovery of $4,221,000 in the year ended December 31, 2007. The Company renounced $1,820,000 of Canadian Exploration Expenditures (“CEEs”) to investors in February 2008, as compared to $7,950,000 renunciation in February 2007. Under Canadian generally accepted accounting principles, the renunciation of CEEs results in future income tax liabilities and share issuance costs. The future income tax expense for the year ended December 31, 2008 was a result of the future income tax liability, which arose because the accounting net book value assigned to the oil and gas properties was in excess of the value of the tax pools.

The Company has met its commitment to incur $1,820,000 in qualifying CEEs related to the December 2007 flow-through share financing.

Net Loss and Other Items

The Company’s net loss for the year ended December 31, 2008 was $20,891,000 or $0.29 per share, compared to a net loss of $26,811,000, or $0.40 per share for the year ended December 31, 2007. Included in the net loss for year ended December 31, 2008 was a non-cash equity income from Titan of $3,637,000, in which $222000 relates to Titan’s non-cash stock based compensation expense. Included in the net loss for year ended December 31, 2007 was an equity loss from Titan of $2,352,000, in which $1,844,000 relates to non-cash stock based compensation expense. The equity income from Titan relates to the Company’s proportionate share of Titan’s income in the current year.

Interest and other income decreased by $569,000 from $806,000 in the year ended December 31, 2007 to $237,000 in the year ended December 31, 2008, because the Company had significantly higher average cash balances derived from equity financings completed in 2007 as at December 31, 2007. Foreign exchange loss increased by $534,000 from $142,000 in 2007 to $676,000 in 2008 as a result of the higher US-Canadian exchange rate and the negative impact it had on the loan from joint-venture partner denominated in US dollars. The current year impairment loss of oil and gas properties was $2,030,000 compared to an impairment loss of $678,000 recorded on its Tinsley and Lavaca oil and gas project in the year ended December 31, 2007. The current year impairment of investment in Titan was $12,990,000 compared to $21,581,000 in the year ended December 31, 2007. The 2008 and 2007 impairment was a result of the book value of the investment in Titan written down to the fair market value as at December 31, 2008 and 2007.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2008 AND 2007

Revenues

	Three months ended December 31, 2008	Three months ended December 31, 2007
Revenue		
Natural gas	$ 1,206,117	$ -
Oil	643,795	-
Natural gas liquids	3,570	-
Total oil and gas revenue	$ 1,853,482	$ -

For the three months ended December 31, 2008, the Company recorded $647,000 in crude oil and natural gas liquids sales and $1,206,000 in natural gas sales as compared to $nil in crude oil and natural gas liquids and $nil in natural gas sales for the three months ended December 31, 2007. The increase in revenues for the three months ended December 31, 2008 over the three months ended December 31, 2007 was due to the commencement of oil and gas production in April 2008.

Royalties

	Three months ended December 31, 2008	Three months ended December 31, 2007
Royalties		
Crown	$ 193,950	$ -
Freehold and GORR	99,987	-
Total royalties	$ 293,937	$ -
$ per boe	$ 8.76	$ -
As a percentage of oil and gas revenue	16%	0%

Royalties for the three months ended December 31, 2008 and December 31, 2007 were $294,000 or $8.76 per boe as compared to $nil or $nil per boe respectively. The increase was due to the commencement of oil and gas production in April 2008.

Operating and Transportation Expenses

Operating and transportation expenses for the three months ended December 31, 2008 were $1,199,000 or $35.76 per boe as compared to $nil or $nil per boe for the three months ended December 31, 2007. The increase was due to the commencement of oil and gas production in April 2008.

General and Administrative Expenses

For the three months ended December 31, 2008, the Company's general and administrative expenses decreased by $966,000, compared to the same period ended December 31, 2007. Major components of the decrease were decreases of $754,000 in fees for management and consultants, $50,000 in investor relations, $62,000 in travel and accommodation, and $377,000 in office and general expenses, offset by increases of $30,000 in rent, and $232,000 in salaries and benefits.

The decrease in fees for management and consultants was mainly due to the change in status of several consultants from independent contractors to employees and the termination of a consulting agreement with a senior executive of the Company. Investor relations expenses decreased in the three months ended December 31, 2008 compared to the same period ended December 31, 2007, as the Company had a large mail-out of newsletters in 2007. The decrease in travel and accommodation and office and general expenses was a result of the Company's efforts in cutting down its costs during the economic downturn. The increases in rent and salaries and benefits were mainly as a result of the setup of the Denver office and the expansion of the Calgary office.

Interest and Finance Fees

During the three months ended December 31, 2008, the Company recorded interest and finance fees of 188,000, compared to $47,000 for the same period ended December 31, 2007. The increase is primarily a result of the revolving operating loan facility obtained in August 2008.

Amortization, Depletion and Accretion

For the three months ended December 31, 2008, amortization and depletion of property and equipment and the accretion of the asset retirement obligations was $1,499,000 compared to $9,000 for the same period ended December 31, 2007. The increase was due to the commencement of oil and gas production in April 2008.

Stock Based Compensation

During the three months ended December 31, 2008, the Company recorded non-cash stock based compensation expense of $480,000 compared to $532,000 for the same period ended December 31, 2007. The stock based compensation expenses were lower, because many of the options previously granted had been fully vested. The Company determined the fair value of stock options using the Black-Scholes option pricing model. The compensation cost was measured at the date of grant and was expensed over the vesting period for employees and over the service life for consultants.

Income Taxes

Future income tax expense in the three months ended December 31, 2008 was $1,217,000, as compared to recovery of $2,941,000 in the same period ended December 31, 2007. The future income tax expense for the three months ended December 31, 2008 was a result of the future income tax liability, which arose because the accounting net book value assigned to the oil and gas properties was in excess of the value of the tax pools. In comparison, there was a future income tax asset in the same period ending December 31, 2007, because the value of the tax pools for the oil and gas properties was in excess of the accounting net book value.

Net Loss and Other Items

The Company's net loss for the three months ended December 31, 2008 was $15,151,000 or $0.21 per share, compared to a net loss of $20,667,000, or $0.43 per share for the three months ended December 31, 2007. Included in the net loss for three months ended December 31, 2008 was a non-cash equity income from Titan of $3,803,000.

Included in the net loss for three months ended December 31, 2007 was an equity loss from Titan of $120,000. The equity income from Titan relates to the Company's proportionate share of Titan's income in the current period. Interest and other income decreased by $322,000, because the Company had a significantly higher average cash balance derived from equity financings completed in 2007 as at December 31, 2007. Foreign exchange loss increased by $536,000 from $53,000 in Q4 2007 to $589,000 in Q4 2008 as a result of the higher US-Canadian exchange rate and the negative impact it had on the loan from joint-venture partner denominated in US dollars. The current period impairment loss of oil and gas properties was $2,030,000 compared to an impairment loss of $7,000 in the three months ended December 31, 2007. The current period impairment of investment in Titan was $12,990,000 compared to $21,581,000 in the three months ended December 31, 2007. The impairment was a result of the book value of the investment in Titan written down to the fair market value as at December 31, 2008 and 2007.

SUMMARY OF QUARTERLY RESULTS

The following summary for the eight most recently completed financial quarters ending December 31 details pertinent financial and corporate information, which is unaudited and prepared by Management of the Company. For more detailed information, refer to related consolidated financial statements.

Quarter ended	December 31, 2008 $	September 30, 2008 $	June 30, 2008 $	Mar. 31, 2008 $	Dec. 31, 2007 $	Sept. 30, 2007 $	June 30, 2007 $	Mar. 31, 2007 $
Revenues	1,853,482	1,761,650	2,339,098	158,774	211,569	196,573	231,488	166,517
Net loss	(15,151,051)	(3,038,792)	(1,143,679)	(1,557,231)	(20,667,153)	(2,250,133)	(2,033,690)	(1,824,205)
Loss per share	(0.21)	(0.04)	(0.02)	(0.02)	(0.43)	(0.03)	(0.03)	(0.03)
Fully diluted loss per share	(0.21)	(0.04)	(0.02)	(0.02)	(0.43)	(0.03)	(0.03)	(0.03)

The revenues for the quarters from January 1, 2007 to December 31, 2007 were fairly consistent. However, the revenues for the quarters from April 1, 2008 to December 31, 2008 increased significantly from the previous quarters, due to the commencement of oil and gas production in April 2008. The revenues for the quarter ended March 31, 2008 decreased slightly compared to the previous quarters due to a lower average cash balance during the period. The cash balance had been decreasing over the past two years, as a result of increasing investments in oil and gas properties.

The net loss for the quarters from January 1, 2007 to September 30, 2008 was fairly consistent. The net loss and loss per share for the quarter ended December 31, 2007 and for the quarter ended December 31, 2008 were considerably higher as a result of an impairment of investment in Titan of $21,581,000 and $12,990,343, recorded in 2007 and 2008 respectively. The impairment was the book value of the investment in Titan written down to the fair market value as at December 31, 2008 and 2007.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, bank line of credit, accounts payable, and loans from joint-venture partner and related party. Management has determined that the fair value of these financial instruments approximates their carrying values due to their immediate or short-term maturity. Net smelter royalties and related rights to earn or relinquish interests in mineral properties constitute derivative instruments. No value or discounts have been assigned to such

instruments as there is no reliable basis to determine fair value until properties are in development or production and reserves have been determined.

From time to time, the Company enters into derivative contracts such as forwards, futures and swaps in an effort to mitigate the effects of volatile commodity prices and protect cash flows to enable funding of its exploration and development programs. Commodity prices can fluctuate due to political events, meteorological conditions, disruptions in supply and changes in demand. 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.

The fair values of unsettled financial instruments are recorded as an asset or liability with the change in the fair value recorded in accumulative other comprehensive income. The outstanding financial instruments as of December 31, 2008 are described in the Financial Instruments, Risk Management and Capital Management Strategy note to the consolidated financial statements for the year ended December 31, 2008. The fair value of outstanding financial instruments at December 31, 2008 was an asset of $107,768 (2007 – $Nil) resulting in an increase in accumulated other comprehensive income for the year.

LIQUIDITY AND CAPITAL RESOURCES

The capital requirements of the Company have historically been met by equity financing. The Company's continuing operations as intended are dependent on management's ability to raise required funding through future equity issuances, debt, asset sales or a combination thereof.

As at December 31, 2008, the Company had a working capital deficit of $12,712,000 as compared to working capital of $11,336,000 as at December 31, 2007. The working capital deficit was mainly due to significant accounts payable resulting from the preparation of oil and gas production, the bank line of credit secured during Q3 2008, the loan from CEO that is due on demand, and the loan from joint-venture partner that is due on July 1, 2009. The Company had cash and cash equivalents of $407,000 as at December 31, 2008 as compared to $13,512,000 as at December 31, 2007.

In addition to the cash balance, the Company also had accounts receivable of $783,000, most of which related to December 2008 oil and gas sales and had been received subsequent to December 31, 2008.

During the year ended December 31, 2008, the Company received proceeds of $530,000 from the sale of 750,000 Titan shares, resulting in a gain of $5,000. As at December 31, 2008, the Company had 16,750,000 shares of Titan. Between January 1 and March 20, 2009, Dejour sold 16,150,000 shares of Titan and realized cash proceeds of $2,159,722. As at March 20, 2009, the Company had 600,000 shares of Titan, with a market value of $180,000.

On June 18, 2008, a promissory note with a face value of US $4,000,000 was issued to Brownstone, for the acquisition of additional acreage interests from Retamco. The promissory note is secured by a general security agreement issued by the Company 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. As at March 20, 2009, US $220,000 had been repaid and US $3,780,000 of the principal currently remains outstanding.

In August 2008, DEAL secured a revolving operating loan facility with a Canadian Bank for up to $7,000,000. This facility, secured by DEAL's oil and gas assets in Canada, is at interest rate of Canadian prime plus 1%. As at December 31, 2008, $5,550,000 had been drawn on the line of credit.

On May 15, 2008, DEAL issued a promissory note for up to $2,000,000 to a private company controlled by the 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 in Q3 2008, 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. As at December 31, 2008, $1,950,000 had been advanced on the promissory note.

On August 11, 2008, the Company borrowed $600,000 from a private company controlled by the CEO of the Company. The loan is secured by all assets of the Company, repayable on demand, bears interest at the Canadian prime rate per annum, and has a loan fee of 1% of the outstanding amount per month.

During the year ended December 31, 2008, the Company received $2,335,000 from exercised stock options and warrants and paid $27,591,000 of cash on specific oil and gas properties. As at December 31, 2008, 109,630 outstanding and vested options were "in the money" (the exercise price was less than the market trading price). If these options were fully exercised, the Company would realize approximately $30,000 in additional capital.

The Company currently has no off-balance sheet arrangements. However, in accordance with the terms of the revolving operating loan facility obtained in Q3 2008, 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. As at December 31, 2008, the Company was not in compliance with the covenant related to the loan facility as DEAL's adjusted working capital ratio was approximately 0.60:1. However, DEAL is currently working with the bank to restructure the loan terms and to correct the loan facility covenant violation.

In management's opinion, the Company has sufficient funds to meet the Company's general and administration expenses for the ensuing twelve months and to continue with work on the planned exploration and development activities. In addition, the Company has met the goal of achieving 8 mmcfe/d production in Canada's Peace River Arch in Q4 2008, which will further increase the Company's revenues and cash flows to sustain its operations.

COMMITMENTS

Effective May 1, 2005, the Company entered in to a five year lease on its office premises. Under the terms of the lease the Company is required to make minimum annual payment. The Company is committed under operating lease agreement for the premises to future minimum payments as follows:

2009	$ 101,053
2010	34,320
	$ 135,373

The Company has met its commitment to incur $1,820,000 in qualifying CEEs related to the December 2007 flow-through share financing. There are currently no commitments for capital expenditures.

SUBSEQUENT EVENTS

a) Stock Options and Share Issuances

Subsequent to December 31, 2008, the Company granted a total 1,223,000 incentive stock options with a weighted average exercise price at $0.46 per share to independent directors, management, officers, employees and consultants of the Company.

Subsequent to December 31, 2008, 73,630 common shares were issued upon the exercise of stock options for

proceeds of $20,248, 249,750 incentive stock options were forfeited, and 2,410,000 incentive stock options were cancelled.

b) Investment in Titan Uranium Inc.

Subsequent to December 31, 2008, the Company received proceeds of $2,159,722 from the sale of 16,150,000 Titan shares, resulting in a loss of $464,653. As at March 20, 2009, the Company had 600,000 shares of Titan.

c) Natural Gas Derivatives Contract

As at December 31, 2008, the Company had outstanding a natural gas derivatives contract for 1,000 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. Subsequent to December 31, 2008, the Company unwound the natural gas hedge, resulting in a realized gain of $289,561. There were no derivative contracts outstanding as at March 20, 2009.

d) 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 CEO of the Company. As at December 31, 2008, $1,950,000 had been advanced on the promissory note. On August 11, 2008, the Company borrowed $600,000 from the private company controlled by the CEO of the Company.

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 is granted an option to become a working interest partner with DEAL.

Subsequent to December 31, 2008, the $600,000 loan had been repaid.

Subsequent to December 31, 2008, the private company controlled by the CEO of the Company exercised the option and elected to become a working interest partner with DEAL. The private company's option price was $90,642, 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.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 3 to the consolidated financial statements for the year ended December 31, 2008. Certain of these policies are recognized as critical because in applying these policies management is required to make judgments, assumptions and estimates that have a significant impact on the financial results of Dejour. The estimates used in applying these critical accounting policies are outlined below.

a) Oil and Gas Reserves

Full cost accounting depends on the estimated proven reserves which the Company believes to be recoverable from oil and gas properties by applying significant judgments relating to available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development, testing and production becomes available, and due to unforeseen changes in economic conditions which impact oil and gas prices and costs. The Company's reserves and revisions to those reserves have a significant impact on net loss as they are a key component in calculating depletion of oil and gas assets and oil and gas asset impairments.

b) Full Cost Accounting Ceiling Test

The Company evaluates its oil and gas assets on an annual basis using a ceiling test to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves less unproved properties exceed the carrying value of the oil and gas assets. If the carrying value of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected form the production of proved and probable reserves less unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

c) Asset Retirement Obligations

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The total future asset retirement obligation is an estimate 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 costs to be incurred in future periods. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is an estimate that is subject to measurement uncertainty and any change would impact liability.

d) Stock Based Compensation

The Company follows the recommendations of the CICA Handbook in accounting for stock-based compensation. The Company adopted the fair value method for all stock-based compensation. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period with a corresponding increase to contributed surplus. The fair value of options and other stock based awards issued or altered in the period, are determined using the Black-Scholes option pricing model. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company will account for actual forfeitures as they occur.

e) Future Income Taxes

The Company follows the asset and liability method of accounting for income taxes. At the end of each reporting period, the Company estimates its tax pool balances and quantifies differences between the tax pools and the accounting balances. The determination of the Company’s income and other tax liabilities requires interpretation of complex tax laws and regulations involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

RECENTLY ADOPTED ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Policies

a) Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1400 General Standards for Financial Presentation, which has been amended to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new standard had no effect on the amounts disclosed in the financial statements and affected only disclosure.

b) Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 1535 Capital Disclosures. The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The adoption of this new standard had no effect on the amounts disclosed in the financial statements and affected only disclosure.

c) Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation to replace Section 3861. Section 3862 establishes standards for disclosures about financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Transitional provisions are complex and vary based on the type of financial instruments under the consideration. The adoption of this new standard had no effect on the amounts disclosed in the financial statements and affected only disclosure.

d) Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 1506 Accounting Changes. This Section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Section is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities. The adoption of this new standard had no effect on the amounts disclosed in the financial statements.

e) Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 3031 Inventories. This Section provides expanded guidance on the measurement and disclosure requirements for inventories. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as expense, including any write-down to net realizable value. The adoption of this new standard had no effect on the amounts disclosed in the financial statements.

Future Accounting Pronouncements

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

a) The AcSB issued CICA Handbook Section 3064 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 section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its 2009 fiscal year. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

b) On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the effective date for the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable entities to International Financial Reporting Standards ("IFRS") will be fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board ("IASB") has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment, if implemented, will permit the Company to apply IFRS prospectively by utilizing its current reserves at the transition date to allocate the Company's full cost pool, with the provision that an impairment test, under IFRS standards, be conducted at the transition date.

Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company's reported financial position and reported results of operations.

In response, the Company is currently establishing a preliminary timeline for the execution and completion of the conversion project. During 2009, the Company will perform an in-depth review of the significant areas of differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes including internal controls over financial reporting and external disclosures. The Company will also select from transitional options and determine ongoing IFRS policies. Staff training programs will continue in 2009 as the project unfolds.

DISCLOSURE OF INTERNAL CONTROLS

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2008 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"), as such term is defined in NI 52-109, for the Company. They have, as at the financial year ended December 31, 2008, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework the officers used to design Dejour's ICFR is the Internal Control – Integrated Framework ("COSO Framework") published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its ICFR as at December 31, 2008 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2008, Dejour's ICFR does provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

It should be noted that while the officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well

conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors who review accounting, auditing, internal controls and financial reporting matters.

NON-GAAP MEASURE

Within the MD&A references are made to terms commonly used in the oil and gas industry. The term "netbacks" is not defined by GAAP in Canada and is referred to as a non-GAAP measure. Netbacks equal total revenue less royalties, operating costs and general and administrative costs on a boe basis. Total boes are calculated by multiplying the daily production by the number of days in the period.

BOE PRESENTATION

Barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of gas to one barrel of oil. The term "boe" may be misleading if used in isolation. A boe conversion ratio of one barrel of oil to six mcf of gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

WHISTLEBLOWER POLICY

Effective December 28, 2007, the Company's Audit Committee adopted resolutions that authorized the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees and consultants who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with the new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, national Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

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.