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RedChip Investor

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INVESTMENT HIGHLIGHTS

- At least two potential home run plays, Tensas Parish and the new Louisiana play.
- There will be revenues for the first time in the 4th quarter of this year, with revenues next year expected to ramp up significantly.
- Partnership with major oil/exploration company.
- Company has secured significant acreage positions in several plays in the onshore Gulf Coast region of Texas and Louisiana as well as the East Slopes of the San Joaquin Basin in California.
- More than \$6 million cash on hand, and the burn rate is only about \$40,000 a month.
- The Company is focused upon proven prolific oil producing provinces and is mostly targeting fields of low and medium risk.
- Doesn't need additional capital presently to execute the business plan.
- No planned stock dilution.

AT A GLANCE

Ticker	DBRM
Fiscal Year	February
Sector	Oil & Gas
Industry	Industrial
Current Price	\$ 1.27
Market Cap	\$48.84 M
Outstanding	38.46 M
Float	23.60 M
Insider Ownership	N/A
Avg. Vol. (3 m)	N/A
FYE '06 Revenue	N/A
Cash	1,064 K

www.daybreakoilandgas.com

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Oil and Gas Exploration Company Plays it Smart, Hitting Conservatively for Singles and for Home Runs

"Don't put all your eggs in one basket."

Ever hear that expression? Sure you have. People say it because it makes sense—in business as well as life. Daybreak Oil and Gas is a good example.

Daybreak - (OTC BB: DBRM) - engages in the exploration and development of oil and gas properties in several sections of the United States, thus spreading the risk. Additionally, the properties it's developing are a mix of potential "home runs" – wells that could provide millions of barrels – and "singles," or wells that, while not spectacular, should yield dependable income.



The Company has interests in the Tensas Parish, Krotz Springs, and North Shutetson projects in Louisiana. It is also developing projects in Texas, which include the Saxet Deep Field as well as an oil field in the upper Gulf Coast. In addition, it owns an interest in a project in Kern County, California. All these areas are in and around major petroleum and gas-producing regions, and in some cases major oil companies have been buying land next door.

History

The Company was incorporated in 1955 under the name Daybreak Uranium, Inc. and changed its name to Daybreak Mines, Inc. in 1967. It changed its name to Daybreak Oil and Gas in 2005. The Company is based in Spokane, Washington.

Why now?

Daybreak appears to be a buy at its current levels, \$1.37 at press time, because it is on the cusp of executing its business plan in Tensas Parish. If it's as successful as it expects, the Company's proven reserve base, and revenues, should spike.



"These wells could provide in the neighborhood of \$400,000 to \$800,000 in gross revenues a month per well going forward," said CEO Eric Moe. "Our net interest is 48 percent after payout. The emphasis has gone from doing land acquisition to drilling. I think we can build value quickly now."

Differentiators

Daybreak has strong expertise in the oil and gas space. Its president, Robert Martin, has more than 27 years experience as a geologist. The Company also has a lot of cash on hand and a low burn rate. Combine that with an approach that calls for conservative production with the possibility of a big strike, and you have a potentially winning combination

Current plays and strategies

The Company is about to begin drilling its Tensas Parish properties. A discovery well was drilled in January 2006. Five additional exploratory locations are present on a large seismic survey with 12 to 24 additional development locations.

Daybreak and its partners have acquired a significant acreage position in an area in the southeastern part of what is known as the San Joaquin Basin and will soon commence a seismic survey. This area is a prolific oil-producing region: Two prominent fields in the vicinity of the proposed work area have produced 435.5 and 20.6 million barrels of oil respectively.

Four wells have been re-entered and will be placed on production in the Saxet Field on a 320-acre lease in Nueces County, Texas. The Company will have a 20% working interest subject to a 75% net revenue interest.

“Having control of a drilling rig allows Daybreak to execute it’s business plan without delay and meet it’s obligations for drilling in Louisiana.”

-Robert Martin, President

Daybreak also holds a 25% working interest in the drilling of the Krotz Springs Prospect near St Landry Parish Louisiana. The net revenue interest on the project is 73%. The well is expected to be drilled in the first quarter of 2007 with Daybreak Oil and Gas as operator. Gross total drilling cost is estimated at \$4 million. Daybreak’s share will be approximately \$500,000.



Another play in the land acquisition and seismic acquisition stage in Louisiana has large potential.

Wells now in production

- One well is now producing, in Tensas Parish play in Louisiana. The Company expects two additional wells will be drilled on its leases there before the end of this year.
- The Company currently has three wells producing in Texas with one more to be completed shortly.
- The Saxet Field project includes four wells with pipeline and 1400-barrel storage capacity on site.

Good news

The Company recently finalized an agreement with Green River Drilling, LLC of Venus, Texas, to finance the refurbishing of a rig capable of drilling to a 9,500-foot depth. Terms call for Daybreak to advance \$600,000 for the refurbishing project. In exchange it will have the right to exclusive use of the drilling rig for a period of three years. Additionally, Daybreak will have the option to purchase a 49% interest in Green River Drilling, LLC for the cost of the refurbishing and \$200,000 in cash or in restricted common stock.

“This is a very significant event for Daybreak,” said Robert Martin, Company President. “Having control of a drilling rig allows Daybreak to execute its business plan without delay and meet its obligations for drilling in Louisiana.”

Added Moe, “We believe we can grow the Company without stock dilution over the next 12 months.”

Seasoned management

Robert N. Martin, President and Director of Daybreak Oil and Gas, is a professional geologist with more than 27 years experience in the field. He also served as President of LongBow Energy Corporation, and previously as Vice President of Exploration for New Energy West Ltd. He is a member of the Association of Professional Geologists, Geophysicists, and Engineers of Alberta and the Canadian Society of Petroleum Geologists.

Tom Kilbourne, Treasurer and Director, graduated from the University of Montana with a BS in Business Administration and Finance. He has been the Chief Financial Officer and a Director of the Osburn Drug Company since 1999. He also served as General Manager of Tabor's/Modern Drug Company.

Dale B. Lavigne, Director, has extensive experience with publicly traded mineral exploration companies.

Ronald D. Lavigne, Director, Dale Lavigne's son, also has extensive experience with publicly traded mineral exploration companies.

Terrence J. Dunne, Director, is a business consultant, primarily focused on business acquisitions and corporate reorganizations. He is a former adjunct professor in the School of Business Administration of Gonzaga University, teaching courses in corporate mergers, acquisitions, and reorganizations.

Eric Moe, Chief Executive Officer, has more than 21 years of experience in the finance field. While working as a Registered Representative with the NASD, he was also a Senior Partner and Vice President for a broker dealer. Since 1998 he has been consulting to both private and public companies specializing in mergers and acquisitions. He is currently providing Investor Relations services to several public companies. He has been involved with over 20 businesses that have become public reporting companies. He has assisted in successfully raising over \$100,000,000.00 in equity and debt financing.

Ben Anderson, Chief Operating Officer, most recently served as a Senior Vice President with Novell from 1998-2002. His duties included product direction, strategy and market direction, and training and support for the field sales staff. From 1978 to 1982 he worked as a rig hand and was involved in drilling over a dozen wells in North Dakota.

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-Eric Moe, CEO

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Daybreak Oil and Gas, Inc.
(OTC BB: DBRM)

Recent Price	\$ 1.27
52 Week Range	N/A
Insider Ownership	N/A
Market Cap	\$9.09 M
Outstanding	38.64 M
Float	23.60 M

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