

DAYBREAK OIL AND GAS, INC.

Company To Double Revenue and Generate Operating Profit in Q2

Rob Goldman
rob@goldmanresearch.com

July 25, 2013

Aaron Schweitzer
aaron@goldmanresearch.com

DAYBREAK OIL AND GAS, INC. (OTC:QB – DBRM - \$0.155)

Price Target: \$0.95

Rating: Speculative Buy

COMPANY SNAPSHOT

Daybreak Oil and Gas, Inc. is an independent oil exploration and production company. The Company and its partners control oil producing property in fertile Kern County, California. The property is in the same region as the Occidental Petroleum discovery considered the largest California oil discovery in decades, potentially yielding hundreds of millions of barrels of oil. The Company drills cost-effective, shallow wells that are currently producing oil in 18 wells with plans to develop 20 more wells over the next few years in this potentially lucrative territory. Daybreak has nearly 300,000 barrels of proved oil reserves and on a net working interest basis, 3.8 million gross barrels of potential recoverable oil reserves.

KEY STATISTICS

Price as of 7/24/13	\$0.155
52 Wk High – Low	\$0.23– 0.01
Est. Shares Outstanding	48.9M
Market Capitalization	\$7.6M
3 Mo Avg Vol	38,000
Exchange	OTC:QB

COMPANY INFORMATION

Daybreak Oil and Gas, Inc.
601 W. Main Ave
Suite 1017
Spokane WA 99201
www.daybreakoilandgas.com
Ed Capko, Investor Relations
815-942-2581
edc@daybreakoilandgas.com

KEY TAKEAWAYS

Late last week, Daybreak Oil and Gas, Inc. announced remarkable production results from its recent drilling program at the East Slopes Project in Kern County, California.

The Company drilled seven development wells on 4 of its key properties during May and June of this year. Not only were all of the wells successful, but management has confirmed that they are all now currently under production, as we forecasted in our recent initiation of coverage report.

It should be noted that the daily production of these seven new wells more than doubles the daily production of Daybreak's previously existing wells. Daybreak now produces 239 barrels of oil per day on a gross basis, versus 113 prior to the success of the new wells.

The key takeaway for Daybreak is that due to higher working interests in the new wells, on a net basis, Daybreak enjoys a 125% increase in daily oil production. Moreover, timing could not be better given the high oil prices and the fact that the Company is currently receiving a 4% premium to West Texas Intermediate crude oil prices on its sales.

Based on the recent success of its development wells, we maintain that the Company will nearly double revenue from FY14 (Feb '13) to FY15 (Feb '14) and could generate operating profit beginning in the current quarter.

With 5 new development wells to be drilled in the Fall, and 3.8 million gross barrels of potential recoverable oil reserves, DBRM has just scratched the surface of its production potential. We reiterate our Speculative Buy rating and our \$0.95 price target.

DAYBREAK OIL AND GAS, INC. (OTC:QB DBRM)

Recent Trading History For DBRM

(Source: Stockta.com)





DAYBREAK OIL AND GAS, INC. (OTC:QB DBRM)

Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffrey's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

Disclaimer

This *Opportunity Research* report was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* product reflects the Firm's internally generated stock ideas while the *Opportunity* product reflects sponsored research reports. It is important to note that while we may track performance separately, we utilize the same coverage criteria in determining coverage of all stocks in both research formats. While stocks in the *Opportunity* format may have a higher risk profile, they typically offer greater upside as well. *Goldman Small Cap Research* has been compensated by the Company in the amount of \$5,000 for a research subscription service. The Firm does not accept any equity compensation. All information contained in this report was provided by the Company. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT



DAYBREAK OIL AND GAS, INC. (OTC:QB DBRM)

LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com