

DAYBREAK

ASSESSMENT

MONEY
INVESTED:
£9,337,000

CURRENT
VALUE:
USD \$32,319

DAYBREAK

ASSESSMENT

On June 14th 2018
Reabold acquired
Gaelic Resources for
£3,045,000



Following completion of the Acquisition, Reabold, through Gaelic, had the right to earn-in to 50% of the leases by drilling up to five wells by the end of 2019.

The company announced in their 14th June 2018 RNS that:

“The five-well drilling programme earns an Operator (non-compliant) estimated NPV of \$235m* net to Reabold and is expected to cost Reabold up to approximately \$7 million* for the five wells.”

- By 31st December 2018 Reabold spent **£3,691,851** in the form of loans to their subsidiary.
- By 31st December 2019 Reabold spent another **£2,337,149** (total **£6,029,000**).
- By 31st December 2020 spent another **£263,000** (total **£6,292,000**)

In total Reabold spent **£9,337,000** on the project (acquisition plus development costs)

RESULTS OF REABOLD CALIFORNIA DRILLING PROGRAM

On the 26th
September 2019
Reabold announced
that



“Close to 1 million barrels of oil equivalent (boe) of Proven reserves attributed to Reabold’s net interest at West Brentwood, with associated value of US\$19.3 Million (NPV10)...

As part of an evaluation of the current and future potential value associated with its California business, Reabold commissioned Petrotech Resources Company Inc., based in Bakersfield, California, to compile a reserves report to cover the West Brentwood field.

The Proved Developed Producing (“PDP”) and Proved Undeveloped (“PUD”) reserves reported for oil and associated gas, net to the Reabold interest, are as follows:”

	M bbl	MMscf	M boe
PDP (2 wells)	550.84	612.58	652.94
PUD (1 well)	267.32	363.60	327.92
Total	818.16	976.18	980.86

SALE OF REABOLD CALIFORNIA TO DAYBREAK OIL AND GAS INC

On the 26th February
2020 Reabold
announced in RNS
that



“Oil production across Reabold’s California licences, being West Brentwood and Monroe Swell, in which Reabold has a 50 per cent working interest, for the period from 1 July 2019 to 31 December 2019 was 50,286 (gross) and 25,143 (net) barrels of oil equivalent (“boe”). Reabold’s net revenue generated from the sales of hydrocarbons in California over the period was USD 1,349,000 (USD 1,079,000 net of royalties).”

Production net to Reabold was the equivalent of 208 bopd for this 6 month period.

On 26th May 2022 Reabold sold Reabold California to Daybreak in an equity exchange that issued Reabold 160,964,489 shares in Daybreak at USD\$0.0455 per share for a total consideration of USD \$7,323,884 (£5,820,108).

This resulted in Reabold taking an initial loss of £3,516,892 on the transaction.

It also valued Daybreak at \$17.4 million – an incredibly high price for a company whose total revenue from oil sales between 2018-2021 had been USD \$383,286.

DAYBREAK OIL AND GAS PRODUCTION

Prior to this Reabold
California acquisition
going through
Daybreak's annual oil
production had been



2018:	12,741 (35 bopd)
2019:	11,492 (31 bopd)
2020:	11,013 (30 bopd)
2021:	10,970 (30 bopd)

Daybreak's annual revenue from oil
sales had been:

2018:	\$104,840
2019:	\$75,410
2020:	\$94,043
2021:	\$108,993

Total: \$383,286

Immediately
post the Reabold
California acquisition
Daybreak's quarterly
reports showed a
significant increase:

Quarterly period ended Nov 30th 2022 -
\$178,697 oil sales

Quarterly period ended August 31st
2022 - **\$223,639 oil sales**

ISSUES WITH THE INVESTMENT

- Since the equity exchange deal was completed Daybreak have only managed to file two quarterly reports with the SEC.
- Daybreak were meant to file their annual report in May 2023. They failed to do this.
- They were meant to file their quarterly report in August 2023. They failed to do this.
- They were meant to file a second quarterly report in November 2023. They failed to do this.
- There are currently serious questions as to whether Daybreak Oil and Gas can continue as a going concern.
- Another serious issue is the fact that the current President and CEO of Daybreak, James Forrest Westmoreland, loaned the company \$155,548 on 22nd December 2020. This loan is secured against all of the company's assets and raises the possibility of Westmoreland sending the company into Chapter 11 bankruptcy and seizing the company's assets if it is not repaid.
- Reabold's ability to affect change at Daybreak is hampered by the fact that the company's shareholding in Daybreak is currently restricted and RBD are unable to use their voting power.
- The board appointment that Reabold made to safeguard their interests is not doing his job – RBD were not even made aware that offers had been received to acquire the company's assets.
- Daybreak is incorporated under Washington State law, meaning that the current board can only be voted out of office in one two-month window each year. The next such window is in June-July 2024.

KEY ISSUES TO BE ADDRESSED

- In June 2018 RBD announced that the five-well drilling program would earn an “estimated NPV of \$235m* net to Reabold”.
- In September 2019 Reabold announced that “Close to 1 million barrels of oil equivalent (boe) of Proven reserves attributed to Reabold’s net interest at West Brentwood, with associated value of US\$19.3 Million (NPV10)”
- If this is the case then why was RBD California, in which over £9.3 million had been invested sold to Daybreak for only USD \$7,323,884 (£5,820,108)?
- With the Daybreak market cap currently at USD \$76,950 Reabold’s 42% stake in the company is only worth \$32,319 (£25,751). This is a paper loss of almost 360 times the initial investment.
- The Daybreak board member appointed by Reabold needs to be changed to an individual who will proactively act in the company’s best interests.
- The missing accounts need to be filed and Daybreak needs to be maintained as a going concern.
- The Reabold shareholding in Daybreak needs to be unrestricted and made fully voting.