

To Our Shareholders:

In the past year our company has made significant progress towards building long term value for your investment. Despite the volatile equity markets and lower commodity prices, we have remained focused on finding economical oil reserves. That focus will continue in the upcoming year.

During the latter part of last year, we began our drilling program at our East Slopes Project near Bakersfield, California. We drilled two successful oil wells, which we believe will be the beginning of the building of a significant reserve base for the

Company, providing cash flow for years to come. As a result of completing the program, we have now earned a 25% interest in approximately 3,700 acres of Chevron leases.



Our priority during 2009 is to drill and complete three to five development wells at our Sunday and Bear locations in California, and finalize the construction of permanent production facilities. We are seeing drilling and equipment costs decreasing, which will further enhance the economics of this development program. The cash flow from development work at these two locations will help fund further exploration of our acreage position. We currently have identified ten additional exploratory projects on approximately 22,000 acres that we have in our inventory in the East Slopes area. We plan to resume our exploratory drilling program later in the year after we have completed our development work.

In the northern part of our acreage position in California, we are targeting the Vedder sand, which is between 2,000 and 3,000 feet. Based on the data that we have accumulated through our seismic and well information, we believe we have a trend that we are following northward on our acreage position. We have at least three more prospect areas on this trend, which if successful, will generate three to five additional development wells on each successful prospect.

In the southern part of our acreage position in California, we are targeting the Santa Margarita and Olcese sands, which are between 1,000 - 1,800 feet. Two exploratory wells will be drilled in the southern area by the end of 2009.

I want to take this opportunity to thank the hard working employees and contractors that we employ to get our job done. These men and women come to work every day knowing that their job is to create value for you, the shareholder.

Every day when I look at the stock price, I am mindful of your investment in Daybreak. I appreciate your patience as we continue to build long term value for your company.

Regards,

A handwritten signature in black ink, appearing to read 'Jim Westmoreland', written over a white background.

Jim Westmoreland
President and Chief Executive Officer

June 1, 2009