

DAYBREAK OIL AND GAS, INC.

Memorandum

TO:

FROM: Karol L. Adams

DATE:

RE: DIRECTOR INDEPENDENCE STANDARDS AND QUESTIONNAIRE

This questionnaire is being distributed to all non-management directors and nominees for director of Daybreak Oil and Gas, Inc. (the “Company”). Its purpose is to elicit information that will be used to determine whether a majority of the Company’s directors are independent.

In order for any director to be deemed independent, the Board of Directors of the Company (the “Board”) must affirmatively determine that the director has no material relationship with the Company or its management. The basis for such determination must be disclosed in the Company’s annual proxy statement. Disqualifying relationships can be direct, as between the director and the Company, or indirect, as between the Company and a partnership or corporation in which the director is employed or has an interest. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

To assist the Board in its independence determinations, the Board has adopted the independence standards of the NYSE AMERICAN LLC, a copy of which is attached as Exhibit A. These standards specify the relationships that the Board deems sufficiently material to create the presumption that a director is not independent. The presumption that any director is not independent may be overcome by the vote of a majority of the Board if, based on the totality of the facts and circumstances, the Board determines that the affected director’s relationship does not violate any applicable law or Securities and Exchange Commission rule and is not in fact material notwithstanding its reference in the standards. If the Board so determines that a director’s other relationship is independent even though it does not fit with the standards, such determination must also be publicly disclosed in the Company’s annual proxy statement.

Please read the attached Independence Standards and then complete and sign the attached independence assessment questionnaire. It is extremely important that you provide complete and accurate responses to all questions asked.

Please read the following instructions before completing this questionnaire:

- Answer each question, even if the answer is “No.”
- Attach separate sheets if more space is needed to respond to a question.
- Resolve any doubts about the applicability of a question by providing all relevant facts.

Once completed, please return the questionnaire no later than DATE, as instructed.

If you have questions, please call Karol Adams at (281) 996-4176.

**INDEPENDENCE QUESTIONNAIRE
FOR DIRECTORS**

1. At any time since February 28, 2019, have you or any “immediate family members” been an employee or “executive officer” of Daybreak Oil and Gas, Inc. (“Daybreak” or the “Company”)?

Yes

No

If “Yes”, please provide details. If the answer to this question is “Yes,” and you are no longer employed by the Company, set forth the date on which such employment terminated.

2. During any twelve-month period since February 28, 2019, have you or any “immediate family members” received any compensation totaling \$120,000 or more, including, but not limited to, any accommodation, payment, or item of value whatsoever from the Company other than director and committee fees? (In answering, you may ignore pension or other forms of deferred compensation for prior service.)

Yes

No

If “Yes”, please provide details, and set forth below the latest twelve-month period during which you (or your immediate family member, if applicable) received more than \$120,000 of payments from the Company.

3. At any time since February 28, 2019, have any “immediate family members” been employed by the Company as an “executive officer”?

Yes

No

If “Yes”, please provide details, and if your immediate family member is no longer an executive officer of the Company, set forth below the date on which such employment terminated.

4. At any time since February 28, 2019, have you or any “immediate family members” been “affiliated” with or employed in a professional capacity by any accounting firm that is the Company’s outside auditor, including, but not limited to, the companies listed below?

- MaloneBailey LLP

Yes

No

If “Yes”, please provide details, and set forth whether you (or your immediate family member, if applicable) are currently employed by the Company’s outside auditor or if you (or your immediate family member, if applicable) are no longer a partner of, or employed by, such outside auditor or no longer work on the Company’s audit, set forth below the date on which such partnership or employment terminated or the date on which you (or your immediate family member) discontinued working on the Company’s audit.

5. At any time since February 28, 2019, has any executive of Daybreak served on the board of directors or the compensation committee of any company where you or any “immediate family members” were employed as an “executive officer”?

Yes

No

If “Yes”, please provide details, and if an executive officer of the Company no longer serves on the board of directors or compensation committee of the other entity, set forth below the date on which such service terminated.

6. At any time since February 28, 2019, has Daybreak made payments to, or received payments from, any company (including any charitable organization) where you or any “immediate family members” were a partner, controlling shareholder or “executive officer”? (In answering you may ignore payments that do not exceed 5% of the company’s consolidated gross revenues in the aggregate during any fiscal year, or \$200,000, whichever is more.)

Yes

No

If “Yes”, please provide details, and set forth below the amount of the payments and the latest year during which such other company paid to, or received from, the Company such amounts.

7. At any time since February 28, 2019, except as set forth above, excluding fees paid for service as a director or committee member as approved by the Board of Directors, have you or any “immediate family members” had any other relationship with, or received any tangible or intangible benefit from Daybreak or any of its directors or “executive officers”?

Yes

No

If “Yes”, please provide details.

8. Do you have any direct or indirect relationship with the Company that might call into question your independence as a director, or that the Board of Directors might want to know about before deciding that you are an “independent director” of the Company? (In answering, please consider this question not only from your individual standpoint, but also from the standpoint of persons or organizations with which you have an affiliation.)

Yes

No

If “Yes”, please provide details.

9. Please briefly list below all existing and proposed relationships, however slight or remote, between the Company and you (other than your service on the board of directors or committees of the Company and its subsidiaries). You should list all such relationships, whether or not excluded by the thresholds under Questions 1-6.

-
-
-
10. Please list direct relationships, between the Company and you, and any relationships between the Company and any business, nonprofit or other entity in which you are a partner, manager, director, trustee, officer or significant stockholder or investor, or in which you have any significant financial interest.

Please consider for this purpose any kind of relationship, such as commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships. Please include for this purpose any passive investments in any privately-held or publicly traded companies with which you know the Company has any business or other dealings. If there are no such relationships, state “none.”

11. Please briefly list below all existing and proposed relationships, however slight or remote, between you and any compensation consultant, independent legal counsel or other compensation adviser to the Company (each, a “Compensation Adviser”).

Please list direct relationships, between any Compensation Adviser and you, and any relationships between any Compensation Adviser and any business, nonprofit or other entity in which you are a partner, manager, director, trustee, officer or significant stockholder or investor, or in which you have any significant financial interest.

Please consider for this purpose any kind of relationship, such as commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships. Please include for this purpose any passive investments in any privately-held or publicly traded companies with which you know a Compensation Adviser has any business or other dealings. Include relationships with any employer of any Compensation Adviser. If there are no such relationships, state “none.”

12. Audit Committee Independence. As a member of or nominee for the Company's audit committee:

(a) Do you currently or do you plan to, in the current fiscal year, accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company, other than in your capacity as a member of the audit committee, the Board or any other Board committee or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company, provided that such compensation is not contingent in any way on continued service? For purposes of this Question 10(a), "indirect" includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with you or by an entity in which you are a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupy a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company?

Yes

No

If "Yes", please describe the nature of the services that are to be provided and the fee that is to be obtained:

(b) Other than in your capacity as a member of the audit committee, the Board or any other committee of the board of directors, are you an "affiliate" of the Company?

Yes

No

If "Yes", please describe your affiliation:

(c) Do you qualify as an Audit Committee Financial Expert? For purposes of this question, an "Audit Committee Expert" is a person who has the following attributes: (i) an understanding of generally accepted accounting principles ("GAAP") and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal

control over financial reporting and (v) an understanding of audit committee function. To be an "Audit Committee Financial Expert", the person must have acquired these attributes through: (a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (b) experience actively supervising a person described in (a) above, (c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (d) other relevant experience.

Yes

No

If "Yes", please describe your relevant education and experience:

13. Other Audit Committee Criteria.

(a) Have you participated in the preparation of the financial statements of the Company at any time during the past three years?

Yes

No

If "Yes", please describe the extent of your participation:

(b) Are you able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement?

Yes

No

(c) Do you have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in your financial sophistication?

Yes

No

If "Yes", please describe your relevant education and experience:

(d) Are you or have you been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities

Yes

No

If “Yes”, please describe your relevant experience:

I hereby certify that to the best of my knowledge and belief, the information given by me in this Questionnaire is correct and complete. (If no information is furnished with respect to any questions, the Company is authorized to assume that the answer is negative or not applicable, as the case may be.)

I understand that this information is being furnished to the Company for use in connection with the Annual Report and Proxy Statement to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and determining the independence of a director or nominee.

I understand and agree that this Questionnaire, as completed by me, and my further communications regarding the matters contemplated herein, will be relied upon by the Company and its counsel, in connection with the preparation of the Annual Report and Proxy Statement.

If, at any time prior to the date of filing the Annual Report and Proxy Statement, any of the information set forth in my responses to this Questionnaire has changed due to passage of time, or any development occurs that requires a change in my answer, or has for any other reason become incorrect, I will forthwith furnish to the person named on the front page of this Questionnaire, at the address indicated, any necessary or appropriate correcting information. Otherwise, the Company is to understand that the above information continues to be, to the best of my knowledge, information and belief, complete and correct as of the date of filing the Annual Report and Proxy Statement.

Dated: _____

Signature: _____

Name: _____

Address: _____

DEFINITIONS

Please refer to the following definitions when completing the attached Independence Questionnaire.

- (1) The term "*immediate family member*" refers to a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than employees) who shares such person's home.
- (2) The term "*affiliate*" of, or a person "*affiliated*" with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

A person will be deemed not to be in control of a specified person for purposes of this definition if the person:

- (i) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and
- (ii) Is not an executive officer of the specified person.

The following are deemed to be affiliates:

- (A) An executive officer of an affiliate;
 - (B) A director who also is an employee of an affiliate;
 - (C) A general partner of an affiliate; and
 - (D) A managing member of an affiliate.
- (3) The term "*control*" (including the terms "controlling," "controlled by," and under "common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.
 - (4) The term "*executive officer*" means a company's president, any vice president of the company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function or any other person who performs similar policy making functions for the company. Executive officers of a company's subsidiaries may be deemed executive officers of the company if they perform such policy-making functions for the company.

DAYBREAK OIL AND GAS, INC.

Board of Directors Standards of Independence

Daybreak Oil and Gas, Inc. (the “Company”) has adopted the standards of the NYSE AMERICAN LLC (“NYSE American”), formerly the NYSE MKT, for determining the independence of its directors.

Under these standards, at least a majority of the directors of the Company must be independent. No director qualifies as independent unless the Company’s board of directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, Section 803A of the NYSE American Company Guide (and related commentary) sets forth the following non-exclusive list of persons who shall not be considered independent:

- (a) a director who is, or during the past three years was, employed by the Company, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year);
- (b) a director who accepted or has an immediate family member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - (i) compensation for board or board committee service,
 - (ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of the Company,
 - (iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year), or
 - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by the Company as an executive officer;
- (d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;
- (e) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of

the issuer's executive officers serve on the compensation committee of such other entity;
or

- (f) a director who is, or has an immediate family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Directors serving on the Company's audit committee must also comply with the additional, more stringent requirements set forth in Section 803B(2) of the NYSE American Company Guide and Rule 10A-3 of the Securities Exchange Act of 1934, as amended. Directors serving on the Company's compensation committee must also comply with the additional, more stringent requirements set forth in Section 805(c) of the NYSE American Company Guide.