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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-KSB

(Mark One)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 28, 2005

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period _____ to _____

DAYBREAK MINES, INC.

(Name of small business issuer in its charter)

Washington	000-50107	91-0626366
<small>(State or other jurisdiction of incorporation or organization)</small>	<small>Commission file number</small>	<small>(I.R.S. Employer Identification No.)</small>
601 W. Main Ave., Suite 1017, Spokane, WA	99201	
<small>(Address of principal executive offices)</small>	<small>(Zip code)</small>	

Issuer's telephone number, including area code: (509) 462-0315

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$0.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

The registrant's revenues for its most recent fiscal year were \$0.

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the average bid and ask price of \$0.32 on June 7, 2005, as reported by the Over the Counter Bulletin Board was \$3,883,567.

At June 7, 2005, the registrant had 20,449,419 outstanding shares of \$0.001 par value common stock.

SEC 2337 (12-03)

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PART I

Item 1. Description of Business

General

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their businesses. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Daybreak Mines, Inc. desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimates,” “forecast,” “project” and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s discussion and analysis or plan of operations and elsewhere in this report. Although we believe that these assumptions were reasonable when made, these statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this report.

History

Daybreak Mines, Inc. (hereinafter “the Company”) was incorporated under the laws of the State of Washington on March 11, 1955. The Company was originally named Daybreak Uranium, Inc. The Company was organized primarily for the purpose of exploring for, acquiring and developing mineral properties with a potential for production. The Company was engaged in small scale open pit uranium mining operations in the mid to late 1950s in Spokane County, Washington. By the late 1950s, the Company had ceased to be a producing mining company and thereafter engaged in mineral exploration. In the 1960s the Company expanded its mineral property holdings to include silver mineral properties in the Coeur d’Alene Mining District. To reflect the diversity of its mineral holdings, the Company changed its name to Daybreak Mines, Inc. in 1967. The Company’s subsequent efforts in the acquisition, exploration and development of potentially viable and commercial properties were unsuccessful. We have conducted no active mineral exploration or other active business operations since 1970. During this time our activities have been confined to annual assessment and maintenance work on our Idaho mineral properties and other general and administrative functions. During the past fiscal year, the Company sold its mineral rights in approximately 340 acres in Shoshone County, Idaho.

History (Continued)

Due to depressed prices for precious metals, lack of a financable mineral exploration property and the general consensus that it would not be able to finance any mineral exploration properties it might acquire, the Board of Directors of the Company decided in 2001 not to pursue any further business operations in the mining sector and to implement a new business direction for the Company as described in “Management’s Discussion and Analysis or Plan of Operation.”

In September 2001 the Board of Directors authorized a private placement of the Company’s common Stock to raise \$55,000. The proceeds were utilized to pay for legal and accounting fees associated with the preparation and filing of a Form 10SB registration Statement, to pay ongoing expenses related to complying with the reporting requirements of the Securities Exchange Act of 1934, (i.e. preparation of audited financial statements and periodic reports) and working capital. An additional private placement was conducted in 2003 to raise an additional \$25,000. The proceeds of the offering will be utilized to pay expenses relating to the Company’s ongoing reporting requirements under the Securities Exchange Act of 1934.

Risk Factors

The Company's business is subject to numerous risk factors, including the following:

Independent Certified Public Accountants' Opinion - Going Concern

The Company's financial statements for the years ended February 28, 2005 and February 29, 2004, were audited by the Company's independent certified public accountants, whose report includes an explanatory paragraph stating that the financial statements have been prepared assuming the Company will continue as a going concern and that the Company has incurred significant operating losses that raise substantial doubt about its ability to continue as a going concern.

No Revenue and Minimal Assets

The Company has had no revenues or earnings from operations. The Company has no significant assets or financial resources. The Company will, in all likelihood, sustain operating expenses without corresponding revenues, at least until the consummation of a business combination. This may result in our incurring a net operating loss which will increase continuously until we can consummate a business combination with a profitable business opportunity. There is no assurance that we can identify such a business opportunity and consummate such a business combination.

Speculative Nature of Company’s Proposed Operations

The Company is planning to engage in the acquisition of oil and/or gas drilling prospects or interests in such prospects and in conducting drilling operations thereon which is an extremely high risk business.

Continued Management Control, Limited Time Availability

The Company does not have any full-time employees. Management anticipates devoting part-time efforts to the Company. The Company has not obtained key man life insurance on any of its officers or directors. Notwithstanding the combined limited experience and time commitment of management, loss of the services of any of these individuals would adversely affect development of the Company's business and its likelihood of continuing operations.

Conflicts of Interest – General

The Company's officers and directors participate in other business ventures which compete directly with the Company. Additional conflicts of interest and non-arms length transactions may also arise in the future in the event the Company's officers or directors are involved in the management of any firm with which the Company transacts business.

Employees

As of March 1, 2005, the Company has committed to pay the president and secretary \$1,000 each per month for providing services on a part-time basis. The agreement for these services expires on February 28, 2006.

Item 2. Description of Properties

In April, 2005 the Company signed two oil and gas exploration leases with MPG Petroleum of San Antonio, Texas. The leases are for prospects in San Patricio County, on the Gulf Coast of Texas. The Ginny South lease represents a 25% working interest and required an initial earnest money payment of \$21,600 with the residual balance of \$194,400 due in June of 2005. The second lease for the Pearl Prospect is a lease bank agreement. A \$10,000 earnest money payment was made in April, 2005. The residual balance on this lease is \$90,000, which is due in June, 2005. If the Company is unsuccessful in raising funds through a private placement memorandum, there is a risk of default on the leases by the Company.

The Company presently operates from office space provided on a rent-free basis by a shareholder of the Company. In the event that this space becomes unavailable in the future, the Company will seek to lease office space from an unaffiliated party at prevailing competitive rates. Shareholder is a control shareholder of the Company (See Item 11).

Item 3. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

The Common Stock of the Company is traded in the over the counter market on the Bulletin Board under the symbol "DBRM". The following table shows the high and low closing sales prices for the Common Stock for the two most recent fiscal years. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<u>Fiscal Year Ending</u>	<u>High Closing</u>	<u>Low Closing</u>
February 29, 2004		
First Quarter	.05	.04
Second Quarter	.08	.05
Third Quarter	.07	.05
Fourth Quarter	.10	.07

<u>Fiscal Year Ending</u>	<u>High Closing</u>	<u>Low Closing</u>
February 28, 2005		
First Quarter	.15	.08
Second Quarter	.14	.12
Third Quarter	.16	.12
Fourth Quarter	.95	.12

The Company has not declared or paid cash dividends or made distributions in the past, and the Company does not anticipate that it will pay cash dividends or make distributions in the foreseeable future. As of April 30th, 2005, the Company had 2,212 shareholders of record.

Item 6. Management's Discussion and Analysis or Plan of Operations

Plan of Operation

Certain matters discussed are forward-looking statements that involve risks and uncertainties including changing market conditions and the regulatory environment and other risks. Actual results may differ materially from those projected. These forward-looking statements represent the Company's judgment as of the date of this filing. The Company disclaims, however, any intent or obligation to update these forward-looking statements.

During 2004, management of the Company decided to engage in the business of acquiring oil and/or gas drilling prospects or interests in such prospects and in conducting drilling operations thereon. Subsequent to March 1, 2005, the Company entered into an agreement to acquire the right to farm-in on an oil prospect called the Ginny South on the Gulf Coast of Texas. Daybreak has also entered into an agreement to acquire an interest in a property position called the Pearl Prospect together with a working interest in the prospect.

The Company intends to raise up to a maximum of \$1,000,000 through a private placement memorandum for the sale of common stock at \$0.25 per share. The proceeds from the private placement will fund its initial oil and gas acquisition and exploratory projects.

Financing

The Company believes that it can satisfy its short term cash requirements including the next twelve months, through the successful completion of its private placement.

Employees

As of March 1, 2005, the Company retained the services of its president and secretary on a part-time basis as officers.

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Item 7. Financial Statements



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Daybreak Mines, Inc.

We have audited the accompanying balance sheets of Daybreak Mines, Inc. ("The Company") as of February 28, 2005 and February 29, 2004, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daybreak Mines, Inc. as of February 28, 2005 and February 29, 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A handwritten signature in dark ink that reads "DeCoria, Maichel & Teague P.S." in a cursive, flowing script.

DeCoria, Maichel & Teague P.S.
Spokane, Washington
June 6, 2005

Daybreak Mines, Inc.
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Daybreak Mines, Inc.**Balance Sheets***February 28, 2005 and February 29, 2004***ASSETS**

	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 91	\$ 20,141
Accounts receivable		930
Prepaid expenses	441	361
Total current assets	<u>532</u>	<u>21,432</u>
Marketable securities	-	8,675
Total assets	\$ <u><u>532</u></u>	\$ <u><u>30,107</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	\$ <u>8,371</u>	\$ <u>-</u>
Contingency (Note 5)		
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, none issued or outstanding		
Common stock, \$0.001 par value; 200,000,000 shares authorized, 18,199,419 shares issued and outstanding at February 28, 2005 and February 29, 2004	18,199	18,199
Additional paid-in capital	709,997	709,997
Accumulated other comprehensive income	-	8,675
Accumulated deficit	<u>(736,035)</u>	<u>(706,764)</u>
Total stockholders' equity (deficit)	<u>(7,839)</u>	<u>30,107</u>
Total liabilities and stockholders' equity (deficit)	\$ <u><u>532</u></u>	\$ <u><u>30,107</u></u>

The accompanying notes are an integral part of these financial statements

Daybreak Mines, Inc.**Statements of Operations***For the years ended February 28, 2005 and February 29, 2004*

	<u>2005</u>	<u>2004</u>
Operating expenses:		
General and administrative	\$ 42,059	\$ 12,821
Impairment of investments	1,770	
	<u>43,829</u>	<u>12,821</u>
Other income:		
Interest income	40	55
Gain on sale of mineral rights	1,500	
Realized gain on sale of marketable equity securities	13,018	3,525
Total other income	<u>14,558</u>	<u>3,580</u>
Net loss	29,271	9,241
Other comprehensive income:		
Unrealized gain in marketable securities		6,080
Comprehensive loss	\$ <u>29,271</u>	\$ <u>3,161</u>
Net loss per common share	\$ <u>Nil</u>	\$ <u>Nil</u>
Weighted average common shares outstanding - basic	<u>18,199,419</u>	<u>17,586,405</u>

The accompanying notes are an integral part of these financial statements

Daybreak Mines, Inc.**Statements of Changes in Stockholders' Equity (Deficit)***For the years ended February 28, 2005 and February 29, 2004*

	<u>Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (loss)</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, February 28, 2003	16,949,419	\$ 16,949	\$ 689,789	\$ 2,595	\$ (697,523)	\$ 11,810
Unrealized gain in marketable equity securities, net				6,080		6,080
Issuance of common stock, net of issuance costs	1,250,000	1,250	20,208			21,458
Net loss					(9,241)	(9,241)
Balance, February 29, 2004	18,199,419	18,199	709,997	8,675	(706,764)	30,107
Realized gain on sale of marketable equity securities				(8,675)		(8,675)
Net loss					(29,271)	(29,271)
Balance, February 28, 2005	<u>18,199,419</u>	<u>\$ 18,199</u>	<u>\$ 709,997</u>	<u>\$ -</u>	<u>\$ (736,035)</u>	<u>\$ (7,839)</u>

The accompanying notes are an integral part of these financial statements

Daybreak Mines, Inc.**Statements of Cash Flows***For the years ended February 28, 2005 and February 29, 2004*

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net loss	\$ (29,271)	\$ (9,241)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain on sale of mineral rights	(1,500)	
Realized gain on sale of marketable equity securities	(13,018)	(3,525)
Impairment of investments	1,770	
Change in:		
Accounts receivable	930	
Prepaid expenses	(80)	
Accounts payable	8,371	(750)
Net cash used by operating activities	<u>(32,798)</u>	<u>(13,516)</u>
Cash flows from investing activities:		
Proceeds from sale of marketable equity securities	11,248	2,234
Proceeds from sale of mineral rights	1,500	
Net cash provided by investing activities	<u>12,748</u>	<u>2,234</u>
Cash flows from financing activities:		
Proceeds from sale of common stock, net		21,458
Net cash provided by financing activities		<u>21,458</u>
Net increase (decrease) in cash	(20,050)	10,176
Cash, beginning of year	<u>20,141</u>	<u>9,965</u>
Cash, end of year	\$ <u>91</u>	\$ <u>20,141</u>
Supplemental non-cash investing activities:		
Account receivable and prepaid expense realized from sale of marketable equity securities		\$ <u>1,291</u>

The accompanying notes are an integral part of these financial statements

Daybreak Mines, Inc.
Notes to Financial Statements

1. Description of Business

Daybreak Mines, Inc. was incorporated under the laws of the State of Washington on March 11, 1955. The Company was organized to explore for, acquire, and develop mineral properties in the Western United States. During the past several years the Company's activities have been confined to general and administrative functions.

During 2004, management of the Company decided to engage in the business of acquiring oil and/or gas drilling prospects. In April 2005, the Company signed two agreements with MPG Petroleum, Inc. to acquire interests in oil exploration prospects in Texas. The Company has no recurring source of revenue and has incurred operating losses since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern as expressed by the Company's independent accountants in their report on the Company's February 29, 2004 financial statements. The financial statements do not contain any adjustments, which might be necessary if the Company is unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Income taxes are accounted for under the liability method. Under this method, deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recorded to reduce the deferred tax assets, if there is uncertainty regarding their realization.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted net loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. At February 28, 2005 and February 29, 2004, the Company had no outstanding common stock equivalents, and only basic EPS is reported for the years then ended.

Cash and Cash Equivalents

Highly liquid short-term investments with a remaining maturity when purchased of three months or less are classified as cash equivalents.

Daybreak Mines, Inc.
Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications have been made to conform the prior year's data to the current presentation. These reclassifications had no effect on reported earnings.

Fair Values of Financial Instruments

The amounts of financial instruments including cash, accounts receivable, prepaid expenses and accounts payable, approximated their fair values as of February 28, 2005 and February 29, 2004.

Environmental Matters

The Company previously owned mineral property interests on certain public and private lands in Idaho, which it had explored for commercial mineral deposits. The Company also previously held mineral property interests in California and Washington. The Company and its properties have been subject to a variety of federal and state regulations governing land use and environmental matters. Management believes it has been in substantial compliance with all such regulations, and is unaware of any pending action or proceeding relating to regulatory matters that would affect the financial position of the Company.

Investments

Marketable equity securities are carried at the lower of cost or quoted market value. Realized gains and losses on the sale of securities are recognized on a specific identification basis. Unrealized gains and losses are included as a component of accumulated other comprehensive income or loss, net of related deferred income taxes, if applicable, unless a permanent impairment in value has occurred, which is then charged to operations.

New Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (the "FASB") issued Statement No. 123(R), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. Statement 123(R) requires that all

2. Summary of Significant Accounting Policies, continued

New Accounting Pronouncements, continued

share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. Proforma disclosure is no longer an option. Statement 123(R) is effective for small business issuers at the beginning of the first interim or annual period beginning after December 15, 2005.

In December 2004 the FASB issued SFAS 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier adoption permitted. The provisions of this statement shall be applied prospectively. The Company's adoption of SFAS 153 is not expected to have a material impact on the Company's results of operations, financial position, or cash flows.

3. Mineral Properties

At February 29, 2004, the Company's mineral properties consisted of approximately 340 acres of unpatented mining claims and mineral rights on privately deeded lands located in Shoshone County Idaho. The properties contained no known economical mineral resources. In 1999, the Company reduced the carrying value of its mineral properties to zero, and subsequently, the properties were sold for \$1,500 during the year ended February 28, 2005.

4. Income Taxes

The Company has not recorded an income tax provision for the years ended February 28, 2005, or February 29, 2004, as it had no taxable income, and has no net operating loss carryforwards for income tax purposes. At February 28, 2005 and at February 29, 2004, the Company had no deferred tax assets or liabilities.

5. Contingency

On December 15, 2004, Robert Martin, the Company's President, executed a Consulting Agreement with Summitt Ventures, Inc., purporting to obligate the Company pursuant to its terms and conditions. Due to drafting ambiguities and contradictions, the Company disputes that it is a party to the agreement and, alternatively believes that no contracted services were provided to the Company by Summitt Ventures, Inc. The Agreement calls for the payment of \$500,000 to Summitt Ventures, Inc. for consulting services payable in cash or unrestricted common stock. Additionally, the Agreement implies that transaction fees may be payable for certain business opportunities in which the Company participates at the direction of Summitt Ventures, Inc. The term of the Agreement is December 15, 2004 through May 15, 2005. The Company has not paid any money or issued any stock to Summitt Ventures, Inc. We believe that Summitt Ventures may assert claims under the Consulting Agreement. We intend to vigorously dispute, and or defend any Summitt Venture claim under this Agreement.

Daybreak Mines, Inc.
Notes to Financial Statements

5. Contingency, continued

While we currently believe that the ultimate outcome of this matter will not have a material adverse effect on our financial position or results of operations, potential litigation is subject to inherent uncertainties. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on our net income in the period in which the negative outcome occurs. Our estimate of the potential impact from a negative outcome could change in the future.

6. Stockholders' Equity

Common Stock

The Company has one class of common stock outstanding with 200,000,000 shares authorized for issue. The common stock has a par value of \$0.001 per share and is non-assessable.

Preferred Stock

The Company is authorized to issue of up to 10,000,000 shares of \$0.001 par value preferred stock. Of the 10,000,000 shares, the Company has designated 6,000,000 of the shares as "Series A Preferred Stock", with a \$0.001 par value. At February 28, 2005 and February 29, 2004, no shares of preferred stock were issued or outstanding.

7. Related Party Transaction

At February 28, 2005, the Company had prepaid \$250 in expenses to a company owned by a significant shareholder.

The Company is provided office space without charge from one of its major shareholders, the fair value of the office space is not material to the financial statements and accordingly, has not been recorded in the financial statements.

8. Subsequent Events

On May 5, 2005, the Company prepared a Private Placement Memorandum and Subscription Agreement to issue 4,000,000 common shares at a price of \$0.25 per share. Proceeds from the offering are intended to finance the Company's activities on its newly acquired oil and gas leases.

During March, April and May of 2005, loans amounting to approximately \$75,000 were made to the Company by various officers, directors, and shareholders owning over 10% of the Company's common stock. The loans accrue interest at 6% per annum, are due in full one year from the date of issue, and are convertible into common stock of the Company at \$0.25 per share any time after six months from the issue date. The loans were made to provide the Company with sufficient funds to pay necessary, ongoing operating expenses.

In April of 2005, the Company made earnest money deposits totaling \$31,600 on two separate oil and gas lease prospects with MPG Petroleum, Inc., a Texas company. The total balance due on the leasehold interests is \$284,400 and is due in June of 2005.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The CPA firm of DeCoria, Maichel & Teague resigned as auditors in December, 2004. The firm of Kabani and Company was retained in January, 2005. Their firm was subsequently dismissed by Daybreak in May, 2005 and the firm of DeCoria, Maichel & Teague was again retained. There have been no disagreements with either accounting firm in regard to accounting and financial disclosure.

ITEM 8A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the reporting period, February 28, 2005, and subsequent to the date of this report, we carried out evaluations, by the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act are recorded, processed, summarized and reported within required time periods specified by the Securities & Exchange Commission rules and forms.

Based upon that evaluation, the Chairman and the Chief Financial Officer concluded that our disclosure controls and procedures need improvement and were not adequately effective as of March 1, 2005 to ensure timely reporting with the Securities and Exchange Commission.

Material weaknesses identified were:

- The Company's corporate governance and disclosure controls and procedures do not provide reasonable assurance that material transactions are timely and accurately reported in our Periodic Reports that we file with the Securities & Exchange Commission. In particular, the Company does not have adequate controls over (1) the management's review and execution of material contracts, (2) the process for authorization and issuance of common shares; (3) the timely disclosure of material contracts and common stock issuance transactions.

(b) Changes in Internal Control.

As required by Rule 13a-15(d), the Company's Chairman and Chief Financial Officer, also conducted evaluations of our internal controls over financial reporting to determine whether any changes occurred during the first fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the preparation of the Company's financial statements, as of February 28, 2005, the Company has concluded that the current system of disclosure controls and procedures was not effective because of the internal control weaknesses identified above. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Specifically, our controls (1) failed to ensure that material contracts were thoroughly reviewed by management prior to execution and (2) that common stock transactions during the first quarter of 2005 were properly disclosed on Form 8-K Current Reports under the applicable rules and regulations required by law.

As a result our evaluation, the Company has initiated the changes in internal control also described below. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Changes Implemented to Correct Material Weaknesses:

- We have begun to develop operation checklists relating to the management's execution of material contracts and the related disclosure requirements and the Company's timely disclosure unregistered equity transactions. The checklist will provide evidentiary support of work performed and reviewed. We intend to implement this checklist before any other material contracts are executed or common shares are authorized for issuance.

(c) Limitations.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 8B. Other Information

On December 15, 2004, Robert Martin, the Company's President, executed a Consulting Agreement with Summitt Ventures, Inc., purporting to obligate the Company pursuant to its terms and conditions. Due to drafting ambiguities and contradictions, the Company disputes that it is a party to the agreement and, alternatively believes that no contracted services were provided to the Company by Summitt Ventures, Inc. The Agreement calls for the payment of \$500,000 to Summitt Ventures, Inc. for consulting services payable in cash or unrestricted common stock. Additionally, the Agreement implies that transaction fees may be payable for certain business opportunities in which the Company participates at the direction of Summitt Ventures, Inc. The term of the Agreement is December 15, 2004 through May 15, 2005. The Company has not paid any money or issued any stock to Summitt Ventures, Inc. We believe that Summitt Ventures may assert claims under the Consulting Agreement. We intend to vigorously dispute, and or defend any Summitt Venture claim under this Agreement.

PART III

Item 9. Directors and Executive Officers of the Registrant

Identification of Directors and Executive Officers are as follows:

Name	Age	Position(s) with the Company	Director Since
Robert N. Martin	51	Director/President	December 2004
Jeffrey R. Dworkin	47	Director/Secretary	December 2004
Thomas C. Kilbourne	53	Director/Treasurer	2000
Dale B. Lavigne	74	Director	1965
Ronald D. Lavigne	51	Director	2000
Michael Curtis	51	Director	December 2004

Robert N. Martin, a Professional Geologist, is the President and a Director of the Company. Mr. Martin graduated from McGill University with a Bachelor of Science degree. Prior to becoming the President of the Company in December 2004, Mr. Martin was the President of LongBow Energy Corporation from October 2003 until October 2004. From September 2000 until November 2002, Mr. Martin was the Vice President of Exploration for New Energy West LTD. of Calgary, Alberta. Mr. Martin is a member of the Association of Professional Geologists, Geophysicists and Engineers of Alberta and a member of the Canadian Society of Petroleum Geologists.

Dale B. Lavigne is a Director of the Company. Mr. Lavigne has been a director of the Company since 1965 and served as the Company's President from 1989 until December 2004. Mr. Lavigne graduated from the University of Montana with a B. S. Degree in Pharmacy. For the past 47 years, Mr. Lavigne has been the Chairman and a Director of the Osburn Drug Company, Inc., a 4-store chain of drug stores in North Idaho. Mr. Lavigne is also a Director and Officer of Metropolitan Mines, Inc., a reporting publicly-held, inactive mineral exploration company. Mr. Lavigne is also a director and officer of various other public non-reporting inactive mineral exploration companies. Mr. Lavigne is the former Chairman of the First National Bank of North Idaho; a former member of the Gonzaga University Board of Regents; President of the Silver Valley Economic Development Corporation and a current member of the Governor's Task Force on Rural Idaho. Mr. Lavigne is the father of Ronald B. Lavigne and the father-in-law of Thomas C. Kilbourne

Ronald D. Lavigne is a Director of the Company. Mr. Lavigne has been Vice President and a Director of the Company since 2000. Mr. Lavigne graduated from the University of Montana with a BS Degree in Pharmacy. Mr. Lavigne is the President and a Director of the Osburn Drug Company. Mr. Lavigne is also a director and officer of various other public non-reporting inactive mineral exploration companies, and is the son of director Dale B. Lavigne.

Item 9. Directors and Executive Officers of the Registrant (Continued)

Thomas C. Kilbourne is the Treasurer and a Director of the Company. Mr. Kilbourne has been an officer of the Company since February 2001 and a Director of the Company since January 2000. Mr. Kilbourne graduated from the University of Montana with a BS Degree in Business Administration and Finance. Mr. Kilbourne has been the Chief Financial Officer and a Director of the Osburn Drug Company since 1999. Prior to that time he had been the General Manager of Tabor's/Modern Drug in Wallace, Idaho since 1980. Mr. Kilbourne is the son-in-law of director Dale B. Lavigne.

Jeffrey R. Dworkin is a Director and Corporate Secretary of the Company. Mr. Dworkin graduated from Queens University with a Bachelor of Arts Degree and the London School of Economics and Politics with a Bachelor of Laws degree. Since 2000 Mr. Dworkin has been employed by LongBow Energy Corp., a junior oil and gas company listed on the TSX Venture Exchange, and assisted in the raising of approximately Cdn\$3 MM. Mr. Dworkin declared personal bankruptcy under Canadian law on September 3, 2003 and was discharged on June 3, 2004.

Michael Curtis is a Director of the Company. Since 1998 Mr. Curtis has been the president of Cardwell Capital Corporation, a private investment and trading company that invests in private and public corporations in the North American Markets.

Committees of the Board of Directors. The Company does not have compensation, audit, or nominating committees. The entire Board of Directors serves as the compensation, audit, and nominating committees. Due to the Company's limited resources, it is not feasible to have an independent financial expert on the audit committee.

Compliance with Section 16(a) of the Exchange Act. Our officers, directors and persons owning more than 10% of our common stock are obligated to file reports of ownership and changes in ownership with the Securities and Exchange Commission under Section 16(a) of the Securities Exchange Act of 1934. These persons are also required by the regulation to furnish copies of all of these reports to the Company, as they are filed. Based upon a review of such Forms 3, 4, and 5, Dale Lavigne, Ronald Lavigne, Thomas Kilbourne, Robert martin, Jeffrey Dworkin, and Michael Curtis, our Company officers and directors, all failed to file Forms 3 and 5. Additionally, Terrence J. Dunne and Robert W. O'Brien failed to file Forms 5. No new directors and officers and 10%+ shareholders filed Form 3 "Initial Statement of Beneficial Ownership" and all officers, directors and 10%+ shareholders failed to file Forms 5 "Annual Statement of Beneficial Ownership". Additionally, Martin failed to file a Form 4 on the 1,100,000 shares issued to his Alberta company.

Code Of Ethics. The Company has adopted a Code of Ethics that applies to the Company's executive officers. The Company will provide, without charge, a copy of the Code of Ethics on the written request of any person addressed to the Company at, Daybreak Mines, Inc. 601 W. Main Ave., Suite 1017; Spokane, WA 99201. The Company does not presently have a website.

Item 10. Executive Compensation

The president of the Company, Robert N. Martin, received 1,100,000 shares of common stock for services to be performed from March 1, 2005 to February 28, 2006. He will also receive \$1,000 per month from March 1, 2005 to February 28, 2006. The secretary of the Company, Jeffery Dworkin, will also receive \$1,000 per month from March 1, 2005 to February 28, 2006. During fiscal years ended February 28, 2003 and February 29, 2004, no executive compensation was paid.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The information on beneficial ownership in the table and the footnotes thereto is based upon the Company's records and, in the case of holders of more than 5% of the Company's stock, the most recent Forms 3 and 4 filed by each such person or entity and information supplied to the Company by such person or entity. Unless otherwise indicated, to the Company's knowledge each person has sole voting power and sole investment power with respect to the shares shown.

Security Ownership of Certain Beneficial Owners

As of the close of business on April 30, 2005, based on information available to the Company, the following persons own beneficially more than 5% of any class of the outstanding voting securities of Daybreak Mines, Inc.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Common Stock	Terrence J. Dunne 601 W. Main Ave., Ste. 1017 Spokane, WA 99201	2,989,000	15.7%
Common Stock	Robert W. O'Brien 1511 S. Riegel Court Spokane, WA 99212	3,049,850	16.02%

(1)Percent of ownership is based upon 19,049,419 shares of common stock outstanding on April 30, 2005.

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Security Ownership of Management as of April 30, 2005

The following table sets forth certain information as of April 30, 2005 regarding the number and percentage of shares of common stock of the Company beneficially owned by each director, each of the named executive officers and directors and officers as a group.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Common Stock	Dale B. Lavigne P.O. Box 2170 Osburn, ID 83849	568,425	2.99%
Common Stock	Ronald D. Lavigne 21 Sunset Avenue Silverton, ID 83867	303,000	1.6%
Common Stock	Thomas C. Kilbourne P.O. Box 953 Osburn, ID 83849	303,000	1.6%
Common Stock	Robert N. Martin (2) 612 B 37th Street S.W. Calgary, Alberta Canada T3C1R8	-0-	-0-
Common Stock	Jeffrey R. Dworkin #320, 1001 13th Ave. S.W. Calgary, Alberta Canada T2R0L5	-0-	-0-
Common Stock	Michael Curtis 161 Rue Des Cedres St. Eustache, Quebec Canada, J7R4V7	-0-	-0-
Common Stock	All Directors and Officers As a Group (6 Individuals)	1,174,425	6.19%

(1)Percent of ownership is based upon 19,049,419 shares of common stock outstanding on April 30, 2005.

(2)Does not include 1,100,000 shares issued after April 30, 2005 to 413249 Alberta. This company is controlled by Mr. Martin.

Item 12. Certain Relationships and Related Transactions

From March 22, 2005 until May 31, 2005 the Company has borrowed a total of \$38,000 from three of its directors (Tom Kilbourne, Dale Lavigne, and Ron Lavigne) and a total of \$37,198 from two (in excess of 10% ownership) control shareholders (Terry Dunne and Robert O'Brien). These various loans all have the following terms and conditions:

- 1) Interest rate of 6% per annum
- 2) Due one year from the date of the loan
- 3) Convertible into common stock of Daybreak after six months (both principle and interest) at the rate of \$0.25 per share at the option of the noteholder.

Item 13. Exhibits

(a) The following Exhibits are filed, or incorporated as reference, as part of the report:

- (3)(1) Articles of Incorporation. *
- (3)(2) Bylaws. *
- (10) Material Contracts
- (10)(1) Ginny South Agreement
- (10)(2) Pearl Prospect Agreement
- (10)(3) Consulting Agreement with Summitt Ventures
- (14) Code of Ethics *
- (16) Letter on change in certifying accountant *
- (31) Rule 13a-14(a)/15d-14(a) Certifications
- (31)(1) Certification of Robert N. Martin
- (31)(2) Certification of Thomas C. Kilbourne
- (32) Section 1350 Certifications
- (32)(1) Certification of Robert N. Martin
- (32)(2) Certification of Thomas C. Kilbourne

* Previously filed

Item 14. Principal Accountant Fees and Services

The Company's board of directors reviews and approves audit and permissible non-audit services performed by DeCoria, Maichel & Teague P.S., as well as the fees charged by DeCoria, Maichel & Teague P.S. for such services. In its review of non-audit service fees and its appointment of DeCoria, Maichel & Teague P.S. as the Company's independent accountants, the board of directors considered whether the provision of such services is compatible with maintaining DeCoria, Maichel & Teague P.S. independence. All of the services provided and fees charged by DeCoria, Maichel & Teague P.S. in 2004 and 2005 were pre-approved by the board of directors.

Audit Fees

The aggregate fees billed for professional services rendered by the Company's current principal accountants, DeCoria, Maichel & Teague P.S., for the audit of the Company's annual financial statements for the fiscal year ended February 28, 2005 and the reviews of the financial statements included in the Company's Forms 10QSBs for the first and second quarters for that fiscal year were \$11,350. The fees billed for professional services rendered by the accounting firm of Kabani & Company for the review of the financial statements included in the Company's Form 10QSB for quarters ended November 30, 2005 (3rd Quarter) was \$5,000. The total aggregate fees billed for professional services rendered by the accounting firm of DeCoria, Maichel & Teague P.S. for the audit of the Company's annual financial statements for fiscal year ended February 29, 2004 and for the reviews of the financial statements included in the Company's Forms 10QSBs during that fiscal year were \$11,770.

Audit Related Fees

The Company incurred no fees during the last two fiscal years for assurance and related services by the Company's principal accountant that were reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees

The Company incurred no fees during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning.

All Other Fees

The Company incurred no other fees during the last two fiscal years for products and services rendered by the Company's principal accountant.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE EXCHANGE ACT BY NON-REPORTING ISSUERS

Not Applicable

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAYBREAK MINES, INC.

By: /s/ Robert N. Martin
Robert N. Martin, its President and
Chief Executive Officer
Date: June 14, 2005

By: /s/ Thomas C. Kilbourne
Thomas C. Kilbourne, its
Principal Financial Officer
Date: June 14, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Thomas C. Kilbourne
Thomas C. Kilbourne
Director/Treasurer
Date: June 14, 2005

By: /s/ Ronald D. Lavigne
Ronald D. Lavigne
Director
Date: June 14, 2005

By: /s/ Dale B. Lavigne
Dale B. Lavigne
Director
Date: June 14, 2005

By: /s/ Jeffrey R. Dworkin
Jeffrey R. Dworkin
Director/Secretary
Date: June 14, 2005

By: /s/ Michael Curtis
Michael Curtis
Director
Date: June 14, 2005

EXHIBIT INDEX

Exhibit No.	Description
10.1	Ginny South Agreement
10.2	Pearl Prospect Agreement
10.3	Consulting Agreement with Summitt Ventures
14	Code of Ethics
31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a_14(a) and Rule 15d-14(a) (Section 302 of the Sarbanes-Oxley act of 2002).
31.2	Certification of Principal Financial Officer of Periodic Report Pursuant to Rule 13a_14(a) and Rule 15d-14(a) (Section 302 of the Sarbanes-Oxley act of 2002).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

MPG PETROLEUM, INC.

The "GINNY SOUTH" PROSPECT, SAN PATRICIO COUNTY, TEXAS

When executed by all parties, this letter will constitute the agreement relative to Daybreak Mines, Inc., a Washington Corporation "Daybreak", (trading on NASDAQ OTC as ":DBRM") acquiring from MPG Petroleum, Inc. a Texas corporation ("MPG") a working interest position of Twenty-five (25.00%) Percent in the MPG Petroleum, Inc. No. 1 Curlee ("Obligation Well") of the Ginny South Prospect (the "Prospect") more fully described in the prospect brochure (the "Prospectus"), marked Exhibit "A" attached hereto, and made a part hereof for all purposes. Exhibit "B" is a land map that shows the boundaries (in red lines) of the oil and Gas Leases (the "Leases") which MPG has acquired and that underlie the Prospect. Copies of the Oil and Gas Leases are attached hereto and made a part hereof for all purposes, marked Exhibits "C-1" and "C-2".

RECITALS

Whereas, MPG has acquired the Leases covering 200 (net) mineral acres under "Tract A" which the test well of the Prospect will be drilled, situated in San Patricio County, Texas, and

Whereas, Daybreak desires to participate in the test well and all rights granted under the A.A.P.L. Form 610-1989 Model Form Operating Agreement and a Copas – 1984 – Onshore Accounting Procedure Joint Operations.

NOW THEREFORE, the parties hereto have mutually agreed to the following terms set forth hereinbelow:

- 1) Earnest Money. On or before April 20, 2005 at 5:00pm Central Time, Daybreak shall deliver the sum of \$21,600.00 (the "Earnest Money") to MPG. On the effective day of this agreement MPG shall remove Twenty-five Percent Working Interest the Prospect from the market, saving and reserving Twenty-five (25.00%) Percent Working Interest in the Prospect for Daybreak's sole and exclusive acquisition under the following terms. The failure of Daybreak to tender the Earnest Money shall render this agreement null and void, unless an extension is granted by MPG in writing.
- 2) Cost of Participation. Drilling cost of the test well, including land and prospect fee is set at \$8,650.00 per One (1.00%) Percent Working Interest, and the completion cost of the Obligation Well, is set at \$2,880.00 per One (1.00%) Percent as shown under the terms of the offering in the Prospectus attached hereto as Exhibit "A". Daybreak desires to acquire Twenty-five (25.00%) Percent Working Interest in the test well, which represents an acquisition cost (including land, geology, and drilling cost) of Two Hundred, Sixteen Thousand

and No/100's (\$216,000.00) USD. If the Obligation Well of the Prospect is completed, Daybreak will tender its share of completion funds in the amount of Seventy-two Thousand and No/100's (\$72,000) USD under the exact terms shown in the terms of the offering of the Prospectus and Private Oil and Gas Venture Participation Application, marked Exhibit "A-1", which is attached hereto and made a part hereof by reference.

3) Terms of the Offering. The Net Revenue Interest to be delivered by MPG to Daybreak is Seventy-five (75.00%) Percent. The Obligation Well of the Prospect will be drilled to a total depth of 8,1500', unless drilling conditions require the prudent abandonment of the well at a lesser depth. MPG (or its designate) shall be named as "Operator" of the Obligation Well and all subsequent wells under the Area of Mutual Interest (described below) in accordance with the terms of the Operating Agreement.

4) Review Period. Upon execution of this agreement, MPG shall deliver to Daybreak copies of the Oil and Gas Leases under its control. It is agreed that Daybreak shall have fifteen (15) days after the date that the earnest money is tendered in which to review the terms and conditions of the Leases and verify title. As soon as reasonably practical within such fifteen (15 day) period, Daybreak shall give MPG written notice of any title defects it may have determined to exist within the Leases and MPG shall have thirty (30) days, after receipt of such notice, at MPG's election to attempt to cure such objections to title defects to the reasonable satisfaction of Daybreak.

As used herein, "Title Defect" shall mean an encumbrance, defect, or objection in or to MPG's title thereto or right or interest therein of such significance that a reasonably prudent person engaged in the business of oil and gas development would be unwilling to accept. A title defect shall pertain only to defects in title and shall not be construed to apply to the terms and conditions of the offering as outlined in this Agreement and/ or Prospectus.

If MPG elects not to or is not able to cure such objections to title to Daybreak's reasonable satisfaction within such Thirty(30) day period, Daybreak may terminate this agreement by giving MPG written notice. If such termination occurs, then MPG shall immediately refund the earnest Money to Daybreak. Upon cancellation of this agreement, the parties hereto shall have no further obligations to each other. If Daybreak does not give notice of any objections it may have during the fifteen(15) day review period, then it shall be deemed that Daybreak has accepted the Leases and title relating thereto.

5) Closing. In the event Daybreak approves the Leases and title to the Leases, Daybreak shall, on or before June 20, 2005, pay to MPG by Certified Check the sum of One Hundred, Ninety-four Thousand and Four Hundred and No/100's(\$194,400.00) USD (the full cost of the 25% working interest less the amount of the Earnest Money), and MPG agrees to execute in favor of

Daybreak under the Private Oil and Gas Venture Participation Application (Exhibit "A-1") Twenty-five (25.0%) Percent working Interest in the Prospect on a Seventy-five (75.0%) Percent Net Revenue basis (the "Closing"). The Closing shall take place at the office of MPG Petroleum, Inc., 8620 N. New Braunfels, Suite 411, San Antonio, Texas 78217.

- 6) Assignment of the Lease. At the closing, MPG shall deliver to Daybreak, a recordable Assignment of the Lease effective as of the date of the Closing, and it is expressly understood and agreed that the Assignment executed and delivered shall be in the form of assignment.
- 7) Obligation Well. As soon as reasonably practical, based on rig availability and weather conditions permitting, MPG shall commence the drilling of the obligation well at a location of its choice on the leasehold shown on Exhibit "B" to a depth of 8,150', or lessor if drilling conditions prevent its prudent continuation to total depth. Such obligation well will be drilled with due diligence and in a workmanlike manner, utilizing vertical drilling technology. Upon completion of drilling and testing, if logging and core test results (in the sole opinion of MPG) indicate that commercial volume of hydrocarbons may be produced, MPG shall complete the well.
- 8) Confidentiality of Information. Save and except as hereinafter provided, all data, information and reports furnished or acquired by any party to and under this Agreement (including, but not limited to, the information and data that Daybreak may receive in connection with the Obligation Well and any subsequent wells) shall be confidential, and each party agrees to exercise reasonable care and precautions to prevent the publication, dissemination or disclosure of any such data, information and reports or copies thereof, to any third person(s) whomsoever. Notwithstanding the forgoing, Daybreak shall have the right to issue Press Releases announcing execution of this agreement and a reasonable description of the project as well as Press Releases to progress of assembling and developing the projects. All press release drafts are to be reviewed by MPG before release and approval granted in writing, however, MPG shall not withhold its consent unreasonably.
- 9) Non-Partnership Status. This Agreement does not create a partnership, joint venture or other similar association between any of the parties to this Agreement for federal income tax purposes or otherwise, and the parties hereto agree to cause whatever elections or returns to be filed which may be necessary to preserve such status.
- 10) Notices. All notices and sums payable to the parties hereto, shall be at the following address:

If to Daybreak:

Daybreak Mines, Inc.
621B 37th Street SW

Calgary, Alberta, Canada T3C 1R8
1-403-660-9639

If to MPG:

MPG Petroleum, Inc.
8620 N. New Braunfels
Suite 411
San Antonio, Texas 78217
1-210-828-4666

11) Seller's Representations and Warranties. MPG represents and warrants that the leases shown in Exhibit C-1 and C-2 are in full force and effect and that all required payments will be timely and properly paid and that MPG has the right to contract with Daybreak for the acquisition of the Leases and drilling of the Obligation Well on the terms set forth herein and that the Leases can be assigned to Daybreak subject only to the terms and conditions of this Agreement, and the burdens and obligations provided for in the Leases.

12) Term. Unless sooner terminated by mutual written agreement of the parties hereto, this Agreement shall remain in full force and effect until June 20, 2005, or so long thereafter as the Leases are perpetuated by production pursuant to the terms of this Agreement.

13) Binding Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their respective heirs, successors and assigns.

14) Entire Agreement. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and supercedes all prior agreements (including those, which may have been oral), documents, or other instruments with respect to the matter covered hereby.

If the foregoing correctly sets forth your understanding of our agreement, please so indicate your acceptance hereof by signing one (1) copy of this Letter Agreement in the space provided below and returning it to this office within ten (10) days from the date hereof.

Yours truly,

MPG Petroleum, Inc.

/s/ Margaret P. Graham

Margaret P. Graham
President

ACCEPTED AND AGREED TO
This 11th day of April, 2005

Daybreak Mines, Inc.
A Washington Corporation
By: /s/ Robert Martin
President

MPG PETROLEUM, INC.

LEASE BANK AGREEMENT

The "PEARL" PROSPECT, SAN PATRICIO COUNTY, TEXAS

This letter is written to evidence the entire terms and provisions of the agreement between MPG Petroleum, Inc. (hereinafter referred to as "MPG"), whose address is 8620 N. New Braunfels, Suite 411, San Antonio, Texas 78217 and Daybreak Mines, Inc. (hereinafter referred to as "Banker"), whose address is 621B 37th Street SW, Calgary, Alberta, Canada T3C 1R8, respecting the captioned oil and gas exploration prospect situated in San Patricio County, Texas in consideration of the following recited mutual covenants, obligations and considerations:

1.

MPG has developed a geologically promising exploration prospect for the discovery of oil and gas in San Patricio County, Texas. The Prospectus of the Pearl Prospect (Exhibit A) is attached hereto, incorporated herein and made a part hereof for all purposes. Within the Prospectus, geological information and particularly, a Structure map is enclosed and identified as the "Blue (-15,000') Reflection" which depicts the structure of the Pearl Prospect. It is within the confines of this map that oil and gas leases will be acquired subject to this Agreement. All Oil and Gas Leases and/ or Oil and Gas Lease Options acquired under the Pearl Prospect will be listed on a Schedule of Leases (Exhibit B) and accompanying Land Map (Exhibit C) which will be provided to Banker prior to use of funds.

The Initial Lease Bank for the Pearl Prospect is the cash sum of \$300,000.00 (the "Bank") to pay for the acquisition of the Oil and Gas Leases, together with necessary title investigations, brokerage expenses and all related fees and cost of acquisitions. MPG will purchase as many net mineral acres as possible under the Pearl Prospect utilizing the Bank to pay for the acquisition based on best effort trades negotiated by MPG. MPG will have sole and absolute discretion to fully negotiate and accept or reject trades of Oil and Gas Leases and/ or Oil and Gas Lease Options. The Banker(s) shall earn a total of 1.00% of 8/8ths overriding royalty interest in all Oil and Gas Leases and/ or Oil and Gas Lease Options acquired utilizing the \$300,000.00 Bank. If more than one Banker contributes to the Bank, then Bankers shall earn an overriding royalty interest in an amount directly proportional to the amount of funds contributed to Bank.

2.

On or before June 20, 2005, Banker has agreed. And hereby does agree, to wire the sum of \$100,000.00 USD as its share of the Bank (less \$10,000.00 Earnest Money which is due upon execution of this Agreement as set out below) for the

benefit of MPG Petroleum, Inc. into an account to be set up exclusively for this purpose. Such account shall be titled the MPG Petroleum, Inc. "Pearl Prospect Lease Bank Escrow Account" and will be set up at International Bank of Commerce ("IBC"), located at 130 East Travis, San Antonio, Texas 78205, which shall act as the escrow agent, for the benefit of MPG and Banker. The Bank funds deposited into this account shall be used for the sole and exclusive purpose of purchasing the Oil and Gas Leases and Oil and Gas Lease Options and performing the necessary title investigations and related costs as described above. The banker shall earn 0.333333 of 1.00% of 8/8ths in all Oil and Gas Leases and/ or Oil and Gas Lease Options acquired by MPG under the Pearl Prospect utilizing the Bank funds of the Banker in the amount set out above and under the conditions herein set forth.

MPG agrees to, with the cash advance made to the "Pearl Prospect Lease Bank Escrow Account", redeem the Oil and Gas Leases and Oil and Gas Lease Options by paying the time drafts of the Lessors or paying by Certified Check the amounts due to the Lessors on or before their due dates.

Immediately upon payment of a Draft or Certified Check, IBC will then release the original executed Oil and Gas Leases and/ or Oil and Gas Lease Options to MPG who will then immediately forward the same for filing and recording in the Official Real Estate records of San Patricio County, Texas. Upon return of each filed and recorded instrument, MPG will forward a reproduced copy of the instrument(s) to Banker, evidencing the recording date, along with an Assignment of Oil and Gas Mineral Interest instrument, evidencing Banker's ownership in the Oil and Gas Lease(s) and/ or Oil and Gas Lease Options.

3.

MPG agrees that promptly upon delivery to it of the subject Oil and Gas Leases and/ or Oil and Gas Lease Options, it shall immediately proceed to market them together with the geological data and subsurface interpretations it has developed for the explanation, development and production of the Pearl Prospect.

MPG agrees that the payment of \$90,000.00 by June 20, 2005, by the Banker will earn Banker the first right of refusal ("Option") for a period of 90 days thereafter, to elect to acquire up to a 33.3333% working Interest in the Pearl Project as a whole under the exact terms of the prospectus as set out in Exhibit A. However, it is expressly a condition of this Agreement that if Banker fails to pay the balance of the Bank funds after deduction of its 10% Earnest Money) on or before June 20, 2005, the Option extended herein to Banker to purchase working interest in the Pearl Prospect shall expire and shall be of no force and effect. An extension of time on this Option may be granted by MPG in writing, at its sole and absolute discretion.

If you agree that this letter properly evidences the terms of our agreement, please enter your signature at the space provided below and return two (2) executed originals to the office of MPG Petroleum, Inc., at 8620 N. New Braunfels, Suite 411, San Antonio, Texas, along with a certified check in the amount of \$10,000.00 as Earnest Money toward the June 20, 2005, closing date of the Lease Bank Agreement.

Yours truly,

MPG Petroleum, Inc.

/s/ Margaret P. Graham

Margaret P. Graham
President

Accepted and agree to this 21st day of April, 2005

BANKER

By: /s/ Robert Martin
Robert Martin
Daybreak Mines, Inc.

Exhibit 10.3

Consulting Agreement

This agreement sets forth the terms (the "Agreement") between Summitt Ventures Inc (Summitt) and Company (CLIENT), on behalf of Company Daybreak Mines, Inc. ("the Company") concerning business management services (hereafter being referred to as the "Services") rendered to the Company from December 15, 2004 and continuing through May 1, 2005.

When countersigned in the space provided below, this shall serve as our agreement, as detailed below. Therefore, this Agreement contains the full and complete understanding between the parties and supersedes all prior understandings. It is further understood / agreed (when countersigned) that this Agreement may not be altered, modified or changed in any way without the express written consent of both parties and shall be construed in accordance with the laws of the State of California applicable to agreements executed and wholly performed within that State.

1. The Services

A. It is agreed that Summitt shall be retained to provide business management services, and provide advice as it relates to the future of the company. This service shall include the drafting and preparation of business plans, operating budgets, cash flow projections and other business management services.

B. It is understood that the Company has allowed Summitt to enter into this agreement based upon the present character and composition of CLIENT's management and general good standing and reputation in the business community. In the event of the sale or transfer of a substantial portion of the assets of CLIENT's business or of a change in the controlling interest in CLIENT's business or of a merger or consideration of CLIENT's property being expropriated, confiscated, or nationalized by the government, or in the event of the de facto control of CLIENT or of any of its subdivisions or agencies being assumed by a government, or government agency or representative, the Company may, at its option, terminate this Agreement immediately upon written notice to CLIENT.

2. Compensation for the Services

In consideration for the services rendered by CLIENT shall pay to Summitt as follows:

A. CLIENT shall pay to Summitt a fee of Five Hundred Thousand Dollars (\$500,000) which can be paid in cash or in free trading shares of the company. This fee shall be non-refundable and considered earned when the shares are delivered. It is agreed that the fee shall be paid within 3 days after execution of this agreement, Summitt may designate third parties to be paid all or a portion the fee by notifying Client. This agreement may be assigned to principles of Summitt to perform this service.

3. Method of Compensation

The method of Compensation shall be either in cash or in free trading shares of the company. In the event free trading shares are delivered it will be based upon the values of the stock are delivered based upon the last bid price per share upon the date of this agreement.

4. Termination

- A. This agreement shall begin upon the signing of the contract. The term of this engagement will be six(6) months and may be terminated by either party upon thirty (30) days prior written notice if termination is without cause, and immediately upon written notice if termination is with cause.
- B. In the event of termination, all fees and charges paid to Summitt shall be considered earned and non-refundable.

5. Reports

At Summitt's request, CLIENT agrees to supply a report at least once a month, verbally or in writing, on general activities and actions taken on behalf of the Company.

6. Materials

Summitt agrees to furnish any supplies and materials which CLIENT may need regarding the Company, its management, products, financial and business status and plans.

7. Independent Contractor Status

Summitt is acting as an independent contractor, and not as an employee or partner of the Company or CLIENT. As such, neither party has the authority to bind the other, nor make any unauthorized representations on behalf of the other.

8. Services to Others

- A. Client acknowledges that Summitt is in the business of providing Consulting services to other businesses and entities. Summitt's services hereunder are not exclusive to CLIENT and shall have the right to perform the same or similar services for others, as well as engage in other business activities.

9. Confidential Information

CLIENT will use its best efforts to maintain the confidential nature of the proprietary or confidential information to Summitt and The Company entrusts it through strict control of its distribution and use. Further, CLIENT will use its best efforts to guard against any loss to The Company and Summitt through the failure of CLIENT or their agents to maintain the confidential nature of such information. "Proprietary" and "confidential information", for the purpose of this Agreement shall mean any and all information supplied to CLIENT which is not otherwise available to the public, including information which may be considered "inside information" within the meaning of the U.S. securities laws, rules and regulations.

10. Indemnification

- A. Client shall indemnify Summitt and its officers and employees and hold them harmless for any acts, statements or decisions made by CLIENT in reliance upon information supplied to Summitt in accordance with instructions from or acts, statements or decisions approved by The Company or CLIENT. This indemnity and hold harmless obligation shall include expenses and fees including reasonable attorney fees incurred by Summitt in connection with the defense of any act, suit or proceeding arising out of the foregoing.

11. Other Transactions

- A. A Business Opportunity shall include the merger, sale of assets, consolidation or other similar transactions or series or combinations of transactions whereby the Company or its subsidiaries, both transfer to a third entity or person, assets or any interest in its business in exchange for stock, assets, securities, cash or other valuable property or rights., or wherein they make a contribution of capital or services to a joint venture, commonly owned enterprise or venture with the other for purposes of future business operations and opportunities.
- B. To be a Business Opportunity covered by this section, the transaction must occur during the term of this Agreement, or during the period of one (1) year after the expiration of this Agreement. In the event this paragraph shall apply, any Transaction Fee due shall be based upon the net value of the consideration, securities, property, business, assets or other value given, paid, transferred or contributed by, or to the Company, and shall be equal to five percent (5%) of the first One Million Dollars (\$1,000,000) of such net value, in addition to four percent (4%) of the second One Million Dollars (\$1,000,000), plus three percent (3%) of the third One Million Dollars (\$1,000,000), plus two percent (2%) of the fourth One Million Dollars (\$1,000,000) and add one percent (1%) of all remaining net value. Unless otherwise mutually agreed in writing prior to the closing of any Business Opportunity, the Transaction Fee shall be paid in cash or in kind at the closing of the transaction. This fee shall be paid to Summitt for those companies or opportunities which it directs to CLIENT which are merged, purchased, or so introduced by CLIENT.

12. Entirety

This instrument sets forth the entire agreement between CLIENT and Summitt on behalf of THE Company. No promise, representation, or inducement except as herein set forth, has been made by either party to this Agreement. Should any provision of this Agreement be void or unenforceable the rest of this Agreement shall remain in full force. This Agreement may not be cancelled, altered, or amended except in writing.

APPROVAL AND ACCEPTANCE

CLIENT

READ AND ACCEPTED THIS 15TH day of December, 2004

Signed: /s/ Robert Martin
By it's authorized agent

Summitt Ventures, Inc.

READ AND ACCEPTED THIS 15th day of December, 2004

Signed: /s/ Mark Anderson
Title: By its authorized agent

Daybreak Mines, Inc.

CODE OF ETHICS

INTRODUCTION

"Quality and Integrity" has been a part of Daybreak Mines, Inc. (hereinafter called the Company) since its inception. Truthfulness, honesty, fairness, to each other, our Company, and to our investors, customers and suppliers are the ethical standards, by which we live and work. Each person who is an officer or director *of* the Company is a Company "associate" and has a responsibility to deal ethically in all aspects *of* the Company's business and to comply fully with all laws, regulations, and Company policies. Anyone who is employed by the Company is expected to assume the responsibility for applying these standards of ethical conduct. When in doubt any future employees will have the responsibility to seek clarification from the appropriate Company representative. (See Disclosure, Guidance and Approvals below).

Each director, officer and employee of the Company is required to comply with this Code *of* Ethics.

CONFLICTS OF INTEREST

A CONFLICT OF INTEREST EXISTS WHEN AN INDIVIDUAL'S PRIVATE INTEREST *CONFLICTS* WITH THE INTERESTS OF THE COMPANY. WHEN AN INDIVIDUAL'S LOYALTY TO THE COMPANY AND CONDUCT OF RESPONSIBILITIES AND DUTIES TOWARDS THE COMPANY IS PREJUDICED BY ACTUAL OR POTENTIAL BENEFIT FROM ANOTHER SOURCE A CONFLICT OF INTEREST EXISTS.

We are confident of the individual loyalty and honesty of our associates. Good relations with investors, customers and suppliers and the integrity of our associates are critical sources of goodwill and absolutely necessary to our success. Associates should never be in a position where their personal interests or third parties inappropriately influence their judgment on Company matters.

No associate should be subject, or even reasonably appear to be subject to, influences, interests or relationships that conflict with the best interests of the Company. This means avoiding any activity that might compromise or seem to compromise the integrity of the Company or the associate. An associate shall avoid conflicts of interests in connection with the conduct of the Company's business except as expressly permitted by this Code.

Common Sources of Conflicts.

Although it is impossible to prepare a list of all potential conflict of interest situations, conflicts of interest generally arise in four situations:

- INTEREST OF ASSOCIATE – When an associate, a member of the associate's family or a trust in which the associate is involved, has a significant direct or indirect financial interest in, or obligation to, an actual or potential competitor, supplier, lender, service provider or customer of the Company.
- INTEREST OF RELATIVE – When an associate conducts business on behalf of the Company with a supplier or customer of whom a relative by blood or marriage is a principal, partner, shareholder, officer, employee or representative.

- **GIFTS** – When an associate, a member of the employee's household, a trust in which the employee is involved, or any other person or entity designated by the employee, accepts gifts, credits, payments, services or anything else of more than token or nominal value from an actual or potential competitor, supplier or customer.
- **MISUSE OF INFORMATION** – When employee misuses information obtained in the course of employment.

Specific Examples.

While it is not possible to describe every situation, it is useful to consider a few examples in which clear conflicts of interest are present so that ground rules can be established:

- **POSITION OF INFLUENCE** – If an associate or a member of that associate's family has a significant financial or other beneficial interest in an actual or potential supplier or customer, the associate may not, without full disclosure and specific written clearance by appropriate Company representatives, influence decisions with respect to business with such supplier or customer. Such positions include situations where associates create specifications for suppliers' raw materials, products or services; recommend, evaluate, test or approve such raw materials, products or services; or participate in the selection of, or negotiating arrangements with, suppliers.
- **OTHER POSITIONS** – It is expressly acceptable for individuals of this Company to serve as officers and directors of other companies at their discretion.

Advance Disclosure.

Because conflicts of interest have the potential of serious abuse, all conflict of interest circumstances affecting any associate should be disclosed to the appropriate Company representative. While transactions affected by a conflict of interest must generally be avoided, there may be times when such transactions are nevertheless fair and appropriate and in the Company's best interest. When an associate believes a potential transaction that may be affected by a conflict of interest should nevertheless be pursued, they must disclose all material terms of the proposed matter to the appropriate Company representative in advance. No such transaction may be pursued, however, unless it is approved in advance by the appropriate, duly authorized and disinterested officers of the Company, the board of directors or an appropriate committee thereof.

LAWFUL CONDUCT

All associates shall carry on the business of the Company in compliance with all applicable laws. Without limiting this obligation, the following conduct is prohibited:

- Employee theft, fraud, embezzlement, misappropriation, or any form of wrongful conversion of property belonging to the Corporation or another employee.
- Any act of fraud, deception or intentional misrepresentation against or involving the Corporation, an investor, a customer, a supplier or any other party.
- Any act of bribery, including a promise, offer or gift of money or anything of value made or offered by an employee to:
 1. A government official or someone acting for the government; or
 2. A person employed by, or acting on behalf of, an investor, a customer, supplier or other organization, with which the Corporation does business or has prospective business, (except in the case of certain permitted gifts described below).

- The destruction or alteration of Corporation records in order to falsify, conceal or misrepresent information for any purpose including any motivation to:
 1. Avoid criticism for errors of judgment or to conceal failure to follow a supervisor's instructions.
 2. Show a performance record better than, or different from, performance actually achieved.
 3. Misrepresent the employee's performance, activities, or other transactions, or those of another employee.
- Political contributions of money, services, or other property of the Corporation that are in violation of the law when the contributions are made.
- Violations of securities laws rules or regulations, including concealment of information required to be disclosed in filings the Corporation makes with the Securities and Exchange Commission.

GIFTS

Associates and their families generally shall not solicit or accept gifts, fees, bequests, services or entertainment from investors, customers, suppliers or prospective customers. A gift is regarded as any type of gratuity, favor, loan, legacy, fee, compensation, or anything of monetary value. All such gifts are prohibited except:

- Business entertainment and other courtesies such as meals, sporting events, and the like, that involves no more than ordinary amenities, and can be properly reciprocated by the employee and charged as a business expense. Lavish or extravagant entertainment, such as weekend trips, etc., should not be accepted unless full reimbursement is made by the recipient to the donor.
- Gifts received because of kinship, marriage, or social relationships and not because of any business relationship.
- Unsolicited advertising or promotional materials that are made widely available.
- Customer or supplier paid travel or lodging where the trip has a legitimate business purpose. An appropriate Company representative must approve any such trips in advance in writing.
- Fees or other compensation received from an organization in which membership or an official position is held, subject to prior written approval by an appropriate Company representative.

Associates who believe that acceptance of a permitted gift might make them feel obligated and therefore improperly influenced in the performance of their duties should not accept it, or turn it over to the Company. Associates, who are unsure whether a gift is a violation of the law and the Code, should seek guidance from an appropriate Company representative.

Likewise, no associate of the Company or members of his or her family may extend a gift to any existing or prospective investor, customer or supplier that will not meet these same criteria.

MISUSE OF INFORMATION

No information obtained as a result of employment or association with the Company may be used for personal profit or as the basis for a "tip" to others unless the Company has made such information generally available to the public. This is true whether or not direct injury to the Company appears to be involved. The requirement is not limited to transactions relating to the Company stock but also applies to securities of any other company and includes any situation in which information may be used as the basis for unfair bargaining with an outsider. The public disclosure of confidential data and trade secrets relating to our business can have a material adverse effect on the Company and is prohibited.

CORPORATE OPPORTUNITIES. A CORPORATE OPPORTUNITY IS AN OPPORTUNITY USEFUL TO THE COMPANY THAT IS DISCOVERED THROUGH THE USE OF COMPANY PROPERTY, OPPORTUNITY OR POSITION AS A COMPANY ASSOCIATE.

Associates are prohibited from taking corporate opportunities for themselves. When an associate uses corporate property, corporate information or corporate position for personal gain, he or she is taking a corporate opportunity. You must use corporate opportunities only for advancing the legitimate business interests of the Company.

COMPLETE TRUTHFUL AND FULL DISCLOSURES IN PUBLIC FILINGS

The Company's filings made under the Securities Exchange Act of 1934, such as quarterly and annual reports and proxy statements, are to contain all required disclosures. All such filings shall provide required information in a full, fair, accurate, timely, and understandable manner. The Company has procedures in place to achieve these goals with respect to securities reports and shareholder communications. Any employee who has concerns about the accuracy or adequacy of disclosures being made in these documents should feel free to contact the Chief Financial Officer. No employee shall engage in any conduct with the intent of impairing the Company's compliance with this provision.

ACCOUNTING MATTERS

The Company's financial statements and books and records on which they are based must accurately reflect all corporate transactions. All receipts and disbursements of corporate funds shall be promptly and properly recorded on the Company's books. The Company's records must disclose the nature and purpose of the transactions. The Company's investors, creditors and other decision makers rely on its records and have a right to information which is timely and accurate.

- All employees shall cooperate fully with the independent auditors of the Company and under no circumstances withhold any information from them.
- A director, officer or employee may not maintain the Company's accounting or other records, or cause them to be maintained, in such a way that they do not reflect the true nature of transactions, account balances or other matters with clarity and completeness.
- A director, officer or employee may not establish for any purpose an unauthorized, undisclosed, or unrecorded fund or asset account involving Company assets.
- A director, officer or employee may not allow transactions with an investor, supplier, agent, or customer to be structured or recorded in a way not consistent with normal business practice or generally accepted accounting principles.
- No false, incomplete, misleading or artificial entries or records shall be made on the books or records of the Company or its subsidiaries for any reason. The shifting of charges or costs to inappropriate accounts is prohibited.
- No payment on behalf of the Company shall be made or approved with the understanding that it will or might be used for something other than the stated purposes.
- Undisclosed or unrecorded corporate funds shall not be established for any purpose, nor shall the Company funds be placed in any personal or non-corporate account.
- "Slush funds" or similar off-book accounts, where there is no accounting for receipts or expenditures on corporate books, are prohibited.

A system of internal accounting controls shall be maintained which is sufficient to provide reasonable assurances that transactions:

- are executed in accordance with management's authorization.
- are recorded in a manner that permits preparation of the Company's financial statements in conformity with generally accepted accounting principles and applicable regulations.
- are recorded so as to maintain accountability for the Company's assets.

No officer or employee acting on behalf of the Company shall engage in any activity that circumvents or seeks to circumvent the Company's systems of internal controls.

DISCLOSURE, GUIDANCE AND APPROVALS

This Code permits or requires associates in various situations to disclose certain facts to, and seek guidance or obtain approval from "appropriate Company representatives".

For each associate, the "appropriate Company representative" is as follows:

- In the case of any non-officer employee, such employee's supervisor. If such employee has concerns regarding the supervisor's objectivity or independence with respect to the matter, the appropriate Company representative is the Chief Financial Officer.
- In the case of any officer or management employee (other than the CEO, President, CFO or Controller) the appropriate Company representative is the Chief Financial Officer. If such employee has concerns regarding the Chief Financial Officer's objectivity or independence with respect to the matter, the appropriate Company representative is the Chief Executive Officer or the President.
- In the case of the Chief Executive Officer, the President, the Chief Financial Officer or the Controller, and any director, the appropriate Company representative is the Chairman of the Audit Committee of the Board of Directors or, if the Chairman so determines, the full Audit Committee.

These are the persons associates should contact to seek guidance, to clarify issues and to obtain confirmation that a particular course of conduct or transaction is permissible or impermissible under this Code. The Audit Committee has adopted separate procedures for employees to report concerns they may have regarding financial reporting abuses, illegality or violations of this Code on a confidential basis. The Company Corporation Employee Reporting Procedure for Accounting and Auditing Concerns are circulated periodically and any employee may obtain a copy from the Chief Financial Officer.

CERTIFICATIONS

Employees may be required periodically to certify their understanding of and intent to comply with or their past compliance with this Code.

Any employee who violates this Code of Ethics is subject to possible suspension or other disciplinary action, including discharge. Any employee who assists in, or knowingly fails to report, a violation of this Code is also subject to suspension, discharge or other appropriate action. Any employee who suspects a violation of these policies (including any material transaction or relationship that gives rise to a conflict of interest which to the knowledge of such employee has not been disclosed to the appropriate persons) should inform the appropriate Company representatives by using the Company Corporation Employee Reporting Procedure for Accounting and Auditing Concerns.

ADOPTED AND ACCEPTED BY THE BELOW SIGNED DIRECTORS OF DAYBREAK MINES INC.

Signed this 3rd day of May, 2004

/s/ Dale B. Lavigne
Dale Lavigne

/s/ Ronald D. Lavigne
Ronald Lavigne

/s/ Thomas C. Kilbourne
Thomas Kilbourne

/s/ Lewis J. Lavigne
Lewis Lavigne

Certification

I, Robert N. Martin, certify that:

- (1) I have reviewed this annual report on Form 10-KSB of Daybreak Mines, Inc. Company.
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Not required;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: June 14, 2005

By /s/ ROBERT N. MARTIN

Robert N. Martin, President and Chief Executive Officer

Certification

I, Thomas Kilbourne, certify that:

- (1) I have reviewed this annual report on Form 10-KSB of Daybreak Mines, Inc. Company.
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Not required;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: June 14, 2005

By /s/ THOMAS KILBOURNE

Thomas Kilbourne, Principal Accounting Officer

Exhibit (32)(1)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Daybreak Mines, Inc., (the "Company") on Form 10-KSB for the period ending February 28, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert N. Martin, President and Chief Executive Officer of Daybreak Mines, Inc. Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2005

By /s/ ROBERT N. MARTIN

Robert N. Martin, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Daybreak Mines, Inc., (the "Company") on Form 10-KSB for the period ending February 28, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Kilbourne, Principal Accounting Officer of Daybreak Mines, Inc. Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2005

By /s/ THOMAS KILBOURNE

Thomas Kilbourne, Principal Accounting Officer