

## Daybreak Oil and Gas, Inc. Receives Financing

SPOKANE, Washington, November 5, 2012 -- Daybreak Oil and Gas, Inc. (OTCBB: DBRM) (“Daybreak” or the “Company”), a Washington corporation, announced that on October 31, 2012, the Company entered into a Loan and Security Agreement (the “Loan Agreement”) with Maximilian Investors, LLC (“Maximilian” or the “Lender”). The Loan Agreement provides for a revolving credit facility of up to \$20 million, maturing on October 31, 2016, with a minimum commitment of \$2.5 million. Loans under the Loan Agreement bear interest at a rate per annum equal to eighteen percent (18%). The obligations under the Loan Agreement are secured by a perfected first priority security interest in all the Company’s assets, including the Company’s leases in Kern County, California.

The proceeds of the initial drawdown of the borrowing under the facility were used to pay off its existing indebtedness with Luberski, Inc. and to pay closing costs of the loan. The remaining proceeds will be used to fund the Company’s upcoming exploration and development program. Also, in connection with this Loan, the Company assigned 10% of its interest in its oil and gas leases at the East Slopes Project to the Lender, that will result in Maximilian having a 4.167% working interest in the Company’s East Slopes Project.

James. F. Westmoreland, President and Chief Executive Officer commented, “Daybreak is pleased to partner with Maximilian, as this Loan Agreement will give us the capital we need to undertake the expansion of our East Slopes Project in Kern County, California. This funding enables us to put in place our business plan and follow a clear path enabling us to increase revenues and cash flow by ramping up our drilling efforts which will begin later this month. In addition, we look for this to be a new basis in assisting in building value for our shareholders.”

Financial West Group, member FINRA/SIPC, acted as financial advisor to the Company in connection with the transaction.

Daybreak Oil and Gas, Inc. is an independent oil and gas company engaged in the exploration, development and production of oil and gas in California. The Company is headquartered in Spokane, Washington with an operations office in Friendswood, Texas. Daybreak owns a 3-D seismic survey that encompasses over 20,000 acres over 32 square miles with approximately 13,000 acres under lease in the San Joaquin Valley of California.

For more information about Daybreak Oil and Gas, Inc., please visit the Company’s website at [www.daybreakoilandgas.com](http://www.daybreakoilandgas.com).

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“Safe Harbor” Statement under Private Securities Litigation Reform Act of 1995: Certain statements contained herein constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Information contained herein contains “forward-looking statements” which can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “should,” “up to,” “approximately,” “likely,” or “anticipates” or the negative thereof or given that the future results covered by such forward-looking statements will be achieved. These forward-looking statements are based on our current expectations, assumptions, estimates and projections for the future of our business and our industry and are not statements

of historical fact. Such forward-looking statements include, but are not limited to, statements about our expectations regarding our financing, our future operating results, our future capital expenditures, our expansion and growth of operations and our future investments in and acquisitions of oil and natural gas properties.

We have based these forward-looking statements on assumptions and analyses made in light of our experience and our perception of historical trends, current conditions, and expected future developments. However, you should be aware that these forward-looking statements are only our predictions and we cannot guarantee any such outcomes. Future events and actual results may differ materially from the results set forth in or implied in the forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: failure to negotiate and enter into a Loan as well as receive any funds; general economic and business conditions; exposure to market risks in our financial instruments; fluctuations in worldwide prices and demand for oil and natural gas; fluctuations in the levels of our oil and natural gas exploration and development activities; our ability to find, acquire and develop oil and gas properties, including the ability to develop the East Slopes Project prospects; risks associated with oil and natural gas exploration and development activities; competition for raw materials and customers in the oil and natural gas industry; technological changes and developments in the oil and natural gas industry; legislative and regulatory uncertainties, including proposed changes to federal tax law and climate change legislation, and potential environmental liabilities; our ability to continue as a going concern; and our ability to secure additional capital to fund operations. Additional factors that may affect future results are contained in our filings with the Securities and Exchange Commission (“SEC”) and are available at the SEC’s web site <http://www.sec.gov>. Daybreak Oil and Gas Inc. disclaims any obligation to update and revise statements contained in this press release based on new information or otherwise.