

DAYBREAK OIL AND GAS, INC.

Securities Law Compliance Policy

Daybreak Oil and Gas, Inc. (“*Daybreak*” or the “*Company*”) adheres to a policy of strict compliance with all federal and state securities laws both in the conduct of its business as well as in the conduct of its representatives while acting in the scope of their corporate capacities, or when their conduct might be attributed to, or otherwise damaging to the interests of, the Company.

In furtherance of this policy (this “*Policy*”), the Company requires that all of its directors, officers, employees, and other agents strictly abide by the following:

1. Insider Trading is UNLAWFUL and Strictly Prohibited

Policy Statement: No Daybreak representative may directly or indirectly purchase or sell securities of Daybreak or of any other company with whom Daybreak deals while aware of material, nonpublic information concerning Daybreak or the other company. This prohibition against “insider trading” applies from the moment the representative learns of the material, nonpublic information until the information has been fully disclosed in a press release and/or filing with the Securities and Exchange Commission (“SEC) for a minimum of two full business days. This prohibition will not apply to Exempt Transactions described below.

- (a) *Who are “Daybreak representatives”?* This Policy applies to all of the following persons and entities, each of which is considered a “*Daybreak Representative*” for purpose of this Policy:
- All directors, officers, employees, and agents of Daybreak and its affiliates
 - All members of the immediate family of a Daybreak Representative or with whom a Daybreak Representative shares a household
 - All economic dependents of a Daybreak Representative
 - All persons and entities over whom a Daybreak Representative has control (such as parents or children who consult with a Daybreak Representative before they trade in Daybreak securities).
- (b) *What is Material, Nonpublic Information?* Information is considered “material” if (1) a reasonable investor would consider it important in making a decision on whether to buy, sell, or hold the security or (2) a reasonable investor would view the information as significantly altering the total mix of information in the marketplace about the issuer of the security. Information is considered nonpublic if the information has not been broadly disseminated to the public for a sufficient period to be reflected in the price of

the security. Examples of material, nonpublic information might involve corporate information such as upcoming SEC Filings or public announcements, negotiation of a merger or acquisition, news of a significant sale of assets, pending securities offerings or changes in top management, or it may involve operational information such as a significant exploration success or a production interruption. Material information may be either positive or negative. If in doubt as to whether any matter is material, refrain from trading and consult Daybreak's Chief Compliance Officer.

- (c) ***Information Relating to Other Companies.*** This Policy not only prohibits trading in Daybreak securities when you are aware of material, nonpublic information about Daybreak, it also prohibits trading in securities of any other company about whom you have gained inside information in the course of performing your duties for Daybreak. For example, if during the course of your employment with Daybreak you learn that Daybreak intends to acquire another company, possession of this insider information prevents you from trading in securities of either Daybreak or the other company involved in the transaction. Note also that Daybreak's *Ethical Business Conduct Policy Statement* prohibits you from acquiring financial investments in other companies if your ownership would constitute a conflict of interest.
- (d) ***What Types of Securities Are Covered?*** The Policy applies to transactions in all securities of Daybreak or any other company affected by the material, nonpublic information. This includes not only Daybreak common stock and publicly held or publicly traded debt, it also applies to exchange traded options and any other security the value of which is tied to Daybreak or the company about which the information relates.
- (e) ***What is a Purchase and Sale?*** The Policy prohibits purchases and sales while you are aware of material, nonpublic information. These terms encompass not only direct purchases and sales of the security but also any arrangement by which you change your economic exposure to fluctuations in the price of the security. For example, a "purchase" or "sale" would include a purchase of standardized put or call options, the writing of put or call options, selling stock short, buying or selling securities convertible into other securities, or merely engaging in a private agreement where the value of the agreement varies in relation to the price of the underlying security.
- (f) ***Prohibition on Shorting Company Stock.*** All Daybreak Representatives are prohibited from shorting the Company's stock (e.g., selling shares that they do not own in anticipation of a decrease in share price with the expectation of buying shares in the future at a lower price to satisfy their delivery obligation).
- (g) ***When Does the Trading Prohibition Expire?*** Once the material, nonpublic information is made public through a press release or SEC filing, this Policy continues to apply to Daybreak Representatives previously possessing the insider information for an additional period of two full trading days following public disclosure. For example, if Daybreak issued a press release to disseminate material nonpublic information on a Tuesday, the first day that trading could occur would be Friday.

- (h) ***Are Margin Loans Covered?*** You should be aware that sales forced because you have borrowed money and pledged securities as security for the loan are not exempt from the insider trading rules. Accordingly, you should be careful when making a margin loan in a brokerage account. Under margin arrangements, the broker may be entitled to sell your shares without your permission if the value of your securities falls below the broker's margin requirements. The sale, even though not initiated at your request, is still a sale for your benefit and may subject you to liability under the insider trading rules if made at a time when you are aware of material, nonpublic information. Similar cautions apply to bank or other loans for which you have pledged stock as collateral.

2. Daybreak Representatives Must Comply with Mandatory Trading “Blackout” Periods

Policy Statement: In addition to the restrictions on trading in Daybreak securities while in possession of material, nonpublic information, Daybreak Representatives are strictly prohibited from trading in any Daybreak securities during any period of time that has been declared to be a trading blackout period. Trading blackout periods may be either scheduled, occurring quarterly in connection with scheduled quarterly and annual financial filings or releases, or unscheduled as declared by the Company's Corporate Secretary in connection with transactions or other material corporate developments.

- (a) ***What is a Scheduled Earnings Blackout?*** Because of the particular sensitivity of trading by those who may have access to Daybreak's financial information in connection with Daybreak's quarterly earnings releases or financial filings, the Daybreak Representatives listed below are subject to scheduled earnings blackouts each quarter beginning the close of business of the quarter's end and concluding two full trading days after distribution of Daybreak's earnings release or SEC quarterly or annual filings.
- Members of the Daybreak Board of Directors
 - Members of the Daybreak Disclosure Committee
 - Employees involved in or responsible for Daybreak financial reporting, budgeting or planning functions, as designated by their supervisors

Personnel not included in the list above are not subject to scheduled earnings quarterly blackouts and may trade anytime during a quarter unless subject to a transaction blackout as discussed below or the individual possesses material nonpublic information.

- (b) ***What is a Transactional Blackout?*** In addition to regularly scheduled earnings quarterly blackouts, Daybreak's Corporate Secretary may from time-to-time impose trading blackouts applicable to all or certain subgroups of Daybreak's Representatives in the context of major acquisitions, securities offerings or other material corporate events. These blackouts will commence upon notification and extend uninterrupted until further notice.
- (c) ***How Do Insider Trading and Blackout Rules Inter-relate?*** Trading blackouts and the

general prohibition against trading in securities while in possession of material, nonpublic information apply concurrently and independently. Daybreak Representatives are prohibited from trading in securities when either they are in a trading blackout or they possess inside information. Even if not in a trading blackout, Daybreak Representatives are nonetheless prohibited from trading securities while in possession of material, nonpublic information.

3. Exempt Transactions Not Subject to Insider Trading and Blackout Rules

Policy Statement: The following transactions are not subject to the prohibitions against trading while in possession of material, nonpublic information or during blackout periods:

- Awards of stock options or restricted stock under any Daybreak employee stock plan
- Vesting of stock options or shares of restricted stock and any related stock withholding
- Exercise of stock options issued under Daybreak's stock plans in a stock-for-stock exercise, payment of the exercise price in shares of stock, and any related stock withholding transactions *but not any sale of the stock acquired in the option exercise*
- Purchase or sale of a security in compliance with a pre-approved trading plan in compliance with Exchange Act Rule 10b5-1(c), which plan must be approved by the Company's Corporate Secretary prior to any trade activity, and must be entered into at a time when the insider does not possess any material, non-public information
- Any other transactions specifically approved in advance by Daybreak's Chief Executive Officer (or Board of Directors with respect to transactions by the Chief Executive Officer)

4. Certain Daybreak Representatives Must Pre-clear Securities Trades Through Corporate Secretary

Policy Statement: The following Daybreak Representatives must notify Daybreak's Corporate Secretary prior to initiating any trade (buy or sale) in Daybreak securities:

- Officers of Daybreak
- Members of the Daybreak Board of Directors
- Members of the Daybreak Disclosure Committee

All members of the Daybreak Board of Directors and employees designated as an “executive officer” for purposes of the reporting requirements and trading restrictions of Section 16 of the Exchange Act of 1934.

Other Daybreak Representatives do not need to pre-clear securities trades but must nonetheless comply with the prohibitions on trading on inside information or during trading blackouts. Please check with Daybreak’s Corporate Secretary or Daybreak’s Chief Financial Officer if you are uncertain whether or not you fall into this exception.

5. Unauthorized Disclosure of Material, Nonpublic Information is Also UNLAWFUL and Strictly Prohibited

Policy Statement: Daybreak Representatives are not only prohibited from trading in securities while in possession of material, nonpublic information, Daybreak Representatives are also prohibited from disclosing material, nonpublic information to anyone (including other Daybreak Representatives) unless expressly authorized.

- (a) *Authorization to Disclose Material, Nonpublic Information.*** Only certain Daybreak Representatives are authorized to make disclosures of material, nonpublic information. Unless you are authorized to do so by the Chief Executive Officer or Chief Financial Officer, you should refrain from discussing material, nonpublic information with anyone. Importantly, this Policy prohibits unauthorized disclosure to anyone, including other Daybreak employees. Do not assume that co-workers are authorized to receive material, nonpublic information. Even internally, material, nonpublic information is disseminated on a strict “need-to-know basis” only. This Policy also applies to spouses and other family members.
- (b) *Protecting Confidentiality of Material, Nonpublic Information.*** Persons authorized to possess material, nonpublic information should take steps to protect its continued confidentiality to ensure it does not become the basis for unlawful securities trading. Documents or laptops containing material, nonpublic information should be safeguarded and should never be left where unauthorized person might get access. Among authorized personnel, material, nonpublic information should never be discussed in any public venue. Internet message boards or blogs should not be used to post any unauthorized message or information about the Company.
- (c) *Non-Disclosure Agreements.*** Those involved in transactions or other negotiations that require disclosure of material, nonpublic information with parties other than Daybreak’s employees or agents should have those to whom the information is being disclosed sign a non-disclosure agreement. The non-disclosure agreement must require that the recipient of the information not disclose the information to others and should require them not to trade on such information.

- (d) ***Tipping Is Prohibited.*** Daybreak Representatives are also prohibited from giving “tips” to family members, friends or others, either by revealing material nonpublic information or by making buy or sell recommendations based on such information.

6. Administration of Policy

- (a) ***Administration by Corporate Secretary’s Office.*** The day-to-day administration of the Policy will be carried out by the Corporate Secretary’s office. Please direct all questions to Karol Adams, Corporate Secretary, at (281) 996-4176.
- (b) ***Amendment of the Policy.*** Daybreak reserves the right to amend and interpret this Policy from time to time.
- (c) ***Effect of Violation of Policy.*** A violation of any of this Policy – or any other trading policy – is grounds for immediate disciplinary action, including termination of employment by Daybreak and may also result in severe civil and/or criminal penalties.
- (d) ***Reporting of Violations.*** Any employee, officer or director who violates this Policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other employee, officer or director, must report the violation immediately to the Chief Executive Officer or Chief Financial Officer.

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DAYBREAK OIL AND GAS, INC.
SECURITIES LAW COMPLIANCE POLICY
RECEIPT AND ACKNOWLEDGEMENT

My signature below indicates that I acknowledge receipt of and/or availability on the Daybreak website of, and I have read and am familiar with, the Company's Securities Law Compliance Policy. I further acknowledge and agree:

- (a) The Securities Law Compliance Policy has been adopted as an official policy of the Company by its Board and it is my responsibility to comply fully with the Securities Law Compliance Policy at all times; and
- (b) As an employee of the Company and/or its subsidiaries, it is my responsibility to help advise and instruct employees that the business and operations of the Company and its subsidiaries are to be conducted in full compliance with the Securities Law Compliance Policy.
- (c) Since the first day of my employment with Daybreak to and as of the date indicated below, I have not violated the Securities Law Compliance Policy.

Print Name

Title/Position

Signature

Date