

## **Daybreak Oil and Gas, Inc. Announces Initial Production on the Gerald Grove H-3 Well**

SPOKANE, Washington, January 24, 2014 -- Daybreak Oil and Gas, Inc. (OTCQB:DBRM) (“Daybreak” or the “Company”), a Washington corporation, is pleased to announce that the Gerald Grove H-3 well, in Lawrence County, Kentucky, was placed on production on December 21, 2013. The well has produced and sold approximately 3,303 barrels of oil during this time period. The well is experiencing very large initial production rates, and thus production had to be voluntarily slowed due to storage capacity constraints. The well has only been producing a limited number of hours during daylight due to storage capacity issues. The eastern portion of Kentucky has also been experiencing inclement weather which inhibits tanker trucks from accessing the well location, thus slowing the distribution process of the produced oil. On a daily basis it is estimated that the well was producing at a rate of approximately 300-325 barrels of oil per day (“BOPD”). The Company and its operator/partner App Energy, LLC (“App Energy”) are currently constructing a Central Facility which will allow easier access for tanker trucks; thereby improving the distribution process and allowing for better efficiency in regards to producing the oil.

James F. Westmoreland, President and Chief Executive Officer, commented, “We are extremely pleased with the production results from this well and the previously announced Gerald Grove H-1 well, from which we have already sold 6,435 barrels of oil since production began in late October. Both the Gerald Grove H-1 and the Gerald Grove H-3 wells have produced at a predetermined reduced rate until permanent facilities, gas lines and compressors are installed. We expect all work to be completed by mid-February 2014. While we do not have a great deal of production history on horizontal wells in Kentucky, we do know that they will experience very high initial flow rates which will boost our returns. We expect production rates to peak within the first few months and then begin a normal decline to a rate we expect to be in the 50 - 100 BOPD range.”

Separately, Daybreak and its partner, App Energy, are finalizing plans to drill approximately 20 wells in 2014 beginning in late February. With data, such as electric logs on deeper wells drilled in the Twin Bottoms Field, we believe we have at least 50 low risk locations to drill over the next several years. This drilling program will accelerate the production growth and will take revenues to new levels in 2014 and 2015 which will lead the Company to sustained profitability.

Daybreak Oil and Gas, Inc. is an independent oil and gas company currently engaged in the exploration, development and production of oil and gas in California and Kentucky. The Company is headquartered in Spokane, Washington with an operations office in Friendswood, Texas. Daybreak owns a 3-D seismic survey that encompasses 20,000 acres over 32 square miles with approximately 13,000 acres under lease in the San Joaquin Valley of California. Daybreak also owns a 25% working interest in approximately 6,100 acres under lease in the Appalachian Basin in Lawrence County, Kentucky.

More information about Daybreak Oil and Gas, Inc. can be found at [www.daybreakoilandgas.com](http://www.daybreakoilandgas.com).

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Certain statements contained in this press release constitute “forward-looking statements” as defined by the Securities and Exchange Commission. Such statements 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. 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: 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.