

Daybreak Oil and Gas, Inc. Provides Operational Update

SPOKANE, Washington, August 20, 2014 -- Daybreak Oil and Gas, Inc. (OTCQB:DBRM) (“Daybreak” or the “Company”), a Washington corporation, is providing an operational update to both its Kentucky and California operations.

Kentucky Drilling Operations

The Company and App Energy, LLC plan to drill four consecutive wells as they continue their 20-well drilling program in Lawrence County, Kentucky. The first two wells, The Raymond Lyons H-23 and Raymond Lyons H-24, will be drilled from the same drilling pad with each vertical section of the well to be drilled before the horizontal sections of both wells are drilled. These two wells are expected to spud consecutively the week of August 18, 2014. Drilling of the horizontal section on each of the wells will commence consecutively the week of August 25, 2014. After these two wells are drilled and the horizontal sections are completed, the rig will move to drill the Cordell H-20 and Dwight Dillon H-22 wells. These four wells are being drilled north of the recently drilled Gerald Grove wells.

The Raymond Lyons wells and the Dwight Dillon H-22 well, as well as future wells in the area, will be produced into a new central facility which will be at the Raymond Lyons H-23 and H-24 location. Construction of this facility will begin as soon as these two wells are hydraulically fractured. We estimate the facility will be completed by the end of October 2014, with production to commence shortly thereafter. Due to the rough terrain in the area limiting the location size, construction work on this facility cannot begin until all drilling, completion and fracturing operations are completed. The Cordell well will be produced into a separate new facility, along with a number of other future wells for this area.

Kentucky Production Operations

Oil sales in the second quarter to-date of the current Daybreak fiscal year are as follows:

<u>Month</u>	<u>Gross Production</u>	<u>Net Production</u>
June 2014	9,074 Barrels	1,631 Barrels
July 2014	14,259 Barrels	2,754 Barrels

The table below represents how the current producing wells are performing to date.

<u>Well Name</u>	<u>Initial Flow Rate</u>	<u>First Sale Date</u>	<u>Flush Production Average</u>		<u>Flush Production Totals</u>	<u>July 2014 Daily Average</u>	<u>Cumulative as of August 6, 2014</u>
	<u>BOPD*</u>		<u>BOPD*</u>	<u>DAYS</u>	<u>Barrels</u>	<u>BOPD*</u>	<u>Barrels</u>
Grove H-1	275	10/19/2013	101	42 days	4,256	18	10,389
Grove H-3	300	12/21/2013	91	41 days	3,750	30	9,374
Grove H-4	260	2/18/2014	62	41 days	2,525	9	5,041
Grove H-5	260	2/18/2014	62	41 days	2,535	20	6,004
Dillon H-6	200	3/20/2014	119	41 days	4,859	37	9,268
Grove H-7	330	6/11/2014	132	40 days	5,294	87	6,333
Grove H-8	240	6/11/2014	98	40 days	3,917	69	4,882
Grove H-9	340	7/1/2014	116	37 days	4,283	122	4,283
Grove H-10	290	7/1/2014	79	38 days	3,000	80	3,000

*Barrels of oil per day

California Drilling Operations

The Company is in the final stages of its seismic reprocessing and reinterpretation of the currently producing reservoirs at the Bear, Sunday, Black, Dyer Creek and Ball locations. The Company plans to drill two wells at the Bear location, two wells at the Ball location and possibly a well at the Dyer Creek location before the end of the 2014 year, provided that all the necessary permits are received in a timely manner.

The Company is also permitting and finalizing lease acquisitions to drill two exploratory wells, one on the Sherman Prospect and the other on the Glide-Kendall Prospect, both which are in the southern portion of the acreage block. The Company expects to drill both these wells by the end of the 2014 year, or the first quarter of 2015, subject to timely California regulatory approvals.

California Production Operations

Oil sales from our 20 producing wells in the second quarter to-date are as follows:

<u>Month</u>	<u>Gross Production</u>	<u>Net Production</u>
June 2014	5,137 Barrels	1,455 Barrels
July 2014	4,618 Barrels	1,310 Barrels

James F. Westmoreland, President and Chief Executive Officer, commented, "We continue to be pleased with our ever-growing operations in both California and Kentucky. Our Kentucky production has increased during our current quarter due to the flush production being experienced from the four wells completed this past spring. The table above is being provided so that our shareholders can understand the nature of this new production from Kentucky. The cash flow from the flush production will pay for a significant portion of the drilling and completion of the wells. The wells are settling into a stabilized production rate, which will then become a profitable base of production just as we have done in California. As a matter of practice, going forward the Company will announce when all future wells have been completed and placed on production. After a 45-day period we will announce a 45-day average production rate along with the initial production rate."

Mr. Westmoreland continued, "In California we have spent the time to re-interpret our mapping of the currently producing five reservoirs. We are at the stage in the life of the property that placing development wells for optimal drainage of the reservoirs is critically important. We have almost completed that process and look forward to a more active end of the year in California. We are also looking forward to drilling two exploratory wells which will if successful, open up new areas of operations."

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 6,500 acres under lease in the San Joaquin Valley of California. The Company operates production from 20 wells in our East Slopes project area in Kern County, California. Daybreak also owns a 25% working interest in approximately 7,300 acres under lease in the Appalachian Basin in Lawrence County, Kentucky; where, we currently are participating in an on-going horizontal oil well development program at the Twin Bottoms field.

More information about Daybreak Oil and Gas, Inc. can be found at www.daybreakoilandgas.com.

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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.