

Daybreak Oil and Gas, Inc. Provides Operational and Financial Update

SPOKANE, Washington, October 10, 2014 -- Daybreak Oil and Gas, Inc. (OTCQB:DBRM) (“Daybreak” or the “Company”), a Washington corporation, is pleased to provide an update on its operations in Kentucky and California. On October 10, 2014 the Company filed its quarterly report on Form 10-Q with the Securities and Exchange Commission for the period ended August 31, 2014. Portions of its previously disclosed financial and operating results are summarized in this release.

Kentucky Operations

The Jackson H-20 (“H-20”) oil well was recently drilled to a measured depth of 3,978 feet. Logs and other measurement data indicate that the horizontal section of the wellbore encountered 2,585 feet of oil-bearing sandstone. The Dwight Dillon H-22 (“H-22”) oil well has also recently been drilled to a measured depth of 4,646 feet. Logs and other measurement data indicate that the horizontal section of the wellbore encountered 3,054 feet of oil-bearing sandstone. The drilling rig has been released; however, two more wells are planned to be drilled before the end of the calendar year. The H-22 and the H-20 oil wells are scheduled to be hydraulically fractured on or around October 14th and 21st, respectively.

The Raymond Lyons H-23 (“H-23”) and Raymond Lyons H-24 (“H-24”) oil wells which were previously reported on, have now been successfully hydraulically fractured. A completion rig is now at that location completing these wells, and they are expected to be put on production by the end of October 2014. Construction of the central production facility which will service the H-20, H-22, H-23, and H-24 oil wells, as well as future wells in the area has started. The Dwight Dillon H-22 and the Jackson H-20 wells are expected to be put on production by the middle of November 2014.

In Kentucky, Daybreak had net production for the quarter ended August 31, 2014 of 7,202 barrels of oil equivalent (“BOE”), compared to 4,179 BOE for the quarter ended May 31, 2014. There are currently nine wells on production and four wells awaiting completion and production facilities.

California Operations

In California, Daybreak had net production for the quarter ended August 31, 2014 of 4,066 BOE from the Company’s existing 20 oil wells compared to 4,463 BOE for the quarter ended May 31, 2014. The Company is planning to drill additional development wells in at least four of its producing pools on the Black, Bear, Dyer Creek and Ball properties and two wells to explore for new reserves in the southern portion of our acreage position. The Company has applied for four new drilling permits which we anticipate to be issued within the next 45 days. This permitting process has taken longer than anticipated due to additional documentation requirements by state and local agencies. The Company plans to drill three wells this fall and an additional three wells this winter. At least one of these wells will be an exploratory well in a new prospective area.

Financial Results

For the second quarter ended August 31, 2014, the Company reported net income of \$81,052. The table below contains selected key operational statistics.

Production	Three Months Ended			
	August 31, 2014	May 31, 2014	February 28, 2014	November 30, 2013
Production (BOE)	11,268	8,642	7,916	4,549
Revenue	\$ 1,044,296	\$ 810,429	\$ 670,943	\$ 425,035
LOE Costs	\$ 79,955	\$ 85,530	\$ 56,120	\$ 44,697
Average Price Per BOE	\$ 92.68	\$ 93.77	\$ 84.85	\$ 93.43
Average LOE Cost Per BOE	\$ 7.10	\$ 9.89	\$ 7.09	\$ 9.82

James F. Westmoreland, Chairman, President and Chief Executive Officer, commented, “We have steadily and successfully been executing our strategy of developing low-cost shallow oil reserves and as a result, the Company has posted its first quarterly net profit. Our property in Kentucky has been fueling our growth while our property in California has been providing a steady base of production, which in part has fueled our growth as well. We carefully manage our production and administrative operations and as a result, our operating cost remains very low. The results are now speaking for themselves as we continue to execute this strategy.”

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. We own 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. Daybreak operates production from 20 wells in our East Slopes project area, Kern County, California. We also own an average 25% working interest in nine producing horizontal oil wells and have approximately 7,300 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.

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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 Twin Bottom Field Project and 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.