

## **DAYBREAK OIL AND GAS, INC.**

### **COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS CHARTER**

#### Purpose

The purpose of the Compensation Committee (the “*Committee*”) is to provide oversight review of compensation and benefits of the Company’s employees, including the chief executive officer (the “*CEO*”) and other executive officers. The Committee evaluates and reports to the full Board of Directors (the “*Board*”) on matters concerning management performance, employee compensation and personnel policies, programs and plans, including management development and continuity plans, and approves employee compensation and benefit programs. In addition, the Committee is responsible for producing and reviewing an annual compensation committee report for inclusion in the Company’s proxy statement.

#### Membership; Chairman

The Committee will be comprised of two or more directors, including the Committee Chairman, appointed by the Board upon the recommendation of the Nominating and Governance Committee. Each member of the Committee will serve at the pleasure of the Board and thus may be removed, with or without cause, by the Board at any time.

All members of the Committee shall satisfy all requirements relating to independence and other qualifications for service on the Committee prescribed from time to time by law or applicable listing exchange rules. The Committee shall satisfy all membership composition and representation requirements prescribed from time to time by law or applicable listing exchange rules. All determinations as to member qualification and Committee representation shall be made by the Board in their reasonable business judgment based upon all of the relevant facts and circumstances to the extent permitted under law and applicable stock exchange rules.

A director may serve on the Committee only if he or she is a “Non-Employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (with each member’s status in reference to Item 404(a) of Regulation S-K determined pursuant to Note (4) to Rule 16b-3), and an “outside director” as defined by Section 162(m) of the Internal Revenue Code.

The Chairman of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over Committee meetings, making Committee assignments and reporting the Committee’s actions to the Board from time to time as requested by the Board.

## Committee Meetings and Operations

The Committee shall meet as often as necessary, but at least once each year, to enable it to fulfill its responsibilities. The Committee shall meet at the call of its Chairman. The Committee may meet by telephone conference call. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present unless a greater vote is required by the Committee's rules or procedures.

The Committee shall determine its own rules and procedures. The Committee shall also keep written minutes of its meetings, which shall be recorded or filed with the books and records of the Company. Any member of the Board shall be provided with copies of such Committee minutes if requested.

The Committee may ask members of management, employees, outside counsel, or others whose advice and counsel are relevant to the issues then being considered by the Committee to attend any meetings and to provide such pertinent information as the Committee may request. The Committee shall have the authority to delegate any of its responsibilities to subcommittees, as the Committee may deem appropriate in its sole discretion.

## Responsibilities

The Committee shall have the following authorities and responsibilities:

1. To establish, in consultation with senior management, the Company's general compensation philosophy and objectives.
2. To assist the Board in developing and evaluating potential candidates for executive positions, including the CEO, and to oversee the development of executive succession plans.
3. To review and approve on an annual basis the corporate goals and objectives with respect to the CEO. The Committee shall evaluate at least once a year the CEO's performance in light of these established goals and objectives, and based on these evaluations set the CEO's compensation, including salary, bonus, and incentive and equity-based compensation.
4. To review and approve on an annual basis the evaluation process and compensation structure for the Company's officers. The Committee shall review and recommend to the Board the annual compensation, including salary, bonus, and incentive and equity-based compensation for such officers. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other employees.
5. To review and approve all employment agreements, severance arrangements, change in control provisions and agreements and any special supplemental benefits applicable to the Company's executive officers.

6. To review the Company's incentive compensation and other equity-based plans and recommend changes in such plans to the Board as needed. The Committee shall have and shall exercise all the authority of the Board with respect to the administration of such plans.
7. To oversee the establishment and administration of the Company's benefit programs.
8. To prepare and publish an annual compensation committee report for inclusion in the Company's proxy statement for the annual meeting of shareholders in accordance with the applicable rules of the Securities and Exchange Commission.
9. To review and reassess at least annually the adequacy of this charter and recommend any proposed changes to the Board.
10. To report its actions and any recommendations to the Board after each Committee meeting and conduct and present to the Board an annual performance evaluation of the Committee.

#### Additional Responsibilities and Authority

The Committee shall have the authority to retain such compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms, and the Company shall provide the appropriate funding for such fees.

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