Painted Pony Announces Closing of Strategic Montney Acquisition, Increased Credit Facilities and Director Appointments

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CALGARY, May 16, 2017 - Painted Pony Petroleum Ltd. ("Painted Pony" or the "Corporation") (TSX:PPY) is pleased to announce the closing of the previously announced acquisition (the "Acquisition") of UGR Blair Creek Ltd. ("UGR"), increased credit facilities and the appointment of two directors.

UGR operates high working interest Montney assets with established production, infrastructure and land holdings jointly with and adjacent to Painted Pony's assets in northeast British Columbia ("NEBC"). Painted Pony purchased all of the shares of UGR from Unconventional Resources Canada, LP ("URC" or the "Vendor") in exchange for the issuance of 41 million shares ("the Acquisition Shares") of Painted Pony to the Vendor; the assumption of UGR's net debt of approximately $48 million on closing and the payment of certain transaction costs, all pursuant to the terms of a share purchase agreement dated March 15, 2017 (the "Acquisition Agreement"). The price of Painted Pony's shares at the close of trading on May 15, 2017 was $5.47. The issuance of the Acquisition Shares was approved by Painted Pony's shareholders on May 11, 2017.

The Acquisition is a strategic expansion of Painted Pony's Montney project in NEBC, providing for an expansion of the Corporation's land base, natural gas processing infrastructure, reserves and drilling inventory. As a result of the Acquisition, Painted Pony's Montney land position has increased by 52% to 314 net sections (201,009 net acres at an average 94% working interest). The Acquisition added owned and third-party firm processing capacity of 155 MMcf/d; approximately 105 MMcf/d of which is currently unutilized. The Acquisition included 218 (197 net) proved plus probable undeveloped drilling locations, of which Painted Pony had a pre-existing working interest in 57 of the 218 gross drilling locations as of December 31, 2016. Of the 35 gross Montney wells drilled on the UGR lands to-date, 20 have been drilled in partnership with Painted Pony.

As a result of the Acquisition and based on a 2017 capital spending program of $348 million, Painted Pony anticipates 2017 annual average daily production to increase by 12% from approximately 260 MMcfe/d (43,000 boe/d) to approximately 290 MMcfe/d (48,400 boe/d). Exit production in 2017 is expected to be between 438 MMcfe/d (73,000 boe/d) and 450 MMcf/d (75,000 boe/d).

Prior to the Acquisition, UGR was a 100% controlled subsidiary of the Vendor, a portfolio investment held principally in certain private equity funds advised by ARC Financial Corp., (such funds, collectively, the "ARC Funds") and EnCap Investments, L.P., (such funds, collectively, the "EnCap Funds"). The closing of the Acquisition has resulted in the ARC Funds and the EnCap Funds becoming shareholders of Painted Pony, as set out below.

ARC Energy Fund 6 Canadian Limited Partnership, ARC Energy Fund 6 United States Limited Partnership, ARC Energy Fund 6 International Limited Partnership and ARC Capital 6 Limited Partnership (collectively "ARC Energy Fund 6") received 10,121,988 Common Shares, representing approximately 6.29% of the issued and outstanding Common Shares, and ARC Energy Fund 6 together with ARC Energy Fund 5 Canadian Limited Partnership, ARC Energy Fund 5 United States Limited Partnership and ARC Energy Fund 5 International Limited Partnership (collectively "ARC Energy Fund 5", and together with ARC Energy Fund 6, "ARC") (which also received Common Shares in connection with the Acquisition) now exercise control or direction over an aggregate of 19,934,121 Common Shares, representing an aggregate of approximately 12.38% of the issued and outstanding Common Shares. ARC did not own or control any Common Shares immediately prior to this acquisition. ARC holds the Common Shares for investment purposes and may, depending on market and other conditions, acquire additional Common Shares through market transactions, private agreements, treasury issuances, dividend reinvestment programs, exercise of options, convertible securities or otherwise, or may sell all or some portion of the Common Shares it owns or controls, or may continue to hold the Common Shares.

EnCap Energy Capital Fund VII, L.P. ("EnCap Energy Fund VII") received 11,703,858 Common Shares, representing approximately 7.27% of the issued and outstanding Common Shares, and EnCap Energy Capital Fund VI, L.P. and EnCap Energy Capital Fund VI-B, L.P. (together with EnCap Energy Fund VII, "EnCap") (which also received Common Shares in connection with the Acquisition) now exercise control or direction over an aggregate of 19,927,302 Common Shares, representing an aggregate of approximately 12.38% of the issued and outstanding Common Shares. EnCap did not own or control any Common Shares immediately prior to this acquisition. EnCap holds the Common Shares for investment purposes and may, depending on market and other conditions, acquire additional Common Shares through market transactions, private agreements, treasury issuances, dividend reinvestment programs, exercise of options, convertible securities or otherwise, or may sell all or some portion of the Common Shares it owns or controls, or may continue to hold the Common Shares.

ARC Energy Fund 6 and EnCap Energy Fund VII are each filing early warning reports dated May 16, 2017 advising of these matters. Copies of such early warning reports may be found on Painted Pony's profile at www.sedar.com or may be obtained from Painted Pony using the contact information noted below. Each of the ARC Funds and the EnCap Funds have entered into a lock-up and standstill agreement (the "Lock-Up Agreement") with the Corporation pursuant to which they have agreed not to sell the Acquisition Shares prior to: (a) one-third after three months; (b) an additional one-third after six months; and (c) the remaining one-third after nine months.

A copy of the Acquisition Agreement is available for viewing on Painted Pony's SEDAR profile at www.sedar.com.

Increased Credit Facilities

Following the closing of the Acquisition and in conjunction with the semi-annual borrowing base review, the Corporation entered into an amending agreement dated today, May 16, 2017, to increase its credit facilities to $500 million, consisting of available credit facilities of $400 million and a development line of $100 million. The development line of $100 million is anticipated to become available in stages of $50 million by October 31, 2017 and $50 million by April 30, 2018, subject to borrowing base review at those dates.

Director Appointments

Painted Pony is pleased to announce that Mr. Paul Beitel and Mr. George Voneiff have been appointed to the Painted Pony Board of Directors (the "Board") effective May 16, 2017. Each of ARC and EnCap is entitled to designate one person to serve on the Board, so long as each of ARC and EnCap continue to hold more than 50% of the total number of Acquisition Shares beneficially held by each of ARC and EnCap on closing. ARC named Mr. Beitel and EnCap named Mr. Voneiff.

Mr. Beitel is Managing Director at ARC Financial Corp. and co-leads ARC's portfolio management team. He holds a Bachelor of Science in Engineering from the University of Saskatchewan and a MBA from the University of Calgary. Mr. Beitel is a designated P. Eng in the Province of Alberta and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

Mr. Voneiff is the Chief Executive Officer of Unconventional Resources, LLC, a US exploration and production company, and is a director and co-founder of the Vendor. He teaches graduate-level classes on Petroleum Economics and Reserves at Texas A&M University and is Co-Chair of the Executive Committee of the Texas A&M Petroleum Department Industry Advisory Board. Mr. Voneiff holds a Bachelor of Science and a Master of Science, both in Petroleum Engineering, from Texas A&M University.

Name and Trading Symbol Change

The Corporation intends to change its name from "Painted Pony Petroleum Ltd." to "Painted Pony Energy Ltd." On May 11, 2017, shareholders authorized an amendment to the Articles of the Corporation to change the name of the Corporation by filing articles of amendment, in the prescribed form, with the Registrar under the Business Corporations Act (Alberta).

The Corporation has applied to change the trading symbol for its common shares on the TSX from "PPY" to

"PONY" and has reserved the symbol "PONY" with the TSX for this purpose. This change will be effective as soon as practicable following the change of the Corporation's name.

ADVISORIES

Forward-Looking Information: This press release contains certain forward-looking information within the meaning of Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information.

In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information in respect of, but not limited to, the following: the anticipated benefits to be obtained as a result of the Acquisition; future drilling activities and location and capacity expansion; future transportation capacity; future capital expenditures and returns on such expenditures; anticipated annual average daily production and exit production for 2017; future increases to the Corporation's credit facility and the change of the Corporation's name and trading symbol on the TSX. Words such as "plan", "expect", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words that indicate events or conditions may occur are intended to identify forward-looking information.

Forward-looking information is based on assumptions including but not limited to future commodity prices, currency exchange rates, drilling success, production rates, future capital expenditures, future performance and financial conditions and the availability of labour and services. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations on which they are based will occur. Although the Corporation's management believes that the expectations in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Forward-looking information necessarily involves both known and unknown risks associated with oil and gas exploration, production, transportation and marketing, including the risks discussed in the Corporation's Annual Information Form for the year ended December 31, 2016. There are risks associated with the uncertainty of geological and technical data, imprecision of reserve estimates, operational risks, risks associated with drilling and completions, environmental risks, risks of the change in government regulation of the oil and gas industry and relating to carbon emissions and carbon taxes, risks associated with competition from others for scarce resources and risks associated with general economic conditions affecting the Corporation's ability to access sufficient capital, including ongoing access to debt and equity capital.

Forward-looking information is based on estimates and opinions of management at the time the information is presented. Readers are cautioned that the foregoing lists of factors are not exhaustive. The Corporation is not under any duty to, nor will it, update the forward-looking information after the date of this press release to revise such information to actual results or to changes in the Corporation's plans or expectations, except as required by applicable securities laws.

Any "financial outlook" contained in this press release, as such term is defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Non-GAAP Measure: This press release makes reference to the term "net debt", which does not have a standardized meanings prescribed by GAAP and therefore may not be comparable with the calculation of similar measure presented by other issuers. Management uses "net debt" as a useful supplemental measure of the liquidity of the Corporation. "Net debt" is calculated as bank debt plus working capital deficiency, adjusted for the current portion of fair value of risk management contracts. This term should not be considered an alternative to, or more meaningful than, current and long-term debt as determined in accordance with GAAP.

Boe Conversions: Barrel of oil equivalent ("boe") amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Reserves Categories: Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"Proved reserves", or 1P reserves, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Proved reserves should have at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

"Probable reserves", or 2P reserves, are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Probable reserves should have at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Development and Production Status: Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

"Developed reserves" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

"Developed producing reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed non-producing reserves" are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown.

"Undeveloped reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

Drilling Locations: This press release discloses 218 (197 net) proved plus probable undeveloped drilling locations of on the UGR lands. Proved plus probable undeveloped locations are booked and derived from an independent engineering evaluation of UGR's oil, natural gas liquids and natural gas reserves prepared by McDaniel & Associates Consultants Ltd. effective December 31, 2016 and dated February 6, 2017, and account for drilling locations that have associated proved plus probable reserves. The drilling locations on which the Corporation will actually drill wells, including the number and timing thereof, is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

ABOUT PAINTED PONY

Painted Pony is a publicly-traded natural gas company based in Western Canada. The Corporation is primarily focused on the development of natural gas and natural gas liquids from the Montney formation in northeast British Columbia. Painted Pony's common shares currently trade on the TSX under the symbol "PPY". The Corporation intends to change its name from "Painted Pony Petroleum Ltd." to "Painted Pony Energy Ltd." as soon as practicable. It has also applied to change its trading symbol on the TSX to "PONY" and has reserved the trading symbol "PONY" with the TSX for this purpose.

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