



FOR IMMEDIATE RELEASE – August 28, 2008

PAINTED PONY ANNOUNCES Q2, 2008 FINANCIAL RESULTS, OPERATIONAL UPDATE AND CHANGES IN DIRECTORS

August 28, 2008 - Calgary, Alberta - Painted Pony Petroleum Ltd. ("Painted Pony" or the "Company") is pleased to report the progress made during the second quarter of 2008. Our accomplishments included:

- Growing production by 433% from the first quarter of this year to an average of 789 boe/d in the second quarter;
- Drilling 10 (4.5 net) Bakken wells in the second quarter of 2008, bringing total Company activity in SE Saskatchewan in the first six months to 22 (9.3 net) wells at a 95% net success rate;
- Building the Company's total undeveloped land inventory at the end of June 2008 in SE Saskatchewan and NE BC to 103,360 net acres plus approximately 53,000 acres of option lands in SE Saskatchewan. The Company acquired an additional 7,100 net acres of potential Bakken-bearing lands in August 2008;
- Enjoying second quarter field netbacks of \$91.20/bbl for SE Saskatchewan oil and \$36.00/boe for NE BC gas and products; and
- Identified Montney potential on NE BC lands.

Growing Production

Second quarter daily sales volumes increased 433% compared to the first quarter to average 789 boe/d, weighted 57% gas, 40% oil, and 3% liquids. This increase in sales was the combined result of additional volumes from the Company's drilling program in SE Saskatchewan combined with gas and associated products from NE BC assets purchased at the end of the first quarter of 2008. Production in July 2008 averaged 840 boe/d, weighted 52% gas, 46% oil, and 2% liquids, based on field estimates.

Exploring for Bakken and Montney

During the second quarter of 2008, Painted Pony continued to delineate the Bakken formation in SE Saskatchewan. In the six months ending June 30, the Company drilled 19 gross (7.37 net) successful Bakken horizontal wells, one (1.0 net) vertical stratigraphic exploration well and one (0.5 net) vertical exploration well both on potential new Bakken trend areas and the drilling and abandonment of one (0.4 net) horizontal well. Painted Pony has drilled 8 gross (4.1 net) successful wells to-date in the third quarter of 2008, including the drilling of one 100% horizontal well targeting the Frobisher formation in the Bienfait area of SE Saskatchewan, currently being evaluated.

On March 31, 2008, Painted Pony closed the acquisition of natural gas-weighted production and lands in the Company's core N.E. BC area of Cameron and Cypress. In the two months between the effective and the closing date of the acquisition, the Company participated in the successful drilling of two (0.55 net) wells in the Gundy and Town areas. Activity in the second quarter of 2008 has been primarily related to well equipping and tying-in wells along with strategic undeveloped land acquisitions. The Company's geo-technical team has focused on identifying the Montney zone potential on these lands, along with Bluesky, Gething, Cadomin and Halfway. The Company is currently evaluating proposals from industry participants for a multi-well drilling program to help further evaluate the Montney formation; this formation has yielded some prolific wells on lands to the south and east of our lands. Operations can be carried out in this area nine months of the year. In the Blair area of NE BC, the Company and its partner have also identified a shallow shale gas play. The formation has shown great promise after initial experimental completion work. Painted Pony has a number of new operations planned and expects activity to commence in September targeting the Montney, Bluesky/ Gething and Halfway formations.

Building Land Inventory

At June 30, 2008, the Company had approximately 34,200 net acres of undeveloped land plus approximately 53,000 acres of option lands in SE Saskatchewan and 88,700 net developed and undeveloped acres of land in NE BC. An additional 7,100 net acres of potential Bakken-bearing land was purchased at the August 2008 Saskatchewan crown land sale.

Painted Pony continues to actively accumulate land in Saskatchewan through earning land by drilling wells, participating in crown land sales and a freehold leasing program. The Company currently owns approximately 41,300 net undeveloped acres. In addition, Painted Pony has access to significant additional lands prospective for light oil in the Bakken and other formations through various farm-in agreements. In the fourteen months since inception of operations, Painted Pony have developed a multi-year drilling inventory of approximately 250 Company-mapped horizontal drilling locations targeting light sweet oil from the Bakken and other formations within S.E. Saskatchewan on lands accessible to Painted Pony through farm-ins or ownership.

Strong Financial Position

On April 30, 2008, Painted Pony issued 8.8 million Class A shares at \$4.35 per share in a bought deal private placement equity financing, raising gross proceeds of \$38.28 million. At the end of June 2008, the Company had a positive net working capital position of \$32.3 million. These funds, plus the cash flows from operations combined with the currently unutilized \$12.5 million credit facilities provide a strong financial basis for the exploration and development program.

Board of Director Changes

Painted Pony is pleased to announce the appointment of Arthur J. G. Madden, CMA, MBA to the Board of Directors and as Chairman of the Audit Committee. Mr. Madden brings 34 years of industry experience, lastly as Vice President Finance, Chief Financial Officer and Director of Adamant Energy Inc. from 2004 to May 2008, and Vice President Finance and Chief Financial Officer of Cavell Energy Corporation from 1994 to 2004.

The Company announces the resignation of Craig Reed as a Director. The Board wishes to thank him for his valuable contributions.

Appreciation

The continued dedication by the management, staff, directors and their families to the Company is essential to the successful execution of our business plan. Recognition is due to each of them, and to Painted Pony's partners, suppliers, and government agencies; their cooperation and assistance continues to allow the Company achieve its goals.

The Company would like to acknowledge all the shareholders for their continued support. Shares of junior oil and gas companies have experienced considerable turbulence in the past few months, with the extraordinarily volatile commodity prices combined with overall concerns in the financial markets. The Company looks forward to unlocking the vast resources potentially contained, particularly in the Bakken and Montney plays.

Readers are invited to visit the Company's updated presentation dated August 28, 2008 on our website at www.paintedpony.ca.

Financial and Operational Summary

(unaudited)

	Three months ended June 30, 2008	Six months ended June 30, 2008
FINANCIAL		
Revenue (before transportation, interest and other)	\$ 6,435,897	\$ 7,790,656
Funds flow from operations ⁽¹⁾	\$3,946,823	\$5,020,683
Per share – basic	\$0.15	\$0.23
Per share – diluted ⁽²⁾	\$0.14	\$0.23
Net earnings	\$1,525,544	\$4,871,095
Per share – basic and diluted ⁽²⁾	\$0.06	\$0.22
Capital expenditures	\$12,592,454	\$43,178,938
Net working capital	\$32,336,669	\$32,336,669
Total assets	\$96,362,028	\$96,362,028
Shares outstanding		
Class A	28,222,700	28,222,700
Class B	1,173,600	1,173,600
OPERATIONAL		
Daily Sales Volumes		
Oil sales	(bbls/d) 316	232
Natural gas liquids	(bbls/d) 21	10
Natural gas	(mcf/d) 2,713	1,357
Total	(boe/d) 789	469
Realized Prices		
Oil	(\$/bbl) \$125.20	\$117.32
Gas	(\$/mcf) \$10.66	\$10.66
Field Operating Netbacks		
Oil – SE Saskatchewan operations	(\$/bbl) \$91.20	\$84.31
Gas & liquids – NE BC operations	(\$/boe) \$36.00	\$36.00
Net Undeveloped Land		
SE Saskatchewan	(acres) 34,239	34,239
NE BC	(acres) 69,121	69,121
Total	(acres) 103,360	103,360
Wells Drilled ⁽³⁾		
Gross	10	22
Net	4.5	9.3
Net success rate	90%	95%

1. This table contains the term funds flow from operations, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles (“GAAP”) as an indicator of the Company’s performance. Therefore reference to funds flow from operations or funds flow from operations per share (basic and diluted) may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company’s ability to generate the cash necessary to fund future capital investment. The reconciliation between, funds flow from operations and funds flow from operating activities can be found in Management’s Discussion and Analysis. Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period after the deemed conversion of the Class B shares to Class A shares.

2. Class B shares are converted into Class A shares at \$10 divided by the greater of \$1.00 and the Current Trading Price, defined as being the weighted average trading price per share of Class A shares for the last 30 consecutive trading days.

3. “Gross and net wells drilled” excludes a salt water disposal well, and includes a stratigraphic well. “Net wells drilled” refers to net revenue interest. “Net success rate” excludes a stratigraphic well.

For further information, please see www.paintedpony.ca or contact:

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Advisory

This news release contains certain forward-looking statements, which include assumptions with respect to (i) drilling success (ii) production; (iii) future capital expenditures; and (iv) cash flow. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect.

Certain information regarding Painted Pony set forth in this document, including management's assessment of Painted Pony's future plans and operations, number, type and timing of wells to be drilled, the plan and development of certain prospects, production estimates, and expected production growth may constitute forward-looking statements under applicable securities laws and necessarily involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Painted Pony's control, including without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, competition, the lack of availability of qualified personnel or management, inability to obtain drilling rigs or other services, capital expenditure costs, including drilling, completion and facility costs, unexpected decline rates in wells, wells not performing as expected, stock market volatility, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of factors is not exhaustive. Painted Pony's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Corporation will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Additional information on these and other factors that could affect Painted Pony's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Painted Pony's website (www.paintedpony.ca).

The forward-looking statements contained in this document are made as at the date of this news release and Painted Pony does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 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.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.