



FOR IMMEDIATE RELEASE – August 26, 2009

PAINTED PONY ANNOUNCES JUNE 30, 2009 FINANCIAL RESULTS AND OPERATIONAL UPDATE

August 26, 2009 - Calgary, Alberta – Painted Pony Petroleum Ltd. (“Painted Pony” or the “Company”) is pleased to present its second quarter 2009 financial results together with an update of its operational activities.

Highlights:

- grown daily production to average 1,313 boe/d in the second quarter of 2009, with current production estimated at 1,570 boe/d of which 990 bbls/d is light oil (63% light oil);
- exited the second quarter with no debt and positive working capital of \$22 million, after raising \$20 million through a bought deal equity financing;
- increased credit facilities to \$29 million;
- drilled 9 (9.0 net) Bakken light oil wells year to date with 100% success;
- generated a second quarter light oil field netback price of \$42.84/bbl; and
- closed three acquisitions of undeveloped land and Bakken production costing \$13.8 million (before adjustments) primarily in the Company’s core Midale/Huntoon area in the third quarter.

Painted Pony’s production for the second quarter of 2009 averaged 1,313 boe per day, weighted 41% oil, 3% liquids and 56% gas. Second quarter sales of light oil averaged 543 bbls/d with approximately 60 bbls/d of production temporarily shut-in due to spring breakup. Current field oil production rates for the first three weeks of August is estimated to be 990 bbls/d, bringing estimated total current production to 1,570 boe/d (approximately 63% light oil). In addition, two 100% Bakken oil wells are in various stages of completion and are expected to be placed on production by the end of the third quarter. In the third quarter, the Company began shutting in selected lower netback gas wells in the Cypress area (approximately 35 boe/d) due to weak natural gas prices.

The Company drilled 2 (2.0 net) successful step-out oil wells in the Midale/Huntoon area during the second quarter and 5 (5.0 net) wells in the third quarter to-date. Total horizontal Bakken light oil wells drilled this year is currently 9 (9.0 net) with 100% success. During the remainder of this year, the Company expects to drill an additional 8 (4.4 net) wells targeting the Bakken formation. With over 100 net development locations, the Company has a multi-year inventory of development drilling locations for Bakken oil.

After spring break-up, operations resumed in northeast British Columbia under two farm-out agreements. On the Cameron lands, one vertical Montney well was completed and flow tested. In the second half of 2009, two more vertical wells targeting the Montney formation are to be drilled under the terms of the farm-out agreement in the Cameron area, one of which spudded on July 29th, 2009. On the Cypress lands, a horizontal Montney well drilled primarily during the first quarter of this year is currently being completed. Painted Pony has 60,000 net acres of lands with Montney/Doig rights in the area.

The Buckinghorse shale gas play in the Blair area is in the testing stage. The zone is over-pressured, gas-charged throughout, over 800 meters thick and encountered at depths of 400 to 1,200 meters. The Company has over 70,000 net acres of land in this play. Stronger gas prices and additional evaluations of drilling and completion techniques would be required for Painted Pony to develop this potentially material resource. The Company has two pilot wells completed and on-stream to date. The feasibility of air drilling a well in the first quarter of 2010 is currently being assessed depending on commodity prices and costs.

Painted Pony’s credit facilities have been increased to \$29 million. The Company also issued 7 million Class A shares at \$2.85 per share at the end of the second quarter, raising \$20 million before costs. At the end of June 2009, Painted Pony had a positive working capital position of \$22 million and no debt. In the second half of 2009, the Company expects to expend approximately \$37 million primarily drilling for and acquiring light Bakken oil, mainly in the Midale/Huntoon core area.

Painted Pony continues to generate solid operating and financial results through successful drilling, acquisitions and a strong financial position. Improved oil prices and a successful financing combined with both drilling and completion cost reductions of 25 to 30% and acquisitions have allowed the Company to build operational momentum. Through focusing on further exploration and development of the Company's extensive Bakken assets, and testing unconventional resource exploitation play concepts for the Montney and Buckinghorse shale gas, Painted Pony aims to capitalize on a strong position in three of Western Canada's most attractive resource plays.

The Company announces Bruce Mezei has been appointed Vice President, Exploration South. Mr. Mezei previously was Vice President, Geology with the Company since November 2007. The Company also announces that Donald Slater has been appointed Vice President, Exploration North. Mr. Slater previously was Vice President, Geophysics with the Company since April 2007.

Investor Relations

Readers are invited to visit the Company's updated presentation dated August 27, 2009 available tomorrow on our website at www.paintedpony.ca.

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

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Financial and Operational Highlights

(unaudited)

	Three months ended June 30,		Six months ended June 30,		
	2009	2008	2009	2008	
Financial					
Petroleum and natural gas revenue (before royalties)	\$ 4,889,384	\$ 6,435,897	\$ 9,448,816	\$ 7,790,656	
Funds flow from operations ⁽¹⁾	\$ 1,825,515	\$ 3,946,823	\$ 3,715,529	\$ 5,020,683	
Per share – basic ⁽²⁾	\$0.06	\$0.15	\$0.12	\$0.23	
Per share – diluted ⁽²⁾	\$0.06	\$0.14	\$0.12	\$0.23	
Cash flow from operating activities	\$ 530,563	\$ 2,949,215	\$ 2,029,816	\$ 4,263,821	
Net earnings (loss)	\$ (1,964,686)	\$ 1,525,544	\$ (3,561,835)	\$ 4,871,095	
Per share – basic and diluted ⁽²⁾	\$(0.06)	\$0.06	\$(0.11)	\$0.22	
Capital expenditures ⁽⁴⁾	\$ 4,892,340	\$ 12,592,455	\$ 12,422,407	\$ 43,178,938	
Net working capital	\$ 22,290,098	\$ 32,336,669	\$ 22,290,098	\$ 32,336,669	
Total assets	\$108,308,456	\$ 96,362,028	\$108,308,456	\$ 96,362,028	
Shares outstanding					
Class A	35,222,700	28,222,700	35,222,700	28,222,700	
Class B	1,173,600	1,173,600	1,173,600	1,173,600	
Operational					
Daily sales volumes					
Oil sales	(bbls/d)	543	316	563	232
Condensate sales	(bbls/d)	23	14	25	7
Natural gas liquids	(bbls/d)	15	7	13	3
Natural gas	(Mcf/d)	4,395	2,713	4,015	1,357
Total	(boe/d)	1,313	789	1,270	469
Realized prices					
Oil	(\$/bbl)	\$ 66.85	\$125.20	\$ 58.95	\$117.32
Gas	(\$/Mcf)	\$ 3.58	\$ 10.66	\$ 4.35	\$ 10.66
Field operating netbacks					
Oil	(\$/bbl)	\$ 42.84	\$ 91.20	\$ 37.31	\$ 84.31
Gas & liquids	(\$/boe)	\$ 4.08	\$ 36.00	\$ 7.77	\$ 36.00
Company combined		\$ 20.10	\$ 58.11	\$ 20.86	\$ 59.93
Wells drilled ⁽³⁾					
Gross		2	10	5	22
Net		2.0	4.5	4.5	9.3
Net success rate		100%	90%	100%	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. Funds flow from operations and funds flow from operations per share (basic and diluted) do not have any standardized meaning prescribed by GAAP and 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 cash 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 the weighted average trading price of the Class A shares for the last 30 consecutive trading days.

3. “Gross and net wells drilled” in 2008 excludes a salt water disposal well and includes a stratigraphic well. “Net wells drilled” refers to net revenue interest. “Net success rate” in 2008 excludes a stratigraphic well.

4. Including Asset Retirement Costs and Stock-Based Compensation

Advisory

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

With respect to forward-looking statements contained in this document, Painted Pony has made a number of assumptions. Certain or all of the assumptions may prove to be untrue.

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 planning 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.