

Velvet Energy Ltd. Announces US\$125 Million Senior Secured Second Lien Note Financing and an Accelerated 2017 Ellerslie Development Program

CALGARY, AB (Marketwired - October 05, 2016)

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

Velvet Energy Ltd. (the "Company" or "Velvet"), a private oil and liquids-rich natural gas producer in the Deep Basin of Alberta, is pleased to announce that it has completed a private placement (the "Financing") of US\$125 million of Senior Secured Second Lien Notes due 2023 (the "Notes"). The Company is also pleased to provide an update on its core Edson Ellerslie program and plans for advancing key exploration initiatives.

On October 5, 2016, Velvet placed US\$125 million of Notes with funds advised by FS Investments and sub-advised by GSO Capital Partners LP, and certain investment funds managed by CI Investments Inc. Proceeds of the Financing will be used to temporarily pay down existing bank indebtedness and to fund an expanded Edson Ellerslie development program. Following with the Financing, the Company plans to draw C\$30 million on its equity line led by its private equity investors (the "Private Equity Line") to continue to advance early stage exploration initiatives. The terms of Velvet's C\$165 million syndicated credit facility remain unchanged after giving effect to this Financing.

Accelerating Activity in Our High Return Base Business

Ken Woolner, President & CEO, stated, "We are very pleased to have partnered with two world-class institutional investors. The Financing, combined with continued access to the Private Equity Line and syndicated bank debt, is a testament to the value of our core Edson Ellerslie assets and provides Velvet with excellent liquidity to advance our business plan in what remains a very challenging capital markets environment. This Financing, along with funds from operations, will allow us to accelerate the pace of our Edson Ellerslie development program in 2017. Thanks in large part to our team's diligence in reducing both capital and operating expenses in the play, we generate half cycle rates of return in excess of 50 percent at current strip prices."

Velvet controls over 425 net sections of land in the Edson fairway, and has identified over 600 net drilling locations in the Ellerslie and Deep Basin stack, providing over 10 years of low risk, low cost, high rate of return growth.

RBC Capital Markets acted as an agent in connection with the placement of Senior Secured Second Lien Notes.

Advancing Our Exploration Initiatives

Velvet continues to advance several early stage exploration projects and will allocate proceeds from the Private Equity Line to continue to capture opportunities and derisk play concepts. The Company plans to allocate a portion of the equity proceeds from the drawdown on its Private Equity Line to ongoing exploration activity in the Montney oil window at Gold Creek.

About Velvet Energy Ltd.

Velvet Energy Ltd. is a full cycle, exploration and development company. Since inception, 80% of corporate production has been achieved via the drill bit in the Edson Eilerslie fairway. The company is acutely focused on controlling costs through the entire value chain to achieve top decile rates of return on its capital employed. Velvet is headquartered in Calgary and is backed by three institutional private equity firms in New York, namely Warburg Pincus, Trilantic Capital Partners and 1901 Partners Management LP.

About Warburg Pincus L.L.C.

Warburg Pincus L.L.C. is a leading global private equity firm focused on growth investing. The firm has more than \$40 billion in assets under management. The firm's active portfolio of more than 120 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 15 private equity funds, including a \$4 billion energy fund that closed in October 2014, which have invested more than \$58 billion in over 760 companies in more than 40 countries.

For more than two decades, Warburg Pincus has invested or committed over \$9.5 billion across more than 50 energy investments around the world involved in oil and gas exploration and production, midstream, power generation, oilfield technology and related-services, mining and alternative energy development. Notable investments include Antero Resources, Bill Barrett Corporation, Broad Oak Energy, Encore Acquisition Company, Kosmos Energy, Laredo Petroleum, MEG Energy, Newfield Exploration, Spinnaker Exploration and Targa Resources.

The firm is headquartered in New York with offices in Amsterdam, Beijing, Hong Kong, London, Luxembourg, Mumbai, Mauritius, San Francisco, São Paulo, Shanghai and Singapore. For more information please visit www.warburgpincus.com.

About Trilantic Capital Partners

Trilantic North America is a private equity firm focused on control and significant minority investments in North America. Trilantic North America's primary investment focus is in the business services, consumer, energy and financial services sectors. To date, Trilantic North America's energy team has committed approximately \$3.2 billion in capital across 24 energy investments. As of June 30, 2016, Trilantic North America currently manages four private

equity funds with aggregate capital commitments of \$5.9 billion. For more information, visit www.trilantic.com.

About 1901 Partners Management, LP

1901 Partners Management, LP, is a privately held investment adviser formed in 2014 to provide management and advisory services to its clients with respect to oil and gas and other energy-related investments.

This press release is not an offer of securities for sale in the United States. The securities of Velvet may not be offered or sold in the United States absent registration or an exemption from registration. The securities of Velvet will not be publicly offered in the United States. The securities of Velvet have not been or will not be registered under the U.S. Securities Act or any state security laws.

ADVISORY REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this press release contains forward looking statements relating to: use of proceeds from the Financing; the proposed draw on the Private Equity Line; rates of return on the Company's assets; prospective drilling locations; future amounts drawn on our credit facility; our plans with respect to reinvestment and drilling plans; management's assessment of Velvet's future strategy; plans, opportunities and operations; future funds from operations; rates of return; and other financial results, the timing, allocation and efficiency of Velvet's capital program and the results therefrom, anticipated potential and growth opportunities associated with Velvet's asset base and industry conditions. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond Velvet's control, including the satisfaction of the closing conditions to the proposed drawdown on the Company's private equity line, the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, future royalties, future operating costs, the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets.

This press release also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations, debt levels and funds from operations, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI and forward-looking statements. Velvet's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and FOFI, or if any of them do so, what benefits Velvet will derive therefrom. Velvet has included the forward-looking statements and FOFI in this press release in order to provide readers with a more complete perspective on Velvet's future operations and such information may not be appropriate for other purposes. Velvet disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DRILLING LOCATIONS ADVISORY: This press release discloses drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved locations and probable locations derived from the Company's most recent independent reserves evaluation as prepared by GLJ Petroleum Consultants Ltd. as of September 30, 2015 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 600 net drilling locations identified

herein, 36 are proved locations, 43.5 are probable locations and 520.5 are unbooked locations. Unbooked locations are internal estimates based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.