

PRESS RELEASE

**ARSENAL ENERGY INC.
(TSX – AEI) (FRANKFURT – A1E)**

**ARSENAL ANNOUNCES INCREASE AND COMPLETION OF PRIVATE PLACEMENT
OF FLOW-THROUGH SHARES**

Calgary, Alberta, December 21, 2007 – Arsenal Energy Inc. (TSX:AEI) (FWB:A1E) (“**Arsenal**”) is pleased to announce that it has increased and completed its previously announced brokered private placement (see Arsenal’s press releases of November 20, 2007, November 30, 2007 and December 14, 2007) and has issued 1,817,386 common shares on a “flow-through share” basis (“**Flow-Through Shares**”) at a subscription price of \$0.43 per Flow-Through Share. As a result of the three closings, Arsenal has issued an aggregate of 9,707,536 Flow-Through Shares for aggregate gross proceeds of (Cdn) \$4,174,240.

Emerging Equities Inc. acted as sole agent in respect of the placement of Flow-Through Shares in British Columbia and Alberta and was paid a cash commission in respect of the Flow-Through Shares issued in such jurisdictions.

All of the Flow-Through Shares issued on December 21, 2007 are subject to a hold period under applicable securities laws until April 22, 2008.

The proceeds from the Flow-Through Shares will, where appropriate, be used to incur certain types of Canadian Exploration Expense (“**CEE**”) and/or deemed CEE as defined in the *Income Tax Act* (Canada) and renounce, for the 2007 taxation year, such CEE in favour of original holders of the Flow-Through Shares in an amount equal to the subscription price for each Flow-Through Share.

An officer of Arsenal subscribed for an aggregate of 50,000 Flow-Through Shares under the private placement which closed on December 21, 2007.

Arsenal is an aggressive junior oil and gas company engaged in the exploration for, and development and production of natural gas and oil reserves primarily in the provinces of Alberta and Saskatchewan, North Dakota, U.S.A. and Egypt. Arsenal’s common shares trade on the Toronto Stock Exchange under the symbol “AEI” and on the Frankfurt Stock Exchange under the symbol “A1E”.

This press release may contain forward-looking statements. The words or phrases “would be”, “will”, “intend”, “will likely result”, “are expected to”, “will continue”, “anticipate”, “estimate” or similar expressions are intended to identify “forward-looking statements”. Those statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated by Arsenal. Arsenal’s business is subject to various risks that are discussed in its filings on the System for Electronic Document Analysis and Retrieval (SEDAR).

For further information on Arsenal, please visit our website at www.arsenalenergy.com, e-mail info@arsenalenergy.com or contact:

Tony van Winkoop, President and Chief Executive Officer of Arsenal at e-mail:

tvanwinkoop@arsenalenergy.com.

Telephone: (403) 262-4854

Toll free: 1(866) 405-4854

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