



News Release

ARSENAL ENERGY INC. (TSX – AEI)

ARSENAL ENERGY RELEASES RECORD 2008 RESULTS

CALGARY, March 30, 2009- Arsenal Energy Inc. (“Arsenal”) (TSX: AEI) is pleased to release a summary of its Q4 and full year financial statements, its year end 2008 reserve reports, and the adoption of a shareholder’s rights plan. For 2008 the Company achieved record production, funds from operations, and net income. Full details are contained in the financial statements, MD&A, and AIF filed on SEDAR and on the Company’s website.

HIGHLIGHTS				
	2008	2007	2008	2007
	Three months ended Dec 31		Year ended Dec 31	
Financial				
Net Income (\$000)	6,975	-2,944	14,589	-23,379
Per share fully diluted	0.07	-0.04	0.16	-0.31
Funds from Operations (\$000)	11,316	-1,550	31,291	2,976
Per share fully diluted	0.11	-0.02	0.34	0.04
Total net debt (\$000)	41,783	20,732	41,783	20,732
Shares outstanding end of period	101,250	83,698	101,250	83,698
Operational				
Average Daily Production (boe)	2,516	1,685	1,980	1,709
Average Realized price (\$Cdn/boe)	46.34	56.95	75.18	51.10
Average Operating Costs (\$Cdn/boe)	22.90	26.67	21.54	22.28
Average Royalties (\$Cdn/boe)	9.44	10.06	15.03	11.38
Average Operating Netbacks per boe	14.00	20.22	38.61	17.44
Capital				
Net wells drill	Oil		1.00	13.70
	Gas	0.25	2.00	0.25
	Dry		1.00	5.00
Capex cash	3,678	6,568	20,788	20,824

Financial

Arsenal had record funds from operations, of \$11.3 million in Q4 and \$31.3 million for the year. These record funds are due to high commodity prices and increasing production volumes. During the fourth quarter, when prices declined, revenue was augmented by the Company's hedging program. Without these hedges, funds from operations would have been \$3.0 million in Q4 and \$23.9 million for the year. Net income for Q4 was \$7.0 million and for the year was \$14.6 million.

Operations

Average production of 2516 boe/d during the fourth quarter was an increase of 749 boe/d from the third quarter. This increase is attributable to the acquisition of GEOCAN Energy that closed on October 8, 2008 as well as minor additions, offset by natural declines. Arsenal's Q4 production mix was 73% oil and liquids and 27% natural gas.

Operating costs increased to \$22.90/boe in the fourth quarter from \$18.39/boe in the third quarter. This increase is due to onetime costs associated with the GEOCAN acquisition and down time due to very cold weather in December. Arsenal anticipates that operating costs will trend toward the \$18.50/boe level by Q2 of 2009.

In October 2008, at Stanley, North Dakota, Arsenal participated for a 35% WI in a Bakken test well (George Robert) with a 2700 meter horizontal lateral. The well tested at 1200 bbls/d of 42 API oil. The well was placed on production in November and after four months of flow has stabilized at approximately 300 bbls/d with a 1% water cut. With operating costs of less than \$2/bbl and royalties of 19% these types of wells have good operating margins even at the current low price for crude.

In August 2008, Arsenal entered into an agreement to acquire all of the outstanding common shares of GEOCAN Energy for \$30.0 million cash and the issuance of 10,623,498 Arsenal shares valued at \$8.4 million. In addition, the Company assumed \$13.8 million of GEOCAN debt and working capital. As part of Arsenal's acquisition strategy, the Company entered into a series of crude oil hedges to protect the economics of the transaction.

Reserves

AJM Petroleum Consultants have evaluated Arsenal's reserves at Dec 31, 2008 in accordance with National Instrument 51-101. The information that follows has been derived from that evaluation. Additional disclosure is available on SEDAR and on Arsenal's website.

Arsenal Yearend 2008 Reserve Reconciliation					
AJM Forecasted prices before tax					
	31/12/07	Acquired / Sold	Production	Adds / Revisions	31/12/08
TP (Mboe)	3,309	1,710	725	815	5,109
TP value (MM\$)	61.2	33.8	28.0	36.3	103.3
P+P (boe)	5,477	2,458	725	1,057	8,267
P+P value (10% DNAV/MM\$)	87.6	47.5	28.0	59.3	166.4

Based on the Q4 production rate of 2,516 boe/d, Arsenal has a reserve life of 5.6 years on a total proved basis and 9.0 years on a proved plus probable basis.

2008 Reserve addition costs					
	Reserve Adds	2008 PP&E adds	2008 A&D adds	Future Capex	FD&A costs
	Mboe	MM\$	MM\$	MM\$	\$/BOE
Total Proved	2,525	20.8	51.1	7.0	31.25
Proved + Probable	3,515	20.8	51.1	12.0	23.87

On a total proved basis, reserves increased by 76% and reserves/share increased by 28%. Additions replaced production by 348%. Based on the 2008 netback of \$38.23/boe, Arsenal's 2008 proved recycle ratio was 1.2

On a proved plus probable basis, reserves increased by 64% and reserves/share increased by 25%. Arsenal's proved plus probable recycle ratio was 1.6

Arsenal Year/Year Net Asset Value			
	31 Dec 06	31 Dec 07	31-Dec-08
P+P PV10 (10% DNAV/MM\$)	77.1	87.6	166.4
Land	1.5	1.5	2.0
Seismic	0.3	0.8	0.9
Debt + Working Capital (MM\$)	-28.5	-20.7	-41.8
NAV (MM\$)	50.4	69.2	127.5
Shares Outstanding (MM)	73.3	83.7	101.6
NAV/Share (\$/share)	0.69	0.83	1.25

Outlook

Arsenal is participating for a 20% WI in a direct offset to the George Robert Bakken producing well at Stanley. The well, Moen 23-14H, spud in mid March. Arsenal has 1,896 net acres of Bakken rights in the Stanley area.

Arsenal has a land position on two other Bakken trends that are emerging in North Dakota. At Lindahl, Arsenal has approximately 1200 net acres of Bakken rights. In April, Arsenal is to participate for a 13% WI in a 2900 meter horizontal well. Newly drilled wells offsetting Lindahl have stabilized production rates of approximately 200 bbls/d of oil with a 30% water cut. Arsenal also has a land position in the Black Slough area of North Dakota where industry activity is picking up.

Low oil prices and high royalties caused Arsenal to cancel its Q4 drilling program at Evi in northern Alberta. However, the recent changes announced by the government of Alberta have now made those wells economically attractive. The Company has scheduled 2 gross (0.8 net) for the fourth quarter of 2009.

Based on the current forward strip, Arsenal anticipates that it will achieve operating margins of approximately \$18.30/boe in 2009 on average production of approximately 2200 boe/d. Capital expenditures are currently estimated at \$12 million for 2009. This is expected to yield funds from operations before interest and overhead of approximately \$14.7 million. On an annual basis this represents a debt/ 2009 cash flow of 2.7 times. Arsenal expects to reduce this ratio over time through noncore property sales, reductions in unit operating expenses, and an anticipated rise in commodity prices.

Arsenal's credit facility of \$55 million will be re-negotiated later this spring. It is anticipated that the line will be reduced. Results of those negotiations will be released as soon as they are concluded.

Arsenal's board of directors has adopted a Shareholder Rights Plan, effective March 20, 2009, subject to acceptance by the Toronto Stock Exchange. The plan is designed to ensure the fair treatment of Arsenal's shareholders by providing shareholders more time than is afforded under existing Canadian legislation to properly evaluate any unsolicited takeover bid and to seek possible alternatives to maximize value for all shareholders. Arsenal is not aware of any pending or contemplated takeover bids. Shareholders will be asked to approve the plan at the next shareholders meeting. The plan, if ratified, is to remain in effect for 3 years.

Arsenal filed its Annual Information Form today which contains Arsenal's reserves data and other oil and gas information for the year ended December 31, 2008 as mandated by National Instrument 51101 *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators. A copy of Arsenal's Annual Information Form can be obtained on the System for Electronic Document Analysis and Retrieval website at www.sedar.com or by contacting Arsenal.

Advisory

All barrels of oil equivalent (boe) conversions in this report are deprived by converting natural gas to oil at the ratio of six thousand cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. Certain financial values are presented on a boe basis and such measurements may not be consistent with those used by other companies. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf: : 1 bbl) and is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain financial measures referred to in this release, such as funds from operations and funds from operations per share, are not prescribed by generally accepted accounting principles (GAAP). Funds from operations is a key measure that demonstrates the ability to generate cash to fund expenditures. Funds from operations is calculated by taking the cash provided by operations from the consolidated statement of cash flows and adding back changes in non-cash working capital. Funds from operations per share is calculated using the same methodology for determining net income per share. These non-GAAP financial measures may not be comparable to similar measures presented by other companies. These financial measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with GAAP.

Management uses certain industry benchmarks such as field netback to analyze financial and operating performance. Field netback has been calculated by taking oil and gas revenue less royalties, operating costs and transportation costs. This benchmark does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Management considers field netback as an important measure to demonstrate profitability relative to commodity prices.

Certain statements and information contained in this press release, including but not limited to management's assessment of Arsenal's future plans and operations, production, reserves, revenue, commodity prices, operating and administrative expenditures, funds from operations, capital expenditure programs and debt levels contain forward-looking statements. All statements other than statements of historical fact may be forward looking statements. These statements, by their nature, are subject to numerous risks and uncertainties, some of which are beyond Arsenal's control including the effect of general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel that may cause actual results or events to differ materially from those anticipated in the forward looking statements. Such forward-looking statements although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made and should not unduly be relied on. These statements speak only as of the date of this press release. Arsenal does not intend and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Arsenal's business is subject to various risks that are discussed in its filings on the System for Electronic Document Analysis and Retrieval (SEDAR).

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