



Arsenal Energy Inc.

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Arsenal Energy Announces \$7.0 Million Flow-Through Financing

Calgary, Alberta – September 16, 2010 – Arsenal Energy Inc. (TSX: AEI) (“Arsenal”) is pleased to announce that it has entered into an agreement with a syndicate of underwriters led by Wellington West Capital Markets Inc. (the “Underwriters”) pursuant to which the Underwriters have agreed to place, on a ‘bought deal’ basis, 7,300,000 flow-through common shares (“Flow-Through Shares”) at a price of \$0.96 per Flow-Through Share for aggregate gross proceeds of \$7,008,000 (the “Offering”).

The gross proceeds from the sale of the Flow-Through Shares will be used to incur Canadian Exploration Expenses (“CEE”) for the purposes of the Income Tax Act (Canada) and such CEE will be renounced to subscribers for the 2010 taxation year.

The Offering is scheduled to close on or about October 7, 2010 and is subject to the completion of formal documentation and regulatory approval, including the approval of the Toronto Stock Exchange. For further details on the Offering please contact either Arsenal or Wellington West Capital Markets Inc. at the contact information provided below.

Arsenal is a junior oil and gas company engaged in the exploration for, and development and production of natural gas and oil reserves primarily in Alberta and North Dakota. Arsenal’s common shares trade on the Toronto Stock Exchange under the symbol “AEI”.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Arsenal in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities to be offered have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold within the United States or to or for the account or benefit of a U.S. Person absent registration or an applicable exemption from the registration requirements of such Act or laws.

Advisory

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. In particular, this press release contains statements concerning the anticipated closing date of the Offering and the anticipated amount and use of gross proceeds of the Offering. 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).

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
Arsenal Energy Inc.
E-mail: info@arsenalenergy.com
Telephone: (403) 262-4854
Toll free: (866) 405-4854
Facsimile: (403) 265-6877
Suite 1900, 639 – 5th Avenue SW
Calgary, Alberta T2P 0M9

Matt Sobolewski, Managing Director, Energy Investment Banking
Wellington West Capital Markets Inc.
Email: msobolewski@wwcm.com
Telephone: (403) 781-2717
Facsimile: (403) 781-2719
129 – 8th Avenue SW
Calgary, Alberta T2P 1B4