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ARSENAL ENERGY INC.

ARSENAL ANNOUNCES CLOSING OF PRIVATE PLACEMENT OF FLOW-THROUGH SHARES

Calgary, Alberta, October 7, 2010 – Arsenal Energy Inc. (TSX:AEI) (FWB:A1E) (“Arsenal”) is pleased to announce that it has closed its previously announced bought deal equity financing (see Arsenal’s press release of September 16, 2010) and has issued 7,300,000 common shares on a “flow-through share” basis at a subscription price of \$0.96 per flow-through share (“Flow-Through Share”) for aggregate gross proceeds of (Cdn) \$7,008,000. All of the Flow-Through Shares are subject to a hold period under applicable securities laws until February 8, 2011. The offering was completed with a syndicate of underwriters led by Wellington West Capital Markets Inc. and including Clarus Securities Inc., Emerging Equities Inc., PI Financial Corp. and Desjardins Securities Inc.

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

Under the private placement offering, officers and directors of Arsenal subscribed for an aggregate of 79,500 Flow-Through Shares.

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 Saskatchewan and North Dakota, U.S.A. Arsenal’s common shares trade on the Toronto Stock Exchange under the symbol “AEI”. Arsenal now has 141,034,472 Common Shares outstanding.

Certain statements and information contained in this press release, including but not limited to statements regarding the use of proceeds 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 filing 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:

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