ARSENAL ENERGY INC.
(TSX – AEI)

ARSENAL ENERGY RELEASES Q2 RESULTS

CALGARY, **August 11, 2009**- Arsenal Energy Inc. ("Arsenal") (TSX: AEI) is pleased to release its 2010 Q2 results. Arsenal's cash flow more than doubled versus the second quarter of 2009 due to substantially higher oil prices and an increase in oil weighting from 77% to 82%. Noncore property sales and delays due to equipment availability in North Dakota lowered YOY comparable production. Financial results and details are contained in the financial statements and MD&A filed on SEDAR and on the Company's website.

FINANCIAL & OPERATING RESULTS						
	Three Months Ended June 30			Six Months Ended June 30		
	2010	2009	% Change	**2010**	2009	% Change
FINANCIAL (Cdn $ except share amonts)						
Net loss	**(1,853,112)**	(3,235,660)	(43)	**(3,613,128)**	(6,307,371)	(43)
Per share - basic and diluted	**(0.01)**	(0.03)	(57)	**(0.03)**	(0.06)	(56)
Funds from operations	**4,121,295**	2,031,722	103	**9,400,052**	12,346,992	(24)
Per share - basic and diluted	**0.03**	0.02	52	**0.07**	0.12	(41)
Total debt (excluding derivatives)	**19,886,286**	37,104,499	(46)	**19,886,286**	37,104,499	(46)
Shares outstanding - end of period	**134,195,472**	101,249,646	33	**134,195,472**	101,249,646	33
OPERATING						
Production (Boe/d)	**2,060**	2,236	(8)	**2,107**	2,283	(8)
Operating netback ($ per boe)						
Revenue	**59.37**	47.35	25	**59.57**	42.61	40
Royalty	**(11.32)**	(8.80)	29	**(10.03)**	(8.69)	15
Operating expense	**(20.88)**	(16.62)	26	**(19.94)**	(17.03)	17
Transportation expense	**(0.87)**	(1.09)	(20)	**(1.05)**	(1.05)	0
Operating netback per boe	**26.30**	20.84	26	**28.55**	15.84	80
CAPITAL						
Wells drilled						
Oil	-	6.80		**2.15**	11.35	
Gas	-	-		-	-	
Dry	-	1.00		-	2.00	
Capital expenditures	**2,405,406**	1,139,845	111	**11,039,356**	3,714,906	197
Property dispositions	-	2,326,749	(100)	**214,831**	3,166,124	(93)

Financial

Arsenal had Q2 funds from operations of $4.1 million. Results were 103% higher than 2009 Q2 due to higher oil prices and an oilier sales mix. Net loss for Q2 was $1.9 million.

Net debt at quarter end was $19.9 million. Since closing the Geocan acquisition in October 2008, Arsenal has retired approximately $34 million of debt through noncore property sales, issues of shares and hedge realizations. Arsenal's debt/annualized cash flow ratio is 1.21.

Operations

Average production of 2060 boe/d during the second quarter was a decrease of 176 boe/d from the second quarter of 2009. The decrease is attributable to noncore property sales, delays in Arsenal's second quarter capital program due to equipment availability in North Dakota, and poor weather in Alberta. Arsenal's Q2 production mix was 82% oil and 18% natural gas. Operating costs increased to $20.88/boe in Q2 2010 vs. $16.62/boe for the same period in 2009. The increase is due to prior period costs, an oilier production mix, and a facility turnaround conducted in the second quarter.

Arsenal participated in 3 (0.65 net) North Dakota drills that were spud in March, 2010. All three were rig released in the second quarter. Two of the wells, Burke (14% WI Bakken) and Strid (16% WI Three Forks) were completed and placed on production. After 30 days the Burke well stabilized at 360 bbls/d and the Strid well stabilized at 545 bbls/d. The third well, James Philip (35 % WI Bakken) is waiting on frac equipment.

During the second quarter Arsenal reached an agreement to sell its noncore NE BC natural gas property for $2.65 million with the sale having closed August 9, 2010. The property was producing approximately 100 boe/d. The sale is consistent with Arsenal's strategy of focusing company resources on high netback properties where Arsenal has strategic, technical, or financial competitive advantages.

Outlook

In April the James Philip well targeting the Bakken in North Dakota finished drilling. The well had the most encouraging drilling shows of any well in which Arsenal has participated and the highest (35%) working interest participation to date. It tested unstimulated at a rate of 850 bbls/d. The well is currently scheduled for stimulation in September. Arsenal is participating for a 12.5% WI in the Jerol Three Forks well at Lindahl, North Dakota that spud on July 25, 2010. Arsenal has licensed and constructed two wells, the Amy Elizabeth (41%WI) and the Brenlee (57% WI), and is currently attempting to source a drilling rig. Results of all wells will be released as they become available.

Arsenal plans to be very active in Alberta in the second half of 2010. All of its programs are targeting oil. Five (2.5 net) development wells are planned for the Wildmere property in August, four (3.5 net) multi zone wells are planned to be drilled in Princess starting in September and Arsenal plans to drill between five and eight wells at Evi starting in September.

Based on the current forward strip, Arsenal anticipates that it will achieve operating margins of approximately $30/boe for the remainder of 2010. Due to production delays associated with equipment availability in North Dakota and noncore property sales, Arsenal is lowering its 2010 exit guidance from 3000 boe/d to 2750 boe/d. This revised estimate is based on the assumption that Arsenal will secure, on a timely basis, a drilling rig and fraccing services in North Dakota. Capital expenditures are currently estimated at $20 million for the last half of 2009. Arsenal expects to exit 2010 at approximately the targeted debt/cash flow ratio of 1X.

The forward strip for WTI is above $80 US for all of 2011. At these levels, Arsenal's inventory of oil plays is expected to deliver very strong returns on capital. For 2011 Arsenal has hedged 400 bbls/d in the mid $80 range and plans to hedge up to one third of corporate production to protect the financial returns on next year's capital program. Based on 640 acre spacing, Arsenal has an inventory of 10 Bakken locations and 15 Three Forks locations at Stanley and 5 Bakken locations and 5 Three Forks locations at Lindahl.

In addition, Arsenal has begun buying land in a new Alberta oil play and two new unconventional gas plays that are suitable for horizontal multistage fracs. The oil play is attractive in today's price environment while it is planned that exploration of the gas plays will await the eventual return of gas prices to reasonable levels.

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 an 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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