



Arsenal Energy Inc.

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Arsenal Energy Announces Increase in Equity Financing to \$18.8 Million

Calgary, Alberta – January 24, 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”) to increase its previously announced Offering to a total size of \$18,800,500. Under the agreement, the Underwriter will now purchase from the Company 19,790,000 Common Shares at an issue price of \$0.95 per Common Share.

Arsenal has also granted the Underwriters an option (the “Over-Allotment Option”) to purchase up to an additional 2,368,500 Common Shares at a price of \$0.95 per Common Share for additional gross proceeds of \$2,250,075. The Over-Allotment Option shall be issued on the same terms and conditions as the Offering, exercisable at any time, in whole or in part for a period of 30 days following closing of the Offering.

The net proceeds from the sale of the Common Shares will be used to fund Arsenal’s ongoing capital program and for general working capital purposes.

The securities are being offered in all provinces of Canada, other than Quebec, by way of a short form prospectus, and in other jurisdictions pursuant to applicable exemptions from registration and prospectus requirements. The Offering is scheduled to close on or about February 15, 2011 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”.

Advisory

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.

Certain statements and information contained in this press release, including but not limited to statements regarding the expected closing date and the amount and 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 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:

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