

ARSENAL ENERGY INC.

(TSX – AEI)

ARSENAL ENERGY RELEASES Q1 RESULTS

CALGARY, June 14, 2011- Arsenal Energy Inc. (“Arsenal”) (TSX: AEI) is pleased to release its 2011 Q1 results. During the first quarter, Arsenal completed drilling the Brenlee well (80.15 %WI), a one mile horizontal, and spud the Amy Elizabeth well (62.49 %WI), a two mile horizontal, both in North Dakota. Amy Elizabeth finished drilling and was cased in Q2. Both wells had excellent oil shows during drilling and both wells are waiting on frac. Arsenal has been negotiating with a group of companies to contract a frac crew for its ongoing North Dakota Bakken program. These negotiations are continuing but the contemplated start date has been delayed to January, 2012. In the meantime, the fracs for Brenlee and Amy Elizabeth are booked for windows. Arsenal anticipates fracing both wells in Q3. Arsenal will initiate drilling the Gjoa Lynn (50%WI) as soon as the Brenlee is fraced.

Full financial details are contained in the financial statements and MD&A filed on SEDAR and on the Company’s website.

| SUMMARY OF FINANCIAL AND OPERATIONAL RESULTS | | | |
|---|--------------------|------------------|---------------|
| Three Months Ended March 31 | | | |
| | 2011 | 2010 | % Change |
| FINANCIAL | | | |
| Oil and gas revenue | 11,619,144 | 11,586,513 | - |
| Funds from operations ¹ | 5,105,635 | 5,189,404 | (2) |
| Per share - basic | 0.03 | 0.04 | (18) |
| -diluted | 0.03 | 0.04 | (19) |
| Net loss | (7,939,855) | (69,068) | 11,396 |
| Per share - basic | (0.05) | nil | - |
| -diluted | (0.05) | nil | - |
| Total debt | 6,871,378 | 20,318,893 | (66) |
| Capital expenditures | 7,648,414 | 4,878,052 | 57 |
| Property dispositions | (736,557) | - | - |
| Wells drilled (net) | | | |
| Oil | 1.03 | 1.84 | (44) |
| Gas | - | - | - |
| Dry | 2.00 | - | - |
| Total net wells drilled | 3.03 | 1.84 | 65 |
| Shares outstanding - end of period | 163,314,306 | 134,773,390 | 21 |
| OPERATIONAL | | | |
| Daily production | | | |
| Heavy oil (bbl/d) | 549 | 643 | (15) |
| Light oil and NGLs (bbl/d) | 1,099 | 925 | 19 |
| Natural gas (mcf/d) | 2,126 | 3,517 | (40) |
| Oil equivalent (boe @ 6:1) ² | 2,002 | 2,154 | (7) |
| Realized commodity prices (\$Cdn.) | | | |
| Heavy oil (bbl) | 67.64 | 69.47 | (3) |
| Light oil and NGLs (bbl) | 76.70 | 72.28 | 6 |
| Natural gas (mcf) | 3.63 | 4.91 | (26) |

| | | | |
|---------------------------------------|--------------|--------------|-----------|
| Oil equivalent (boe @ 6:1) | 64.49 | 59.78 | 8 |
| Operating netback (\$ per boe) | | | |
| Revenue | 64.49 | 59.78 | 8 |
| Royalty | (11.19) | (8.79) | 27 |
| Operating cost | (15.83) | (19.49) | (19) |
| Transportation cost | (1.27) | (1.23) | 3 |
| Operating netback per boe | 36.20 | 30.26 | 20 |
| General and administrative | (5.88) | (4.15) | 42 |
| Finance expenses | (0.70) | (1.33) | (47) |
| Other | 0.23 | 0.35 | (35) |
| Realized hedging gains (losses) | (1.50) | 1.64 | (192) |
| Cash flow per Boe | 28.34 | 26.77 | 6 |

(1)"Funds from operations", "funds from operations per share", "operating netbacks" and "cash flow per boe" are not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and are regarded as non-GAAP measures. Funds from operations and funds from operations per share are calculated as cash provided by operating activities before changes in non-cash working capital, seismic expenses, and decommissioning obligations settled. Funds from operations is used to analyze the Company's operating performance, the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations does not have a standardized measure prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other companies. The Company also presents funds from operation per share whereby per share amounts are calculated using the weighted average number of common shares outstanding consistent with the calculation of net income or loss per share.

(2) The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Financial

Funds from operations netback for Q1 2011 totaled \$5.1 million or \$28.34 per Boe versus \$5.2 million or \$26.77 per Boe for Q1 2010. Net loss for Q2 was \$7.9 million.

Arsenal completed a \$21.1 million equity financing in Q1 and reduced debt and working capital at quarter end to \$6.9 million. Based on the 2010 year end reserve report, Arsenal's banking syndicate has increased the credit facility of the Company from \$40 million to \$60 million. Arsenal's balance sheet has positioned the company to execute the capital program and to act on opportunistic acquisitions.

Operations

Average production of 2002 boe/d during the first quarter was flat compared to the first quarter of 2010. Noncore property sales and drilling delays due to equipment availability in North Dakota offset production additions from the company's capital program. Arsenal's Q1 production mix was 82% oil and 18% natural gas. Operating costs decreased to \$15.83/boe in Q1 2011 compared to \$19.49/boe for the same period in 2010. The decrease is due to the sale of higher cost properties and the addition of low operating cost Bakken production in North Dakota.

Outlook

With the recent strengthening of oil prices, Arsenal's field revenue should continue to be strong. Volumes in the second quarter will be negatively impacted by weather conditions in North Dakota where localized flooding and power outages have resulted in significant production downtime for all operators, including Arsenal. Volumes should return to full capacity in Q3. Operating costs in Q2 will be

higher than Q1 due to the production issues in North Dakota and to a pipeline break in northern Alberta that has forced Arsenal to truck sales oil at Evi.

Small operators like Arsenal generally rely on windows to execute programs. The tight equipment environment in North Dakota has been exacerbated by bad weather. Fracs for Arsenal's Brenlee and Amy Elizabeth wells are in line for a window but bad weather continues to delay the scheduled dates. As soon as the Brenlee well is fraced, Arsenal will schedule the drilling of the Gjoa Lynn well. In addition to Arsenal's operated wells, before yearend Arsenal anticipates participating in 4 non- operated wells in North Dakota with an average WI of approximately 15%.

At Rennie Lake, North Dakota, Arsenal has approximately 2500 net acres prospective for the Bakken. Industry has drilled a number of wells surrounding Arsenal's block. Area operators have formed drilling spacing units including lands in which Arsenal has an interest. Arsenal anticipates receiving operating notices on these lands over the next twelve months.

Arsenal has a drilling program planned for eastern Alberta in Q3. Four vertical Mannville wells are planned at Provost, two horizontal wells in the Leduc are planned at Chauvin and Edgerton, and one horizontal is planned in the Glauconite at Princess. The drills at Chauvin, Edgerton and Princess have the potential, if successful, to open up larger development programs.

Arsenal has acquired 13440 net acres of land on the Wilrich play in the deep basin of Alberta. Wells drilled by other operators in the play are coming on stream at approximately 4mmcf/d of gas with 25bbbls/mmcf of liquids. Arsenal is planning to test its acreage in early 2012.

To receive company news releases via e-mail, please advise info@arsenalenergy.com and specify "Arsenal Press Releases" in the subject line.

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. 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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