

CALGARY, ALBERTA--(Marketwired - May 27, 2016) - [Arsenal Energy Inc.](#) ("Arsenal" or the "Company") (TSX:AEI)(OTCQX:AEYIF) announces the sale of all its oil and natural gas properties located in the United States for a sales price of US \$34 million. Proceeds from the sale have been used to reduce the Company's outstanding bank credit facility. After applying the net proceeds of the sale, Arsenal estimates its current bank debt at approximately \$11.7 million. In addition, Arsenal announces that it has entered into a Letter of Intent to sell 250 boe/d of Canadian production for total proceeds of \$8.7 million. The transaction is expected to close on or before June 30, 2016. Upon successful completion of this sale transaction, Arsenal will have repaid approximately \$70 million of bank indebtedness over an 18 month period.

Pro forma, upon successful completion of all the above-noted property sales: (a) Arsenal's production is estimated to be approximately 1,250 boe/d - 85% oil; (b) Arsenal will retain its core Princess, Alberta property as well its Provost and Evi properties; (c) Arsenal's operating costs are estimated at approximately \$18.25/boe and royalties are estimated at approximately 17%; (d) based on forward strip pricing and current differentials, Arsenal's netbacks for the remainder of 2016 are estimated to be approximately \$15.80/boe; and (e) operating margins are estimated to be approximately \$650,000/month. Proven Developed Producing reserves as at December 31, 2015, adjusted for all property sales, are 2.3 MMboe and the Net Present Value discounted by 10% including asset retirement obligations is \$26 million. Proven plus Probable reserves as at December 31, 2015, adjusted for all property sales, are 5.2 MMboe and the Net Present Value discounted by 10% including asset retirement obligations is \$69.8 million.

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

Forward-Looking Statements

This release contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. These statements relate to future events or the Company's future performance and are based upon the Company's internal assumptions and expectations. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance", "budget" and similar expressions.

More particularly and without limitation, this release contains forward-looking statements and information relating to anticipated completion and closing dates of asset dispositions, anticipated debt reduction, results from operations, future operating costs, future netback amounts and operating margins, petroleum and natural gas production estimates and weighting, projected crude oil and natural gas prices, future exchange rates, expectations as to royalty rates, and expectations as to net debt.

The forward-looking statements and information contained in this release are based on certain key expectations and assumptions made by Arsenal. The following are certain material assumptions on which the forward-looking statements and information contained in this release are based: the expectations and assumptions concerning the ability of counterparties to close on dispositions, prevailing commodity prices and economic conditions the stability of the global and national economic environment, the stability of and commercial acceptability of tax, royalty and regulatory regimes applicable to Arsenal, exploitation and development activities being consistent with management's expectations, production levels of Arsenal being consistent with management's expectations, the absence of significant project delays, the stability of oil and gas prices, the absence of significant fluctuations in foreign exchange rates and interest rates, the stability of costs of oil and gas development and production in Western Canada, including operating costs, the timing and size of development plans and capital expenditures, availability of third party infrastructure for transportation, processing or marketing of oil and natural gas volumes, prices and availability of oilfield services and equipment being consistent with management's expectations, the availability of, and competition for, among other things, pipeline capacity, skilled personnel and drilling and related services and equipment, results of development and exploitation activities that are consistent with management's expectations, weather affecting Arsenal's ability to develop and produce as expected, contracted parties providing goods and services on the agreed timeframes, Arsenal's ability to manage environmental risks and hazards and the cost of complying with environmental regulations, the accuracy of operating cost estimates, the accurate estimation of oil and gas reserves, future exploitation, development and production results and Arsenal's ability to market oil and natural gas successfully to current and new customers. Additionally, estimates as to expected average annual production rates assume that no unexpected outages occur in the infrastructure that the Company relies on to produce its wells, that existing wells continue to meet production expectations and any future wells scheduled to come on in the coming year meet timing and production expectations.

Commodity prices used in the determination of forecast revenues are based upon general economic conditions, commodity supply and demand forecasts and publicly available price forecasts. The Company continually monitors its forecast assumptions to ensure the stakeholders are informed of material variances from previously communicated expectations.

Financial outlook information contained in this release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this release should not be used for purposes other than for which it is disclosed.

Although the Company believes that the expectations reflected in such forward-looking statements and information are

reasonable, it can give no assurance that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent known and unknown risks and uncertainties. Arsenal's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Arsenal will derive therefrom. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the potential for counterparties to be unable to close dispositions the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition from others for scarce resources, the ability to access sufficient capital from internal and external sources, changes in governmental regulation of the oil and gas industry and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and other reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this release are made as of the date of this release for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Arsenal undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this release are expressly qualified in their entirety by this cautionary statement.

Basis of Presentation. For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one barrel. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with the Canadian Securities Administrators' National Instrument 51-101 when boe's are disclosed. Boe's may be misleading, particularly if used in isolation.

Non-IFRS Measures. This release contains the terms "funds from operations", and "net debt" which are not recognized measures under IFRS. The Company uses these measures to help evaluate its performance. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is a non-IFRS measure and has been defined by the Company as cash flow from operating activities before, exploration and evaluation expenses, decommissioning expenditures and changes in non-cash working capital from operating activities. The Company may also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Arsenal's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Net debt includes borrowings under the Company's credit facility plus or minus the Company's working capital. Net debt excludes long term decommissioning obligations and risk management contracts (whether an asset or an obligation and whether classified as short or long term). Net debt is used by management to monitor remaining availability under its credit facilities.

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