

CALGARY, ALBERTA--(Marketwired - Aug 3, 2016) - [Arsenal Energy Inc.](#) ("Arsenal") (TSX:AEI)(OTC PINK:AEYIF) is pleased to announce that, in connection with its previously announced business combination Lone Pine Resources Canada Ltd. ("Lone Pine") by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta), it has entered into an amended and restated arrangement agreement ("Amended and Restated Arrangement Agreement") with Lone Pine, amended as of August 2, 2016 and effective as of June 23, 2016. The Amended and Restated Arrangement Agreement incorporates the Plan of Arrangement, which sets out the specific terms and conditions of the Arrangement, and updates certain administrative and procedural matters provided therein, including the anticipated closing date of the Arrangement, which is now expected to be on or about September 12, 2016, assuming receipt of all necessary court and securityholder approvals and the satisfaction of all other conditions to the Arrangement.

As previously disclosed, completion of the Arrangement will result in the shareholders of Lone Pine and Arsenal receiving common shares of a new corporation, named Prairie Provident Resources Inc. ("Newco") in substitution for their existing shares, with Newco in turn indirectly holding the combined undertakings of Lone Pine and Arsenal. Upon completion of the Arrangement, former Lone Pine securityholders will hold 77% of the fully-diluted Newco shares and former Arsenal securityholders will hold 23% of the fully-diluted Newco shares. The Plan of Arrangement, which is attached as a schedule to the Amended and Restated Arrangement Agreement, contemplates that there will be 100,000,000 common shares of Newco outstanding on a fully-diluted basis following completion of the Arrangement, of which an aggregate of 23,000,000 will be issued to former holders of common shares of Arsenal (including common shares issued upon conversion of all outstanding incentive awards of Arsenal). Accordingly, the Plan of Arrangement has set the exchange ratio at 1.1417218 common shares of Newco for each outstanding common share of Arsenal. A copy of the Amended and Restated Arrangement Agreement will be posted under Arsenal's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

In addition, on August 2, 2016, the Court of Queen's Bench of Alberta issued an interim order ("Interim Order") authorizing, among other things, the holding of a meeting (the "Meeting") of the holders of common shares and incentive awards convertible into common shares of Arsenal (the "Arsenal Securityholders") at which the Arsenal Securityholders will be asked to approve the Arrangement. The Meeting is scheduled to be held at the Calgary Petroleum Club on September 8, 2016 at 2:30 p.m. (Calgary time). The record date for the Meeting has been set as July 25, 2016 and only Arsenal Securityholders of record on such date will be entitled to vote on the Arrangement. The vote required to approve the Arrangement at the Meeting is the approval of not less than (i) 66 2/3% of the votes cast by holders of common shares of Arsenal present in person or by proxy at the Meeting; (ii) 66 2/3% of the votes cast by the Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Meeting; and (iii) a simple majority of the votes cast by holders of common shares of Arsenal present in person or by proxy at the Meeting after excluding the votes cast in respect of the shares beneficially owned or controlled by persons whose votes may not be included under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

The joint information circular for Lone Pine and Arsenal for the Meeting ("Circular") contains information regarding the procedures for voting on the Arrangement, as well as the background to, details of and other material information relating to the Arrangement. Arsenal anticipates that it will begin mailing the Circular on August 9, 2016, at which time the Circular (including all appendices) will also be made available under Arsenal's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

If the Arrangement obtains the necessary approvals from the securityholders of Lone Pine and Arsenal, Arsenal and Lone Pine will attend a hearing before the Court of Queen's Bench of Alberta currently scheduled for September 9, 2016 at 11:00 a.m. to ask the court to grant a final order in respect of the Arrangement.

### *Forward-Looking Statements*

This news release contains forward-looking information within the meaning of applicable Canadian securities laws. Statements that constitute forward-looking information relate to future performance, events or circumstances, and are based upon internal assumptions, plans, intentions, expectations and beliefs. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by words such as "expect", "anticipate", "continue", "estimate", "will", "should", "believe", "forecast", "budget", "potential" and similar expressions.

Although Arsenal believes that the forward-looking statements contained herein are reasonable, they should not be unduly relied upon. There can be no assurance that the assumptions, plans, intentions, expectations or beliefs contained in the forward-looking statements or upon which they are based will in fact occur or be realized (or if they do, what benefits Lone Pine, Arsenal or New Lone Pine will derive therefrom). Actual results or outcomes may differ from those expressed or implied in the forward-looking statements. The difference may be material.

Forward-looking statements address future events and circumstances and, accordingly, by their very nature involve inherent risks and uncertainties, both known and unknown, many of which are beyond Arsenal's influence or control. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results or outcomes may vary materially from those currently anticipated. Such risks and uncertainties include, but are not limited to, the potential for counterparties to be unable or unwilling to close transactions and the inherent risks associated with the oil and gas industry, such as: operational risks in exploration, development, exploitation and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainty of estimates and projections relating to production rates, costs and expenses; commodity price and exchange rate fluctuations; marketing and transportation

risks; environmental risks; competition from others for scarce resources; the ability to access sufficient capital from internal and external sources; changes in laws or governmental regulation of the oil and gas industry, including with respect to tax, royalty and environmental matters. This list is not exhaustive. Readers should also review the risk factors described in other documents filed by Arsenal from time to time with securities regulatory authorities in Canada, including its most recent annual information form, available electronically under Arsenal's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

In respect of the forward-looking information and statements concerning completion of the proposed Arrangement and the anticipated timing for completion of the Arrangement, Arsenal has provided such information and statements in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials, including the required information circular; the ability of Arsenal to receive, in a timely manner, the necessary regulatory, court, shareholder, stock exchange and other third party approvals; the ability of Arsenal to satisfy, in a timely manner, the other conditions to the closing of the Arrangement; and expectations and assumptions concerning, among other things: commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services.

The forward-looking statements included herein are made as of the date of this news release and does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by securities laws.

All forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement

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