LONE PINE RESOURCES CANADA LTD. AND ARSENAL ENERGY INC. ANNOUNCE STRATEGIC BUSINESS COMBINATION

Calgary, Alberta – June 24, 2016 – Lone Pine Resources Canada Ltd. ("Lone Pine"), a privately-held oil and gas exploration and production company based in Calgary, Alberta, and Arsenal Energy Inc. ("Arsenal") (TSX: AEI) are pleased to announce that they have entered into a definitive agreement (the "Arrangement Agreement") to effect a business combination by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta).

Completion of the Arrangement will result in the shareholders of Lone Pine and Arsenal receiving common shares of a new corporation ("New Lone Pine") in substitution for their existing shares, with New Lone Pine in turn indirectly holding the combined undertakings of Lone Pine and Arsenal. Upon completion of the Arrangement, which is expected to occur in September 2016, former Lone Pine securityholders will hold 77% of the New Lone Pine shares and former Arsenal securityholders will hold 23% of the New Lone Pine shares. The precise ratio per share at which New Lone Pine shares are issued in substitution for Lone Pine shares and Arsenal shares will be based on these proportionate interests of 77% and 23%, respectively, and will be confirmed in the joint information circular expected to be issued by Lone Pine and Arsenal in July 2016.

New Lone Pine will retain the Lone Pine name and will be led by an experienced executive team and board of directors comprised of key individuals from both Lone Pine and Arsenal, including Tim Granger as President and CEO, and Patrick McDonald as Chairman of the Board. Upon completion of the Arrangement, New Lone Pine is anticipated to have production of over 4,000[(1)] boe/d (approximately 71% oil and liquids), proved plus probable reserves of 18.5 MMboe as of December 31, 2015[(2)], and a $55 to $60 million credit facility depending on the outcome of certain Arsenal non-core asset dispositions previously announced by Arsenal on June 2, 2016. See "Transaction Highlights" and "New Credit Facilities" below for additional details.

“We are very pleased to support the business combination of Lone Pine and Arsenal,” said Brendan McGovern, Managing Director at Goldman Sachs Asset Management ("GSAM"), funds of which are a majority shareholder of Lone Pine. “We believe the new company will benefit from scale efficiencies, attractive and complementary land positions, and a pristine balance sheet, which should position New Lone Pine for profitable growth to help drive shareholder returns.”

“The arrangement with Lone Pine will put the combined company in an excellent position to accelerate the development of its very attractive inventory of drilling opportunities at a time of reduced service costs and recovering prices as well as extend its leadership position in its core areas,” commented Neil Mackay, Chairman of the board of directors of Arsenal.

Transaction Highlights

The boards of directors and executive management teams of both Lone Pine and Arsenal believe that the combination will provide significant benefits to the shareholders of both companies. The assets of the two companies are complementary, with adjacent and overlapping land positions across certain areas, and the respective teams have taken a similar approach to development of core areas to date. Combining these complementary assets will create an oil-weighted, high-growth oriented oil and gas company positioned to generate value with a strong balance sheet, attractive drilling prospects and significant financial and operational flexibility.

Upon completion of the Arrangement, New Lone Pine is anticipated to have the following key attributes:

- Light and medium oil-weighted asset base focused on three core areas in Alberta (Evi, Princess and Wheatland), which offer meaningful growth potential through lower risk development drilling opportunities, a proven water flood program and future consolidation prospects;
- Production base of approximately 4,000(1) boe/d comprised of approximately 71% oil and liquids and 29% natural gas;
- Proved plus probable reserves of 18,489(2) Mboe as at December 31, 2015;
- Combined land base of approximately 765,600 net acres (pro forma as at June 30, 2016), with over 170 unrisked internally identified drilling locations that remain economic and are expected to generate compelling returns at current commodity prices;
- A senior secured credit facility of $55 million(3) backed by Alberta Treasury Branches and Société Generale, with only approximately $5.0 to $6.0 million anticipated to be drawn at closing, which will support ongoing development and continued growth through a robust capital program;
- A strong balance sheet, together with forecast Q4 2016 funds from operations(4) of approximately $6.0 to $7.0 million based on forward strip pricing that is expected to position New Lone Pine to efficiently develop its inventory of capital projects as well as pursue accretive new opportunities;
- A robust three year hedge book that Lone Pine and Arsenal believe will provide meaningful protection against commodity price volatility and underpins funds from operations, further details of which will be outlined in the joint information circular;
- Over $350 million and $120 million of combined federal tax pools in Canada and Canadian tax loss carryforwards, respectively, available for deduction against future Canadian taxable income;
- Operatorship of over 90% of its production, and average working interests greater than 90%, in its core areas of Evi, Princess and Wheatland in Alberta;
- A market for the New Lone Pine shares, with Toronto Stock Exchange approval of the listing of the New Lone Pine shares being a condition precedent to completion of the Arrangement; and
- Enhanced operational efficiencies from economies of scale and improved asset diversity, which will support New Lone Pine's technical exploitation of large resource pools.

Key Operating and Financial Information (Pro forma)

	Pro forma New Lone Pine
Estimated production[1]	**~4,000 boe/d**
Reserves Estimates [2]	
Proved Developed Producing (Mboe)	**7,019**
Total Proved (Mboe)	**11,980**
Proved plus Probable (Mboe)	**18,489**
Reserves PV10 Value [2]	
Proved Developed Producing ($MM)	**$109**
Total Proved ($MM)	**$152**
Proved plus Probable ($MM)	**$235**
Estimated Q4 2016 combined funds from operations ($MM)	**$6.0**
Budgeted 2H 2016 capital program ($MM)	**$18.0**

New Lone Pine will focus on development at Wheatland, Princess and Evi in Alberta, with the majority of the budgeted second half 2016 capital of $18.0 million directed to development of the light oil shallow Mannville play at Wheatland where it is anticipated that New Lone Pine will drill, complete and tie-in 8 to 10 oil wells before the end of 2016. Approximately 12% of budgeted second half 2016 capital will be directed to fulfilling Arsenal's outstanding $2.1 million Canadian exploration expense flow-through share obligation. Additional details will be contained in the joint information circular expected to be mailed to shareholders in late July 2016.

Governance

New Lone Pine will retain key personnel from both entities and will be led by Tim Granger as President and CEO. The executive team will also include Mimi Lai as Vice President, Finance and CFO, Robert Guy as Vice President, Operations, and Tony van Winkoop, as Vice President, Exploration. New Lone Pine's board of directors will have proportional representation from the two companies and will be led by Lone Pine's current chairman, Patrick McDonald, with the balance of the board to be detailed in the joint information circular.

Fairness Opinion

National Bank Financial Inc. is acting as financial advisor to Arsenal and has provided the board of directors of Arsenal with its verbal opinion, that subject to the review of the final form of the documentation effecting the Arrangement, the consideration to be received by Arsenal shareholders under the Arrangement is fair, from a financial point of view, to the Arsenal shareholders.

Director Approvals

The board of directors of Arsenal has, based upon, among other things, the verbal fairness opinion from National Bank Financial Inc., unanimously approved the Arrangement and the entering into of the Arrangement Agreement, determined that the Arrangement is in the best interests of Arsenal and fair to the Arsenal shareholders, and recommends that Arsenal shareholders vote in favor of the Arrangement.

The Lone Pine board of directors has similarly concluded that the Arrangement is in the best interests of Lone Pine and fair to the Lone Pine shareholders.

Shareholder Approvals and Closing Matters

Implementation of the Arrangement will be subject to the approval of Arsenal shareholders and Lone Pine shareholders, respectively, at special meetings of both companies to be held in August 2016, by majorities of not less than two-thirds of the votes cast by Arsenal shareholders at the Arsenal meeting, and not less than two-thirds of the votes cast at the Lone Pine meeting by the common shareholders and the preferred shareholders of Lone Pine, in each case voting as a class.

All of the directors and officers of both Arsenal and Lone Pine have entered into support agreements pursuant to which they have agreed, among other things, to vote in favour of the Arrangement. In addition, shareholders of Lone Pine related to GSAM, holding approximately 54% of the outstanding Lone Pine common shares and approximately 69% of the outstanding Lone Pine preferred shares, have agreed to vote in favour of the Arrangement. Such shareholders will hold approximately 48% of the New Lone Pine shares on completion of the Arrangement.

Completion of the Arrangement is subject to various other conditions, including approval by the Court of Queen's Bench of Alberta, receipt of any necessary regulatory approvals, approval by the TSX of the listing of the New Lone Pine common shares, and the consent of Arsenal's senior lenders, as more particularly set out in the Arrangement Agreement.

The Arrangement Agreement provides for non-solicitation covenants on the part of Arsenal with respect to alternative transactions, subject to its ability to consider, pursuant to the fiduciary obligations of the Arsenal board of directors, a proposal for an alternative transaction that meets specified criteria and the right of Lone Pine to match any such proposal, and for the payment of certain fees if the Arrangement Agreement is terminated, including a fee of $2.75 million by Arsenal to Lone Pine if Arsenal terminates the Arrangement Agreement to pursue an alternative transaction.

A joint information circular containing detailed information regarding the Arrangement, the Arrangement Agreement and New Lone Pine is expected to be mailed to the Arsenal and Lone Pine shareholders in late July 2016. Subject to requisite shareholder approvals and to satisfaction or waiver of all other conditions specified in the Arrangement Agreement, the Arrangement is expected to be completed by early September 2016.

New Credit Facilities

Lone Pine has received a 'highly confident' letter from Alberta Treasury Branches on behalf of a syndicate of lenders in respect of a new proposed credit agreement expected to be entered into concurrently with closing of the Arrangement (and subject to the closing of the Arrangement). The highly confident letter contemplates that the credit agreement will provide Lone Pine with senior secured revolving credit facilities up to $60 million, consisting of a syndicated credit facility up to $50 million and a $10 million operating credit facility. The borrowing base will range between $55 million and $60 million depending on the outcome of certain Canadian non-core property dispositions by Arsenal as previously disclosed in its June 2, 2016 news release. The credit facilities are expected to be available on a fully revolving basis until May 31, 2017. The borrowing base under the credit facilities will be subject to a semi-annual borrowing base review. The new credit facilities are expected to be available following closing of the Arrangement to finance New Lone Pine's ongoing capital expenditures and for general corporate purposes. Concurrently with closing of the Arrangement, it is anticipated that Arsenal’s existing credit facilities will be repaid in full and terminated.

Endnotes

(1) Based on forecast August 2016 production, assuming that Arsenal completes the disposition of certain Canadian properties as disclosed in its June 2, 2016 news release.
(2) Based on the respective reserves evaluation reports of Lone Pine and Arsenal, prepared by Sproule Associates Ltd. ("Sproule") for Lone Pine and by Deloitte LLP for Arsenal, evaluating the reserves data of each company as of December 31, 2015 in accordance with the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. The estimated pro forma reserves data of New Lone Pine at December 31, 2015 has been calculated by (i) applying Sproule's forecast price deck as of January 1, 2016 to Arsenal's existing evaluation, (ii) deducting from Arsenal's estimated reserves data at December 31, 2015 the portion thereof attributable to the Desan and US properties sold by Arsenal in 2016 as well as the additional Canadian properties that Arsenal proposes to sell (as disclosed in its June 2, 2016 news release), and (iii) adding Lone Pine's estimated reserves data at December 31, 2015 (from the Sproule report, without adjustment) to Arsenal's estimated reserves data at December 31, 2015 (from the Deloitte LLP report, adjusted as described). Except as specifically described in clause (i) and clause (ii), the estimated pro forma reserves data of New Lone Pine at December 31, 2015 set forth herein does not take into account any changes occurring in 2016.
(3) Assumes that Arsenal completes the disposition of certain Canadian non-core properties as disclosed in its June 2, 2016 news release.
(4) See "Non-GAAP Measures" in the advisories at the end of this news release.

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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 Lone Pine and Arsenal believe 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, Lone

Pine's and New Lone Pine'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.

In respect of the forward-looking information and statements concerning anticipated benefits and completion of the proposed Arrangement and the anticipated timing for completion of the Arrangement, Lone Pine and Arsenal have 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 Lone Pine and Arsenal to each receive, in a timely manner, the necessary regulatory, court, shareholder, stock exchange and other third party approvals, including but not limited to the receipt of applicable competition approvals; the ability of each of Lone Pine and 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. Other specific forward-looking statements contained in this news release such as, outstanding debt at closing, estimated production levels, anticipated completion of non-core asset dispositions by Arsenal, estimated combined tax pools and borrowing base available to New Lone Pine on closing, are provided based on, among other assumptions described herein, the assumption Arsenal will complete its proposed dispositions of non-core properties in the manner consistent with the disclosures in its June 2, 2016 news release. To the extent that the proposed sales are not complete, such forward-looking statements may be materially inaccurate.

Financial outlook information contained in this news release regarding prospective results of operations, financial position or cash flows is based on assumptions about future events and circumstances, including economic conditions and proposed courses of action, based on internal assessment by management of relevant information currently available.

The forward-looking statements included herein are made as of the date of this news release and neither Lone Pine nor Arsenal undertakes 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

Barrels of Oil Equivalent (BOEs)

The production and reserves information provided in this news release is presented on the basis of a barrel of oil equivalent (boe) measure, with natural gas volumes converted to a boe measure at a ratio of six thousand cubic feet to one barrel. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six mcf (six thousand cubic feet) to one bbl (one barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Reserves Disclosure

Reserves included herein are stated on a company interest basis (working interest and royalty interest before deduction of royalties payable) unless noted otherwise. The reserves estimates attributed to the properties of Lone Pine and Arsenal are estimates only. Actual reserves may be greater or less than those estimated, and the difference may be material.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated risk and uncertainty. The estimation and classification of reserves is a complex process involving the application of professional judgment combined with geological and engineering knowledge to assess whether specific classification criteria have been satisfied. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data as well as forecasts of commodity prices and anticipated costs. As circumstances change and additional data becomes available, reserves estimates also change. Changes may be positive or negative.

It should not be assumed that the estimates of future net revenues presented in this news release represent the fair market value of Arsenal's, Lone Pine's or New Lone Pine's reserves. There is no assurance that the price forecast and cost assumptions applied by the independent reserves evaluators in evaluating the reserves of Arsenal or Lone Pine will be attained and variances between actual and forecast prices and costs could be material.

Non-IFRS Measures

This news release includes reference to "funds from operations", which is not a measure that has a standardized meaning under International Financial Reporting Standards (IFRS) and is not presented in the financial statements of Arsenal or Lone Pine. Accordingly, that measure as presented herein may not be comparable to similarly defined measures presented by other entities. "Funds from operations" is calculated as cash flow from operating activities, as determined in accordance with IFRS, adjusted for cash paid financing costs, changes in non-cash working capital and decommissioning obligations expenditures. Management considers funds from operations a useful measure of the ability to generate cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS.