

DESCO ENERGY LTD. AND ARCAN RESOURCES LTD. SHAREHOLDERS VOTE TO APPROVE AMALGAMATION

CALGARY, Alberta, Canada, December 29, 2006 – Desco Energy Ltd. ("Desco")(TSXV – "DSE") and Arcan Resources Ltd. ("Arcan") are pleased to announce that the shareholders of each company have voted overwhelmingly to approve the previously announced amalgamation (the "Amalgamation") pursuant to which Arcan and Desco have agreed to combine their businesses and operations.

The Amalgamation was approved by 99.99% of the shareholders of Desco who voted on the Amalgamation at the special meeting of the shareholders of Desco held on December 29, 2006, including by 99.99% of the votes cast by non-arm's length parties to Desco and to the Amalgamation. This vote exceeded the required 66-2/3% approval of the votes cast by Desco shareholders voting at the meeting and the majority of the minority approval required pursuant to Policy 5.2 of the TSX Venture Exchange (the "Exchange") in order to approve the Amalgamation.

The Amalgamation was approved by 100% of the shareholders of Arcan who voted on the Amalgamation at the annual general and special meeting of the shareholders of Arcan held on December 29, 2006, including by 100% of the votes cast by non-arm's length parties to Arcan and to the Amalgamation. This vote exceeded the required 66-2/3% approval of the votes cast by Arcan shareholders voting at the meeting and the majority of the minority approval required pursuant to Policy 5.2 of the Exchange in order to approve the Amalgamation.

Arcan and Desco intend to proceed immediately to file articles of amalgamation to give effect to the Amalgamation effective January 1, 2007. The corporation formed by the Amalgamation will be named "Arcan Resources Ltd.". The amalgamated corporation's board of directors will consist of five of Arcan's current directors: Andy Fisher, Ed Gilmet, Michael J. Laffin, J. Terry McCoy and Hank B. Swartout and one of Desco's current directors, Robert Dales.

The Exchange has provided its conditional acceptance to the Amalgamation. Listing of the amalgamated company's shares is conditional upon the satisfaction of the conditions of the Exchange.

Completion of the transaction is subject to a number of conditions. There can be no assurance that the transaction will be completed as proposed or at all. Trading in the securities of Desco should be considered highly speculative.

The Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Advisory Regarding Forward-Looking Statements

Certain information with respect to Desco and Arcan contained herein, including any assessments of future plans and operations and the final acceptance for the amalgamated company's listing on the Exchange, contain forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain

of which are beyond Desco's or Arcan's control. As a result, events relating to the completion of the Amalgamation could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

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