

ARCAN RESOURCES LTD. ANNOUNCES SECOND QUARTER 2009 AND UPDATES DRILLING RESULTS

CALGARY, Alberta, Canada, August 19, 2009 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Company") announces updated drilling results and the filing of its second quarter 2009 financial statements and management's discussion and analysis. These documents can be retrieved electronically from the SEDAR system under Arcan's profile at www.sedar.com.

SECOND QUARTER 2009 HIGHLIGHTS

- ☆ Operating netbacks of \$31.31 per boe (revenue of \$52.01 per boe and operating cost of \$11.50 per boe) was down 59% from \$75.95 per boe in the second quarter of 2008 but was up 23% from \$25.53 per boe in the first quarter of 2009;
- ☆ Arcan's realized oil and NGL prices declined to \$63.98 and \$56.55 per bbl, respectively, down 46% and 48%, for the three and six months ended June 30, 2009, respectively, versus the same periods in 2008. Arcan's realized natural gas prices declined to \$4.09 and \$4.80 per mcf, down 66% and 54%, for the three and six months ended June 30, 2009, respectively, versus the same periods in 2008. However, oil prices have increased significantly from the first quarter of 2009 realized oil price of \$49.36 per bbl while natural gas has further declined from the \$6.17 per mcf recognized in the first quarter;
- ☆ Production decreased 5% to 1,523 boe per day for the three months ended June 30, 2009 down from the 1,604 boe per day for the three months ended June 30, 2008 but was up 13% from the first quarter of 2009, mainly as a result of the new 50% gas well in Hamburg which is producing at a stabilized rate of approximately 300 net boe per day including approximately 40 net bbls of liquids;
- ☆ Funds from operations decreased 72% to \$2.7 million (\$0.07 per diluted share) in the second quarter of 2009 from \$9.6 million (\$0.24 per diluted share) in the second quarter of 2008 but was up 36% from \$2.0 million (\$0.05 per diluted share) in the first quarter of 2009; and
- ☆ Subsequent to the end of the second quarter of 2009 Arcan commenced drilling its development program in its Hamburg GG light oil pool with up to three 50% interest wells expected to be drilled by the end of Q4, 2009. As well, Arcan expended \$0.2 million on one dry and abandoned exploration well in its McLeod Area in August 2009.

Financial and Operating Summary

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Financials (\$000s except per share amounts)				
Oil and NGL sales	6,178	13,385	11,107	22,583
Natural gas sales	<u>1,031</u>	<u>2,408</u>	<u>1,833</u>	<u>4,285</u>
Total petroleum and natural gas revenue	7,209	15,793	12,940	26,868
Funds from operations ¹	2,680	9,617	4,646	15,820
Per share basic ¹	0.07	0.25	0.12	0.42
Per share diluted ¹	0.07	0.24	0.12	0.41
Net income (loss)	(1,314)	3,983	(2,605)	5,628
Per share basic	(0.03)	0.11	(0.07)	0.15
Per share diluted ⁴	(0.03)	0.10	(0.07)	0.15
Capital expenditures – cash	229	4,062	3,406	13,618
Total assets	145,729	132,263	145,729	132,263
Total liabilities	59,716	45,901	59,716	45,901
Shareholders' equity	86,012	86,362	86,012	86,362
Bank loan	39,627	26,829	39,627	26,829
Net debt and working capital	40,414	27,835	40,414	27,835
Operating, General and Administrative (G&A)				
Production:				
Crude oil (bbls per day)	1,061	1,241	1,085	1,162
Natural gas (mcf per day)	<u>2,772</u>	<u>2,174</u>	<u>2,112</u>	<u>2,270</u>
Total (boe per day) (6:1)	1,523	1,604	1,437	1,541
Average realized price:				
Crude oil (\$ per bbl)	63.98	118.48	56.55	106.76
Natural gas (\$ per mcf)	<u>4.09</u>	<u>12.17</u>	<u>4.80</u>	<u>10.37</u>
Combined average (incl. processing revenue) (\$ per boe)	52.01	108.21	49.75	95.82
Netback (\$ per boe)				
Petroleum and natural gas sales	52.01	108.21	49.75	95.82
Royalties	9.20	19.71	9.81	18.74
Operating and transportation expenses	<u>11.50</u>	<u>12.55</u>	<u>11.32</u>	<u>11.90</u>
Operating netback ²	31.31	75.95	28.62	65.18
Realized economic hedging losses – cash	1.60	-	0.85	-
G&A expenses – cash	6.92	7.46	7.01	6.32
Interest expense – net	<u>2.86</u>	<u>2.21</u>	<u>2.57</u>	<u>2.12</u>
Corporate netback ³	19.93	66.28	18.19	56.74
Common Shares (000s)				
Shares outstanding, end of period	37,869	37,869	37,869	37,869
Weighted average shares ² - basic	37,829	37,793	37,829	37,254
- diluted	37,829	39,473	37,829	38,568

1 The reader is referred to the section – “Special Note Regarding Non-GAAP Measures” in this press release.

2 Operating netback is calculated as revenue less royalties and operating expenses.

3 Corporate netback is calculated as operating netback less realized economic hedging losses, G&A and interest expense.

4 In computing the net loss per diluted share in the respective periods, nil shares were added to the weighted average number of shares outstanding because in 2009 they were anti-dilutive.

Overview

Equity markets remain cautious although it appears that pessimism is slowly being reduced and some economists are indicating that a slow recovery process may have commenced. Through this turbulent period Arcan continues to focus on building long-term value for the future. Since inception Arcan has remained focused on its original growth strategy and over the last three years Arcan has implemented this strategy through the long term waterflood development of its two light oil properties. Arcan now benefits from the low decline rates and higher netbacks that surround long life light oil. Arcan expects to operate through out 2009 on cash flow from operations and its bank line, which has been reviewed and is secured until April 2010. For Arcan, the second quarter of 2009 provided significant increases in crude oil prices as well as a move upwards of Arcan's per share trading price off of the first quarter 2009 lows. However, Arcan's trading price of approximately \$1.40 per share still remains at a deep discount to its year end 2008 net asset value and Arcan's management believes that it does not reflect the stability of its sweet light oil production with low decline rates.

Arcan's light oil continues to provide solid netbacks with oil prices moving in an upward direction from US \$40 to \$70 WTI. Arcan received \$63.98 per bbl of oil in Q2, 2009, down significantly from the \$118.48 per bbl in Q2, 2008 but up 30% from \$49.36 per bbl in the first quarter of this year. Operating netbacks were also up in the second quarter of 2009 to \$31.31 per boe from \$25.53 per boe in the first quarter of the year, as oil properties continue to show solid netbacks on the strength of crude oil prices. To support its cash flow, Arcan entered into a fixed price oil swap contract at the end of March 2009 to receive \$64.40 per barrel in exchange for Canadian dollar WTI on oil production of 500 barrels per day for the period from April 1 to December 31, 2009.

In the second quarter of 2009 Arcan expended \$0.2 million in capital while bringing in \$2.7 million in funds from operations. As a result, Arcan exited the second quarter with \$40.4 million in debt and working capital, well within its \$50 million of secured bank lines. With oil near \$70 per barrel, Arcan has elected to commence drilling its development program in the Hamburg GG light oil pool with the first well spud on August 5, 2009. The journey to development of the GG light oil pool began with the discovery wells in January 2006 and culminated with the full approval of the waterflood and all weather access in the first quarter of this year. Since receiving the long awaited approvals, Arcan has been injecting approximately 2,000 bbls of water per day in an effort to catch up to some of the historic voidage. Arcan has budgeted 2 to 3 (1 to 2 net) wells to be drilled by the end of 2009 as part of a program that may include up to eight wells (5 net), as well as one water source well and the conversion of one well to an injector. Estimated current facility capacity and production from this pool, under full development, is estimated to be over 3,000 (1,500 net) bbls per day of low decline, 41 API light sweet oil with an estimated 8-12 year reserve life index. With current royalty incentives and commodity prices Arcan estimates pay-out for these wells in approximately 100 days.

Arcan and its partner drilled and abandoned an exploration test in the McLeod area. The well was spud on August 1, 2009 at an estimated net cost of \$0.2 million to Arcan.

Finally, Arcan continues to explore for ways to continue development of the 15 kilometres of oil bearing Devonian Reef that comprise the Deer Mountain assets. Ultimately cash flow generated from the production at Hamburg may prove to be the most cost effective avenue to accomplish this development. Arcan anticipates it will drill one additional well by December 31, 2009, just to the south of its Deer Mountain Unit #2 as part of its rolling option farm-in obligation.

Production was 1,523 boe per day in the second quarter of 2009, up 173 boe per day from the first quarter of 2009, as the new Hamburg 50% working interest natural gas well commenced production on April 1, 2009 also receiving the benefit of the new royalty incentives. The new well is producing at a stabilized rate of approximately 300 net boe per day including approximately 40 net bbls of liquids. Arcan is estimating average production of 1,300 to 1,700 boe per day for 2009. Arcan expects to maintain its production base in 2009 through a prudent level of investment based on anticipated cash flow. Arcan's earlier investments provide the Company with a concentrated asset base with its two main assets being Hamburg and Deer Mountain both characterized as high working interest operated properties with long reserve lives and newly commenced waterfloods, capable of producing high netback light oil with a large inventory of additional development opportunities. Paramount to Arcan and to its management team, is adding value for the Company's shareholders. For 2009, Arcan is implementing plans to reduce costs and turn drilling success and continued waterflood implementation into solid reserve bookings.

Outlook

Enhanced recovery schemes require up-front capital investments, with returns being generated over a period of years. Successful water injection operations at Hamburg and Deer Mountain were major milestones and are expected to generate increased recoveries over the longer term, this may significantly enhance reserves and net asset value. With significant investments in infrastructure in place, Arcan now looks to continue to take advantage of its deep development inventory to continue to increase net asset value per share. Arcan's anticipated plans for 2009 and beyond include:

- Infill development drilling in the Hamburg GG pool in conjunction with Arcan's waterflood is aimed at increasing production and significantly extending the life and value of the asset. Arcan has had exploration successes over the past year and it is expanding its exploration base for next winter as Arcan moves into B.C. to take advantage of the more favourable royalty regime.
- At McLeod, Arcan has not focused on natural gas drilling since 2007 but continues to accumulate deeper, higher-impact targets for future drilling when natural gas prices improve.
- Expand Deer Mountain through the combination of Arcan's new battery, full water handling facility, expanded water injection scheme, drilling of new injection/production patterns in the unit and drilling of new patterns located off the unit on Arcan's 56 sections of undeveloped lands along the reef.

Arcan's 2009 capital program is expected to remain within cash flow and debt capacities and will continue to focus on growth through exploration and development in its three core areas of Deer Mountain, McLeod and Hamburg. The Company's strengths include \$108 million of tax pools, a strong slate of directors, highly experienced technical staff, Arcan operated facilities with ample capacity for growth and recently implemented waterfloods. The Arcan team since inception has demonstrated the ability to successfully explore develop and exploit its core properties and will continue to grow Arcan's asset base through the drill bit and targeted accretive acquisitions. Arcan's unwavering commitment to its growth strategy has created a solid platform for Arcan to experience continued strong sustainable growth through out 2009 and into the future.

At June 30, 2009 Arcan had 13 full time office employees and 9 full time field employees.

For a full understanding of the financial position and results of operations of the Company this press release should be read in conjunction with the unaudited interim financial statements for the three and six month periods ended June 30, 2009 and 2008 together with the notes thereto as well as the audited financial statements for the year ended December 31, 2008 and 2007, together with the notes related thereto and other documents filed on SEDAR, including the related MD&A, historical financial statements, the information circular dated April 9, 2009 and the Company's Annual Information Form ("AIF") dated April 3, 2009 for the year ended December 31, 2008. These documents are available at www.sedar.com under the Company's SEDAR profile.

Arcan Resources Ltd. is an Alberta, Canada corporation that is principally engaged in the exploration, development and acquisition of petroleum and natural gas located in Canada's Western Sedimentary Basin. Arcan has 37,868,560 common shares, 586,631 Warrants, 750,000 performance warrants, and 3,631,000 stock options outstanding.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

BOE Presentation – Production and reserve information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil (i.e., 6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers should be aware that historical results are not necessarily indicative of future performance.

Please refer to the "Abbreviations and Conversions" in the AIF dated April 3, 2009 for the year ended December 31, 2008, and available on SEDAR, for meanings of certain abbreviations used in this press release.

Special Note Regarding Non-GAAP Measures – This press release contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as "funds from (used in) operations". This measure is commonly utilized in the oil and gas industry and is considered informative for management and shareholders. Specifically, "funds from (used in) operations" represents net loss for the period adjusted for non-cash items in the statement of operations. This term should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined under GAAP as an indicator of the Corporation's performance. Management considers this term to be important as it helps evaluate performance and demonstrates the Corporation's ability to generate sufficient cash to fund future growth opportunities.

Advisory Regarding Forward-Looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "guidance", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information

and statements pertaining to the following: Arcan's income taxes, tax liabilities and tax pools; the volume and product mix of Arcan's oil and gas production; oil and natural gas prices and Arcan's risk management programs; the amount of asset retirement obligations; future liquidity and financial capacity and resources; cost and expense estimates; results from operations and financial ratios; cash flow sensitivities; royalty rates and their impact on Arcan's operations and results; future growth including development, exploration, and acquisition and development activities and related expenditures.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Arcan including, without limitation: that Arcan will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; availability of debt and/or equity sources to fund Arcan's capital and operating requirements as needed; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; the accuracy of the estimates of Arcan's reserve volumes; and certain commodity price and other cost assumptions. Arcan believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; unanticipated operating results or production declines; changes in tax or environmental laws or royalty rates; increased debt levels or debt service requirements; inaccurate estimation of Arcan's oil and gas reserves volumes; limited, unfavourable or no access to debt or equity capital markets; increased costs and expenses; the impact of competitors; reliance on industry partners; and certain other risks detailed from time to time in Arcan's public disclosure documents including, without limitation, those risks identified in this press release, and in Arcan's Annual Information Form for the year ended December 31, 2008, copies of which are available on Arcan's SEDAR profile at www.sedar.com.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and Arcan does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

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