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## **ARCAN RESOURCES LTD. COMPLETES \$135,140,000 PUBLIC OFFERING OF CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES AND COMMON SHARES**

CALGARY, Alberta, Canada, October 7, 2011 – Arcan Resources Ltd. (TSXV – "ARN") ("**Arcan**") is pleased to announce that it has closed its recently announced public offering of: (i) \$85,000,000 aggregate principal amount of 6.50% convertible unsecured subordinated debentures (the "**Debentures**") at a price of \$1,000 per Debenture; and (ii) 9,200,000 common shares (the "**Shares**") at a price of \$5.45 per Share for proceeds of \$50,140,000, for aggregate gross proceeds of \$135,140,000 (the "**Offering**").

The Offering was underwritten by a syndicate of underwriters (the "**Underwriters**"). The syndicate for the offering of Shares was led by RBC Capital Markets as sole bookrunner and co-led by Haywood Securities Inc. and the syndicate for the offering of Debentures was led by RBC Capital Markets as sole bookrunner and co-led by Scotia Capital Inc. The syndicate for the Offering was also comprised of National Bank Financial Inc., BMO Capital Markets, CIBC World Markets Inc., Stifel Nicolaus Canada Inc., Paradigm Capital Inc. and PI Financial Corp. The Debentures will trade on the TSX Venture Exchange (the "**TSXV**") under the symbol ARN.DB.B.

The Debentures bear interest at 6.50% per annum, payable semi-annually in arrears on April 30 and October 31 commencing on April 30, 2012 and mature and be repayable on October 31, 2018. It is estimated that the first interest payment, payable on April 30, 2012, will be \$36.47 per \$1,000 principal amount of Debentures, which will include interest accrued from the closing date to, but excluding, April 30, 2012.

The Debentures are convertible at the holder's option into common shares of Arcan at an initial conversion price of \$8.75 per common share, subject to adjustment in certain circumstances and satisfaction of certain conditions (the "**Conversion Price**"). The Debentures will not be redeemable by Arcan prior to October 31, 2015, except in certain circumstances following a change of control of Arcan. On or after October 31, 2015, and prior to October 31, 2017, the Debentures will be redeemable by Arcan, in whole or in part, from time to time, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at Arcan's sole option on not more than 60 days and not less than 40 days prior notice, provided that the volume weighted average trading price of Arcan's common shares on the TSXV for the 20 consecutive trading days ending five trading days before the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2017 and prior to October 31, 2018, the Debentures may be redeemed in whole or in part at the option of Arcan on not more than 60 days and not less than 40 days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

Arcan initially intends to use the net proceeds of the Offering to reduce the balance owing under its revolving credit facility, and will re-draw such amount to finance its ongoing exploration and development activities. Arcan plans to use the balance for general working capital purposes.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities of Arcan in the United States. The Debentures and Shares described in this news release (and any common shares of Arcan issued upon the conversion, redemption or maturity of the Debentures) have not been and will not be registered under the United States Securities Act of 1933, as amended, or the securities laws of any state and may not be offered, sold or delivered in the United States absent an exemption from registration.

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.

*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.*

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### **Advisory Regarding Forward-Looking Information and Statements**

This news release contains certain forward-looking information (referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "intend", "expect", "may", "will", "should", or similar words suggesting future activities, circumstances or outcomes. In particular, this news release contains forward-looking statements relating to the first interest payment under the Debentures and the intended use of the net proceeds from the Offering.

Forward-looking statements are based upon the opinions and expectations of management of Arcan as at the effective date of such statements. Although Arcan believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that those expectations will prove to have been correct. Forward looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, such things as changes in general economic and industry conditions in Canada and elsewhere, disruptions in domestic or international financial markets and new laws and regulations (domestic and foreign). Although the intended use of proceeds is based on current expectations of management of Arcan, there may be circumstances where, for business reasons, a reallocation of funds may be necessary as may be determined at the discretion of Arcan and there can be no assurance as at the date hereof as to how those funds may be reallocated. Additional information and other factors that could affect Arcan, the Debentures and the Shares are included in the documents on file with applicable securities regulatory authorities, including the annual information form of Arcan for the period ended December 31, 2010, and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

Forward-looking statements concerning the first interest payment under the Debentures and the intended use of the net proceeds of the sale of the Offering; are all based upon certain factors and assumptions, including the terms of the underwriting agreement entered into between Arcan and the Underwriters on September 23, 2011. In addition, forward-looking statements concerning the first interest payment under the Debentures is based upon the terms of the supplemental indenture entered into by Arcan and the Debenture trustee on October 7, 2011.

The forward-looking statements contained in this news release are made as of the date hereof and Arcan does not undertake any obligation to update publicly or to revise any of the included forward-looking statements to reflect new events or circumstances, except as required by applicable Canadian securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

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