

## **DESCO ENERGY LTD. AND ARCAN RESOURCES LTD. ANNOUNCE COMPLETION OF AMALGAMATION**

CALGARY, Alberta, Canada, January 2, 2007 – Arcan Resources Ltd. (the "Corporation"), the corporation formed by the amalgamation of Arcan Resources Ltd. ("Arcan") and Desco Energy Ltd. ("Desco")(TSXV – "DSE"), is pleased to announce that Arcan and Desco have completed the previously announced amalgamation (the "Amalgamation") pursuant to which Arcan and Desco combined their businesses and operations, with the merged company continuing under the name "Arcan Resources Ltd."

The Amalgamation was approved by the requisite majorities of the shareholders of each of Arcan and Desco at special shareholder meetings held on December 29, 2006.

The TSX Venture Exchange (the "TSXV") has provided conditional acceptance to the Amalgamation. Following the satisfaction of all of the TSXV's conditions and the issuance of a final bulletin by the TSXV accepting notice of the Amalgamation, the common shares of the Corporation are expected to trade on the TSXV under the symbol "ARN".

Pursuant to the terms of the Amalgamation, the board of directors of the Corporation consists of one former director of Desco, Robert Dales, and five former directors of Arcan: Andy Fisher, Ed Gilmet, Michael J. Laffin, J. Terry McCoy and Hank B. Swartout.

Pursuant to the Amalgamation, each outstanding common share of Arcan was exchanged for one common share of the Corporation, and each outstanding common share of Desco was exchanged for 0.36231884 of a common share of the Corporation and one performance share of the Corporation. Each performance share will, on or before November 1, 2008, be either redeemed and cancelled or converted into a fraction of a common share of the Corporation. In the event that the total proved and probable reserves attributed to certain properties held by the Corporation and located in the Hamburg area of Alberta effective June 30, 2008 are determined by an independent firm of qualified oil and natural gas reserves evaluators to be less than 2,216,466 barrels of oil equivalent ("BOE") the performance shares will not be converted into common shares and will be redeemed and cancelled by the Corporation. If the reserves attributable to the Hamburg properties are determined to be equal to or greater than 2,216,466 BOE but less than 3,324,700 BOE, each performance share shall convert into 0.13175241 of a common share and, if determined to be equal to or greater than 3,324,700 BOE, each performance share shall convert into 0.20380435 of a common share. In addition, outstanding securities that are convertible or exchangeable for Arcan common shares have been exchanged for or now represent securities convertible or exchangeable for common shares of the Corporation based upon the exchange ratio for Arcan common shares described above.

In accordance with agreements previously entered into by Desco and certain of its founding shareholders, the founding shareholders transferred to Desco an aggregate 2,349,600 Desco common shares for a price of \$nil per share, and Desco accepted and cancelled such common shares, immediately prior to the completion of the Amalgamation.

The issued and outstanding share capital of the Corporation (consisting of common shares issued to former Arcan shareholders and common shares and performance shares issued to former Desco shareholders pursuant to the Amalgamation) is currently comprised of 28,907,378 common shares and 6,550,400 performance shares. In addition, 2,483,500 common shares are issuable upon exercise of outstanding stock options, 1,287,810 common shares are issuable upon exercise of outstanding warrants and 1,500,000 common shares are issuable upon exercise of performance options. A letter of transmittal has been mailed to former Arcan and Desco shareholders providing instructions as to how such shareholders may submit their Arcan and/or Desco shares to the Corporation's transfer agent, Valiant Trust Company, in order to receive the share certificates representing the shares of the Corporation to which they are entitled.

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.

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

Where amounts are expressed on a barrel of oil equivalent basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per 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.

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

Certain information with respect to the Corporation contained herein, including its assessment of future plans and operations, 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 the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, the Corporation's actual results, performance or achievement 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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