

**ARCAN RESOURCES LTD. ANNOUNCES RECORD SECOND QUARTER 2008 RESULTS
AS WELL AS CONTINUED DRILLING SUCCESS IN DEER MOUNTAIN AND AN
EXPANDED CAPITAL BUDGET.**

CALGARY, Alberta, Canada, August 21, 2008 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Company"), is pleased to announce a record second quarter, expansions at Deer Mountain and an increase to its capital budget.

SECOND QUARTER 2008 HIGHLIGHTS

- ☆ The Company experienced record production, revenue, cash flow from operating activities, funds from operations, netbacks and net income;
- ☆ The Company increased production to 1,604 boe per day for the three months ended June 30, 2008 up 24% over the 1,289 boe per day in Q2, 2007 and 9% over Q1, 2008;
- ☆ Operating netbacks of \$75.95 per boe (revenue of \$108.21 per boe and operating cost of \$12.55 per boe) were up 91% from \$39.86 per boe in Q2, 2007 and up 42% from \$53.47 per boe in Q1, 2008;
- ☆ Funds from operations increased 218% to \$9.6 million (\$0.24 per diluted share) from \$3.0 million (\$0.10 per diluted share) in Q2, 2007 and up 55% from the \$6.2 million (\$0.16 diluted per share) in Q1, 2008;
- ☆ Drilled one (0.5 net) gas well in McLeod, drilled one (0.8 net) well and started drilling another (0.8 net) well in Deer Mountain;
- ☆ Expanded Deer Mountain with the acquisition of varied interests (30% to 100%) in over 50 sections of land in addition to a 19.5 section farm-in on lands immediately to the south of our unit; and
- ☆ Expanded its 2008 capital budget by approximately 50% from \$26 million to \$40 million, deploying these additional funds into expansion at Deer Mountain.

Financial and Operating Summary

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Financials (\$000s except per share amounts)				
Oil and NGL sales	13,385	5,072	22,583	8,861
Natural gas sales	2,408	2,193	4,285	3,610
Total petroleum and natural gas revenue	15,793	7,265	26,868	12,471
Funds from operations ¹	9,617	3,021	15,820	4,779
Per share basic ¹	0.25	0.10	0.42	0.16
Per share diluted ¹	0.24	0.10	0.41	0.16
Net Income (loss)	3,983	(356)	5,628	(932)
Per share basic	0.11	(0.01)	0.15	(0.03)
Per share diluted	0.10	(0.01)	0.15	(0.03)
Capital expenditures – cash	4,062	6,120	13,618	20,368
Total Assets	132,263	101,498	132,263	101,498
Total Liabilities	45,901	32,485	45,901	32,485
Shareholders' equity	86,362	69,013	86,362	69,013
Bank Loan, net of cash and cash equivalents	26,829	11,911	26,829	11,911
Net debt and working capital	27,835	16,964	27,835	16,964

Financial and Operating Summary	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Operating, General and Administrative (G&A)				
Production:				
Crude oil (bbls per day)	1,241	792	1,162	734
Natural gas (mcf per day)	<u>2,174</u>	<u>2,980</u>	<u>2,270</u>	<u>2,454</u>
Total (boe per day) (6:1)	1,604	1,289	1,541	1,143
Average realized price:				
Crude oil (\$ per bbl)	118.48	70.35	106.76	66.73
Natural gas (\$ per mcf)	<u>12.17</u>	<u>8.09</u>	<u>10.37</u>	<u>8.13</u>
Combined average (incl. processing revenue) (\$ per boe)	108.21	61.94	95.82	60.30
Netback (\$ per boe)				
Petroleum and natural gas sales	108.21	61.94	95.82	60.30
Royalties	19.71	14.64	18.74	15.32
Operating and transportation expenses	<u>12.55</u>	<u>7.44</u>	<u>11.90</u>	<u>8.83</u>
Operating netback	75.95	39.86	65.18	36.15
G&A expenses – cash	7.46	12.64	6.32	11.43
Interest expense – net	<u>2.21</u>	<u>1.47</u>	<u>2.12</u>	<u>1.62</u>
Corporate netback	66.28	25.75	56.74	23.10
Common Shares (000s)				
Shares outstanding, end of period	37,869	33,635	37,869	33,635
Weighted average shares ² - basic	37,793	31,721	37,254	30,318
- diluted	39,473	31,721	38,568	30,318

1 The reader is referred to the section – “Non-GAAP Measurements”.

2 In computing the net loss per diluted share in the 2007 periods, nil shares were added to the weighted average number of shares outstanding because they were anti-dilutive.

Overview

Light oil price increases and record oil production lifted Arcan’s funds from operations for the three and six month periods ended June 30, 2008, to \$9.6 million and \$15.8 million, respectively, based on operating netbacks of \$75.95 and \$65.18, respectively. For the three months ended June 30, 2008 production was 1,604 boe per day which is 24% higher than the 1,289 boe per day average production for the three months ending June 30, 2007. The higher Q2, 2008 production levels incorporated elevated production from the test period for the new well in Hamburg which more than offset marginal declines due to the impact of the mid-June gas shut-in from McLeod. Production in Deer Mountain continues to perform well as we see pressure response from injection and new drilling locations being tied-in.

The increased cash flow allows Arcan to announce an increase to its budgeted capital program by 50% to \$40.0 million from \$26.0 million at the start of 2008. The expanded budget is mainly focused in Deer Mountain, increasing the drill program to 10 - 15 wells from the original 6 wells. The additional wells are expected to be mainly oriented at pool expansion and extension, both on the existing unit and onto the newly acquired lands.

In the second quarter of 2008, Arcan expended \$4.1 million of capital drilling one well and commencing a second well in Deer Mountain in addition to farming-in on 19.5 sections of land as well as purchasing varied interests (from 30% to 100%) on over 50 sections of land to the south and immediately adjacent to our Deer Mountain unit. As well, Arcan participated in drilling a partner operated gas well (0.5 net) in McLeod. Our investments currently have Arcan with a 70-80% weighting towards light oil as the Company continues to benefit from record oil prices.

Production is expected to be hampered in Q3, 2008 in McLeod as all production was shut-in for the month of July relating to a Nova Gas Transmission Limited (“Nova”) outage and only re-commenced at the start of August. In Hamburg, a prolific new well was producing in Q2, 2008, during its new oil period, and will be shut in for the majority of the third quarter of 2008. Arcan continues its efforts to have its Hamburg Maximum Rate limitations (“MRL’s”), and thereby production, lifted. Accounting for the impact of these issues, and unless the MRL’s in Hamburg are lifted, Arcan expects to produce between 1,200 and 1,500 boe per day in the third quarter of 2008. Arcan anticipates wells drilled in Deer Mountain will be completed and will add to production late in Q3 and into Q4 of 2008, reducing the negative impact of the Nova outage. Arcan’s production and investment in drilling continues to be levered to high netback light oil.

Arcan operates its core properties and is able to re-allocate capital expenditures among exploration and development drilling for both oil and natural gas. Arcan has a large inventory of infill oil locations with low risk profiles, high reserve potential and high operating netbacks. Paramount to Arcan and to its management team is adding value for the Company's shareholders. Arcan is oil weighted and expects to continue to benefit from historically high oil prices as investment is directed into these areas. The industry has been challenging for smaller producers as the impact of record crude oil prices is dampened by the increased royalties proposed by the Alberta government for January 2009. Significant commodity price increases continue to lift Arcan’s funds from operations and continue to provide a basis for expanded exploration initiatives. Arcan will continue to adjust for these items and evaluate and modify capital expenditures accordingly.

At June 30, 2008 Arcan had 19 full time employees.

Overview of Arcan's Core Areas

Hamburg

Production averaged 975 boe per day with \$81.94 per boe operating netbacks for the three months ended June 30, 2008 up from 393 boe per day and \$57.08 per boe operating netbacks in the three months ended June 30, 2007. For the six months ended June 30, 2008 production averaged 846 boe per day with \$73.08 per boe operating netbacks up from 303 boe per day and \$50.08 per boe operating netbacks in the six months ended June 30, 2007. Strong production rates in the second quarter reflected the capability of our new well at 13-17, which was drilled in the first quarter of 2008. The new well produced at high rates during its new oil well production period and was shut-in due to over production.

Arcan has drilled a total of seven wells in the area of the GG Pool located in Twp. 096 Range 09W6M. So far, only three (two producers and one injector) of these wells are within the boundaries of the approved Enhanced Recovery Scheme and have Good Production Practice (“GPP”) status with the balance of the wells remaining on limited rates by MRL’s.

In addition to the five to six additional locations identified within the area of the GG Pool which could be drilled this coming winter, Arcan anticipates completing the exploration well it drilled at the end of last winter. Arcan has numerous ready to drill exploration plays in the Hamburg area, both in Alberta and in British Columbia and continues to add to its drill ready inventory for this winter’s exploration. Arcan is assessing budget availability as well as other avenues to facilitate its exploration programs.

McLeod

Production averaged 140 boe per day with \$48.72 per boe operating netbacks for the three months ended June 30, 2008, down from 497 boe per day with \$32.07 per boe netbacks in the three months ended June 30, 2007. Production averaged 219 boe per day with \$36.07 per boe operating netbacks for the six months ended June 30, 2008, down from 416 boe per day with \$30.43 per boe netbacks in the six months ended June 30, 2007. Production declines reflect both shut in periods as well as normal declines from lack of investment. Over the past eighteen months Arcan has reduced drilling in McLeod to focus on higher netback oil.

In mid-June 2008, Nova commenced a planned shut down in the McLeod area which shut-in Arcan's production from McLeod until the start of August. The production impact will be reflected in the third quarter of 2008. The majority of these wells, plus an additional 100 boe per day well that has been shut-in since March, are back on production now. With the wells back on-line, production from the area is now averaging approximately 250 boe per day.

Arcan participated in drilling one (0.5 net) well in McLeod during the second quarter of 2008. The well has been subsequently completed and should be on-stream in Q4, 2008 at an initial rate of 200-300 (100-150 net) boe per day, subject to pipeline capacity. Arcan anticipates drilling additional wells to offset the most recent development well. Four additional locations with proposed drilling depths of around 2,500 meters have been surveyed in the McLeod Area and other deeper opportunities in the area are being accumulated.

Deer Mountain

Production averaged 485 boe per day with \$81.42 per boe operating netbacks for the three months ended June 30, 2008 up from 398 boe per day with \$38.08 per boe operating netbacks in the three months ended June 30, 2007. Production averaged 473 boe per day with \$69.39 per boe operating netbacks for the six months ended June 30, 2008 up from 395 boe per day with \$36.43 per boe operating netbacks in the six months ended June 30, 2007. In Deer Mountain pressure maintenance remains the key to maximizing asset potential. Arcan has been injecting over 1,000 boe of water per day for the majority of the second quarter of 2008 and has subsequently drilled an additional water source well.

Arcan drilled one (0.8 net) oil well and commenced drilling one (0.8 net) step out well in Deer Mountain in the second quarter of 2008. Subsequent to the end of the second quarter the two wells have been completed and another (0.8 net) step out well has been drilled. The two step out wells, drilled on the northern lobe of the reef off of our proprietary 3D seismic, have verified the presence of reservoir to the east of the existing productive wells and have established further drilling locations on the eastern edge of the field as well as adding additional validity to our seismic interpretation. These three new wells are anticipated to be on production by the end of August 2008. One well on the new eastern edge will likely be turned into an injector and Arcan anticipates that the production and related injection system should be on-stream by the end of 2008. These successful wells have lead to an expanded drilling and capital budget in this area for 2008.

During the second quarter of 2008 Arcan expanded its interests in the area with the acquisition of varied interests (30% to 100%) in over 50 sections and a 19.5 section farm-in on lands immediately to the south of our unit. Arcan plans to drill its first test well on these new lands late in the third quarter of 2008. A successful well could generate an extensive oil resource play and generate significant follow-up and extension opportunities.

Arcan plans to employ a second rig to expedite the drilling process as we have lined up an eight to ten well development and step-out program based on the expanded capital budget. Arcan's Deer Mountain property contains a large inventory of low risk development infill oil wells with high reserve impact and high netbacks. Additional success on the newly acquired lands would add significantly to that inventory.

Outlook

The capital plan for the balance of 2008 is to develop and expand the assets we already own and have invested in. That leads us to drill reserve development wells and pool extension wells in Deer Mountain, additional development gas wells in McLeod, exploration opportunities in McLeod, possibly late fourth quarter development drilling in our Hamburg pool and look to add and possibly consolidate interests in our core areas. These activities are expected to add production and value on a very capital effective basis. On the operations side we expect to continue to focus on water injection in Hamburg and in Deer Mountain which remain the key driver to harvesting value. Arcan is maximizing our daily production and taking advantage of the high netback environment. For the balance of 2008 we intend to stay within our bank lines, drill expansion wells in Deer Mountain and build up our exploration opportunities and our platform for continued growth. We are oil weighted and expect to continue to benefit from record oil prices as we direct our investments into these areas and we are monitoring and planning for the impact of the changes to the Alberta royalty rates.

Arcan has prepared the Management Discussion and Analysis ("MD&A") and the unaudited interim financial statements for the three and six month periods ending June 30, 2008 as compared to the three and six month periods ending June 30, 2007 and compared to the three month period ended March 31, 2008. The MD&A complements and supplements the financial statements of Arcan. For a full understanding of the financial position and results of operations of the Company the MD&A should be read in conjunction with the unaudited interim financial statements for the three and six month periods ended June 30, 2008 and 2007 together with the notes thereto, the unaudited interim financial statements for the three month periods ended March 31, 2008 and 2007 together with the notes thereto, as well as the audited financial statements for the year ended December 31, 2007, the six months ended December 31, 2006 and the year ended June 30, 2006, together with the notes related thereto and other documents filed on SEDAR, including historical financial statements, the Company's management information circular dated April 22, 2008 and the Company's Annual Information Form ("AIF") dated April 3, 2008 for the year ended December 31, 2007. These documents, as well as historical press releases and filings including historical Management Discussion and Analysis, financial statements and related notes, will or have been filed and will be available under Arcan's SEDAR profile at www.sedar.com.

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, 1,500,000 performance warrants, and 3,713,667 stock options outstanding.

The TSX Venture Exchange does not accept 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. BOEs 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.

Netbacks – Operating netbacks are defined as sales revenue, less royalties and operating expenses. Corporate netbacks are defined as operating netback, less G&A and interest.

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 Company's performance. Management considers this term to be important as it helps evaluate performance and demonstrates the Company's ability to generate sufficient cash to fund future growth opportunities.

Advisory Regarding Forward-Looking Statements

Certain information with respect to the Company contained herein, including its assessment of future plans and operations contain forward-looking statements. In some cases, forward-looking statements and information can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "proposed", "anticipates", "targets", "believes", "estimates", "continue", "designed", "objective", "potential" and similar expressions. In particular, this document contains forward-looking statements and information with respect to: estimated volumes and timing of future production; business plans for drilling, exploration and development; estimated dates for seismic and other programs; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations and performance. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, uncertainty regarding drilling results, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, the Company'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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