

ARCAN RESOURCES LTD. ANNOUNCES MARCH 31, 2007 FINANCIAL AND OPERATING INFORMATION

CALGARY, Alberta, Canada, May 28, 2007 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Corporation"), is pleased to announce March 31, 2007 financial and operating information.

First Quarter 2007 Highlights

- ☆ The Corporation's quarter over quarter production for the three months ended March 31, 2007 increased by 87%;
- ☆ Operating netbacks of \$31.29 per boe (revenue of \$58.14 per boe and operating cost of \$10.65 per boe);
- ☆ Drilled five (3.8 net) wells;
- ☆ Completed the Desco transaction and listed the Corporation's common shares on the TSX Venture Exchange; and
- ☆ Raised \$15.2 million by means of an equity financing and increased bank facility to \$25.0 million.

Financial and Operating Summary

	Quarter Ended			December 31, 2006
	March 31, 2007	March 31, 2006	% Change yr over yr	
Financials (\$000s except per share amounts)				
Oil and NGL sales	3,789	722	425	3,046
Natural gas sales	1,417	1,754	(19)	996
Total petroleum and natural gas revenue	5,206	2,476	110	4,042
Funds from operations ⁽¹⁾	1,758	1,325	33	1,629
Per share basic	0.06	0.10	(40)	0.06
Per share diluted	0.06	0.10	(40)	0.06
Net loss	(576)	(689)	11	(131)
Per share basic	(0.02)	(0.04)	50	(0.01)
Per share diluted ⁽²⁾	(0.02)	(0.04)	50	(0.01)
Capital expenditures ⁽³⁾	23,590	12,118	95	10,369
Net debt	29,144	10,052	190	15,745
Operating, General and Administrative (G&A)				
Production:				
Crude oil (bbls per day)	674	131	415	531
Natural gas (mcf per day)	1,922	2,406	(20)	1,466
Total (boe per day) (6:1)	995	532	87	775
Average realized price:				
Crude oil (\$ per bbl)	62.42	61.26	2	63.02
Natural gas (\$ per mcf)	8.19	8.11	1	7.46
Combined average (incl. processing revenue) (\$ per boe)	58.14	51.74	12	57.27
Netback (\$ per boe)				
Petroleum and natural gas sales	58.14	51.74	12	57.27
Royalties	(16.20)	(14.23)	14	(13.86)
Operating and transportation expenses	(10.65)	(6.63)	61	(7.82)
Operating netback	31.29	30.88	1	35.59
G&A expenses	(9.84)	(3.42)	188	(10.99)
Interest expense	(1.82)	=	-	(1.54)
Corporate netback	19.63	27.46	(29)	23.06
Common Shares (000s)				
Shares outstanding, end of period	29,013	13,342	117	26,534

	Quarter Ended			December 31, 2006
	March 31, 2007	March 31, 2006	% Change yr over yr	
Weighted average basic and diluted shares outstanding	28,899	13,339	117	25,295

- 1 Arcan's method of calculating funds from operations may differ from that of other companies, and, accordingly, may not be comparable. Arcan determines funds from operations as cash flow from operating activities before changes in non-cash working capital (\$821,737 + \$936,630 = \$1,758,367).
- 2 In computing the net loss per diluted share, nil shares were added to the weighted average number of shares outstanding because they were anti-dilutive.
- 3 Capital expenditures includes cash additions of \$15.0 million for the period as well as asset retirement obligations, and acquisition additions.

Overview

Arcan had a very active first quarter completing the Desco Energy Ltd. transaction, listing Arcan's shares for trading on the TSX Venture Exchange, drilling five (3.8 net) wells and investing \$14.8 million of capital. In the Hamburg area, Arcan drilled four (3.0 net) wells, delineated its new pool discovery and drilled a water source well. In the McLeod area, Arcan tied-in production, and in the Deer Mountain Area, Arcan drilled one (0.8 net) new well and completed water handling facilities. Arcan has a balanced portfolio of assets producing light oil and natural gas. The Hamburg area, generally only accessible in the winter, is considered higher risk but this is offset by medium risk opportunities in the McLeod area and low risk exploitation type opportunities in the Deer Mountain area.

Arcan achieved production growth of 87% to an average of 995 boe per day in the first quarter of 2007 from an average of 532 boe per day in the first quarter of 2006 and up 28% from 775 boe per day in the fourth quarter of 2006. Subsequent to the end of the quarter, Hamburg production increased and then was reduced in accordance with MRL guidelines. As well, a pipeline break shut-in production at McLeod for approximately three weeks and heavy snowfall in Deer Mountain brought down power lines and thereby impacted production. After resolving these issues, Arcan is pleased that production in late May is approximately 1,700 boe per day, based on field estimates. The Corporation reiterates its guidance for 2007 of average production of 1,750 boe per day and exit production of 2,300 boe per day.

Arcan's operations in the first quarter of 2007 resulted in an average operating netback (defined as revenue; less royalties and operating expenses on a per boe basis) of \$31.29 per boe. Operating netbacks from oil were \$33.67 and natural gas were \$27.90 per boe in the first quarter of 2007 versus \$37.12 for oil and \$28.86 for natural gas in the first quarter of 2006. Funds from operations grew by 20% to \$1.8 million in the first quarter of 2007 from \$1.3 million in the first quarter of 2006 and increased from \$1.6 million in the fourth quarter of 2006 primarily as a result of increased volumes offset by an increase in royalties and operating costs. This translated to a net loss of \$0.6 million in the first quarter of 2007 as compared to net loss of \$0.7 million in the first quarter of 2006 and \$0.1 million in the fourth quarter of 2006.

Arcan's bank line, based on the December 31, 2006 reserves report, increased to \$25.0 million and management forecasts a conservative level of leverage at the end of 2007 with a debt to annualized fourth quarter 2007 cash flow ratio of less than one.

The Corporation is excited as it looks forward to the balance of 2007 as drilling is expected to commence in Deer Mountain in July, injection work in Hamburg is planned for August and the McLeod exploration program is anticipated to commence in September. All three of Arcan's

areas contribute to one of the key elements of Arcan's business plan, being growth in value on a per share basis.

Hamburg

The Hamburg "GG" Slave Point oil pool was discovered by Arcan in February 2006. Arcan owns 50% in the first four wells and 100% in the fifth well drilled into the reef complex. Arcan has previously disclosed the results of these wells, which tested from individual wells at rates from 500 to 1,850 boe per day of greater than 40 API sweet oil and natural gas and Arcan believes that these Slave Point oil wells have resulted in a significant oil discovery. The wells are pipeline connected to a partner owned battery. Three of the five wells were completed in 2007, which is expected to increase Arcan's reserves. Arcan plans to drill an additional four to six (3 to 4 net) development wells into this reef complex this coming winter.

The existing wells are currently subject to maximum rate limits ("MRL's") imposed by the Alberta Energy and Utilities Board ("EUB"). Arcan applied and received approval for enhanced recovery status from the EUB, which is expected to significantly raise these production limitations. Approvals are conditional on water injection. Timing of water injection is still under review however Arcan has sourced injection equipment, drilled a water source well and has received approval to build an all weather road into the area during the summer months.

Arcan plans to continue to explore for new Slave Point reefs in the Hamburg area. Management has over 16 years of experience drilling Slave Point targets in this area with a 65% historical success ratio which far exceeds the industry average. Arcan plans to drill 2 to 4 (100% Arcan) new Slave Point gas prospects this coming winter and is reviewing potential development of Bluesky gas discovered in the area.

McLeod

Arcan's drilling at McLeod targets gas in Mannville and Jurassic aged strata at depths of 1,800-2,300 metres. Arcan has drilled six (4.2 net) Gething gas wells with 100% success at McLeod. Four (3.0 net) of these wells are on production. These wells are producing in excess of 900 boe per day net to Arcan. Production is restricted by third party pipeline constraints, which Arcan is attempting to rectify. Reserve additions for recently drilled wells are expected in 2007.

At McLeod, Arcan has a large inventory of medium-risk drilling prospects that have been developed by its two geologists who have worked the McLeod area for over 15 years each with major companies, drilling in excess of 300 wells combined. Arcan's exploration experience in this area facilitates farm-ins and is expected to contribute to a high success ratio. Arcan competes by farming in or acquiring only lands where Arcan has developed drill ready prospects. This approach allows Arcan to run full economics and include risks for tie-in and land expiries. Arcan is also pursuing deeper, higher impact targets in the area and plans on drilling at least one of these deeper targets in the fourth quarter of 2007.

Deer Mountain

The Swan Hills Deer Mountain Unit #2 (the "Deer Mountain Unit") is part of the Swan Hills Reef Complex. The Deer Mountain Unit is considered one of the most undeveloped pools in this Swan Hills Complex as the majority of the complex is under secondary and tertiary recovery

schemes. To date, Arcan has fracture stimulated some existing oil wells, reworked existing water injection wells, drilled new oil wells and one new water injection well, tied-in liquids rich solution gas that was previously flared and shot a new 3D seismic program covering approximately 18 square kilometres. As well, Arcan has constructed a new oil battery capable of 4,000 barrels of fluid per day and a new water handling facility.

Initial production from the Deer Mountain Unit commenced in 1964 and unitization occurred in late 1984. Recovery from the Deer Mountain Unit is low compared to offsetting pools in the field because of a historic lack of drilling and water injection. In Arcan's current reserve report, effective December 31, 2006, it is estimated that the oil recovered from the unit to date is approximately 8.6% and total recovery is currently estimated to reach 20%. Arcan believes ultimate recovery will increase significantly as development drilling and water injection proceeds. Adjoining units in the field have actual and expected recoveries estimated to be 35-40% with some operators expecting further increases in the future from potential CO₂ injection schemes. To help plan operations, Arcan has shot 3-D seismic, constructed a geological model using Petrel software and is running a waterflood simulation using Eclipse software.

Arcan considers Deer Mountain to be a "legacy asset" which is expected to produce for another 20 years or more. Arcan recently completed a well drilled in the first quarter of 2007 and initial production rates are in excess of 350 boe per day, the most prolific well drilled by Arcan in this pool. Additional drilling is expected to commence late in the third quarter of 2007. The construction of the new battery and centralized water injection facilities will allow Arcan to implement a field wide water flood and continue drilling patterns of producing wells and water injection wells. Based on current spacing, Arcan expects to have several years of development drilling to increase rates and recoveries from the unit. Additional upside is expected through pumping optimization and re-working of existing well bores. Arcan is also examining the potential for exploration drilling in the Deer Mountain area.

Financial Statements and Management's Discussion and Analysis

Arcan has filed with Canadian securities regulatory authorities its financial statements for the three months ended March 31, 2007 and the accompanying Management's Discussion and Analysis. These filings are available under Arcan's SEDAR profile at www.sedar.com.

Arcan Resources Ltd. is an Alberta corporation that is principally engaged in the exploration, development and acquisition of petroleum and natural gas located in Canada's Western Sedimentary Basin.

As at May 24, 2007 Arcan had 33,625,376 common shares, 764,810 warrants, 1,500,000 performance-based options, 6,550,400 performance shares and 3,125,000 stock options outstanding.

Legal Advisories

Oil, Natural Gas Liquids ("NGL's"), and Natural Gas conversions to BOE's

The calculation of barrels of oil equivalent ("boe") is based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil to estimate relative energy content and does not

represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation.

Non-GAAP Measurements

Readers are cautioned that this press release contains the term funds from operations which should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as an indicator of Arcan's performance. The reconciliation between funds from operations and cash provided by operating activities can be found in this press release. Arcan also presents funds from operations per share, whereby funds from operations is divided by the basic weighted average number of shares outstanding to determine per share amounts. Operating and corporate netbacks are also presented in which operating represents Arcan's revenue per boe, less per boe royalties and operating expenses, and corporate netbacks represents Arcan's operating netback per boe, less per boe G&A and interest expense, in order to determine the amount of funds generated by each boe produced.

These measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that funds from operations and operating and corporate netbacks are useful supplemental measures as they provide an indication of the ability of Arcan to fund future growth through capital investment and/or repay debt. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding Arcan's liquidity and its ability to generate funds to finance its operations.

Forward Looking Statements

Certain information with respect to Arcan 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 Arcan'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, Arcan'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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