

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Finance and Chief Financial Officer of Arcan Resources Ltd at Suite 3200, 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1, (telephone (403) 262-0321 or by faxing a written request to (403) 262-4636), and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

October 22, 2009



ARCAN RESOURCES LTD.

\$11,250,000
9,000,000 Common Shares

This short form prospectus qualifies the distribution (the "**Offering**") of an aggregate of 9,000,000 common shares (the "**Offered Shares**") of Arcan Resources Ltd. ("**Arcan**" or the "**Corporation**"). The offering price for the Offered Shares was determined by negotiation between Arcan and Wellington West Capital Markets Inc., on behalf of itself and the other Underwriters (as defined herein).

The outstanding Common Shares are listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "ARN". On October 21, 2009, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was \$1.25. The TSXV has conditionally approved the listing of the Offered Shares to be distributed under this short form prospectus. Such listing is subject to Arcan fulfilling all of the requirements of the TSXV.

Price: \$1.25 Per Offered Share

| | Price to Public | Underwriters' Fee ⁽¹⁾ | Net Proceeds to Arcan Fee ⁽²⁾ |
|-------------------------|--------------------|-------------------------------------|---|
| Per Offered Share | \$1.25 | \$0.075 | \$1.175 |
| Total..... | \$11,250,000 | \$675,000 | \$10,575,000 |

Notes:

- (1) Arcan has agreed to pay the Underwriters an aggregate fee (the "**Underwriters' Fee**") equal to 6.0% of the gross proceeds of the Offering.
- (2) Before deducting expenses of the Offering, estimated to be \$230,000, which will be paid from the proceeds of the Offering.

Wellington West Capital Markets Inc., FirstEnergy Capital Corp., Haywood Securities Inc., Paradigm Capital Inc. and PI Financial Corp. (collectively, the "**Underwriters**"), as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by Arcan and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to

approval of certain legal matters on behalf of Arcan by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Burstall Winger LLP.

In the opinion of Blake, Cassels & Graydon LLP, counsel to Arcan, and Burstall Winger LLP, counsel to the Underwriters, on the basis of the applicable legislation in effect on the date hereof, and subject to the qualifications and assumptions discussed under the heading "Eligibility For Investment", the Common Shares, on the Closing Date (as defined herein), will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts. See "Eligibility for Investment".

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. Closing of the Offering is expected to occur on or about October 29, 2009 (the "**Closing Date**"). Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which otherwise might prevail in the open market. See "Plan of Distribution".

The Underwriters propose to offer the Offered Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the proceeds received by Arcan. See "Plan of Distribution".

An investment in the Offered Shares should be considered highly speculative due to various factors, including the nature of Arcan's business. The Corporation's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The oil and natural gas reserves and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation's properties may be greater or less than the estimates contained in this short form prospectus. The success of acquisitions and further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. Prospective investors should carefully consider the risk factors described in this short form prospectus under "Risk Factors", as well as the risk factors contained in the Annual Information Form of the Corporation dated April 3, 2009 for the year ended December 31, 2008, which is incorporated by reference in this short form prospectus.

Investors should rely only on the information contained in this short form prospectus and the documents incorporated by reference herein. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to the Corporation's obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Offered Shares.

The principal business address and registered office of Arcan is located at Suite 3200, 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

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DEFINITIONS

Unless the context indicates otherwise, the following terms and abbreviations shall have the meanings set out below when used in this short form prospectus. Additional terms relating to oil and natural gas reserves and operations have the meanings set forth under "Abbreviations and Conversion" and "Presentation of Arcan's Oil and Gas Reserves and Production Information" in the AIF (as defined below).

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, and the regulations thereunder, and any successor laws or regulations thereto;

"**Amalgamation**" means the amalgamation of Desco Energy Ltd. and the former Arcan Resources Ltd., effective January 1, 2007, pursuant to Section 181 of the ABCA and the Amalgamation Agreement to form Arcan;

"**Common Shares**" means the common shares in the capital of Arcan, including, where appropriate, the Offered Shares;

"**GLJ**" means GLJ Petroleum Consultants Ltd., independent qualified reserves evaluators;

"**Performance Options**" means the performance based options to purchase Common Shares issued to certain directors and officers of Arcan;

"**Performance Shares**" means the performance shares in the capital of Arcan issued to former shareholders of Desco Energy Ltd.;

"**TSXV**" means the TSX Venture Exchange; and

"**Warrants**" means the warrants to purchase Common Shares issued to certain agents and investors by the Corporation from time to time.

In this short form prospectus, unless otherwise indicated, all dollar amounts are in Canadian dollars and all references to "\$" are to Canadian dollars.

NON-GAAP MEASURES

In this short form prospectus and in certain documents incorporated by reference into this short form prospectus, there are references to the terms "funds from operations", "funds from operations per share", "net debt", "cash operating costs", "operating netbacks" and "corporate netbacks" which are not recognized measures under Canadian generally accepted accounting principles ("**GAAP**").

The term "funds from operations", should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net earnings as determined in accordance with GAAP as an indicator of Arcan's performance. Arcan also presents funds from operations per share, whereby funds from operations is divided by the basic weighted average number of common shares outstanding to determine per share amounts. Operating netbacks and corporate netbacks are also presented. Net debt is defined as outstanding bank debt plus or minus working capital. Operating netbacks represent Arcan's revenue, less royalties and operating expenses, and corporate netbacks represent Arcan's operating netback, less realized economic hedging gains and losses, general and administrative and interest expense, in order to determine the amount of funds generated by production. Operating netbacks and corporate netbacks have been presented on a per BOE basis, as well.

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, operating netbacks 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 certain documents incorporated by reference into this short form prospectus 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. Arcan's method of calculating funds from operations may differ from that of other companies, and, accordingly, may not be comparable.

For more information, see the Corporation's management discussion and analysis of financial condition and results of operations for the year ended December 31, 2008, which includes a definition of "funds from operations" and reconciliation to cash flow from operating activities, which is incorporated herein by reference.

SELECTED ABBREVIATIONS AND CONVERSION

In this short form prospectus, the abbreviations set forth below have the following meanings:

| Oil and Natural Gas Liquids | | Natural Gas | |
|-----------------------------|---------------------|-------------|---------------------|
| bbl | barrel | Mcf | thousand cubic feet |
| NGLs | natural gas liquids | | |

Other

BOE barrel of oil equivalent. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcfs: 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.

BOE/d barrel of oil equivalent per day

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Finance and Chief Financial Officer of Arcan Resources Ltd. at Suite 3200, 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1, (telephone (403) 262-0321 or by faxing a written request to (403) 262-4636), or by accessing the disclosure documents available through the Internet on the SEDAR website at www.sedar.com.

The following documents of Arcan, which have been filed with securities commissions or similar authorities in Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of Arcan dated April 3, 2009 for the year ended December 31, 2008 (the "AIF");
- (b) the financial statements of Arcan and the notes thereto as at and for the years ended December 31, 2008 and 2007, together with the report of the auditors thereon;
- (c) management's discussion and analysis of financial condition and results of operations of Arcan for the year ended December 31, 2008;
- (d) the interim financial statements of Arcan and the notes thereto as at June 30, 2009 and for the three and six months ended June 30, 2009 and 2008;
- (e) management's discussion and analysis of financial condition and results of operations of Arcan for the three and six months ended June 30, 2009;
- (f) the management proxy circular of Arcan dated April 9, 2009, relating to the annual and special meeting of holders of Common Shares held on May 20, 2009;
- (g) the management proxy circular of Arcan dated April 22, 2008, relating to the annual and special meeting of holders of Common Shares held on May 22, 2008; and
- (h) the material change report of Arcan dated October 14, 2009 in respect of the Offering.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential

material change reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial results, information circulars, annual information forms and business acquisition reports, filed by Arcan with the securities commissions or similar authorities in each of the provinces of Canada, other than Québec, subsequent to the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which is also, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this short form prospectus and in certain documents incorporated by reference into this short form prospectus constitute forward-looking statements. These statements relate to future events or the Corporation's future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These 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 statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon.

In particular, this short form prospectus, and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- the use of proceeds from this Offering;
- the quantity of, and future net revenues from, Arcan's reserves;
- crude oil, NGLs and natural gas production levels;
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs, drilling programs and other future expenditures;
- supply and demand for oil, NGLs and natural gas;
- Arcan's business strategy and planned acquisition and development strategy;
- expectations regarding Arcan's ability to raise capital and to continually add to reserves through acquisitions and development;
- schedules for and timing of certain projects and Arcan's strategy for growth;
- Arcan's future operating and financial results;
- future abandonment and reclamation costs;
- Arcan's tax pools and the time at which Arcan may incur certain income or other taxes;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws; and
- future income tax laws and royalty regimes.

Arcan's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including risk factors set forth under "Risk Factors" in this short form prospectus and in the AIF and those set forth below:

- volatility in market prices for oil, NGLs and natural gas;

- actions by governmental or regulatory authorities including changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry;
- changes or fluctuations in oil, NGLs and natural gas production levels;
- changes in foreign currency exchange rates and interest rates;
- changes in capital and other expenditure requirements and debt service requirements;
- liabilities and unexpected events inherent in oil and gas operations, including geological, technical, drilling and processing risks;
- actions of industry partners;
- uncertainties associated with estimating reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- constraints on, or the unavailability of, adequate pipeline and transportation capacity to deliver Arcan's production to market;
- Arcan's success at the acquisition, exploitation and development of reserves;
- changes in general economic, market (including credit market) and business conditions in Canada, North America and worldwide; and
- changes in environmental, regulatory or other legislation applicable to Arcan's operations, and Arcan's ability to comply with current and future environmental legislation and regulations and other laws and regulations.

Statements relating to reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of factors is not exhaustive.

Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "Risk Factors" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of the Corporation, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this short form prospectus or in any of the documents incorporated by reference herein are made as of the date of the respective document. Neither the Corporation, nor any of the Underwriters undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by the cautionary statements contained herein.

BUSINESS OF THE CORPORATION

Overview

Arcan's business plan is focused on building and capturing opportunities in western Canada that will create sustainable and profitable per share growth in reserves, production and cash flow. The plan is based on an integrated approach to growth by balancing exploration endeavours with strategic acquisitions that provide lower risk exploitation and development opportunities.

Arcan has three core areas:

- **McLeod.** The natural gas prone McLeod area had net average production of approximately 202 BOE/d in 2008 and is currently producing approximately 100 BOE/d, net to Arcan. Arcan expects that this area will provide numerous oil and natural gas exploration opportunities in the future.
- **Hamburg/Chinchaga.** The Hamburg/Chinchaga area had net average production of approximately 765 BOE/d in 2008 and is currently producing approximately 700 BOE/d, net to Arcan. Arcan expects that Hamburg/Chinchaga will be a significant area with a number of exploration and development

opportunities including, but not limited to, the drilling of up to eight development wells to offset seven previously drilled oil wells in the "GG" pool. The "GG" pool is under waterflood and Arcan received Good Production Practices approval for this pool in February 2009.

- **Deer Mountain.** The Deer Mountain Unit had a net average production of approximately 528 BOE/d in 2008 with significant upside in production anticipated from horizontal drilling with multi-stage fracture stimulation, fracture stimulation of existing wells, down-spaced drilling, increased water injection and pumping efficiencies. Arcan also purchased various interests in over 50 sections of land to the south and immediately adjacent to the Deer Mountain Unit in April 2008. Arcan drilled its first well on these lands in October 2008 and anticipates significant upside in exploitation and down-spaced drilling as well as future water injection on this land base. This area is currently producing approximately 650 BOE/d, net to Arcan.

In aggregate, these three properties had production net to Arcan averaging approximately 1,498 BOE/d in 2008, 1,350 BOE/d in the three months ended March 31, 2009 and 1,523 BOE/d in the three months ended June 30, 2009.

For more information regarding Arcan's business, including estimates of Arcan's oil, natural gas and NGL reserves as determined by GLJ, see "General Development of the Business of Arcan", "Presentation of Arcan's Oil and Gas Reserves" and "Statement of Reserves Data" in the AIF.

DESCRIPTION OF SECURITIES

The Corporation's capital structure consists of an unlimited number of Common Shares, an unlimited number of preferred shares issuable in series, and an unlimited number of Performance Shares.

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors of Arcan, to one vote per share at meetings of the shareholders of Arcan and, upon liquidation, to receive such assets of Arcan as are distributable to the holders of the Common Shares. As at the date hereof, there are 37,868,560 Common Shares outstanding.

CAPITALIZATION

The following table sets forth the capitalization of Arcan as at June 30, 2009 and as at September 30, 2009, both before and after giving effect to the Offering:

| (in 000's other than in notes and amounts of Common Shares and Warrants) | Authorized | Outstanding as at June 30, 2009 | Outstanding as at September 30, 2009 before giving effect to the Offering | Outstanding as at September 30, 2009 after giving effect to the Offering ⁽⁴⁾ |
|--|------------|--|---|---|
| Share capital ^{(1) (2)(3)} | Unlimited | \$81,677 (37,868,560 Common Shares) | \$81,677 (37,868,560 Common Shares) | \$92,264 (46,868,560 Common Shares) |

Notes:

(1) For a description of Arcan's share capital, see "Description of Securities". In addition, as at June 30, 2009, 3,631,000 stock options to acquire Common Shares were outstanding and as at September 30, 2009, 3,536,000 stock options to acquire Common Shares were outstanding, exercisable at prices ranging from \$1.00 to \$4.11 per Common Share and expiring at various dates up to May, 2013. No stock options have been issued subsequent to September 30, 2009. Included in share capital are 40,000 Common Shares (\$100,000) that are pledged as security against a share purchase loan with an officer of the Corporation.

- (2) In addition, Arcan has issued 586,631 Warrants to investors and to agents in connection with certain equity financings. Each Warrant is exercisable into one Common Share. The Warrants have a weighted average exercise price of \$1.93 and will expire 12 months after the date on which Arcan receives a receipt for a final prospectus for the Offering.
- (3) In addition, Arcan has granted to certain directors and officers Performance Options to purchase an aggregate of 750,000 Common Shares at a price of \$1.00 per Common Share. The Performance Options can only be exercised if certain performance criteria are met, namely: (i) Arcan becoming a reporting issuer listed on a stock exchange (which event occurred at the time of the Amalgamation); and (ii) the price per Common Share being equal to or greater than \$2.00. The Performance Options may be exercised as to 30% of the Common Shares underlying the Performance Options when the price per Common Share is equal to or greater than \$2.00, an additional 15% when the price per Common Share is equal to or greater than \$2.35, an additional 15% when the price per Common Share is equal to or greater than \$2.60, an additional 15% when the price per Common Share is equal to or greater than \$2.85 and an additional 25% when the price per Common Share is equal to or greater than \$3.20.
- (4) Based upon the issuance of 9,000,000 Common Shares in the Offering for aggregate gross proceeds of \$11,250,000, less the Underwriters' Fee of \$675,000 and the expenses of the Offering estimated to be \$230,000, resulting in estimated net proceeds from the Offering of \$10,345,000. See "Plan of Distribution".

PRIOR SALES

Arcan has not sold or issued any Common Shares or securities convertible into Common Shares during the twelve month period prior to the date hereof.

PRICE RANGE AND TRADING VOLUME OF SECURITIES

The Common Shares are listed and posted for trading on the TSXV under the symbol "ARN". The following table lists the high and low market prices and trading volume of the Common Shares as reported by the TSXV for the periods indicated.

| <u>Period</u> | <u>Price Range (\$)</u> | | <u>Trading Volume</u> |
|----------------------|-------------------------|------------|-----------------------|
| | <u>High</u> | <u>Low</u> | |
| 2008 | | | |
| November | \$1.10 | \$0.65 | 499,400 |
| December | \$0.73 | \$0.37 | 2,947,600 |
| 2009 | | | |
| January | \$0.48 | \$0.28 | 4,037,200 |
| February | \$0.47 | \$0.35 | 640,400 |
| March | \$0.98 | \$0.36 | 1,711,500 |
| April | \$0.97 | \$0.80 | 689,200 |
| May | \$1.38 | \$0.85 | 2,214,200 |
| June | \$1.30 | \$1.00 | 1,605,900 |
| July | \$1.65 | \$0.96 | 4,806,300 |
| August | \$1.52 | \$1.32 | 1,143,400 |
| September | \$1.55 | \$1.22 | 1,985,800 |
| October 1 – 21 | \$1.40 | \$1.25 | 710,200 |

On October 21, 2009, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was \$1.25.

USE OF PROCEEDS

The estimated net proceeds received by Arcan, after deducting the estimated expenses of the Offering of \$230,000 and the Underwriters' fee of \$675,000, will be approximately \$10,345,000.

Arcan intends to use the net proceeds of the Offering to finance the Corporation's ongoing exploration and development activities, and for general corporate purposes. In particular, within the next six months Arcan intends to drill additional producing wells (up to six wells) at a net cost of approximately \$1,500,000 each and expand water injection (at a net cost of approximately \$1,000,000 - \$3,000,000) in the Hamburg GG pool, as well as drill one horizontal multistage frac well (at a net cost of approximately \$4,000,000, tied in) within the Deer Mountain Unit #2 lands and one development well (at a net cost to drill of \$1,000,000) adjacent and to the south of the Deer Mountain Unit #2. The specific allocation of the proceeds of the Offering among these projects will depend on business

conditions at the time the projects are implemented. Funding for these projects beyond the proceeds of the Offering will be provided from the Corporation's cash flow and from borrowings under the Corporation's credit facility. The Corporation had an estimated working capital deficiency of \$41,000,000 to \$43,000,000, as at September 30, 2009. Approximately \$8,500,000 is currently available for borrowing under the Corporation's \$50,000,000 credit facility.

Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of expenditures and other opportunities which may become available to the Corporation. Potential investors are cautioned that notwithstanding the Corporation's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of funds may be necessary. While the Corporation anticipates that it will spend the funds available to it as set forth above, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary, depending on future operations on the Corporation's properties or unforeseen events.

PLAN OF DISTRIBUTION

Pursuant and subject to the terms and conditions contained in an underwriting agreement dated effective October 8, 2009, between the Corporation and the Underwriters (the "**Underwriting Agreement**"), the Corporation has agreed to issue and sell and the Underwriters have agreed to purchase from the Corporation, on a bought deal basis on the Closing Date, 9,000,000 Offered Shares at a price of \$1.25 per Offered Share payable in cash to the Corporation against delivery of the certificates representing the Offered Shares. The price of the Offered Shares hereunder was determined by negotiation between Arcan and Wellington West Capital Markets Inc., on behalf of itself and the other Underwriters

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. Subject to certain exceptions contained in the Underwriting Agreement, if an Underwriter fails to purchase the Offered Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Offered Shares. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any are purchased under the Underwriting Agreement, subject to the exclusions set forth therein. The Underwriting Agreement also provides that Arcan will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The TSXV has conditionally approved the listing of the Offered Shares to be distributed under this short form prospectus. Such listing is subject to Arcan fulfilling all the listing requirements of the TSXV.

Arcan has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Arcan has agreed to not issue any additional Common Shares or financial instruments convertible or exchangeable into Common Shares or sell or offer to sell, or disclose to the public any intention to do so, for a period ending 90 days following the Closing Date without the prior consent of Wellington West Capital Markets Inc., such consent not to be unreasonably withheld. This restriction will not apply to options granted pursuant to the Corporation's stock option plan or to satisfy existing instruments already issued as of October 8, 2009.

Without affecting the firm obligation of the Underwriters to purchase from Arcan 9,000,000 Offered Shares at a price of \$1.25 per Offered Share in accordance with the Underwriting Agreement, after the Underwriters have made reasonable efforts to sell all of the Offered Shares offered hereby at the price specified herein, the offering price to the public may be decreased and further changed from time to time to an amount not greater than the offering price specified herein. In the event the offering price of the Offered Shares is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to Arcan for the Offered Shares. Any such reduction will not affect the proceeds received by Arcan. The Underwriters will inform Arcan if the offering price to the public is decreased.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws, and, accordingly, may not be offered or sold within the United States except in transactions exempt from the

registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement enables the Underwriters, through certain of their qualified U.S. broker-dealer affiliates, to (i) offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act; and (ii) offer the Offered Shares and Arcan may sell the Offered Shares to certain accredited investors as substituted purchasers in transactions that comply with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D thereunder. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares offered hereby within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

ELIGIBILITY FOR INVESTMENT

On the basis of the applicable legislation in effect on the date hereof, in the opinion of Blake, Cassels & Graydon LLP, counsel to Arcan, and Burstall Winger LLP, counsel to the Underwriters, subject to the provisions of any particular plan and provided the Common Shares are listed on a designated stock exchange for the purposes of the Tax Act (including Tiers 1 and 2 of the TSXV) on the Closing Date, the Common Shares will, on the Closing Date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (each, a "TFSA"). Notwithstanding that the Common Shares will be a qualified investment for a TFSA, the holder of a TFSA will be subject to a penalty tax on the Common Shares held in the TFSA if such Common Shares are a "prohibited investment" for the purposes of Section 207.01 of the Tax Act. Provided that the holder of a TFSA does not hold a "significant interest" (as defined in the Tax Act) in Arcan or any corporation, partnership or trust that does not deal at arm's length with Arcan for the purposes of the Tax Act, and provided that such holder deals at arm's length with Arcan for the purposes of the Tax Act, the Common Shares will not be a prohibited investment for a trust governed by the TFSA.

RISK FACTORS

An investment in the Common Shares is subject to certain risks or combination of risks. Investors should carefully consider the risks described under "Risk Factors" on pages 32-38 in the AIF, as supplemented by the risk factors set out below, before purchasing the securities offered hereunder.

An investment in the Offered Shares should be considered highly speculative due to various factors, including the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources. The Corporation's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The oil and natural gas reserves and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation's properties and acquisitions may be greater or less than the estimates contained in this short form prospectus. The success of acquisitions and further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Risk factors relating to the Corporation are discussed in the AIF and management's discussion and analysis, each of which are incorporated by reference in this short form prospectus. These risk factors, together with all of the other information included or incorporated by reference in this short form prospectus, should be carefully reviewed and considered before a decision is made to invest in the securities offered hereunder. Such risks may not be the only risks facing the Corporation. Additional risks not currently known may also negatively impact the Corporation's business operations and results of operation.

The Corporation may use the proceeds of this Offering for purposes other than those set out in this Short Form Prospectus

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of the Corporation to do so. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Future Financing

The Corporation may require future financing through the issuance of equity or debt to fund its future exploration, development and operations. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. In addition, capital markets have been volatile in recent months, and continued volatility could limit the Corporation's ability to obtain new financing, even if the Corporation has positive business results. The Corporation's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit the Corporation's growth or may have a material adverse effect upon the Corporation. The Corporation cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

Market Conditions

As a result of the weakened global economic situation and the recent volatility in oil, natural gas and other commodity prices, the Corporation, along with all other oil and gas issuers, will face reduced cash flow and restricted access to capital until these conditions improve. A prolonged period of adverse market conditions may affect the Corporation's financial results and impede the Corporation's ability to finance planned capital expenditures. In addition, a prolonged period of adverse market conditions may impede the Corporation's ability to refinance its credit facilities or arrange alternative financing for operations, capital expenditures and future acquisition opportunities. In each case, the Corporation's ability to maintain and grow its reserves and fully exploit its properties for the benefit of the shareholders would be adversely affected. As well, given the recent volatility in commodity prices and in Canadian and global equity markets, the trading prices of Common Shares in the future may be subject to considerable volatility. Future trading prices of the Common Shares may be significantly below current levels and the offering price of the Offered Shares.

Ability to Maintain Obligations Under Credit Facility and Other Debt

Arcan has borrowed a significant amount of cash under its revolving credit facility. Arcan currently has a balance of approximately \$41,200,000 under the facility. Arcan is required to satisfy certain financial covenants in order to maintain its good standing under the credit facility. Arcan may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Arcan's control, that would cause Arcan to fail to satisfy its obligations under the credit facility or another debt instruments. In such circumstances, the amounts drawn under Arcan's debt agreements may become due and payable before the agreed maturity date and Arcan may not have the financial resources to repay such amounts when due. The credit facility is secured by all of Arcan's property. If Arcan were to default on its obligations under the credit facility or other secured debt instruments the future, the lender(s) under such debt instruments could enforce their security and seize significant portions of Arcan's assets.

Forward-Looking Information May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks and uncertainties are found in this short form prospectus under the heading "Forward-Looking Statements".

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to Arcan to which Arcan is a party or in respect of which any of the properties of Arcan is subject, nor are there any such proceedings known by Arcan to be contemplated.

AUDITORS, REGISTRAR AND TRANSFER AGENT OF ARCAN

The auditors of Arcan are KPMG LLP, Chartered Accountants, Calgary, Alberta.

The registrar and transfer agent for the Common Shares and Valiant Trust Company at its principal offices in Calgary, Alberta and at the principal offices of its agent in Toronto, Ontario.

INTERESTS OF EXPERTS

Certain legal matters relating to the securities offered hereunder will be passed upon by Blake, Cassels & Graydon LLP on behalf of Arcan and Burstall Winger LLP on behalf of the Underwriters. As of the date of this short form prospectus, the partners and associates of these firms, each as a group, beneficially own, directly or indirectly, less than 1% of the Common Shares.

Mr. Michael J. Laffin, a director of the Corporation and the corporate secretary of the Corporation, is a partner of Blake, Cassels & Graydon LLP.

As of the date hereof, the principals of GLJ, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG LLP, Chartered Accountants, are the auditors of Arcan. KPMG LLP has confirmed that it is independent in accordance with the relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

The Board of Directors of Arcan Resources Ltd.

We have read the short form prospectus dated October 22, 2009 relating to the sale and issue of 9,000,000 common shares of Arcan Resources Ltd. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned short form prospectus of our report to the shareholders of Arcan Resources Ltd. on the balance sheets of Arcan Resources Ltd. as at December 31, 2008 and 2007 and the statements of operations, comprehensive income (loss) and retained earnings (deficit) and cash flows for the years then ended. Our report is dated April 3, 2009.

"KPMG LLP"

Chartered Accountants

Calgary, Canada
October 22, 2009

CERTIFICATE OF ARCAN RESOURCES LTD.

Dated: October 22, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

By: (signed) "*Ed Gilmet*"
President and Chief Executive Officer

By: (signed) "*Douglas N. Penner*"
Vice-President, Finance
and Chief Financial Officer

On behalf of the Board of Directors of Arcan

By: (signed) "*Andrew Fisher*"
Director

By: (signed) "*Michael J. Laffin*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: October 22, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

WELLINGTON WEST CAPITAL MARKETS INC.

By: (signed) "*Matthew Sobolewski*"

**FIRSTENERGY
CAPITAL CORP.**

**HAYWOOD
SECURITIES INC.**

**PARADIGM CAPITAL
INC.**

PI FINANCIAL CORP.

By: (signed)
"*Erik B. Bakke*"

By: (signed)
"*William A. Kanters*"

By: (signed)
"*Kevin Smith*"

By: (signed)
"*Bert Quattrociocchi*"