Arcan Announces Achievement of 2013 Objectives, Increase in Proved Reserves and 2013 Financial Results

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CALGARY, ALBERTA -- (Marketwired - April 2, 2014) - Arcan Resources Ltd. (TSX VENTURE:ARN) ("Arcan" or the "Corporation") announces its reserves as well as financial and operating results for the year ended December 31, 2013.

"Arcan achieved several key operational and financial objectives in 2013. We aligned our operations with our strategic objectives with our focus on stability, simplicity and value creation," said Terry McCoy, Arcan's Chief Executive Officer. "We have reduced costs and increased reserves while investing within funds from operations. In addition we continue to focus on our properties through expanded waterfloods and lowering new well costs to approximately $4.7 million per well in 2014 from $6.1 million in 2012, and these will remain our priorities through 2014."

Arcan's 2013 production averaged 3,848 barrels of oil equivalent (BOE) per day, in line with guidance of 3,800 to 4,000 BOE per day. Total Proved reserves at December 31, 2013 grew by 14 percent from December 31, 2012 as a result of expanded and optimized waterflood activities, adding approximately two barrels of proved reserves for every barrel of production. On a net basis after divestitures and production, Arcan's proved reserves at December 31, 2013 increased about seven percent compared to December 31, 2012. In addition, Arcan funded 2013 capital investments with funds from operations and reduced proven finding, development and acquisition costs by about 63 percent to $17.83 per barrel. This cost reduction reflects substantial infrastructure investments during 2012, which are foundational long-term production facilities. Operating costs in 2013 fell 11 percent to $17.84 per BOE from $20.08 per BOE in 2012 and are expected to average between $16.00 and $17.00 per BOE in 2014.

"We met our 2013 production goal with capital investment of a net $28.4 million ($42.7 million of expenditures less $14.3 million in asset sales) while completing just two wells between May and December 2013. This was achieved as a result of improving operational efficiency in the waterflooded areas. We also trimmed operating costs with the successful electrification of Deer Mountain Unit #2 ("DMU2") through to the beginning of 2014 and by installing pipelines to single well batteries, which reduced trucking expenses. Cost reduction will continue to be a priority as we take advantage of our existing infrastructure, including completion of the Ethel clean oil sales line," McCoy said.

"Our strategy for 2014 remains straightforward and transparent. We plan to continue taking advantage of the new infrastructure we have in place to expand waterflood operations. We will target wells with the highest production potential. Already in the first quarter of 2014, early results from four new wells on existing pads indicate our winter drilling program has been the most successful in our history based on capital efficiency and production. Arcan remains focused on strengthening its balance sheet in 2014 through cash flow as well as pursing alternatives such as joint ventures, farm-outs as well as strategies surrounding its outstanding debentures. A planned sale of light oil assets announced last fall is seeing renewed interest following slower market conditions in 2013 due to tight capital and an abundance of properties for sale. Arcan plans to use any funds from assets sales to reduce Arcan's debt and expects to continue to focus on core assets through cash flow or avenues such as joint ventures," commented Doug Penner, Arcan's President.

Achievement Against Strategic Objectives

Arcan's specific goals during the last six quarters have been:

- Production - Production in 2013 averaged 3,848 BOE per day. Rates have remained relatively stable from average production of 3,947 BOE per day in the second half of 2012, with decreases due to higher flush production in 2012, natural well declines, third-party facility outages and fewer wells being brought on production. Asset sales have also had a substantial impact on production rates, with 237 BOE per day sold in August 2012 and 234 BOE per day sold in December 2013. Production for Q1 2014 is on track to average approximately 3,600 BOE per day with the newly drilled wells coming online during the quarter and initial production rates which have been approximately 400 BOE per day. Arcan achieved an exit rate for Q1 2014 of approximately 4,500 BOE per day based upon March production. Corporate rates are expected to average 3,400 to 3,800 BOE per day during 2014.

- Operate within cash flow - Arcan invested $28.4 million in net capital ($42.7 million of expenditures less $14.3 million in asset sales) in 2013 and generated $39.4 million in funds from operations, compared to investments of $151.1 million in 2012 and funds from operations of $39.2 million. Efforts over the past quarters have focused on reducing investments to work within cash flow generated by operating activities.

- Reducing operating and production costs - Operating costs dropped 11 percent to $17.84 per BOE in 2013 from $20.08 per BOE in 2012 and are expected to range from $16.00 to $17.00 per BOE in 2014. The Corporation expects further reductions to production and operating expenses in 2014 due to a number of cost saving initiatives, including the electrification of DMU2 to reduce generator fuel costs, rental costs, repairs and maintenance costs and well workover requirements. Electrification through the northern portion of Ethel and to the Ethel battery, and the commissioning of the Ethel oil sales pipeline to reduce trucking costs are in progress and should result in further reduction of operating costs during the second half of 2014 and into 2015.

- Maximize operating netbacks - Light oil continues to garner premium commodity pricing relative to heavy oil and natural gas. Netbacks over the past 18 months have ranged from $41.84 to $59.70 per BOE, with the last quarter of 2013 averaging $44.48 per BOE. Arcan continues to benefit from its light oil weighting of 98 percent of production.

- Reduced debt - Arcan's bank debt and working capital deficit (excluding hedges) was reduced to $156.0 million at December 31, 2013 from $165.0 million at December 31, 2012. The Corporation anticipates that its debt level will decrease after Q1, 2014 with a low capital program planned for Q2 and Q3. Arcan continues to strategize around spending within funds from operations, potential asset sales and strategies surrounding its outstanding debentures.

- Farm-outs - Arcan achieved capital efficiencies and retained expiring lands in 2013 as Arcan drilled five wells as part of a farm-out. In the deal, Arcan retained operatorship while paying for drilling and completion of 1.0 net well while maintaining interest in 2.4 net wells.

- Expand waterflood strategy - Arcan injected approximately 3,290 barrels ("bbls") of water per day in 2013, which helped to stabilize waterflood operations in DMU2, and advanced significant oilfield development in the Ethel field. Arcan has witnessed improved production performance as a result of these activities.

- Reduce well costs - The four wells drilled in the winter program are all on-stream at an average of approximately $4.7 million per well. Arcan estimates that continued drilling optimization will result in future drilling, completion, and tie-in costs between $4.2 and $5.0 million per well.

- Execute divestiture strategy - In 2013 Arcan completed minor non-core asset dispositions for net proceeds of $14.3 million. Arcan continues to evaluate asset sales to reduce its debt obligations with the anticipated improvement of market conditions of 2014.

- Lower cash general and administrative ("Cash G&A") costs - Costs dropped to $7.25 per BOE in 2013 from $8.33 per BOE in 2012. The decrease is a result of cost-cutting measures that included moving Arcan's office space and reductions to the operations of Arcan's subsidiary, StimSol Canada Inc. ("StimSol"). Cash G&A costs in 2014 are expected by management to range from $5.00 to $7.00 per BOE.

- Reduce StimSol exposure - Stimsol provides acid blending services for Arcan and third parties. In 2013 Arcan reduced the hydrochloric acid inventory of StimSol, using up the product that was previously acquired. Future acid requirements will be purchased on an as-needed basis. Arcan is evaluating strategic alternatives for its subsidiary StimSol.

2013 Highlights - 96 percent Light Oil & 31 Year Reserve Life

- 96 percent LIGHT OIL: Arcan added reserves and transitioned reserve categories from probable to proven reserves. According to a reserve evaluation dated March 26, 2014 and effective December 31, 2013 (the "GLJ Report") prepared by GLJ Petroleum Consultants Ltd. ("GLJ"):

-- Arcan added 1.1 million BOE ("MMBOE") to proved developed producing reserves ("PDP") during the year. Arcan started 2013 with 11.4 MMBOE, added 1.1 MMBOE, sold 0.2 MMBOE and produced 1.4 MMBOE to finish the year down marginally by a net 0.5 MMBOE at 10.9 MMBOE.

-- Arcan added 3.2 MMBOE to total proved reserves ("TP") during the year. Arcan started 2013 with 23.4 MMBOE, added 3.2 MMBOE, sold 0.2 MMBOE, produced 1.4 MMBOE and finished the year up by a net 1.6

MMBOE at 25.0 MMBOE.

-- Arcan added 2.2 MMBOE to the corporate total proved and probable reserves ("P+P") during the year. Arcan started 2013 with 38.7 MMBOE, added 2.2 MMBOE, sold 0.5 MMBOE, produced 1.4 MMBOE and finished 2013 up a net 0.3 MMBOE at 39.0 MMBOE.

- Arcan has a long reserve life index of 31 years on a P+P basis.

- Arcan estimates a net asset value ("NAV") per diluted share of $2.53 at December 31, 2013, which is comparable to an estimate of $2.85 at December 31, 2012. This calculation includes only P+P reserves at a 10 percent discount factor minus all debt.

- Arcan secured net proceeds of $14.3 million in 2013 primarily from the sale of three assets: a property in Virginia Hills; a property south of the Swan Hills; and equipment from StimSol. The proceeds were used to reduce debt levels.

- Drilled nine (6.5 net) wells and completed eight (5.5 net) wells in 2013. This compares to 2012 when Arcan drilled 17 (16.5 net) wells and completed 21 (20.5 net) wells. In Q1 2014 Arcan drilled three (2.8 net) wells and completed four (3.8 net) wells. Five additional wells are expected to be drilled in the latter portion of 2014 and all will target prospects with the potential for higher production rates.

- Hedged 2,400 barrels of oil per day for 2014 through to the first quarter of 2016 at approximately CDN$92.00 WTI. This hedges approximately 60 percent of Arcan's expected product pricing for the next two years.

Waterflood Progress

- The Deer Mountain enhanced recovery ("DMER") scheme continues to respond based on historical waterflood investments. This is evident by a stabilizing production rate of approximately 1,250 BOE per day since 2011 offsetting the natural decline of the pool. Voidage replacement targets are able to be met in the DMER scheme as a result of the fully distributed injection system. Voidage replacement represents the water injected into the reservoir to replace the fluid and gas produced in order to maintain reservoir pressure and enhance oil recovery. Arcan drilled a horizontal well in the center of the DMER scheme in March of 2014 to maximize pool performance and continues to perform individual well optimizations to maximize production. Recoverable reserves equivalent to approximately 29 percent of the oil initially-in-place have been booked by the Arcan`s reserves auditor, GLJ. Life to date the DMER area has recovered only 5.6 MMBOE or approximately 10 percent of recoverable reserves.

- In the Ethel enhanced recovery ("Ethel ER") scheme, additional waterflood expansion applications have been submitted to cover injection wells drilled in Q1 2013 and injector conversions performed in Q1 2014. There are currently twenty producing wells under the approved waterflood pattern, supported by six existing injectors. After approval of expanded waterflood operations there will be twenty four producers being supported by nine injectors. The expanded Ethel ER area's 13.75 sections have been booked by GLJ to achieve P+P recoverable reserves of approximately 18 percent of the oil initially-in-place. Life to date the Ethel ER scheme has recovered only 1.6 MMBOE or approximately 2 percent of recoverable reserves. Analogous regional waterflooded units have recovered 31 - 36 percent of their oil initially-in-place to date.

- Arcan's land base includes Morse River which is also under waterflood. It has recovered 7.2 MMBOE life to date and is expected to be a future area of focus for Arcan.

Operations Update

- Arcan recently completed its 2014 winter drilling program. One well was drilled in DMER to enhance waterflood production and three wells were drilled in north Ethel. One of these north Ethel wells was drilled to complete part of an existing waterflood pattern. The wells have resulted in strong deliverability performance to date and all four were drilled on existing pad sites, which allows for short tie-ins to existing infrastructure. Three of these new wells are already producing into pipelines, while the last well is expected to be tied in by the middle of April 2014.

- The 34 kilometre Arcan sales gas pipeline system has been operational since April 2013 and continues to allow Arcan to transport liquid rich solution gas throughout the Swan Hills area. The 6.8 kilometre emulsion pipeline line in the Ethel pipeline corridor, from West Ethel back to the Ethel 4-26 battery, has been on-stream since September 2013. The final commissioning of the 14.5 kilometre oil sales pipeline in the Ethel pipeline corridor is expected to be completed in the second half of 2014. Upon completion, Arcan expects to reduce trucking and associated costs from the Ethel battery. This is expected to reduce Arcan's operating costs by an estimated $1.50 per BOE.

- Arcan has also completed electrification of DMU2 and is working toward electrification of the north half of Ethel in the second half of 2014 to reduce expenses. This is expected to deliver a further cost savings of $0.85 per BOE in the second half of 2014.

- Arcan has identified 115 high grade drilling locations inside its land base which totals 117 gross (105 net sections) in the Swan Hills. These locations are based on geology and offsetting wells and are expected to deliver results above the average type curve. Arcan has further locations that could expand the development base to over 285 wells. Arcan maintains a high state of development readiness with 25 wells licensed, nine drill-ready sites and future locations identified for the balance of its 2014 and 2015 drilling programs. For 2014 Arcan plans 5 (4.0 net) more wells and has planned for 10 (8.9 net) wells in 2015 with 4 more wells planned for Q1, 2016.

Consolidated Financial and Operating Summary

Certain selected financial and operations information for the three months and year ended December 31, 2013, and the comparative information for 2012 is outlined below and should be read in conjunction with Arcan's Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012, together with the notes thereto, and accompanying Management's Discussion and Analysis.

Three Months Ended Year Ended
December 31, 2013 December 31, 2012 December 31, 2013 December 31, 2012
Financials ($000s except per share amounts)
Oil and NGL sales 25,691 28,809 122,415 133,181
Natural gas sales 120 65 420 398
Petroleum and natural gas revenue 25,811 28,874 122,835 133,579
Pumping and stimulation services revenue 1,815 1,896 4,001 6,428
Cash flow from operating activities 9,059 5,952 41,830 44,886
Funds from operations (1) 6,944 7,793 39,434 39,214
Per share basic and diluted (1)(3) 0.07 0.08 0.40 0.40
Profit (loss) from continuing operations (17,988) (27,187) (24,518) (48,984)
Per share basic and diluted (3) (0.18) (0.28) (0.25) (0.50)
Net cash capital expenditures (2,024) 5,579 28,399 151,095
Total assets 609,071 624,108 609,071 624,108
Total liabilities 383,368 376,121 383,368 376,121
Debenture face value 171,250 171,250 171,250 171,250
Shareholders' equity 225,703 247,987 225,703 247,987
Bank loan 159,423 159,422 159,423 159,422
Net debt and working capital (1) 313,311 305,270 313,311 305,270

Operating
Production:
Crude oil and NGLs (bbls/day) 3,433 3,944 3,781 4,437
Natural gas (Mcf/day) 429 201 402 395
BOE per day (6:1) (2) 3,504 3,978 3,848 4,503
Average realized price:
Crude oil and NGLs ($/bbl) 81.36 79.39 88.71 82.01
Natural gas ($/Mcf) 3.03 3.52 2.86 2.76
Combined price per BOE ($/BOE) 80.07 78.90 87.46 81.05
Netback ($ per BOE)
Petroleum and natural gas sales 80.07 78.90 87.46 81.05
Pumping and stimulation services revenue 5.63 5.18 2.85 3.90
Royalties (17.01) (13.07) (16.64) (12.60)
Production and operating expenses (18.58) (19.24) (17.84) (20.08)
Cost of sales for pumping and stimulation services (7.09) (10.27) (5.30) (5.66)
Consolidated operating netback ($/BOE) (1) 43.02 41.50 50.53 46.61
Realized economic hedging gains (losses) - cash (2.33) 2.86 (1.42) 0.33
Cash G&A (1) (7.37) (10.84) (7.25) (8.33)
Cash finance expenses (1) (13.88) (11.82) (12.67) (9.17)
Corporate netback (1) 19.44 21.70 29.19 29.44
Common Shares (000s)
Shares outstanding 97,860 97,860 97,860 97,860

Weighted average - basic and diluted (3) 97,860 97,860 97,860 97,828
Notes:
(1) The reader is referred to the section "Non-IFRS Measurements".
(2) The reader is referred to the section "Legal Advisories".
(3) Basic and diluted weighted average shares are the same in 2013 and 2012 as the Corporation incurred a loss in these periods.

2013 Reserves Highlights

Reserves Volumes (MMBOE) Reserves Values ($MM NPV 10)
December 31, 2013 December 31, 2012 December 31, 2013 December 31, 2012
PDP 10.9 11.4 238.5 278.1
TP 25.0 23.4 401.6 399.1
P+P 39.0 38.7 582.8 611.6

Overall increases in total proved reserves from Arcan's 2012 year end: PDP reserves decreased 0.5 MMBOE from 11.4 MMBOE; TP reserves increased 1.6 MMBOE from 23.4 MMBOE; and P+P reserves increased 0.3 MMBOE from 38.7 MMBOE.

Reserves Volumes (MMBOE) Dec 31/13 Dec 31/12 Change 2013 Production Asset Sales 2013 Reserve Additions Additions Percentage
PDP 10.9 11.4 (0.5) (1.4) (0.2) 1.1 9.6
TP 25.0 23.4 1.6 (1.4) (0.2) 3.2 13.7
P+P 39.0 38.7 0.3 (1.4) (0.5) 2.2 5.7

- $582.8 million NPV of future net revenue of working interest total P+P reserves before tax at a 10 percent discount rate.

- Reserves and additions at December 31, 2013, are increasingly focused on existing developed acreage and are limited on areas requiring higher infrastructure commitments.

- Arcan successfully advanced the reserves categories: PDP reserves were 28 percent of P+P at the end of 2013, down from 29 percent a year earlier. TP reserves also moved from 60 percent of P+P at the start of the year to 64 percent at the end of 2013.

- Arcan's reserves continue to be weighted 96 percent to light oil and natural gas liquids (NGLs).

- The GLJ Report, effective December 31, 2013, and dated March 26, 2014, included 85.0 net proved producing wells in the Swan Hills area with a total of 175.7 net P+P wells booked. Future capital has increased by $25.1 million on a total proved basis and increased by $33.4 million on a total P+P basis since December 31, 2012. The increase in future capital and well count reflects ongoing higher quality classifications of reserve bookings.

- The GLJ Report recorded reserves on approximately 62 sections, or approximately 53 percent, of Arcan's land in the Swan Hills area, leaving Arcan with approximately 55 sections of land on which no reserves have yet been recorded.

- Arcan expended net capital of $28.4 million in 2013 ($42.7 spent on asset development and $14.3 million received in asset sales).

- On remaining assets, Arcan recorded finding, development and acquisition (FD&A) costs P+P of $36.35 and on a TP basis of $17.83 per BOE. Based on all-in FD&A costs on a P+P basis, including the impact of asset sales, P+P reserves increased from 38.7 MMBOE to 39.0 MMBOE while TP reserves increased from 23.4 MMBOE to 25.0 MMBOE during 2013.

- On remaining assets, on a P+P basis, Arcan posted a 1.5 recycle ratio based on a $52.98 exploration and production operating netback in 2013. Life to date Arcan has estimates that it posted a 1.6 recycle ratio on a P+P basis.

Oil and Gas Reserves

Arcan's Statement of Reserves Data and Other Oil and Gas Information, Report on Reserves Data by Independent Qualified Reserves Evaluator and Report of Management and Directors on Oil and Gas Disclosure were prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook for the year ended December 31, 2013, and is dated March 26, 2014.

Summary of Oil and Gas Reserves - Forecast Prices and Costs

The table below provides a summary of the oil, NGLs and natural gas reserves attributable to Arcan, as evaluated by Arcan's independent qualified reserves evaluator, GLJ, and contained in the GLJ Report based on forecast price and cost assumptions. The tables summarize the data contained in the GLJ Report and, as a result, may contain slightly different numbers than those contained in the original report due to rounding. Also due to rounding, certain columns may not add exactly. Readers should review the definitions and information contained in "Presentation of Arcan's Oil and Gas Reserves" and "Abbreviations" in Arcan's Annual Information Form, dated April 1, 2014, in conjunction with the following table and notes. All of Arcan's reserves are on-shore in Canada.

Light & Medium Oil Natural Gas Liquids Natural Gas(1) Total
Reserves Category Gross (2)
(Mbbls) Net (3)
(Mbbls) Gross (2)
(Mbbls) Net (3)
(Mbbls) Gross (2)
(MMcf) Net (3)
(MMcf) Gross (2)
(Mbbls) Net (3)
(Mbbls)
Proved
Developed Producing 9,421 6,886 1,169 786 2,143 1,913 10,946 7,991
Developed Non-Producing 363 321 26 20 121 112 410 359
Undeveloped 11,499 9,201 1,569 1,224 3,218 2,997 13,604 10,924
Total Proved 21,283 16,407 2,764 2,029 5,481 5,022 24,961 19,274
Total Probable 11,832 8,607 1,589 1,163 3,735 3,434 14,044 10,343
Total Proved + Probable 33,115 25,015 4,353 3,193 9,216 8,456 39,004 29,617

Notes:
(1) Estimates of reserves of natural gas include associated and non-associated gas.
(2) "Gross" reserves are Arcan's working interest share of remaining reserves before the deduction of royalties.
(3) "Net" reserves are Arcan's working interest share of remaining reserves less all Crown, freehold, and overriding royalties and interests owned by others.

GLJ employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2013, in the GLJ Report in estimating reserves data using forecast prices and costs(1):

Medium and Light Crude Oil Natural Gas
Year Inflation WTI
Cushing
Oklahoma
40°API
(US$/bbl) Edmonton
Par Price
40°API
($/bbl) Cromer
Medium
29.3°API
($/bbl) Alberta Gas Reference
Price
Plant Gate
($/MMBTU) AECO -
C Spot
($/MMBTU) Exchange
Rate
(US$/CDN$)
2013 (actual) 1.0 97.88 93.33 88.05 2.99 3.24 0.971
2014 2.0 97.50 92.76 86.27 3.81 4.03 0.950
2015 2.0 97.50 97.37 90.55 4.04 4.26 0.950
2016 2.0 97.50 100.00 93.00 4.28 4.50 0.950

2017 2.0 97.50 100.00 93.00 4.51 4.74 0.950
2018 2.0 97.50 100.00 93.00 4.75 4.97 0.950
2019 2.0 97.50 100.00 93.00 4.98 5.21 0.950
2020 2.0 98.54 100.77 93.71 5.11 5.33 0.950
2021 2.0 100.51 102.78 95.58 5.21 5.44 0.950
2022 2.0 102.52 104.83 97.49 5.32 5.55 0.950
2023 2.0 104.57 106.93 99.44 5.42 5.66 0.950
Note:
(1) All pricing in the above table, excluding inflation and the exchange rate, is escalated at 2.0 percent per year thereafter Thereafter, inflation is assumed to be constant at 2.0 percent and the exchange rate is assumed to be constant at 0.950 US$/Cdn$.

Net Asset Value

As detailed in the table below, the NAV of $2.53 per diluted share at December 31, 2013 (on the basis of P+P reserves discounted at 10 percent) has decreased by 11 percent from $2.85 per diluted share at December 31, 2012. In 2013, Arcan invested a net $28.4 million (after divestitures of $14.3 million) and although the Corporation's proved developed producing reserves reduced by 0.5 MMBOE, its proved reserves grew by 1.6 MMBOE and its proved and probable reserves grew by 0.3 MMBOE.

The following NAV calculations are presented for December 31, 2013 and December 31, 2012 and incorporate estimates that may not be comparable year-over-year and are presented as at one point in time. To simplify the computation, Arcan has not included values related to land or Stimsol Canada Inc. (StimSol), Arcan's wholly-owned services subsidiary as it had in prior years. The working capital deficit (including working capital, bank debt and debentures) based upon the December 31, 2013 audited financial statements and there are no dilution proceeds included as all stock options are out of the money at December 31, 2013 (compared to the $0.34 December 31, 2013 closing share price of Arcan). GLJ performed an independent evaluation on Arcan's reserves. Reserve estimates are derived from the GLJ Report, which has an effective date of December 31, 2013. Readers are cautioned that this presentation does not reflect all aspects of the Corporation and that estimates of future net revenue do not represent fair market value. The January 1, 2014 pricing assumptions are listed above with market changes having a material impact on this NAV calculation.
Net Asset Value December 31, 2013 December 31, 2012
($000s except number of shares and per share) (P+P discounted
at 5%) (P+P discounted at 10%) (P+P discounted at 5%) (P+P discounted at 10%)

Present value of reserves 857,599 582,824 894,871 611,582
Working capital deficit (including debt) (1) (334,828) (334,828) (332,403) (332,403)
Dilution proceeds(2) --- --- 31 31
Estimated value 522,771 247,996 562,499 279,210
Shares (thousands) (2) 97,860 97,860 97,895 97,895
Estimated NAV per share (2) 5.34 2.53 5.75 2.85
Note:
(1) Debt for 2013 and 2012 includes both series of Arcan convertible debentures at their full face value of $171.3 million.
(2) Share figures for 2013 include all dilutive securities, namely: 97,860,013 common shares and no stock options as none are in the money based on the December 31, 2013 closing share trading price of $0.34. Share figures for 2012 include all dilutive securities, namely: 97,860,013 common shares and 35,000 stock options that are in the money at their average exercise price of $0.88 (these were all dilutive securities exercisable below the $1.02 December 31, 2012 share trading price).

FD&A Costs

For the year ended December 31, 2013 (removing the impact of dispositions), Arcan added 2.2 MMBOE of P+P reserves (39.0 MMBOE closing reserves plus 1.4 MMBOE production plus 0.5 MMBOE of asset sales less 38.7 MMBOE opening reserves) to its $81.7 million capital program ($42.7 million of capital from the December 31, 2013 financial statements (audited) plus $460.5 million of closing future development capital in the GLJ Report (P+P) less $427.1 million closing future development capital in Arcan's December 31, 2012 reserve report (P+P) plus $5.6 million of future capital related to asset sales) to calculate a $37.14 FD&A cost per P+P BOE. The aggregate of the exploration and development costs incurred in the most recent fiscal year and the change during that year in estimated future development costs generally will not reflect total FD&A costs related to reserves additions for that year.

The FD&A costs are depicted below. Arcan has invested substantially in its infrastructure and waterflood through facilities, pipelines, drilling water source wells, and drilling and converting producing vertical wells into injector wells. In waterflood projects, the majority of the capital expended were one-time expenses at the front end that are anticipated to produce results over the long-term. With a front loaded capital profile and recoveries expected to elevate over time, Arcan anticipates that the full impact of its waterflood development in Swan Hills and the related shift in reserves will be realized over the next few years, reducing FD&A costs in the future through the benefit of existing infrastructure.

P+P FD&A Costs (including Dispositions & Acquisitions) 2013 2012 3 year Life To Date

Total capital ($ millions) (1) 76.1 117.0 711.8 1,190.8
Disp. / Acq. capital ($millions) (14.3) (30.8) (21.1) 31.7
Total capital ($ millions) 61.8 86.2 690.7 1,222.5
Reserve additions (MMBOE) 1.7 (0.5) 22.3 45.9
P+P FD&A ($ per BOE) $36.35 --- $30.97 $26.63

Proved FD&A Costs (including Dispositions & Acquisitions) 2013 2012 3 year Life To Date

Total capital ($ millions) (1) 67.8 203.2 627.7 1,048.4
Disp. / Acq. capital ($millions) (14.3) (30.8) (21.1) 31.7
Total capital ($ millions) 53.5 172.4 606.6 1,080.1
Reserve additions (MMBOE) 3.0 3.6 15.5 31.9
Proven FD&A ($ per BOE) $17.83 $47.67 $39.14 $33.86

P+P FD&A Costs (excluding Dispositions & Acquisitions) 2013 2012 3 year Life To Date

Total capital ($ millions) (1) 81.7 170.6 758.4 1,190.8
Reserve additions (MMBOE) 2.2 5.2 28.5 48.9
Proven FD&A ($ per BOE) $37.14 $32.97 $26.61 $24.35

Proved FD&A Costs (excluding Dispositions & Acquisitions) 2013 2012 3 year Life To Date

Total capital ($ millions) (1) 68.1 238.9 663.7 1,048.4
Reserve additions (MMBOE) 3.2 6.6 18.7 36.9
Proven FD&A ($ per BOE) $21.28 $36.27 $35.49 $28.41
Note:
(1) Total capital is calculated by using Arcan's 2013 capital expenditures of $42.7 million and then adjusted by the changes in future development capital from the December 31, 2012 reserve report to the December 31, 2013 reserve report.

Recycle Ratio

Recycle ratio is a measure for evaluating the effectiveness of a company's reinvestment program. The ratio measures how well a company replaced every BOE of production. The table below depicts that Arcan received a net $52.98 per BOE sold and it cost $37.14 in 2013 to find a replacement BOE. Arcan strives for a recycle ratio of 2.0 or higher. In 2013, Arcan achieved a recycle ratio of 1.4 times. Arcan determined it was important to demonstrate the effectiveness of the combination of the horizontal multi-stage fracture wells across the Ethel land base, where waterflood has been started and will be expanded in 2014, as well as drilling in new areas across the land base.

For the year ended December 31, 2012, Arcan estimated that it had a 1.5 times recycle ratio on 5.2 MMBOE P+P reserve additions and a $32.97 FD&A cost (including changes to future development capital). Life to date, Arcan estimates it has a recycle ratio of 1.8 times based on a $24.35 P+P FD&A (including changes to future development capital) and a $43.74 operating netback.

Recycle Ratio (including Dispositions & Acquisitions) 2013 2012 3 year Life to Date

Exploration and production operating netback ($/BOE) 52.98 48.37 43.38 43.74
Proven finding and development costs ($/BOE) 17.83 47.67 39.14 33.86
Proven reinvestment efficiency ratio 3.0 1.0 1.1 1.3
Proven plus probable finding and development costs ($/BOE) 36.35 --- 30.97 26.63
Proven plus probable reinvestment efficiency ratio 1.5 --- 1.4 1.6

Recycle Ratio (excluding Dispositions & Acquisitions) 2013 2012 3 year Life to Date

Exploration and production operating netback ($/BOE) 52.98 48.37 43.38 43.74
Proven finding and development costs ($/BOE) 21.28 36.27 35.49 28.41
Proven reinvestment efficiency ratio 2.5 1.3 1.2 1.5
Proven plus probable finding and development costs ($/BOE) 37.14 32.97 26.61 24.35

Proven plus probable reinvestment efficiency ratio 1.4 1.5 1.6 1.8

Reserve Life Index

Using the fourth quarter ended December 31, 2013 average production of 3,504 BOE per day and December 31, 2013 year-end proved plus probable reserves, Arcan has a reserve life index of approximately 31 years. Arcan estimates that the reserve life index will decline as production rates elevate.
Production (fourth quarter ended December 31, 2013 average BOE per day) 3,504
Proved reserves (MBOE) 24,961
Proved reserve life index (years) 19.5
Proved plus probable reserves (MBOE) 39,004
Proved plus probable reserve life index (years) 30.5

Audited Financial Statements, Management Discussion and Analysis, and Annual Information Form

Arcan has filed with Canadian securities regulatory authorities its audited Consolidated Financial Statements and accompanying Management's Discussion and Analysis for the three months and year ended December 31, 2013. Arcan has also filed its Annual Information Form for the year ended December 31, 2013. These filings are available at www.sedar.com and on the Corporation's website at www.arcanres.com.

Annual and Special General Meeting

Arcan's annual and special meeting is currently scheduled for June 24, 2014, at 3:00 PM in the McMurray Room of the Petroleum Club, located at 319 - 5th Avenue SW, Calgary, Alberta.

About Arcan Resources Ltd.

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.

Legal Advisories

All information contained in the press release relating to reserves comes from the GLJ Report dated March 26, 2014, which has an effective date of December 31, 2013, and was prepared by GLJ, a qualified reserves evaluator, in accordance with NI 51-101 and the COGE Handbook. The disclosure was made assuming that development of each property in respect of which the estimate is made will occur, without regard to the likely availability of funding required for that development. Readers are also cautioned that the estimated future net revenue values do not represent fair market value.

BOEs may be misleading, particularly if used in isolation. The calculation of BOEs is based on a conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil based on an energy equivalency conversion primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas may be significantly different from six to one, utilizing a BOE conversion ratio of six Mcf to one bbl could be misleading as an indication of value.

Estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Additional information about the Corporation, including the Corporation's annual information form for the year ended December 31, 2013, is available under Arcan's profile on SEDAR at www.sedar.com.

Non-IFRS 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 IFRS as an indicator of Arcan's performance. Arcan also presents "funds from operations per share", whereby funds from operations are divided by the basic and diluted weighted average number of common shares of Arcan (each, a "share") outstanding to determine per share amounts. Arcan also presents "net debt and working capital" which should not be considered an alternative to, or more meaningful than, "current liabilities" or "working capital". Net debt and working capital is calculated by subtracting the current liabilities (excluding bank debt), bank debt, and convertible debentures from current assets. Arcan also presents "cash general and administrative expenses" ("Cash G&A") which should not be considered an alternative to, or more meaningful than, "general and administrative expenses". Cash G&A is calculated by subtracting stock based compensation included in general and administrative expenses, from general and administrative expenses. Arcan also presents "cash finance expenses" which should not be considered an alternative to, or more meaningful than, "finance expenses". Cash finance expenses is calculated by subtracting accretion of convertible debenture liability and accretion of decommissioning obligations, from finance expenses.

Operating netbacks are presented on an operating segment and consolidated basis. "Operating netbacks" for the exploration and production segment, or "exploration and production netbacks", represent Arcan's petroleum and natural gas revenue, less royalties and production and operating expenses. "Operating netbacks" for the pumping and stimulation segment, or "pumping and stimulation operating netbacks", represent pumping and stimulation services revenue, less cost of sales for pumping and stimulation services. "Consolidated operating netbacks" represent the sum of the operating netbacks for the exploration and production and pumping and stimulation segments. "Corporate netbacks" represent Arcan's consolidated operating netback, plus other revenue, plus or minus realized economic hedging gains or losses, less Cash G&A and cash finance expenses in order to determine the amount of funds generated by production. Operating and corporate netbacks have been presented on a per barrel of oil equivalent ("BOE") basis, as well.

The measures referenced above do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Management believes that funds from operations and both operating and corporate netbacks are useful supplemental measures as they indicate Arcan's ability to fund future growth through capital investment and/or to repay debt. These measures have been described and presented in this MD&A 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. Please see the section "Results of Operations - Netbacks" in the MD&A for reconciliations between both operating netbacks and corporate netbacks to revenue. Please see the MD&A for reconciliations to net debt and working capital, cash G&A and cash finance expense.

Arcan determines funds from operations as cash flow from operating activities before changes in non-cash working capital as follows:

Funds from Operations

	Three Months Ended		Year Ended	
($000's)	December 31, 2013	December 31, 2012	December 31, 2013	
Cash flow from operating activities (per IFRS)	9,059	5,952	41,83	
Change in non-cash working capital and RSU's	(2,115)	1,841	(2,39	
Funds from operations	6,944	7,793	39,434	39,214

Readers are cautioned that this press release contains the term "net asset value", which Management believes is a useful supplemental measure as it provides a measure of the potential value of the Corporation. Arcan's method for calculating NAV is detailed in this press release in the section "Net Asset Value" and may differ from that of other companies, and, accordingly, may not be comparable. This measure does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes there is no GAAP measure that is directly comparable to the NAV calculation, although there are GAAP financial statement amounts used in the calculation that have been articulated in that section of the press release, and readers are cautioned in their use of the measure.

Readers are cautioned that this press release contains the term "finding, development, and acquisition" costs which Management believes is a useful supplemental measure as it provides a measure of the capital costs to add proved and probable reserves. Arcan's method for calculating FD&A costs is detailed in this press release in the section "FD&A Costs" and may differ from that of other companies, and, accordingly, may not be comparable. This measure does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes there is no GAAP measure that is comparable to the FD&A calculation, although there are GAAP financial statement amounts used in the calculation that have been articulated in that section of the press release, and readers are cautioned in their use of the measure.

Readers are cautioned that this press release contains the term "recycle ratio" which Management believes is a useful supplemental measure as it provides a measure for evaluating the effectiveness of a Corporation's reinvestment program. Arcan's method for calculating the recycle ratio is detailed in this press release in the section "Recycle Ratio" and may differ from that of other companies, and, accordingly, may not be comparable. This measure does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes there is no GAAP measure that is comparable to the recycle ratio calculation, although there are GAAP financial statement amounts used in the calculation that have been articulated in that section of the press release, and readers are cautioned in their use of the measure.

Readers are cautioned that this press release contains the term "reserve life index" which Management believes is a useful supplemental measure as it provides a measure for estimating the number of years it will take to produce the Corporation's reserves at current production levels. Arcan's method for calculating the reserve life index is detailed in this press release in the section "Reserve Life Index" and may differ from that of other companies, and, accordingly, may not be comparable. This measure does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes there is no GAAP measure that is comparable to the reserve life index calculation and readers are cautioned in their use of the measure.

Forward-Looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "guidance", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "possible" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to, among other things, the following: oil and gas reserves and resources; current and year-to-date anticipated production and production to be brought on stream; the application and modification of horizontal, multi-stage fracture technologies including expectations respecting the application of additional fracture stimulation stages; Arcan's expectations respecting its growth and activities throughout the remainder of 2014, including its continued evolution into a sustainable producer of oil reserves; Arcan's execution of its business plans; future growth including development, exploration, acquisition, construction and operational activities and related expenditures; Arcan's debt and liquidity position; Arcan's evaluation of asset sales; Arcan's evaluation of strategic alternatives for StimSol; the plans for, timing, method and results of drilling and waterflood operations; the focus of the 2013 waterflood expansion activities; waterflood and CO2 recoveries and its benefits; future acid requirements; net asset value; future liquidity and financial capacity and resources; the potential inherent in Arcan's Swan Hills land base and the expected benefits from the development thereof; reserve life index; the timing and location of the upcoming shareholder meeting; estimated additional drilling locations; the benefits of the Ethel pipeline; expectations relating to increased shareholder value and growth per share; results from operations and financial ratios; the volume and product mix of Arcan's oil and gas production; Arcan's income taxes and tax liabilities; oil and natural gas prices and the US$ to CDN$ exchange rate; recovery; and capital expenditures.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Arcan including, without limitation: that Arcan will continue to conduct its operations in a manner consistent with past operations; the accuracy of current horizontal production data, historical well production and waterflood and CO2 recovery results; the general continuance of current or, where applicable, assumed industry conditions; continuity of reservoir conditions across Arcan's Swan Hills land base; availability of debt and/or equity sources to fund Arcan's capital and operating requirements as needed; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; the accuracy of the estimates of Arcan's reserve volumes; the accuracy of current horizontal production data; and certain commodity price and other cost assumptions.

Arcan believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: for reasons currently unanticipated, Arcan's production rates may not increase in the manner currently expected; the application and modification of horizontal, multi-stage fracture technologies including the application of additional fracture stimulation stages may not have the impact currently anticipated by Arcan; Arcan's capital spending and operational plans for 2014 may not be completed in the timelines anticipated, in the manner anticipated or at all and the execution of such plans may not have the results currently anticipated by Arcan; water injection and CO2 may not have the impact on production currently anticipated by Arcan; currently unforeseen issues may arise in the continuing integration of the business and operations of Arcan and StimSol and acquisition may not positively impact Arcan's business and operations in the manner currently anticipated or at all; changes in commodity prices; unanticipated operating results or production declines; waterflood and CO2 impacts; Arcan may be unable to solve its mechanical/operational issues in the timelines anticipated, in the manner anticipated or at all;

shareholder value may not be maximized in the manner suggested by Arcan or at all; changes in tax or environmental laws or royalty rates; increased debt levels or debt service requirements; inaccurate estimation of Arcan's oil and gas reserves volumes; limited, unfavourable or no access to debt or equity capital markets; inaccuracies in Arcan's calculation of reserve life index; for reasons currently unforeseen, the current drilling locations identified by Arcan may prove to be unsuitable or unavailable and drilling on the locations identified may not occur; increased costs and expenses; the impact of competitors; reliance on industry partners; reviews of Arcan's credit facility and/or budget may not occur on the timelines anticipated or at all; and certain other risks detailed from time to time in Arcan's public disclosure documents including, without limitation, those risks identified in this press release, and in Arcan's annual information form, copies of which are available on Arcan's SEDAR profile at www.sedar.com.

This press release contains reserves information. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and Arcan does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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