

PROCYON ENERGY CORP.

Suite 400, 505-8th Avenue S.W.
Calgary, Alberta, T2P 1G2

FLOW-THROUGH SHARE OFFERING

Term Sheet

October 1, 2009

- The Corporation:** Procyon Energy Corp. (“**Procyon**” or the “**Corporation**”) is a private Calgary, Alberta based company engaged in oil and gas exploration and development, with a property focus in the Ft. St. John townships area of Northeast British Columbia. The corporation produces approx. 400boe/d from a dozen gas wells located at LaGarde, Siphon, Rigel, Oak and Muskrat. The bulk of the companies wells are operated by Procyon. Funds are required to drill and recomplete several oil targets to achieve a more balanced production portfolio. Management is focussed on positioning Procyon to achieve a liquidity event in approximately 2 years time either by sale or public offering.
- Management:** Ronald L. McKellar – President and C.E.O.
Ron Pratt – Chief Financial Officer
Howard Holan – Vice-President, Engineering and C.O.O.
Samuel J.C. Wing – Vice-President, Exploration
- Board of Directors:** Clarence Y. Chow
Art C. Eastly
Ronald L. McKellar
Ron Pratt
- Capitalization:** The Corporation is authorized to issue an unlimited number of common shares (the “**Common Shares**”) and an unlimited number of preferred shares, issuable in series. As at the date hereof, the Corporation has issued and outstanding 8,042,135 Common Shares. In addition, the Corporation has 453,612 outstanding stock options and 907,224 outstanding share purchase warrants (subject to graduated vesting provisions tied to the Corporation’s net asset value), all exercisable at \$1.00. The Corporation’s management and board of directors hold in aggregate 2,624,502 Common Shares (33%) (3,985,338 (42%) on a fully diluted basis).
- The Offering:** The Corporation is offering up to 2,000,000 Common Shares, to be issued on a "flow-through" basis under the *Income Tax Act* (Canada) (the "**Flow-Through Shares**") at a price of \$1.20 per Flow-Through Share for maximum gross proceeds of \$2,400,000.00 to the Corporation (the “**Offering**”)

Use of Proceeds:

The proceeds from the Offering will be used by the Corporation to incur eligible Canadian exploration expenses ("CEE") (including up to \$1 million in Canadian development expenses, which can be renounced as CEE), so as to allow the Corporation to renounce the full amount of the subscription price in favour of the subscribers under the Offering effective for the taxation year ended December 31, 2009.

It is anticipated that the proceeds from the Offering will be expended as follows:

Purpose	Amount
1) Drill a Triassic well for 2 gas and 1 oil targets at Muskrat	\$600,000.00
2) Recomplete an existing cased wellbore in a Triassic oil/gas target at LaGarde	\$300,000.00
3) Drill step-out well on oil target at LaGarde	\$600,000.00
4) Drill downspace gas wells on up to 4 sections	\$500,000.00 each

Eligibility:

The Flow-Through Shares will be offered in all provinces of Canada pursuant to applicable prospectus and registration exemptions, including the "accredited investor" and "close friends and business associates" exemptions.

How to Subscribe:

Complete a subscription agreement included herewith and return to it to the Corporation's legal counsel, Burstall Winger LLP at 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Attention: Robert R. Verbuck, together with payment therefor by certified cheque or bank draft payable to "Procyon Energy Corp." no later than November 30, 2009.

Closing:

The initial closing is scheduled for November 30, 2009. Additional closings may occur until December 31, 2009.

Further Information:

For further information please contact Ronald L. McKellar or Ron Pratt at (403) 262-7271 or by e-mail at www.procyonenergy.ca.

Forward-Looking Statements: This Term Sheet contains forward-looking information and statements, which include opinions, assumptions, estimates and expectations of (i) funds to be raised in a financing; (ii) future capital expenditures; (iii) production. Forward-looking statements include information that does not relate strictly to historical or current facts. When used in this document, the words "anticipate," "believe," "estimate," "expect," "forecast," "intent," "may," "project," "plan," "potential," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to a wide range of known and unknown risks and uncertainties, and although the Corporation believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results, future actions, conditions or events to differ materially from those in the forward-looking statements, including, but not limited to, the volatility of oil and gas prices, the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, changes in oil and gas acquisition and drilling programs, operating risks, production rates, reserve estimates, changes in general economic conditions, and other factors. Undue reliance should not be placed on forward-looking statements as the Corporation can give no assurance that they will prove to be correct. The forward-looking statements contained in this Term Sheet are made as of the date hereof. While the Corporation acknowledges that subsequent events and developments may cause the views expressed herein to change, Procyon has no intention and undertakes no obligation to update, revise or correct such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities law. The Corporation believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and information included in this document should not be unduly relied upon. The forward-looking information included herein represents Procyon's views as of the date of this document and such information should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, these factors are not intended to represent a complete list of the factors that could affect us and there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.