



FOR IMMEDIATE RELEASE

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## CONNACHER PRODUCTION JUMPS BY 70 PERCENT IN Q2

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) is pleased to report that a 70-percent increase in production, buoyed by higher commodity prices, resulted in continued growth in revenue, cash flow and earnings for the three-month and six-month periods ended June 30, 2003.

Highlights are as follows.

- Production rose 70 percent for both the quarter and six months ended June 30, 2003 in comparison with the same periods of 2002. This marks the ninth successive quarter of production growth for Connacher.
- Cash flow grew 219 percent for the quarter and over 400 percent year-to-date, which translated into per share growth of 50 percent for the quarter and 200 percent for the half.
- A significant acreage position and three existing wells were acquired at Cabri/Shackleton, Saskatchewan. Seven new natural gas wells have since been drilled and cased; testing is underway and 23 additional development locations have been selected.
- Approximately \$2.3 million of new cash received during the second quarter from the exercise of outstanding warrants, options and the repayment of a share-purchase loan contributed to a strong balance sheet.

Connacher gained some stock market recognition during the second quarter. The share price rose from \$0.42 on March 31, 2003 to \$0.71 on June 30, 2003. This gain of 69 percent recognizes Connacher's quarter-over-quarter growth in production and financial results and may also be related to the potential of Connacher's drilling program for the second half of 2003. Connacher's common shares were listed for trading on the Toronto Stock Exchange on August 1, 2003.

	Three Months Ended June 30			Six Months Ended June 30		
	2003	2002	% Change	2003	2002	% Change
<b>FINANCIAL</b>						
(\$000 except per share amounts)						
Net revenue	2,036	809	152	3,792	1,399	171
Cash flow from operations	821	257	219	1,600	317	405
Per basic and diluted share	0.03	0.02	50	0.06	0.02	200
Net earnings (loss)	172	28	514	444	(99)	
Per basic and diluted share	0.01	-		0.02	(0.01)	
Capital expenditures	4,271	1,182	261	15,040	3,305	355
Net debt	12,679	1,585	700	12,679	1,585	700
Shareholders' equity	9,718	3,560	173	9,718	3,560	173
Total assets	25,325	6,637	282	25,325	6,637	282
Common shares outstanding (000)						
Weighted average						
Basic	29,421	18,426	60	27,233	17,719	54
Diluted	31,945	18,426	73	28,436	17,719	60
June 30, 2003						
Issued				34,082	21,671	57
Fully diluted				43,841	31,108	41
<b>OPERATING</b>						
Production						
Oil (bbl/d)	752	288	161	668	263	154
Natural gas (mcf/d)	1,033	1,536	(33)	1,124	1,438	(22)
Barrels of oil equivalent (boe/d)	924	544	70	855	503	70
Prices						
Oil (\$/bbl)	33.10	23.63	40	32.72	22.98	42
Canadian natural gas (\$/mcf)	4.71	3.19	48	6.19	2.79	122
Argentinian natural gas (\$/mcf)	0.23	0.44	(48)	0.27	0.55	(51)
Total natural gas (\$/mcf)	2.18	2.09	4	3.18	1.89	68
Barrels of oil equivalent (\$/boe)	29.37	18.51	59	29.73	17.42	71
Operating netbacks (\$/boe)	16.71	10.16	64	16.78	8.41	100

Thus far in 2003, Connacher's growth has primarily been the result of the Battrum, Saskatchewan acquisitions completed in the first quarter. Average production during the second quarter was 18 percent higher than production in the first quarter, reflecting the full quarter impact of the purchases. Growth during the second half will reflect the impact of the company's expanded 46 well drilling program to be conducted prior to year end. The impact of much of this drilling will become evident with higher production levels near year end and into 2004.

### **Cabri/Shackleton, Saskatchewan**

Connacher's major focus during the second quarter of 2003 was the acquisition of a 100-percent working interest in 20,960 acres of land in the Cabri/Shackleton region of southwest Saskatchewan. These purchases, which included three existing Milk River wells, have established Connacher's presence in this quickly developing regional gas play. The close proximity of Cabri/Shackleton to Battrum should also contribute to future operating efficiencies.

Subsequently Connacher has drilled seven new natural gas wells, including two that were drilled deeper to evaluate prospective oil-bearing formations. The original well pattern was selected in part to meet obligations associated with licences acquired at Crown sales, and to determine the area covered by the play. All seven wells have been logged and cased, and testing is underway. Initial results are in line with expectations, and 23 additional locations have been selected on our northern block. This development program should give Connacher the ability to commence deliveries of 5 mmcf/d of natural gas by year-end. Engineering for plant construction, compression and tie-ins is well-advanced, as are arrangements for access to and sale into available markets.

Recently, Connacher acquired a 100-percent interest in an additional 7,050 acres of prospective rights in the region. Because additional acreage has been posted for sale in the area, further well information will be released once land-acquisition programs are completed.

### **Battrum, Saskatchewan**

At Battrum, Connacher completed its review of properties acquired in two separate transactions during the first quarter of 2003. Subsequently, one successful workover was undertaken. After the initial drilling program at Shackleton, a seven-well infill program was initiated. The first five wells of this program have been logged and cased as indicated oil wells and are scheduled to be placed onstream in late August and early September. As a result of the success to date, this program has been expanded to ten wells.

### **Steelman, Saskatchewan**

Connacher began a horizontal infill drilling program at Steelman during the first half of 2003. The initial well encountered higher water cuts and lower inflow than expected. As a result, Connacher's 2003 guidance has been revised and future drilling has been deferred until the project can be reassessed.

### **Islay, Alberta**

New drilling at Islay/Kitscoty was delayed while Connacher concentrated on its drilling at Shackleton. However, four wells (including one horizontal well) are scheduled prior to year-end.

### **Revised Guidance**

Connacher has updated its guidance for 2003 from its Q1 Outlook. This update (Q2 Outlook) incorporates actual first half 2003 results and takes into account recent drilling success as well as delays in drilling, testing and onstream target dates and disappointing results at Steelman. Also, there have been revisions to anticipated capital requirements for the remainder of the year. The Q2 Outlook now assumes 5 mmcf/d of Cabri / Shackleton gas will be onstream by year-end.

Connacher now forecasts an exit net debt to cash flow ratio of 1.5:1 and anticipates this will decline throughout 2004 as production growth is realized. Forecast daily average 2003 production of 1,226 boe/d represents a projected gain of 116 percent over last year's actual results. The company's exit production target is now forecast at 2,775 boe/d, with natural gas making up approximately 45 percent of total production.

		2003 Forecast Q2 Outlook	2002 Actual
<b>Sales Volumes (annual averages)</b>			
Crude Oil	Canada (bbls/d)	871	294
	Argentina (bbls/d)	48	46
	Total (bbls/d)	919	340
Natural Gas	Canada (mcf/d)	1,280	811
	Argentina (mcf/d)	561	554
	Total (mcf/d)	1,841	1,365
Combined	Canada (boe/d)	1,084	429
	Argentina (boe/d)	142	139
	Total (boe/d)	1,226	568
<b>Pricing</b>			
Crude Oil	Canada (\$/bbl)	29.98	24.22
Crude Oil	Argentina (\$/bbl)	36.96	32.22
Natural Gas	Canada (\$/mcf)	5.93	3.49
Natural Gas	Argentina (\$/mcf)	0.38	0.49
Combined	Canada (\$/boe)	31.09	23.19
Combined	Argentina (\$/boe)	14.09	12.72
Combined	Total (\$/boe)	29.12	20.64
<b>Financials</b>			
Net revenue, after royalties (\$MM)		10.6	3.7
Funds from operations (\$MM)		4.8 – 5.2	1.0
Per share (\$)		0.15 – 0.17	0.05
Earnings (\$MM)		1.4 – 1.7	0.5
Per share (\$)		0.04 – 0.05	0.03
Capital expenditures <sup>(1)</sup> (\$MM)		32.4	9.0
Year-end net debt (\$MM)		25.3	3.4
Weighted Average Shares <sup>(2)</sup> (MM)		31.7	19.9

(1) Includes acquisition of properties for \$9.9 million in 2003, \$4.0 million in 2002.

(2) Includes \$1.9 million of net equity proceeds raised in March and aggregate net proceeds of \$2.8 million from outstanding warrants in 2003; \$2.4 million of warrant proceeds were received in June and July, 2003.

### **Summary and Outlook**

Connacher's first half of 2003 was characterized by healthy production growth and improved financial results. Cash flow for the six months ended June 30, 2003 was \$1.6 million, 53 percent above that generated in all of 2002. Capital spending was dominated by land purchases to establish a meaningful position at Shackleton, and by the drilling of one horizontal well at Steelman. The company's balance sheet was strengthened through a \$2-million equity injection during the first quarter and the exercise of most of the company's outstanding 40-cent warrants during the second quarter. On a combined basis, over \$4 million of new equity was injected during the first half of 2003. Connacher remains vigilant in its commitment to a conservatively financed balance sheet.

The second half of 2003 will be dominated by an aggressive drilling program under which 46 gross wells are proposed, including 45 in Canada and one exploratory stepout well in Argentina. Thirty wells are scheduled for the Cabri/Shackleton natural gas play, including seven already drilled. Ten wells are anticipated at Battrum; five of these are already cased as indicated oil wells. Four 100-percent wells will be drilled at Islay, including a horizontal well to evaluate an established Lloydminster channel. A 100-percent owned gas prospect (Romeo) at Bindloss, Alberta will also be drilled. Finally, one non-operated 50-percent stepout well

is scheduled to be drilled in September on the company's Puesto Morales block in Argentina. This well is prospective for both oil and gas.

In addition to an aggressive drilling program Connacher anticipates a continued land-acquisition program at Shackleton. The company also expects that a considerable investment in facilities and tie-ins will be required to bring 5 mmcf/d of Shackleton gas onstream prior to year-end.

Connacher's common shares were listed for trading on the Toronto Stock Exchange (TSX) on Friday, August 1, 2003 under the symbol CLL. At August 26, 2003 there were 36,151,525 common shares outstanding with 43,860,967 outstanding on a fully-diluted basis, including shares reserved for 5.4 million warrants and 2.3 million stock options.

Connacher is a Calgary-based oil and natural gas company. Its primary assets are located at Battrum, Saskatchewan and Islay, Alberta. The company recently secured a significant land position in the Cabri/Shackleton shallow Milk River natural gas play where an active 30-well drilling program is underway. A non-operated 50-percent working interest is also held in the producing 95,000-acre Puesto Morales concession in Argentina.

*Certain statements included in this press release that are not historical facts should be considered to be "forward-looking statements". All estimates and statements that describe the Company's objectives, goals or future plans (including all estimates and statements with respect to the Q2 Outlook) are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties where actual results will differ and such differences could be material. There can be no assurance that Connacher will achieve the drilling results and levels of production assumed in the Q2 Outlook. In addition, oil and gas prices are subject to fluctuation and there can be no assurance that the commodity prices reflected in the Q2 Outlook will be attained. The Q2 Outlook incorporates actual first half 2003 results and assumes the full exercise of outstanding warrants which expire during 2003 (the majority of which were exercised in June and July 2003), a continuing expansion of the company's credit facility and trade credit on a basis and on terms similar to those presently in force, as well as completion of various minor acquisitions which consolidate Connacher's interests in various properties.*

The TSX has neither approved nor disapproved of the contents herein.

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