



FOR IMMEDIATE RELEASE

March 23, 2005

CONNACHER DIRECTS FOCUS TO OIL SANDS OPPORTUNITY IN 2004

Calgary, Alberta – Connacher Oil and Gas Limited (**CLL – TSX**) successfully positioned itself to proceed with a large-scale oil sands opportunity during 2004. The company's Great Divide project southwest of Fort McMurray, Alberta has become its most important corporate asset. With a valuable land position exceeding 100 sections, a significant resource base already identified and plans developing to seek regulatory approval for the first of several potential 10,000 bbl/d projects, Connacher is one of the few junior oil companies active in Alberta's oil sands. In a high-demand crude oil market, this asset has the potential to facilitate quantum sustainable long-term growth for Connacher's shareholders.

Developments and highlights of 2004 were as follows:

- Connacher acquired 101 sections (64,640 acres) at 100 percent working interest in oil sands leases at Great Divide, Alberta.
- Connacher drilled 11 core holes on Pod One at Great Divide, confirming the presence of a significant resource accumulation and an initial independent estimate of over 50 million barrels of possible recoverable reserves.
- In early 2005, Connacher drilled a further 12 core holes on Pod One and seven on Pod Three. A 3D seismic program over Pod One was initiated. Preliminary results are encouraging.
- Plans are progressing to submit an application to Alberta's regulatory authorities around mid-year or shortly thereafter to proceed with an initial 10,000 bbl/d project on Pod One, using Steam Assisted Gravity Drainage (SAGD) technology. Once onstream, the project would have a long life index at minimal decline.
- Further development of other Pods already identified for their potential will await additional drilling and delineation.
- Underperforming and high cost properties were sold at attractive prices during 2004.

- Connacher exited 2004 with no net debt, \$3.9 million of cash balances and \$8.6 million of unused available credit.
- International holdings in Argentina were reorganized into a new company, Petrolifera Petroleum Limited. Subsequent to year end, Petrolifera completed negotiations to acquire two significant licenses in Peru. An additional \$7 million of equity was raised by Petrolifera in March 2005 which will fund a \$6.2 million budget in 2005, including drilling up to five new wells in Argentina. Petrolifera also repaid \$2 million of indebtedness to Connacher.

	Years Ended December 31		
	2004	2003	%
	(restated)		
FINANCIAL			
(\$000 except per share amounts)			
Total revenue	11,216	9,982	12
Cash flow from operations ⁽¹⁾	2,409	3,353	(28)
Basic, per share	0.05	0.10	(50)
Diluted, per share	0.05	0.10	(50)
Net earnings (loss)	(2,976)	4,055	-
Basic, per share	(0.06)	0.13	-
Diluted, per share	(0.06)	0.12	-
Capital expenditures	17,629	35,790	(51)
Proceeds of dispositions	17,604	-	-
Bank debt	-	(12,100)	-
Working capital (deficiency)			
excluding bank debt	3,549	(8,994)	-
Cash on hand (Net debt)	3,914	(21,094)	-
Established credit facility	8,600	31,500	(73)
Shareholders' equity	40,502	24,182	67
Total assets	46,217	53,777	(14)
Common shares outstanding (000)			
Weighted average			
Basic	50,908	32,362	57
Diluted	53,329	35,333	51
Year end			
Issued	89,627	45,903	95
Fully diluted	98,916	53,717	84

⁽¹⁾ Cash flow from operations and cash flow per share are not measures that have any standardized meaning as ascribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other companies.

	Years Ended December 31		
	2004	2003	%
OPERATING			
Production			
Oil (bbl/d)	785	789	-
Natural gas (mcf/d)	1,620	1,190	36
Barrels of oil equivalent (boe/d)	1,055	987	7
Prices			
Oil – Canada (\$/bbl)	30.59	29.54	4
Oil – Argentina (\$/bbl)	42.45	37.74	12
Natural gas – Canada (\$/mcf)	5.92	5.34	11
Natural gas – Argentina (\$/mcf)	0.67	0.23	191
Barrels of oil equivalent (\$/boe)	28.95	27.56	5
Reserves ^{(1) (2)}			
Crude oil and natural gas liquids (mmbbls)			
Proved	1,775	2,175	(18)
Proved plus probable	3,257	4,148	(21)
Proved plus probable plus possible	56,210	5,465	928
Natural gas (mmcf)			
Proved	1,831	5,461	(66)
Proved plus probable	3,517	8,553	(59)
Proved plus probable plus possible	4,212	9,557	(56)
Barrels of oil equivalent (mboe) (3)			
Proved	2,078	3,085	(33)
Proved plus probable	3,841	5,574	(31)
Proved plus probable plus possible	56,912	7,058	706
Undeveloped Canadian acreage (net acres)	135,915	67,310	102
Drilling activity – full year			
Gross wells	14	59	(76)
Net wells	14	56.9	(75)
Oil wells	1	12.9	(92)
Core Holes (Oil Sands)	11	Nil	-
Natural gas wells	13	44	(70)
Dry holes	Nil	Nil	-
Net success rate (%)	100	100	

1. The reserve estimates for 2003 and 2004 were prepared in accordance with National Instrument 51-101 (NI 51-101). Under NI 51-101, proved reserve assignments are based on a 90 percent probability that total quantities recovered will equal or exceed proved reserve estimates. Proved plus probable reserves are the most likely case and are based on a 50 percent probability that they will equal or exceed estimates. The new standard provides for a more conservative evaluation of proved and probable reserves, particularly on new wells where production history has not yet been established. The change to proved and probable reserve definitions implemented by NI 51-101 for the year ended December 31, 2003, may make reserve quantity and reserve valuation comparisons to prior years difficult. Management believes the most meaningful comparison of the current year's proved plus probable reserves would be to "established reserves" (being proved plus 50 percent probable) for years prior to 2003. Possible reserves are those reserves less certain to be recovered than probable reserves. There is at least a 10 percent probability that the quantities actually recovered will exceed the sum of the estimate of proved plus probable plus possible reserves.
2. Connacher's reserve information will be posted on SEDAR when the company's Annual Information Form is filed.
3. Per barrel of oil equivalent (boe) amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1). The conversion is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a value equivalency at the wellhead.

For Connacher, 2004 was a year of refocusing, redirection and repositioning. We had a strong finish, eliminating net debt. We have a strong project in Canada at Great Divide and Petrolifera has exciting prospects in both Argentina and more recently in Peru, in South America. Our international activity is now self-financed. We believe Connacher has a strong future.

Our operating and financial results were mixed in 2004. This reflected the impact of property sales at mid-year which, while contributing to our debt reduction program, reduced the scale of our conventional activities.

For 2004, revenue rose 12 percent to \$11.2 million, while cash flow declined by 28 percent to \$2.4 million. Primarily due to higher non-cash charges and the reduced production base, a loss of \$3.0 million was recorded.

During the year capital expenditures were \$17.6 million, mostly in the first quarter. Major expenditures were made at Great Divide, Alberta for new oil sands leases and core holes; at Cabri, Saskatchewan (since sold); and at Tompkins, Saskatchewan and Battrum, Saskatchewan for drilling, seismic and workovers. Fourteen 100-percent-owned conventional wells were drilled and cased for a 100-percent success ratio. An additional 50-percent non-owned interest in the concession in Argentina was acquired for cash before the entire interest was sold to Petrolifera for a promissory note and shares.

In June and July, 2004 underperforming natural gas assets and higher cost heavy oil properties in Canada were sold for cash. Proceeds were used in Connacher's debt reduction program. In December, Connacher raised \$21.3 million of gross proceeds from the sale of new common shares and flow through common shares issued from treasury. Proceeds were used to eliminate net debt and for working capital.

At year end 2004, Connacher had \$3.9 million in cash balances, \$3.5 million in working capital, no debt and an unutilized \$8.6 million credit facility. At December 31, 2004 there were 89.6 million common shares outstanding (98.9 million fully-diluted). On a weighted-average basis, there were 50.9 million common shares outstanding in 2004 (53.3 million diluted).

Average production for 2004 rose seven percent to 1,055 boe/d from 987 boe/d in 2003, despite the mid-year sale of over 500 boe/d. Crude oil sales remained constant at 785 bbl/d while natural gas sales rose 36 percent to 1,620 mcf/d. Approximately 93 percent of crude oil sales were in Canada, with the balance in Argentina; 44 percent of natural gas sales were in Argentina.

Connacher's proved and probable reserves are now estimated at 3.8 million boe, 31 percent lower than 2003 primarily due to property sales. The company's proved, probable and possible reserves were estimated at 56.9 million boe, compared to 7.1 million boe in 2003, for an increase of 706 percent. This reflects the impact of Great Divide, as does the company's land base, which doubled to 135,915 net acres during the year.

DeGolyer and MacNaughton Canada Limited (D&M), independent petroleum consultants, forecast Connacher's year-end proved and probable reserves will generate \$52.8 million of future net revenue (before income taxes but after royalties, future capital and abandonment costs net of salvage value) with a 10-percent discounted present worth of \$33.2 million. Proved, probable and possible reserves, which include significant estimated volumes of possible recoverable reserves at Great Divide, are forecast to generate \$464 million of future net revenue with a 10 percent present worth of future net revenue of \$175.1 million, compared to only \$50.3 million last year. This equates to \$1.95 per common share outstanding (\$1.99 debt adjusted per share) at year end, before risk adjustment; last year this amounted to \$1.10 per share (\$0.64 debt adjusted per share). All reserve report estimates were prepared in compliance with NI 51-101 parameters; forecasts of future net revenue were prepared using D&M's December 31, 2004 price forecast.

Connacher's future is strong. The company's primary emphasis is on its Great Divide project. A total of 19 core holes were drilled on Pods One and Three in January and March, 2005. Preliminary core and log analysis is very encouraging. Connacher has already initiated engineering design, environmental and other studies, results of which will support the company's application for approval to authorities for a 10,000 bbl/d SAGD project on Pod One. Additionally, the company will soon have an updated resource study completed by an independent consultant, which will incorporate 2005 drilling and the results of a 3D seismic survey presently being completed over Pod One. This will be utilized to support the company's application to the Alberta EUB and Alberta Environment. If approved, Connacher will focus on preparations to proceed with field operations as soon as possible. External financing, partnering, or both will be required at the appropriate time for Connacher to proceed with the proposed Pod One development.

Further drilling will also be scheduled for later this year and next year on Pods Two, Three and Four at Great Divide. If drilling results continue to be favorable, further development projects will be contemplated. This is consistent with the Company's emphasis on repeatable, sustainable projects which can materially impact the company and its future.

Connacher also plans to operate the drilling of up to 25 conventional wells in Western Canada in 2005. The company has not drilled any wells during the first quarter due to rig availability, early break up and the emphasis on the higher impact program at Great Divide. Throughout the year, these lower-risk developmental wells are expected to be drilled at Battrum, Tompkins and Steelman, Saskatchewan.

International interests are now held by Petrolifera, in which Connacher retains a significant equity stake. Petrolifera recently completed a 140 square kilometer, 3D seismic survey over much of the Puesto Morales/Rinconada concession in the Neuquen Basin, Argentina. Up to five new 100-percent interest wells are anticipated as part of Petrolifera's planned \$6.2 million 2005 capital budget. With Connacher's support, Petrolifera has also initialed two significant licenses, to be awarded by Perupetro, covering five million acres in two separate basins in Peru. This new initiative provides Petrolifera with high potential blocks in well-established hydrocarbon-bearing regions. To finance a portion of planned activity, Petrolifera recently raised \$7 million of new equity and used a portion of proceeds to repay \$2 million owed to Connacher. Connacher consolidated Petrolifera's accounts at year end with a 61 percent equity stake in the company, since reduced to 40 percent.

In conclusion, Connacher is now debt free, has unused available credit and is focused on its highly prospective Great Divide oil sands project in Canada. The company has an excellent inventory of conventional drillable prospects in Saskatchewan. In addition, Connacher successfully created Petrolifera, a financially independent company, to hold high potential properties in Argentina and Peru. Connacher has a modest but stable production base with growth potential in Western Canada to more than cover costs while it capitalizes on the opportunities presented by the significant resource base identified at Great Divide for its shareholders.

Connacher's complete management's discussion and analysis ("MD&A") and financial statements and selected reserve information for the 12 months ended December 31, 2004 will be included in the company's annual report, which will be posted on SEDAR and the company's website. Also, the company's Annual Information Form for the year ended December 31, 2004 and information related to the company's oil and natural gas reserves will also be posted on SEDAR prior to the close of business on March 31, 2005. Connacher's Annual and Special Meeting of Shareholders will be held on May 10, 2004 at 3:00 PM at the Auditorium, 3rd Floor, Watermark Tower, 530 – 8th Avenue S. W., Calgary, Alberta.

As at March 23, 2004 there were 92,652,500 common shares outstanding. There are a further 5,300,525 common shares reserved for outstanding warrants and 3,748,600 common shares reserved for options pursuant to the company's Stock Option Plan.

This press release contains forward-looking statements. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to, risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments and risk associated with international activity and the risks and uncertainties associated with securing the necessary regulatory approvals and financing to proceed with the Great Divide project. There can be no assurance that Petrolifera will be awarded the two licenses in Peru. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the company's securities should not place undue reliance on these forward-looking statements.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe, derived by converting gas to oil in the ratio of six thousand cubic feet to one barrel of oil (6mcf:1bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Estimates of future net revenues do not represent fair market value.

For further information please contact:

R.A. Gusella, President and Chief Executive Officer

Connacher Oil and Gas Limited

Calgary, Alberta T2P 3S8

Phone: (403) 538-6201

Fax: (403) 538-6225

Website: www.connacheroil.com

Email: inquiries@connacheroil.com