



PRESS RELEASE

December 2, 2005

CONNACHER SIGNS EXCLUSIVITY AGREEMENT TO NEGOTIATE THE ACQUISITION OF REFINING ASSETS IN THE UNITED STATES; ALSO EXECUTES MANDATE LETTER WITH MAJOR INTERNATIONAL BANK TO SECURE INTERIM FINANCING FOR PURCHASE AND FOR TERM DEBT TO FINANCE POD ONE GREAT DIVIDE DEVELOPMENT EXPENDITURES

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) announced today it has executed an Exclusivity Agreement with an arms length third party to negotiate the terms of a purchase and sale agreement to acquire certain refining assets (and associated inventory) located in the United States. No binding agreement relating to the purchase has been entered into at this time and no final timeline has been established for completion of the negotiations and there can be no assurance that Connacher will be successful in completing a transaction should a binding agreement result from current discussions. However, the purchase, if consummated, could significantly assist Connacher in mitigating certain risks associated with the anticipated production of bitumen at Connacher's Great Divide oil sands property in northeastern Alberta, assuming regulatory approval to proceed with the proposed Pod One 10,000 bbl/d project is secured. These risks include price differential volatility for heavy oil and access to a stable and predictable supply of diluent which could be used to blend with bitumen to meet pipeline specifications when transporting production to the marketplace.

Connacher's and the vendor's objective is to complete the transaction in early 2006. This would enable Connacher to operate the facility for most of 2006 prior to the time it commences production at its Great Divide project, which is conditional upon regulatory approval. Discussions are advanced with respect to consideration for the assets and the purchase price may include the issuance of up to one million Connacher common shares from Treasury, should the transaction be completed.

Further details will be provided upon the completion of a binding purchase and sale agreement between the two parties. The purchase and sale agreement will contain representations and warranties and will be subject to conditions, including environmental studies, regulatory and third party approvals, as required, the contemporaneous finalization of financing arrangements and other conditions which are customary for transactions of this nature.

In conjunction with the proposed purchase and in anticipation of securing regulatory approval to proceed with the development of Pod One at Great Divide, Connacher has also executed a mandate letter with a major international bank to engage such bank as exclusive arranger, underwriter and administrative agent in connection with Connacher's proposed purchase of refining assets and the development of its Great Divide oil sands project. While the mandate letter does not constitute a commitment or agreement to enter into a commitment to lend funds to Connacher, it does set forth services to be provided by the bank to assist Connacher in securing a bridge loan to acquire the cash-generating refining assets and then to assist in raising term debt to

repay the bridge loan for the refining assets and to provide the development capital for Pod One at Great Divide.

The contemplated amount to be raised is up to US \$199 million, including the bridge loan and a term loan facility of up to US \$148 million. A portion of the term facility would be used to repay the bridge loan for the proposed purchase of refining assets. The balance would be utilized to complete the company's anticipated capital program to develop Pod One at Great Divide. In combination with the company's current cash balances, this should be substantially sufficient to fund the presently-budgeted costs of drilling the initial fifteen SAGD well pairs and to construct the facilities which constitute the 10,000 bbl/d project.

As the mandate letter is not a formal commitment to finance, there can be no assurance that such financing will be available on terms acceptable to Connacher. To the extent that such financing is available, Connacher may be required to grant a security interest in some or all of its assets, including its rights in the Great Divide oil sands project and the refining assets which it proposes to acquire.

Connacher Oil and Gas Limited is a public Canadian crude oil and natural gas company. Its principal asset is a 100 percent interest in 107 sections (68,480 acres) of leases at its Great Divide oil sands project in northeastern Alberta. In August 2005 Connacher submitted its application to regulatory authorities to develop Pod One and is awaiting approval to proceed with a development program in 2006. Connacher also holds conventional producing properties in the Province of Saskatchewan and owns a 35 percent equity stake in Petrolifera Petroleum Limited (PDP – TSX), which recently announced a significant crude oil discovery in the Neuquen Basin, Argentina.

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 risks and uncertainties associated with securing the necessary regulatory approvals and financing to proceed with the Great Divide project and the uncertainties associated with negotiating and completing commercial transactions such as acquisition of the refinery assets and the requisite financing in support thereof. 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. For additional information relating to the risks and uncertainties facing Connacher, refer to Connacher's Revised Initial Annual Information Form for the year ended December 31, 2004 which is available on SEDAR at www.sedar.com.

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