



**ANNUAL INFORMATION FORM  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**March 24, 2005**

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## FORWARD LOOKING STATEMENTS

Certain statements in this Annual Information Form are "forward looking statements". Forward looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward looking statements are not based on historical facts but rather on Management's expectations regarding the Corporation's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward looking statements reflect Management's current beliefs and assumptions and are based on information currently available to Management. Forward looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, the risks discussed under "Risk Factors" and elsewhere in the Corporation's public disclosure documents, and other factors, many of which are beyond the control of the Corporation. Although the forward looking statements contained in this Annual Information Form are based upon assumptions which Management believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this Annual Information Form, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward looking statements, prospective investors in the Corporation's securities should not place undue reliance on these forward looking statements. See "Risk Factors".

## ABBREVIATIONS AND DEFINITIONS

In this Annual Information Form, the abbreviations set forth below have the following meanings:

"bbl"	barrels	"mcf"	1,000 cubic feet
"bbl/d"	Barrel or barrels per day	"mcf/d"	One thousand standard cubic feet per day
"bcf"	1 billion cubic feet	"mmcf"	1,000,000 cubic feet
"boe"	Barrels of oil equivalent	"mmcf/d"	One million standard cubic feet per day
"boe/d"	Barrel or barrels of oil equivalent per day	"mstb"	1,000 standard barrels
"mbbl"	1,000 barrels	"NGL"	Natural gas liquids

**Note:** For the purposes of this document, 6 mcf of natural gas and 1 boe of NGL each equal 1 bbl of oil. BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

"**ABCA**" means the *Business Corporations Act* (Alberta), S.A. 2000, c. B-9, together with any amendments thereto and all regulations promulgated thereunder;

"**ARTC**" means the Alberta royalty tax credit;

"**Alpa**" means Ingenieria Alpa S.A., the Corporation's joint venturer in the Puesto Morales Concession;

"**Common Shares**" means the common shares in the share capital of the Corporation;

"**Connacher**" or the "**Corporation**" means Connacher Oil and Gas Limited and its subsidiaries;

"**D&M Report**" means the independent engineering evaluation of the oil and natural gas interests of the Corporation prepared by DeGolyer and MacNaughton Canada Ltd. ("**D&M**"), independent petroleum engineering consultants of Calgary, Alberta, dated March 2, 2005 and effective December 31, 2004;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

**"Petrolifera"** means Petrolifera Petroleum Limited, a subsidiary of Connacher.

**"Puesto Morales Concession"** or **"Concession"** means the interests in the Puesto Morales and Rinconada blocks in the Neuquen Basin in Argentina;

**"Seaton-Jordan Report"** means the independent evaluation of the Canadian undeveloped land acreage of the Corporation prepared by Seaton-Jordan & Associates Ltd. ("**Seaton-Jordan**"), independent mineral management consultants of Calgary, Alberta, dated February 18, 2005 and effective December 31, 2004; and

**"TSX"** means the Toronto Stock Exchange.

In this Annual Information Form, references to "dollars" and "\$" are to the currency of Canada, unless otherwise indicated.

## THE CORPORATION

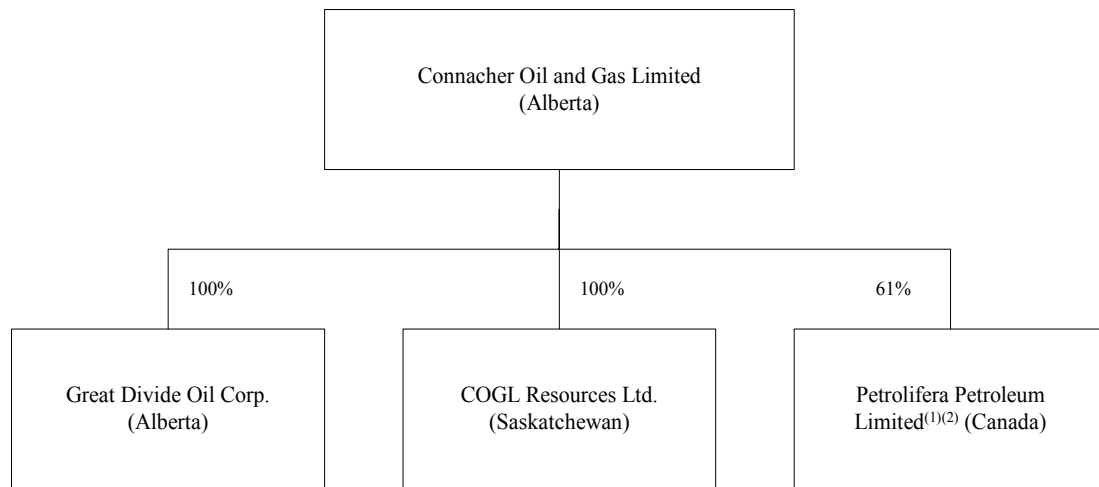
### Incorporation and Organization

The Corporation was formed on July 3, 1997 through the amalgamation pursuant to the ABCA of Petro Power Energy Inc. and Justinian Explorations Ltd. and continued as Justinian Explorations Ltd. ("Justinian"), a public corporation listed on the TSX Venture Exchange. On January 23, 2001 the outstanding Common Shares of the Corporation were consolidated on a ten-for-one basis and the name of the Corporation was changed to Connacher Oil and Gas Limited. Trading in the Common Shares of Connacher under the symbol "CLL" commenced on the TSX Venture Exchange on March 23, 2001. This listing was surrendered on August 1, 2003, when the Company graduated to and commenced trading on the TSX.

The Corporation has two wholly-owned subsidiaries, COGL Resources Ltd., a corporation incorporated under the *Business Corporations Act* (Saskatchewan), and Great Divide Oil Corporation, a corporation incorporated under the ABCA. As at December 31, 2004, the Corporation also owned approximately 61% of Petrolifera Petroleum Limited which owns 100% of the Puesto Morales Concession. Petrolifera was incorporated under the *Canada Business Corporations Act*.

The Corporation has its head and principal office at Suite 2600, 530 – 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3S8 and its registered office at 3700, 400 Third Avenue SW, Calgary, Alberta T2P 4H2.

The following chart illustrates the Corporation's organizational structure as at December 31, 2004:



#### Notes:

(1) Subsequent to December 31, 2004 the Corporation incorporated the following four subsidiaries held by Petrolifera Petroleum Limited: Petrolifera Petroleum (Holdings) Limited, Petrolifera Petroleum (Peru) Limited and Petrolifera Petroleum (Americas) Limited, each of which are incorporated under the laws of Barbados, and Petrolifera Petroleum del Peru S.A.C. (Peru), which is incorporated under the laws of Peru.

(2) Subsequent to December 31, 2004 the Corporation's interest in Petrolifera was reduced to 40%. See "Business of the Corporation - Ownership of Petrolifera".

## General Development of the Corporation

In January 2002, Connacher acquired certain oil and natural gas reserves, production and undeveloped acreage in the Lloydminster/Isly/Kitscoty region of Alberta from an independent oil and gas company for \$4 million. The acquisition was effective October 1, 2001 and was financed with \$2 million cash, a subordinated secured promissory note in the amount of \$500,000 and the issuance of 3.75 million Common Shares at a deemed price of \$0.40 per share. The promissory note was repaid in full in January 2003.

In June 2002, the Corporation completed an offering of 2,500,000 flow-through Common Shares at \$0.40 per share and 1,200,360 units consisting of one Common Share and one-half of a Common Share purchase warrant at \$0.35 per unit, for aggregate gross proceeds of approximately \$1.42 million.

The Corporation completed a further offering of 3,111,112 flow-through Common Shares at \$0.45 per share for aggregate gross proceeds of \$1.4 million in November 2002.

In January 2003, Connacher completed a \$7.3 million acquisition of certain oil and natural gas reserves, production and undeveloped land in the Battrum, Steelman and Cypress Hills areas of Saskatchewan from a large Canadian independent producer. The transaction had an effective date of December 1, 2002 and was financed from the Corporation's credit facility with a Canadian chartered bank.

In February 2003, the Corporation completed a further acquisition in the Battrum area for a purchase price of \$3.1 million from an arm's length vendor. The purchase was effective January 1, 2003 and was also financed from the Corporation's credit facility with a Canadian chartered bank.

The Corporation completed a private placement offering in March 2003 of 4,542,155 units comprised of one Common Share and one Common Share purchase warrant at \$0.45 per unit for gross proceeds of \$2.04 million.

Connacher acquired a 100% working interest in 12,320 acres of petroleum and natural gas rights in the Cabri/Shackleton region of south-western Saskatchewan in April 2003. The lands were prospective for shallow natural gas accumulations and were within the Corporation's core area of Battrum.

The Corporation completed a private placement offering in December 2003 of 5,162,000 Common Shares at a price of \$1.05 per Common Share, and 3,703,800 flow-through Common Shares at a price of \$1.35 per flow-through Common Share for aggregate gross proceeds of \$10.4 million.

Throughout 2003, a total of 7,785,636 Common Share purchase warrants and broker warrants and 534,000 stock options were exercised, resulting in the Corporation receiving cash proceeds of \$3.3 million.

The Corporation sold its conventional heavy oil properties at Islay and Lloydminster in eastern Alberta, and its Cabri North natural gas properties and related undeveloped shallow gas rights under approximately 35,000 net acres in southwest Saskatchewan in two separate transactions which were completed in July 2004 for aggregate gross proceeds of \$17.8 million. Proceeds from these sales were used to repay bank debt and trade payables.

In November 2004, the Corporation acquired the 50% working interest it did not already own in the Puesto Morales Concession in Argentina and immediately thereafter sold its 100% working interest to a subsidiary, Petrolifera, for eight million common shares of Petrolifera and a \$4 million promissory note. Prior to Petrolifera's purchase of those assets, Petrolifera completed a \$1.5 million equity financing issuing units comprising one common share of Petrolifera and one common share purchase warrant of Petrolifera and used \$1.25 million of the net proceeds to reduce its promissory note indebtedness to the Corporation to \$2.75 million. As a consequence of Petrolifera's equity financing, the Corporation's equity interest in Petrolifera was reduced to 61%. This equity interest further reduced to 40% in March 2005, upon the completion of another equity financing by Petrolifera, which raised \$7 million by issuing units comprising one common share of Petrolifera, one half of one common share purchase warrant of Petrolifera and a right. Of the gross proceeds, \$2 million was used to reduce the promissory note indebtedness owing to Connacher to \$750,000.

In December 2004, Connacher completed an equity offering of 30,000,000 Common Shares and 11,706,663 flow-through Common Shares, for aggregate gross proceeds of \$21.3 million. Proceeds from the financing were used to repay all of the Corporation's indebtedness and provide working capital.

Throughout 2004, a total of 1,442,155 Common Share purchase warrants and broker warrants and 575,000 stock options were exercised, resulting in the Corporation receiving cash proceeds of \$945,000.

## **Trends**

There are some trends that have been developing in the oil and gas industry during the past two years.

The first trend is the consolidation that the industry has been experiencing. Consolidation has affected companies of all sizes from the small emerging companies to the senior integrated companies. Because of the relatively high commodity prices in the industry in recent history and the increased demand for producing properties, the trend in the industry is for larger entities to continue to acquire smaller entities. Oil and gas royalty trusts have also been a significant acquirer of producing oil and gas properties and companies.

The second trend is the significant access to external capital that the industry has been experiencing. Oil and gas royalty trusts have become increasingly popular and have been able to access significant capital. As well, numerous junior oil and gas companies have had access to debt and equity capital which they have invested in both acquisition and exploration activities.

## **BUSINESS OF THE CORPORATION**

The Corporation is engaged in the exploration for, and the development, production and marketing of, oil and natural gas. The Corporation's principal properties are oil sand leases located in the Divide region, southwest of Fort McMurray, Alberta. It also holds producing and non-producing properties at Battrum, Tompkins and Steelman, all in Saskatchewan. Petrolifera owns 100% of the productive 95,000 acre Puesto Morales Concession in the Neuquen Basin, Argentina, and has negotiated the purchase of licenses covering two exploratory blocks in the Maranon and Ucayali Basins, Peru.

### **Principal Properties**

#### *Battrum, Saskatchewan*

The Corporation holds interests ranging from 75% to 100% in unitized and non-unitized lands in the Battrum region of south-western Saskatchewan. The Corporation is the operator of the properties which produce medium gravity crude oil. The properties were acquired in two transactions with effective dates of December 1, 2002 and January 1, 2003 which were completed on January 31, 2003 and February 28, 2003, respectively. For the year ended December 31, 2004 the Corporation's production from this area averaged 500 bbls/d and current production is approximately 520 bbls/d. There are presently 62 (50.4 net) producing oil wells and no producing gas wells in this area, which comprises 2,247 gross (1,949 net) acres. At December 31, 2004 the D&M Report estimates the Corporation's proved plus probable reserves to be 2.2 million bbls of oil, of which 1.3 million bbls is proved.

#### *Great Divide, Alberta*

The Corporation owns a 100% working interest in 101 sections (64,640 acres) of oil sands leases at its Great Divide project in the Divide area of northeastern Alberta. Several oil accumulations in the McMurray formation have been identified on the leases.

The Corporation drilled eleven core holes on one such accumulation ("Pod One") in 2004 and at December 31, 2004 the D&M Report estimated the Corporation's possible recoverable reserves to be 51.8 million bbls of bitumen.

In early 2005 a further twelve core holes were drilled on or around Pod One. Furthermore, a 3-D seismic program was initiated to assist in identifying the size and geometry of the accumulation. This data will be integrated into a resource study which is anticipated to form the basis for a submission to the appropriate Alberta regulators for approval to drill and produce from the accumulation at a targeted rate of up to 10,000 bbl/d.

Seven additional core holes were drilled on what the Corporation labels "Pod Three", situated on Connacher's land southwest of Pod One. Two other accumulations have been identified and further evaluation work is planned for the winter of 2005 – 2006.

### **Ownership of Petrolifera**

As at December 31, 2004, the Corporation held a 61% interest in Petrolifera which was subsequently reduced to 40% following the completion of a private placement by Petrolifera in March 2005. As a result, the Corporation currently holds a 40% equity interest in Petrolifera. Petrolifera owns 100% of the Puesto Morales Concession. During 2004 average production from the Puesto Morales Concession was 55 bbl/d of light crude oil and 711 mcf/d of natural gas. The production volumes reflect the purchase of its partner's 50% interest on November 26, 2004, with an effective date of November 1, 2004. Production was booked from the closing date. There are presently ten producing oil wells and one producing natural gas well. At December 31, 2004, the D&M Report estimated Petrolifera's share of proved and probable reserves, which were consolidated in the Corporation's accounts, to be 565,000 bbls of crude oil, of which 300,000 bbls was proved; and 2.8 bcf of natural gas, of which 1.5 bcf was proved.

Minority shareholders indirectly owned 39% of these reserves at December 31, 2004. This increased to 60% as at March 11, 2004, at which time Petrolifera completed a private placement financing which reduced the Corporation's direct equity interest to 40%. However, pursuant to a management agreement, Connacher is responsible for managing the day to day affairs of Petrolifera and Connacher has a right to participate in future equity offerings by Petrolifera.

In 2005 Petrolifera qualified for the award of licenses to explore for oil and natural gas in two blocks covering over five million acres in two basins in Peru. Block 106, in the Maranon Basin, is comprised of approximately two million acres. It surrounds a large oil field in the area and is surrounded by other producing oil fields as well as being bisected by an underutilized pipeline. Block 107 in the Ucayali Basin is comprised of approximately three million acres and is on trend with the Camisea field in Peru. The licenses under which Blocks 106 and 107 will be evaluated have been initialled by Petrolifera and Perupetro and, following formal approval by Perupetro's Board of Directors, are anticipated to be awarded to Petrolifera pursuant to a government decree.

## **OIL AND GAS RESERVES**

### *Reserves and Future Net Revenue*

Connacher's crude oil and natural gas reserves were primarily located in south-west and south-east Saskatchewan and in the Puesto Morales Concession in the Neuquen Basin in Argentina. The following is a summary of the crude oil and natural gas reserves and the value of future net revenue of the Corporation as at December 31, 2004 as evaluated by D&M in the D&M Report. The D&M Report which was prepared using assumptions and methodology guidelines outlined in the "Canadian Oil and Gas Evaluation Handbook" and in accordance with NI 51-101. The preparation date of the D&M Report is March 2, 2005. The pricing used in the forecast and constant price evaluations is set forth in the notes to the tables.

Under NI 51-101, proved reserve assignments are based on a 90% 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% 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. In addition pursuant to NI 51-101 the Corporation is required to include 100% of the reserves owned by Petrolifera in the Corporation's oil and gas reserves disclosure.

All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenues contained in the following tables do not necessarily represent the fair market value of the Corporation's reserves. There is no assurance that the forecast price and cost assumptions contained in the D&M report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the D&M report. The recovery and reserves estimates of the Corporation's properties described herein are estimates only. The actual reserves on the Corporation's properties may be greater or less than those calculated.

## RESERVES DATA - CONSTANT PRICES AND COSTS

### CRUDE OIL AND NATURAL GAS RESERVES BASED ON CONSTANT PRICES AND COSTS<sup>(8)</sup>

	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross <sup>(1)</sup> (mbl)	Net <sup>(1)</sup> (mbl)	Gross <sup>(1)</sup> (mbl)	Net <sup>(1)</sup> (mbl)	Gross <sup>(1)</sup> (mmcf)	Net <sup>(1)</sup> (mmcf)	Gross <sup>(1)</sup> (mbl)	Net <sup>(1)</sup> (mbl)
Proved Developed Producing <sup>(2)(5)</sup>								
Canada	1,192.5	955.6	-	-	132	117	2.6	1.8
Argentina	146.2	138.4	-	-	1,244	1,236	-	-
<b>Total</b>	1,338.7	1,094.0	-	-	1,376	1,353	2.6	1.8
Proved Developed Non-Producing <sup>(2)(6)</sup>								
Canada	-	-	-	-	161	141	-	-
Argentina	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	161	141	-	-
Proved Undeveloped <sup>(2)(7)</sup>								
Canada	280.0	236.3	-	-	-	1	-	-
Argentina	153.7	145.6	-	-	294	293	-	-
<b>Total</b>	433.7	381.9	-	-	294	294	-	-
Total Proved <sup>(2)</sup>								
Canada	1,472.5	1,191.9	-	-	293	259	2.6	1.8
Argentina	299.9	284.0	-	-	1,538	1,529	-	-
<b>Total</b>	1,772.4	1,475.9	-	-	1,831	1,788	2.6	1.8
Total Probable <sup>(3)</sup>								
Canada	1,215.4	985.5	-	-	471	415	0.9	0.6
Argentina	265.4	251.4	-	-	1,215	1,210	-	-
<b>Total</b>	1,480.8	1,236.8	-	-	1,686	1,625	0.9	0.6
Total Proved Plus Probable <sup>(2)(3)</sup>								
Canada	2,687.9	2,177.3	-	-	764	674	3.5	2.5
Argentina	565.3	535.4	-	-	2,753	2,739	-	-
<b>Total</b>	3,253.2	2,712.7	-	-	3,517	3,413	3.5	2.5
Total Possible <sup>(4)</sup>								
Canada	1,009.8	913.9	51,752.1	44,231.6	124	115	0.1	0.1
Argentina	191.5	181.3	-	-	577	576	-	-
<b>Total</b>	1,201.3	1,095.2	51,752.1	44,231.6	701	691	0.1	0.1
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>								
Canada	3,697.7	3,091.2	51,752.1	44,231.6	888	789	3.6	2.6
Argentina	756.8	716.7	-	-	3,330	3,315	-	-
<b>Total</b>	4,454.5	3,807.9	51,752.1	44,231.6	4,218	4,104	3.6	2.6

**NET PRESENT VALUE OF FUTURE NET REVENUE  
BASED ON CONSTANT PRICES AND COSTS<sup>(8)</sup>**

	Before Deducting Income Taxes					After Deducting Income Taxes				
	Discounted At					Discounted At				
	0% (MS)	5% (MS)	10% (MS)	15% (MS)	20% (MS)	0% (MS)	5% (MS)	10% (MS)	15% (MS)	20% (MS)
Proved Developed Producing <sup>(2)(5)</sup>										
Canada	20,698	16,952	14,313	12,364	10,869	20,698	16,952	14,313	12,364	10,869
Argentina	3,238	2,856	2,545	2,288	2,073	2,993	2,629	2,334	2,092	1,890
<b>Total</b>	<u>23,936</u>	<u>19,808</u>	<u>16,858</u>	<u>14,652</u>	<u>12,942</u>	<u>23,691</u>	<u>19,581</u>	<u>16,647</u>	<u>14,456</u>	<u>12,759</u>
Proved Developed Non-Producing <sup>(2)(6)</sup>										
Canada	578	537	500	467	436	578	537	501	467	436
Argentina	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>578</u>	<u>537</u>	<u>500</u>	<u>467</u>	<u>436</u>	<u>578</u>	<u>537</u>	<u>501</u>	<u>467</u>	<u>436</u>
Proved Undeveloped <sup>(2)(7)</sup>										
Canada	3,766	3,024	2,426	1,944	1,550	3,766	3,024	2,426	1,944	1,550
Argentina	2,960	2,186	1,632	1,222	912	2,330	1,639	1,172	834	583
<b>Total</b>	<u>6,726</u>	<u>5,210</u>	<u>4,058</u>	<u>3,166</u>	<u>2,462</u>	<u>6,096</u>	<u>4,663</u>	<u>3,598</u>	<u>2,778</u>	<u>2,133</u>
Total Proved <sup>(2)</sup>										
Canada	25,042	20,512	17,240	14,774	12,854	25,042	20,512	17,240	14,774	12,854
Argentina	6,198	5,042	4,177	3,510	2,985	5,296	4,268	3,506	2,926	2,473
<b>Total</b>	<u>31,240</u>	<u>25,554</u>	<u>21,417</u>	<u>18,284</u>	<u>15,839</u>	<u>30,338</u>	<u>24,780</u>	<u>20,746</u>	<u>17,700</u>	<u>15,327</u>
Total Probable <sup>(3)</sup>										
Canada	23,946	16,547	12,053	9,102	7,052	21,507	15,136	11,198	8,571	6,715
Argentina	6,375	4,852	3,830	3,099	2,550	4,492	3,339	2,595	2,074	1,691
<b>Total</b>	<u>30,321</u>	<u>21,399</u>	<u>15,883</u>	<u>12,201</u>	<u>9,602</u>	<u>25,999</u>	<u>18,475</u>	<u>13,793</u>	<u>10,645</u>	<u>8,406</u>
Total Proved Plus Probable <sup>(2)(3)</sup>										
Canada	48,987	37,060	29,291	23,876	19,907	46,549	35,648	28,438	23,345	19,569
Argentina	12,573	9,894	8,007	6,609	5,535	9,788	7,607	6,101	5,000	4,164
<b>Total</b>	<u>61,560</u>	<u>46,954</u>	<u>37,298</u>	<u>30,485</u>	<u>25,442</u>	<u>56,337</u>	<u>43,255</u>	<u>34,539</u>	<u>28,345</u>	<u>23,733</u>
Total Possible <sup>(4)</sup>										
Canada	558,928	345,969	219,783	141,872	91,924	377,425	229,072	140,861	86,324	51,413
Argentina	4,084	3,135	2,470	1,985	1,621	2,778	2,109	1,638	1,296	1,037
<b>Total</b>	<u>563,012</u>	<u>349,104</u>	<u>222,253</u>	<u>143,857</u>	<u>93,545</u>	<u>380,203</u>	<u>231,181</u>	<u>142,499</u>	<u>87,620</u>	<u>52,450</u>
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>										
Canada	607,916	383,029	249,075	165,748	111,831	423,974	264,720	169,299	109,669	70,982
Argentina	16,657	13,029	10,477	8,594	7,156	12,566	9,716	7,739	6,296	5,201
<b>Total</b>	<u>624,573</u>	<u>396,058</u>	<u>259,552</u>	<u>174,342</u>	<u>118,987</u>	<u>436,540</u>	<u>274,436</u>	<u>177,038</u>	<u>115,965</u>	<u>76,183</u>

**FUTURE NET REVENUE  
(UNDISCOUNTED)  
BASED ON CONSTANT PRICES AND COSTS<sup>(8)</sup>**

	Revenue <sup>(10)</sup> (MS)	Royalties <sup>(11)</sup> (MS)	Operating Costs (MS)	Development Costs (MS)	Abandonment and Reclamation Costs (MS)	Future Net Revenue Before Income Taxes (MS)	Income Taxes (MS)	Future Net Revenue After Income Taxes (MS)
Total Proved <sup>(2)</sup>								
Canada	56,588	11,486	15,867	2,358	1,833	25,044	-	25,044
Argentina	12,475	610	4,007	1,356	304	6,198	902	5,296
<b>Total</b>	<u>69,063</u>	<u>12,096</u>	<u>19,874</u>	<u>3,714</u>	<u>2,137</u>	<u>31,242</u>	<u>902</u>	<u>30,340</u>
Total Proved Plus Probable <sup>(2)(3)</sup>								
Canada	107,193	21,079	28,972	6,113	2,043	48,986	2,437	46,549
Argentina	23,414	1,148	7,395	1,969	328	12,573	2,786	9,788
<b>Total</b>	<u>124,949</u>	<u>22,248</u>	<u>36,367</u>	<u>8,082</u>	<u>2,371</u>	<u>61,559</u>	<u>5,223</u>	<u>56,337</u>
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>								
Canada	1,443,780	248,906	364,621	219,437	2,900	607,916	183,942	423,974
Argentina	31,092	1,534	9,683	2,842	376	16,657	4,091	12,566
<b>Total</b>	<u>1,474,872</u>	<u>250,440</u>	<u>374,304</u>	<u>222,279</u>	<u>3,276</u>	<u>624,573</u>	<u>188,033</u>	<u>436,540</u>

**FUTURE NET REVENUE BY PRODUCTION GROUP  
BASED ON CONSTANT PRICES AND COSTS<sup>(8)</sup>**

	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year)
		(M\$)
Total Proved <sup>(2)</sup>	Light and medium crude oil	19,990
	Heavy oil	-
	Associated gas and non-associated gas	1,426
Total Proved Plus Probable <sup>(2)(3)</sup>	Light and medium crude oil	34,030
	Heavy oil	-
	Associated gas and non-associated gas	3,269
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>	Light and medium crude oil	43,610
	Heavy oil	212,104
	Associated gas and non-associated gas	3,838

**RESERVES DATA - FORECAST PRICES AND COSTS**

**CRUDE OIL AND NATURAL GAS RESERVES  
BASED ON FORECAST PRICES AND COSTS<sup>(9)</sup>**

	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross <sup>(1)</sup> (mbbl)	Net <sup>(1)</sup> (mbbl)	Gross <sup>(1)</sup> (mbbl)	Net <sup>(1)</sup> (mbbl)	Gross <sup>(1)</sup> (mmcf)	Net <sup>(1)</sup> (mmcf)	Gross <sup>(1)</sup> (mbbl)	Net <sup>(1)</sup> (mbbl)
Proved Developed Producing <sup>(2)(5)</sup>								
Canada	1,192.5	959,042	-	-	132	117	2.6	1.8
Argentina	146.2	138.4	-	-	1,244	1,236	-	-
<b>Total</b>	1,338.7	1,097.5	-	-	1,376	1,353	2.6	1.8
Proved Developed Non-Producing <sup>(2)(6)</sup>								
Canada	-	-	-	-	161	142	-	-
Argentina	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	161	142	-	-
Proved Undeveloped <sup>(2)(7)</sup>								
Canada	280.0	237.2	-	-	-	1	-	-
Argentina	153.7	145.6	-	-	294	293	-	-
<b>Total</b>	433.7	382.8	-	-	294	294	-	-
Total Proved <sup>(2)</sup>								
Canada	1,472.5	1,196.3	-	-	293	260	2.6	1.8
Argentina	299.9	284.0	-	-	1,538	1,529	-	-
<b>Total</b>	1,772.4	1,480.3	-	-	1,831	1,789	2.6	1.8
Total Probable <sup>(3)</sup>								
Canada	1,215.4	990.7	-	-	471	415	0.9	0.6
Argentina	265.4	251.4	-	-	1,215	1,210	-	-
<b>Total</b>	1,480.8	1,242.1	-	-	1,686	1,625	0.9	0.6
Total Proved Plus Probable <sup>(2)(3)</sup>								
Canada	2,687.9	2,187.0	-	-	764	675	3.5	2.5
Argentina	565.3	535.4	-	-	2,753	2,739	-	-
<b>Total</b>	3,253.2	2,722.3	-	-	3,517	3,414	3.5	2.5
Total Possible <sup>(4)</sup>								
Canada	1,009.8	916.0	51,752.1	44,733.7	124	115	0.1	0.1
Argentina	191.5	181.3	-	-	577	576	-	-
<b>Total</b>	1,201.3	1,097.3	51,752.1	44,733.7	701	691	0.1	0.1
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>								
Canada	3,697.7	3,102.9	51,752.1	44,733.7	888	790	3.6	2.6
Argentina	756.8	716.7	-	-	3,330	3,315	-	-
<b>Total</b>	4,454.5	3,819.6	51,752.1	44,733.7	4,218	4,105	3.6	2.6

**NET PRESENT VALUE OF FUTURE NET REVENUE  
BASED ON FORECAST PRICES AND COSTS<sup>(9)</sup>**

	Before Deducting Income Taxes					After Deducting Income Taxes				
	Discounted At					Discounted At				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Developed Producing <sup>(2)(5)</sup>										
Canada	15,779	13,351	11,580	10,233	9,173	15,779	13,351	11,580	10,233	9,173
Argentina	4,817	4,276	3,831	3,461	3,150	4,129	3,643	3,246	2,919	2,646
<b>Total</b>	<u>20,596</u>	<u>17,627</u>	<u>15,411</u>	<u>13,694</u>	<u>12,323</u>	<u>19,908</u>	<u>16,994</u>	<u>14,826</u>	<u>13,152</u>	<u>11,819</u>
Proved Developed Non-Producing <sup>(2)(6)</sup>										
Canada	550	512	478	447	418	550	512	478	447	418
Argentina	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>550</u>	<u>512</u>	<u>478</u>	<u>447</u>	<u>418</u>	<u>550</u>	<u>512</u>	<u>478</u>	<u>447</u>	<u>418</u>
Proved Undeveloped <sup>(2)(7)</sup>										
Canada	2,609	2,093	1,669	1,321	1,034	2,609	2,093	1,669	1,321	1,034
Argentina	3,620	2,710	2,064	1,589	1,230	2,721	1,964	1,439	1,061	781
<b>Total</b>	<u>6,229</u>	<u>4,803</u>	<u>3,733</u>	<u>2,910</u>	<u>2,264</u>	<u>5,330</u>	<u>4,057</u>	<u>3,108</u>	<u>2,382</u>	<u>1,815</u>
Total Proved <sup>(2)</sup>										
Canada	18,939	15,956	13,728	12,002	10,625	18,939	15,956	13,728	12,002	10,625
Argentina	8,437	6,986	5,895	5,050	4,380	6,850	5,607	4,685	3,980	3,427
<b>Total</b>	<u>27,376</u>	<u>22,942</u>	<u>19,623</u>	<u>17,052</u>	<u>15,005</u>	<u>25,789</u>	<u>21,563</u>	<u>18,413</u>	<u>15,982</u>	<u>14,052</u>
Total Probable <sup>(3)</sup>										
Canada	17,022	11,858	8,661	6,541	5,057	17,022	11,858	8,661	6,541	5,057
Argentina	8,439	6,336	4,958	3,988	3,272	5,856	4,327	3,349	2,672	2,177
<b>Total</b>	<u>25,461</u>	<u>18,194</u>	<u>13,619</u>	<u>10,529</u>	<u>8,329</u>	<u>22,878</u>	<u>16,185</u>	<u>12,010</u>	<u>9,213</u>	<u>7,234</u>
Total Proved Plus Probable <sup>(2)(3)</sup>										
Canada	35,961	27,814	22,387	18,542	15,682	35,961	27,814	22,387	18,542	15,682
Argentina	16,876	13,322	10,853	9,038	7,652	12,706	9,934	8,034	6,652	5,604
<b>Total</b>	<u>52,837</u>	<u>41,136</u>	<u>33,240</u>	<u>27,580</u>	<u>23,334</u>	<u>48,667</u>	<u>37,748</u>	<u>30,421</u>	<u>25,194</u>	<u>21,286</u>
Total Possible <sup>(4)</sup>										
Canada	406,396	236,517	138,649	80,054	43,722	274,500	155,701	86,681	45,112	19,278
Argentina	5,175	3,994	3,174	2,583	2,140	3,519	2,692	2,117	1,701	1,390
<b>Total</b>	<u>411,571</u>	<u>240,511</u>	<u>141,823</u>	<u>82,637</u>	<u>45,862</u>	<u>278,019</u>	<u>158,393</u>	<u>88,798</u>	<u>46,813</u>	<u>20,668</u>
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>										
Canada	442,357	264,331	161,037	98,596	59,404	310,461	183,515	109,068	63,654	34,960
Argentina	22,051	17,316	14,027	11,621	9,792	16,225	12,626	10,151	8,353	6,994
<b>Total</b>	<u>464,408</u>	<u>281,647</u>	<u>175,064</u>	<u>110,217</u>	<u>69,196</u>	<u>326,686</u>	<u>196,141</u>	<u>119,219</u>	<u>72,007</u>	<u>41,954</u>

**FUTURE NET REVENUE  
(UNDISCOUNTED)  
BASED ON FORECAST PRICES AND COSTS<sup>(9)</sup>**

	Revenue <sup>(10)</sup>	Royalties <sup>(11)</sup>	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved <sup>(2)</sup>								
Canada	51,255	10,271	17,606	2,358	2,081	18,939	-	18,939
Argentina	15,115	671	4,310	1,356	341	8,438	1,587	6,850
<b>Total</b>	<u>66,370</u>	<u>10,942</u>	<u>21,916</u>	<u>3,714</u>	<u>2,422</u>	<u>27,377</u>	<u>1,587</u>	<u>25,789</u>
Total Proved Plus Probable <sup>(2)(3)</sup>								
Canada	96,775	18,444	33,765	6,120	2,486	35,960	-	35,960
Argentina	28,812	1,268	8,284	1,981	403	16,876	4,170	12,706
<b>Total</b>	<u>125,587</u>	<u>19,712</u>	<u>42,049</u>	<u>8,101</u>	<u>2,889</u>	<u>52,836</u>	<u>4,170</u>	<u>48,666</u>
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>								
Canada	1,346,402	225,285	435,266	239,796	3,699	442,356	131,896	310,460
Argentina	37,969	1,691	10,900	2,854	473	22,051	5,827	16,225
<b>Total</b>	<u>1,384,371</u>	<u>226,976</u>	<u>446,166</u>	<u>242,650</u>	<u>4,172</u>	<u>464,407</u>	<u>137,723</u>	<u>326,685</u>

**FUTURE NET REVENUE BY PRODUCTION GROUP  
BASED ON FORECAST PRICES AND COSTS<sup>(9)</sup>**

	<b>Production Group</b>	<b>Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)</b>
Total Proved <sup>(2)</sup>	Light and medium crude oil	17,048
	Heavy oil	-
	Associated gas and non-associated gas	2,574
Total Proved Plus Probable <sup>(2)(3)</sup>	Light and medium crude oil	28,115
	Heavy oil	-
	Associated gas and non-associated gas	5,126
Total Proved Plus Probable Plus Possible <sup>(2)(3)(4)</sup>	Light and medium crude oil	34,603
	Heavy oil	134,411
	Associated gas and non-associated gas	6,050

**RECONCILIATION OF COMPANY NET PROVED  
RESERVES BY PRINCIPAL PRODUCT TYPE  
BASED ON FORECAST PRICES AND COSTS<sup>(9)</sup>**

The following table sets forth a reconciliation of the changes in Connacher's working interest, after royalties, of light and medium crude oil (including NGL's), heavy oil and associated and non-associated natural gas (combined) reserves as at December 31, 2004 against such reserves as at December 31, 2003 based on the forecast price and cost assumptions set forth in Note 9.

	Light and Medium Oil				Heavy Oil				Associated and Non-Associated Natural Gas			
	Net Proved (mdbl)	Net Probable (mdbl)	Net Proved Plus Probable (mdbl)	Net Proved Plus Probable Plus Possible (mdbl)	Net Proved (mdbl)	Net Probable (mdbl)	Net Proved Plus Probable (mdbl)	Net Proved Plus Probable Plus Possible (mdbl)	Net Proved (mmcf)	Net Probable (mmcf)	Net Proved Plus Probable (mmcf)	Net Proved Plus Probable Plus Possible (mmcf)
<b>Canada</b>												
At December 31, 2003	1,704.4	1,557.0	3,261.4	4,269.4	-	-	-	-	4,120	2,163	6,283	6,509
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	198.5	(260.3)	(61.8)	(57.7)	-	-	-	-	281	(8)	273	274
Discoveries	94.1	93.9	188.0	188.0	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	44,733.7	-	-	-	-
Dispositions	(568.4)	(376.0)	(944.4)	(1,032.5)	-	-	-	-	(3,816)	(1,717)	(5,533)	(5,645)
Economic Factors	(19.9)	(23.3)	(43.2)	(51.2)	-	-	-	-	(37)	(23)	(60)	(60)
Production	(210.6)	-	(210.6)	(210.6)	-	-	-	-	(288)	-	(288)	(288)
At December 31, 2004	<u>1,198.1</u>	<u>991.3</u>	<u>2,189.4</u>	<u>3,105.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,733.7</u>	<u>260</u>	<u>415</u>	<u>675</u>	<u>790</u>
<b>Argentina</b>												
At December 31, 2003	161.2	121.9	283.1	479.6	-	-	-	-	921	713	1,634	2,396
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	(1.5)	17.4	15.9	(87.6)	-	-	-	-	67	(100)	(33)	(507)
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	141.8	114.0	255.8	344.2	-	-	-	-	765	601	1,366	1,655
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	(2.0)	(2.0)	(2.0)	-	-	-	-	-	(4)	(4)	(5)
Production	(17.4)	-	(17.4)	(17.4)	-	-	-	-	(224)	-	(224)	(224)
At December 31, 2004	<u>284.0</u>	<u>251.4</u>	<u>535.4</u>	<u>716.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,529</u>	<u>1,210</u>	<u>2,739</u>	<u>3,315</u>

**RECONCILIATION OF CHANGES IN NET PRESENT VALUES  
OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED AT 10%  
BASED ON CONSTANT PRICES AND COSTS**

The following table sets forth changes between future net revenue estimates attributable to Connacher's net proved reserves as at December 31, 2004 against such reserves as at December 31, 2003 based on constant prices and cost assumptions set forth in Note 8 and calculated using a discount rate of 10%.

	<b>(M\$)</b>
<b>Canada</b>	
Estimated Future Net Revenue after income taxes at December 31, 2003	29,816
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	(4,500)
Net Change in Prices, Production Costs and Royalties Related to Future Production	4,676
Changes in Previously Estimated Future Development Costs	3,518
Changes in Estimated Future Development Costs	(8,969)
Net Change from Extensions and Improved Recovery	-
Net Change from Discoveries	1,516
Acquisitions of Reserves	-
Dispositions of Reserves	(15,360)
Net Change Resulting from Revisions in Quantity Estimates	3,734
Accretion of Discount	2,742
Net Change in Income Taxes	525
Other	(458)
Estimated Future Net Revenue after income taxes at December 31, 2004	17,240
<b>Argentina</b>	
Estimated Future Net Revenue after income taxes at December 31, 2003	2,110
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	(487)
Net Change in Prices, Production Costs and Royalties Related to Future Production	(52)
Changes in Previously Estimated Future Development Costs	(513)
Changes in Estimated Future Development Costs	(107)
Net Change from Extensions and Improved Recovery	-
Net Change from Discoveries	-
Acquisitions of Reserves	2,089
Dispositions of Reserves	-
Net Change Resulting from Revisions in Quantity Estimates	101
Accretion of Discount	212
Net Change in Income Taxes	(670)
Other	822
Estimated Future Net Revenue after income taxes at December 31, 2004	3,505

**Notes:**

- (1) "Gross Reserves" are the Corporation's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Corporation. "Net Reserves" are the Corporation's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in reserves.
- (2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is 90% likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (4) "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.
- (5) "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (6) "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
- (7) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.
- (8) The product prices used in the constant price and cost evaluations in the D&M Report were as follows: in Canada light and medium oil between \$36.11/bbl and \$36.47/bbl and natural gas at prices ranging between \$5.80/mcf and \$6.49/mcf; in Argentina light and medium crude oil at \$37.97/bbl and natural gas at \$0.71/mcf.
- (9) The pricing assumptions used in the D&M Report with respect to values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth below. D&M is an independent qualified reserves evaluator appointed pursuant to NI 51-101.
- (10) Values include processing and other income.
- (11) Values include Alberta Royalty Tax Credit.

	Light and Medium Crude Oil			Heavy Oil	Natural Gas	Inflation Rate	Exchange Rate
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Neuquen Basin (\$Cdn/bbl)	Hardisty Heavy 12° API (\$Cdn/bbl)	AECO Gas Price (\$Cdn/mcf)	%/year	\$US/\$Cdn
Forecast							
2005							
Canada	45.00	54.00	-	39.00	6.87	-	-
Argentina	-	-	47.84	-	1.21	-	0.83195
2006							
Canada	40.80	48.78	-	35.78	6.67	2.0	-
Argentina	-	-	42.64	-	1.58	2.0	0.83195
2007							
Canada	36.41	43.34	-	33.34	6.45	2.0	-
Argentina	-	-	37.24	-	2.11	2.0	0.83195
2008							
Canada	34.49	40.93	-	33.43	5.87	2.0	-
Argentina	-	-	37.97	-	2.15	2.0	0.83195
2009							
Canada	32.47	38.40	-	30.90	5.51	2.0	-
Argentina	-	-	38.75	-	2.20	2.0	0.83195
2010							
Canada	33.12	39.17	-	31.67	5.42	2.0	-
Argentina	-	-	39.52	-	2.24	2.0	0.83195
2011							
Canada	33.78	39.96	-	32.46	5.45	2.0	-
Argentina	-	-	40.33	-	2.29	2.0	0.83195
2012							
Canada	34.46	40.75	-	33.25	5.49	2.0	-
Argentina	-	-	41.16	-	2.33	2.0	0.83195
2013							
Canada	35.15	41.57	-	34.07	5.58	2.0	-
Argentina	-	-	41.99	-	2.38	2.0	0.83195
Thereafter							
Canada	+2%	+2%	+2%	+2%	+2%	2.0	-
Argentina	+2%	+2%	+2%	+2%	+2%	2.0	0.83195

Weighted average historical prices realized by the Corporation for the year ended December 31, 2004 were \$32.49/bbl for light and medium crude in Canada; \$42.44/bbl in Argentina; \$24.75/bbl for heavy oil; \$5.92/mcf for natural gas in Canada; and \$0.67/mcf in Argentina.

### ***Undeveloped Reserves***

Proved undeveloped reserves are generally those reserves related to wells that have been drilled and not yet tied in because of seasonal access issues, the need for further testing of the wells or construction of pipelines and production facilities for the well. Such reserves may also relate to planned infill drilling locations.

Connacher's net proved undeveloped reserves of 380,000 bbls of light and medium oil and 294 mmcf of natural gas are primarily located at Battrum, Saskatchewan and in the Puesto Morales Concession, Argentina. The Corporation expects to drill a number of infill locations at Battrum during 2005 which, if successful, would result in new reserves qualifying for the proved developed category.

Petrolifera expects to drill up to five wells in 2005 in the Puesto Morales Concession, Argentina, including an offset to the presently producing natural gas well and up to three infill locations at the Puesto Morales Concession light oil field.

Probable undeveloped reserves relate to wells to be drilled, tied in and brought on-stream in future.

The D&M Report estimates the Corporation's net probable undeveloped reserves to be 1,242,000 bbls of light or medium oil and 1.6 bcf of natural gas. Of this total, 541,000 net probable undeveloped barrels are at Battrum, Saskatchewan. Discretionary drilling plans during 2005 may result in the evaluation of these reserves. Additionally, 250,000 barrels of light or medium probable undeveloped barrels of crude oil were assigned to the Puesto Morales Concession, Argentina, along with 1.2 bcf of probable undeveloped natural gas reserves. These reserves will likely be evaluated in whole or in part with the five well 2005 drilling program which has been budgeted by Petrolifera. The balance of probable undeveloped reserves may be evaluated through discretionary drilling during 2005.

### ***Significant Factors or Uncertainties***

The Corporation does not anticipate that any important economic factors or significant uncertainties would affect particular components of the reserves data. Notwithstanding that, a number of factors which are beyond the Corporation's control can significantly affect the reserves, including product pricing, royalty and tax regimes, changing operating and capital costs, surface access issues, availability of services and processing facilities and technical issues affecting well performance. See "Risk Factors".

### ***Future Development Costs***

	<b>Total Proved Future Development Costs Using Constant Dollar Costs (M\$)</b>	<b>Total Proved Future Development Costs Using Forecast Dollar Costs (M\$)</b>	<b>Total Proved Plus Probable Future Development Costs Using Forecast Dollar Costs (M\$)</b>	<b>Total Proved Plus Probable Plus Possible Future Development Costs Using Forecast Dollar Costs (M\$)</b>
<b>Canada</b>				
2005	2,358	2,358	5,788	8,588
2006	-	-	331	140,403
2007	-	-	-	5,603
2008	-	-	-	-
2009	-	-	-	1,894
Total for all remaining years	-	-	-	83,307
Total, undiscounted	2,358	2,358	6,120	239,795
Total for all years discounted at 10%/year	2,244	2,244	5,792	161,287
<b>Argentina</b>				
2005	1,356	1,356	1,356	2,229
2006	-	-	625	625
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
Total for all remaining years	-	-	-	-
Total, undiscounted	1,356	1,356	1,981	2,854
Total for all years discounted at 10%/year	1,290	1,290	1,829	2,659

Future development costs are expected to be funded from a combination of the following: operational cash flow, debt and equity financing and/or farmout arrangements with other companies. The timing of such funding may influence the timing of the developmental work expenditures.

### ***Oil and Gas Properties and Wells***

The following table sets forth the number of wells in which Connacher held a working interest as at December 31, 2004:

	<b>Crude Oil</b>		<b>Natural Gas</b>	
	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(1)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(1)</sup></b>
<b>Alberta</b>				
Producing	4.0	1.1	16.0	1.2
Non-producing	3.0	1.4	1.0	1.0
<b>Saskatchewan</b>				
Producing	67.0	55.4	-	-
Non-producing	11.0	11.0	9.0	9.0
<b>Argentina</b>				
Producing	10.0	10.0	1.0	1.0
Non-producing	7.0	7.0	-	-

**Note:**

(1) "Gross Wells" are the total number of wells in which Connacher has an interest. "Net Wells" are the number of wells obtained by aggregating Connacher's working interest in each of its gross wells.

### **Costs Incurred**

The following table summarizes the capital expenditures made by Connacher on oil and natural gas properties for the year ended December 31, 2004.

	Property Acquisition Costs (\$)		Exploration Costs (\$)	Development Costs (\$)
	Proved Properties	Unproved Properties		
Canada	25,000	1,809,000	780,000	12,626,900
Argentina	1,773,100	-	-	615,000

### **Exploration and Development Activities**

The following table sets forth the number of exploratory and development wells which Connacher completed during its 2004 financial year:

	Exploratory Wells		Development Wells	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
Canada				
Oil Wells	1	1	-	-
Gas Wells	13	13	-	-
Service Wells	-	-	-	-
Dry Holes	-	-	-	-
Total Completed Wells	14	14	-	-

**Note:**

(1) "Gross Wells" are the total number of wells in which Connacher has an interest. "Net Wells" are the number of wells obtained by aggregating Connacher's working interest in each of its gross wells. Additionally, 11 "core holes" were drilled at Divide, Alberta. There were no wells drilled in Argentina during 2004.

In 2005, Connacher will focus on development of its oil sands leases at Divide, Alberta, including drilling additional core holes and proceeding with development of the project if regulatory approvals are received. The Corporation also anticipates enhancing oil production at Battrum, exploiting new oil and developing natural gas reserves in the Tompkins area of south-west Saskatchewan and evaluating light oil potential at Steelman in southeast Saskatchewan.

At the Puesto Morales Concession, Argentina, an approximate 140 square kilometre 3-D seismic program has been completed and up to five wells are expected to be drilling in 2005.

### **Properties with No Attributed Reserves**

The following table sets out the Corporation's undeveloped land position effective December 31, 2004.

	Undeveloped Acreage	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
Alberta	67,360	67,360
Saskatchewan	80,412	68,590
Argentina	95,000	95,000
Total	242,772	230,950

**Note:**

(1) "Gross" means the total number of acres in which the Corporation has a working interest. "Net" means the sum of the products obtained by multiplying the number of gross acres by the Corporation's percentage working interest therein.

In the Seaton-Jordan Report a fair value of \$6,801,118 or approximately \$115 per gross hectare was assigned to Connacher's non-reserve oil and gas properties in Canada. This equates to approximately \$46 per acre. In determining the market value, Seaton-Jordan based their evaluation on the following factors:

1. The acquisition cost, provided that there have been no material changes in the unproved property, the surrounding properties, or the general oil and gas climate since the acquisition;
2. Recent sales by others of interests in the same unproved property;
3. Terms and conditions, expressed in monetary terms, of recent farm-in agreements;
4. Terms and conditions, expressed in monetary terms, of recent work commitments related to the unproved property; and
5. Recent sales of similar properties in the same general area.

This complies with the criteria set out in paragraph (a), subsection (2), Section 5.10 of NI 51-101. The Corporation did not commission an independent evaluation of Petrolifera's Argentinean undeveloped acreage.

Pursuant to the Corporation's discretionary capital program for 2005, Connacher anticipates evaluating up to 680 gross (625 net) acres, largely in south-west Saskatchewan with the drilling of up to 17 wells and up to 240 acres in Argentina by drilling up to 5 wells. Certain of these wells will be contingent upon the outcome of wells drilled earlier in the year and subject to funding available. In Alberta 760 gross (760 net) acres of oil sands leases were evaluated by the drilling of 19 core holes at Divide. These also assist in evaluation of additional offsetting lands.

#### ***Forward Contracts***

Approximately one half of the Corporation's oil production is subject to an oil sales contract; 250 bbls/d of medium-gravity oil is contracted until March 31, 2005 at a WTI reference price of CDN \$44.08 per barrel before deduction of the related variable crude oil price differential. This contract price was taken into account in the calculation of the reserves data for the period the contract was in effect.

#### ***Asset Retirement Obligations***

Effective January 1, 2004, the Corporation adopted the Canadian Institute of Chartered Accountants' new standard on Asset Retirement Obligations. This new standard requires liability recognition for retirement obligations associated with long-lived assets, which would include abandonment of oil and natural gas wells, related facilities, compressors and gas plants, removal of equipment from leased acreage and returning such land to its original condition. Under the new standard, the estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Corporation's credit-adjusted risk-free interest rate. The obligation is reviewed regularly by management based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted against income until it is settled or the property is sold and is included as a component of depletion and depreciation expense. Actual restoration expenditures are charged to the accumulated obligation as incurred. Prior to 2004, the Corporation estimated costs of dismantlement, removal and site restoration and recorded them over the remaining life of the proved reserves on the unit-of-production basis.

As at December 31, 2004, the estimated total undiscounted amount required to settle the asset retirement obligations in respect of the Corporation's 98.1 net producing and non-producing wells, net of estimated salvage recoveries, was \$5.6 million. These obligations will be settled over the useful lives of the underlying assets, which currently extend up to 16 years. The 10% discounted present value of this amount is \$1.8 million. Over the next three financial years, the Corporation expects to incur \$30,000 (\$22,500 discounted at 10%) of these expenditures.

In the D&M Report, abandonment costs for total proved plus probable plus possible reserves were estimated to be \$4.2 million, undiscounted, and \$1.4 million, discounted at 10%. These estimates are in respect of well costs only and do not include costs to abandon pipelines and facilities, which the Corporation has included in determining its asset retirement obligation.

## ***Tax Horizon***

Income earned in Canada is not expected to attract taxes until the Corporation utilizes its accumulated tax pools and loss carry forwards, which exceed \$43 million. Based on anticipated capital spending, which augment the tax pools, the Corporation does not expect to pay current income taxes for the 2004 or 2005 fiscal years. Depending on production, commodity prices and capital spending levels, the Corporation may begin paying current income taxes in 2006.

## ***Production Estimates***

The following table sets forth the volume of working interest production, before royalties, estimated for 2005 which is reflected in the estimate of future net revenue disclosed in the tables of reserve information in respect of total proved reserves:

	<b>Light and Medium Oil (bbl)</b>	<b>Natural Gas (mmcf)</b>	<b>Natural Gas Liquids (bbl)</b>
Canada	235,770	105	621
Argentina	40,381	427	-

The following table indicates the volume of working interest production, before royalties, estimated for 2005 from fields considered to be individually important:

	<b>Light and Medium Oil (bbl)</b>	<b>Natural Gas (mmcf)</b>	<b>Natural Gas Liquids (bbl)</b>
Batrum, Saskatchewan	182,500	-	-
Puesto Morales Concession, Argentina	36,500	310	-

## ***Production History***

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Corporation for each quarter of its most recently completed financial year:

	<b>Three Months Ended March 31, 2004</b>	<b>Three Months Ended June 30, 2004</b>	<b>Three Months Ended September 30, 2004</b>	<b>Three Months Ended December 31, 2004</b>
<b>Canada</b>				
Average Daily Production				
Light and Medium Oil (bbl/d)	545	577	557	572
Heavy Oil (bbl/d)	266	378	30	-
Natural Gas (mcf/d)	1,741	1,383	342	190
Average Net Prices Received				
Light and Medium Oil (\$/bbl)	32.58	33.05	35.28	29.15
Heavy Oil (\$/bbl)	24.36	24.85	24.96	-
Natural Gas (\$/mcf)	5.68	6.42	5.87	5.82
Royalties				
Light and Medium Oil (\$/bbl)	7.52	7.22	7.36	7.44
Heavy Oil (\$/bbl)	3.60	3.40	3.50	-
Natural Gas (\$/mcf)	0.85	0.75	0.82	0.80
Production Costs				
Light and Medium Oil (\$/bbl)	9.27	8.52	8.16	8.35
Heavy Oil (\$/bbl)	8.15	7.87	8.25	-
Natural Gas (\$/mcf)	3.67	3.60	3.52	3.51
Netback Received				
Light and Medium Oil (\$/bbl)	15.79	17.31	19.76	13.36
Heavy Oil (\$/bbl)	12.61	13.58	13.41	-
Natural Gas (\$/mcf)	1.16	2.07	1.53	1.51

	<u>Three Months Ended March 31, 2004</u>	<u>Three Months Ended June 30, 2004</u>	<u>Three Months Ended September 30, 2004</u>	<u>Three Months Ended December 31, 2004</u>
<b>Argentina</b>				
Average Daily Production				
Light and Medium Oil (bbl/d)	48	49	49	73
Natural Gas (mcf/d)	528	477	726	1,100
Average Net Prices Received				
Light and Medium Oil (\$/bbl)	42.24	43.10	43.02	41.56
Natural Gas (\$/mcf)	0.24	0.86	0.78	0.72
Royalties				
Light and Medium Oil (\$/bbl)	4.10	10.39	3.68	5.51
Natural Gas (\$/mcf)	0.02	0.11	0.15	0.08
Production Costs				
Light and Medium Oil (\$/bbl)	13.24	12.82	13.20	13.38
Natural Gas (\$/mcf)	0.10	0.19	0.11	0.33
Netback Received				
Light and Medium Oil (\$/bbl)	24.90	19.89	26.14	22.67
Natural Gas (\$/mcf)	0.12	0.56	0.52	0.31

The following table indicates the Corporation's average daily production for the year ended December 31, 2004 from fields considered to be individually important:

	<u>Light and Medium Crude Oil (bbls/d)</u>	<u>Gas (mcf/d)</u>	<u>Natural Gas Liquids (bbls/d)</u>
Battrum, Saskatchewan	499	-	-
Argentina	55	711	-

### ***Competitive Conditions***

The petroleum and natural gas industry is competitive in all aspects. Connacher competes with numerous other companies for access to capital to fund its exploration and development activities. It also competes with other companies in the search for exploration and development prospects and in the marketing of its production.

Connacher attempts to enhance its competitive position by:

- focusing on a limited number of core areas;
- maintaining high working interests;
- wherever possible, operating properties;
- securing control over infrastructure such as pipelines and gas processing facilities;
- employing highly competent professional staff who use leading-edge technology; and
- striving to be a low-cost producer.

## DIRECTORS AND OFFICERS

The name, municipality of residence, positions held with the Corporation and principal occupation during the preceding five years of each of the directors and officers of the Corporation are as follows:

Name and Municipality of Residence	Positions Held	Principal Occupation During the Preceding Five Years	Director Since
Richard A. Gusella Calgary, Alberta Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation since May 2001. Prior thereto President of Gusella Oil Investments Limited, a private oil and gas corporation, since June 2000. From April 1994 to June 2000 Chairman and Chief Executive Officer of Carmanah Resources Limited, a public oil and gas corporation listed on the TSX.	May 30, 2001
Charles W. Berard <sup>(2)(3)</sup> Calgary, Alberta Canada	Director	Partner, Macleod Dixon LLP, a law firm.	May 30, 2001
Colin M. Evans <sup>(1)(2)(3)</sup> Calgary, Alberta Canada	Director	Vice President Finance, Milestone Exploration Inc., a private company. President of Evans & Co. Inc., a private consulting corporation providing financial and operating advisory services to oil and gas corporations.	April 5, 2004
Gary W. Freeman <sup>(1)(2)</sup> Calgary, Alberta Canada	Director	Co-founder and director of Spirit Energy Inc., a private oil and gas company, since May 2000. From May 1997 to May 2000, co-founder and director of Auburn Energy Ltd., a private oil and gas company acquired by TUSK Energy Inc.	June 12, 2003
Stewart D. McGregor <sup>(1)(3)</sup> Calgary, Alberta Canada	Director	President of Camun Consulting Corporation, a private consulting and investment company, since 1994.	June 12, 2003
Richard R. Kines Calgary, Alberta Canada	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer since December 2004 and Chief Financial Officer of the Corporation since June 2003. Prior thereto, financial consultant of the Corporation since April 2002. From May 2001 to January 2002, Chief Financial Officer of Integrated Production Services Ltd., an oil and gas services company that at that time was listed on the TSX. From June 1999 to May 2001, Chief Financial Officer of OTATCO Inc., a company that at that time was listed on the Alberta Stock Exchange.	--

<b>Name and Municipality of Residence</b>	<b>Positions Held</b>	<b>Principal Occupation During the Preceding Five Years</b>	<b>Director Since</b>
Peter D. Sametz Calgary, Alberta Canada	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer since December 2004. From February 2004 Vice President Operations of the Corporation. Prior thereto simultaneously Chief Operating Officer and a director of Surge Petroleum Inc., a public oil company listed on the TSX Venture Exchange since July 2000 and a Principal of Inline Petroleum Management Inc. from 1997 to February 2004.	--
Timothy J. O'Rourke Calgary, Alberta Canada	Vice President, Oil Sands Operations	Vice President, Oil Sands Operations since December 2004. Prior thereto General Manager, Production since August 2001. Prior thereto, consultant to the Corporation.	--
Jennifer K. Kennedy Calgary, Alberta Canada	Secretary	Partner, Macleod Dixon LLP, a law firm since January 2000.	--

**Notes:**

- (1) Member of the Audit Committee and Reserves Sub-Committee
- (2) Member of the Human Resources Committee.
- (3) Member of the Governance Committee.
- (4) The Corporation does not have an Executive Committee.
- (5) Each of the directors holds office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

As at March 24, 2005, the directors and executive officers of Connacher, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,740,653 Common Shares constituting approximately 4% of the issued and outstanding Common Shares.

## **AUDIT COMMITTEE**

### **Composition and Qualifications**

The Corporation's Audit Committee consists of three outside and independent directors, Messrs. Evans, Chair, McGregor and Freeman, all of whom are considered to be "financially literate". In considering criteria for the determination of financial literacy, the Board of Directors of the Corporation looks at the ability to read and understand financial statements of a publicly traded corporation. The education and experience of each member of the Corporation's Audit Committee relevant to the performance of his responsibilities are as set forth below:

*Colin Evans, Chair*

Mr. Colin M. Evans holds a Bachelors Degree in Economics from the University of Alberta and has had an extensive business career in most facets of the oil and gas industry since the mid 1960's. He has worked in positions of increasing responsibility with both large and small private and public companies. He has also worked in the Canadian securities industry and more recently has advised a variety of oil companies on both operational and financial matters. Mr. Evans is currently Vice President-Finance of Milestone Exploration Inc. Mr. Evans was appointed Chair effective March 23, 2005.

*Stewart McGregor*

Mr. McGregor is a lawyer by training and has an extensive business background. He held various senior management positions with Numac Oil and Gas Limited, a public oil and gas company listed on the TSX and the American Stock Exchange. Subsequently from 1995 to 1998 he held the position of Chairman and Chief Executive Officer of Numac Energy Inc., a public oil and gas company. He has also served on the Board of Directors of other

private and public companies. Mr. McGregor relinquished the Chair on March 23, 2005 concurrent with his appointment as Lead Director.

*Gary Freeman*

Mr. Freeman is a geologist by training and holds a Masters of Science degree from Acadia University. He has been actively engaged in the western Canadian and International oil industry since the 1970's. He has held executive positions with both large and smaller public and private oil companies. His technical expertise is particularly important in his capacity as Chairman of the Reserve Sub-committee of the Corporation's Audit Committee.

### **Responsibilities and Terms of Reference**

The Audit Committee reviews with management and the external auditors, and recommends to the Board of Directors for approval, the annual and interim financial statements of the Corporation, the reports of the external auditors thereon and related financial reporting, including management's discussion and analysis and earnings press releases. The Audit Committee reviews and establishes, in conjunction with the external auditors and management, audit plans and procedures and meets with the auditors independently of management when considered appropriate. The Audit Committee is responsible for reviewing auditor independence, approving all non-audit services, reviewing and making recommendations to the Board of Directors on internal control procedures and management information systems. In addition, the Committee is responsible for assessing and reporting to the Board on financial risk management positions. Set out as Schedule A is the text of the Audit Committee's charter.

All permissible categories of non-audit services require pre-approval from the Audit Committee.

### **External Auditor Service Fees**

The following summarizes the total fees paid to Deloitte & Touche LLP, the external auditor of the Corporation, for the years ended December 31, 2004 and December 31, 2003:

	<u>2004</u>	<u>2003</u>
Audit fees	67,000	\$43,000
Review engagement fees <sup>(1)</sup>	25,000	12,600
Tax fees <sup>(2)</sup>	5,500	1,500
All other fees <sup>(3)</sup>	6,800	22,325
<b>TOTAL</b>	<u>104,300</u>	<u>\$79,425</u>

**Notes:**

- (1) Review of the Corporation's interim financial statements
- (2) Tax planning and compliance
- (3) Services related to corporate and property acquisitions

### **PERSONNEL**

As at December 31, 2004, the Corporation had 11 employees at its head office in Calgary. The Corporation has one field office, with one employee and three contract operators.

### **DESCRIPTION OF SHARE CAPITAL**

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares (together, "Preferred Shares"), issuable in series, of which as at December 31, 2004, 89,626,743 Common Shares and no Preferred Shares were issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and Preferred Shares of the Corporation.

## Common Shares

The holders of Common Shares are entitled to: dividends if, as and when declared by the Board of Directors; to one vote per share at meetings of the holders of Common Shares of the Corporation; and upon liquidation, dissolution or winding up of the Corporation to receive pro rata the remaining property and assets of the Corporation, subject to the rights of shares having priority over the Common Shares. All of the Common Shares currently outstanding are fully-paid and non-assessable.

## Preferred Shares

The Preferred Shares are issuable in series and each class of Preferred Shares will have such rights, restrictions, conditions and limitations as the Board of Directors may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of the Corporation, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series.

## DIVIDEND POLICY

The Corporation has not declared or paid any dividends on its Common Shares since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions that the Board of Directors may consider appropriate in the circumstances.

## MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the trading symbol "CLL". The following table sets out the high and low price for, and the volume of trading in, the Common Shares on the TSX, as reported by the TSX, on a monthly basis for the financial year ended December 31, 2004.

	Volume (000's)	Monthly Price Range	
		High (\$)	Low (\$)
January	5,839	1.75	1.31
February	4,437	1.49	1.15
March	10,430	1.34	0.73
April	11,888	1.08	0.66
May	13,375	0.70	0.30
June	4,845	0.50	0.34
July	3,175	0.44	0.35
August	2,615	0.42	0.30
September	3,090	0.34	0.28
October	12,388	0.64	0.29
November	9,127	0.80	0.48
December	3,741	0.73	0.51

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Corporation is Valiant Trust Company, and the Corporation's Common Shares are transferable at the offices of Valiant Trust Company in Calgary and at the offices of Equity Transfer Services Inc. in Toronto.

## **RISK FACTORS**

### **The Corporation**

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business and its present stage of development. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including local, national and international economic and political conditions. The Corporation's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The operations of Petrolifera in Argentina have exposed the Corporation to risks which may not exist for domestic operations such as political and currency risks and the Corporation may be exposed to future risks. The Corporation has a limited history of operations and earnings and there can be no assurance that the Corporation's business will be successful or profitable or that commercial quantities of oil and natural gas will be discovered by the Corporation. The Corporation has not paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future.

The Corporation's operations are subject to all the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, potential environmental damage, blow-outs, cratering and fires, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others. In accordance with customary industry practice the Corporation does maintain insurance coverage, but is not fully insured against all risks, nor are all such risks insurable. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing.

### **Additional Financing**

Depending on future exploration, development, acquisition and divestiture plans, the Corporation will require additional financing. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from treasury of the Corporation, control of the Corporation may change and shareholders may suffer additional dilution.

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase the Corporation's debt levels above industry standards.

### **Industry Conditions**

The oil and gas industry is intensely competitive and the Corporation competes with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas but, also carry on refining operations and market petroleum and other products on an international basis. Oil and gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The ability of the Corporation to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation is also subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and gas and many other aspects of the oil and gas business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws.

The oil and natural gas industry is subject to varying environmental regulations in each of the jurisdictions in which the Corporation may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Corporation may be responsible

for abandonment and site restoration costs. The Corporation is of the view that its abandonment and restoration obligations can be satisfied out of general corporate funds as such obligations become due. As of the date hereof, the Corporation has not made any long-term provision for future site restoration costs.

### **Risks of Foreign Operations**

Through its interest in Petrolifera, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, expropriation, changes in energy policies or the personnel administering them, currency fluctuations and devaluations, exchange controls and royalty and tax increases. In the event of a dispute arising in connection with Petrolifera's operations in Argentina or prospectively in Peru, Petrolifera may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Petrolifera may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Petrolifera's exploration, development and production activities in Argentina and Peru could be substantially affected by factors beyond Petrolifera's control, any of which could have a material adverse effect on the Corporation.

Petrolifera's operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of Petrolifera including, among other things, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

Petrolifera holds a 100% working interest in the Puesto Morales Concession which includes producing oil and natural gas wells. During the early months of 2002, business, economic and financial conditions in Argentina deteriorated, although there have been some recent improvements. The deterioration accelerated when Argentina defaulted on certain indebtedness following devaluation of the country's currency, periodic non-convertibility of the Argentinean peso, exchange controls, administered prices for oil and gas at below-market levels, newly-proposed taxes and other developments. Conditions have now improved as evidenced by the exchange rate of the Argentinean peso, which has been reasonably stable since 2003. Petrolifera acquired the Argentinean properties after this time.

Petrolifera has been qualified and has a right of first refusal to negotiate two new licenses in Peru. Negotiations are proceeding with Perupetro, a Peruvian government agency. There can be no assurance the licenses will be issued, although Petrolifera expects this to occur. Recently Peru has improved the fiscal and royalty terms for new licenses among other initiatives designed to improve operating conditions and attract investment. There is no assurance these terms will not change in the future. It cannot be predicted when production, if any, from the Peruvian licences will occur. Petrolifera will be required to expend significant funds to discover reserves and realize cash flow. Connacher has agreed to provide certain guarantees in respect of these required expenditures to facilitate the granting of the licenses to Petrolifera.

### **Need to Add Reserves**

The Corporation's oil and natural gas reserves and production, and therefore its cash flows and earnings are highly dependent upon the Corporation developing and increasing its current reserve base and discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are depleted. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, the Corporation's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. There can be no assurance that the Corporation will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs.

### **Oil Sands Development**

The Corporation recently acquired a number of oil sands leases in the Divide area of northeastern Alberta and has commenced an evaluation of certain of these leases for the purposes of preparing a resource study which will form the basis of an application to the Alberta Energy and Utilities Board and Alberta Environment for the

necessary approvals required to produce bitumen using a steam assisted gravity drainage ("SAGD") process. There can be no assurance that the evaluation of these leases will support the proposed applications or that such applications will be granted on terms and conditions acceptable to the Corporation, or at all. Further, the recovery of bitumen using the SAGD process is subject to uncertainty. The SAGD process has had limited application in commercial projects and is currently being tested by a number of oil and gas companies in connection with oil sands projects. There can be no assurance that bitumen will be economically recovered using the SAGD process.

### **Environmental Regulation and Risks**

Extensive national, state and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that the Corporation will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on the Corporation for damages, cleanup costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Corporation. Moreover, the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation.

### **Kyoto Accord**

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas production. Future federal legislation, together with existing provincial emission reduction legislation, such as in Alberta's *Climate Change and Emissions Management Act*, may require the reduction of emissions and/or emissions intensity from the Corporation's oil and gas exploration and development activities. The direct or indirect costs of such legislation may adversely affect the Corporation's operations. No assurance can be given that future environmental approvals, laws or regulations will not adversely impact (i) the ability of the Corporation to conduct its operations or (ii) the Corporation's production or (iii) the Corporation's unit costs of production. Equipment from suppliers which can meet future emission standards may not be available on an economic basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, such as the Corporation. Mitigation of the risk of future legislative or regulatory limits on the emission of greenhouse gases may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off-set credits may not be available for acquisition by the Corporation or may not be available on an economic basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of greenhouse gases by the Corporation.

### **Volatility of Oil and Gas Prices and Markets**

The Corporation's financial condition, operating results and future growth are dependent on the prevailing prices for its oil and natural gas production. Historically, the markets for oil and natural gas have been volatile and such markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes to the demand for oil and natural gas, whether the result of uncertainty or a variety of additional factors beyond the control of the Corporation. Any substantial decline in the

prices of oil and natural gas could have a material adverse effect on the Corporation and the level of its oil and natural gas reserves. Additionally, the economics of producing from some wells may change as a result of lower prices, which could result in a suspension of production by the Corporation. No assurance can be given that oil and natural gas prices will be sustained at levels which will enable the Corporation to operate profitably. From time to time the Corporation may avail itself of forward sales or other forms of hedging activities with a view to mitigating its exposure to the risk of price volatility.

### **Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived therefrom, including many factors beyond the control of the Corporation. The reserve and cash flow information set forth in this Annual Information Form represents estimates only. The reserves and estimated future net cash flow from the Corporation's properties have been independently evaluated by D&M with an effective date of December 31, 2004. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date of the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material.

The present value of estimated future net cash flows referred to herein should not be construed as the current market value of estimated oil and natural gas reserves attributable to the Corporation's properties. The estimated discounted future cash flow from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net cash flows will also be affected by factors such as the amount and timing of actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

### **Title to Properties**

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation.

### **Potential Conflicts of Interest**

There are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Additionally, certain officers and directors of the Corporation are also officers and directors of Petrolifera. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

### **LEGAL PROCEEDINGS**

There are no material legal proceedings against the Corporation.

## **INTERESTS OF EXPERTS**

Each of Seaton-Jordan and D&M have prepared a report or valuation described herein. Neither Seaton-Jordan nor D&M held any interests in securities or other property of Connacher when it prepared its respective report or valuation, has received any such interest since such time or will receive any such interest. No director, officer or employee of Seaton-Jordan or D&M is to be elected, appointed or employed by Connacher.

## **ADDITIONAL INFORMATION**

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Management Information Circular of the Corporation prepared in connection with the most recent annual meeting of shareholders of the Corporation that involved the election of directors. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the year ended December 31, 2004, which are contained in the Annual Report of the Corporation for the year ended December 31, 2004.

Copies of this Annual Information Form, the Corporation's Annual Report, any interim financial statements of the Corporation subsequent to those statements contained in the Annual Report, the Corporation's Management Information Circular and other additional information relating to the Corporation are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SCHEDULE A AUDIT COMMITTEE CHARTER**

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Connacher Oil and Gas Limited (the "Corporation") shall have the oversight responsibility, authority and specific duties as described below.

### **Composition**

The Committee will be comprised of three or more directors as determined by the Board. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member of the Committee shall have no direct or indirect material relationship with the Corporation which could reasonably be expected to materially interfere with the member's independent judgment. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the full Board and shall be reviewed at least annually.

Members of the Committee shall be appointed from time to time by the Board. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of the Corporation. If a member of the Committee ceases to be independent for reasons outside that member's reasonable control, the member shall immediately notify the Chair of the Board as to this fact and shall resign his or her position as a member of the Committee on the earliest of (i) the appointment of his or her successor; (ii) the next annual meeting of shareholders of the Corporation; and (iii) the date that is six months from the occurrence of the event which caused the member to not be independent. The Board shall fill any vacancy if the membership of the Committee is less than three Directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

### **Operation**

The Committee shall have access to such officers and employees of the Corporation and to the Corporation's independent external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities. The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any such counsel and advisors, such engagement to be for the Corporation's sole account and expense.

Meetings of the Committee shall be conducted as follows:

1. The Committee shall meet at least four times annually at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit timely review of the quarterly and annual financial statements and reports. The independent auditors or any one member of the Committee may also request a meeting of the Committee.
2. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.
3. The Chair shall, in consultation with management and the external auditors, establish the agenda for the meetings and instruct management to ensure that properly prepared agenda materials are circulated to the Committee with sufficient time for study prior to the meeting.
4. Every question at a Committee meeting shall be decided by a majority of the votes cast.
5. The Chief Executive Officer shall be available to advise the Committee, and may attend meetings at the invitation of the Chair of the Committee. Other management representatives may be invited to attend. The independent external auditors shall be given notice of, and shall be entitled to attend, each meeting of the

Committee at the expense of the Corporation. The Chair of the Committee shall hold in camera meetings of the Committee, without management present, at every Committee meeting.

6. A Committee member, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purpose of recording the minutes of each meeting.
7. The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

The Committee provides an avenue for communication, particularly for outside directors, with the independent external auditors and financial and senior management and the Board. The independent external auditors shall have a direct line of communication to the Committee through its Chair. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee on a confidential basis any matter involving financial practices or transactions.

### **Responsibilities**

The Committee is part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the preparation and disclosure of the financial statements, and accompanying reports, to be provided to shareholders and regulatory bodies; (ii) the system of internal control and management information systems of the Corporation that management has established; and (iii) the external audit process. In addition, the Committee shall assist the Board as requested in fulfilling its oversight responsibilities with respect to (i) financial policies and strategies; (ii) financial risk management practices; and (iii) transactions or circumstances which could materially affect the financial position or results of operations of the Corporation.

The role of the Committee is one of supervision, stewardship and oversight. Management is responsible for preparing the financial statements and financial reporting of the Corporation and for maintaining internal control and management information and risk management systems and procedures. The external auditors are responsible for the audit or review of the financial statements and other services they provide.

The Committee should have a clear understanding with the external auditors that the independent auditors must maintain an open and transparent relationship with the Committee and the Board, and that the ultimate accountability of the external auditors is to the shareholders of the Corporation.

The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

### **Specific Duties**

#### **1. Financial Statements and Financial Reporting.**

The Committee shall:

- (a) review with management and the external auditors, and recommend to the Board for approval, the annual financial statements of the Corporation, the reports of the external auditors thereon and related financial reporting, including Management's Discussion and Analysis and financial press releases;
- (b) review with management and the external auditors, and recommend to the Board for approval, the interim financial statements of the Corporation and related financial reporting, including Management's Discussion and Analysis and financial press releases;
- (c) review with management and recommend to the Board for approval, the Corporation's Annual Information Form;

- (d) review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;
- (e) consider and be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than disclosure referred to in clauses (a) and (b) above), and periodically assess the adequacy of such procedures;
- (f) review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements;
- (g) review the appropriateness of the accounting practices and policies of the Corporation, the use and effect of judgment on accounting measurements, the adequacy of accruals and estimates used by management in preparing financial statements and review any proposed changes in accounting policies and procedures; and
- (h) review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

2. Relationship with External Auditors.

The Committee shall:

- (a) consider and make a recommendation to the Board as to the appointment or re appointment of the external auditors, ensuring that such auditors are participants in good standing pursuant to applicable securities laws;
- (b) consider and make a recommendation to the Board as to the compensation of the external auditors;
- (c) review and approve the annual audit plan of the external auditors;
- (d) oversee the work of the external auditors in performing their audit or review services and oversee the resolution of any disagreements between management and the external auditors;
- (e) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (A) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation, (B) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (C) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
- (f) pre approve all non audit services (where such non audit services are considered to be above the *de minimus* level referred to in applicable law) to be provided to the Corporation (and any subsidiaries thereof) by the external auditors and review fee arrangements for such services (the Committee may delegate to one or more of its members the authority to pre approve non audit services so long as such pre approval is presented to the full Committee at its first scheduled meeting following such pre approval); and
- (g) review and approve the hiring policies of the Corporation regarding employees and former employees of the present and former external auditors of the Corporation.

3. Internal Controls.

The Committee shall:

- (a) review with management and the external auditors, the adequacy and effectiveness of the internal control and management information systems and procedures of the Corporation (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Corporation are in compliance with applicable legal and regulatory requirements and with the Corporation's policies;
- (b) review the external auditors' recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto;
- (c) establish procedures for the receipt, retention and treatment of complaints, submissions and concerns regarding accounting, internal controls or auditing matters on an anonymous and confidential basis; and
- (d) review with external auditors any corporate transactions in which Directors or officers of the Corporation have a personal interest.

4. Financial Risk Management.

The Committee shall:

- (a) review with management and the external auditors their assessment of significant financial risks and exposures;
- (b) review and assess the steps that management has taken to mitigate such risks;
- (c) review annually the insurable risks and insurance coverages of the Corporation; and
- (d) report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Corporation.

**SCHEDULE B**  
**REPORT ON RESERVES DATA BY**  
**INDEPENDENT QUALIFIED RESERVES EVALUATOR**

To the Board of Directors of Connacher Oil and Gas Limited (the "Corporation"):

1. We have evaluated the Corporation's reserves data as at December 31, 2004. The reserves data consist of the following:

- (a) (i) proved, proved plus probable and proved plus probable plus possible oil and gas reserves estimated as at December 31, 2004 using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (b) (i) proved, proved plus probable and proved plus probable plus possible oil and gas reserves estimated as at December 31, 2004 using constant prices and costs; and
- (ii) the related estimated future net revenue.

2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Corporation evaluated by us for the year ended December 31, 2004, and identifies the respective portions thereof that we have evaluated and reported on to the Corporation's Board of Directors:

Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue Using Forecast Pricing for total Proved and Probable (before income taxes, 10% discount rate)			
		Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
Appraisal Report as of December 31, 2004 on Certain Properties owned by Connacher Oil and Gas Limited in Canada and Argentina dated March 2, 2005	Canada	-	\$22,387	-	\$22,387
	Argentina	-	\$10,853	-	\$10,853
			33,240		33,240

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update this evaluation for events and circumstances occurring after the preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

DeGolyer and MacNaughton Canada Limited, Calgary, Alberta dated March 2, 2005

DEGOLYER AND MACNAUGHTON CANADA LIMITED

(signed) *Colin P. Outtrim*

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Colin P. Outtrim, P.Eng.

**SCHEDULE C**  
**REPORT OF MANAGEMENT AND THE DIRECTORS ON OIL AND GAS DISCLOSURE**

Management of Connacher Oil and Gas Limited (the "Corporation") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2004 using forecast prices and costs; and
- (a) (ii) the related estimated future net revenue; and
- (b) (i) proved oil and gas reserves estimated as at December 31, 2004 using constant prices and costs; and
- (b) (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator is presented above in Appendix 1 and will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the Board of Directors of the Corporation has

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) *Richard A. Gusella*  
Richard A. Gusella  
President and Chief Executive Officer

(signed) *G.W. Freeman*  
Chairman, Reserves  
Subcommittee of the Audit Committee and a Director

(signed) *Richard R. Kines*  
Richard R. Kines  
Vice President Finance and Chief Financial Officer

(signed) *C.W. Berard*  
Director

March 24, 2005