

CONNACHER REPORTS FIRST HALF 2004 RESULTS

Calgary, Alberta - Connacher Oil and Gas Limited (CLL-TSX) today reported its operating and financial results for the three months and six months ended June 30, 2004 with comparative results for 2003.

Subsequent to the reporting period, Connacher announced it had sold \$17.8 million worth of properties in two separate transactions, with proceeds applied to a reduction of bank debt and trade payables. Connacher's first half results do not reflect the impact of those dispositions.

Highlights:

- Connacher achieved its 13th successive quarter of production increases.
- Revenue for the first six months of the year increased 48 percent over last year, including 44 percent in the second quarter.
- Higher operating costs at Cabri, Saskatchewan and Islay/Lloydminster, Alberta -- properties that have subsequently been sold -- impaired cash flow growth despite higher production volumes.
- Argentinean natural gas prices recovered significantly in the second quarter 2004 with further increases anticipated.
- Investor interest in Connacher's Great Divide oilsands project escalated with rising crude oil prices.

(\$000 except per share amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	% Change	2004	2003	% Change
FINANCIAL						
Total revenue	3,556	2,474	44	6,846	4,638	48
Cash flow from operations (1)	516	821	(37)	1,460	1,600	(9)
Per basic and diluted share	0.01	0.02	(50)	0.03	0.05	(40)
Net earnings (loss) (2)	(1,268)	44	-	(1,957)	210	-
Per basic and diluted share (2)	(0.03)	-	-	(0.04)	0.01	-
Capital Expenditures	2,602	4,271	(39)	12,994	15,040	(14)
Bank debt				23,655	12,500	
Working capital deficiency				8,357	179	
Net debt				32,012	12,679	152
Shareholders' equity (2)				20,933	9,469	121
Total assets (2)				60,531	28,998	109
Common shares outstanding (000)						
Weighted average						
Basic	47,042	29,421	60	46,553	27,233	71
Diluted	48,496	31,945	52	49,150	28,436	73
End of period						
Issued				47,368	34,082	39
Fully diluted				54,590	43,841	25
OPERATING						
Daily production						
Crude oil (bbl/d)	1,004	752	34	932	668	40
Natural gas (mcf/d)	1,860	1,033	80	2,064	1,124	84
Barrels of oil equivalent (boe/d)(3)	1,314	924	42	1,276	855	49
Prices						
Oil (\$/bbl)						
Canada	28.74	33.17	(13)	29.18	32.24	(9)
Argentina	43.41	32.12	35	42.80	39.26	9
Total	29.46	33.10	(11)	29.90	32.72	(9)
Natural gas (\$/mcf)						
Canada	6.57	4.71	39	6.08	6.19	(2)
Argentina	0.86	0.23	274	0.53	0.27	96
Total	5.11	2.18	134	4.73	3.18	49
Barrels of oil equivalent (\$/boe)	29.74	29.37	1	29.49	29.73	(1)
Operating netback (\$/boe)	12.53	16.71	(25)	13.12	17.02	(23)

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

(2) Comparative figures have been restated to reflect changes in accounting policies.

(3) All references to boe are calculated on the basis of six thousand cubic feet of gas to one barrel of oil (6 mcf:1 bbl). Boe 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.

The first half of 2004 was characterized by a setback for Connacher at Cabri, Saskatchewan followed by significant steps in the right direction. Disappointing results at Cabri impaired the company's ability to move forward, as production, revenue, cash flow and then associated reserve and loan values failed to meet expectations. As a result, the company's short-term indebtedness reached unacceptably high levels, necessitating a retrenchment and redirection.

To reduce debt and restore financial stability, subsequent to the end of the second quarter Connacher took advantage of historically high oil prices to sell its producing properties and certain associated petroleum and natural gas rights at Islay/Lloydminster, Alberta and Cabri, Saskatchewan. Both properties were experiencing high or rising operating costs despite concerted cost control efforts. The Islay/Lloydminster properties also produced heavy oil and had a relatively high appraised worth to loan value, while Cabri had experienced various startup and continuing operational challenges. The sales were accomplished on a timely basis to two large independent companies for \$17.8 million in gross proceeds and closed on July 21, 2004. As indicated, proceeds were used to reduce bank debt to less than \$8 million and to reduce payables.

These dispositions reduce Connacher's financial risk and represent the first of a series of initiatives to strengthen the company's overall financial condition. The company continues to seek additional funding so it can further reduce its net debt, improve working capital and refocus on developing the considerable potential of its remaining asset base at Battrum, Tompkins and Steelman in Saskatchewan and at its Great Divide SAGD oilsands project in northeastern Alberta. Connacher also continues to work on reorganizing its Argentinean holdings with a view to securing some cash proceeds and an indirect equity stake in an ongoing business concern which could be monetized at a later date after the potential of its acreage is further evaluated.

Connacher's production after the recent property sales is approximately 700 to 750 boe/d (including Argentina). The company's overall land base is approximately 115,000 net acres in Canada and 47,500 net acres in Argentina. The company plans to grow its production, reserves and cash flow through drilling later this year once its refinancing activities are completed. In the interim, Connacher has severely curtailed its capital program until its finances are strengthened.

At June 30, 2004, Connacher had a working capital deficiency and its banker had waived compliance with the debt covenant related thereto, pending its next review. Connacher's credit facility is scheduled for such review on August 15, 2004, at which time the company expects a new facility will be established. The new facility is expected to be in proximity to current levels of bank indebtedness and appropriately reflect the reduced reserve and production base owned by the company. Connacher anticipates continued lender and creditor cooperation until it completes its financing program and further improves its working capital position.

Our 100 percent owned Upper Shaunavon oil discovery at Tompkins 5-19-14-20 W3M has performed well, averaging close to 70 bbl/d of medium gravity crude oil with minimal water over the 124 days of year-to-date production. Connacher acquired offsetting land at a spring Crown sale, consolidating its land position. Subject to available financing, further drilling is likely in the third and fourth quarter along with evaluation of Upper Shaunavon and Second White Specks natural gas indicated by earlier drilling on these large contiguous acreage blocks in southwest Saskatchewan.

Further drilling in the Battrum area, as well as commencement of the alkaline surfactant polymer (ASP) pilot flood, will await seismic interpretation and completion of financing activity. Higher oil prices provide a stimulus for the ASP enhanced recovery program. Also, possible additional drilling for light oil at Steelman, Saskatchewan may be undertaken.

Efforts continue to find a financial partner for Connacher's significant Great Divide SAGD oilsands project in Alberta. Connacher owns 100 percent in 53,120 acres in the Hangingstone area southwest of Fort McMurray. Several McMurray channels are indicated, including one with considerable recognized recoverable reserve potential, currently classified in the possible category under National Instrument 51-101 (NI 51-101). With WTI exceeding US \$40 per barrel and concerns being expressed about the security of world supplies, Alberta's oilsands are increasingly the focus of investor attention. Connacher believes its Great Divide project has commercial potential which, if developed, would materially impact the company's affairs.

Pro forma the sale of the Islay/Lloydminster and Cabri properties, but before deduction of second quarter 2004 production, Connacher's proved and probable reserve base as estimated by DeGolyer and MacNaughton Canada Ltd ("D&M") as at April 1, 2004 is 3.7 million boe with a 10 percent present worth of \$26.7 million. Additionally, Connacher has 54 million barrels of possible reserves, as estimated by D&M, with a 10 percent present worth of \$170 million. Most of these reserves are located in the company's Great Divide oilsands project. Proved, probable and possible reserves have the meaning ascribed to them in NI 51-101. The reserve report which contained the pre-sale reserve estimates was prepared by D&M in accordance with NI 51-101.

Connacher is a Calgary-based oil and gas exploration and production company. Its principal assets are located at Battrum and Tompkins in southwest Saskatchewan. Producing assets are also held in Argentina. The company also owns 100 percent in 53,120 acres of oilsands rights southwest of Fort McMurray at its Great Divide project.

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