



PRESS RELEASE

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CONNACHER'S TOTAL PROVED BITUMEN RESERVES MORE THAN TRIPLE DURING 2008, UP 59 PERCENT SINCE MID-YEAR; PROVIDES OPERATIONAL UPDATE

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) announces today that the estimates of its Total Proved (“1P”) bitumen (“heavy oil”) reserves, as prepared by GLJ Petroleum Consultants Ltd., independent qualified reserves evaluators, (“GLJ”), more than tripled during 2008 to 175.5 million boe, reflecting the impact of its active first quarter core hole program and regulatory approval of its second 10,000 bbl/d steam-assisted gravity drainage (“SAGD”) project at Algar. The estimates are after production of 2.1 million barrels of bitumen (heavy oil) at Great Divide Pod One. The estimates of the company’s 1P bitumen (heavy oil) reserves increased 59 percent since mid-year 2008, primarily reflecting the upgrading of Algar reserves from the probable category to proved reserves.

After production of approximately 1.1 million boe during 2008, the company’s conventional 1P Reserves also increased eight percent to 7.4 million boe. Total corporate 1P Reserves, combining bitumen and conventional Reserves, increased 205 percent to 183 million barrels during 2008 and increased 56 percent from mid-year 2008. Total corporate 2P Reserves increased 103 percent during 2008 to 379 million boe. Despite the adoption by GLJ of a more conservative price deck in their year-end 2008 evaluation and after the impact of the application of the new Alberta royalty program, the estimate of Connacher’s 10 percent pre-tax present value of future net revenue from its 2P Reserves increased by 29 percent from \$1.2 billion at year-end 2007 to \$1.5 billion as at December 31, 2008.

On a combined basis, the company’s Reserve Replacement ratio, calculated by dividing 1P and 2P Reserve additions by 2008 production, was approximately 38 times (38X) for 1P Reserves and 60 times (60X) for 2P Reserves. Finding and development costs will be reported when the company releases its year end 2008 audited financial and operating results, scheduled for March 19, 2009.

Henceforth, in this press release, bitumen and heavy oil are terms used interchangeably. Also, in this press release, unless otherwise stated, reserves refer to reserves of either bitumen or conventional crude oil, natural gas or natural gas liquids or barrels of oil equivalent (“boe”) and resources refers to bitumen resources. Future net revenue is calculated after the deduction, from forecast revenue, of forecast royalties, operating expenses, capital expenditures and well abandonment costs, but before corporate overhead or other indirect costs, including interest and income taxes. The 10 percent pre-tax present value of future net revenue is also referred to as “present value” or “present worth” or “PV”. Certain amounts cited herein have been rounded for presentation purposes.

The reserve estimates provided herein were prepared by GLJ in a report (“GLJ 2008 Year-End Report”) with an effective date of December 31, 2008. The GLJ 2008 Year-End Report was prepared using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”) and in accordance with National Instrument 51-101 (“NI 51-101”). Comparisons provided herein with respect to Connacher’s conventional and bitumen reserves and resources are to estimates contained in a report prepared by GLJ with an effective date of June 30, 2008 (“GLJ Mid-Year 2008 Report”) and to estimates in a report prepared by GLJ with an effective date of December 31, 2007 (“GLJ 2007 Year-End Report”).

All new reserve estimates are as at December 31, 2008 and include the results of Connacher’s drilling program subsequent to the effective date of the GLJ 2008 Mid-Year Report but do not include drilling results in 2009. Possible reserves were only evaluated with respect to Connacher’s bitumen reserves. Connacher’s conventional crude oil and natural gas reserves were not evaluated in the possible reserves category.

Comparative reserve volumes and values are presented, both in relation to the GLJ 2008 Mid-Year Report and to the GLJ 2007 Year End Report. There was no material change in total estimated reserve plus resource volumes compared to those estimated at mid-year 2008, although the 10 percent PV of future pre-tax net revenue declined in all categories due to a combination of a lower price deck being employed by GLJ at year end 2008 compared to that employed at mid-year 2008, the impact of the new royalty regime adopted in Alberta in early 2009, which was incorporated on a prospective basis and slightly higher estimates of future costs. In certain reserve or resource categories with higher risk, the 10 percent PV of future net revenue declined more appreciably as a consequence of the changes to the price deck or the impact of the new royalty regime. There was, however, a considerable appreciation in reserve and resource volumes and all but one of the 10 percent PV of future net revenue estimates, when the results of the GLJ Year-End 2008 Report are compared with the results of the GLJ 2007 Year-End Report. This reflects the combination of activity on the company’s lands and the regulatory approval of the Algar project.

The GLJ 2008 Year-End Report was prepared utilizing the GLJ January 1, 2009 price forecast, effective December 31, 2008. Readers are referred to the notes to the Summary Tables included in this press release for details regarding the price forecast used in the GLJ 2008 Year End Report. Earlier reports were prepared using the price forecasts then being applied by GLJ.

The GLJ 2007 Year-End Report and the GLJ Mid-Year 2008 Report do not consider the impact of the adoption of Alberta’s new royalty regime in 2009. However, the GLJ 2008 Year-End Report does incorporate Alberta’s new royalty regime on a prospective basis. As such, the reports are not strictly comparable due to the new higher royalty regime adopted at year end 2008.

All references to barrel of oil equivalent (“boe”) are calculated on the basis of 6 Mcf:1 bbl. Readers are cautioned that the conversion used in calculating barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Furthermore, boe may be misleading if used in isolation. Future net revenues disclosed herein do not represent fair market value. Also, estimations of reserves, resources and future net revenue to be discussed in this press release constitute forward-looking information. See “Forward Looking Information” below.

Highlights are as follows:

Bitumen (Heavy Oil)

After production of 2.1 million barrels of bitumen in 2008:

- Total Proved Reserves (“1P”) were up 231 percent over year-end 2007 levels of 53 million barrels to 175 million barrels and were up 59 percent to 175 million barrels from 110 million barrels at June 30, 2008; 10 percent PV of future pre-tax net revenue was estimated at \$888 million (\$4.21 per basic Connacher common share (“common share” or “share”) outstanding - 211 million shares outstanding at December 31, 2008). The average bitumen price forecast to be received for 1P reserves over the estimated reserve life ending in 2047 was \$68.14 per barrel.
- Total Proved and Probable Reserves (“2P”) were estimated at 370 million barrels, a year over year increase of 108 percent and essentially flat on the mid-year estimate of 372 million barrels, after production during the year; 10 percent PV of future pre-tax net revenue was estimated at \$1.4 billion (\$6.50 per common share). Average forecast bitumen price over a longer estimated reserve life ending in 2058 was \$83.74 per barrel.
- Total Proved, Probable and Possible Reserves (“3P”) were 443 million barrels, compared to only 242 million barrels a year ago and again essentially flat on the GLJ Mid-Year 2008 Report; 10 percent PV of future pre-tax net revenue was estimated at \$2.1 billion (\$9.97 per common share), compared to \$3 billion (\$15.00 per share on fewer outstanding shares) at December 31, 2007, primarily reflecting the adverse impact of a lower price deck and the impact of higher royalties used in the analysis.
- 1P plus Low Estimate Contingent Resources were estimated at 308 million barrels, more than double 2007 estimates, with a 10 percent PV of estimated future pre-tax net revenue of \$1 billion (\$4.77 per common share).
- 2P plus Best Estimate Contingent Resources were estimated at 502 million barrels; estimated 10 percent PV of future pre-tax net revenue was \$1.5 billion (\$7.29 per share).
- 2P plus Best Estimate Contingent and Best Estimate Prospective Resources were estimated at 585 million barrels, with an estimated 10 percent PV of future pre-tax net revenue of \$1.6 billion (\$7.80 per share).
- 3P plus High Estimate Contingent Resources of 628 million barrels; estimated pre-tax 10 percent PV of future net revenue was \$2.4 billion (\$11.44 per share).
- 3P plus High Estimate Contingent and High Estimate Prospective Resources estimated at 842 million barrels; 10 percent PV of future pre-tax net revenue of \$2.8 billion (\$13.12 per share).

Please refer to the tables attached hereto for the volumes and the estimated 10 percent pre-tax present values assigned to Low Estimate, Best Estimate and High Estimate Contingent or Prospective

Resources, which are categorized separately. It should be noted that reserves, Contingent Resources and Prospective Resources involve different risks associated with achieving commerciality. Reference should be made to "Bitumen Reserves and Resources" and the notes following the tables set forth below for a description of these risks.

The increase in bitumen reserves during the second half of 2008 primarily reflects the receipt of regulatory approval of our Algar project, the company's second 10,000 bbl/d bitumen project at Great Divide. Our GLJ Mid-Year 2008 Report reflected the impact of Connacher's Q1 2008 core hole drilling program on its main lease block in the region. The year over year increase reflects the combination of these two factors, offset by a provision for an increase in prospective Alberta royalties and production during the year.

Conventional

After production of approximately 1.1 million boe during 2008:

- 1P Reserves were up eight percent to 7.4 million boe compared to December 31, 2007; 10 percent PV of future pre-tax net revenue was estimated at \$137 million (\$0.65 per share).
- After production, year over year 2P Reserves were up four percent to 9.8 million boe; 10 percent PV of future pre-tax net revenue was estimated at \$171 million (\$0.81 per share).

The increase in conventional reserves reflects successful drilling at Marten Creek, Randall and Three Hills, all in Alberta and at Battrum, Saskatchewan. All present values are affected by the lower price deck adopted by GLJ effective December 31, 2008 compared to that utilized at July 1, 2008 and higher Alberta royalties.

Total Corporate Reserves

Total corporate 2P Reserves at December 31, 2008 were 379 million barrels, a 103 percent increase from 187 million barrels at December 31, 2007. The 10 percent pre-tax present value for these 2P reserves increased 29 percent over December 31, 2007 estimates, from \$1.2 billion to \$1.5 billion (\$7.31 per common share).

Bitumen Reserves and Resources

Connacher owns a 100 percent working interest in approximately 98,000 net acres of oil sands leases at its Great Divide project in northeastern Alberta, approximately 80 kilometers southwest of Fort McMurray and at Halfway Creek, Alberta. Numerous oil accumulations in the McMurray formation have been identified for development. GLJ estimates original petroleum initially in place under Connacher's leases at Great Divide and Halfway Creek to be 1.6 billion barrels of bitumen with up to 842 million barrels of 3P Reserves and High Estimate Contingent and High Estimate Prospective Resources remaining to be exploited, net of Pod One production prior to December 31, 2008.

Pod One, which contains over 20 metres of net SAGD pay, has been producing bitumen since late 2007, with commercial production commencing March 1, 2008. Production since start up through December 31, 2008 has totaled 2.2 million barrels of bitumen, of which 2.1 million barrels was

produced in 2008, which amount has been deducted prior to the calculation of remaining reserves and resources. Additional details regarding Connacher's development at Great Divide can be accessed at www.connacheroil.com or www.sedar.com. Furthermore, additional information regarding Connacher's resources, including the company's interest in the resources and the risks and the level of uncertainty allocated with the recovery of the resources can be found in the company's annual information form ("AIF") dated March 26, 2008 which can be accessed at www.sedar.com. In June 2007 the company applied to develop a similar 10,000 bbl/d facility at Pod Two or Algar and received regulatory approval in November 2008.

Reserves were assigned to Pod One, Pod Two or Algar, Pod Four and Five at Algar (Phase II), while Low, Best, and High Estimate Contingent Resources were assigned to all but Pod One of the aforementioned Pods and to Pods Three, Six and Seven at Great Divide; Best Estimate and High Estimate Prospective Resources were selectively assigned to Pods One and Three through Seven inclusive at Great Divide and minor Best Estimate and High Estimate Prospective Resources were assigned to Halfway Creek, reflecting the early stage of exploration in this region.

During 2008, Connacher's 1P bitumen Reserves increased 231 percent to 175 million barrels, after deduction of 2.1 million barrels of bitumen produced at Pod One since January 2008. Connacher's 2P bitumen Reserves also increased 108 percent to reach 370 million barrels, compared to 178 million barrels at year end 2007. 3P bitumen Reserves were estimated at 443 million barrels at December 31, 2008 compared to 242 million barrels at December 31, 2007, an increase of 83 percent.

During 2008, GLJ was also able to continue its recognition of Contingent and Prospective Resources (as defined in the notes following the table below) on the oil sands leases owned by Connacher. It should be noted that reserves, Contingent Resources and Prospective Resources involve different risks associated with achieving commerciality.

Contingent Resources were assigned in regions with lower core-hole drilling density than the reserve regions and are outside current areas of application for development. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent Resources entail additional commercial risk than reserves which have not been included in the net present valuation. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

Prospective Resources were also assigned in unexplored regions of Connacher's acreage. Prospective Resources entail additional commercial risk than reserves and Contingent Resources which have not been included in the net present valuation. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Prospective Resources.

1P bitumen Reserves and Low Estimate Contingent Resources were estimated at 308 million barrels; 2P bitumen Reserves and Best Estimate Contingent Resources were estimated at 502 million barrels; 3P bitumen Reserves and High Estimate Contingent Resources were estimated at 628 million barrels.

1P bitumen Reserves and Low Estimate Contingent and Low Estimate Prospective Resources were estimated at 308 million barrels, the same as above, as no low estimate (or high certainty) prospective resources were assigned. 2P bitumen Reserves and Best Estimate Contingent and Best Estimate

Prospective Resources were estimated at 585 million barrels and 3P bitumen Reserves and High Estimate Contingent and High Estimate Prospective Resources were estimated at 842 million barrels.

The GLJ 2008 Year-End Report estimated Connacher's 1P bitumen Reserves would generate \$3.5 billion of future net revenue with a 10 percent pre-tax present value of \$888 million, after deduction of future capital requirements of \$2.2 billion and well abandonment costs of \$32 million.

2P bitumen Reserves were forecast to generate \$9.5 billion of future net revenue, with a 10 percent pre-tax present value of \$1.4 billion, after provisions for future capital of \$4.9 billion and well abandonment costs of \$90 million.

3P bitumen Reserves were forecast to generate \$10.4 billion of future net revenue with a 10 percent pre-tax present value of \$2.1 billion, after provisions for future capital of \$4.9 billion and well abandonment costs of \$70 million.

1P bitumen Reserves plus Low Estimate Contingent Resources were forecast to generate \$6.7 billion, of future net revenue with a 10 percent pre-tax present value of \$1 billion, after provisions for future capital of \$4.9 billion and well abandonment costs of \$84 million.

2P bitumen Reserves and Best Estimate Contingent Resources were forecast to generate \$11.6 billion of future net revenue, with a 10 percent pre-tax present value of \$1.5 billion, after future provisions for future capital of \$7.5 billion and \$123 million of well abandonment costs.

3P bitumen Reserves plus High Estimate Contingent Resources were forecast to generate \$13.9 billion of future net revenue, with a 10 percent pre-tax present value of \$2.4 billion, after provisions for future capital of \$8.1 billion and well abandonment costs of \$112 million.

Economic runs for 1P bitumen Reserves and Low Estimate Contingent and Low Estimate Prospective Resources are identical to 1P bitumen Reserves plus Low Estimate Contingent Resources, as no Low Estimate Prospective Resources were assigned.

2P bitumen Reserves and Best Estimate Contingent and Best Estimate Prospective Resources were forecast to generate \$13.1 billion of future net revenue, with a 10 percent pre-tax present value of \$1.6 billion, after provisions for future capital of \$9.2 billion and well abandonment costs of \$146 million. Under this scenario, future annual production is forecast by GLJ to peak at approximately 44,000 barrels per day in 2017.

3P bitumen Reserves and High Estimate Contingent and High Estimate Prospective Resources were forecast to generate \$18.7 billion of future net revenue, with a 10 percent pre-tax present value of \$2.8 billion after provisions for future capital of \$12.1 billion and well abandonment costs of \$170 million. Under this scenario, future annual production is forecast by GLJ to reach approximately 72,500 barrels per day by 2015 and is forecast to remain at approximately 70,000 barrels of bitumen per day for over 20 years.

The resource volumes have not been classified as reserves at this time, pending further delineation drilling, development planning, project design and regulatory application. The resource values should be considered indicative in nature, only, pending further design work to confirm timing and capital estimates. Readers are cautioned that there is also a difference between Contingent and Prospective

Resources with differing risks and that there is no certainty that it will be commercially viable to produce any portion of the resources.

Conventional Reserves

Connacher's conventional reserve base also expanded since year end 2007.

On an oil equivalent basis, year over year 1P Reserves increased eight percent to 7.4 million boe after producing 1.1 million boe in 2008. The company's 2P equivalent reserves increased four percent to 9.8 million boe.

The increases primarily reflect the successful drilling at Marten Creek, Randall, Three Hills and Gilby, Alberta and at Battrum, Saskatchewan.

The GLJ 2008 Year-End Report estimated that Connacher's conventional 1P Reserves would generate \$217 million of future net revenue with a 10 percent pre-tax present value of \$137 million, after provision for future capital requirements for Connacher's 1P Reserves estimated at \$9.6 million and well abandonment costs of \$4.7 million.

The company's 2P conventional Reserves were forecast to generate \$301 million of future net revenue, with a 10 percent pre-tax present value of \$171 million, after provision for future capital requirements of \$15 million and forecast well abandonment costs of \$5.1 million.

Connacher's conventional production provides current cash flow, loan value and a hedge against natural gas requirements at Great Divide.

Total Company Combined Reserves (Conventional and Bitumen)

On a combined basis, Connacher's reserves accordingly grew at very significant rates. Total 1P equivalent Reserves at December 31, 2008 were estimated by GLJ to be 183 million boe, an increase of 205 percent over year end 2007.

Connacher's 2P equivalent Reserves increased 103 percent to 379 million boe at December 31, 2008 compared to 187 million boe at year end 2007.

The company's 2P conventional and bitumen Reserves at December 31, 2008 are forecast to generate \$9.8 billion of future net revenue, with a 10 percent pre-tax present value of \$1.5 billion, after provision for future capital of \$5 billion and well abandonment costs of \$95 million. This represents a 29 percent increase in the 10 percent pre-tax present value compared to year end 2007.

On a per share basis, this estimated pre-tax present value of approximately \$1.5 billion for 2P Reserves alone equates to approximately \$7.31 per Connacher common share outstanding, before provision for the value of Contingent and Prospective Resources as estimated in the GLJ Year End 2008 Report, the value of the company's refinery and its investment in Petrolifera Petroleum Limited and balance sheet adjustments. There are presently approximately 211 million Connacher common shares outstanding.

No reserve volumes or future net revenue or present value thereof were assigned herein to Connacher's 24 percent equity interest in Petrolifera Petroleum Limited's crude oil and natural gas reserves.

Operational Update

During the fourth quarter of 2008, Connacher's preliminary estimated bitumen, crude oil and natural gas production was as follows:

Bitumen – 7,084 bbl/d
 Conventional crude oil – 1,161 bbl/d
 Natural gas – 12.6 MMcf/d

On an equivalent basis, production was 10,345 boe/d. This represents a four percent increase on a successive quarterly basis in 2008 and an increase of 363 percent compared to the same quarter in 2007. It should be noted Connacher did not commence booking bitumen production until March, 2008 when the Great Divide Pod One project was declared to be commercial and all revenues and associated costs were recorded in the company's income statement.

For the full year 2008, Connacher's preliminary estimated production was as follows:

Bitumen – 5,449 bbl/d
 Conventional crude oil – 1,024 bbl/d
 Natural gas – 12,658 MMcf/d

These levels represent an infinite increase for bitumen on a year over year basis, as no bitumen production was recorded in 2007. For crude oil the year over year increase for 2008 compared to last year was 29 percent, while for natural gas the increase was 38 percent.

On an equivalent basis, Connacher is able to report a dramatic 270 percent increase in total production for 2008 at 8,583 boe/d compared to 2,320 boe/d last year.

Note that all production levels presented herein are unaudited and subject to adjustments arising from completion of the compilation of our year end 2008 operating and financial results. We anticipate issuing our audited results to our shareholders on or about March 19, 2009, following review of our financial statements and results by our Audit Committee and subsequent review and approval of our operating and financial results by our Board of Directors.

These increases reflect the successful construction, well steaming and then production rampup at Great Divide Pod One during the year, when peak production was recorded at 9,870 bbl/d, within 130 bbl/d of the rated plant capacity. Our ramp up proceeded favorably, although not without the occasional challenge. During this process we recorded declining steam/oil ratios ("SOR's"), achieving levels at year end 2008 of under three times ("3x"), under four times ("4x") on a cumulative basis and with instantaneous SOR's at our better individual wells approaching two times ("2x"). A total of 2.2 million barrels of bitumen have been produced at Pod One since startup of the project.

By year end 2008 we had all 15 well pairs contributing to our production base prior to the decision to curtail production temporarily in mid-December, due to a combination of short-run factors which adversely affected bitumen pricing. These factors included widened differentials for heavy oil as compared to WTI, a stronger Canadian dollar compared to the relative decline in crude oil prices from

peak levels in mid-year 2008, regional marketing issues and some transportation and diluent cost issues. By mid-January 2008, many of these factors had been ameliorated and the emergence of contango in the crude oil markets also enabled us to secure some new marketing arrangements, fortified by hedging activity for both crude oil prices and the Canadian dollar. As a consequence, we were able to make the decision to reinstate our rampup of production towards our interim goal of 10,000 bbl/d at Pod One.

We are in the midst of this rampup from levels of between 4,000 bbl/d and 5,000 bbl/d which resulted during our curtailment at Pod One. Currently, we are producing at levels approaching 7,000 bbl/d of bitumen and we expect to approach pre-curtailment levels during February 2009, when our newly-negotiated marketing and pricing arrangements become operative. We anticipate being able to achieve the realization of positive wellhead netbacks for bitumen.

We are in the midst of drilling and completing two new infill wells at Pod One which should, after an approximate 90 day pre-heat and steaming period, come onstream and start to impact favorably on production levels. These wells are located in proximity to what is to date our best well within Pod One. This anticipated production growth will be aided by the planned installation of at least four new electrical submersible pumps at chosen well locations in Pod One, which not only enhances productivity but also allows us to reduce steam requirements on these wells and for the project on an overall basis. We have a total of nine pumps in inventory so additional installations are anticipated.

With respect to Algar, we already advised that regulatory approval was received during the fourth quarter of 2008 for our second 10,000 bbl/d SAGD project, situated approximately five miles east of Pod One. We had already undertaken the design and were in various stages of construction of certain long-lead items for our plant by the time approval was received from the regulators and the Cabinet of the Government of Alberta. We initiated civil work immediately after these approvals were issued and field formalities were concluded and have now prepared the access road and site. We are finalizing the preparation of the three well pads on which the initial 15 SAGD well pairs for Algar will eventually be situated. We did this work on time and under budget.

Once the last portion of the civil work is completed, we will suspend Algar construction pending the emergence of better pricing visibility for crude oil and bitumen. Also, at a time when liquidity is paramount and capital markets and credit markets offer limited access, we intend to preserve our cash balances arising from our operations and the residual cash from our long term debt financing that we completed in late 2007 to finance the construction of Algar, among other things. While we have already invested in excess of \$100 million at Algar, we do not anticipate this will be long-term stranded capital, as we believe that market conditions will improve gradually over the balance of 2009. However, we believe it would be imprudent to utilize our cash balances, cash flow and established credit in proceeding with Algar, only to encounter a very low level of crude oil prices in early 2010 when the project was originally scheduled to commence operations. Accordingly, we have suspended Algar for now and will continuously monitor industry and capital market conditions to ensure a decision to reinstate construction and project completion will be done on a prudent basis. We anticipate the delay, of indeterminate term, will likely contribute to some lowering of the cost structure for the completion of Algar.

We continue to believe that longer term, the oil sands/bitumen business will be a rewarding one offering our shareholders an attractive return on capital and eventual share price appreciation in capital markets. With our long life reserves and recognized production potential, as evidenced by the

estimates in the GLJ Year End 2008 Report, Connacher has a positive outlook under the right economic circumstances. We have numerous opportunities to be realized as the economic and commodity price recovery emerges in upcoming years.

Our conventional drilling program and production performance was very respectable in 2008. While sometimes overlooked due to the magnitude of the impact of our oil sands operation on our total business activity, we note considerable growth was achieved during 2008 and while commodity prices are weak, our conventional production and sales meaningfully contributes to our operating income and stability during these difficult times.

Connacher's "Montana Refining" operation ("MRCI") has progressed during a challenging economic period. Globally, refining margins have been narrow, primarily due to reduced demand for gasoline. All refiners faced challenges throughout 2008 due to the rapid rise in crude oil prices during the earlier portion of the year. In response to these conditions, MRCI capitalized on its integrated relationships by shipping lighter products from Montana to Alberta for use as diluent for bitumen blending, rather than further processing and then selling them as gasoline. MRCI has also been successful in completing facilities to allow ethanol blending and sales and securing an important new government contract. Our asphalt unit has penetrated a number of new markets, including Alberta, with new sales supply contracts at record indicated netbacks.

Recently, we substantially advanced a major project to produce ultralow sulphur diesel ("ULSD") in compliance with prevailing standards. Although construction of this ULSD project has recently resulted in some reduction in overall throughput at our 9,500 bbl/d refinery, commissioning of a new hydrogen plant, which is the project's final phase, is targeted for February 2009, on time and on budget. We anticipate the refinery throughput will return to full capacity, including ULSD production, in March 2009.

MRCI is well positioned to capture a significant amount of the asphalt business associated with new government infrastructure plans proposed for the ensuing two year period for Montana and surrounding states. This, combined with our new ethanol and diluent businesses, leaves the refinery poised for much improved performance as we move into the second and third quarters of 2009.

Connacher retains a 24 percent equity interest in Petrolifera Petroleum Limited, a public oil and natural gas company with reserves and production in Argentina and extensive exploratory acreage in Argentina, Colombia and most importantly in Peru. Petrolifera recently initiated drilling activity on its La Pinta prospect on the Sierra Nevada License in the Lower Magdalena Basin in Colombia and anticipates drilling activity may commence in Peru during the latter part of 2009.

As with other oil and natural gas companies, Connacher is constantly evaluating its opportunities, the structure of its balance sheet and the merits of different alternatives to deleverage over time. This is occurring in the context of lower commodity prices. We will continuously attempt to assess the duration and extent of the current economic downturn, accompanied as it is by difficult conditions in capital and credit markets. Maintaining a high level of liquidity and emphasizing the curtailment of capital outlays in a much reduced price regime for crude oil and natural gas is of paramount importance. Even though we have the financial wherewithal to complete Algar, for example, it is not considered prudent to do so at this time, until there is better visibility for adequate economic returns on investment and some improved certainty of credit and capital market accessibility. This reactivation of Algar will likely also have to be supported by improved commodity prices, lower costs, more

incentives and would obviously benefit from better fiscal and royalty policies being advanced by governments in those jurisdictions in which we operate.

We have also continued to try to work with our banking syndicate, which had provided us with what we anticipated would be a long term revolving first lien \$200 million, five year credit facility. This was arranged at the same time we sold our long-term second lien notes in late 2007. Our goal in our discussions with our banking syndicate has been to introduce appropriate amendments to our credit facility in the context of the new world of depressed commodity prices which could impact on continued credit availability and loan serviceability.

To date, this has been a complicated and often frustrating process, despite the fact that we paid a significant original arrangement fee and incurred standby costs throughout 2008 to keep the facility available. With the suspension of Algar we have no current need for the facility in 2009. Furthermore, despite the fact that we held significant cash balances exceeding \$200 million at year end 2008 and continue to hold substantial cash balances, we may be required to examine other financing alternatives to replace this credit facility, which remains in full force and effect as at this writing.

We are fortunate in having a strong asset position with ample coverage arising from our long-term production profile and reserve base. We remain committed to the principle that we can manage an orderly and sequential reorganization of our balance sheet to ensure our long term viability and growth, without undue complication or delay as we adjust to the new world order in financial and commodity markets.

Connacher Oil and Gas Limited is a Calgary-based crude oil, natural gas and bitumen or heavy oil producer. Our principal asset is located at Great Divide in the oil sands region of Alberta. We also own conventional properties in Alberta and Saskatchewan, a refinery in Montana, USA and hold a significant 24 percent equity stake in Petrolifera Petroleum Limited, a crude oil and natural gas producer active in Argentina, Colombia and Peru in South America.

Forward Looking Information

This press release contains forward looking information, including but not limited to estimated reserves and resources and future net revenues associated therewith, future capital expenditures, the anticipated impact of Alberta's proposed new royalty regime on estimated future net revenues, development of additional oil sands resources (including Algar), future production levels at Great Divide Pod One and the timing associated therewith, planned installation of electrical submersible pumps, anticipated refinery throughput and performance of MRCI, intended cash management practices, the examination of other financing alternatives to replace Connacher's senior credit facility and proposed restructuring of Connacher's balance sheet. The forward looking information is based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with obtaining, maintaining and the timing of receipt of regulatory approvals, permits, and licenses, uncertainties relating to access to capital markets and the risk of continuing deterioration of global economic conditions. Additional risks and uncertainties are described in the company's Annual Information Form which is filed on SEDAR at www.sedar.com.

The reserves, resources and future pre-tax net revenue in this press release represent estimates only. The reserves, resources and future pre-tax net revenue from the company's properties have been independently evaluated by GLJ with effective dates of December 31, 2008, June 30, 2008 and December 31, 2007. These evaluations includes 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 bitumen, crude oil and natural gas, operating costs, well abandonment and salvage values, royalties and other government levies that may be imposed during the producing life of the reserves. These assumptions were based on price forecasts prepared by GLJ as at the dates of the reports and many of these assumptions are subject to change and are beyond the control of the company. Actual production, sales and cash flows derived therefrom will vary from the evaluations and such variations could be

material. The present value of estimated future net revenues referred to herein should not be construed as the current market value of estimated bitumen, crude oil and natural gas reserves attributable to the company's properties.

The ability of the company to restructure its balance sheet and deleverage over time will be dependent on access to capital markets and credit on terms and conditions satisfactory to the company. The current financial crisis has resulted in severe economic uncertainty and resulting illiquidity in capital markets which increases the risk associated with the company's financing plans. There can be no assurance that the company will be successful in securing alternative financing arrangements to achieve its objectives. Additionally, there can be no assurance that the company will be able to negotiate an amendment to its existing credit facilities on terms and conditions acceptable to the company.

Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the company's securities should not place undue reliance on forward looking information. Forward looking information contained in this press release is made as of the date hereof and are subject to change. The company assumes no obligation to revise or update forward looking information to reflect new circumstances, except as required by law.

For further information, contact:

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President and Chief Executive Officer

OR

Peter D. Sametz
Executive Vice President and Chief Operating Officer

OR

Grant D. Ukrainetz
Vice President, Corporate Development

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Summary Tables

Tables may not add due to rounding. Estimates of Reserves, Resources and Future Net Revenue constitute forward looking information. See “Forward Looking Information” in the press release to which these summary tables are attached.

A. Volumes

Connacher Oil and Gas Limited Bitumen Reserves and Resources ⁽⁹⁾				
	31/12/07	30/06/08 (mbbl)	31/12/08	%Δ 31/12 08/07
Proved Reserves (1P) ⁽¹⁾	53,016	110,202	175,462	231
Proved and Probable Reserves (2P) ⁽¹⁾⁽²⁾	177,792	371,505	369,684	108
Proved, Probable and Possible Reserves (3P) ⁽¹⁾⁽²⁾⁽³⁾	242,009	443,802	442,504	83
Low Estimate Contingent Resources ⁽⁴⁾⁽⁶⁾	61,325	198,965	132,175	116
Best Estimate Contingent Resources ⁽⁴⁾⁽⁷⁾	125,531	130,206	132,772	6
High Estimate Contingent Resources ⁽⁴⁾⁽⁸⁾	209,885	185,681	185,681	(12)
1P + Low Estimate Contingent Resources ⁽¹⁾⁽⁴⁾⁽⁶⁾	114,340	309,167	307,638	169
2P + Best Estimate Contingent Resources ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁷⁾	303,323	501,711	502,456	66
3P + High Estimate Contingent Resources ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	451,895	629,483	628,185	39
Low Estimate Prospective Resources ⁽⁵⁾⁽⁶⁾	0	0	0	0
Best Estimate Prospective Resources ⁽⁵⁾⁽⁷⁾	113,398	81,278	82,645	(27)
High Estimate Prospective Resources ⁽⁵⁾⁽⁸⁾	347,133	213,588	213,584	(38)
1P+ Low Estimate Contingent and Low Estimate Prospective Resources ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁹⁾	114,340	309,167	307,638	169
2P + Best Estimate Contingent and Best Estimate Prospective Resources ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁹⁾	416,720	582,989	585,101	40
3P + High Estimate Contingent and High Estimate Prospective Resources ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾⁽⁹⁾	799,028	843,072	841,768	5

Connacher Oil and Gas Limited Conventional Canadian Reserves												
	LIGHT/MEDIUM OIL/NGL (mbbl)				NATURAL GAS (mmcf)				EQUIVALENT (mboe)			
	31/12/07	30/06/08	31/12/08	%Δ 31/12 08/07	31/12/07	30/06/08	31/12/08	%Δ 31/12 08/07	31/12/07	30/06/08	31/12/08	%Δ 31/12 08/07
Proved Reserves (1P) ⁽¹⁾	2,355	2,430	2,620	11	26,916	29,431	28,547	6	6,841	7,335	7,378	8
Probably Reserves ⁽²⁾	694	770	818	18	11,535	11,283	9,575	(17)	2,617	2,651	2,414	(8)
Proved + Probable Reserves (2P) ⁽¹⁾⁽²⁾	3,049	3,200	3,438	13	38,451	40,714	38,122	-	9,458	9,986	9,792	4

Connacher Oil and Gas Limited				
Combined Conventional and Bitumen Reserves ⁽¹⁰⁾				
	31/12/07	30/06/08	31/12/08	%Δ
	(mboe)			31/12 08/07
Proved Conventional Reserves ⁽¹⁾	6,841	7,335	7,378	8
Proved Bitumen Reserves ⁽¹⁾	53,016	110,202	175,462	231
Total Proved Reserves (1P) ⁽¹⁾	59,857	117,537	182,840	205
Probable Conventional Reserves ⁽²⁾	2,617	2,651	2,414	(8)
Probable Bitumen Reserves ⁽²⁾	124,776	261,303	194,222	56
Total Probable Reserves ⁽²⁾	127,393	263,954	196,636	54
Proved + Probable Conventional Reserves (2P) ⁽¹⁾⁽²⁾	9,458	9,986	9,792	4
Proved + Probable Bitumen Reserves ⁽¹⁾⁽²⁾	177,792	371,505	369,684	108
Total 2P Reserves ⁽¹⁾⁽²⁾	187,250	381,491	379,476	103

B. Present Value

Connacher Oil and Gas Limited				
10 percent Present Value of Future Net Revenue ⁽⁹⁾				
Bitumen Reserves and Resources – Before Tax				
	31/12/07	30/06/08	31/12/08	%Δ
	(\$MM)			31/12 08/07
Proved Reserves (1P) ⁽¹⁾	492	899	888	81
Proved and Probable Reserves (2P) ⁽¹⁾⁽²⁾	1,051	2,039	1,372	31
Proved, Probable and Possible Reserves (3P) ⁽¹⁾⁽²⁾⁽³⁾	1,165	2,996	2,103	81
Low Estimate Contingent Resources ⁽⁴⁾⁽⁶⁾	142	573	119	(16)
Best Estimate Contingent Resources ⁽⁴⁾⁽⁷⁾	348	260	167	(52)
High Estimate Contingent Resources ⁽⁴⁾⁽⁸⁾	742	557	311	(58)
1P + Low Estimate Contingent Resources ⁽¹⁾⁽⁴⁾⁽⁶⁾	634	1,472	1,007	59
2P + Best Estimate Contingent Resources ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁷⁾	1,399	2,300	1,539	10
3P + High Estimate Contingent Resources ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	1,906	3,553	2,414	27
Low Estimate Prospective Resources ⁽⁵⁾⁽⁶⁾	0	0	0	0
Best Estimate Prospective Resources ⁽⁵⁾⁽⁷⁾	379	222	106	(72)
High Estimate Prospective Resources ⁽⁵⁾⁽⁸⁾	724	540	355	(51)
1P+ Low Estimate Contingent and Low Estimate Prospective Resources ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁹⁾	634	1,472	1,007	59
2P + Best Estimate Contingent and Best Estimate Prospective Resources ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁹⁾	1,778	2,522	1,645	(8)
3P + High Estimate Contingent and High Estimate Prospective Resources ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾⁽⁹⁾	2,631	4,093	2,769	5

