PRESS RELEASE **May 12, 2009**

CONNACHER REPORTS IMPROVING BITUMEN OPERATIONS AND FIRST QUARTER 2009 RESULTS AND SCHEDULES CONFERENCE CALL FOR MAY 13, 2009 AT 9:00 AM MDT

Calgary, Alberta – Connacher Oil and Gas Limited (TSX:CLL) today reported first quarter 2009 ("Q1 2009") results. Operating conditions were difficult for bitumen producers in early 2009. However, Connacher's operations substantially overcame the challenges. The challenges of extremely cold winter conditions were exacerbated by very weak commodity markets and equally poor capital market conditions. Nevertheless, we did what we could to overcome these circumstances by capitalizing on contango in the crude oil futures market to secure price stability for a portion of our production. We reduced operating costs and are now among the lowest cost producers, with our goal to be the lowest cost bitumen producer in Alberta. We secured fixed heavy oil price differentials for much of our bitumen sales, at a time of improved heavy oil pricing and reduced transportation costs and blending ratios by selling more of our Great Divide Pod One ("Pod One") production to regional upgraders. As a result, we were able to restore the ramp up process at Pod One, after having had to scale back operations during the month of December 2008, when crude oil prices collapsed and other factors adversely impacted on the economics of bitumen production.

We also saw a glimmer of hope, in that before provision for non-cash mark to market accounting losses on our crude oil hedges, in the first quarter of 2009, we recorded positive net operating income in our conventional and unconventional or bitumen operations ("upstream division") as well as in our downstream ("refining division") operations during the period. We believe this augurs well for the balance of the year, provided there is no significant further deterioration in prices for crude oil and natural gas and that anticipated strong asphalt prices are realized as expected. As we noted in our 2008 Annual Report, recovery is in the air.

Despite a 110 percent increase in production volumes, a second consecutive quarter (Q4 2008 and now Q1 2009) of modest negative cash flow was recorded, as prices for all upstream products – bitumen, crude oil and natural gas – were lower by as much as 58 percent year over year and were down 54 percent per boe produced. (Boe may be misleading if used in isolation. See footnote 3 under the Summary Results Table). However, we can advise that March 2009 bitumen selling prices, at $32.29/bbl, were three times January 2009 levels and up almost 40 percent above the quarterly average. This strong selling price was achieved even though WTI for the month of March 2009 averaged around US$48/bbl. Also, March 2009 bitumen netbacks were almost five times the quarterly average. This was further manifestation of a turnaround, which appears to have momentum.

Arising from a weakening of the Canadian dollar relative to the US dollar since year end 2008, a significant non-cash charge largely arising from the fact a significant part of our long-term debt is denominated in US dollars, was the major contributor to our reported loss. By its nature, this non-cash charge will be volatile and currently with a much stronger Canadian dollar, would have more than been reversed had our accounts been completed at this writing. However, the provision is only calculated on the last day of each reporting period, compared to the level on the last day of the prior period. Accordingly, Connacher's reported earnings are likely to continue to exhibit similar volatility.

Our production rampup at Pod One progressed at a measured pace during the first quarter of 2009. Subsequent to the end of the reporting period, four new electrical submersible pumps were installed in four wells and we commenced steam circulation on the two new well pairs we drilled on Pod One. We surpassed 10,000 bbl/d on a "test" basis, after which we adopted a more measured production rampup to introduce steady state conditions, which will allow for better reservoir conformance, on a sustained basis, as better economic conditions become available.

HIGHLIGHTS

- Production ramp up reinstated at Pod One
- Civil work at Algar plant site virtually completed. We now have invested approximately $150 million in the project, our second 10,000 bbl/d steam assisted gravity drainage ("SAGD") plant
- We advanced our EIA application, aimed at securing approval to expand our oilsands operations to 44,000 bb/d 2011
- Operating cost improvements are being achieved at Pod One in 2009, our year of optimization

- Solid liquidity was maintained, despite weak operating conditions and greater cash demands for our operations

These Q1 2009 results will be subject to a Conference Call event at 9:00 a.m. MDT May 13, 2009. To listen to or participate in the live conference call please dial either (416) 644-3434 or (800) 814-4857. A replay of the event will be available from May 13, 2009 at 11:00 a.m. MDT until May 20, 2009 at 11:59 p.m. MDT. To listen to the replay please dial either (416) 640-1917 or (877) 289-8525 and enter the passcode 21305119 followed by the pound sign.

Summary Results

Three months ended and as at March 31	**2009**	2008	% Change
FINANCIAL ($000, except per share amounts)			
Revenues, net of royalties	**$ 61,757**	$ 100,656	(39)
Cash flow [(1)]	**(4,692)**	7,825	(160)
Per share, basic [(1)]	**(0.02)**	0.04	(150)
Per share, diluted [(1)]	**(0.02)**	0.03	(167)
Net loss	**(46,844)**	(1,833)	(2,456)
Per share, basic and diluted	**(0.22)**	(0.01)	(2,100)
Property and equipment additions	**64,255**	115,984	(45)
Cash on hand	**96,220**	323,423	(70)
Working capital	**120,035**	287,105	(58)
Long term debt	**803,915**	671,014	20
Shareholders' equity	**428,276**	471,559	(9)
Total assets	**1,385,674**	1,348,098	3
UPSTREAM OPERATING RESULTS			
Daily production / sales volumes			
Bitumen – bbl/d [(2)]	**6,170**	1,773	248
Crude oil - bbl/d	**1,180**	996	18
Natural gas - Mcf/d	**12,828**	10,493	22
Barrels of oil equivalent - boe/d [(3)]	**9,488**	4,518	110
Product pricing [(4)]			
Bitumen - $/bbl [(2)]	**22.45**	53.01	(58)
Crude oil - $/bbl	**39.63**	79.50	(50)
Natural gas - $/Mcf	**4.89**	7.79	(37)
Barrels of oil equivalent - $/boe [(3)]	**26.13**	56.44	(54)
DOWNSTREAM OPERATING RESULTS			
Refining throughput			
Crude charged (bbl/d)	**6,867**	9,830	(30)

Refinery utilization (%)	**72%**	104%	(31)
Margins (%)	**6.0%**	1.0%	500
COMMON SHARES OUTSTANDING (000)			
Weighted average			
Basic	**211,286**	210,234	-
Diluted	**211,286**	231,510	(9)
End of period			
Issued	**211,291**	210,277	-
Fully diluted	**252,268**	250,166	1

(1) Cash flow and cash flow per share do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Cash flow is calculated before changes in non-cash working capital, pension funding and asset retirement expenditures. The most comparable measure calculated in accordance with GAAP would be net earnings. Cash flow, commonly used in the oil and gas industry, is reconciled with net earnings on the Consolidated Statements of Cash Flows and in the accompanying Management's Discussion & Analysis. Management uses this non-GAAP measurement for its own performance measure and to provide its shareholders and investors with a measurement of the company's efficiency and its ability to internally fund future growth expenditures.
(2) The recognition of bitumen sales from Pod One commenced March 1, 2008, when it was declared "commercial". Prior thereto, all operating costs, net of revenues, were capitalized.
(3) All references to barrels of oil equivalent (boe) are calculated on the basis of 6 Mcf:1 bbl. This conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, particularly if used in isolation.
(4) Product pricing excludes realized hedging gains/losses and excludes unrealized mark-to-market non-cash accounting gains/losses.

Connacher encountered very challenging operating and capital market conditions during the first quarter of 2009. As a result, weak financial results were recorded. Nevertheless, we do see signs of recovery.

Our major challenge was the extremely weak economic framework which resulted in low commodity prices for crude oil, bitumen and natural gas. The quoted market price for West Texas Intermediate ("WTI") crude oil averaged US$43.08/bbl in Q1 2009, compared to US$67.08/bbl in the fourth quarter of 2008 ("Q4 2008") and US$104.88/bbl for the full year 2008. During Q1 2009, WTI fell below US $40.00/bbl to a low in the US$34.00/bbl range. As a consequence, Canadian crude oil and bitumen prices were also extremely weak, even though the Canadian dollar weakened during the period.

Our average price for conventional crude oil in Q1 2009 was $39.63/bbl, benefiting from the weaker Canadian dollar. However, to put things in perspective, this compared to $79.50/bbl in the same period in 2008 and an average price throughout 2008 of $82.01/bbl.

Bitumen also fared poorly, with our Q1 2009 average bitumen selling price only $22.45/bbl, approximately one-third of the price we recorded in the third quarter of 2008. Also, natural gas prices weakened considerably, declining to $4.89/mcf in Q1 2009, compared to $6.61/mcf in Q4 2008 and $7.79/mcf in Q1 2008. Natural gas markets are extremely weak, although this lower selling price does benefit the lowering of the cost structure of our bitumen production operations, reflecting the benefits of our integrated strategy. We remain relatively indifferent to the level of natural gas prices as we are both a producer and a consumer.

These extremely weak prices reflected the collapse of capital and credit markets, the extreme slowdown in worldwide economic activity and demand destruction arising from the weakened North American and worldwide economies. It is anticipated this will eventually also result in supply destruction, as industry reinvestment activity has been curtailed and continues to be constrained due to lower cash flows, illiquidity in capital and credit markets and a lack of visibility as to when a stable, stronger and more predictable commodity price regime will emerge.

Despite these very weak prices, we were able to achieve positive net operating income in both of our divisions during Q1 2009, prior to provisions arising from non-cash deductions for unrealized mark-to-market accounting losses on our crude oil hedges. This was a considerable accomplishment in light of the operating framework within which we were forced to operate. Upstream, it was achieved by paying close attention to costs, especially at our Pod One bitumen plant, but also in our conventional operations. Overcoming the impact of lower volumes, due to the continuation in early 2009 of the December 2008 curtailment at Pod One, we reduced our bitumen operating costs to under $20.00/bbl in both February and March this year and we are anticipating even lower levels during the balance of the year. Our Q1 2009 upstream unit operating costs were $17.73/boe, reflecting the increasing efficiency achieved at producing bitumen with only approximately one year of operating experience behind us.

Downstream, we achieved a positive refining netback during Q1 2009, despite weak economic activity, a lower utilization rate arising from some operating challenges, downtime related to completion of our new ultra low sulphur diesel ("ULSD") facilities, the impact of a severe winter on infrastructure support, including stable electrical supply and the effect of our decision to delay our scheduled turnaround until later in the year. We do intend to conduct this turnaround on the refinery later in the year, after participating in the stronger operating conditions which normally occur during the summer market period. We fully anticipate restoring utilization rates to higher levels, which should also result in further margin improvement and efficiencies on a prospective basis. Our refining margins in Q1 2009 exceeded those achieved in any quarter throughout 2008. With strong demand anticipated for asphalt throughout 2009 and with an apparent supply shortage looming, as economic recovery infrastructure programs are under taken, this important component of our heavy oil refining business should be a significant cash generator this year.

Re-organizing our Financial Affairs

In addition to restoring positive margins in our operating divisions, we took other steps during the period to stabilize our operations in those areas where we, as management, could exert some control. As we reported in our 2008 Annual Report, during Q1 2009 we reluctantly had no choice but to cancel an outstanding $150 million and US$50 million credit facility, secured from a syndicate of banks in late 2007. This was necessary as a consequence of the dramatic and severe collapse in energy prices which had occurred since mid-2008.

We continue to seek a suitable replacement for this revolving line of credit in order to properly access our credit capacity and restore more desirable levels of liquidity to our financial condition. We believe such an alternative is achievable, albeit at some added cost in the short run. Offsetting this, we anticipate improving our liquidity will be beneficial to our equity and will give us the wherewithal to focus on continuing improvements to our balance sheet. This will also help us to prepare for reactivation of our Algar plant construction program, under the right circumstances, while continuing to meet all of our financial obligations.

With the reduction in crude oil price differentials for heavy oil in the early part of 2009, from over $20.00/bbl in December 2008 to as low as approximately $7.00/bbl currently, we were able to fix a lower differential for some of our bitumen sales during the reporting period. This was accomplished at the same time that we were able to secure new bitumen sales contracts with regional upgraders, thereby assisting in reducing related transportation charges for bitumen, due to a lower cost structure for trucking and shorter hauls. We anticipate that as we continue to sell our dilbit to the regional upgraders, we will be able to significantly reduce our diluent blending ratio, thereby further increasing the profitability of our bitumen operation. Simultaneously, motivated by our anticipated cancellation of our credit facility and benefiting from the emergence of considerable contango in the crude oil futures market, we were able to place two attractive WTI hedges for average prices of US$46.00/bbl and US$49.50/bbl, on two tranches of 2,500 bbl/d of notional production with staggered August 2009 and December 2009 maturities. This action was undertaken as part of our risk management program, aimed at minimizing the company's downside risk if crude oil prices became considerably weaker, especially as production of lower-priced bitumen represents a big part of our business. We also entered into a foreign exchange collar for a predetermined level of revenue for 2009, to mitigate the risks associated with volatile currency fluctuations. These arrangements were steps within the purview of management and were taken in an attempt to preserve liquidity and to avoid the necessity of shutting in production, if further price weakness or adverse currency movements occurred. They complement our efforts to maximize production at the lowest possible cost, but in and of themselves cannot overcome the adverse influence of weak commodity prices.

Liquidity and Capital Programs

Maintaining and expanding our liquidity in order to ensure we meet all of our financial obligations and to be positioned to restore more normal growth related activity remains the number one priority of the company. During the first quarter of 2009, our cash balances did decline. We had to segregate certain cash balances to establish a cash-collateralized credit facility for letters of credit, which are utilized in our normal course business activities. The cancellation of our credit facility meant some of our suppliers required prepayments for either supplies or services. For example, this occurred to the extent of $22 million in Q1 2009, primarily in our refining division. We purchase crude oil every day and we were required by some suppliers to prepay for the crude oil we refined and processed at Great Falls, Montana. We also financed an increase in our asphalt inventories in the amount of $18 million during the period; this is a normal procedure for the time of year, awaiting the startup of highway construction programs with milder weather in the spring. We fully anticipate recovering this amount and considerably more during the second and third quarter 2009 paving season, as prices are already showing signs of buoyancy and supplies are increasingly limited. Finally, we also had a net reduction in accounts payable during the quarter, offset by accruals for prospective mid-year interest payments on our long-term debt.

For the second straight quarter, our operations also required a modest cash outlay and our Q1 2009 capital expenditure program totaled $64 million. Of this amount, $55 million was invested in our oil sands operations. This included much of our civil work at Algar (completed ahead of time and under budget), a modest core hole drilling program at Great Divide and drilling and completion of two new SAGD well pairs at Pod One. We now have approximately $150 million invested in Algar and we anticipate a benefit from lower cost structures in the oil sands due to lower industry activity levels.

A modest $5.7 million was invested in our conventional properties. We continue to retain behind pipe productive natural gas capacity, which will remain in this status until we see clear evidence of improved product pricing and decide on the timing of the eventual reinstatement of the final stages of construction and assembly at Algar. Downstream investments primarily associated with the tie-in of our new ULSD plant amounted to $3.3 million. We are now producing and selling ultra low sulphur diesel.

Our internal estimates indicate we have sufficient cash and prospective cash flow, at US $45.00 for WTI, to meet all of our cash requirements for our reduced capital budget of $124 million and to satisfy our financial obligations for the balance of 2009. Furthermore, with access to a modest incremental credit facility, we anticipate we would be similarly positioned in 2010, although this would only allow maintenance expenditures and would preclude any growth expenditures. We do not publish detailed guidance.

As we are highly leveraged to crude oil prices, continuing improvements would immediately impact on our cash availability and on our prospective investment decisions and capital requirements. We continue to investigate additional liquidity sources to offset the adverse impact arising from the decision by us to cancel our credit facility. We also intend to consider other measures to further strengthen our balance sheet and to capitalize on the effect of much lower commodity prices on outstanding financial instruments. Our objective is to maintain our independence and be positioned with an extended “liquidity runway”, characterized by few, if any, maintenance covenants.

We have reduced operating risks; we curtailed past and planned capital outlays to the extent it made sense and we have adopted an optimization mode until there is clear evidence of sustainable commodity price recovery, a lower capital cost structure in the oil sands, better project economics and healthier capital and credit market conditions, before we reactivate our Algar project. In the meantime, we are preparing ourselves for further expansion post 2011 with our EIA application to enable us to move towards our goal of 50,000 bbl/d of bitumen production by 2015. We believe we already have the bitumen reserves to support the achievement of this objective.

We would note that current accounting policies have resulted in extremely volatile earnings for our industry. A considerable loss was recorded in Q1 2009, largely driven by the impact of “non-cash” mark-to-market accounting charges, including a provision of $27.9 million for an unrealized foreign exchange loss, largely associated with the fact our long-term debt is denominated in U.S. dollars. This provision arose as a result of the weakness of the Canadian dollar on March 31, 2009, compared to the level it was at on December 31, 2008. Readers might find it interesting that with the recent appreciation in the Canadian dollar in April 2009, this entire loss would have been reversed by a provision for an approximate $39 million gain. Accordingly, our focus on improving production volumes, reducing costs and optimizing our divisional operating netbacks and cash flow is understandable. A review of required accounting treatment by regulators would seem to be in order, to help shareholders avoid the impact of this extreme volatility in reporting financial results and to help them better understand the true financial status of companies.

Corporate and Other Matters

The company’s Annual General Meeting is scheduled for 3:00 PM on Tuesday, May 12, 2009 at the Calgary Petroleum Club. We anticipate three new Directors - Jennifer Kennedy, Kelly Ogle and Peter Sametz, will be elected to the Board at the meeting and in advance thereof, we welcome these new members. Along with input and guidance from our incumbent Directors, we look forward to their contribution to our progress and to the continued advancement of shareholder interests and value.

Connacher remains well positioned to participate in the recovery of crude oil prices. We have taken steps to enhance the efficiency of our oil sands operations with the installation of four new electrical submersible pumps in April 2009, which should result in lower steam oil ratios and therefore lower operating costs. We have drilled and completed and are steaming two new well pairs at Pod One. These wells should enhance production levels during the second half of 2009, if not sooner. Our downstream division should experience considerable improvements in results during the next two quarters. If as anticipated we are successful in enhancing corporate liquidity, we will be favorably positioned to reactivate Algar when the right signals emerge, which should improve investor confidence in our future growth. We are recognized for our operational accomplishments in the oil sands and we intend to take those steps necessary to be able to deliver our growth potential to our current and future shareholders.

Forward-Looking Information

This press release contains forward-looking information including, but not limited to, Connacher's strategy to be the lowest cost bitumen producer, development of additional oil sands resources (including Algar and the timeline and capital costs for construction of Algar), anticipated supply destruction as a result of current economic conditions, reduced investment and demand destruction, anticipated reductions in operating costs as a result of optimization of certain operations, expectations of future production, refinery utilization rates and asphalt demand, operating costs, upstream netbacks and downstream margins, cash flow, profitability and capital expenditures, plans for improving liquidity which may include securing a new credit facility, accessing new debt or equity, corporate acquisitions or business combinations, joint venture arrangements and restructuring components of the balance sheet, anticipated cost savings relating to oil sands activity as a result of reduced industry activity, development of internally-generated growth prospects and utilization and alternative financial derivative strategies to protect the company’s cash

flow. Forward looking information is based on management's expectations regarding future growth, results of operations, production, future commodity prices and foreign exchange rates, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities and future economic conditions. Forward-looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the 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 and resource estimates, the uncertainty of estimates and projections relating to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the continued expansion of the Great Divide Oil Sands Project. In addition, the current financial crisis has resulted in severe economic uncertainty and resulting illiquidity in credit and capital markets which increases the risk that actual results will vary from forward looking expectations in this press release and these variations may be material. There can be no assurance that the company will be able to secure new sources of liquidity or restructure its balance sheet as planned. These and other risks and uncertainties are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2008, which is available at www.sedar.com. Although Connacher believes that the expectations in such forward-looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. The forward-looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date hereof and Connacher assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is dated as of May 12, 2009 and should be read in conjunction with the unaudited consolidated financial statements of Connacher Oil and Gas Limited ("Connacher" or the "company") for the three months ended March 31, 2009 and 2008, as contained in this interim report and the MD&A and audited consolidated financial statements for the years ended December 31, 2008 and 2007, as contained in the company's 2008 annual report. All of these consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. This MD&A provides management's view of the financial condition of the company and the results of its operations for the reporting periods.

Additional information relating to Connacher, including Connacher's Annual Information Form, is on SEDAR at www.sedar.com.

NON-GAAP MEASUREMENTS

The MD&A contains terms commonly used in the oil and gas industry, such as cash flow, cash flow per share, and cash operating netback. These terms are not defined by GAAP and should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with GAAP as an indicator of Connacher's performance. Management believes that in addition to net earnings, cash flow is a useful financial measurement which assists in demonstrating the company's ability to fund capital expenditures necessary for future growth or to repay debt. Connacher's determination of cash flow may not be comparable to that reported by other companies. All references to cash flow throughout this report are based on cash flow from operating activities before changes in non-cash working capital, pension funding and asset retirement expenditures. The company calculates cash flow per share by dividing cash flow by the weighted average number of common shares outstanding. Cash flow and cash operating netbacks are reconciled to net earnings within this MD&A.

FORWARD-LOOKING INFORMATION

This report, including the Letter to Shareholders, contains forward-looking information including but not limited expectations of future production, refinery utilization rates and asphalt demand, netbacks, net operating income, cash flow, profitability and capital expenditures, anticipated reductions in operating costs as a result of optimization of certain operations, development of additional oil sands resources (including Algar and the timeline and capital costs for construction of Algar), development of internally-generated growth prospects, utilization and alternative financial derivative strategies to protect the company's cash flow and plans for improving liquidity which may include securing a new credit facility, accessing new equity, corporate acquisitions or business combinations, joint venture arrangements and restructuring components of the balance sheet. Forward looking information is based on management's expectations regarding future growth, results of operations, production, future commodity prices and foreign exchange rates, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities and future economic conditions. Forward-looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the 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 and resource estimates the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the continued expansion of the Great Divide Oil Sands Project. In addition, the current financial crisis has resulted in severe economic uncertainty and resulting illiquidity in credit and capital markets which increases the risk that actual results will vary from forward looking expectations in this report and these variations may be material. There can be no assurance that the company will be able to secure new sources of liquidity or restructure its balance sheet as planned. These and other risks and uncertainties are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2008, which is available at www.sedar.com. Although Connacher believes that the expectations in such forward-looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. The forward-looking information included in this report are expressly qualified in their entirety by this cautionary statement, The forward-looking information included in this report is made as of May 12, 2009 and Connacher assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Throughout the MD&A, per barrel of oil equivalent (boe) amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil (6:1). The conversion is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, particularly if used in isolation.

SUMMARIZED HIGHLIGHTS

Three months ended and as at March 31

FINANCIAL

($000)	2009	2008
Upstream revenues	$ 28,146	$ 27,926
Downstream revenues	32,683	71,899
Upstream cash operating netback [1]	5,000	14,256
Downstream margin	1,963	506
Cash flow	(4,692)	7,825
Net loss	(46,844)	(1,833)
Cash on hand	96,220	323,423
Working capital	120,035	287,105
Total assets	1,385,674	1,348,098

OPERATING

	2009	2008
Upstream production/sales volumes		
Oil sands – bitumen – bbl/d	6,170	1,773
Crude oil – bbl/d	1,180	996
Natural gas – Mcf/d	12,828	10,493
Barrels of oil equivalent – boe/d	9,488	4,518
Upstream cash netback/boe [2]	$ 5.85	$ 34.67
Downstream		
Crude charged – bbl/d	6,867	9,830
Downstream margin per barrel refined	$ 3.70	$ 0.71
Downstream margins as a percentage of revenue	6.0%	1.0%

(1) Excluding unrealized non-cash mark-to-market accounting losses.

MARKETING – UPSTREAM

Diluted bitumen ("dilbit"), crude oil and natural gas are generally sold on month-to-month sales contracts negotiated with major Canadian or U.S. marketers, refiners, or other end users at either spot reference prices or at prices subject to commodity contracts based on US WTI for crude oil and AECO for natural gas. As a means of managing the risk of commodity price volatility, Connacher enters into price-hedging contracts from time to time.

At March 31, 2009, Connacher had the following hedging contracts in place:

February 1, 2009 – August 31, 2009 – 2,500 bbl/d – WTI US$46.00/bbl;

April 1, 2009 – December 31, 2009 – 2,500 bbl/d – WTI US$49.50/bbl; and

January 1, 2009 – December 31, 2009 – foreign exchange collar of CAD $1.1925 per US$1.00 to CAD $1.30 per US$1.00 on a notional amount of US$10 million of monthly production revenue (the "foreign exchange revenue collar"). For clarity, this hedge provides the company a benefit from a strengthening Canadian dollar.

In the first quarter of 2009, Connacher realized a commodity hedging gain (and received cash) in the amount of $405,000.

During the first quarter of 2009, Connacher entered into a six-month term contract for the sale of dilbit to a company operating an upgrader in northern Alberta.

As at March 31, 2009, the WTI crude oil forward price curve exceeded the hedging contract prices resulting in a current liability and an unrealized mark-to-market ("MTM") non-cash accounting loss of $8.3 million for the remaining contract terms.

As at March 31, 2009, based on the forward foreign exchange rate curve, the foreign exchange revenue collar was a liability of $630,000; at December 31, 2008 it was an asset of $1.8 million. This MTM adjustment resulted in an unrealized non-cash foreign exchange loss of $2.4 million in the first quarter of 2009.

MARKETING – DOWNSTREAM

Sales of refined products are generally made on monthly sales contracts negotiated with wholesalers, retailers and large end-users for gasoline, jet fuel and diesel and construction contractors and road builders for asphalt. Occasionally, sales contracts are for periods in excess of one month. To date, Connacher has not hedged these revenue streams. As at March 31, 2009, the Montana refinery had contracts in place for the sale of approximately 250,000 barrels of asphalt at an average price exceeding US$100/bbl for delivery in the second and third quarters of 2009.

PRICING

Together with many other uncontrolled variables, general economic conditions and international and local supplies influence the price for WTI light gravity crude oil. Weather, domestic supplies and other variables influence the market price for natural gas.

In the first quarter of 2009, WTI crude oil averaged $43.08/bbl (first quarter 2008 – $97.90/bbl) and AECO natural gas averaged $5.63/Mcf (first quarter 2008 – $6.76/Mcf).

Connacher's crude oil and bitumen production slate is generally heavier than the referenced WTI. Consequently, the market price realized by the company is typically lower than WTI.

Before hedging gains and unrealized MTM non-cash accounting losses, Connacher realized the following commodity selling prices:

Three months ended March 31		**2009**		2008
Bitumen – $/bbl	**$**	**22.45**	$	53.01
Crude oil – $/bbl	**$**	**39.63**	$	79.50
Natural gas – $/Mcf	**$**	**4.89**	$	7.79

Refined product selling prices are also influenced by general economic conditions, local and international supply and demand factors. Comparative industry average prices and prices realized by the company in the first quarter of 2009 are noted below.

Three months ended March 31 (US$/bbl)	MRCI Realized Selling Price	
Gasoline	$	45.67
Diesel		59.08
Jet fuel		70.75
Asphalt		43.16

FINANCIAL AND OPERATING REVIEW

UPSTREAM NETBACKS ($000)

For the three months ended March 31, 2009	Oil Sands [1]	Crude Oil	Natural Gas	Total
Gross revenues [2]	**$ 28,669**	**$ 4,278**	**$ 5,641**	**$ 38,588**
Diluent purchased [3]	**(13,367)**	**-**	**-**	**(13,367)**
Transportation costs	**(2,837)**	**(70)**	**-**	**(2,907)**
Production revenue	**12,465**	**4,208**	**5,641**	**22,314**
Realized financial derivative gains [4]	**405**	**-**	**-**	**405**
Unrealized mark-to-market accounting losses [5]	**(8,267)**	**-**	**-**	**(8,267)**
Royalties	**(129)**	**(1,062)**	**(1,389)**	**(2,580)**
Operating costs	**(11,331)**	**(1,302)**	**(2,506)**	**(15,139)**
Calculated netback	**$ (6,857)**	**$ 1,844**	**$ 1,746**	**$ (3,267)**
Cash operating netback, excluding unrealized mark-to-market accounting losses [6]	**$ 1,410**	**$ 1,844**	**$ 1,746**	**$ 5,000**

For the three months ended March 31, 2008	Oil Sands [1]	Crude Oil	Natural Gas	Total
Gross revenues [2]	$ 17,150	$ 7,206	$ 7,449	$ 31,805
Diluent purchased [3]	(8,103)	-	-	(8,103)
Transportation costs	(494)	-	-	(494)
Production revenue	8,553	7,206	7,449	23,208
Realized financial derivative gains [4]	-	-	-	-
Unrealized mark-to-market accounting losses [5]	-	-	(816)	(816)
Royalties	(86)	(1,815)	(1,162)	(3,063)
Operating costs	(3,403)	(1,060)	(1,426)	(5,889)
Calculated netback	$ 5,064	$ 4,331	$ 4,045	$ 13,440
Cash operating netback, excluding unrealized mark-to-market accounting losses [6]	$ 5,064	$ 4,331	$ 4,861	$ 14,256

(1) In the first quarter of 2008, Connacher completed the conversion of a majority of its fifteen horizontal well pairs to production status at Pod One and processed increasing levels of bitumen through its facility. This provided the company with the necessary confidence that this first oil sands project could economically produce, process and sell bitumen on a continuous basis. Therefore, effective March 1, 2008 Connacher declared it to be "commercial". As a result, the company discontinued the capitalization of all pre-operating costs, moved accumulated capital costs into the full cost pool, commenced the depletion of these costs, and began reporting Pod One production and operating results as part of the oil and gas reporting segment.

(2) Bitumen produced at Pod One is mixed with purchased diluent and sold as "dilbit". Diluent is a light hydrocarbon that improves the marketing and transportation quality of bitumen. In the financial statements Upstream Revenues represent sales of dilbit, crude oil and natural gas, net of royalties; and Upstream Operating Costs include the cost of purchased diluent.

(3) Diluent volumes purchased and sold have been deducted in calculating production revenue and production volumes sold.

(4) Realized financial derivative gains/losses reflect cash receipts/disbursements in respect of commodity hedging contracts.

(5) Unrealized mark-to-market accounting gains/losses reflect changes in the market value of unsettled commodity derivative contracts. From period to period the market value of these contracts change due to the volatility of the commodity's forward pricing curve.

(6) Cash operating netbacks, by product, are calculated by deducting the related diluent, transportation, field operating costs and royalties from revenues before deducting MTM accounting losses. Netbacks on a per-unit basis are calculated by dividing related production revenue, costs and royalties by production volumes. Netbacks do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures used by other companies. This non-GAAP measurement is a useful and widely used supplemental measure of the company's efficiency and its ability to fund future growth through capital expenditures. Netbacks are reconciled to net earnings below.

UPSTREAM SALES AND PRODUCTION VOLUMES

For the three months ended March 31	2009	2008	% Change
Dilbit sales – bbl/d [1]	**8,531**	2,440	250
Diluent purchased – bbl/d [1]	**(2,361)**	(667)	254
Bitumen produced and sold – bbl/d [1]	**6,170**	1,773	248
Crude oil produced and sold – bbl/d	**1,180**	996	18
Natural gas produced and sold – Mcf/d	**12,828**	10,493	22
Total – boe/d	**9,488**	4,518	110

(1) Since declaring Pod One "commercial" effective March 1, 2008.

UPSTREAM NETBACKS PER UNIT OF PRODUCTION

For the three months ended March 31, 2009		Bitumen ($ per bbl)		Crude Oil ($ per bbl)		Natural Gas ($ per mcf)		Total ($ per boe)
Production revenue	**$**	**22.45**	**$**	**39.63**	**$**	**4.89**	**$**	**26.13**
Realized financial derivative gains		**0.73**		**-**		**-**		**0.47**
Unrealized mark-to-market accounting losses		**(14.89)**		**-**		**-**		**(9.68)**
Royalties		**(0.23)**		**(10.00)**		**(1.20)**		**(3.02)**
Operating costs		**(20.41)**		**(12.26)**		**(2.17)**		**(17.73)**
Calculated netback	**$**	**(12.35)**	**$**	**17.37**	**$**	**1.52**	**$**	**(3.83)**
Cash operating netback, excluding unrealized mark-to-market accounting losses	**$**	**2.54**	**$**	**17.37**	**$**	**1.52**	**$**	**5.85**

For the three months ended March 31, 2008		Bitumen ($ per bbl)		Crude Oil ($ per bbl)		Natural Gas ($ per mcf)		Total ($ per boe)
Production revenue	$	53.01	$	79.50	$	7.79	$	56.44
Realized financial derivative gains		-		-		-		-
Unrealized mark-to-market accounting losses		-		-		(0.85)		(1.98)
Royalties		(0.53)		(20.03)		(1.22)		(7.45)
Operating costs		(21.09)		(11.69)		(1.49)		(14.32)
Calculated netback	$	31.39	$	47.78	$	4.23	$	32.69
Cash operating netback, excluding unrealized mark-to-market accounting losses	$	31.39	$	47.78	$	5.08	$	34.67

In response to a collapse in WTI crude oil prices and wide heavy oil differentials, the company announced in December 2008 that it was curtailing production at Pod One from levels that had exceeded 9,000 bbl/d earlier in that month, through the reduction of steam injected into the bitumen reservoir. On January 21, 2009, the company announced the resumption of full production ramp-up at Pod One. This decision was made in anticipation of the re-instatement of profitability at Pod One, in response to narrower heavy oil pricing differentials; reduced transportation costs; anticipated reduced diluent blending ratios due to increased dilbit sales to upgraders operating near our SAGD oil sands facility; and due to WTI crude oil hedges entered into that provided some protection against further weakness in crude oil selling prices. Bitumen production is currently ramping up to design capacity from curtailed bitumen production levels of approximately 4,200 bbl/d in January 2009.

In the first quarter of 2009, gross bitumen, crude oil and natural gas revenues were up 21 percent to $38.6 million from $31.8 million in the first quarter of 2008. This increase was due to a doubling of production and sales volumes in 2009 offset by a 54 percent reduction in commodity pricing, excluding the effect of realized hedging gains and excluding the effect of an $8.3 million unrealized non-cash MTM accounting loss.

Royalties represent charges against production or revenue by governments and landowners. From year to year, royalties can change based on changes in the product mix, the components of which are subject to different royalty rates. Additionally, royalty rates are applied on a sliding scale to commodity prices. Although total gross production revenues were higher in the first quarter of 2009, compared to the first quarter of 2008, total royalties were lower in the current year period because conventional crude oil and natural gas revenues were lower and, therefore, their related royalties were lower than in the prior year comparative period. Notwithstanding that bitumen production revenues were higher in the current year period, the related royalty rate was only one percent and, therefore, did not contribute to an increase in overall, total royalties in the current year period. Consequently, total royalties in the first quarter of 2009 of $2.6 million were lower than the $3.1 million reported in the first quarter of 2008.

In the first quarter of 2009 upstream diluent purchases, transportation and operating costs of $31.4 million were $16.9 million, or 117 percent, higher than in the same prior year period, primarily due to diluent purchases of $13.4 million in 2009 required for three months compared to $8.1 million in 2008 for a one month requirement (since declaring Pod One "commercial"). Transportation costs for dilbit sales increased to $2.8 million in the current year-to-date from $494,000 in the same prior year period, due to increased sales volumes. Bitumen produced at Pod One is mixed with purchased diluent and sold as "dilbit." Diluent is a light hydrocarbon that improves the marketing and transportation quality of bitumen. For the reported volumes, diluent purchased represented approximately 28 percent of the dilbit barrel sold, with bitumen the remaining 72 percent. It is anticipated that less diluent will be necessary when oil sands production and handling operations are optimized, higher volumes are processed and with increased sales to regional upgraders in the year.

Excluding diluent purchases, upstream field operating costs of $15.1 million averaged $17.73 per boe produced and sold in the first quarter of 2009, compared to $14.32 per boe produced and sold in the same prior year period. The increase primarily reflects costs associated with new bitumen production which are higher on a per unit basis than conventional crude oil and natural gas operating costs. Bitumen field operating costs of $11.3 million for the first quarter of 2009 were comprised of natural gas costs of $3.9 million for 8.9 mmcf/d (averaging $4.91/mcf), personnel, power, chemicals and other costs, resulting in an average of $20.41 per bbl of bitumen produced and sold. As a significant portion of these costs are fixed, it is anticipated that this per unit operating cost will decline as the company increases bitumen production at Pod One towards its design capacity in 2009.

Transportation costs of $2.9 million primarily represent the cost of trucking the company's oil sands sales to market.

Netbacks are a widely used industry measure of a company's efficiency and its ability to internally fund its growth. The company's overall upstream netback of $5.85 per boe (excluding MTM accounting losses), an 83 percent decrease over the same 2008 period, was significantly affected by its oil sands production, which had a netback of $2.54 per bitumen barrel produced. Current year netbacks were adversely impacted by lower commodity prices.

RECONCILIATION OF UPSTREAM OPERATING NETBACK TO NET EARNINGS

For the three months ended March 31		2009		2008
($000, except per unit amounts)	**Total**	**Per boe**	Total	Per boe
Upstream operating netback, as above	**$ 5,000**	**$ 5.85**	$ 14,256	$ 34.67
Elimination of intercompany diluent purchases	**470**	**0.55**	-	-
Unrealized mark-to-market accounting losses	**(8,267)**	**(9.68)**	(816)	(1.98)
Interest income	**928**	**1.09**	831	2.02
Downstream margin – net	**1,963**	**2.30**	506	1.23
General and administrative	**(4,474)**	**(5.24)**	(3,066)	(7.46)
Stock-based compensation	**(1,270)**	**(1.49)**	(1,516)	(3.69)
Finance charges	**(9,160)**	**(10.73)**	(4,431)	(10.78)
Foreign exchange losses	**(27,866)**	**(32.63)**	(1,892)	(4.60)
Depletion, depreciation and accretion	**(16,449)**	**(19.26)**	(7,464)	(18.15)
Income taxes	**11,998**	**14.05**	1,346	3.27
Equity interest in Petrolifera earnings and dilution gain	**283**	**0.33**	413	1.00
Net earnings (loss)	**$ (46,844)**	**$ (54.86)**	$ (1,833)	$ (4.47)

DOWNSTREAM REVENUES AND MARGINS

The Montana refinery is subject to a number of seasonal factors which typically cause product sales revenues to vary throughout the year. The refinery's primary asphalt market is for paving roads, which is predominantly a summer demand. Consequently, prices and sales volumes for asphalt tend to be higher in the summer and lower in the colder seasons. During the winter, most of the refinery's asphalt production is stored in tankage for sale in the subsequent summer months. Seasonal factors also usually affect sales revenues for gasoline (higher demand in summer months) as well as distillate and diesel fuels (higher winter demand). As a result, inventory levels, sales volumes and prices can be expected to fluctuate on a seasonal basis.

Refinery throughput - three months ended	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	**Mar 31, 2009**
Crude charged - bbl/d [1]	9,830	9,329	9,239	8,333	**6,867**
Refinery production - bbl/d [2]	11,081	10,052	10,284	9,075	**7,946**
Sales of produced refined products - bbl/d	7,408	12,274	11,897	6,404	**5,290**
Sales of refined products - bbl/d [3]	7,902	12,878	12,385	7,564	**5,890**
Refinery utilization [4]	104%	98%	97%	88%	**72%**

(1) Crude charged represents the barrels per day of crude oil processed at the refinery.

(2) Refinery production represents the barrels per day of refined products yielded from processing crude and other refinery feedstocks.

(3) Includes refined products purchased for resale.

(4) Represents crude charged divided by total crude capacity of the refinery.

During the first quarter of 2009, the Montana refinery completed its US$20 million ultra low sulphur diesel project. Due to down time required to tie-in the new hydrogen plant to complete this project and as a result of certain operational upsets due to significant cold weather, throughput volumes were lower in the fourth quarter of 2008 and the first quarter of 2009 than in prior quarters. The Montana refinery is now producing and selling ultra low sulphur diesel and gasoline.

We fully anticipate restoring utilization rates to higher levels, which should also result in further margin improvement and cost efficiencies on a prospective basis. Our refining margins in the first quarter of 2009 exceeded those achieved in any quarter throughout 2008. With strong demand anticipated for asphalt throughout 2009 and with an apparent supply shortage looming, as economic recovery infrastructure programs occur this important component of our heavy oil refining business should be a significant cash generator this year.

Feedstocks - three months ended	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	**Mar 31, 2009**
Sour crude oil	92%	93%	93%	94%	**91%**
Other feedstocks and blends	8%	7%	7%	6%	**9%**
Total	100%	100%	100%	100%	**100%**
Revenues and Margins ($000)					
Refining sales revenue	$ 71,899	$ 117,820	$ 127,726	$ 56,803	**$ 32,683**
Refining - crude oil and operating costs	71,393	117,926	125,455	66,964	**30,720**
Refining margin	$ 506	$ (106)	$ 2,271	$ (10,161)	**$ 1,963**
Refining margin	0.7%	(0.1%)	1.8%	(17.9%)	**6%**
Sales of Produced Refined Products (Volume %)					
Gasoline	47%	32%	35%	44%	**55%**
Diesel fuels	27%	11%	19%	25%	**22%**
Jet fuels	8%	5%	5%	8%	**7%**
Asphalt	13%	48%	38%	19%	**12%**
LPG and other	5%	4%	3%	4%	**4%**
Total	100%	100%	100%	100%	**100%**
Per Barrel of Produced Refined Product Sold					
Refining sales revenue	$ 99.99	$ 100.54	$ 112.10	$ 81.62	**$ 61.65**
Less: refining - crude oil purchases and operating costs	99.28	100.63	110.10	96.23	**57.95**
Refining margin	$ 0.71	$ (0.09)	$ 2.00	$ (14.61)	**$ 3.70**

In the first quarter of 2009, the company's refining revenues of $32.7 million were lower than the first quarter of 2008 of $71.9 million, due to significantly lower refined product prices and reduced sales volumes, due to the impact of the economic recession and reduced throughput/processing volumes. Refining costs of sales in the first quarter of 2009 of $30.7 million were lower than in the first quarter of 2008, $71.4 million, due to significantly lower crude oil costs.

INTEREST AND OTHER INCOME

In the first quarter of 2009, the company earned interest of $453,000 (first quarter, 2008 – $831,000) on excess funds invested in secure short-term investments and realized a gain of $475,000 on a repurchase of US$660,000 (face value) Second Lien Notes (first quarter 2008 – nil).

GENERAL AND ADMINISTRATIVE EXPENSES

In the first quarter of 2009, general and administrative ("G&A") expenses were $4.5 million compared to $3.1 million in the first quarter of 2008, an increase of 45 percent due to increased staffing and activity levels. G&A of $1.5 million was also capitalized in the first quarter of 2009 (first quarter 2008 – $1.9 million). Capitalized costs were lower in the current year period due to a reduced capital program.

STOCK BASED COMPENSATION

The company recorded non-cash stock-based compensation charges in the respective periods as follows:

	Three months ended March 31	
($000)	**2009**	2008
Expensed	**$ 1,270**	$ 1,516
Capitalized to property and equipment	**393**	798
	$ 1,663	$ 2,314

The reduction from the prior year comparative period is due to options being granted at a lower share price.

FINANCE CHARGES

Finance charges include interest expensed relating to the Convertible Debentures, standby fees associated with the company's undrawn lines of credit, fees on letters of credit issued and a portion of the Second Lien Senior Notes interest expense attributable to Pod One since it was declared commercial, effective March 1, 2008. Interest on the Second Lien Senior Notes attributable to the Algar project is capitalized. Finance charges also include non-cash accretion charges on the Convertible Debentures and on a portion of the Second Lien Senior Notes.

Expensed finance charges of $9.2 million in the first quarter of 2009 compared to $4.4 million reported in the first of quarter of 2008. The increase relates to a portion of the interest on the Second Lien Senior Notes being expensed for three months in 2009, compared to one month in 2008 on commencement of commercial production at Pod One.

FOREIGN EXCHANGE LOSSES

In the first quarter of 2009, the company recorded a total non-cash foreign exchange loss of $27.9 million substantially comprised of the translation to Canadian dollars, our reporting currency, of its US dollar denominated indebtedness of $24.7 million and the mark-to-market accounting loss of $2.4 million on the change in fair value of the foreign exchange revenue collar. These unrealized, non-cash losses were driven by a lower Canadian dollar in 2009. A $0.01 change in the value of the Canadian dollar relative to the US dollar, results in approximately a $6 million valuation change to our US-dollar denominated debt. An unrealized, non-cash foreign exchange loss of $1.9 million was recorded in the first quarter of 2008 upon translating U.S. dollar denominated indebtedness and cross-currency swap.

DEPLETION, DEPRECIATION AND ACCRETION ("DD&A")

Depletion expense is calculated using the unit-of-production method based on total estimated proved reserves. Refining properties and other assets are depreciated over their estimated useful lives. Effective March 1, 2008 Pod One's accumulated capital costs were added to the depletion pool and have been depleted from that date. DD&A in the first quarter of 2009 was $16.4 million, a 120 percent increase from last year, due to a doubling of production volumes and increased capital costs. Depletion equates to $16.25 per boe of production in the first quarter of 2009 compared to $13.31 per boe in the 2008 comparative period.

Future development costs of $1.29 billion (first quarter 2008 – $253.1 million) for proved undeveloped reserves were included in the depletion calculation. Capital costs of $338.1 million (first quarter, 2008 – $125.3 million) related to oil sands projects currently in the pre-production stage, and undeveloped land acquisition costs of $14.3 million (first quarter 2008 – $14.9 million) were excluded from the depletion calculation.

Included in DD&A is an accretion charge of $491,000 (first quarter, 2008 – $422,000) in respect of the company's estimated asset retirement obligations. These charges will continue in future years in order to accrete the currently booked discounted liability of $27.3 million to the estimated total undiscounted liability of $48.2 million over the remaining economic life of the company's oil sands, crude oil and natural gas properties.

At March 31, 2009, the recoverable value of the company's productive crude oil, oil sands and natural gas assets and its major development projects exceeded their carrying values and, therefore, no ceiling test write-down was required.

INCOME TAXES

The income tax recovery of $12 million in the first three months of 2009 includes a current income tax provision of $172,000, principally related to Canadian capital and other taxes and a future income tax recovery of $12.2 million reflecting the benefit of increased tax pools during the period.

At March 31, 2009 the company had approximately $148 million of non-capital losses which expire over time to 2029, $603 million of deductible resource pools and $23 million of deductible financing costs. The future income tax benefit of these have been recognized at March 31, 2009. Additionally, the company had $63 million of capital losses available to reduce capital gains in future. These capital losses have no expiry date and their future income tax benefit has not been recognized, due to uncertainty of their realization at March 31, 2009.

EQUITY INTEREST IN PETROLIFERA PETROLEUM LIMITED ("PETROLIFERA")

Connacher accounts for its 24 percent equity investment in Petrolifera on the equity method of accounting. Connacher's equity interest share of Petrolifera's earnings in the first three months of 2009 was $283,000 (March 31, 2008 – $413,000).

NET EARNINGS

In the first three months of 2009 the company reported a loss of $46.8 million or $0.22 loss per basic and diluted share outstanding, compared to a loss of $1.8 million or $0.01 per basic and diluted share for the first three months of 2008. The majority of the current year-to-date loss was driven by non-cash charges, as noted above.

SHARES OUTSTANDING

For the first three months of 2009, the weighted average number of common shares outstanding was 211,285,947 (first three months 2008 – 210,234,346) and the weighted average number of diluted shares outstanding, as calculated by the treasury stock method, was 211,285,947 (first three months 2008 – 210,234,346).

As at May 11, 2009, the company had the following equity securities issued and outstanding:

- 211,698,617 common shares;
- 19,982,515 share purchase options; and
- 489,292 share units under the non-employee director share awards plan.

Additionally, 20,010,000 common shares are issuable upon conversion of the Convertible Debentures. Details of the exercise provisions and terms of the outstanding options are noted in the consolidated financial statements, included in this interim report.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2009, the company had working capital of $120 million, including $96.2 million of cash on hand.

In the first quarter of 2009 we utilized $63 million of our cash balances to fund approximately one-half of our anticipated full year 2009 capital program, $5 million to fund our operating loss, $28 million to reduce year end accounts payable balances and $41 million to build inventory and increase other current assets.

As the company has no principal debt repayment obligations until June 2012, management believes that the company has sufficient liquidity to fund its remaining anticipated capital program and to meet 2009 financial obligations and have cash balances at year end 2009.

The current financial crisis has severely reduced liquidity in capital and bank markets. Economic uncertainty and significant volatility in commodity markets and stock markets have also occurred around the world. Connacher's share price and the trading value of its Second Lien Senior Notes and Convertible Debentures have been adversely affected by the uncertainty of future crude oil and natural gas prices, as well as by the impact of anticipated new environmental regulations, which could affect the economics of our business. Notwithstanding the challenges imposed by this crisis and current economic conditions, management believes that the company has attractive internally-generated growth prospects which, with our cash balances and the impact of an improvement in commodity prices, will allow us to expand our operations. In the interim, however, lower world oil prices are expected to result in lower per unit revenues, netbacks, cash flow and earnings. We anticipate increasing production and sales volumes in 2009, which could partially offset the impact of lower world commodity prices.

In response to these economic and market conditions, the company reduced its original capital expenditure budget for 2009 and suspended the construction of Algar until there is more visibility of improved industry conditions. We anticipate this will be evidenced by improved commodity pricing, improved credit and capital markets and improved general economic conditions.

To date approximately $150 million has been invested in Algar and an additional $10 million is expected to be spent on the project in 2009 to satisfy remaining capital commitments. The majority of the long-lead equipment items have been built. The road to the plant site and three well pads have also been constructed. The site is considered ready for resumption of construction at a later date. We estimate that it will require approximately 275 days and approximately $200 million of additional capital to complete the project, once a decision to resume construction is made. Such a decision would await higher crude oil prices, visibility that these prices can be expected to be sustainable and accordingly would in part be funded by increased cash flow from operations, fueled by higher commodity prices and the prospect of solid economic returns on investment. As cash flow and credit availability have been constrained since commodity prices collapsed in 2008, additional capital from external sources may be required to complete Algar.

In March 2009, we cancelled our $150 million and US$50 million revolving banking lines of credit as we were unable to secure accommodation or relief from an interest coverage covenant that would have become operative at the end of the first quarter of 2009. With the suspension of construction at Algar, we had no plans to draw on the facility in 2009. We continue to seek a suitable replacement for this credit facility in order to properly access our credit capacity and restore more desirable levels of liquidity to our financial condition. In the meantime, we have put in place a $20 million demand operating banking facility (the "L/C Facility") for purposes of issuing letters of credit.

In light of the volatility of current commodity prices and the US:Canadian dollar exchange rate and their significance to the company's operating performance, management continues to assess alternative hedging strategies to protect the company's cash flow from the risk of potentially lower crude oil and refined product pricing and adverse exchange rate fluctuations. Although the company's integrated business model provides some protection, it does not provide a perfect hedge. The purpose of any such hedge(s) would be to ensure sufficient cash flow to continue to service indebtedness, complete capital projects and protect the credit capacity of its oil and gas reserves in a volatile and weak commodity price and weakened economic environment.

In order to mitigate commodity price exposure, in November 2008 the company entered into a foreign exchange revenue collar which throughout 2009 sets a floor of CAD $1.1925 per US$1.00 and a ceiling of CAD $1.30 per US$1.00 on a notional amount of US$10 million of production revenue per month.

Additionally, in early 2009 the company entered into WTI derivatives at crude oil prices of US$46.00/bbl and US$49.50/bbl on two tranches of 2,500 bbl/d of notional production with staggered August 2009 and December 2009 maturities.

Cash flow and cash flow per share do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. Cash flow includes all cash flow from operating activities and is calculated before changes in non-cash working capital, pension funding and asset retirement expenditures. The most comparable measure calculated in accordance with GAAP is net earnings. Cash flow is reconciled with net earnings on the Consolidated Statement of Cash Flows and below.

Reconciliation of net earnings to cash flow from operations before working capital and other changes:

Three months ended March 31	2009	2008
($000s)		
Net earnings (loss)	$ (46,844)	$ (1,833)
Items not involving cash:		
Depletion, depreciation and accretion	16,449	7,464
Stock-based compensation	1,270	1,516
Finance charges – non-cash portion	1,041	1,249
Future employee benefits	187	113
Future income tax provision (recovery)	(12,170)	(2,163)
Unrealized foreign exchange (gain) loss	27,866	1,892
Gain on repurchase of Second Lien Senior Notes	(475)	-
Unrealized loss on risk management contracts	8,267	-
Equity interest in Petrolifera earnings	(283)	(413)
Cash flow from operations before working capital and other changes	$ (4,692)	$ 7,825

In the first quarter of 2009, cash flow was negative $4.7 million (negative $0.02 per basic and diluted share), 160 percent lower than the $7.8 million reported ($0.04 per basic and $0.03 per diluted share) for the first three months of 2008, primarily due to lower product prices compared to the first quarter last year.

Cash flow per share is calculated by dividing cash flow by the calculated weighted average number of shares outstanding. Management uses this non-GAAP measurement (which is a common industry parameter) for its own performance measure and to provide its shareholders and investors with a measurement of the company's efficiency and its ability to fund future growth expenditures.

The company's only financial instruments are cash, restricted cash, accounts receivable and payable, amounts due from Petrolifera, the Convertible Debentures and the Second Lien Senior Notes. The company maintains no off-balance sheet financial instruments, other than the hedges noted above.

As the Second Lien Senior Notes are denominated in US dollars, there is a foreign exchange risk associated with their semi-annual interest payments and the repayment of principal in 2015 using Canadian currency. The next semi-annual interest payment of US$30 million is due June 30, 2009.

Connacher's capital structure is composed of:

	As at March 31, 2009	As at December 31, 2008
($000)		
Long term debt [(1)]	$ 803,915	$ 778,732
Shareholders' equity		
Share capital, contributed surplus and equity component	439,501	437,899
Accumulated other comprehensive income	12,233	7,802
Retained earnings (deficit)	(23,458)	23,386
Total	$ 1,232,191	$ 1,247,819
Debt to book capitalization [(2)]	65%	62%
Debt to market capitalization [(3)]	85%	81%

(1) Long-term debt is stated at its carrying value, which is net of fair value adjustments, original issue discounts, transaction costs and the Convertible Debentures' equity component value.

(2) Calculated as long-term debt divided by the book value of shareholders' equity plus long-term debt.

(3) Calculated as long-term debt divided by the period end market value of shareholders' equity plus long-term debt.

Connacher had a high calculated ratio of debt to capitalization at March 31, 2009. As at March 31, 2009, the company's calculated ratio of net debt (long-term debt, net of cash on hand) to book capitalization was 62 percent and the percentage of net debt to market capitalization was 83 percent.

PROPERTY AND EQUIPMENT ADDITIONS

Property and equipment additions totaled $64 million in the first quarter of 2009 (first quarter 2008 – $116 million). A breakdown of these additions follows:

Three months ended March 31

($000)		2009		2008
Oil sands, crude oil and natural gas and oil sands expenditures	$	60,999	$	112,957
Refinery expenditures		3,256		3,027
	$	64,255	$	115,984

Oil sands expenditures of $55 million were incurred in the first quarter of 2009 for drilling 23 exploratory core holes and facilities expenditures at Algar, including capitalized interest and G&A and the drilling and completion of two SAGD well pairs at Pod One. In the first quarter of 2008, $83 million was spent to drill 128 exploratory core holes, to acquire and process seismic data and for facilities expenditures at Pod One.

Conventional oil and gas expenditures of $6 million in the first quarter of 2009 include costs of drilling, completing, equipping and working over conventional oil and gas wells, seismic expenditures and facility expenditures. In the first quarter of 2009, the company drilled two (two net) wells, resulting in one suspended well and one well abandoned. In the first quarter of 2008, $30 million was incurred to drill 20 (16.5 net) oil and gas wells.

The majority of the 2009 and 2008 refinery capital was incurred on the ultra low sulphur diesel/gasoline project.

OUTLOOK

We expect 2009 will continue to be challenging, as we have already experienced challenges during the first few months of the year. However, we anticipate a much improved full year contribution from our refining operations primarily due to improved throughput volumes and anticipated healthy asphalt markets, with wider margins, as newly-announced U.S. government infrastructure projects are anticipated to result in an unprecedented demand for asphalt. This product is currently in short supply in the United States. This improvement should start to be apparent in the second quarter of 2009. The Montana refinery will undergo a scheduled one-month turnaround commencing in mid-September 2009.

We also anticipate improved netbacks from our upstream operations during the balance of 2009 as a result of recent marketing activities and anticipated reductions in transportation and operating costs. At Pod One we surpassed 10,000 bbl/d in April on a test basis and have adopted a more measured ramp-up process to introduce steady state conditions which should allow for better reservoir conformance on a sustained basis.

Four new electric submersible pumps were also installed at Pod One in April 2009. This required the shut-in of the related well pairs for a one week period, which will affect average daily production rates in the second quarter of 2009. Two new SAGD well pairs were completed at Pod One in the first quarter of 2009 and are currently being steamed.

Our cash balances, together with anticipated positive operating income in 2009, are anticipated to be sufficient to meet all our financial and capital obligations throughout 2009, even if WTI crude oil prices stay at US$45.00/bbl for the balance of this year and assuming stable heavy oil price differentials. We continue to believe preserving our liquidity and protecting our assets are the priority responsibilities for 2009. We have ample identified reserves and resources to remain confident of our future growth prospects and we believe energy prices will improve as the year unfolds. To stabilize our outlook in a volatile period and protect against the possibility of renewed crude oil weakness, we have arranged WTI derivatives at prices of US$46/bbl and US$49.50/bbl on approximately one half of our bitumen production with staggered maturities for most of 2009. Relative to our consumption of natural gas at Pod One we have a built-in physical hedge with our own natural gas production at Marten Creek, Latornell, Seal and other areas. This minimizes the impact of volatility in natural gas prices on our overall operations.

The company's business plan anticipates long-term growth, with continued increases in revenue and cash flow from Pod One and stable conventional crude oil and natural gas production, while in due course completing the Algar project and subsequently expanding all aspects of our business. A more cautious short-term approach has recently been adopted in light of existing adverse capital and commodity market conditions.

In response to the current conditions, we reduced our anticipated capital expenditure budget for 2009 to $124 million. Construction of Algar has been suspended until we see more visibility in improved industry conditions which we anticipate will be evidenced by improved commodity pricing, improved capital markets and improved general economic conditions.

Following the cancellation of our $150 million and US$50 million revolving banking lines of credit in March 2009, we are currently investigating new sources of liquidity to capitalize on our established first lien security capacity. We are also re-evaluating our balance sheet structure in light of current low commodity prices. As noted herein under "Liquidity and Capital Resources", as cash flow and credit availability has been constrained since commodity prices collapsed in 2008, even with improved prices which may support reactivation of Algar, additional capital from external sources may be required to complete Algar.

Information relating to Connacher, including Connacher's Annual Information Form, is on SEDAR at www.sedar.com. See also the company's website at www.connacheroil.com.

NEW SIGNIFICANT ACCOUNTING POLICIES

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets." The new Section became applicable in 2009 and the company adopted the new standard effective January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062, and do not cause any change to the company's financial statements.

In January 2009, the CICA Emerging Issues Committee ("EIC") issued EIC-173, "Credit risk and the fair value of financial assets and liabilities", which requires that an entity's own credit risk and counterparty credit risk be taken into account in determining the fair value of financial assets and liabilities, including derivative financial instruments. The provisions of EIC-173 apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no material impact on the company's financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

We have commenced our IFRS conversion project which consists of four phases: diagnostic; design and planning; solution development; and implementation. Regular reporting is provided to management and to the Audit Committee of the Board of Directors.

We have completed the diagnostic phase, which involved a review of the differences between current Canadian GAAP and IFRS. During this phase we determined that the differences which will have the greatest impact on Connacher's consolidated financial statements relate to accounting for exploration and development activities and property and equipment, impairments of capital assets, asset retirement obligations and the reporting of employee future benefits. Their financial impacts have yet to be quantified. We are currently engaged in the design and planning and the solution development phases of our project. We have identified and documented the high impact areas, including an analysis of financial system impacts and have engaged in ongoing discussions with our external auditors. The impact on our disclosure controls, internal controls over financial reporting and the impact on contracts and lending agreements will also be determined.

In September 2008 the International Accounting Standards Board issued an exposure draft to amend IFRS accounting standards in respect of property, plant and equipment as at the date of the initial transition to IFRS. That exposure draft, if adopted, would permit issuers currently using the full cost method of accounting, (as described in the CICA Handbook – Accounting Guideline 16 Oil and Gas accounting – Full Cost), to allocate the balance of property, plant and equipment as determined under Canadian GAAP to the IFRS categories of exploration and evaluation assets and development and producing properties without requiring full retroactive restatement of historic balances to the IFRS basis of accounting. If the exposure draft is adopted we anticipate using the exemption. We continue to monitor the IFRS adoption efforts of our peers and to participate in the process for a smooth transition to IFRS in advance of the deadline.

RISK FACTORS

Connacher is engaged in the oil and gas exploration, development, production and refining industry. This business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

Connacher's financial and operating performance is potentially affected by a number of factors including, but not limited to, risks associated with the oil and gas, commodity prices and exchange rates, environmental legislation, changes to royalty and income tax legislation, credit and capital market conditions, credit risk for failure of performance by third parties and other risks and uncertainties described in more detail in Connacher's Annual Information Form filed with securities regulatory authorities.

Reference should be made to Connacher's most recent Annual Information Form for a description of its risk factors. The company's Annual Information Form is available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES

The company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the company is made known to the company's CEO and CFO by others, particularly during the period in which the annual and interim filings are prepared; and (ii) information required to be disclosed by the company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the company's disclosure controls and procedures at December 31, 2008 and have concluded that the company's disclosure controls and procedures were effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the company's internal controls over financial reporting at the financial year end of the company and concluded that the company's internal controls over financial reporting is effective at the financial year end of the company for the foregoing purpose.

The company's CEO and CFO are required to cause the company to disclose any change in the company's internal controls over financial reporting that occurred during the company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the company's internal controls over financial reporting. No material changes in the company's internal controls over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the company's internal controls over financial reporting.

It should be noted that a control system, including the company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

QUARTERLY RESULTS

Fluctuations in results over the previous eight quarters are due principally to variations in oil and gas prices and production/sales volumes. Significant volatility and declining commodity prices, together with severe economic uncertainty in the fourth quarter of 2008 and the first quarter of 2009 are the primary factors affecting financial results during those quarters. The magnitude of the changes in commodity prices during these periods was unprecedented.

			2007				2008	**2009**
Three Months Ended	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31	**Mar 31**
($000 except per share amounts)								
Revenues, net of royalties	93,266	101,991	83,340	100,656	202,016	224,558	102,109	**61,757**
Cash flow [1]	16,876	10,025	7,083	7,825	20,550	31,130	(4,688)	**(4,692)**
Basic, per share [1]	0.09	0.05	0.03	0.04	0.10	0.15	(0.02)	**(0.02)**
Diluted, per share [1]	0.08	0.05	0.03	0.03	0.10	0.14	(0.02)	**(0.02)**
Net earnings (loss)	22,228	14,589	(840)	(1,833)	6,683	12,139	(43,592)	**(46,844)**
Basic and diluted per share	0.11	0.07	0.00	(0.01)	0.03	0.06	(0.21)	**(0.22)**
Property and equipment additions	93,223	64,006	55,852	115,984	80,403	69,175	86,174	**64,255**
Cash on hand	25,375	754	392,271	323,423	232,704	236,375	223,663	**96,220**
Working capital surplus (deficiency)	36,320	(19,853)	389,789	287,105	234,110	200,177	197,914	**120,035**
Term debt	272,559	260,606	664,462	671,014	684,705	689,673	778,732	**803,915**
Shareholders' equity	417,793	428,764	480,439	471,559	479,477	496,509	469,087	**428,276**
Operating Highlights								
Upstream: Daily production / sales volumes								
Bitumen – bbl/d [2]	-	-	-	1,773	6,123	6,810	7,086	**6,170**
Crude oil – bbl/d	731	781	752	996	981	957	1,187	**1,180**
Natural gas – mcf/d	9,017	9,413	8,889	10,493	14,220	13,188	12,405	**12,828**
Equivalent – boe/d [3]	2,234	2,350	2,233	4,518	9,474	9,966	10,341	**9,488**
Product pricing [5]								
Bitumen – $/bbl [2]	-	-	-	53.01	60.80	65.34	12.06	**22.45**
Crude oil – $/bbl	49.79	55.98	56.79	79.50	105.28	103.60	48.13	**39.63**
Natural gas – $/mcf	7.02	4.70	5.82	7.79	8.77	8.92	6.61	**4.89**
Selected Highlights – $/boe [3]								
Weighted average sales price	44.63	37.43	42.29	56.44	63.37	66.41	21.73	**26.13**
Royalties	3.23	6.32	6.34	7.45	6.21	4.65	3.19	**3.02**
Operating costs	13.08	9.00	13.77	14.32	22.78	20.41	20.76	**17.73**
Netback [4]	28.32	22.11	22.18	34.67	34.38	41.35	(2.23)	**5.85**
Downstream: Refining								
Crude charged – bbl/d	9,248	9,400	9,610	9,830	9,329	9,239	8,333	**6,867**
Refining utilization – %	97	100	101	104	98	97	88	**72**
Margins – %	21	15	6	1	(0.1)	2	(18)	**6**
COMMON SHARE INFORMATION								
Shares outstanding at end of period (000)	198,834	199,447	209,971	210,277	211,027	211,182	211,182	**211,291**
Weighted average shares outstanding for the period								
Basic (000)	198,360	199,167	204,701	210,234	210,658	211,093	211,182	**211,286**
Diluted (000)	209,088	221,554	220,362	210,234	214,530	213,174	211,575	**211,286**
Volume traded during quarter (000)	61,162	70,939	52,198	63,718	107,001	112,401	110,244	**67,387**
Common share price ($)								
High	4.43	4.40	4.08	3.94	5.26	4.65	2.95	**1.00**
Low	3.07	3.20	3.31	2.59	3.10	2.63	0.60	**0.61**
Close (end of period)	3.69	4.01	3.79	3.13	4.30	2.75	0.74	**0.74**

(1) Cash flow and cash flow per share do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Cash flow is calculated before changes in non-cash working capital, pension funding and asset retirement expenditures. The most comparable measure calculated in accordance with GAAP would be net earnings. Cash flow is reconciled with net earnings on the Consolidated Statement of Cash Flows and in the applicable Management Discussion & Analysis for the periods referenced. Management uses these non-GAAP measurements for its own performance measures and to provide its shareholders and investors with a measurement of the company's efficiency and its ability to fund its future growth expenditures.

(2) The recognition of bitumen sales from Great Divide Pod One commenced March 1, 2008, when it was declared "commercial". Prior thereto, no production volumes were reported and all operating costs, net of revenues, were capitalized.

(3) All references to barrels of oil equivalent (boe) are calculated on the basis of 6 mcf : 1 bbl. This conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, particularly if used in isolation.

(4) Netback is a non-GAAP measure used by management as a measure of operating efficiency and profitability. Netback per boe is calculated as bitumen, crude oil and natural gas revenue less royalties and operating costs divided by related production/sales volume. Netbacks are reconciled to net earnings in the applicable MD&A for the periods referenced.

(5) Product pricing excludes realized hedging gains/losses and excludes unrealized mark-to-market, non-cash accounting gains/losses.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

($000)	March 31, 2009	December 31, 2008
ASSETS		
CURRENT		
Cash	$ 86,220	$ 223,663
Restricted cash (Note 9(c))	10,000	-
Accounts receivable	22,464	20,492
Inventories (Note 5)	53,835	35,993
Income taxes recoverable	15,432	13,875
Prepaid expenses	10,558	2,221
Due from Petrolifera	77	42
	198,586	296,286
Property and equipment	1,036,469	985,054
Goodwill	103,676	103,676
Investment in Petrolifera	46,943	46,659
	$ 1,385,674	$ 1,431,675
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 70,284	$ 98,372
Risk management contracts (Note 4(b))	8,267	-
	78,551	98,372
Long term debt (Note 4(e))	803,915	778,732
Future income taxes	46,664	58,296
Asset retirement obligations (Note 6)	27,259	26,396
Employee future benefits	1,009	792
	878,847	864,216
SHAREHOLDERS' EQUITY		
Share capital, contributed surplus and equity component (Note 7)	439,501	437,899
Retained earnings (deficit)	(23,458)	23,386
Accumulated other comprehensive income	12,233	7,802
	428,276	469,087
	$ 1,385,674	$ 1,431,675

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(Unaudited)

($000, except per share amounts)		2009		2008
REVENUES				
Upstream, net of royalties (Note 4(b))	$	**28,146**	$	27,926
Downstream		**32,683**		71,899
Interest and other income		**928**		831
		61,757		100,656
EXPENSES				
Upstream – diluent purchases and operating costs		**28,036**		13,992
Upstream transportation costs		**2,907**		494
Downstream – crude oil purchases and operating costs (Note 5)		**30,720**		71,393
General and administrative		**4,474**		3,066
Stock-based compensation (Note 7(a))		**1,270**		1,516
Finance charges		**9,160**		4,431
Foreign exchange losses		**27,866**		1,892
Depletion, depreciation and accretion		**16,449**		7,464
		120,882		104,248
Loss before income taxes and other items		**(59,125)**		(3,592)
Current income tax provision		**172**		817
Future income tax provision (recovery)		**(12,170)**		(2,163)
		(11,998)		(1,346)
Loss before other items		**(47,127)**		(2,246)
Equity interest in Petrolifera earnings		**283**		413
NET LOSS		**(46,844)**		(1,833)
RETAINED EARNINGS, BEGINNING OF PERIOD		**23,386**		49,989
RETAINED EARNINGS (DEFICIT), END OF PERIOD	$	**(23,458)**	$	48,156
LOSS PER SHARE (Note 9 (a))				
Basic	$	**(0.22)**	$	(0.01)
Diluted	$	**(0.22)**	$	(0.01)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($000)		**2009**		2008
Net loss	**$**	**(46,844)**	$	(1,833)
Foreign currency translation adjustment		**4,431**		3,509
Comprehensive income (loss)	**$**	**(42,413)**	$	1,676

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($000)		**2009**		2008
Balance, beginning of period	**$**	**7,802**	$	(13,636)
Foreign currency translation adjustment		**4,431**		3,509
Balance, end of period	**$**	**12,233**	$	(10,127)

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

($000)		**2009**		2008
Cash provided by (used in) the following activities:				
OPERATING				
Net loss	$	**(46,844)**	$	(1,833)
Items not involving cash:				
Depletion, depreciation and accretion		**16,449**		7,464
Stock-based compensation		**1,270**		1,516
Finance charges – non cash portion		**1,041**		1,249
Employee future benefits		**187**		113
Future income tax provision (recovery)		**(12,170)**		(2,163)
Gain on repurchase of Second Lien Senior Notes		**(475)**		-
Unrealized loss on risk management contracts		**8,267**		-
Unrealized foreign exchange losses		**27,866**		1,892
Equity interest in Petrolifera earnings		**(283)**		(413)
Cash flow from operations before working capital and other changes		**(4,692)**		7,825
Asset retirement expenditures		**(104)**		(123)
Changes in non-cash working capital (Note 9(b))		**(24,304)**		21,770
		(29,100)		29,472
FINANCING				
Issue of common shares, net of share issue costs		**-**		17
Deferred financing costs		**-**		(82)
Repurchase of Second Lien Senior Notes		**(309)**		-
		(309)		(65)
INVESTING				
Development of upstream and downstream properties		**(63,144)**		(114,055)
Increase in restricted cash		**(10,000)**		(2,773)
Change in non-cash working capital (Note 9(b))		**(35,368)**		12,400
		(108,512)		(104,428)
NET DECREASE IN CASH		**(137,921)**		(75,021)
Impact of foreign exchange on foreign currency denominated cash balances		**478**		3,400
CASH, BEGINNING OF PERIOD		**223,663**		329,110
CASH, END OF PERIOD	$	**86,220**	$	257,489

Supplementary information – Note 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. FINANCIAL STATEMENT PRESENTATION

The Consolidated Financial Statements include the accounts of Connacher Oil and Gas Limited and its subsidiaries (collectively "Connacher" or the "company") and are presented in accordance with Canadian generally accepted accounting principles. Operating in Canada, and in the U.S. through its subsidiary, Montana Refining Company, Inc. ("MRCI"), the company is in the business of exploring, developing, producing, refining and marketing crude oil, bitumen and natural gas.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as indicated in the annual audited Consolidated Financial Statements for the year ended December 31, 2008, except as described in Note 3. The disclosures provided below do not conform in all respects to those included with the annual audited Consolidated Financial Statements. The interim Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2008.

3. NEW ACCOUNTING STANDARDS

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets." The new Section has been applied since January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062 and, therefore, do not have any impact on the company's consolidated financial statements.

In January 2009, the CICA Emerging Issues Committee ("EIC") issued EIC-173, "Credit risk and the fair value of financial assets and liabilities", which requires that an entity's own credit risk and counterparty credit risk be taken into account in determining the fair value of financial assets and liabilities, including derivative financial instruments. The provisions of EIC-173 apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no material impact on the company's consolidated financial statements.

Over the next two years the CICA will adopt its new strategic plan for the direction of accounting standards in Canada, which was ratified in January 2006. As part of the plan, Canadian GAAP for public companies will converge with International Financial Reporting Standards ("IFRS") with an effective date of January 1, 2011. The company continues to monitor and assess the impact of the convergence of Canadian GAAP with IFRS.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income ("OCI"). Financial assets "held-to-maturity," "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest rate method of amortization.

The company has classified all of its financial instruments, with the exception of the Second Lien Senior Notes and the Convertible Debentures as "held for trading". This classification has been chosen due to the nature of the company's financial instruments, which, except for the Second Lien Senior Notes and the Convertible Debentures are of a short-term nature such that there are no material differences between the carrying values and the fair values.

The Second Lien Senior Notes and the Convertible Debentures have been classified as "other financial liabilities" and are accounted for on the amortized cost method, with transaction costs being amortized over the life of the instrument using the effective interest rate method.

CAPITAL RISK MANAGEMENT

The company is exposed to financial risks on a range of financial instruments including its cash, accounts receivable and payable amounts due from Petrolifera, the Convertible Debentures and the Second Lien Senior Notes.

The company is also exposed to risks in the way it finances its capital requirements. The company manages these financial and capital structure risks by operating in a manner that minimizes its exposures to volatility of the company's financial performance. These risks affecting the company are discussed below.

(a) Credit risk

Credit risk is the risk that a contracting entity will not fulfill its obligations under a financial instrument and cause a financial loss to the company. To help manage this risk, the company has a policy for establishing credit limits, requiring collateral before extending credit to customers where appropriate and monitoring outstanding accounts receivable. The company's financial assets subject to credit risk arise from the sale of crude oil, bitumen, natural gas and refined products to a number of large integrated oil companies and product retailers and are subject to normal industry credit risks. The fair value of accounts receivable and accounts payable are represented by their carrying values due to the relatively short periods to maturity of these instruments. The maximum exposure to credit risk is represented by the carrying amount on the consolidated balance sheet. The company regularly assesses its financial assets for impairment losses. There are no material financial assets that the company considers past due or any allowances for uncollectible accounts.

The majority of the company's upstream revenues are composed of bitumen sales. Substantially all of the company's bitumen sales were made to two customers in the first quarter of 2009.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk as a result of potential changes in the market prices of its crude oil, bitumen, natural gas and refined product sales volumes.

A portion of this risk is mitigated by Connacher's integrated business model. The cost of purchasing natural gas for use in its oil sands and refinery operations is offset by the company's monthly conventional natural gas sales; and the selling price of the company's dilbit sales largely equates to the purchase price of heavy crude oil required for processing at its refinery. Petroleum commodity futures contracts, price swaps and collars may be utilized to reduce exposure to price fluctuations associated with the sales of additional natural gas and crude oil sales volumes and for the sale of refined products.

In November 2008 Connacher entered into a foreign exchange collar which sets a floor of CAD $1.1925 per US$1.00 and a ceiling of CAD $1.3000 per US$1.00 on a notional amount of US$10,000,000 of production revenue per month throughout 2009. At March 31, 2009 the fair value of this contract was a liability of $630,000 which is recorded in accounts payable on the consolidated balance sheet. The corresponding loss is included in the net foreign exchange loss in the consolidated statement of operations. A $0.01 change on the USD/CAD exchange rate would result in a $440,000 change in the fair value of the collar.

Connacher has entered into derivative contracts to fix the price on a portion of its bitumen production at a price of US$46.00 bbl on a notional volume of 2,500 barrels per day from February 1, 2009 to August 31, 2009 and at a price of US$49.50/bbl on a notional volume of 2,500 bbl/d from April 1, 2009 to December 31, 2009. At March 31, 2009 the fair value of this derivative was a liability of $8.3 million and the $8.3 million loss was recorded in upstream revenue in the consolidated statement of operations. A US$1.00 change in WTI would result in a $1.2 million change in the value of the derivatives, resulting in a similar impact on earnings.

(c) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's Second Lien Senior Notes and Convertible Debentures have fixed interest rate obligations and, therefore, are not subject to changes in variable interest rates.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As Connacher incurs the majority of its expenditures in Canadian dollars, its exposure to fluctuations in the US/Canadian dollar exchange rate primarily relates to pricing of its sales of crude oil and bitumen (which are generally priced by reference to US dollars but settled in Canadian dollars) and on the translation of its US refining operating results and its US dollar denominated Second Lien Senior Notes to Canadian dollars for financial statement reporting purposes.

Relative to the company's U.S. dollar cash balances, crude oil and bitumen revenue receivables and Second Lien Senior Notes, a $0.01 change in the Canadian dollar exchange rate would have resulted in a $5.7 million change in net earnings for the first three months of 2009.

(e) Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to repay its debts and fulfill its financial obligations. To manage this risk, the company follows a conservative financing philosophy, pre-funds major development projects, monitors expenditures against pre-approved budgets to control costs, regularly monitors its operating cash flow, working capital and bank balances against its business plan, usually maintains accessible revolving banking lines of credit and maintains prudent insurance programs to minimize exposure to insurable losses.

Additionally, the long term nature of the company's debt repayment obligations is aligned to the long term nature of its assets. The Convertible Debentures do not mature until June 30, 2012, unless converted to common shares earlier, and principal repayments are not required on the Second Lien Senior Notes until their maturity date of December 15, 2015. This affords Connacher the opportunity to deploy its conventional, oil sands, and refinery cash flow to fund the development of further expansion projects over the next several years without having to make principal payments or raise new capital unless expenditures exceed cash flow and credit capacity.

The change in carrying value of long-term debt at March 31, 2009 ($804 million) from December 31, 2008 ($779 million) is primarily due to the change in the Canadian: US exchange rate in converting the US dollar-denominated Second Lien Senior Notes to Canadian dollars and accretion of the debt discount.

At March 31, 2009 the fair values of the Convertible Debentures and Second Lien Senior Notes were approximately $37 million and $231 million, respectively, based on their quoted market prices.

The company's term debt is repayable as follows:

- Convertible Debentures – June 30, 2012 in the amount of $100 million unless converted into common shares prior thereto; and
- Second Lien Senior Notes – December 15, 2015 in the amount of US$591.3 million.

(f) Capital risks

Connacher's objectives in managing its cash, debt and equity, its capital structure and its future capital requirements are to safeguard its ability to meet its financial obligations, to maintain a flexible capital structure that allows multiple financing options when a financing need arises and to optimize its use of short-term and long-term debt and equity at an appropriate level of risk.

The company manages its capital structure and follows a financial strategy that considers economic and industry conditions, the risk characteristics of its underlying assets and its growth opportunities. It strives to continuously improve its credit rating and reduce its cost of capital. Connacher monitors its capital using a number of financial ratios and industry metrics to ensure its objectives are being met and to ensure continued compliance with its debt covenants.

In March 2009, the company cancelled its Revolving Credit Facility and put in place a $20 million demand operating banking facility ("the L/C facility") for the purposes of issuing letters of credit. The L/C facility is secured by cash of $10 million and a first lien claim on certain assets of the company. At March 31, 2009, the L/C Facility secured letters of credit in the amount of $6.1 million.

Connacher's current capital structure and certain financial ratios are noted below.

($000)	As at March 31, 2009	As at December 31, 2008
Long term debt [(1)]	$ 803,915	$ 778,732
Shareholders' equity		
Share capital, contributed surplus and equity component	439,501	437,899
Accumulated other comprehensive income	12,233	7,802
Retained earnings (deficit)	(23,458)	23,386
Total	$ 1,232,191	$ 1,247,819
Debt to book capitalization [(2)]	65%	62%
Debt to market capitalization [(3)]	85%	81%

(1) Long-term debt is stated at its carrying value, which is net of transaction costs and the Convertible Debentures' equity component value.

(2) Calculated as long-term debt divided by the book value of shareholders' equity plus long-term debt.

(3) Calculated as long-term debt divided by the period end market value of shareholders' equity plus long-term debt.

Connacher currently has a high ratio of debt to capitalization and its debt service costs are high relative to cash flow. As at March 31, 2009, the company's net debt (long-term debt, net of cash on hand) was $708 million, its net debt to book capitalization was 62 percent and its net debt to market capitalization was 83 percent.

5. INVENTORIES

Inventories consist of the following:

($000)	March 31, 2009	December 31, 2008
Crude oil	$ 5,532	$ 3,433
Other raw materials and unfinished products [(1)]	2,208	1,762
Refined products [(2)]	35,838	18,901
Process chemicals [(3)]	6,280	8,110
Repairs and maintenance supplies and other	3,977	3,787
	$ 53,835	$ 35,993

(1) Other raw materials and unfinished products include feedstocks and blendstocks, other than crude oil. The inventory carrying value includes the costs of the raw materials and transportation.

(2) Refined products include gasoline, jet fuels, diesels, asphalts, liquid petroleum gases and residual fuels. The inventory carrying value includes the cost of raw materials, transportation and direct production costs.

(3) Process chemicals include catalysts, additives and other chemicals. The inventory carrying value includes the cost of the purchased chemicals and related freight.

Inventories are valued at the lower of cost and net realizable value. At December 31, 2008 net realizable value was lower than cost and therefore, net realizable values were used to value most refined inventory products. At March 31, 2009 the net realizable value of most refined products was higher than their cost, so average cost was used to value most refined inventory products. As a result, refined inventory product values at March 31, 2009 increased

from December 31, 2008 by approximately $7 million and Downstream crude oil purchases and operating costs were lower than they otherwise would have been by $7 million in the first quarter of 2009.

Included in downstream crude oil purchases and operating costs for the three months ended March 31, 2009 was approximately $21.3 million of inventory costs (March 31, 2008 – $64 million).

6. ASSET RETIREMENT OBLIGATIONS

The following table reconciles the beginning and ending aggregate carrying amount of the obligation associated with the company's retirement of its oil sands and conventional petroleum and natural gas properties and facilities.

($000)		**Three months ended March 31, 2009**		Year ended December 31, 2008
Asset retirement obligations, beginning of period	$	**26,396**	$	24,365
Liabilities incurred		**476**		1,496
Liabilities settled		**(104)**		(209)
Change in estimated future cash flows		**-**		(960)
Accretion expense		**491**		1,704
Asset retirement obligations, end of period	$	**27,259**	$	26,396

Liabilities incurred in 2009 have been estimated using a discount rate of 10 percent reflecting the company's credit-adjusted risk free interest rate given its current capital structure and an estimated inflation rate of two percent. The company has not recorded an asset retirement obligation for the Montana refinery as it is currently the company's intent to maintain and upgrade the refinery so that it will be operational for the foreseeable future. Consequently, it is not possible at the present time to estimate a date or range of dates for settlement of any asset retirement obligation related to the refinery.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

The authorized share capital comprises the following:
- Unlimited number of common voting shares
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares

Issued

Only common shares have been issued by the company.

	Number of Shares		Amount ($000)
Balance, Share Capital, December 31, 2008	211,181,815	$	395,023
Issued to directors under share award plan (b)	108,975		98
Balance, Share Capital, March 31, 2009	211,290,790		395,121
Balance, Contributed Surplus, December 31, 2008		$	26,053
Stock based compensation for share options in 2009			1,504
Balance, Contributed Surplus, March 31, 2009			27,557
Equity component of Convertible Debentures, December 31, 2008 and March 31, 2009		$	16,823
Total Share Capital, Contributed Surplus and Equity Component			
December 31, 2008		$	437,899
March 31, 2009		**$**	**439,501**

(a) Stock Options

A summary of the company's outstanding stock options, as at March 31, 2009 and 2008 and changes during those periods is presented below:

For the three months ended March 31	**2009**			2008		
	Number of Options	**Weighted Average Exercise Price**		Number of Options	Weighted Average Exercise Price	
Outstanding, beginning of period	**16,383,104**	**$**	**3.16**	17,432,717	$	3.60
Granted	**4,233,500**	**$**	**0.71**	2,548,023	$	3.15
Exercised	**-**		**-**	(197,000)	$	0.53
Expired	**(357,484)**	**$**	**2.59**	(14,000)	$	3.51
Outstanding, end of period	**20,259,120**	**$**	**2.66**	19,769,740	$	3.57
Exercisable, end of period	**14,403,439**	**$**	**3.18**	13,693,864	$	3.54

All stock options have been granted for a period of five years. Options granted under the plan are generally fully exercisable after three years. The table below summarizes unexercised stock options.

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life at March 31, 2009
$0.20 - $0.99	5,222,534	4.2
$1.00 - $1.99	4,369,758	3.6
$2.00 - $3.99	5,302,319	2.6
$4.00 - $5.56	5,364,509	2.0
	20,259,120	3.1

During the first quarter of 2009 a non-cash charge of $1.1 million (2008 – $1.5 million) was expensed, reflecting the fair value of stock options amortized over the vesting period. A further $393,000 (2008 – $798,000) was capitalized to property and equipment.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

For the three months ended March 31	**2009**	2008
Risk free interest rate	**1.3%**	3.2%
Expected option life (years)	**3**	3
Expected volatility	**67%**	48%

The weighted average fair value at the date of grant of all options granted in the first quarter of 2009 was $0.32 per option (2008 – $1.12).

(b) Share award plan for non-employee directors

Under the share award plan, share units may be granted to non-employee directors of the company in amounts determined by the Board of Directors on the recommendation of the Governance Committee. Payment under the plan is made by delivering common shares to non-employee directors either through purchases on the TSX or by issuing shares from treasury, subject to certain limitations. The Board of Directors may also elect to pay cash equal to the fair market value of the common shares to be delivered to non-employee directors upon vesting of such share units in lieu of delivering shares.

In January 2009, 108,975 shares were issued to non-employee directors in respect of the share units which were then vested. In March 2009, the Board of Directors, on the recommendation of the Governance Committee, voted to accelerate the vesting of 218,648 share units originally scheduled to vest on January 1, 2010 and January 1, 2011 such that they vested immediately. Concurrently, an additional 478,872 share units were granted with vesting on January 1, 2010. In the first quarter of 2009, 54,662 share units held by a deceased director were cancelled.

A total of 707,940 share awards were outstanding at March 31, 2009 and have vested or vest on the following dates:

Vested	223,858
December 31, 2009	5,210
January 1, 2010	478,872
	707,940

In the first quarter of 2009, a non-cash charge of $159,000 (2008 – $45,000) was accrued as a liability and expensed in respect of shares yet to be issued under the share award plan.

In April 2009, a total of 218,648 shares were issued in respect of vested share awards.

8. SEGMENTED INFORMATION

The company has two business segements. In Canada, the company is in the business of exploring for and producing crude oil, natural gas and bitumen. In the U.S., the company is in the business of refining and marketing petroleum products.

Three months ended March 31	Canada	USA		Intersegment
($000)	Oil and Gas	Refining	Elimination [1]	Total
2009				
Revenues, net of royalties	**$ 28,146**	**$ 33,153**	**(470)**	**$ 60,829**
Equity interest in Petrolifera earnings	**283**	**-**		**283**
Interest and other income	**734**	**194**		**928**
Finance charges	**8,857**	**303**		**9,160**
Depletion, depreciation and accretion	**14,600**	**1,849**		**16,449**
Tax provision (recovery)	**(11,134)**	**(864)**		**(11,998)**
Net earnings (loss)	**(45,651)**	**(1,193)**		**(46,844)**
Property and equipment, net	**945,155**	**91,314**		**1,036,469**
Goodwill	**103,676**	**-**		**103,676**
Capital expenditures	**60,999**	**3,256**		**64,255**
Total assets	**$ 1,221,340**	**164,334**		**$ 1,385,674**
2008				
Revenues, net of royalties	$ 27,926	$ 71,899		$ 99,825
Equity interest in Petrolifera earnings	413	-		413
Interest and other income	706	125		831
Finance charges	4,372	59		4,431
Depletion, depreciation and accretion	6,216	1,248		7,464
Tax provision (recovery)	(702)	(644)		(1,346)
Net earnings (loss)	(1,869)	36		(1,833)
Property and equipment, net	724,575	58,150		782,725
Goodwill	103,676	-		103,676
Capital expenditures	112,957	3,027		115,984
Total assets	$ 1,214,329	$ 133,769		$ 1,348,098

(1) Intersegment transactions are eliminated on consolidation.

9. SUPPLEMENTARY INFORMATION

(a) Per share amounts

The following table summarizes the common shares used in earnings per share calculations.

For the three months ended March 31 (000)	**2009**	2008
Weighted average common shares outstanding	**211,286**	210,234
Dilutive effect of share units under the non-employee directors share award plan	**-**	-
Weighted average common shares outstanding – diluted	**211,286**	210,234

(b) Net change in non-cash working capital

For the three months ended March 31 ($000)		**2009**		2008
Accounts receivable	**$**	**(1,972)**	$	(27,497)
Inventories		**(18,532)**		(19,654)
Due from Petrolifera		**(35)**		(7)
Prepaid expenses		**(8,336)**		992
Accounts payable and accrued liabilities		**(29,240)**		80,924
Income taxes payable/recoverable		**(1,557)**		(588)
Total	**$**	**(59,672)**	$	34,170

Summary of working capital changes:

($000)		**2009**		2008
Operations	**$**	**(24,304)**	$	21,770
Investing		**(35,368)**		12,400
	$	**(59,672)**	$	34,170

(c) Supplementary cash flow information

For the three months ended March 31 ($000)		**2009**		2008
Interest paid	**$**	**727**	$	383
Income taxes paid		**1,344**		1,127

At March 31, 2009 cash of $10 million was restricted to provide cash collateral to support letters of credit (Note 4).

(d) Defined benefit pension plan

In the first quarter of 2009, $187,000 (2008 – $113,000) has been charged to expense in relation to MRCI's defined benefit pension plan.