

## PRESS RELEASE

August 30, 2010

### CONNACHER OIL AND GAS LIMITED PROVIDES OPERATIONAL UPDATE

Calgary, Alberta – Connacher Oil and Gas Limited (CLL - TSX) is pleased to provide an operational update, primarily with respect to its activities at Pod One and Algar, both within its Great Divide oil sands project in northeastern Alberta.

We have now installed pumps in 17 of the 19 well pairs at Great Divide Pod One. This includes five progressive cavity pumps on our northern wells, three high temperature electrical submersible pumps (“ESPs”) and eleven conventional ESPs. It is anticipated that as regular ESPs achieve their economic life, they will be sequentially replaced with high temperature ESPs in the normal course. The remaining two new wells are on gas lift as they have just been brought onstream, so that all 19 wells are now producing, with the new wells in the early ramp up stage. With the installation of pumps in 17 wells and the startup of production in the last two wells, we are also now ramping up steam production at Pod One and anticipate continued production increases and declining steam:oil ratios throughout the balance of 2010. Last week we recorded average daily production of 7,333 bbl/d at Pod One, an increase of approximately five percent from the prior week. Now that our field work is largely completed and assuming there are no further significant power outages or interruptions for the balance of the year, our goal is to achieve an average daily production rate of approximately 7,200 bbl/d for full year 2010 at Pod One, having averaged 6,572 bbl/d during the first half 2010.

Our ramp up at Algar continues on trend and at a record rate. We commenced converting wells to full steam-assisted gravity drainage (“SAGD”) production in early August 2010. Last week we converted two additional wells to full SAGD production. We now have nine well pairs on full SAGD production and seven more well pairs are on steam circulation.

At a new SAGD facility such as Algar, the conversion to full SAGD and ramping up of production is a sequential process during approximately the first full year of operation. Currently, our measured volumes of bitumen production are approaching 3,000 bbl/d. As additional wells are converted to full SAGD production and ramp up towards their productive capacity, this volume will increase. Readers are advised that we will not record these volumes in our reported financial and operating results until we have concluded commerciality for the Algar project, anticipated to occur sometime around the beginning of the fourth quarter 2010. In the interim, we record the volumes for royalty purposes and we capitalize sales proceeds and related operating costs. We are forecasting an average annual daily production rate of approximately 1,800 bbl/d for Algar, arising from expected average daily production rates during the fourth quarter 2010 and the assumption of commerciality effective October 1, 2010.

On a combined basis, we are forecasting a December monthly exit rate for Pod One and Algar bitumen sales of between 15,500 bbl/d and 16,500 bbl/d.

Our Algar cogeneration facility is in the final stages of commissioning and is expected to commence operations in early September 2010. This facility will provide all the power requirements for Algar will eliminate any reliance on the nearby grid and will eventually be able to produce excess power for sale into the grid once a nearby substation, presently under construction, is completed by the regional power provider. These developments should accordingly enhance power reliability for Pod One and eliminate the end-of-line issues which affected our operations, especially during the second quarter 2010. Also, weather related issues such as electrical storms should be diminished as we move into cooler conditions in the area.

We continue to achieve fairly steady conventional production in Alberta and Saskatchewan and our Montana refinery is experiencing very positive operating and preliminary financial results during the summer months.

We also wish to advise the Mr. Steve DeMaio and Mr. Scott Carrothers, officers of the company, have resigned to pursue their careers with other companies. Related responsibilities will be assumed by more senior officers on a temporary basis until reassigned. We thank these gentlemen for their contribution.

Connacher Oil and Gas Limited is a Calgary-based bitumen, crude oil, natural gas and natural gas liquids producer. Our principal assets are located in the Great Divide region of northeastern Alberta where we operate two SAGD plants, each with productive capacity of 10,000 bbl/d and related SAGD well pairs. We also have conventional production in Alberta and Saskatchewan, own and operate a 10,000 bbl/d heavy oil refinery in Great Falls, Montana and have an equity interest in Petrolifera Petroleum Limited.

#### FORWARD-LOOKING INFORMATION

This press release contains forward looking information including but not limited to the anticipated production increases and declining steam:oil ratios at Pod One throughout the balance of 2010, anticipated average daily production during 2010 of 7,200 bbl/d at Pod One, timing for completion of ramp-up at Algar and determination of commerciality in respect thereof, estimated forecast average annual daily production during 2010 of 1,800 from Algar, anticipated combined December monthly exit rate of production from Pod One and Algar of 15,500 bbl/d to 16,500 bbl/d and expected timing for completion of the cogeneration facility at Algar and subsequent completion of an electrical substation which is anticipated to improve the stability of power at Pod One and Algar and provide surplus power for sale into the grid.

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, expected ramp-up of Algar, 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; timing difficulties or delays and additional costs relating to the start-up of Algar and the cogeneration facility; the uncertainty of reserve and resource estimates, the uncertainty of geological interpretations, 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 operation and continued expansion of the Great Divide oil sands project. Additional risks and uncertainties affecting Connacher and its business and affairs are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2009, which is available at [www.sedar.com](http://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 herein is made as of the date of this press release 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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