PRESS RELEASE August 11, 2010

Full SAGD Bitumen Production Underway at Algar; Connacher Reports Second Quarter 2010 and First Half 2010 Comparative Results

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) today reported that full steam assisted gravity drainage ("SAGD") bitumen production has commenced at Algar, the company's second 10,000 bbl/d oil sands plant located at its Great Divide Project in northeastern Alberta. The conversion of wells to full SAGD production commenced on August 4, 2010, following a steam circulation phase which has been underway since May 2010. This process will eventually result in all 17 of Algar's current SAGD well pairs being placed on full production as the company ramps up daily rates towards the plant's rated capacity. It is anticipated full productive capacity will be approached by the middle of 2011. Production and related revenues and costs will be capitalized and will not be included in the company's operating and financial results until a determination of commerciality later this year.

Connacher's progress continued throughout the second quarter of 2010. Algar was commissioned, steam production was initiated and the circulation phase activated, with 15 of 17 SAGD well pairs receiving steam. Pod One production was lower than anticipated, primarily due to the adverse impact of numerous periodic power outages and pump failures, some of which were a result of the unreliable power supply in the region. Also, results were impacted by the decision to conduct a full turnaround in May 2010 as opposed to later in the year, when significant new production from Algar is anticipated. We anticipate this should help streamline the integration of Algar production into our sales and marketing efforts as sales volumes expand towards our goal of 15,500 bbl/d – 16,500 bbl/d of bitumen by year end 2010, with further increases anticipated by early 2011.

We have lowered our anticipated full year estimates for bitumen production due to the impact of these exogenous factors on our actual first half 2010 results. This is described in greater detail in our Management's Discussion and Analysis for the reporting period. We continue to focus on reliability as an operational objective, as it is important to produce and inject steam on a consistent basis and frequent power outages have upset this quotient. We also continue to introduce added pumping capacity; this program already reduced the steam:oil ratio ("SORs") for wells with pumps to 2.9 during the first six months of this year. We currently have pumps in 14 of our wells and we anticipate having 17 out of 19 wells at Pod One on pump by the end of August 2010. Improved power reliability overall for Connacher will be aided by the startup of our cogeneration facility at Algar and by the anticipated completion, in spring 2011, of a regional electrical substation which will service Pod One.

With rising production, low natural gas prices, improved volumes at Great Divide, anticipated strong third quarter 2010 returns from our refinery in Great Falls, Montana similar or better than those achieved in the second quarter 2010 and firm crude oil prices, we remain optimistic on our overall outlook for 2011 as we begin the planning process for next year's programs.

These results will be the subject of a Conference Call at 9:00 AM MT on August 12, 2010. To listen to or participate in the live conference call please dial either 1-647-427-7450 or 1-888-231-8191. A replay of the event will be available from Thursday, August 12, 2010 at 12:00 MT until 21:59 MT on Thursday, August 19, 2010. To listen to the replay please dial either 1-416-849-0833 or Toll Free at 1-800-642-1687 and enter the pass code 90975219. You can also listen to the conference call online, through the following webcast link: http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=3170200

An updated corporate presentation will be posted on Thursday, August 12, 2010 at 7:00 AM MT. Toaccess the presentation, go to Connacher's website at www.connacheroil.com, click the Investor Info link, and then Presentations & Webcasts.

Highlights

- Proved plus probable ("2P") reserves exceeded 511 million barrels, at June 30, 2010, up 32 percent since year end 2009
- 10 percent present value ("PV") of 2P reserves $2.8 billion
- 10 percent PV of proved plus probable plus possible ("3P") reserves, including 104 million barrels of possible reserves, exceeded $3.5 billion
- Best estimate contingent and best estimate prospective resources of 223 million and 72 million barrels respectively, with 10 percent PV an additional $422 million and $129 million, respectively
- Algar, our second oil sands project with a rated capacity of 10,000 bbl/d, completed ahead of schedule and under budget
- First full SAGD bitumen production underway at Algar following steam circulation phase
- EIA application for Great Divide Development Program (to 44,000 bbl/d rated capacity) submitted to regulators
- Excellent refinery results in second quarter, outlook positive

Summary Results

	Three months ended and as at June 30			Six months ended and as at June 30		
FINANCIAL ($000 except per share amounts)	2010	2009	Change	2010	2009	Change
Revenues	$141,270	$100,219	41	$259,681	$161,976	60
Cash flow [1]	$8,668	$9,570	(9)	$12,616	$4,878	159
Per share, basic [1]	$0.02	$0.04	(50)	$0.03	$0.02	50
Per share, diluted [1]	$0.02	$0.03	(33)	$0.03	$0.02	50
Net earnings (loss)	$(33,126)	$39,966	(183)	$(27,580)	$(6,878)	301
Per share, basic	$(0.08)	$0.15	(153)	$(0.06)	$(0.03)	100
Per share, diluted	$(0.08)	$0.14	(157)	$(0.06)	$(0.03)	100
Property and equipment additions	$59,316	$40,236	47	$177,588	$104,491	70
Cash on hand	$69,412	$401,160	(83)	$69,412	$401,160	(83)
Working capital	$99,834	$455,001	(78)	$99,834	$455,001	(78)
Long-term debt	$888,323	$960,593	(8)	$888,323	$960,593	(8)
Shareholders' equity	$644,166	$622,235	4	$644,166	$622,235	4

Total assets	$1,713,121	$1,723,370	(1)	$1,713,121	$1,723,370	(1)
OPERATIONAL						
Upstream daily production/sales volumes						
Bitumen (bbl/d)	6,211	6,284	(1)	6,572	6,227	6
Crude oil (bbl/d)	906	1,114	(19)	921	1,147	(20)
Natural gas (Mcf/d)	9,278	12,144	(24)	9,469	12,184	(24)
Equivalent (boe/d) (2)	8,663	9,421	(8)	9,071	9,455	(4)
Upstream pricing (3)						
Bitumen ($/bbl)	$43.13	$40.95	5	$47.77	$31.84	50
Crude oil ($/bbl)	$61.90	$54.87	13	$66.54	$47.07	41
Natural gas ($/mcf)	$3.78	$3.35	13	$4.33	$4.13	5
Barrels of oil equivalent ($/boe) (2)	$41.44	$38.11	9	$45.89	$32.13	43
Downstream						
Refining throughput and Crude charged (bbl/d)	9,373	9,145	2	9,360	8,012	17
Refinery utilization (%)	99%	96%	3	99%	84%	18
Margins (%)	12%	5%	140	4%	6%	(33)

(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 cash flow from operating activities. Cash flow is reconciled with cash flow from operating activities on the Consolidated Statement of Cash Flows and in the accompanying Management's Discussion & Analysis ("MD&A"). Commonly used in the oil and gas industry, 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 internally fund future growth expenditures.

(2) 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.

(3) Product pricing is net of transportation costs but before realized and unrealized risk management contracts gains/losses.

Connacher's focus for the balance of 2010 is to optimize its bitumen production from Great Divide Pod One and Algar. Our goal is to realize bitumen production levels of 15,500 bbl/d – 16,500 bbl/d by year-end 2010. This will be achieved by ramping up Algar production during the remaining months of this year, by stabilizing Pod One plant operations, by completing our planned downhole pump installation program and by bringing on two new Pod One wells, which, until recently, have been undergoing steam circulation. Further production increases are also expected during the early months of 2011 as Algar production ramps up towards rated or design capacity.

This combination of stable Pod One production and ramped up Algar production should afford us the possibility of achieving consistent and successive quarter over quarter and year over year gains in production. Our focus is on delivering improved financial results as we strive to realize the productive plant capacities from both Pod One and Algar.

Connacher reported very positive developments during the second quarter. Primarily as a result of our effective core hole exploration program, which was financed by proceeds of a successful flow-through share financing in the latter part of 2009, our bitumen reserve base expanded considerably. The majority of the 2010 additions to 2P bitumen and crude oil reserves, which exceeded 123 million barrels and much of the $700 million increase in the 10 percent PV of our 2P reserve base since year end 2009, were a direct consequence of our $25 million core hole drilling and seismic programs conducted earlier this year. By systematically evaluating our acreage, we stay ahead of the regulatory and planning curve required to compete effectively in the oil sands, while replacing our growing production and expanding our underlying per share value. This is an antidilutive method of financing our evaluation programs and in this manner, we have added value for our shareholders on a consistent basis for several years.

Also, as a result of this sound forward planning and the consistent upgrading of our resources to reserves and reserves to production, such as we have accomplished at Pod One and Algar, Connacher was able to submit an application to further develop our main lease block towards an interim goal of 44,000 bbl/d of bitumen capacity. This was accompanied by detailed environmental information to support our Environmental Impact Assessment ("EIA"). Not surprisingly, the productive capacity of our 3P reserves (as estimated by GLJ Petroleum Consultants Ltd., ("GLJ"), independent qualified reserves evaluators) coincided with our planned expansion objective, while also allowing for further expansion potential to approximately 56,000 bbl/d from our 3P reserve base. We have a well-defined growth path ahead of us.

It will likely require 18 months to receive regulatory approval for the planned expansion of our rated productive capacity from 20,000 bbl/d to 44,000 bbl/d. This will provide adequate time to determine the pace of expansion and the preferred financing alternatives for the company's growth program.

We control our own timetable and destiny, as we own a 100 percent working interest in most of our leases in the Great Divide region. In the interim, our emphasis will be on reliable production growth. Accordingly, our technical staff is determined to maximize the efficient distribution of steam capacity to optimize bitumen production at lowest cost. The successful introduction of electric submersible pumps, of both the regular and high temperature variety, progressive cavity pumps and other technical innovations associated with SAGD production, has proven to be effective in lowering SORs. SORs from Pod One wells on pumps averaged SOR of 2.9 in the first half of 2010. Overall average SOR in the first half of 2010 was approximately 3.7 including steam used in two new wells without yet receiving new production. The improve efficiency from pump use freed up steam volumes for these new wells.

Algar was completed ahead of schedule and under budget. Final costs are estimated to be $366 million, $9 million below the $375 million budgeted amount. We achieved excellent efficiency in our SAGD well pair drilling program. We initiated the steam circulation phase after a successful and on-time commissioning and were steaming 15 of the 17 well pairs at the commencement of full SAGD production in early August 2010. We anticipate we will gradually bring all well pairs on-stream over the ensuing six to nine months, with a view to ramping up towards the plant's rated capacity during the first half of 2011. This should permit reasonably consistent growth in successive quarter over quarter and year over year production and financial results. Hopefully, this will translate into greater stock market recognition of our accomplishments.

Our refinery in Great Falls, Montana enjoyed much improved results in the second quarter 2010. This reflects the increase in asphalt sales as the paving season got underway. This business is affected by the weather, which was not exceedingly cooperative during the quarter, but regardless our business did quite well. Product margins overall compared favorably with our peers. We remain optimistic that similar or better results will be obtained in the third quarter 2010.

We conducted an extensive turnaround at Pod One in May 2010. The timing was accelerated to avoid having this type of significant event underway when meaningful production commences at Algar later this year. As a result of the lost production due to the turnaround, compounded by an abnormally high number of electrical outages and pump failures, which constrained production and upset our reliability quotient, we reported lower than anticipated second quarter bitumen production levels for Pod One. We continue to believe we can successfully increase sustainable Pod One output levels through the impact of our 2010 pump installation program and by effective management of daily operational issues. Our cogeneration facility at Algar is scheduled for startup later this year, to be followed by the subsequent completion of a nearby electrical substation in the spring of 2011. Activating the Algar cogeneration facility is expected improve the stability of power supply at Pod One and help us avoid the deleterious impact on production and pump reliability of periodic shutdowns due to power outages such as we have experienced at Pod One in the past and particularly during the second quarter 2010. Additionally, it is anticipated that the completion of the substation will substantially improve the reliability of the power supply at Pod One.

We have successfully recruited the necessary field personnel to effectively operate Algar and welcome our new employees at both Pod One and Algar. We were able to capitalize on the experience gained at Pod One by transferring some key personnel to Algar. All of our employees contributed to the very successful construction and commissioning program at Algar and their engagement is respected and appreciated. We had a successful opening ceremony on June 22, 2010 attended by a broad cross section of individuals who played a role in the engineering, design, construction, approval process and drilling of our SAGD well pairs at Algar. Alberta's Sustainable Resource Minister, Mel Knight, was our guest of honor and noted in his comments that Connacher was an example of Alberta's entrepreneurial spirit, proving smaller companies could compete effectively with large companies in the oil sands.

Recently Mr. Russ Longley resigned as Vice President, Refining and Conventional Operations. We wish Russ well in his new endeavors.

Following our last Annual Meeting in May 2010, Mr. Richard A. Gusella assumed the role of Chairman and Chief Executive Officer as part of the company's succession process. Mr. Gusella indicated he intends to remain active in the company in this executive capacity until he reaches 70 years of age, in approximately four years. In recognition of his contribution to Connacher's growth and development during the past five years, Mr. Peter D. Sametz was appointed President and will continue as Chief Operating Officer.

We are fortunate in having a committed, stable management group guiding the affairs of the company and this was the first step in ensuring proper succession is achievable while growing the company for its shareholders.

Forward Looking Information

This press release contains forward looking information including but not limited to the anticipated timing for completion of ramp-up at Algar and determination of commerciality in respect thereof, expectations of future production growth at Pod One and Algar during 2010 and 2011, plans for continued optimization of Pod One, development of additional oil sands resources (including the expansion of bitumen productive capacity from 20,000 bbl/d to 44,000 bbl/d and the anticipated timing of required regulatory approvals associated therewith), 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, estimates of reserves and resources and future net revenue associated therewith, anticipated improvements in operating and financial results in 2010 and 2011 as a result of increased production, low natural gas prices, improved operating efficiencies, anticipated refinery margins, stabilized crude oil prices and narrow heavy oil differentials, anticipated reductions in SORs and operating costs as a result of the installation of additional ESPs and the anticipated timing of installation of these additional ESPs in Pod One wells to improve productivity. Additional forward looking information including forecast 2010 financial outlook and a reduction of the anticipated full year estimates for bitumen production is contained in the Management's Discussion and Analysis ("MD&A") attached to this press release. See "Forward Looking Information" in the MD&A.

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; 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. Readers are cautioned that refinery margins and cash flow are non-GAAP measures. These measures are discussed in detail and reconciled to net earnings in the MD&A attached hereto. 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.*

This press release includes information pertaining to the reserves, resources and the value of future net revenue of the Corporation as at June 30, 2010 as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ") in their report dated July 7, 2010 (the "GLJ Report"). Statements relating to reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. The GLJ Report is based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of bitumen, crude oil, natural gas liquids and natural gas, operating costs, well abandonment and salvage values, royalties and other government levies that may be imposed during the producing life of the reserves. Moreover, there is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be attained and variances could be material. The reserves and resources estimates of Connacher's properties described herein are estimates only. The actual reserves and resources on Connacher's properties may be greater or less than those calculated. The present value of estimated future net revenues referred to herein should not be construed as the current market value of estimated bitumen, crude oil, natural gas and natural gas liquids reserves attributable to Connacher's properties.

Contingent resources disclosed herein were assigned in regions with lower core-hole drilling density than the reserve regions and are outside Connacher's current areas of application for development. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent resources entail additional commercial risk than reserves. Adjustments for commercial risks were not incorporated in the estimates of contingent resources set forth herein. A range of Contingent Resource estimates (Low, Best and High) were prepared to reflect a range of technical uncertainty. Low Estimate Contingent Resources were assigned to mapped regions of oil-in-place with at least 12 m of continuous bitumen pay along with a conservative estimate of recovery factor. Best Estimate Contingent Resources were assigned to mapped regions of oil-in-place of identified pods outside areas of application for development with at least 10 m of continuous bitumen pay along with a best estimate of recovery factor. High Estimate Contingent Resources were assigned to mapped regions of oil-in-place of identified pods outside areas of application for development with at least 9 m of continuous bitumen pay along with a more optimistic estimate of recovery factor. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

Prospective resources disclosed herein were attributable to undiscovered pods in unexplored regions, utilizing average parameters from the pods discovered to date and the statistical success within the explored regions of the leases. Prospective Resources entail additional commercial exploration risks than reserves and Contingent Resources. A range of Prospective Resources estimates were prepared to reflect a range of technical uncertainty. Best and High estimates of Prospective Resources were assigned using net pay thresholds of 10 m and 9 m, respectively. No Low Estimate Prospective Resources were assigned, given the risk of not encountering an undiscovered pod of sufficient size to be considered commercial. Adjustments for commercial risks were not incorporated in the estimates of Prospective Resources set forth herein. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Prospective Resources.

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