

CALGARY, May 15, 2015 /CNW/ - As previously announced, [Connacher Oil and Gas Ltd.](#) (CLC - TSX; "Connacher" or the "Company") closed its recapitalization on May 8, 2015 (the "Recapitalization") and the common shares of Connacher (the "Shares") were scheduled to commence trading on May 14, 2015 on a 1-for-800 consolidated basis under the new stock symbol "CLC".

The Company has been asked by IIROC to comment on the post consolidation opening share price of the Shares. There are a number of possible methodologies for determining the imputed price of the Shares which would result in a range of possible imputed prices, several of which are described below. However, investors are cautioned that:

- Any imputed price for the Shares should be assessed in light of the going concern note contained in the Company's interim financial statements for the three months ended March 31, 2015 (the "Interim Financial Statements") which are available under the Company's profile at www.sedar.com
- The methodologies and resulting imputed prices reflected below are simply mathematical calculations based on certain assumptions, including the going concern assumption, and historical information; the underlying assumptions may prove to be incorrect
- Additionally, the Company's securities are thinly traded and references to trading information or bid quotes may not be a reliable indication of the "market" prices of the Company's securities for purposes of these calculations

As a result, investors should not place undue reliance on the calculations provided as being reflective of the "market" Share trading price.

The Company is not making a recommendation with respect to any particular price for the Shares and investors should consult their own investment advisors with respect to trading in the Shares. Investment in the Shares is highly speculative.

Post Consolidation Share Information

Following the consolidation and the Recapitalization, the total issued and outstanding Shares of the Company will be approximately 28.3 million.

The Recapitalization involved the issuance of US\$35 million aggregate principal amount of new 12% convertible notes (the "New Convertible Notes"). The New Convertible Notes are convertible into Shares based upon a conversion rate of 1,886.8 Shares for each US\$1,000 principal amount of New Convertible Notes which represents a conversion price of US\$0.53 per Share or C\$0.63 per Share (based upon the Bank of Canada noon exchange rate on May 13, 2015 of US\$1.00 = C\$1.1951). The conversion of all New Convertible Notes would result in the holders of such Notes holding 70% of the then issued and outstanding Shares of the Company and in the absence of other share issuances, there would be approximately 94.9 million Shares outstanding.

Illustrative Calculations of Imputed Share Price:

Examples include:

- Based on the TSX closing share price of the pre-consolidated common shares of the Company on May 13, 2015 of \$0.01 per old common share, the post consolidated implied price is \$8.00 per Share. After giving effect to the recapitalization, the old common shares represent 2% of the issued and outstanding Shares, prior to giving effect to any conversion of the New Convertible Notes discussed below.

- An alternative approach to establishing the imputed price for the Shares is to calculate the imputed price based upon the conversion and/or exchange of the old US\$550 million 8.5% senior second lien notes due 2019 (the "2019 Notes") and the old C\$350 million 8.75% senior second lien notes due 2018 (the "2018 Notes" and collectively, with the 2019 Notes, the "Notes") pursuant to the recapitalization. It should be noted that no value has been attributed to the right granted to holders of the Notes to participate in the offering of the New Convertible Notes in the calculations of the imputed Share price based on the Notes.

Under the terms of the Recapitalization, the 2019 Notes were converted into Shares on the basis of 33.4129 Shares for each US\$1,000 principal amount of the 2019 Notes and the 2018 Notes were converted into Shares on the basis of 26.7603 Shares for each C\$1,000 principal amount of the 2018 Notes. These conversion rates were determined based upon the Bank of Canada noon exchange rate on February 20, 2015 of US\$1.00 = C\$1.2486. The conversion and exchange of the Notes under the Recapitalization resulted in the holders of Notes holding 98% of the issued and outstanding Shares (approximately 27.7 million Shares) and these holdings are highly concentrated within a small number of shareholders. By way of an example, certain funds and accounts under common management beneficially own or exercise control and direction over approximately 41.7% of the issued and outstanding Shares and, given these holdings, are subject to certain restrictions on the resale of their Shares.

Based upon the last reported trade by Trace on April 28, 2015 for the 2019 Notes of US\$10.25 for each US\$100 principal and using the Bank of Canada noon exchange rate on that day of US\$1.00 = C\$1.2021, the imputed price of the Shares would be \$3.69 per Share.

Based on the last available bid quote from Bloomberg for the 2018 Notes of C\$4.625 for each \$100 principal on May 7, 2015, the imputed price of the Shares would be \$1.73.

It should be noted that the 2018 Notes and 2019 Notes were privately traded instruments and therefore there is limited market data available.

- As a further alternative calculation, as noted above, the recapitalization involved the issuance of US\$35 million aggregate principal amount of New Convertible Notes. The New Convertible Notes are convertible into Shares based upon a conversion rate of 1,886.8 Shares which represents a conversion price of US\$0.53 per Share or C\$0.63 per Share based upon the Bank of Canada noon exchange rate on May 13, 2015 of US\$1.00 = C\$1.1951. The conversion of all New Convertible Notes would result in the holders of such Convertible Notes holding 70% of the then issued and outstanding Shares of the Company (represents an additional 66.1 million Shares). Ownership of the New Convertible Notes is also highly concentrated.

Cautionary Note to Investors

The above calculations are based on the assumption that the Company is able to continue operations as a "going concern". As noted in the Interim Financial Statements, the presentation of financial results on a going concern basis is based on the assumption that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. If the going concern assumption is not appropriate, adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and these adjustments would affect the trading price of the Shares. As previously disclosed, the current economic outlook on global crude oil prices may cast significant doubt about the Company's ability to continue as a going concern and additional funding may be necessary.

THE COMPANY IS NOT MAKING A RECOMMENDATION WITH RESPECT TO ANY PARTICULAR PRICE FOR THE SHARES. The implied prices for the Shares reflected in this press release are simply mathematical calculations based on certain assumptions and historical trading information. These underlying assumptions, including the going concern assumption, may prove to be incorrect. The Company's securities are thinly traded and as such reliance on historical trading information, without the consideration of other factors, may be misleading in terms of determining a "market" price for the Shares. Additionally, any share price should consider and reflect the risks and uncertainties associated with the Company's ability to continue as a "going concern" as set forth in the Interim Financial Statements. Investors should review the complete description of the risk factors affecting the Company that are contained in the Company's annual information form ("AIF") for the year ended December 31, 2014, the information circular dated February 20, 2015 relating to the recapitalization and the Interim Financial Statements. An investment in the Shares is highly speculative.

About Connacher

Connacher is a Calgary-based in situ oil sands developer, producer, and marketer of bitumen. The Company holds a 100 per cent interest in approximately 440 million barrels of proved and probable bitumen reserves and operates two steam-assisted gravity drainage facilities located on the Company's Great Divide oil sands leases near Fort McMurray, Alberta.

Forward Looking Information

This press release may contain forward looking information that has been used for the purposes of presenting the possible

imputed price of the Shares. Forward looking information is based on management's expectations regarding the Company's future financial position; the Company's future growth, results of operations and production, future commodity prices (including the commodity price protection afforded by the use of risk management contracts) 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: that cash flows from operations and the new capital received under the Corporation's first lien credit facility and new second lien convertible notes may not provide adequate funds to fund the Company's operating losses and capital plan; 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 geological interpretations; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with maintaining the necessary regulatory approvals and securing the 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 AIF for the year ended December 31, 2014. 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. Any forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement and the cautionary note to investors. Any 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.

SOURCE [Connacher Oil and Gas Ltd.](#)

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