

CALGARY, Nov. 3, 2015 /CNW/ - [Connacher Oil and Gas Ltd.](#) (CLC - TSX; "Connacher" or the "Company") announces its financial and operating results for the quarter-ended September 30, 2015 ("Q3 2015") (all amounts are in Canadian dollars unless otherwise noted).

Q3 2015 Highlights

- Q3 2015 revenue, net of royalties, decreased 51% to \$58.1 million (Q3 2014 - \$119.4 million), substantially due to the decline in crude oil prices, partially offset by higher sales volumes
- Q3 2015 blending costs decreased 45% to \$17.3 million (Q3 2014 - \$31.6 million), primarily due to lower diluent pricing and a reduction in the diluent blend ratio
- Q3 2015 adjusted EBITDA decreased to a deficit of \$14.1 million (Q3 2014 - \$28.8 million), primarily due to lower revenue, net of royalties, partially offset by lower blending costs and lower general and administration expenses. Due to the Company's termination of its risk management contracts in the first half of 2015, no risk management contract gains or losses were recorded in Q3 2015
- In Q3 2015, the Company generated a net loss of \$289.2 million (Q3 2014 - net loss of \$39.8 million), primarily due to the recognition of an impairment on property, plant, and equipment assets and lower adjusted EBITDA, partially offset by lower finance costs, lower foreign exchange losses, and the recognition of an unrealized gain associated with second lien convertible notes due August 31, 2018
- Q3 2015 funds flow used was \$19.3 million (Q3 2014 - funds flow of \$5.4 million). The decrease in funds flow in Q3 2015 was primarily due to lower adjusted EBITDA and an increase in non-cash-working capital, partially offset by lower interest on long-term debt as the 2018 and 2019 senior secured second lien notes were exchanged for common shares as part of the recapitalization transaction which closed on May 8, 2015
- In Q3 2015, capital expenditures totaled \$1.0 million (Q3 2014 - \$25.3 million). The reduction in capital expenditures was due to the deferral of all discretionary capital in light of the decrease in crude oil pricing
- Connacher closed Q3 2015 with a cash balance of \$72.9 million (Q4 2014 - \$94.2 million)
- Q3 2015 and YTD 2015 production increased 1% and 7% to 14,258 bbl/d (Q3 2014 - 14,163 bbl/d) and 14,759 bbl/d (YTD 2014 - 13,765 bbl/d), respectively. Production increases were primarily attributable to the Company's seven infill wells at Pod One that were brought on production since Q3 2014 and improved field and plant optimization at Algar
- In Q3 2015 and YTD 2015, the Company railed approximately 64% and 53% (Q3 2014 - 56%; YTD 2014 - 49%), respectively, of its dilbit sales to locations outside of Alberta

Q3 2015 Financial and Operating Highlights

FINANCIAL ⁽¹⁾	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue, net of royalties	\$58,097	\$119,432	\$183,220	\$340,830
Adjusted EBITDA ⁽²⁾	(14,115)	28,786	(30,300)	63,001
Net gain (loss)	(289,175)	(39,760)	13,737	(112,415)
Basic per share ⁽³⁾	(10.21)	(70.24)	0.89	(198.88)
Diluted per share ⁽³⁾	(10.21)	(70.24)	0.19	(198.88)
Funds flow (used) ⁽⁴⁾	(19,346)	5,437	(74,036)	(3,680)
Capital expenditures	953	25,303	12,004	69,325
Cash on hand	72,898	83,074		
Working capital surplus	94,883	84,975		
Long-term debt	249,948	1,062,617		
Shareholders' equity	580,110	110,084		

(1) (\$ 000) except per share amounts

(2) Adjusted EBITDA is a non-GAAP measure and is defined in the "Advisory Section" of the MD&A and is reconciled to net loss under "Reconciliations of Net Loss to EBITDA, Adjusted EBITDA, and Bitumen Netback"

(3) Basic and diluted EPS amounts reflect the 800:1 share consolidation for the three and nine months ended September 30, 2014 and 2015

(4) Funds flow (used) is a non-GAAP measure and is defined in the "Advisory Section" of the MD&A and is reconciled to cash flow from operating activities under "Reconciliation of Cash Flow from Operating Activities to Funds Flow (Used)"

OPERATIONAL	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Average benchmark prices				
WTI (US\$/bbl)	46.43	97.17	51.00	99.61
WTI (\$/bbl)	61.39	106.74	64.96	109.25
Heavy oil differential (\$/bbl)	(17.80)	(22.16)	(16.89)	(23.16)
WCS (\$/bbl)	43.59	84.58	48.07	86.09
\$/US\$ exchange rate	1.32	1.10	1.27	1.10
Production and sales volumes ⁽¹⁾				
Daily bitumen production (bbl/d)	14,258	14,163	14,759	13,765
Daily bitumen sales (bbl/d)	14,477	13,976	14,483	13,380
Bitumen netback (\$/bbl) ⁽²⁾⁽³⁾				
Dilbit sales	\$36.84	\$79.27	\$38.41	\$80.64
Diluent costs	(5.86)	(6.73)	(6.31)	(7.61)
Realized bitumen sales price	30.98	72.54	32.10	73.03
Transportation and handling costs	(20.16)	(16.49)	(17.22)	(16.54)
Net realized bitumen sales price	10.82	56.05	14.88	56.49
Royalties	(0.33)	(4.21)	(0.30)	(4.28)
Net bitumen revenue price	10.49	51.84	14.58	52.21
Production and operating expenses	(17.57)	(20.55)	(16.63)	(24.39)
Bitumen netback	\$(7.08)	\$31.29	\$(2.05)	\$27.82

(1) The Company's bitumen sales and production volumes differ due to changes in inventory and product losses

(2) A non-GAAP measure which is defined in the "Advisory Section" of the MD&A. Bitumen netback is reconciled to net loss under "Reconciliations of Net Loss to EBITDA, Adjusted EBITDA, and Bitumen Netback". Bitumen netbacks per barrel amounts are calculated by dividing the total amounts presented in the "Bitumen Netback" table on page 10 by bitumen sold volumes as presented in the "Production and Sales Volumes" table on page 8, with the exception of dilbit sales (presented as dilbit sales divided by dilbit sales volume) and diluent costs (presented as the cost of diluent in excess of the dilbit selling price)

(3) Before risk management contract gains or losses

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. 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 current working capital 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.

Reported average production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this press release due to, among other factors, difficulties or interruptions encountered during the production of bitumen.

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. 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.](#)

Contact

Merle Johnson, Chief Operating Officer; Jeff Beeston, Manager, Finance; [Connacher Oil and Gas Ltd.](#), Phone: (403) 538-6201, Fax: (403) 538-6225, Suite 900, 332 - 6th Avenue SW, Calgary, Alberta T2P 0B2, inquiries@connacheroil.com, www.connacheroil.com