CALGARY, Aug. 12, 2015 /CNW/ - Connacher Oil and Gas Ltd. (CLC - TSX; "Connacher" or the "Company") announces its financial and operating results for the quarter-ended June 30, 2015 ("Q2 2015") (all amounts are in Canadian dollars unless otherwise noted).

As previously announced, the Company closed its recapitalization transaction on May 8, 2015. Further information relating to the accounting impact of the transaction is available in the Q2 2015 Condensed Interim Financial Statements and Management's Discussion and Analysis available on SEDAR.

Q2 2015 Highlights

- Q2 2015 revenue, net of royalties, decreased 39% to $71.3 million (Q2 2014 - $116.4 million), primarily due to the decline in crude oil prices, partially offset by higher sales volumes
- In Q2 2015, production and operating costs decreased 35% to $20.1 million (Q2 2014 - $31.0 million), primarily as a result of lower natural gas costs and the realization of operating cost reduction initiatives
- Q2 2015 blending costs decreased 31% to $18.3 million (Q2 2014 - $26.4 million), primarily due to lower diluent pricing, partially offset by higher diluent volumes associated with increased bitumen production
- Q2 2015 adjusted EBITDA decreased to $2.6 million (Q2 2014 - $23.3 million), primarily due to lower revenue, net of royalties, partially offset by lower blending and operating costs
- In Q2 2015, the Company generated net income of $442.8 million (Q2 2014 - net loss of $10.0 million), primarily due to the net gain on the Recapitalization transaction; recognition of an unrealized gain on the Convertible Notes; lower blending and operating costs; and lower risk management contract losses
- Q2 2015 funds flow used was $12.5 million (Q2 2014 - funds flow of $1.1 million). The decrease in funds flow in Q2 2015 was primarily due to lower revenue, net of royalties, partially offset by lower interest on long-term debt as the second lien senior notes were exchanged for common shares as part of the Recapitalization
- In Q2 2015, capital expenditures totaled $5.0 million (Q2 2014 - $25.9 million). The reduction in capital expenditures was due to the continued delay of the completion of the SAGD+® process commercial project implementation at Algar and of the mini-steam expansion project at Pod One and deferral of discretionary maintenance capital in light of the decrease in crude oil pricing
- Q2 2015 and YTD 2015 production increased 9% and 11% to 14,951 bbl/d (Q2 2014 - 13,689 bbl/d) and 15,014 bbl/d (YTD 2014 - 13,562 bbl/d), respectively. Production increases were primarily attributable to the Company's six infill wells at Pod One that were brought on production since Q3 2014
- In Q2 2015 and YTD 2015, the Company railed approximately 53% (Q2 2014 - 37%; YTD 2014 - 47%) of its dilbit sales to locations outside of Alberta

Q2 2015 Financial and Operating Highlights

FINANCIAL (1)	Q2 2015	Q2 2014	% Change	YTD 2015	YTD 2014	% Change
Revenue, net of royalties	$71,349	$116,446	(39)	$125,123	$221,398	(43)
Adjusted EBITDA (2)	2,579	23,267	(89)	(16,185)	34,215	(147)
Net gain (loss)	442,795	(10,042)	(4,509)	302,912	(72,655)	(517)
Basic per share (3)	26.19	(17.77)	(247)	34.68	(128.63)	(127)
Diluted per share (3)	5.32	(17.77)	(130)	4.04	(128.63)	(103)
Funds flow (used) (4)	(12,546)	1,068	(1,275)	(54,691)	(9,117)	500
Capital expenditures	4,950	25,937	(81)	11,051	44,022	(75)
Cash on hand	73,869	134,422	(45)			
Working capital surplus	114,469	88,898	29			
Long-term debt	247,599	1,026,965	(76)			
Shareholders' equity	869,130	149,688	481			

(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 gain (loss) under "Reconciliations of Net Gain (Loss) to EBITDA, Adjusted EBITDA, and Bitumen Netback"

(3) Basic and diluted EPS amounts reflect the 800:1 share consolidation for the three and six months ended June 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	Q2 2015	Q2 2014	% Change	YTD 2015	YTD 2014	% Change
Average benchmark prices						
WTI (US$/bbl)	57.94	102.99	(44)	53.29	100.84	(47)
WTI ($/bbl)	71.37	111.57	(36)	66.48	110.50	(40)
Heavy oil differential ($/bbl)	(14.28)	(21.71)	(34)	(16.42)	(23.66)	(31)
WCS ($/bbl)	57.09	89.86	(36)	50.06	86.84	(42)
C$/US$ exchange rate	1.23	1.08	14	1.25	1.10	14
Production and sales volumes (1)						
Daily bitumen production (bbl/d)	14,951	13,689	9	15,014	13,562	11
Daily bitumen sales (bbl/d)	14,112	13,784	2	14,486	13,078	11
Bitumen netback ($/bbl) (2)(3)						
Dilbit sales	$47.10	$83.06	(43)	$39.18	$81.41	(52)
Diluent costs	(5.09)	(6.80)	(25)	(6.51)	(8.11)	(20)
Realized bitumen sales price	42.01	76.26	(45)	32.67	73.30	(55)
Transportation and handling costs	(15.52)	(17.34)	(10)	(15.72)	(16.56)	(5)
Net realized bitumen sales price	26.49	58.92	(55)	16.95	56.74	(70)
Royalties	(0.71)	(4.50)	(84)	(0.29)	(4.32)	(93)
Net bitumen revenue price	25.78	54.42	(53)	16.66	52.42	(68)
Production and operating expenses	(15.62)	(24.74)	(37)	(16.16)	(26.48)	(39)
Bitumen netback	$10.16	$29.68	(66)	$0.50	$25.94	(98)

(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 gain (loss) under "Reconciliations of Net Gain (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 11 by bitumen sold volumes as presented in the "Production and Sales Volumes" table on page 9, 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

On February 2, 2015, the Company provided a forecast for 2015 in the context of its Recapitalization. The Q2 2015 Management's Discussion and Analysis provides updated guidance with respect to sales and production, bitumen netback, general and administrative expenses, and capital expenditures for the second half of 2015 (the "Revised Forecast").

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 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.

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.

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