CALGARY, AB--(Marketwired - July 28, 2016) - MEG Energy Corp. (TSX: MEG) today reported second quarter 2016 operating and financial results. Highlights include:

- Record first half production volumes of 79,883 barrels per day (bpd) with second quarter production of 83,127 bpd and post-maintenance production volumes above 86,000 bpd in May and June;
- Record-low quarterly net operating costs of $7.43 per barrel, supported by non-energy operating costs of $5.81 per barrel;
- Cash flow from operations of $7 million, a substantial improvement from cash flow used in operations of $131 million in the first quarter of 2016;
- Improved financial liquidity, exiting the quarter with $153 million of cash and cash equivalents and an undrawn US$2.5 billion credit facility;
- Ongoing planning of 'brownfield' growth, targeting production levels up to 110,000 to 120,000 barrels per day.

"Our quarterly results demonstrate the positive impacts of technology and innovation as we continued to advance MEG's eMSAGP technology," said Bill McCaffrey, President and Chief Executive Officer. "Our second quarter production levels have been close to record highs and we are currently seeing net operating costs of under $7.50 to produce a barrel of oil."

MEG recorded production of 83,127 bpd in the second quarter of 2016. Production levels included the impact of a planned turnaround at the company's Christina Lake facilities which continued from the first quarter into April. Volumes in the second quarter of 2016 were 16% higher than production in the second quarter of 2015.

Related net operating costs for the second quarter were a record low $7.43 per barrel compared to $9.43 per barrel in the second quarter of 2015. Non-energy operating costs (which exclude natural gas consumption) were $5.81 per barrel, a 17% improvement from the same period in 2015. The significant decrease in net operating costs reflects the ongoing efficiency gains from the application of eMSAGP, which is now being fully deployed across the company's Phase 2 operations. Net operating costs also benefited from a decrease in the cost of natural gas used to fuel the company's SAGD facilities.

With strong production volumes and low operating costs over the first half of 2016, MEG expects to meet annual production guidance of 80,000 to 83,000 bpd. While production levels remain on target, in light of the strong operating performance over the first half of 2016, the company has reduced its target non-energy operating costs to $6.00 to $7.00 per barrel from initial projections of $6.75 to $7.75 per barrel.

High production volumes and low operating costs contributed to cash flow from operations of $7 million for the second quarter of 2016, despite the current commodity price environment. Cash flow from operations decreased from $99 million in the second quarter of 2015 primarily due to a lower bitumen price realization, partially offset by an increase in bitumen sales volumes and lower operating costs. The decrease in bitumen realization is directly related to the decline of U.S. crude oil benchmark pricing.

MEG recognized an operating loss of $98 million for the second quarter of 2016, compared to an operating loss of $23 million in the same period of 2015. Comparative results are primarily impacted by the same factors affecting cash flow from operations and a $24 million increase in depletion and depreciation expense from the second quarter of 2015.

At the end of the second quarter, MEG had $153 million of cash and cash equivalents on hand. At current strip prices, MEG anticipates its US$2.5 billion revolving credit facility will remain undrawn at the end of 2016.

Capital investment for the second quarter totaled $20 million, bringing total capital invested year to date to $55 million. As a result of the ongoing efficiency gains achieved through the application of eMSAGP, MEG anticipates it will achieve its sustaining and maintenance, marketing and other initiatives in 2016 with an investment of $140 million. Depending on market conditions, the company now anticipates it could direct up to $30 million towards growth projects later in the year, which will leave the revised capital investment guidance of $170 million unchanged.

"We are continuing to capture efficiencies across the business that are enabling us to reduce our sustaining capital requirements," says McCaffrey. "These incremental improvements allow us the opportunity to refocus a portion of our capital investment toward growth, while still maintaining a very conservative capital investment plan."

Operational and Financial Highlights

The following table summarizes selected operational and financial information for the periods noted. Dollar values are in $Cdn millions unless otherwise noted.

Six months ended June 30	2016	2015	2014

($ millions, except as indicated)	2016	2015	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Bitumen production - bbls/d	79,883	76,856	83,127	76,640	83,514	82,768	71,376	82,398	80,349	76,47
Bitumen realization - $/bbl	21.56	34.39	30.93	11.43	23.17	31.03	44.54	25.82	50.48	65.12
Net operating costs - $/bbl[1]	7.97	10.01	7.43	8.53	8.52	9.10	9.43	10.49	10.13	10.31
Non-energy operating costs - $/bbl	6.12	7.31	5.81	6.45	5.66	5.98	7.01	7.57	6.42	7.16
Cash operating netback - $/bbl[2]	6.57	18.89	16.09	(3.71)	9.05	16.41	29.64	9.83	35.56	48.70
Cash flow from (used in) operations[3]	(124)	70	7	(131)	(44)	24	99	(30)	134	239
Per share, diluted[3]	(0.55)	0.31	0.03	(0.58)	(0.20)	0.11	0.44	(0.13)	0.60	1.06
Operating earnings (loss)[3]	(295)	(147)	(98)	(197)	(140)	(87)	(23)	(124)	8	87
Per share, diluted[3]	(1.31)	(0.66)	(0.43)	(0.88)	(0.62)	(0.39)	(0.10)	(0.56)	0.04	0.39
Revenue[4]	804	1,022	513	290	445	460	555	467	615	706
Net earnings (loss)[5]	(15)	(445)	(146)	131	(297)	(428)	63	(508)	(150)	(101)
Per share, basic	(0.07)	(1.99)	(0.65)	0.58	(1.32)	(1.90)	0.28	(2.27)	(0.67)	(0.45
Per share, diluted	(0.07)	(1.99)	(0.65)	0.58	(1.32)	(1.90)	0.28	(2.27)	(0.67)	(0.45
Total cash capital investment[6]	55	171	20	35	54	32	90	80	324	291
Cash and cash equivalents	153	438	153	125	408	351	438	471	656	777
Long-term debt	4,871	4,694	4,871	4,859	5,190	5,024	4,678	4,759	4,350	4,203

(1) *Net operating costs include energy and non-energy operating costs, reduced by power revenue.*

(2) *Cash operating netbacks are calculated by deducting the related diluent expense, transportation, operating expenses, royalties and realized commodity risk management losses from proprietary blend revenues and power revenues, on a per barrel of bitumen sales volume basis.*

(3) *Cash flow from (used in) operations, Operating earnings (loss), and the related per share amounts do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. For the three and six months ended June 30, 2016 and June 30, 2015, the non-GAAP measure of cash flow from (used in) operations is reconciled to net cash provided by (used in) operating activities and the non-GAAP measure of operating loss is reconciled to net earnings (loss) in accordance with IFRS under the heading "NON-GAAP MEASURES" and discussed further in the "ADVISORY" section.*

(4) *The total of Petroleum revenue, net of royalties and Other revenue as presented on the Interim Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).*

(5) *Includes a net unrealized foreign exchange loss of $13.8 million and a net unrealized foreign exchange gain of $306.5 million on the Corporation's U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents for the three and six months ended June 30, 2016, respectively. The net earnings for the three months ended June 30, 2015 includes a net unrealized foreign exchange gain of $75.0 million and the net loss for the six months ended June 30, 2015 includes a net unrealized foreign exchange loss of $295.8 million.*

(6) *Defined as total capital investment excluding dispositions, capitalized interest and non-cash items.*

ADVISORY

Basis of Presentation

MEG prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") and presents financial results in Canadian dollars ($ or C$), which is the corporation's functional currency.

Non-GAAP Financial Measures

This document includes references to financial measures commonly used in the crude oil and natural gas industry, such as cash flow from (used in) operations and operating earnings (loss). These financial measures are not defined by IFRS as issued by the International Accounting Standards Board and therefore are referred to as non-GAAP measures. The non-GAAP measures used by MEG may not be comparable to similar measures presented by other companies. MEG uses these non-GAAP measures to help evaluate its performance. These non-GAAP measures should not be considered as an alternative to or more meaningful than net cash provided by (used in) operating activities or net earnings (loss), as determined in accordance with IFRS, as an indication of MEG's performance.

Cash Flow from (Used in) Operations

Cash flow from (used in) operations is a non-GAAP measure utilized by the Corporation to analyze operating performance and liquidity. Cash flow from (used in) operations excludes the net change in non-cash operating working capital, net change in other liabilities, contract cancellation recovery and decommissioning expenditures, while the IFRS measurement "net cash provided by (used in) operating activities" includes these items. Cash flow from (used in) operations is reconciled to net cash provided by (used in) operating activities in the table below.

	Three months	ended June 30	Six months	ended June 30
($000)	2016	2015	2016	2015
Net cash provided by (used in) operating activities	$ 64,587	$ 121,761	$ (156,084)	$ 104,819
Add (deduct):				
Net change in non-cash operating working capital items	(56,923)	(16,993)	30,917	(30,481)
Net change in other liabilities	(734)	-	(105)	-
Contract cancellation recovery	-	(5,880)	-	(5,880)
Decommissioning expenditures	34	355	996	1,251
Cash flow from (used in) operations	$ 6,964	$ 99,243	$ (124,276)	$ 69,709

Operating Earnings (Loss)

Operating earnings (loss) is a non-GAAP measure which the Corporation uses as a performance measure to provide comparability of financial performance between periods by excluding non-operating items. Operating loss is defined as net earnings (loss) as reported, excluding unrealized foreign exchange gains and losses, unrealized gains and losses on derivative financial instruments, unrealized gains and losses on commodity risk management, onerous contracts and the respective deferred tax impact of these adjustments. Operating loss is reconciled to "net earnings (loss)", the nearest IFRS measure, in the table below.

	Three months	ended June 30	Six months	ended June 30
($000)	2016	2015	2016	2015
Net earnings (loss)	$ (146,165)	$ 63,414	$ (15,336)	$ (444,893)
Add (deduct):				
Unrealized net loss (gain) on foreign exchange(1)	13,789	(75,026)	(306,492)	295,823
Unrealized loss (gain) on derivative financial instruments(2)	516	(7,738)	6,005	(4,207)
Unrealized loss on risk management(3)	37,434	-	20,471	-
Contract cancellation recovery	-	(5,880)	-	(5,880)
Onerous contracts(4)	9,055	-	13,426	-
Deferred tax expense (recovery) relating to these adjustments	(12,523)	2,280	(13,254)	11,786
Operating loss	$ (97,894)	$ (22,950)	$ (295,180)	$ (147,371)

(1) *Unrealized net foreign exchange losses result from the translation of U.S. dollar denominated long-term debt and cash and cash equivalents using period-end exchange rates.*

(2) *Unrealized gains and losses on derivative financial instruments result from the interest rate floor on the Corporation's long-term debt and interest rate swaps entered into to effectively fix a portion of its variable rate long-term debt.*

(3) *Unrealized gains or losses on commodity risk management contracts represent the change in the mark-to-market position of the unsettled commodity risk management contracts during the period.*

(4) *During the second quarter of 2016, an onerous contracts expense was recognized primarily related to the reduction of the Corporation's capital program for 2016 and its impact on a camp construction contract and changes in estimated future cash flows related to the onerous office lease provision. During the six months ended June 30, 2016, onerous contracts expenses included expenses related to the camp construction contract and a drilling contract.*

Forward-Looking Information

This document may contain forward-looking information including but not limited to: expectations of future production, revenues, expenses, cash flow, operating costs, steam-oil ratios, pricing differentials, reliability, profitability and capital investments; estimates of reserves and resources; the anticipated reductions in operating costs as a result of optimization and scalability of certain operations; and the anticipated sources of funding for operations and capital investments. Such forward-looking information is based on management's expectations and assumptions regarding future growth, results of operations, production, future capital and other expenditures, plans for and results of drilling activity, environmental matters, business prospects and opportunities.

By its nature, such 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: risks associated with the oil and gas industry, for example, the securing of adequate supplies and access to markets and transportation infrastructure; the availability of capacity on the electricity transmission grid; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to production, costs and revenues; health, safety and environmental risks; risks of legislative and regulatory changes to, amongst other things, tax, land use, royalty and environmental laws; assumptions regarding and the volatility of commodity prices, interest rates and foreign exchange rates, and, risks and uncertainties related to commodity price, interest rate and foreign exchange rate swap contracts and/or derivative financial instruments that MEG may enter into from time to time to manage its risk related such prices and rates; risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with MEG's future phases and the expansion and/or operation of MEG's projects; risks and uncertainties related to the timing of completion, commissioning, and start-up, of MEG's future phases, expansions and projects; and the operational risks and delays in the development, exploration, production, and capacities and performance associated with MEG's projects.

Although MEG believes that the assumptions used in such forward-looking information are reasonable, there can be no assurance that such assumptions will be correct. Accordingly, readers are cautioned that the actual results achieved may vary from the forward-looking information provided herein and that the variations may be material. Readers are also cautioned that the foregoing list of assumptions, risks and factors is not exhaustive.

Further information regarding the assumptions and risks inherent in the making of forward-looking statements can be found in MEG's most recently filed annual information form ("AIF"), along with MEG's other public disclosure documents. Copies of the AIF and MEG's other public disclosure documents are available through the SEDAR website which is available at www.sedar.com.

The forward-looking information included in this document is expressly qualified in its entirety by the foregoing cautionary statements. Unless otherwise stated, the forward-looking information included in this document is made as of the date of this document and MEG assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

A full version of MEG's Second Quarter 2016 Report to Shareholders, including unaudited financial statements, is available at www.megenergy.com/investors and at www.sedar.com.

A conference call will be held to review the financial results at 8:30 a.m. Mountain Time (10:30 a.m. Eastern Time) on Thursday, July 28, 2016. The U.S./Canada toll-free conference call number is 1 866-223-7781. The international/local conference call number is 416-340-2218.

MEG Energy Corp. is focused on sustainable in situ oil sands development and production in the southern Athabasca oil sands region of Alberta, Canada. MEG is actively developing enhanced oil recovery projects that utilize SAGD extraction methods. MEG's common shares are listed on the Toronto Stock Exchange under the symbol "MEG."

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