

Record-low operating costs, record-high production and strong liquidity continue to support MEG's position in a low-price environment; All financial figures in Cdn\$ unless otherwise noted

CALGARY, AB--(Marketwired - February 04, 2016) - [MEG Energy Corp.](#) (TSX: MEG) today reported fourth quarter and full-year 2015 operating and financial results. Highlights include:

- Record quarterly production volumes of 83,514 barrels per day (bpd) contributing to record annual production of 80,025 bpd, a 12% increase year-over-year, while the 2015 capital budget was significantly reduced;
- Record-low net and non-energy operating costs for both the fourth quarter and the full year of 2015;
- Year-end cash and cash equivalents of \$408 million and an undrawn credit facility of US\$2.5 billion;
- An approximately 50% reduction in planned 2016 capital spending to \$170 million from previous guidance of \$328 million, while still maintaining production guidance for the full year.

MEG's fourth quarter 2015 production was a record 83,514 bpd, compared to 80,349 bpd for the fourth quarter of 2014. Full-year 2015 production increased 12% from 2014 totals, meeting targets and reflecting the ongoing efficiency gains associated with MEG's proprietary eMSAGP reservoir technology.

MEG established record-low net and non-energy operating costs for both the fourth quarter and the full year of 2015. Net operating costs were recorded at \$8.52 per barrel in the fourth quarter of 2015 with net annual operating costs of \$9.39 per barrel. At \$5.66 per barrel, fourth quarter non-energy operating costs supported record-low annual non-energy operating costs of \$6.54 per barrel, well below the company's 2015 revised guidance. Lower operating costs on both a quarterly and annual basis are reflective of higher production volumes and efficiency gains, as well as lower input prices for natural gas.

"Our operating performance throughout 2015 met or exceeded our targets," said Bill McCaffrey, President and Chief Executive Officer. "Our low cost structure is enabling MEG to weather the low commodity price environment seen over the past year."

MEG recorded cash flow used in operations of \$44 million for the fourth quarter of 2015 compared to cash flow from operations of \$134 million for the same period in 2014. Cash flow from operations decreased primarily due to lower price realizations and higher transportation and interest costs, partially offset by higher sales volumes and lower royalty expenses. Full year 2015 cash flow from operations remained positive at \$49 million.

The company recorded a fourth quarter 2015 operating loss of \$140 million compared to operating earnings of \$8 million for the same period in 2014. The difference in operating earnings reflects the same factors impacting cash flow, as well as an increase in depletion and depreciation expense.

Capital investment and financial liquidity

MEG's capital investment in 2015 totalled \$257 million, which was 23% below the capital budget after adjusting for capitalized turnaround costs. This reduced spending was a result of ongoing gains in capital efficiency.

In December 2015, MEG announced a 2016 annual capital program of \$328 million. This has been revised downward by approximately 50% to \$170 million. The reduction was achieved through the deferral of some previously planned growth capital spending, as well as efficiency enhancements to reservoir performance that has resulted in higher well productivity. Productivity improvements have enabled MEG to reduce planned 2016 sustaining and maintenance requirements to below \$5 per barrel from previous estimates of \$7 to \$8 per barrel.

The reduction in 2016 capital spending is not expected to impact MEG's production guidance of 80,000 to 83,000 bpd and non-energy operating costs of \$6.75 to \$7.75 per barrel, although the company maintains the flexibility to temporarily defer production if warranted by market conditions.

The monetization of MEG's 50% holding in the Access Pipeline continues to be a key priority. The company is working diligently to complete this process, while ensuring the transaction is in the long-term interest of MEG's shareholders.

"MEG entered 2016 with more than \$400 million in cash and an undrawn US\$2.5 billion credit facility," said McCaffrey. "With significant liquidity and low operating costs, we are well positioned to reduce the impact of the current low-price environment."

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.

	Year ended December 31 2015						2014			
(\$ millions, except as indicated)	2015	2014	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Bitumen production - bbls/d	80,025	71,186	83,514	82,768	71,376	82,398	80,349	76,471	68,984	58,643
Bitumen realization - \$/bbl	30.63	62.67	23.17	31.03	44.54	25.82	50.48	65.12	72.75	62.28
Net operating costs - \$/bbl ⁽¹⁾	9.39	12.06	8.52	9.10	9.43	10.49	10.13	10.31	14.49	13.63
Non-energy operating costs - \$/bbl	6.54	8.02	5.66	5.98	7.01	7.57	6.42	7.16	9.64	9.05
Cash operating netback - \$/bbl ⁽²⁾	15.72	44.87	9.05	16.41	29.64	9.83	35.56	48.70	51.45	43.51
Cash flow from (used in) operations ⁽³⁾	49	791	(44)	24	99	(30)	134	239	262	157
Per share, diluted ⁽³⁾	0.22	3.52	(0.20)	0.11	0.44	(0.13)	0.60	1.06	1.16	0.70
Operating earnings (loss) ⁽³⁾	(374)	247	(140)	(87)	(23)	(124)	8	87	111	41
Per share, diluted ⁽³⁾	(1.67)	1.10	(0.62)	(0.39)	(0.10)	(0.56)	0.04	0.39	0.49	0.18
Revenue ⁽⁴⁾	1,926	2,830	445	460	555	467	615	706	829	680
Net earnings (loss) ⁽⁵⁾	(1,170)	(106)	(297)	(428)	63	(508)	(150)	(101)	249	(103)
Per share, basic	(5.21)	(0.47)	(1.32)	(1.90)	0.28	(2.27)	(0.67)	(0.45)	1.12	(0.46)
Per share, diluted	(5.21)	(0.47)	(1.32)	(1.90)	0.28	(2.27)	(0.67)	(0.45)	1.11	(0.46)
Total cash capital investment ⁽⁶⁾	257	1,238	54	32	90	80	324	291	299	324
Cash and cash equivalents	408	656	408	351	438	471	656	777	840	890
Long-term debt ⁽⁷⁾	5,190	4,350	5,190	5,024	4,678	4,759	4,350	4,203	4,002	4,148

(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, transportation, operating expenses and royalties from proprietary sales volumes 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 months and years ended December 31, 2015 and December 31, 2014, the non-GAAP measure of cash flow from (used in) operations is reconciled to net cash provided by operating activities and the non-GAAP measure of operating earnings (loss) is reconciled to net 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 \$159.0 million and \$785.3 million on the Corporation's U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents for the three months and year ended December 31, 2015, respectively. The net loss for the three months and year ended December 31, 2014 include a net unrealized foreign exchange loss of \$139.0 million and \$333.1 million, respectively.

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

(7) On February 3, 2016, Moody's Investors Service ("Moody's") downgraded the Corporation's Corporate Family Rating (CFR) to Caa2 from B1, Probability of Default Rating to Caa2-PD from B1-PD, secured bank credit facility rating to B3 from Ba2 and senior unsecured notes rating to Caa3 from B2. The Speculative Grade Liquidity Rating was lowered to SGL-2 from SGL-1. The rating outlook is negative. The Corporation's senior secured term loan and senior unsecured notes do not include any provision that would require any changes in payment schedules or terminations as a result of a credit downgrade.

Note: Totals may not add due to rounding.

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, contract cancellation expense, payments on onerous contracts 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 December 31		Year ended December 31	
(\$000)	2015	2014	2015	2014
Net cash provided by operating activities	\$ 12,515	\$ 209,985	\$ 112,158	\$ 767,500
Add (deduct):				
Net change in non-cash operating working capital items	(76,388)	(93,313)	(77,991)	5,610
Contract cancellation expense	18,759	16,455	12,879	16,455
Payments on onerous contracts	541	-	541	-
Decommissioning expenditures	443	972	1,873	1,893
Cash flow from (used in) operations	\$ (44,130)	\$ 134,099	\$ 49,460	\$ 791,458

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 earnings (loss) is defined as net earnings (loss) as reported, excluding gains (losses) on disposition of assets, unrealized foreign exchange gains and losses, unrealized gains and losses on derivative financial liabilities, unrealized fair value gains and losses on other assets, onerous contracts, contract cancellation expense and the respective deferred tax impact of these adjustments. Operating earnings (loss) is reconciled to "Net earnings (loss)", the nearest IFRS measure, in the table below.

	Three months ended December 31		Year ended December 31	
(\$000)	2015	2014	2015	2014
Net loss	\$ (297,275)	\$ (150,076)	\$ (1,169,671)	\$ (105,538)
Add (deduct):				
Gain on disposition of assets ⁽¹⁾	(68,192)	-	(68,192)	-
Unrealized net loss on foreign exchange ⁽²⁾	159,009	139,009	785,310	333,149
Unrealized loss (gain) on derivative financial liabilities ⁽³⁾	(15,890)	5,444	(13,289)	(1,469)
Unrealized fair value gain on other assets	-	-	-	(429)
Onerous contracts ⁽⁴⁾	58,719	-	58,719	-
Contract cancellation expense ⁽⁵⁾	18,759	16,455	12,879	16,455
Deferred tax expense relating to these adjustments	4,636	(2,748)	19,870	5,185
Operating earnings (loss)	\$ (140,234)	\$ 8,084	\$ (374,374)	\$ 247,353

(1) A gain related to the sale of a non-core undeveloped oil sands asset in the fourth quarter of 2015.

(2) 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.

(3) Unrealized gains and losses on derivative financial liabilities 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.

(4) During the fourth quarter of 2015, costs relating to certain onerous Calgary office building leases were recognized.

(5) During the fourth quarter of 2015, a contract cancellation expense was recorded primarily relating to the termination of a marketing transportation contract. For the year ended December 31, 2015, the Corporation recognized contract cancellation expense of \$12.9 million which included the termination of the marketing transportation contract, partially offset by a recovery recorded in the second quarter of 2015. During the fourth quarter of 2014, field asset construction contract cancellation expense was recognized as a result of the reduction of the Corporation's capital program.

A full version of MEG's Fourth Quarter 2015 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 MEG's fourth quarter results at 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Thursday, February 4. The U.S./Canada toll-free conference call number is 1 800-396-7098. The international/local conference call number is 416-340-8527.

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 and foreign exchange 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.

[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."

Contact

For further information, please contact:

Investors
Helen Kelly
Director, Investor Relations
403-767-6206
Email contact

Media
Brad Bellows
Director, External Communications
403-212-8705
Email contact