

MEG Energy announces 2022 financial and operating results

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All financial figures are in Canadian dollars (\$) or C\$) and all references to barrels are per barrel of bitumen unless otherwise noted. The Corporation's Non-GAAP and Other Financial Measures are detailed in the Advisory section of this news release. They include: cash operating netback, blend sales, bitumen realization net of transportation and storage expense, operating expenses net of power revenue, energy operating costs net of power revenue, non-energy operating costs, energy operating costs, adjusted funds flow, free cash flow and net debt.

CALGARY, Feb. 27, 2023 - [MEG Energy Corp.](#) (TSX: MEG) ("MEG" or the "Corporation") reported its full year 2022 operational and financial results.

"I am extremely proud of the safety, operating, and financial performance delivered by MEG in 2022", said Derek Evans, President and Chief Executive Officer. "Record annual and quarterly production was achieved along with industry leading steam-oil ratios, while we repaid approximately \$1.3 billion of debt and repurchased \$382 million of shares. We remain committed to our ongoing debt reduction and share buyback program which should drive continued shareholder value through 2023 and beyond. Long-term value has been delivered to shareholders through the collective strength of our MEG team."

Highlights include:

- Record annual bitumen production of 95,338 barrels per day ("bbls/d") at a 2.36 steam-oil ratio ("SOR"), including fourth quarter average bitumen production of 110,805 bbls/d at a 2.22 SOR;
- Adjusted funds flow of \$1,934 million, or \$6.26 per share, and \$1,882 million of funds flow from operating activities;
- Free cash flow of \$1,558 million, after \$376 million of capital expenditures;
- Debt repayment of US\$1.0 billion (approximately \$1.3 billion). Net debt declined to US\$1.0 billion (approximately \$1.4 billion) at the end of the year;
- MEG returned \$382 million to shareholders through the buy back of 20.7 million shares, or approximately 7% of the December 31, 2021 issued and outstanding shares;
- Operating expenses net of power revenue of \$7.91 per barrel. Power revenue offset 56% of energy operating costs, resulting in energy operating costs net of power revenue of \$3.18 per barrel and non-energy operating costs of \$4.73 per barrel. Fourth quarter operating expenses net of power revenue were \$5.83 per barrel, including \$1.49 per barrel of energy operating costs net of power revenue and non-energy operating costs of \$4.34 per barrel; and
- Subsequent to year end, MEG's Board of Directors approved the filing of a renewal application of MEG's existing normal course issuer bid ("NCIB") with the Toronto Stock Exchange ("TSX"). Once approved it will allow MEG to buyback up to 10% of its public float as defined by the TSX over a one year period.

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
(\$millions, except as indicated)				
Bitumen production - bbls/d	110,805	100,698	95,338	93,733
Steam-oil ratio	2.22	2.42	2.36	2.43
Bitumen sales - bbls/d	113,582	98,894	95,691	92,138

Bitumen realization after net transportation and storage expense ⁽¹⁾ - \$/bbl	54.75	59.67	76.66	51.54
Operating expenses - \$/bbl	11.05	10.78	12.02	9.18
Operating expenses net of power revenue ⁽¹⁾ - \$/bbl	5.83	8.20	7.91	6.60
Non-energy operating costs ⁽²⁾ - \$/bbl	4.34	4.56	4.73	4.24
Cash operating netback ⁽¹⁾ - \$/bbl	43.89	37.87	62.61	33.37
General & administrative expense - \$/bbl of bitumen production volumes	1.62	1.58	1.78	1.65
Funds flow from operating activities	383	260	1,882	753
Per share, diluted	1.28	0.83	6.09	2.42
Adjusted funds flow ⁽³⁾	401	274	1,934	826
Per share, diluted ⁽³⁾	1.34	0.88	6.26	2.65
Free cash flow ⁽³⁾	295	168	1,558	495
Revenues	1,445	1,307	6,118	4,321
Net earnings (loss)	159	177	902	283
Per share, diluted	0.53	0.57	2.92	0.91
Capital expenditures	106	106	376	331
Long-term debt, including current portion	1,581	2,762	1,581	2,762
Net debt - C\$ ⁽³⁾	1,389	2,401	1,389	2,401
Net debt - US\$ ⁽³⁾	1,026	1,897	1,026	1,897

- (1) Non-GAAP financial measure - please refer to the Advisory section of this news release.
- (2) Supplementary financial measure - please refer to the Advisory section of this news release.
- (3) Capital management measure - please refer to the Advisory section of this news release.

Financial Results

Adjusted funds flow and funds flow from operating activities rose to \$1,934 million and \$1,882 million, respectively, in 2022, compared to \$826 million and \$753 million in 2021, mainly reflecting higher WTI prices, which increased 2022 bitumen realization after net transportation and storage expense, and 2021 commodity risk management losses.

Annual 2022 free cash flow was \$1,558 million compared to \$495 million in 2021. Higher 2022 adjusted funds flow was partially offset by capital spending, which increased to \$376 million from \$331 million in 2021. A turnaround was completed in 2022 but was not required in the prior year.

Net earnings for 2022 increased to \$902 million from \$283 million in 2021. Higher 2022 funds flow from operating activities was partially offset by increased deferred tax expense, higher depletion and depreciation expense and an unrealized foreign exchange loss on long-term debt.

Cash operating netback rose to \$62.61 per barrel in 2022 from \$33.37 per barrel in 2021, mainly reflecting a higher bitumen realization after net transportation and storage expense, partially offset by increased royalty expense, and reduced commodity risk management activity compared to 2021.

Bitumen realization after net transportation and storage expense was \$76.66 per barrel in 2022 compared to \$51.54 per barrel during 2021. A stronger 2022 WTI benchmark price was partially offset by wider WTI:AWB differentials and increased net transportation and storage expense compared to 2021. MEG US Gulf Coast sales volumes rose to 66% in 2022 from 42% in 2021 reflecting incremental egress out of the Edmonton area following completion of the Enbridge Line 3 Replacement Project.

Operating Results

Bitumen production rose to 95,338 bbls/d, at a 2.36 SOR, in 2022, compared to 93,733 bbls/d at a 2.43 SOR in 2021. The production increase reflects a continued focus on operating excellence, including optimized well spacing, enhanced completion designs, and capital efficient well redevelopment.

Non-energy operating costs increased to \$4.73 per barrel of bitumen sales in 2022 from \$4.24 per barrel in 2021, primarily due to inflationary increases in chemical treating, fuel costs, staffing, and planned maintenance. In 2021, the Corporation also benefited from government-led initiatives to assist the industry through unprecedented market volatility, which decreased non-energy operating costs.

Energy operating costs, net of power revenue, averaged \$3.18 per barrel in 2022, compared to \$2.36 per barrel in the prior year. The increase primarily reflects a stronger 2022 AECO natural gas price partially offset by higher Alberta power prices. Power revenue offset 56% and 52% of energy operating costs in 2022 and 2021, respectively.

General and administrative ("G&A") expense was \$61 million, or \$1.78 per barrel of production, during 2022, compared to \$56 million, or \$1.65 per barrel of production, in 2021. G&A expense in 2022 reflects increased staff costs and one-time recruitment payments, while 2021 G&A expense benefited from government-led initiatives to assist the industry through unprecedented market volatility.

Capital Allocation Strategy

Free cash flow is being allocated to ongoing debt repayment and share buybacks. The Corporation

generated \$1,558 million of free cash flow in 2022, which combined with cash on hand, was used to repurchase approximately \$1.3 billion of outstanding indebtedness and buyback \$382 million of shares.

The Corporation started the year allocating all free cash flow to debt reduction. In the second quarter, upon reaching net debt of US\$1.7 billion, the Corporation initiated the allocation of approximately 25% of free cash flow to share buybacks with the remainder applied to debt reduction. At the end of the third quarter, net debt declined to US\$1.2 billion, and free cash flow allocated to share buybacks was raised to approximately 50% with the remainder applied to debt reduction. This allocation will remain until US\$600 million of net debt is achieved. The Corporation exited 2022 with net debt of US\$1.0 billion.

Debt Repurchases

Debt reduction during 2022 totaled US\$1.0 billion (approximately \$1.3 billion), including the repurchase of US\$620 million (\$820 million) of outstanding 7.125% senior unsecured notes at a weighted average price of 102.5% and the redemption of US\$396 million (\$505 million) of 6.50% senior secured second lien notes at 101.625%.

Share Buybacks

During the year ended December 31, 2022, MEG repurchased for cancellation 20.7 million common shares, or approximately 7% of the 2021 outstanding year-end balance, returning \$382 million to shareholders.

As the current NCIB will expire on March 9, 2023, MEG's Board of Directors approved the filing of a renewal application of MEG's existing NCIB with the TSX. Once approved it will allow MEG to buyback up to 10% of its public float as defined by the TSX over a one year period.

Sustainability and Pathways Update

The Corporation remains committed to its long-term goal of reaching net zero Scope 1¹ and Scope 2² GHG emissions by 2050. In early 2023, the Corporation replaced its mid-term target of reaching a 30% reduction in bitumen GHG emissions intensity (Scope 1 and Scope 2) from 2013 levels by 2030, with a mid-term target of reducing its absolute GHG emissions (Scope 1 and Scope 2) by 0.63 megatonnes per annum by year-end 2030, representing a reduction of approximately 30% absolute Scope 1 and Scope 2 emissions from 2019 levels.

MEG, along with its Pathways Alliance ("Alliance") peers, is progressing pre-work on the proposed foundational carbon capture and storage project, which will transport CO₂ via pipeline from multiple oil sands facilities to be stored safely and permanently in the Cold Lake region of Alberta. In the fourth quarter of 2022, the Corporation and its Alliance peers reached a significant milestone entering into a carbon sequestration evaluation agreement with the Government of Alberta and starting the detailed evaluation of the proposed Cold Lake area geological storage hub. The Corporation and its Alliance peers continue to work closely with the federal and provincial governments to land on policy that supports the progress of these large decarbonization projects while ensuring Canada remains globally competitive and continues to attract investment.

For further details on the Corporation's approach to ESG matters, please refer to the Corporation's 2021 ESG Report and its 2022 ESG Performance Data Supplement available in the "Sustainability" section of MEG's website at www.megenergy.com and in the Corporation's annual 2022 MD&A and most recently filed AIF on www.sedar.com.

¹ Scope 1 refers to direct GHG emissions from sources that are owned or controlled by the Corporation.

² Scope 2 refers to indirect GHG emissions that result from the generation of purchased electricity, heating, cooling or steam consumed at assets owned or controlled by the Corporation.

2023 Guidance

	2023 Guidance ⁽¹⁾
Capital expenditures	\$450 million
Bitumen production - annual average	100,000 - 105,000 bbls/d
Non-energy operating costs	\$4.75 - \$5.05 per bbl
G&A expense	\$1.70 - \$1.90 per bbl

(1) 2023 guidance includes the impact of the scheduled second quarter turnaround which is expected to impact annual production by approximately 6,000 bbls/d.

Adjusted Funds Flow ("AFF") Sensitivity

MEG's production is entirely comprised of crude oil and AFF is highly correlated with crude oil benchmark prices. The following table provides an annual sensitivity estimate to the most significant market variables.

Variable	Range	2023 AFF Sensitivity ⁽¹⁾⁽²⁾ - C\$mm
WCS Differential (US\$/bbl)	+/- US\$1.00/bbl	+/- C\$45mm
WTI (US\$/bbl)	+/- US\$1.00/bbl	+/- C\$28mm
Condensate (US\$/bbl)	+/- US\$1.00/bbl	+/- C\$14mm
Bitumen Production (bbls/d)	+/- 1,000 bbls/d	+/- C\$13mm
Exchange Rate (C\$/US\$)	+/- \$0.01	+/- C\$9mm
Non-Energy Opex (C\$/bbl)	+/- C\$0.25/bbl	+/- C\$6mm
AECO Gas ⁽³⁾ (C\$/GJ)	+/- C\$0.50/GJ	+/- C\$2mm

(1) Each sensitivity is independent of changes to other variables.

(2) Assumes mid point of 2023 production guidance, US\$80/bbl WTI, US\$23/bbl WTI:AWB Edmonton discount, C\$1.32/US\$ F/X rate, condensate purchased at 100% of WTI and one bbl of bitumen per 1.44 bbls of blend sales (1.44 blend ratio).

(3) Assumes 1.3 GJ/bbl of bitumen, 70% of 150 MW of power generation sold externally and a 30.0 heat rate (every \$0.50/GJ change in AECO natural gas price changes the power price by C\$15.00/MWh).

Conference Call

A conference call will be held to review MEG's year ended 2022 operating and financial results at 6:30 a.m. Mountain Time (8:30 a.m. Eastern Time) on February 28, 2023. To participate, please dial the North American toll-free number 1-888-390-0546, or the international call number 1-416-764-8688.

A recording of the call will be available by 12 noon Mountain Time (2 p.m. Eastern Time) on the same day at <https://www.megenergy.com/investors/presentations-events/>.

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 and Other Financial Measures

Certain financial measures in this news release are non-GAAP financial measures or ratios, supplementary financial measures and capital management measures. These measures are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These non-GAAP and other financial measures should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS.

Adjusted Funds Flow and Free Cash Flow

Adjusted funds flow and free cash flow are capital management measures and are defined in the Corporation's consolidated financial statements. Adjusted funds flow and free cash flow are presented to assist management and investors in analyzing operating performance and cash flow generating ability. Funds flow from operating activities is an IFRS measure in the Corporation's consolidated statement of cash flow. Adjusted funds flow is calculated as funds flow from operating activities excluding items not considered part of ordinary continuing operating results. By excluding non-recurring adjustments, the adjusted funds flow measure provides a meaningful metric for management and investors by establishing a clear link between the Corporation's cash flows and cash operating netback. Free cash flow is presented to assist management and investors in analyzing performance by the Corporation as a measure of financial liquidity and the capacity of the business to repay debt and return capital to shareholders. Free cash flow is calculated as adjusted funds flow less capital expenditures.

In the second quarter of 2022, an adjustment was made to the presentation of adjusted funds flow and free cash flow. In April 2020, the Corporation issued cash-settled RSUs under its long-term incentive ("LTI") plan when the share price was at a historic low of \$1.57 per share. Concurrent with the issuance, the Corporation entered equity price risk management contracts to manage share price volatility in the subsequent three-year period, effectively reducing share price appreciation cash flow risk. The increase in the Corporation's share price from April 2020 to June 30, 2022 resulted in the recognition of a significant cash-settled stock-based compensation expense, which was previously included as a component of adjusted funds flow and free cash flow. The actual cash impact of the 2020 cash-settled RSUs, however, is subject to equity price risk management contracts, so the cash impact over the term of these RSUs has been reduced and the change in value does not provide a valuable indication of operating performance.

Therefore, the financial statement impacts of the April 2020 cash-settled stock-based compensation and the equity price risk management contracts have been excluded from adjusted funds flow and free cash flow. All prior periods presented have been adjusted to reflect this change in presentation. The adjustments to prior periods are as follows:

	2022		2021			2020		
(\$millions, except as indicated)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted funds flow, as previously presented	\$ 587	\$ 266	\$ 239	\$ 166	\$ 127	\$ 84	\$ 26	\$ 89
Adjustments:								
Impact of cash-settled SBC units subject to equity price risk management	18	8	4	18	5	4	-	2
Realized equity price risk management gain	(46)	-	-	-	(8)	-	-	-
Adjusted funds flow, current presentation	\$ 559	\$ 274	\$ 243	\$ 184	\$ 124	\$ 88	\$ 26	\$ 91
Free cash flow, as previously presented	\$ 499	\$ 160	\$ 155	\$ 95	\$ 57	\$ 44	\$ (9)	\$ 69
Adjustments:								
Impact of cash-settled SBC units subject to equity price risk management	18	8	4	18	5	4	-	2
Realized equity price risk management gain	(46)	-	-	-	(8)	-	-	-
Free cash flow, current presentation	\$ 471	\$ 168	\$ 159	\$ 113	\$ 54	\$ 48	\$ (9)	\$ 71

The following table reconciles funds flow from operating activities to adjusted funds flow to free cash flow:

(\$millions)	2022	2021
Funds flow from operating activities	\$ 1,882	\$ 753
Adjustments:		
Impact of cash-settled SBC units subject to equity price risk management	98	35
Realized equity price risk management gain	(46)	(8)
Settlement expense	-	21
Payments on onerous contract	-	25
Adjusted funds flow	1,934	826
Capital expenditures	(376)	(331)
Free cash flow	\$ 1,558	\$ 495

Net Debt

Net debt is a capital management measure and is defined in the Corporation's consolidated financial statements. Net debt is an important measure used by management to analyze leverage and liquidity. Net

debt is calculated as long-term debt plus current portion of long-term debt less cash and cash equivalents.

The following table reconciles the Corporation's current and long-term debt to net debt:

As at	December 31, 2022	December 31, 2021
Long-term debt	\$ 1,578	\$ 2,477
Current portion of long-term debt	3	285
Cash and cash equivalents	(192)	(361)
Net debt - C\$	\$ 1,389	\$ 2,401
Net debt - US\$	\$ 1,026	\$ 1,897

Cash Operating Netback

Cash operating netback is a non-GAAP financial measure, or ratio when expressed on a per barrel basis. Its terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. This non-GAAP financial measure should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS.

Cash operating netback is a financial measure widely used in the oil and gas industry as a supplemental measure of a company's efficiency and its ability to generate cash flow for debt repayment, capital expenditures, or other uses. The per barrel calculation of cash operating netback is based on bitumen sales volumes.

Revenues, is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss), which is the most directly comparable primary financial statement measure to cash operating netback. A reconciliation from revenues to cash operating netback has been provided below:

(\$millions)	2022	2021
Revenues	\$ 6,118	\$ 4,321
Diluent expense	(1,848)	(1,369)
Transportation and storage expense	(538)	(379)
Purchased product	(1,135)	(828)
Operating expenses	(420)	(309)
Realized gain (loss) on commodity risk management	10	(314)
Cash operating netback	\$ 2,187	\$ 1,122

Blend Sales and Bitumen Realization

Blend sales and bitumen realization are non-GAAP financial measures, or ratios when expressed on a per barrel basis, and are used as a measure of the Corporation's marketing strategy by isolating petroleum revenue and costs associated with its produced and purchased products and excludes royalties. Their terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These non-GAAP financial measures should not be considered in isolation or as an alternative

for measures of performance prepared in accordance with IFRS. Blend sales per barrel is based on blend sales volumes and bitumen realization per barrel is based on bitumen sales volumes.

Revenues is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss), which is the most directly comparable primary financial statement measure to blend sales and bitumen realization. A reconciliation from revenues to blend sales and bitumen realization has been provided below:

	2022		2021	
(\$millions, except as indicated)		\$/bbl		\$/bbl
Revenues	\$ 6,118		\$ 4,321	
Other revenue	(148)		(99)	
Royalties	225		76	
Petroleum revenue	6,195		4,298	
Purchased product	(1,135)		(828)	
Blend sales	5,060	\$ 102.02	3,470	\$ 72.20
Diluent expense	(1,848)	(10.07)	(1,369)	(9.73)
Bitumen realization	\$ 3,212	\$ 91.95	\$ 2,101	\$ 62.47

Net Transportation and Storage Expense

Net transportation and storage expense is a non-GAAP financial measure, or ratio when expressed on a per barrel basis. Its terms are not defined by IFRS and, therefore may not be comparable to similar measures provided by other companies. This non-GAAP financial measure should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS. Per barrel amounts are based on bitumen sales volumes.

It is used as a measure of the Corporation's marketing strategy by focusing on maximizing the realized AWB sales price after transportation and storage expense by utilizing its network of pipeline and storage facilities to optimize market access.

Transportation and storage expense is an IFRS measure in the Corporation's consolidated statements of earnings (loss) and comprehensive income (loss).

Other revenue is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss), which is the most directly comparable primary financial statement measure to transportation revenue. A reconciliation from other revenue to transportation revenue has been provided below.

	2022		2021	
(\$millions, except as indicated)		\$/bbl		\$/bbl
Transportation and storage expense	\$ (538)	\$ (15.41)	\$ (379)	\$ (11.28)
Other revenue	\$ 148		\$ 99	
Less power revenue	(144)		(87)	
Transportation revenue	\$ 4	\$ 0.12	\$ 12	\$ 0.35
Net transportation and storage expense	\$ (534)	\$ (15.29)	\$ (367)	\$ (10.93)

Bitumen Realization after Net Transportation and Storage Expense

Bitumen realization after net transportation and storage expense is a non-GAAP financial measure, or ratio when expressed on a per barrel basis. Its terms are not defined by IFRS and, therefore may not be comparable to similar measures provided by other companies. This non-GAAP financial measure should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS. Per barrel amounts are based on bitumen sales volumes.

It is used as a measure of the Corporation's marketing strategy by focusing on maximizing the realized AWB sales price after net transportation and storage expense by utilizing its network of pipeline and storage facilities to optimize market access.

	2022		2021	
(\$millions, except as indicated)		\$/bbl		\$/bbl
Bitumen realization ⁽¹⁾	\$ 3,212	\$ 91.95	\$ 2,101	\$ 62.47
Net transportation and storage expense ⁽¹⁾	(534)	(15.29)	(367)	(10.93)
Bitumen realization after net transportation and storage expense	\$ 2,678	\$ 76.66	\$ 1,734	\$ 51.54

(1) Non-GAAP financial measure as defined in this section.

Operating Expenses net of Power Revenue

Operating expenses net of power revenue is a non-GAAP financial measure, or ratio when expressed on a per barrel basis. Its terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. This non-GAAP financial measure should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS. Per barrel amounts are based on bitumen sales volumes.

It is used as a measure of the Corporation's cost to operate its facilities at the Christina Lake project after factoring in the benefits from selling excess power to offset energy costs.

Non-energy operating costs and energy operating costs are supplementary financial measures as they represent portions of operating expenses. Non-energy operating costs comprise production-related operating activities and energy operating costs reflect the cost of natural gas used as fuel to generate steam and power. Per barrel amounts are based on bitumen sales volumes.

Operating expenses is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss). Other revenue, is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss), which is the most directly comparable primary financial statement measure to power revenue. A reconciliation from other revenue to power revenue has been provided below.

	2022		2021	
(\$millions, except as indicated)		\$/bbl		\$/bbl
Non-energy operating costs	\$ (165)	\$ (4.73)	\$ (143)	\$ (4.24)
Energy operating costs	(255)	(7.29)	(166)	(4.94)
Operating expenses	\$ (420)	\$ (12.02)	\$ (309)	\$ (9.18)
Other revenue	\$ 148		\$ 99	
Less transportation revenue	(4)		(12)	
Power revenue	\$ 144	\$ 4.11	\$ 87	\$ 2.58
Operating expenses net of power revenue	\$ (276)	\$ (7.91)	\$ (222)	\$ (6.60)

Energy-Operating Costs net of Power Revenue

Energy operating costs net of power revenue is a non-GAAP financial measure, or ratio when expressed on a per barrel basis. Its terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. This non-GAAP financial measure should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS. Per barrel amounts are based on bitumen sales volumes.

It is used to measure the performance of the Corporation's cogeneration facilities to offset energy operating costs.

Energy operating costs are supplementary financial measures as they represent portions of operating expenses. Energy operating costs reflect the cost of natural gas used as fuel to generate steam and power. Per barrel amounts are based on bitumen sales volumes.

Operating expenses is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss). Other revenue, is an IFRS measure in the Corporation's consolidated statement of earnings (loss) and comprehensive income (loss), which is the most directly comparable primary financial statement measure to power revenue. A reconciliation has been provided below.

	2022		2021	
(\$millions, except as indicated)		\$/bbl		\$/bbl
Operating expenses	\$ (420)	\$ (12.02)	\$ (309)	\$ (9.18)
Non-energy operating costs	165	4.73	143	4.24
Energy operating costs	\$ (255)	\$ (7.29)	\$ (166)	\$ (4.94)
Other revenue	\$ 148		\$ 99	
Less transportation revenue	(4)		(12)	
Power revenue	\$ 144	\$ 4.11	\$ 87	\$ 2.58
Energy operating costs net of power revenue	\$ (111)	\$ (3.18)	\$ (79)	\$ (2.36)

Forward-Looking Information

Certain statements contained in this news release may constitute forward-looking statements within the meaning of applicable Canadian securities laws. These statements relate to future events or MEG's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "plan", "intend", "target", "potential" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are often, but not always, identified by such words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In particular, and without limiting the foregoing, this press release contains forward looking statements with respect to: the Corporation's ability to sustain current production levels, industry leading steam oil ratios and deliver long-term value to shareholders; the impact of the Corporation's commitment to its ongoing debt reduction program and share buyback program which should drive shareholder value in 2023 and beyond; the Corporation's expectation of renewing its share buyback program; the Corporation's continued focus on operational excellence, including optimized well spacing, enhanced completion designs, capital efficient well redevelopment program and the impact on production and steam oil ratios; the Corporation's expectation of allocating 50% of free cash flow to share buybacks with the remaining cash flow applied to ongoing debt reduction until it reaches its net debt floor of US\$600 million; the Corporation's 2023 guidance including its 2023 capital expenditures, production guidance and non-energy operating costs and G&A expense guidance; the Corporation's adjusted funds flow sensitivities; and the Corporation's emission reduction goals and ambitions for the company and through the Pathways Alliance.

Forward-looking information contained in this press release is based on management's expectations and assumptions regarding, among other things: future crude oil, bitumen blend, natural gas, electricity, condensate and other diluent prices, differentials, the level of apportionment on the Enbridge Mainline system, foreign exchange rates and interest rates; the recoverability of MEG's reserves and contingent resources; MEG's ability to produce and market production of bitumen blend successfully to customers; future growth, results of operations and production levels; future capital and other expenditures; revenues, expenses and cash flow; operating costs; reliability; continued liquidity and runway to sustain operations through a prolonged market downturn; MEG's ability to reduce or increase production to desired levels, including without negative impacts to its assets; anticipated reductions in operating costs as a result of optimization and scalability of certain operations; anticipated sources of funding for operations and capital investments; plans for and results of drilling activity; the regulatory framework governing royalties, land use, taxes and environmental matters, including the timing and level of government production curtailment and federal and provincial climate change policies, in which MEG conducts and will conduct its business; the availability of government support to industry to assist in the achievement of net zero GHG emissions by

2050; the impact of MEG's response to the COVID-19 global pandemic; and 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 and uncertainties include, but are not limited to, risks and uncertainties related to: the oil and gas industry, for example, the securing of adequate access to markets and transportation infrastructure (including pipelines and rail) and the commitments therein; 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, including public health crises, such as the COVID-19 pandemic, and any related actions taken by governments and businesses; legislative and regulatory changes to, amongst other things, tax, land use, royalty and environmental laws and production curtailment; the cost of compliance with current and future environmental laws, including climate change laws; risks relating to increased activism and public opposition to fossil fuels and oil sands; the inability to access government support to industry to assist in the achievement of net zero GHG emissions by 2050; assumptions regarding and the volatility of commodity prices, interest rates and foreign exchange rates; 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 to such prices and rates; timing of completion, commissioning, and start-up, of MEG's turnarounds; the operational risks and delays in the development, exploration, production, and the capacities and performance associated with MEG's projects; MEG's ability to reduce or increase production to desired levels, including without negative impacts to its assets; MEG's ability to finance capital expenditures; MEG's ability to maintain sufficient liquidity to sustain operations through a prolonged market downturn; changes in credit ratings applicable to MEG or any of its securities; the severity and duration of ongoing consequences of the COVID-19 pandemic; actions taken by OPEC+ in relation to supply management; the impact of the Russian invasion of Ukraine and associated sanctions on commodity prices; the availability and cost of labour and goods and services required in the Corporation's operations, including inflationary pressures; supply chain issues including transportation delays; the cost and availability of equipment necessary to our operations; and changes in general economic, market and business conditions.

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 Company's website at www.megenergy.com/investors and through the SEDAR website at www.sedar.com.

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

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about MEG's prospective results of operations including, without limitation, the Corporation's capital expenditures, production, non-energy operating costs, general and administrative costs and transportation costs, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. MEG's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits MEG will derive therefrom. MEG has included the FOFI in order to provide readers with a more complete perspective on MEG's future operations and such information may not be appropriate for other purposes. MEG disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

About MEG

MEG is an energy company focused on sustainable in situ thermal oil production in the southern Athabasca oil region of Alberta, Canada. MEG is actively developing innovative enhanced oil recovery projects that utilize steam-assisted gravity drainage extraction methods to improve the responsible economic recovery of oil as well as lower carbon emissions. MEG transports and sells thermal oil (AWB) to customers throughout North America and internationally. MEG's common shares are listed on the Toronto Stock Exchange under the symbol "MEG" (TSX: MEG).

Learn more at: www.megenergy.com

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