PRESS RELEASE

MEG Energy announces Q3 free cash flow of $152 million, record low net operating costs and $481 million year-to-date debt repayment

All financial figures are in Canadian dollars ($ or C$) and all references to barrels are per barrel of bitumen sales unless otherwise noted

CALGARY, ALBERTA (October 30th, 2019) – MEG Energy Corp. (TSX:MEG, "MEG") reported its third quarter 2019 operational and financial results.

Highlights include:

- Adjusted funds flow of $192 million ($0.63 per share) and $152 million free cash flow in the quarter. For the nine months ended September 30, 2019, MEG has generated free cash flow of $443 million;
- Bitumen production volumes of 93,278 barrels per day (bbls/d) at a steam-oil-ratio (SOR) of 2.26;
- Record low net operating costs of $4.30 per barrel, supported by low non-energy operating costs of $4.22 per barrel and strong power sales which had the impact of offsetting 95% of per barrel energy operating costs resulting in a net energy operating expense of $0.08 per barrel;
- Average AWB blend sales price net of transportation and storage costs at Edmonton of US$41.60 which was in-line with the posted AWB index price for the quarter, notwithstanding 44% Enbridge mainline apportionment, highlighting the value of MEG's North American marketing strategy;
- Total capital expenditures of $40 million, primarily consisting of sustaining and maintenance capital; and
- Year-to-date repayment of $481 million of outstanding long-term debt, including $88 million subsequent to the quarter. Management remains committed to applying all free cash flow after sustaining capital to further debt reduction.

"In the first nine months of the year, MEG has generated $569 million of adjusted funds flow which is almost triple our full year 2019 capital investment plan of $200 million" says Derek Evans, President and Chief Executive Officer. "We remain focused on driving efficiencies in our business from an operational and cost perspective and will continue to direct all available free cash flow to debt repayment."

Bitumen production averaged 93,278 bbls/d in the third quarter of 2019, a 6% decrease over the same period in 2018 due to the impact of the Alberta Government's mandated production curtailment program which came into effect January 1, 2019. Third quarter 2019 production was 4% lower than second quarter 2019 production levels as fewer third-party curtailment credits were available for purchase. Bitumen sales exceeded bitumen production by 1,714 bbls/d during the third quarter of 2019 due primarily to the timing of sales over quarter end.

Notwithstanding the 6% decrease in production level year over year, third quarter 2019 per barrel non-energy operating costs of $4.22 and per barrel net operating costs of $4.30 were better than third quarter 2018 per barrel non-energy and net operating costs of $4.38 and $4.34, respectively, due primarily to higher bitumen sales volumes. The Corporation now expects non-energy operating expenses in the range of $4.75 - $5.00 per barrel in 2019. Energy operating costs of $1.51 per barrel in the third quarter of 2019 were largely offset by strong power revenues of $1.43 per barrel, compared to energy operating costs and power revenues of $1.50 and $1.54 per barrel respectively for the same period in 2018.

General and administrative ("G&A") expense of $1.66 per barrel of production in the third quarter of 2019 represents an 8% decrease from second quarter 2019, due primarily to the timing of expenses. The Corporation continues to expect G&A expense in the range of $1.95 - $2.05 per barrel in 2019.

Blend Sales Pricing and North American Market Access

MEG realized a third quarter 2019 average AWB blend sales price of US$45.63 per barrel compared to US$51.72 per barrel in the second quarter of 2019. The change in average AWB blend sales price quarter over quarter is primarily due to a US$3.37 per barrel reduction in the benchmark WTI index combined with WTI:AWB differentials at Edmonton widening to US$14.52 per barrel from US$12.32 per barrel and at the U.S. Gulf Coast ("USGC") widening to a discount of US$2.50 from a premium of US$1.64 per barrel. MEG sold 33% (26% via pipeline and 7% via rail) of its sales volumes to the USGC market in the third quarter of 2019 compared to 34% (29% via pipeline and 5% via rail) in the second quarter of 2019.

Transportation and storage costs averaged US$5.74 per barrel of AWB blend sales in the third quarter of 2019 compared to US$5.60 per barrel of AWB blend sales for second quarter of 2019 and US$5.00 per barrel of AWB blend sales in third quarter of 2018.

Excluding transportation and storage costs upstream of the Edmonton index sales point, MEG's net AWB blend sales price at Edmonton averaged US$41.60 per barrel in the third quarter of 2019 compared to the posted AWB index price at Edmonton of US$41.93. Notwithstanding that Enbridge mainline apportionment averaged 44%, MEG was able to capture pricing in-line with the Edmonton index on its barrels as a result of its marketing and storage assets ability to move barrels toward higher value markets as well as provide flexibility to avoid the price constrained post-apportionment market at Edmonton. MEG's average pricing against the AWB index price at Edmonton should improve further once MEG's contracted capacity on the Flanagan and Seaway pipeline system doubles to 100,000 bbls/d of AWB blend in mid-2020.

Despite 44% average Enbridge mainline apportionment in the quarter, MEG was required to sell less than 5% of its blend sales into the price constrained post-apportionment market at Edmonton in the third quarter of 2019. These post-apportionment sales typically receive a significant discount to the AWB index price at Edmonton. Avoiding the discounted pricing received by industry in the price constrained post-apportionment market highlights the strategic value of MEG's North American marketing strategy.

MEG's AWB blend sales by rail in the third quarter were 19,560 bbls/d compared to 23,443 bbls/d in the second quarter of 2019. 47% of sales by rail in the third quarter of 2019 were delivered to the USGC compared to 28% in the second quarter of 2019, with the remainder sold at Edmonton. Subject to market conditions at the time, MEG anticipates being in a position to fully utilize its 30,000 bbls/d of rail capacity at the Bruderheim rail terminal in 2020 once the results of the Alberta Petroleum Marketing Commission's crude by rail asset divestiture process are announced. MEG understands that the completion of the process is anticipated to be some time in 2019.

Adjusted Funds Flow and Net Earnings

During the third quarter of 2019, MEG's bitumen realization averaged $53.37 per barrel, compared to $62.23 per barrel in the second quarter of 2019 and $49.63 per barrel in the third quarter of 2018 and was impacted by the same primary factors as average AWB blend sales price.

MEG's cash operating netback averaged $32.44 per barrel in the third quarter of 2019, compared to $37.88 per barrel in second quarter of 2019 and $24.01 per barrel in third quarter of 2018. The cash operating netback in the third quarter of 2019 compared to the second quarter of 2019 reflects a lower realized bitumen sales price partially offset by lower hedging losses.

Adjusted funds flow was impacted by the same primary factors as cash operating netback, resulting in adjusted funds flow of $192 million in the third quarter of 2019, compared to $227 million in the second quarter of 2019 and $116 million in the third quarter of 2018.

The Corporation recognized net earnings of $24 million in the third quarter of 2019 compared to a net loss of $64 million in the second quarter of 2019 and net earnings of $118 million during the third quarter of 2018. The decrease during the third quarter of 2019 compared to the same period of 2018 is due to an unrealized foreign exchange loss and a lower unrealized gain on commodity risk management partially offset by a higher cash operating netback.

Capital Expenditures

Capital expenditures in the third quarter of 2019 totaled $40 million with the majority of expenditures directed toward sustaining and maintenance capital.

In the first nine months of 2019 capital expenditures totaled $126 million relative to MEG's 2019 capital budget of $200 million which was set during the implementation of the Alberta Government's mandated production curtailment program in January 2019. Over the course of 2019 MEG has been successful in finding capital cost savings and undertaking minor scope changes that will allow the Corporation to deliver its original $200 million budget for approximately $170 million. As a result, based on expected operational benefits, including plant integrity and turn-around management, MEG has shifted into 2019 approximately $30 million of expected 2020 capital expenditures to accelerate the completion of the Corporation's in-progress brownfield project at the Phase 2B central processing facility which includes incremental steam generation, water handling and oil treating capacity. This project, which was initiated in 2018, is expected to be completed in the first half of 2020.

Debt Repayment

Up to October 30th MEG has repaid $481 million of outstanding long-term debt in 2019, including $385 million during the third quarter of 2019 and $88 million subsequent to the quarter. Annualized interest savings from these repurchases are expected to be approximately $30 million. These annualized interest savings, when combined with the annualized $14 million of credit fee savings associated with the amendment of MEG's revolving credit facility announced July 30, 2019 brings aggregate credit-related cash cost savings contribution to annual free cash flow to approximately $44 million.

Management remains committed to its stated strategy of continuing to direct all available free cash flow, after funding sustaining capital, toward debt reduction.

Outlook

MEG is revising its 2019 full year production guidance from 90,000 - 92,000 bbls/d to 92,000 - 93,000 bbls/d to reflect year to date production results and the continued impact of the Alberta Government's mandated production curtailment. MEG is also revising its 2019 full year non-energy operating cost guidance from $4.75 - $5.25 per barrel to $4.75 - $5.00 per barrel.

Conference Call

A conference call will be held to review MEG's third quarter 2019 operating and financial results at 6:30 a.m. Mountain Time (8:30 a.m. Eastern Time) on Thursday, October 31st, 2019. 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 www.megenergy.com/investors/presentations-and-events.

Operational and Financial Highlights

	Nine months ended September 30		2019			2018				2017
($ millions, except as indicated)	**2019**	**2018**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Bitumen production - bbls/d	**92,582**	87,781	**93,278**	97,288	87,113	87,582	98,751	71,325	93,207	90,228
Steam-oil ratio	**2.21**	2.19	**2.26**	2.16	2.20	2.22	2.17	2.22	2.17	2.22
Bitumen sales - bbls/d	**93,330**	86,636	**94,992**	95,120	89,822	88,283	93,856	74,418	91,608	94,541
Bitumen realization - $/bbl	**55.38**	44.03	**53.37**	62.23	50.21	15.31	49.63	47.33	35.46	48.01
Net operating costs - $/bbl(1)	**5.01**	5.28	**4.30**	4.66	6.17	4.55	4.34	5.64	5.98	5.86
Non-energy operating costs - $/bbl	**4.64**	4.75	**4.22**	4.53	5.22	4.25	4.38	5.47	4.55	4.53
Cash operating netback - $/bbl(2)	**33.47**	21.19	**32.44**	37.88	29.80	7.14	24.01	18.66	20.31	33.54
Adjusted funds flow(3)	**569**	217	**192**	227	151	(38)	116	18	83	192
Per share, diluted(3)	**1.90**	0.73	**0.63**	0.76	0.50	(0.13)	0.39	0.06	0.28	0.65
Revenue(4)	**2,938**	2,213	**958**	1,062	919	520	803	689	721	755
Net earnings (loss)	**(87)**	80	**24**	(64)	(48)	(199)	118	(179)	141	(24)
Per share, diluted	**(0.29)**	0.27	**0.08**	(0.21)	(0.16)	(0.67)	0.39	(0.61)	0.47	(0.08)
Capital expenditures	**126**	478	**40**	32	53	144	139	191	148	163
Cash and cash equivalents	**154**	373	**154**	399	154	318	373	564	675	464
Long-term debt - C$	**3,257**	3,544	**3,257**	3,582	3,660	3,740	3,544	3,607	3,543	4,668
Long-term debt - US$	**2,459**	2,742	**2,459**	2,737	2,740	2,741	2,742	2,745	2,746	3,729

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

(2) Cash operating netback is a non-GAAP measure and is calculated by deducting the related cost of diluent, blend purchases, transportation and storage, third-party curtailment credits, operating expenses, royalties and realized commodity risk management gains (losses) from blend sales and power revenue, on a per barrel of bitumen sales volume basis.

(3) Refer to Note 20 of the interim consolidated financial statements for further detail.

(4) The total of petroleum revenue, net of royalties and other revenue as presented on the consolidated statement of earnings and comprehensive income. Effective January 1, 2018, petroleum revenues are presented on a gross basis as they represent separate performance obligations, as discussed in the "NEW ACCOUNTING STANDARDS" section of the MD&A. The comparative prior period amounts have been revised to reflect the new presentation.

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 Measures

Certain financial measures in this news release including free cash flow and cash operating netback are non-GAAP measures. These 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.

Free Cash Flow

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. Free cash flow is calculated as adjusted funds flow less capital expenditures.

	Three months ended September 30		**Nine months ended September 30**	
($000)	**2019**	**2018**	**2019**	**2018**
Net cash provided by (used in) operating activities	**174**	3	**406**	186
Net change in non-cash operating working capital items	**17**	108	**162**	48
Funds flow from (used in) operations	**191**	111	**568**	234
Adjustments:				
Realized gain on foreign exchange derivatives[(1)]	**-**	-	**-**	(35)
Payments on onerous contracts	**-**	4	**-**	14
Decommissioning expenditures	**1**	1	**1**	4
Adjusted funds flow	**192**	116	**569**	217
Capital expenditures	**(40)**	(139)	**(126)**	(478)
Free cash flow	**152**	(23)	**443**	(261)

(1) *A gain related to the settlement of forward currency contracts to manage the foreign exchange risk on Canadian dollar denominated proceeds related to the sale of assets designated for U.S. dollar denominated long-term debt repayment.*

Cash Operating Netback

Cash operating netback is a non-GAAP measure widely used in the oil and gas industry as a supplemental measure of a company's efficiency and its ability to fund future capital expenditures. The Corporation's cash operating netback is calculated by deducting the related cost of diluent, blend purchases, transportation and storage, third-party curtailment credits, operating expenses, royalties and realized commodity risk management gains or losses from blend sales and power revenue. The per barrel calculation of cash operating netback is based on bitumen sales volume.

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 our forecast base capital budget including the extent of non-discretionary sustaining capital expenditures, allocation and funding, expected 2019 funds flow, free cash flow and amount of debt repayment, adjusted funds flow, target production, non-energy operating costs, annual cash cost savings as a result of debt repayment and refinancing and disposal or sale of non-core assets, focus and strategy, market access and diversification plans.

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, 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; extent and timelines of the Alberta Government's mandatory production curtailment program, future growth, results of operations and production levels; future capital and other expenditures; revenues, expenses and cash flow; operating costs; reliability; 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 apportionment easing and federal and provincial climate change policies, in which MEG conducts and will conduct its business; 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 include, but are not limited to: risks associated with the oil and gas industry, for example, the securing of adequate 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 and curtailment of production; 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 to 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 turnarounds, and of future phases, expansions and projects; the operational risks and delays in the development, exploration, production, and the capacities and performance associated with MEG's projects; and uncertainties arising in connection with acquisitions and/or dispositions of assets.

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, cash flow and various components thereof, 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. A full version of MEG's 2019 Third Quarter Report to Shareholders, including unaudited financial statements, is available at www.megenergy.com/investors and at www.sedar.com.

About MEG

MEG is an oil company focused on sustainable in situ thermal oil development and production in the southern Athabasca region of Alberta, Canada. MEG is actively developing enhanced oil recovery projects that utilize steam-assisted gravity drainage ("SAGD") extraction methods to improve the economic recovery of oil as well as lower carbon emissions. MEG transports and sells Access Western Blend ("AWB" or "blend") to refiners throughout North America and internationally.

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