



PRESS RELEASE

MEG Energy announces 2021 capital investment plan and operational guidance

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 (December 7th, 2020) – MEG Energy Corp. (TSX:MEG, “MEG” or the “Corporation”) announced today its 2021 capital investment plan and operational guidance. Highlights include:

- 2021 capital budget of \$260 million, expected to be fully funded within internally generated 2021 cash flow;
- 2021 production guidance of 86,000 to 90,000 barrels per day (bbls/d); and
- 2021 non-energy operating costs and general and administrative (“G&A”) expense guidance of \$4.60 to \$5.00 per barrel and \$1.70 to \$1.80 per barrel, respectively.

In addition, MEG is increasing its 2020 full year production guidance to 82,250 - 82,500 bbls/d from 81,000 - 82,000 bbls/d and expects to exit the year with approximately \$100 million of cash-on-hand.

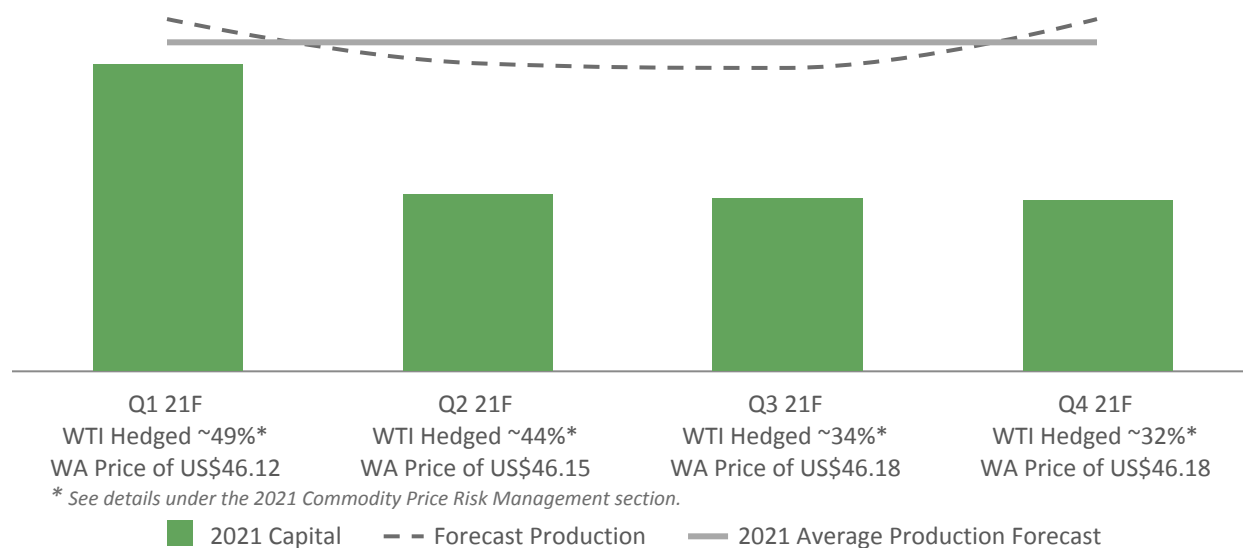
2021 Capital Investment Summary

<i>(\$millions)</i>	
Sustaining and maintenance	\$ 245
Field infrastructure, regulatory, corporate and other	15
	\$ 260

Of the \$245 million of sustaining and maintenance capital, approximately \$180 million, or 75%, directly supports MEG’s 2021 production guidance. This capital, of which approximately 45% will be invested in the first quarter of 2021, will be primarily directed toward the drilling, completing and tying in of new SAGD and infill wells. The majority of the production associated with this capital will begin to ramp up in the second half of 2021, reaching full production levels in mid-2022.

The remaining \$65 million of sustaining and maintenance capital represents a portion of the investment required to sustain production levels in 2022 and beyond. Approximately two-thirds of this capital is targeted for investment in the second half of 2021 and will be directed to the initiation of the development of new well pads which are part of MEG’s medium-term sustaining and maintenance capital investment program.

In March and May of 2020, due to the unprecedented negative macro oil price environment at the time, MEG announced a cumulative reduction in its 2020 capital investment program of \$100 million to preserve financial liquidity. Approximately 80% of this deferral related to well capital which is now included in the 2021 capital budget. The result of this capital deferral from 2020 into 2021 is a front end loaded sustaining capital profile and a production profile that trends slightly lower in the first half of the year, but then reverses and trends upwards through the second half of the year as the new wells start to ramp up at the end of the second quarter.



The \$15 million of capital investment targeted to field infrastructure, regulatory, corporate and other represents capital necessary to maintain MEG's business that is not directly associated with sustaining and maintenance of production at Christina Lake.

No significant plant turnaround is scheduled for 2021. As previously announced, MEG moved its originally planned 2021 turnaround work into 2020 and successfully executed a 75-day turnaround in the summer of 2020 in order to minimize staff levels at site during COVID-19 and maximize utilization of MEG's internal resources thereby lowering overall cash costs.

2021 Funding Plan and Financial Liquidity

MEG designed its 2021 capital program to be fully funded within 2021 cash flow at a full year average WCS price of approximately US\$30.00 per barrel, which approximates the average WCS price realized to date in the second half of 2020 and is lower than current strip WCS price.

If realized WCS pricing underperforms this level over the course of 2021 MEG expects to have approximately \$100 million of cash on hand which has been built up through the course of 2020 to support funding of the 2021 capital program. Additionally, should 2021 average WCS pricing on a sustained basis look to average significantly below US\$30.00 per barrel, MEG will consider deferring a portion of the \$65 million capital investment to be directed to sustaining production levels in 2022 and beyond in an effort to maintain an internally funded full year 2021 capital program without impacting 2021 production levels.

MEG's modified covenant-lite \$800 million revolving credit facility is in place until July 2024 and remains undrawn. The facility has no financial maintenance covenant unless drawn in excess of \$400 million. If drawn in excess of \$400 million, MEG is required to maintain a quarterly first lien net leverage ratio (first lien net debt to last twelve-month EBITDA) of 3.5 or less. Under MEG's credit facility, first lien net debt is calculated

as debt under the credit facility plus other debt that is secured on a *pari passu* basis with the credit facility, less cash-on-hand.

The Corporation's earliest long-term debt maturity is in 2024, represented by US\$600 million of senior unsecured notes due March 2024. None of the Corporation's outstanding long-term debt contain financial maintenance covenants and none are secured on a *pari passu* basis with the credit facility.

2021 Commodity Price Risk Management

For 2021, MEG has entered into benchmark WTI fixed price hedges and enhanced WTI fixed price hedges with sold put options for approximately 40% of forecast bitumen production at an average full year price of US\$46.15 per barrel. The first half weighting of these WTI hedges primarily reflects the first half weighting of MEG's capital investment profile. MEG has also hedged approximately 35% of its expected 2021 condensate requirements at a landed at Edmonton price of approximately 95% of WTI and approximately 30% of expected 2021 natural gas requirements at C\$2.69 per GJ.

	Forecast Period			
	Q1 2021	Q2 2021	Q3 2021	Q4 2021
WTI Hedges				
WTI Fixed Price Hedges				
Volume (bbls/d)	15,000	9,000		
Weighted average fixed WTI price (US\$/bbl)	\$ 46.00	\$ 46.00		
Enhanced WTI Fixed Price Hedges with Sold Put Options ⁽¹⁾				
Volume (bbls/d)	29,000	29,000	29,000	29,000
Weighted average fixed WTI price (US\$/bbl) / Put option strike price (US\$/bbl)	\$ 46.18 / \$ 38.79	\$ 46.18 / \$ 38.79	\$ 46.18 / \$ 38.79	\$ 46.18 / \$ 38.79
Condensate Hedges				
Volume ⁽²⁾ (bbls/d)	14,096	14,062	14,028	14,028
Weighted average % of WTI landed in Edmonton (%) ⁽³⁾	95 %	95 %	95 %	95 %
Natural Gas Hedges				
Volume ⁽⁴⁾ (GJ/d)	50,000	35,000	35,000	35,000
Weighted average fixed AECO price (C\$/GJ)	\$ 2.70	\$ 2.69	\$ 2.69	\$ 2.69

(1) If in any month of 2021 the month average WTI settlement price is US\$38.79 per barrel (the sold put option) or better, MEG will receive US\$46.18 per barrel (the fixed price swap) on hedged 2021 production in that month. If in any month of 2021 the month average WTI settlement price is less than US\$38.79 per barrel, MEG will receive the month average WTI settlement price in that month plus US\$7.39 per barrel (the swap spread) on each barrel hedged in that month.

(2) Includes 3,104 bbls/d of physical forward condensate purchases for 2021.

(3) The average % of WTI landed in Edmonton includes estimated net transportation costs to Edmonton.

(4) Includes 7,500 GJ/d of physical forward purchases for 2021 at a fixed AECO price.

2021 Guidance

MEG's non-energy operating costs have historically been industry leading, and over the last three years MEG has focused on rationalizing ongoing G&A expense. G&A expense guidance for 2021 is approximately 35% lower than 2018 G&A expense on both an aggregate and on a per barrel basis, a result of a continued optimization of operations, reduction in staffing levels and rationalization of ongoing administrative costs.

2021 is the first full year MEG has capacity to ship 100,000 bbls/d of AWB blend sales, on a pre-apportionment basis, to the U.S. Gulf Coast market via its committed capacity on the Flanagan South and Seaway Pipeline systems ("FSP"). MEG intends to fully utilize this capacity, and assuming full year average apportionment of 25% (35% 1H, 15% 2H) on the Enbridge mainline system in 2021, MEG expects to sell approximately two-thirds of its AWB blend sales volumes into the U.S. Gulf Coast via FSP with the remainder being sold into the Edmonton market. MEG expects full year 2021 total transportation costs to average between US\$7.75 to US\$8.25 per barrel of AWB blend sales. No AWB blend sales by rail are contemplated in 2021.

	2021 Guidance ⁽¹⁾	2020 Revised Guidance ⁽²⁾
Capital investment	\$260 million	\$150 million
Production (average)	86,000 - 90,000 bbls/d	82,250 - 82,500 bbls/d
Non-energy operating costs	\$4.60 - \$5.00 per bbl	\$4.30 - \$4.40 per bbl
G&A expense	\$1.70 - \$1.80 per bbl	\$1.55 - \$1.60 per bbl

(1) 2021 guidance does not include any potential benefit which may be received in 2021 from the federal government wage subsidy. While the federal government has indicated the program will remain in place through the first half of 2021, no details of the plan have been released to date.

(2) Revised non-energy operating costs and G&A expense guidance ranges include approximately \$15 million (\$0.50/bbl) and \$7 million (\$0.25/bbl), respectively, of temporary cost reductions including the federal government wage subsidy.

Conference Call

A conference call will be held to review MEG's 2021 capital investment plan at 6:30 a.m. Mountain Time (8:30 a.m. Eastern Time) on Tuesday, December 8th, 2020. 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.

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", "dependent", "ability", "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 news release contains forward looking statements with respect to: the Corporation's focus and strategy; the Corporation's 2021 capital budget and the allocation and funding of the same; the Corporation's cash-on-hand at year end; the Corporation's sustaining and maintenance capital requirements and program; the Corporation's 2021 guidance regarding production, non-energy operating costs and general and administrative costs; the Corporation's 2020 full year production guidance; the Corporation's future production levels and the expected timing of same; the impacts of the deferral of capital in 2020 on the Corporation's future production levels; 2021 plant turnaround requirements; funding of the Corporation's 2021 capital budget, including the expected level of

internally generated cash flow in 2021 and the Corporation's mitigation strategies to protect its 2021 capital program against downward commodity price volatility; the impacts of deferring capital in 2021 on the Corporation's future production levels; the Corporation's expectations regarding blend sales volumes into the U.S. Gulf Coast and Edmonton markets in 2021, including the level of apportionment levels on the Enbridge mainline system, and the Corporation's expectations regarding full year transportation costs for 2021; and the Corporation's 2021 hedge book.

Forward-looking information contained in this news 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; 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 laws and Federal and Provincial climate change policies, and the timing and level of government apportionment easing, ability to re-contract rail loading capacity, 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, environmental laws, and Federal and Provincial climate change policies and curtailment of production policies; 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 any future 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, the Corporation's capital expenditures, production, operating costs, general and administrative costs and hedging program, 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 region of Alberta, Canada. MEG is actively developing innovative enhanced oil recovery projects that utilize steam-assisted gravity drainage ("SAGD") extraction methods to improve the responsible economic recovery of oil as well as lower carbon emissions. MEG transports and sells its thermal oil production to refiners throughout North America and internationally. MEG's common shares are listed on the Toronto Stock Exchange under the symbol "MEG".

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