PRESS RELEASE

MEG Energy announces strong third quarter results and revised full year guidance

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

CALGARY, ALBERTA (November 8, 2021) – MEG Energy Corp. (TSX:MEG, "MEG" or the "Corporation") reported its third quarter of 2021 operational and financial results.

MEG continues to proactively respond to the safety challenges associated with the COVID-19 pandemic and remains committed to ensuring the health and safety of all of its personnel and the safe and reliable operation of the Christina Lake facility.

"The third quarter was another strong operational quarter for MEG as production levels benefited from our team's continued focus on plant reliability, steam utilization and ongoing well optimization." said Derek Evans, President and Chief Executive Officer. "Given what we are seeing operationally we have upwardly revised our annual production guidance and look forward to a strong finish to 2021."

Third quarter financial and operating highlights include:

- Adjusted funds flow of $239 million ($0.77 per share), impacted by a realized commodity price risk management loss in the quarter of $66 million ($0.21 per share);

- Quarterly production volumes of 91,506 barrels per day (bbls/d) at a steam-oil ratio (SOR) of 2.56. Based on strong operational performance, annual average production guidance has been upwardly revised from 91,000 – 93,000 bbls/d to 92,500 – 93,500 bbls/d;

- Net operating costs of $7.17 per barrel, including non-energy operating costs of $4.46 per barrel. Power revenue offset energy operating costs by 43%, resulting in a net impact of $2.71 per barrel. Year to date, power revenue has offset approximately 60% of MEG's energy operating costs;

- Total capital investment of $84 million in the quarter with the majority directed towards sustaining and maintenance activities, resulting in $155 million of free cash flow in the quarter; and

- During the quarter MEG redeemed US$100 million (approximately $125 million) of MEG's 6.5% senior secured second lien notes due January 2025.

Blend Sales Pricing

MEG realized an average AWB blend sales price of US$59.15 per barrel during the third quarter of 2021 compared to US$56.41 per barrel in the second quarter of 2021. The increase in average AWB blend sales price quarter over quarter was primarily a result of the average WTI price increasing by US$4.49 per barrel. MEG sold 38% of its sales volumes at the premium-priced U.S. Gulf Coast ("USGC") in the third quarter of 2021 compared to 45% in the second quarter of 2021 due to higher apportionment levels on the Enbridge mainline system during the third quarter of 2021.

The reduction in sales volumes sold at the USGC quarter over quarter was consistent with the reduction in transportation and storage costs which averaged US$5.75 per barrel of AWB blend sales in the third quarter of 2021 compared to US$6.17 per barrel of AWB blend sales in the second quarter of 2021.

Operational Performance

Bitumen production averaged 91,506 bbls/d in the third quarter of 2021, consistent with average bitumen production of 91,803 bbls/d in the second quarter of 2021.

Non-energy operating costs averaged $4.46 per barrel of bitumen sales in the third quarter of 2021 compared to $3.84 per barrel in the second quarter of 2021 primarily due to planned maintenance activities. Energy operating costs, net of power revenue, averaged $2.71 per barrel in the third quarter of 2021 compared to $1.70 per barrel in the second quarter of 2021. This increase quarter over quarter resulted from stronger natural gas prices and lower power sales from its cogeneration facilities. Power revenue offset energy operating costs by 43% during the third quarter of 2021 compared to 60% during the second quarter of 2021. Year to date, power revenue has offset approximately 60% of MEG’s energy operating costs.

General & administrative expense (“G&A”) was relatively consistent quarter over quarter with $14 million, or $1.72 per barrel of production, in the third quarter of 2021 compared to $13 million, or $1.56 per barrel of production, in the second quarter of 2021.

Adjusted Funds Flow and Net Earnings (Loss)

The Corporation’s cash operating netback averaged $37.31 per barrel in the third quarter of 2021 compared to $31.30 per barrel in the second quarter of 2021. This increase in cash operating netback was primarily driven by the increase in average bitumen realization due to the higher WTI price, as well as a lower realized commodity price risk management loss quarter over quarter. The increased cash operating netback was the main driver for the increase in the Corporation’s adjusted funds flow from $166 million in the second quarter of 2021 to $239 million in the third quarter of 2021.

The Corporation recognized net earnings of $54 million in the third quarter of 2021 compared to net earnings of $68 million in the second quarter of 2021. This decrease in net earnings was primarily the result of an unrealized foreign exchange loss in the third quarter of 2021 compared to an unrealized foreign exchange gain in the second quarter of 2021. This decrease was partially offset by increased cash operating netback quarter over quarter and by an unrealized gain on risk management in the third quarter of 2021 compared to an unrealized loss on risk management in the second quarter of 2021.

Capital Expenditures

MEG invested $84 million in the third quarter of 2021 compared to $70 million in the second quarter of 2021. Capital invested in the quarter was directed towards sustaining and maintenance activities as well as incremental well capital necessary to allow the Corporation to fully utilize the Christina Lake central plant facility's oil processing capacity of approximately 100,000 bbls/d, prior to any impact from scheduled maintenance activity or outages. As previously disclosed in the Corporation's second quarter 2021 release, the total investment for this optimization initiative is approximately $125 million with $75 million included in the 2021 capital investment budget and the remainder expected to be invested in the first half of 2022.

COVID-19 Global Pandemic

MEG continues to proactively respond to the safety challenges associated with COVID-19 and remains committed to ensuring that the health and safety of all its personnel and business partners and the safe and reliable operation of the Christina Lake facility remain a top priority. MEG continues to apply screening procedures, including antigen screening and other protocols, ensuring the health and safety of its people.

Debt Repayment

As previously announced, during the third quarter of 2021 the Corporation continued to prioritize debt repayment with the redemption of US$100 million of the Corporation's 6.50% senior secured second lien notes due January 2025 at a redemption price of 103.25%, plus accrued and unpaid interest to, but not including, the redemption date of August 23, 2021.

Since the beginning of 2018 the Corporation has repaid US$1.6 billion of outstanding indebtedness and remains committed to continued debt reduction as a key component of its capital allocation strategy. All available free cash flow generated in the second half of 2021 will be directed to further debt repayment.

Outlook

Based on better than expected production performance MEG is revising its full year 2021 average production to 92,500 – 93,500 bbls/d.

Summary of 2021 Guidance	Revised Guidance (November 8, 2021)	Revised Guidance (July 22, 2021)	Revised Guidance (May 3, 2021)	Original Guidance (December 7, 2020)
Bitumen production - annual average	92,500 - 93,500 bbls/d	91,000 - 93,000 bbls/d	88,000 - 90,000 bbls/d	86,000 - 90,000 bbls/d
Non-energy operating costs	$4.40 - $4.50 per bbl	$4.40 - $4.60 per bbl	$4.60 - $5.00 per bbl	$4.60 - $5.00 per bbl
G&A expense	$1.65 - $1.75 per bbl	$1.65 - $1.75 per bbl	$1.70 - $1.80 per bbl	$1.70 - $1.80 per bbl
Capital expenditures	$335 million	$335 million	$260 million	$260 million

MEG's estimate of full year 2021 total transportation costs range from US$6.00 to US$6.50 per barrel of AWB blend sales.

MEG plans to release its 2022 capital and operating budget on or about November 29, 2021.

2021 Commodity Price Risk Management

During the second half of 2020, MEG entered into enhanced WTI fixed price hedges with sold put options for approximately 30% of forecast bitumen production for the fourth quarter of 2021 at an average price of US$46.18 per barrel. Additionally, MEG has hedged approximately 30% of its expected condensate requirements at a landed-at-Edmonton price equivalent to 98% of WTI, approximately 30% of expected natural gas requirements at an average AECO price of C$2.61 per GJ and fixed the sales price on approximately 30% of expected power available for sale at an average price of C$62.75 per MWh, each for the fourth quarter of 2021. The table below reflects MEG's outstanding fourth quarter of 2021 hedge positions.

MEG has not entered into any WTI or WTI:WCS differential hedges for 2022.

	Forecast Period Q4 2021
WTI Hedges	
Enhanced WTI Fixed Price Hedges with Sold Put Options[(1)]	
Volume (bbls/d)	29,000
Weighted average fixed WTI price (US$/bbl) / Put option strike price (US$/bbl)	$ 46.18 / $ 38.79
Condensate Hedges	
Volume[(2)] (bbls/d)	14,028
Weighted average % of WTI price landed in Edmonton (%)[(3)]	98 %
Natural Gas Hedges	
Volume[(4)] (GJ/d)	42,500
Weighted average fixed AECO price (C$/GJ)	$ 2.61
Power Hedges	
Quantity[(5)] (MW)	35
Weighted average fixed price (C$/MWh)	$ 62.75

(1) *If in any month the 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 each barrel hedged in that month. If in any month the 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 approximately 3,000 bbls/d of physical forward condensate purchases for the fourth quarter of 2021 at a fixed discount to WTI.*
(3) *The average % of WTI landed in Edmonton includes estimated net transportation costs to Edmonton.*
(4) *Includes 5,000 GJ/d of physical forward natural gas purchases for the fourth quarter of 2021 at a fixed AECO price.*
(5) *Represents physical forward power sales at a fixed power price.*

Conference Call

A conference call will be held to review MEG's third quarter of 2021 operating and financial results at 6:30 a.m. Mountain Time (8:30 a.m. Eastern Time) on Tuesday, November 9th, 2021. 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		2021			2020				2019
($millions, except as indicated)	**2021**	**2020**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Bitumen production - bbls/d	**91,386**	**79,557**	**91,506**	91,803	90,842	91,030	71,516	75,687	91,557	94,566
Steam-oil ratio	**2.44**	**2.33**	**2.56**	2.39	2.37	2.31	2.36	2.32	2.31	2.27
Bitumen sales - bbls/d	**89,861**	**78,354**	**92,251**	89,980	87,298	95,731	67,569	70,397	97,214	94,347
Bitumen realization - $/bbl	**59.28**	**22.54**	**64.91**	60.09	52.34	38.64	39.68	10.18	19.45	46.86
Net operating costs - $/bbl[1]	**6.00**	**5.85**	**7.17**	5.54	5.25	6.98	6.05	6.14	5.51	5.87
Non-energy operating costs - $/bbl	**4.12**	**4.25**	**4.46**	3.84	4.05	4.70	3.96	4.09	4.57	4.49
Cash operating netback - $/bbl[2]	**31.71**	**19.45**	**37.31**	31.30	26.03	18.66	16.58	25.84	16.83	28.33
General & administrative expense $/bbl[3]	**1.68**	**1.61**	**1.72**	1.56	1.77	1.65	1.50	1.29	1.96	2.25
Adjusted funds flow[4]	**532**	**191**	**239**	166	127	84	26	89	76	155
Per share, diluted	**1.71**	**0.62**	**0.77**	0.53	0.41	0.27	0.09	0.29	0.25	0.51
Revenue	**3,014**	**1,505**	**1,091**	1,009	914	786	533	307	665	992
Net earnings (loss)	**105**	**(373)**	**54**	68	(17)	16	(9)	(80)	(284)	26
Per share, diluted	**0.34**	**(1.24)**	**0.17**	0.22	(0.06)	0.05	(0.03)	(0.26)	(0.95)	0.09
Capital expenditures	**224**	**109**	**84**	70	70	40	36	20	54	72
Cash and cash equivalents	**210**	**49**	**210**	159	54	114	49	120	62	206
Long-term debt - C$	**2,769**	**3,030**	**2,769**	2,820	2,852	2,912	3,030	3,096	3,212	3,123
Long-term debt - US$	**2,172**	**2,274**	**2,172**	2,273	2,268	2,283	2,274	2,274	2,275	2,409

(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 does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the "NON-GAAP MEASURES" section of this Press Release.*
(3) *General and administrative expense ("G&A") per barrel is based on bitumen production volumes.*
(4) *Refer to Note 19 of the September 30, 2021 interim consolidated financial statements for further details.*

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	
($millions)	**2021**	**2020**	**2021**	**2020**
Net cash provided by (used in) operating activities	**$ 257**	$ (31)	**$ 449**	$ 186
Net change in non-cash operating working capital items	**(45)**	50	**44**	(28)
Funds flow from operations	**212**	19	**493**	158
Adjustments:				
Settlement expense[(1)]	**21**	—	**21**	—
Payments on onerous contracts	**6**	—	**18**	—
Contract cancellation	**—**	7	**—**	33
Adjusted funds flow	**$ 239**	$ 26	**$ 532**	$ 191
Capital expenditures	**(84)**	(36)	**(224)**	(109)
Free cash flow	**$ 155**	$ (10)	**$ 308**	$ 82

(1) *During the third quarter of 2021, the Corporation reached an agreement to settle the litigation matter commenced in 2014 relating to legacy issues involving a unit train transloading facility in Alberta. Under the agreement, the Corporation paid (subsequent to the quarter) the sum of $21 million in full and final settlement of the claim and the claim has been discontinued.*

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: the Corporation’s commitment to ensuring the health and safety of its personnel and safe and reliable operations of the Christina Lake facility; the Corporation’s expectation regarding the Christina Lake central plant’s facility’s oil processing capacity of approximately 100,000 bbls/day and the amount of capital investment and timing of such capital investment required to allow the Corporation to fully utilize this capacity; the Corporation’s commitment to continued debt reduction as a key component of its capital allocation strategy; the Corporation’s expectation that all available free cash flow generated in the second half of 2021 will be directed to further debt repayment; all statements relating to the Corporation’s full year 2021 guidance, including full year 2021 production, non-energy operating costs, general and administrative expenses and capital expenditures; the Corporation's estimate of full year 2021 transportation costs; and all statements relating to the Corporation’s 2021 hedge book.

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 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; 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 sustaining 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; MEG’s response to the COVID-19 global pandemic; the severity and duration of the COVID-19 pandemic, including vaccine rollouts; the potential for a temporary suspension of operations impacted by an outbreak of COVID-19; actions taken by OPEC+ in relation to supply management; 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 hedging program, capital expenditures, production, operating costs and general and administrative 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. MEG's 2020 Annual Management's Discussion and Analysis ("MD&A") and 2020 Annual Consolidated Financial Statements are available at www.megenergy.com/investors and at www.sedar.com.

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 ("SAGD") extraction methods to improve the responsible economic recovery of oil as well as lower carbon emissions. MEG transports and sells its thermal oil (AWB) to customers throughout North America and internationally.

Learn more at: www.megenergy.com

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