Consolidated Balance Sheet
(Unaudited, expressed in millions of Canadian dollars)

As at	Note	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	15	**$ 66**	$ 192
Trade receivables and other	3	**468**	488
Inventories		**229**	185
Risk management	17	**—**	78
		763	943
Non-current assets			
Property, plant and equipment	4	**5,781**	5,763
Exploration and evaluation assets	5	**127**	126
Other assets	6	**175**	201
Total assets		**$ 6,846**	$ 7,033
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	**$ 447**	$ 573
Interest payable		**38**	44
Current portion of long-term debt	8	**—**	3
Current portion of provisions and other liabilities	9	**23**	21
Risk management	17	**24**	13
		532	654
Non-current liabilities			
Long-term debt	8	**1,382**	1,578
Provisions and other liabilities	9	**401**	389
Risk management	17	**6**	5
Deferred income tax liability		**84**	24
Total liabilities		**2,405**	2,650
Shareholders' equity			
Share capital	10	**5,037**	5,164
Contributed surplus		**170**	169
Deficit		**(799)**	(988)
Accumulated other comprehensive income		**33**	38
Total shareholders' equity		**4,441**	4,383
Total liabilities and shareholders' equity		**$ 6,846**	$ 7,033

Commitments and contingencies (Note 19)
The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Earnings and Comprehensive Income
(Unaudited, expressed in millions of Canadian dollars, except per share amounts)

		Three months ended June 30		Six months ended June 30	
	Note	2023	2022	2023	2022
Revenues					
Petroleum revenue, net of royalties	12	**$ 1,267**	$ 1,549	**$ 2,706**	$ 3,056
Power and transportation revenue	12	**24**	22	**65**	46
Revenues		**1,291**	1,571	**2,771**	3,102
Expenses					
Diluent expense		**363**	415	**861**	932
Transportation and storage expense		**152**	130	**295**	248
Operating expenses		**73**	107	**172**	211
Purchased product		**373**	376	**787**	536
Depletion and depreciation	4, 6	**117**	87	**260**	211
General and administrative		**15**	15	**33**	29
Stock-based compensation	11	**5**	14	**22**	20
Net finance expense	14	**37**	62	**77**	117
Other income		**—**	—	**(1)**	—
Loss (gain) on asset dispositions		**—**	(3)	**—**	(3)
Commodity risk management loss (gain), net	17	**18**	(9)	**16**	(14)
Foreign exchange (gain) loss, net	13	**(30)**	60	**(29)**	32
Earnings before income taxes		**168**	317	**278**	783
Deferred tax expense		**32**	92	**61**	196
Net earnings		**136**	225	**217**	587
Other comprehensive income (loss), net of tax					
Items that may be reclassified to profit or loss:					
Foreign currency translation adjustment		**(5)**	5	**(5)**	3
Comprehensive income		**$ 131**	$ 230	**$ 212**	$ 590

Net earnings per common share					
Basic	16	**$ 0.47**	$ 0.73	**$ 0.75**	$ 1.90
Diluted	16	**$ 0.47**	$ 0.72	**$ 0.74**	$ 1.87

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity
(Unaudited, expressed in millions of Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at December 31, 2022	**$ 5,164**	**$ 169**	**$ (988)**	**$ 38**	**$ 4,383**
Stock-based compensation	**—**	**15**	**—**	**—**	**15**
Stock options exercised	**1**	**(1)**	**—**	**—**	**—**
RSUs and PSUs vested and released	**13**	**(13)**	**—**	**—**	**—**
Repurchase of shares for cancellation	**(141)**	**—**	**(28)**	**—**	**(169)**
Comprehensive income	**—**	**—**	**217**	**(5)**	**212**
Balance as at June 30, 2023	**$ 5,037**	**$ 170**	**$ (799)**	**$ 33**	**$ 4,441**
Balance as at December 31, 2021	$ 5,486	$ 172	$ (1,875)	$ 25	$ 3,808
Stock-based compensation	—	11	—	—	11
Stock options exercised	34	(10)	—	—	24
RSUs vested and released	11	(11)	—	—	—
Repurchase of shares for cancellation	(80)	—	(14)	—	(94)
Comprehensive income	—	—	587	3	590
Balance as at June 30, 2022	$ 5,451	$ 162	$ (1,302)	$ 28	$ 4,339

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flow
(Unaudited, expressed in millions of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2023	2022	2023	2022
Cash provided by (used in):					
Operating activities					
Net earnings		**$ 136**	$ 225	**$ 217**	$ 587
Adjustments for:					
Deferred income tax expense		**32**	92	**61**	196
Depletion and depreciation	4, 6	**117**	87	**260**	211
Stock-based compensation	11	**6**	3	**92**	11
Unrealized net (gain) loss on foreign exchange	13	**(29)**	59	**(28)**	30
Unrealized net (gain) loss on commodity risk management	17	**11**	(8)	**11**	(12)
Amortization of debt discount and debt issue costs		**—**	(1)	**1**	1
Loss (gain) on asset dispositions		**—**	(3)	**—**	(3)
Debt extinguishment expense	14	**2**	12	**6**	12
Other		**4**	2	**7**	3
Decommissioning expenditures	9	**(1)**	1	**(1)**	(1)
Net change in long-term incentive compensation liability		**—**	(57)	**—**	(36)
Funds flow from operating activities		**278**	412	**626**	999
Net change in non-cash working capital items	15	**(34)**	199	**(145)**	(71)
Net cash provided by (used in) by operating activities		**244**	611	**481**	928
Investing activities					
Capital expenditures	4	**(149)**	(104)	**(262)**	(192)
Net proceeds on dispositions		**—**	3	**—**	3
Other		**(1)**	2	**(1)**	1
Net change in non-cash working capital items	15	**13**	7	**15**	8
Net cash provided by (used in) investing activities		**(137)**	(92)	**(248)**	(180)
Financing activities					
Repayment and redemption of long-term debt	8	**(54)**	(484)	**(171)**	(772)
Debt redemption premium and refinancing costs	8	**(1)**	(12)	**(4)**	(17)
Repurchase of shares	10	**(66)**	(94)	**(169)**	(94)
Issue of shares, net of issue costs		**—**	17	**—**	24
Receipts on leased assets	15	**1**	1	**1**	2
Payments on leased liabilities	15	**(4)**	(6)	**(8)**	(12)
Net change in non-cash working capital items	15	**1**	—	**(4)**	—
Net cash provided by (used in) financing activities		**(123)**	(578)	**(355)**	(869)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(3)**	13	**(4)**	4
Change in cash and cash equivalents		**(19)**	(46)	**(126)**	(117)
Cash and cash equivalents, beginning of year		**85**	290	**192**	361
Cash and cash equivalents, end of period		**$ 66**	$ 244	**$ 66**	$ 244

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

All amounts are expressed in millions of Canadian dollars unless otherwise noted.

1. CORPORATE INFORMATION

MEG Energy Corp. (the "Corporation") was incorporated under the *Alberta Business Corporations Act* on March 9, 1999. The Corporation's shares trade on the Toronto Stock Exchange under the symbol "MEG". The Corporation owns a 100% interest in over 410 square miles of mineral leases in the southern Athabasca oil region of Alberta, Canada and is primarily engaged in sustainable *in situ* thermal oil production at its Christina Lake Project.

The corporate office is located at 600 – 3rd Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements ("interim consolidated financial statements") were prepared using the same accounting policies and methods as those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2022. The interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), has been omitted or condensed. The preparation of interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, have been set out in Note 4 of the Corporation's audited consolidated financial statements for the year ended December 31, 2022. These interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2022.

These interim consolidated financial statements are presented in Canadian dollars ($ or C$), which is the Corporation's functional currency and were approved by the Corporation's Audit Committee on July 27, 2023.

3. TRADE RECEIVABLES AND OTHER

As at	**June 30, 2023**	**December 31, 2022**
Trade receivables	**$ 447**	$ 473
Deposits and advances	**19**	13
Current portion of sublease receivable	**2**	2
	$ 468	$ 488

4. PROPERTY, PLANT AND EQUIPMENT

	Crude oil	Transportation and storage	Right-of-use assets	Corporate assets	Total
Cost					
Balance as at December 31, 2022	$ 9,883	$ 29	$ 277	$ 79	$ 10,268
Additions	261	—	—	—	261
Change in decommissioning liabilities	16	—	—	—	16
Balance as at June 30, 2023	**$ 10,160**	**$ 29**	**$ 277**	**$ 79**	**$ 10,545**
Accumulated depletion and depreciation					
Balance as at December 31, 2022	$ 4,348	$ 29	$ 70	$ 58	$ 4,505
Depletion and depreciation	250	—	7	2	259
Balance as at June 30, 2023	**$ 4,598**	**$ 29**	**$ 77**	**$ 60**	**$ 4,764**
Carrying amounts					
Balance as at December 31, 2022	$ 5,535	$ —	$ 207	$ 21	$ 5,763
Balance as at June 30, 2023	**$ 5,562**	**$ —**	**$ 200**	**$ 19**	**$ 5,781**

As at June 30, 2023, property, plant and equipment was assessed for indicators of impairment and none were identified.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of $127 million in exploration projects which are pending the determination of proved or probable reserves (year ended December 31, 2022 – $126 million). These assets were assessed for indicators of impairment and none were identified.

6. OTHER ASSETS

As at	June 30, 2023	December 31, 2022
Non-current pipeline linefill[(a)]	**$ 153**	$ 178
Finance sublease receivables	**11**	12
Intangible assets[(b)]	**4**	4
Prepaid transportation costs[(c)]	**7**	8
Pathways initiative	**2**	1
	177	203
Less current portion, included in trade receivables and other	**(2)**	(2)
	$ 175	$ 201

a. Non-current pipeline linefill on third-party owned pipelines is classified as a non-current asset as these transportation contracts expire between the years 2025 and 2048.

b. As at June 30, 2023, intangible assets consist of software that is not an integral component of the related computer hardware. Depreciation of $0.5 million was recognized for the six months ended June 30, 2023 (year ended December 31, 2022 – $1 million).

c. Prepaid transportation costs related to upgrading third-party transportation infrastructure have been capitalized and are being amortized to transportation expense over the 30-year term of the agreement.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2023	December 31, 2022
Trade payables and other	$ 424	$ 473
Current liability for cash-settled stock-based compensation	23	100
	$ 447	$ 573

As at June 30, 2023, the Corporation recognized a liability of $23 million relating to the fair value of cash-settled DSUs (December 31, 2022 – $100 million related to the fair value of cash settled RSUs, PSUs and DSUs).

8. LONG-TERM DEBT

As at	June 30, 2023	December 31, 2022
Unsecured:		
7.125% senior unsecured notes (June 30, 2023 - US$453.6 million; due 2027; December 31, 2022 - US$579.9 million)	$ 601	$ 785
5.875% senior unsecured notes (June 30, 2023 - US$600 million; due 2029; December 31, 2022 - US$600 million)	794	812
	1,395	1,597
Unamortized deferred debt discount and debt issue costs	(13)	(16)
	$ 1,382	$ 1,581
Less current portion of 7.125% senior unsecured notes due 2027	—	(3)
	$ 1,382	$ 1,578

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US$1 = C$1.3238 (December 31, 2022 – US$1 = C$1.3534).

During the first half of 2023, the Corporation repurchased and extinguished US$126 million (approximately $171 million) of its 7.125% senior unsecured notes due February 2027 at a weighted average price of 102.2% plus accrued and unpaid interest. For the six months ended June 30, 2023, the Corporation recognized a cumulative debt redemption premium of $4 million and associated unamortized deferred debt issue costs of $2 million for debt extinguishment expense of $6 million recognized in net finance expense (Note 14).

9. PROVISIONS AND OTHER LIABILITIES

As at	June 30, 2023	December 31, 2022
Lease liabilities[(a)]	$ 236	$ 244
Decommissioning provision[(b)]	188	166
Provisions and other liabilities	424	410
Less current portion	(23)	(21)
Non-current portion	$ 401	$ 389

a. Lease liabilities:

As at	June 30, 2023	December 31, 2022
Balance, beginning of period	**$ 244**	$ 266
Payments	**(19)**	(48)
Interest expense	**12**	24
Foreign exchange impact	**(1)**	2
Balance, end of period	**236**	244
Less current portion	**(18)**	(17)
Non-current portion	**$ 218**	$ 227

The Corporation's minimum lease payments are as follows:

As at June 30	2023
Within one year	**$ 40**
Later than one year but not later than five years	**125**
Later than five years	**424**
Minimum lease payments	**589**
Amounts representing finance charges	**(353)**
Net minimum lease payments	**$ 236**

In addition, the Corporation has short-term leases with lease terms of twelve months or less as well as low-value leases. As these lease costs are incurred they are recognized as either general and administrative expense or operating expense depending on their nature. As at June 30, 2023, the present value of these arrangements is $1 million (December 31, 2022 - $1 million), using the Corporation's estimated incremental borrowing rate.

b. Decommissioning provision:

The following table presents the decommissioning provision associated with the reclamation and abandonment of the Corporation’s property, plant and equipment and exploration and evaluation assets:

As at	June 30, 2023	December 31, 2022
Balance, beginning of period	**$ 166**	$ 135
Changes in estimated life and estimated future cash flows	**2**	32
Changes in discount rates	**15**	(5)
Liabilities settled	**(1)**	(5)
Accretion	**6**	9
Balance, end of period	**188**	166
Less current portion	**(5)**	(4)
Non-current portion	**$ 183**	$ 162

The decommissioning provision represents the present value of the estimated future costs for the reclamation and abandonment of the Corporation's property, plant and equipment and exploration and evaluation assets. The total undiscounted amount of the estimated future cash flows to settle the decommissioning obligations is $830 million (December 31, 2022 – $830 million). As at June 30, 2023, the Corporation has estimated the net present value of the decommissioning obligations using a weighted average credit-adjusted risk-free rate of 8.7% (December 31, 2022 – 9.5%) and an inflation rate of 2.1% (December 31, 2022 - 2.1%). The decommissioning provision is estimated to be settled in periods up to the year 2066 (December 31, 2022 - periods up to the year 2066).

10. SHARE CAPITAL

Common shares are classified as equity. Transaction costs directly attributable to the issuance of shares are recognized as a reduction of shareholders' equity, net of any related income tax. When the Corporation repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price, the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, any previous contributed surplus related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings.

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares.

Changes in issued common shares are as follows:

	Six months ended June 30, 2023		**Year ended December 31, 2022**	
	Number of shares (thousands)	**Amount**	**Number of shares (thousands)**	**Amount**
Balance, beginning of year	**291,081**	**$ 5,164**	306,865	$ 5,486
Issued upon exercise of stock options	**126**	**1**	2,003	34
Issued upon vesting and release of equity-settled RSUs and PSUs	**2,377**	**13**	2,867	11
Repurchase of shares for cancellation	**(8,018)**	**(141)**	(20,654)	(367)
Balance, end of period	**285,566**	**$ 5,037**	291,081	$ 5,164

On March 8, 2023, the Toronto Stock Exchange ("TSX") approved the renewal of the Corporation's normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Corporation will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 28,596,214 of its common shares. The NCIB became effective March 10, 2023 and will terminate on March 9, 2024 or such earlier time as the NCIB is completed or terminated at the option of the Corporation.

For the six months ended June 30, 2023, the Corporation purchased for cancellation 8.0 million common shares under its NCIB at a weighted average price of $21.12 for a total cost of $169 million. Share capital was reduced by the average carrying value of the shares of $17.70 per share. Retained earnings was reduced by $28 million for shares purchased above carrying value.

During 2023, the Corporation issued approximately 2.4 million common shares upon vesting and release of restricted share units ("RSUs") and performance share units ("PSUs").

11. STOCK-BASED COMPENSATION

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Cash-settled expense[i]	**$ (1)**	$ 10	**$ 17**	$ 55
Equity-settled expense	**6**	7	**14**	10
Realized equity price risk management (gain) loss[ii]	**—**	—	**(87)**	(46)
Unrealized equity price risk management (gain) loss[ii]	**—**	(3)	**78**	1
Stock-based compensation	**$ 5**	$ 14	**$ 22**	$ 20

(i) Cash-settled RSUs and PSUs are accounted for as liability instruments and are measured at fair value based on the market value of the Corporation's common shares at each period end and certain estimates including a performance multiplier for PSUs. Fluctuations in the fair value are recognized during the period in which they occur.

(ii) Relates to financial equity price risk management contracts entered into to manage the Corporation's exposure to cash-settled RSUs and PSUs vesting between 2021 and 2023 granted under the Corporation's stock-based compensation plans. Amounts were unrealized until vesting of the related units occurred. All financial equity price risk management contracts were fully realized as at March 31, 2023. See note 17(d) for further details.

A $17 million cash-settled expense was recognized during the six months ended June 30, 2023 due to the increase in the Corporation's share price, and associated increase in value of cash-settled RSUs, PSUs and deferred share units ("DSUs") compared to December 31, 2022. As at June 30, 2023, the Corporation recognized a liability of $23 million relating to the fair value of cash-settled DSUs (December 31, 2022 – $100 million related to the fair value of cash settled RSUs, PSUs and DSUs).

All of the Corporation's outstanding cash-settled RSUs and PSUs vested during the first quarter of 2023 and the only cash-settled units remaining outstanding are DSUs.

12. REVENUES

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Sales from:				
Production	**$ 942**	$ 1,224	**$ 1,985**	$ 2,617
Purchased product[i]	**383**	383	**810**	544
Petroleum revenue	**$ 1,325**	$ 1,607	**$ 2,795**	$ 3,161
Royalties	**(58)**	(58)	**(89)**	(105)
Petroleum revenue, net of royalties	**$ 1,267**	$ 1,549	**$ 2,706**	$ 3,056
Power revenue	**$ 23**	$ 21	**$ 63**	$ 44
Transportation revenue	**1**	1	**2**	2
Power and transportation revenue	**$ 24**	$ 22	**$ 65**	$ 46
Revenues	**$ 1,291**	$ 1,571	**$ 2,771**	$ 3,102

(i) The associated third-party purchases are included in the consolidated statement of earnings (loss) and comprehensive income (loss) under the caption "Purchased product".

a. Disaggregation of revenue from contracts with customers

The Corporation recognizes revenue upon delivery of goods and services in the following geographic regions:

	Three months ended June 30					
	2023			2022		
	Petroleum Revenue			Petroleum Revenue		
	Proprietary	Third-party	Total	Proprietary	Third-party	Total
Country:						
Canada	**$ 146**	**$ 49**	**$ 195**	$ 230	$ 31	$ 261
United States	**796**	**334**	**1,130**	994	352	1,346
	$ 942	**$ 383**	**$ 1,325**	$ 1,224	$ 383	$ 1,607

	Six months ended June 30					
	2023			2022		
	Petroleum Revenue			Petroleum Revenue		
	Proprietary	Third-party	Total	Proprietary	Third-party	Total
Country:						
Canada	**$ 541**	**$ 144**	**$ 685**	$ 766	$ 86	$ 852
United States	**1,444**	**666**	**2,110**	1,851	458	2,309
	$ 1,985	**$ 810**	**$ 2,795**	$ 2,617	$ 544	$ 3,161

For the three and six months ended June 30, 2023, power and transportation revenue of $24 million and $65 million was attributed to Canada, respectively (three and six months ended June 30, 2022 – $22 million and $46 million attributed to Canada, respectively).

b. Revenue-related assets

The Corporation has recognized the following revenue-related assets in trade receivables and other:

As at	June 30, 2023	December 31, 2022
Petroleum revenue	**$ 423**	$ 427
Power and transportation revenue	**8**	30
Total revenue-related assets	**$ 431**	$ 457

Revenue-related receivables are typically settled within 30 days. As at June 30, 2023 and December 31, 2022, there was no material expected credit loss required against revenue-related receivables.

13. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Unrealized foreign exchange (gain) loss on:				
Long-term debt	**$ (31)**	$ 73	**$ (31)**	$ 42
US$ denominated cash and cash equivalents	**2**	(14)	**3**	(5)
Foreign currency risk management contracts	**—**	—	**—**	(7)
Unrealized net (gain) loss on foreign exchange	**(29)**	59	**(28)**	30
Realized (gain) loss on foreign exchange	**(1)**	1	**(1)**	2
Foreign exchange (gain) loss, net	**$ (30)**	$ 60	**$ (29)**	$ 32
C$ equivalent of 1 US$				
Beginning of period	**1.3528**	1.2508	**1.3534**	1.2656
End of period	**1.3238**	1.2872	**1.3238**	1.2872

14. NET FINANCE EXPENSE

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Interest expense on long-term debt	**$ 28**	$ 43	**$ 57**	$ 90
Interest expense on lease liabilities	**6**	6	**12**	12
Interest income	**(2)**	(1)	**(4)**	(1)
Net interest expense	**32**	48	**65**	101
Debt extinguishment expense	**2**	12	**6**	12
Accretion on provisions	**3**	2	**6**	4
Net finance expense	**$ 37**	$ 62	**$ 77**	$ 117

For the three months ended June 30, 2023, debt extinguishment expense of $2 million was recognized in association with the repurchase and extinguishment of US$40 million (approximately C$54 million) of the Corporation's 7.125% senior unsecured notes, which included a cumulative debt redemption premium of $1 million and associated unamortized deferred debt issue costs of $1 million. Refer to Note 8 for further details.

For the six months ended June 30, 2023, debt extinguishment expense of $6 million was recognized in association with the repurchase and extinguishment of US$126 million (approximately $171 million) of the Corporation's 7.125% senior unsecured notes, which included a cumulative debt redemption premium of $4 million and associated unamortized deferred debt issue costs of $2 million. Refer to Note 8 for further details.

For the three and six months ended June 30, 2022, debt extinguishment expense of $12 million was recognized in association with the repurchase and extinguishment of US$208 million (approximately $268 million) of the Corporation's 7.125% senior unsecured notes, which included a cumulative debt redemption premium of $9 million and associated unamortized deferred debt issue costs of $3 million. Refer to Note 8 for further details.

15. SUPPLEMENTAL CASH FLOW DISCLOSURES

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Cash provided by (used in):				
Trade receivables and other	**$ 118**	$ 100	**$ 18**	$ (84)
Inventories[a]	**(12)**	(14)	**(19)**	(83)
Accounts payable and accrued liabilities	**(148)**	91	**(127)**	126
Interest payable	**22**	29	**(6)**	(22)
	$ (20)	$ 206	**$ (134)**	$ (63)
Changes in non-cash working capital relating to:				
Operating	**$ (34)**	$ 199	**$ (145)**	$ (71)
Investing	**13**	7	**15**	8
Financing	**1**	—	**(4)**	—
	$ (20)	$ 206	**$ (134)**	$ (63)
Cash and cash equivalents:[b]				
Cash	**$ 66**	$ 244	**$ 66**	$ 244
Cash equivalents	**—**	—	**—**	—
	$ 66	$ 244	**$ 66**	$ 244
Cash interest paid	**$ 1**	$ 9	**$ 54**	$ 103

a. Cash provided by (used in) inventories excludes a $24 million reclassification from Non-current pipeline linefill which was included in Other assets.

b. As at June 30, 2023, $34 million of the Corporation's total cash and cash equivalents balance was held in U.S. dollars (June 30, 2022 – $214 million). The U.S. dollar cash and cash equivalents balance has been translated into Canadian dollars at the period end exchange rate of US$1 = C$1.3238 (June 30, 2022 – US$1 = C$1.2872).

The following table provides a reconciliation of assets and liabilities to cash flows arising from financing activities:

	Finance sublease receivables	**Lease liabilities**	**Long-term debt**
Balance as at December 31, 2022	$ 12	$ 244	$ 1,581
Financing cash flow changes:			
Receipts on leased assets	(1)	—	—
Payments on leased liabilities	—	(8)	—
Repayment and redemption of long-term debt	—	—	(171)
Debt redemption premium and refinancing costs	—	—	(4)
Other cash and non-cash changes:			
Interest payments on lease liabilities	—	(11)	—
Interest expense on lease liabilities	—	12	—
Unrealized (gain) loss on foreign exchange	—	(1)	(31)
Debt extinguishment expense	—	—	6
Amortization of deferred debt discount and debt issue costs	—	—	1
Balance as at June 30, 2023	**$ 11**	**$ 236**	**$ 1,382**

(i) Finance sublease receivables, Lease liabilities & Long-term debt all include their respective current portion.

16. NET EARNINGS PER COMMON SHARE

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Net earnings	**$ 136**	$ 225	**$ 217**	$ 587
Weighted average common shares outstanding (millions)[a]	**287**	310	**288**	309
Dilutive effect of stock options and equity-settled RSUs and PSUs (millions)	**3**	4	**3**	5
Weighted average common shares outstanding – diluted (millions)	**290**	314	**291**	314
Net earnings per share, basic	**$ 0.47**	$ 0.73	**$ 0.75**	$ 1.90
Net earnings per share, diluted	**$ 0.47**	$ 0.72	**$ 0.74**	$ 1.87

a. Weighted average common shares outstanding for the three and six months ended June 30, 2023 include 564,184 and 500,229 PSUs vested but not yet released, respectively (three and six months ended June 30, 2022 - 238,773 and 120,046 PSUs vested but not yet released, respectively).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments recognized on the consolidated balance sheet are comprised of cash and cash equivalents, trade receivables and other, risk management contracts, accounts payable and accrued liabilities, interest payable and long-term debt.

a. Fair values:

The carrying values of cash and cash equivalents, trade receivables and other, accounts payable and accrued liabilities and interest payable included on the consolidated balance sheet approximates the fair values of the respective assets and liabilities due to the short-term nature of those instruments.

The following fair values are based on Level 2 inputs to fair value measurement:

As at	**June 30, 2023**		**December 31, 2022**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Recurring measurements:				
Financial assets				
Equity price risk management contracts	**$ —**	**$ —**	$ 78	$ 78
Financial liabilities				
Long-term debt (Note 8)	**$ 1,395**	**$ 1,352**	$ 1,597	$ 1,570
Commodity risk management contracts	**$ 30**	**$ 30**	$ 18	$ 18

The estimated fair value of long-term debt is derived using quoted prices in an inactive market from a third-party independent broker. The fair value was determined based on estimates as at June 30, 2023 and is expected to fluctuate given the volatility in the debt and commodity price markets.

The fair value of risk management contracts is derived using quoted prices in an active market from a third-party independent broker. Management's assumptions rely on external observable market data including forward prices for commodities and foreign exchange rates. The observable inputs may be adjusted using certain methods, which include extrapolation to the end of the term of the contract.

b. Risk management:

The Corporation's risk management assets and liabilities consist of condensate swaps, natural gas swaps, and equity swaps. The use of financial risk management contracts is governed by a Risk Management Committee that follows guidelines and limits approved by the Board of Directors. The Corporation does not use financial derivatives for speculative purposes. Financial risk management contracts are measured at fair value, with gains and losses on re-measurement included in the consolidated statement of earnings and comprehensive income in the period in which they arise.

The Corporation's financial risk management contracts are subject to master agreements that create a legally enforceable right to offset, by counterparty, the related financial assets and financial liabilities on the Corporation's balance sheet in all circumstances.

The following table provides a summary of the Corporation's unrealized offsetting financial risk management positions:

As at	**June 30, 2023**			**December 31, 2022**		
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
Gross amount	**$ —**	**$ (30)**	**$ (30)**	$ 78	$ (18)	$ 60
Amount offset	**—**	**—**	**—**	—	—	—
Net amount	**$ —**	**$ (30)**	**$ (30)**	$ 78	$ (18)	$ 60
Current portion	**$ —**	**$ (24)**	**$ (24)**	$ 78	$ (13)	$ 65
Non-current portion	**—**	**(6)**	**(6)**	—	(5)	(5)
Net amount	**$ —**	**$ (30)**	**$ (30)**	$ 78	$ (18)	$ 60

The following table provides a reconciliation of changes in the fair value of the Corporation's financial risk management assets and liabilities from January 1 to June 30:

As at June 30	**2023**	**2022**
Fair value of contracts, beginning of year	**$ 60**	$ 70
Fair value of contracts realized	**(82)**	(48)
Change in fair value of contracts	**(8)**	67
Fair value of contracts, end of period	**$ (30)**	$ 89

c. Commodity risk management:

The Corporation had the following financial commodity risk management contracts relating to condensate and natural gas purchases outstanding as at June 30, 2023:

As at June 30, 2023			
Condensate Purchase Contracts	**Volumes (bbls/d)(i)**	**Term**	**Average Price (US$/bbl)**
WTI:Mont Belvieu Fixed Differential	10,000	Jul 1, 2023 - Oct 31, 2023	$(11.44)
Natural Gas Purchase Contracts	**Volumes (GJ/d)(i)**	**Term**	**Average Price (C$/GJ)**
AECO Fixed Price	35,000	Jul 1, 2023 - Dec 31, 2023	$3.88
AECO Fixed Price	30,000	Jan 1, 2024 - Dec 31, 2024	$4.11

Incremental to these commodity risk management contracts, the Corporation occasionally enters into contracts to fix the spread between WTI prices for consecutive months to support marketing asset optimization activities.

The following table summarizes the sensitivity of the earnings (loss) before income tax impact of fluctuating commodity prices on the Corporation's open financial commodity risk management positions in place as at June 30, 2023:

Commodity	Sensitivity Range	Increase	Decrease
Condensate purchase price	± 5% in condensate price as a percentage of WTI	**$ 6**	**$ (6)**
Natural gas purchase price	± C$0.50 per GJ applied to natural gas contracts	**$ 9**	**$ (9)**

The following table summarizes the financial commodity risk management gains and losses:

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Realized loss (gain) on commodity risk management	**$ 7**	$ (1)	**$ 5**	$ (2)
Unrealized loss (gain) on commodity risk management	**11**	(8)	**11**	(12)
Commodity risk management (gain) loss, net	**$ 18**	$ (9)	**$ 16**	$ (14)

d. Equity price risk management:

In 2020, the Corporation entered into financial equity price risk management contracts to increase the predictability of the Corporation's cash flow by managing share price volatility related to the Corporation's stock-based compensation program. Equity price risk is the risk that changes in the Corporation's own share price will impact earnings and cash flows. Earnings and funds flow from operating activities are impacted when outstanding cash-settled RSUs and PSUs, issued under the Corporation's stock-based compensation plans, are revalued each period based on the Corporation's share price and the revaluation is recognized in stock-based compensation expense. Net cash provided by (used in) operating activities is impacted when the cash-settled components of these stock-based compensation units are ultimately settled. The Corporation entered into these equity price risk management contracts in March 2020 to manage its exposure on cash-settled RSUs and PSUs vesting between April 1, 2021 and March 31, 2023. Equity price risk management (gain) loss is recognized in stock-based compensation expense on the statement of earnings (loss), the unrealized asset (liability) is included in risk management on the balance sheet and any realized asset outstanding at period-end is included in trade receivables and other on the balance sheet.

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Realized equity price risk management (gain) loss	**$ —**	$ —	**$ (87)**	$ (46)
Unrealized equity price risk management (gain) loss	**—**	(3)	**78**	1
Equity price risk management (gain) loss	**$ —**	$ (3)	**$ (9)**	$ (45)

(1) *As at March 31, 2023, all outstanding cash-settled RSUs and PSUs were fully vested and all related financial equity price risk management contracts were fully realized. DSUs are the only cash-settled units remaining outstanding as at June 30, 2023.*

e. Credit risk management:

Credit risk arises from the potential that the Corporation may incur a loss if a counterparty fails to meet its obligations in accordance with agreed terms. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Corporation uses a combination of historical and forward looking information to determine the appropriate loss allowance provisions. Credit risk exposure is mitigated through the use of credit policies governing the Corporation's credit portfolio and with credit practices that limit transactions according to each counterparty's credit quality. A substantial portion of accounts receivable are with investment grade customers in the energy industry and are subject to normal industry credit risk. The Corporation has experienced no material loss in relation to trade receivables. As at June 30, 2023, the Corporation's estimated maximum exposure to credit risk related to trade receivables, deposits and advances was $466 million. All amounts receivable from commodity risk management activities are due from large Canadian banks with strong investment grade credit ratings. Counterparty default risk associated with the Corporation's commodity risk management activities is also partially mitigated through credit exposure limits, frequent assessment of counterparty credit ratings and netting arrangements.

The Corporation's cash balances are used to repay debt, fund capital expenditures, return capital to shareholders or fund future production growth. The cash balances are held in high interest savings accounts or are invested in high grade, liquid, short-term instruments such as bankers' acceptances, commercial paper, money market deposits or similar instruments. The cash and cash equivalents balance at June 30, 2023 was $66 million. None of the investments are past their maturity or considered impaired. The Corporation's estimated maximum exposure to credit risk related to its cash and cash equivalents is $66 million.

f. Liquidity risk management:

Liquidity risk is the risk that the Corporation will not be able to meet all of its financial obligations as they become due. Liquidity risk also includes the risk that the Corporation cannot generate sufficient cash flow from the Christina Lake Project or is unable to raise further capital in order to meet its obligations under its debt agreements. The lenders are entitled to exercise any and all remedies available under the debt agreements. The Corporation manages its liquidity risk through the active management of cash, debt and revolving credit facilities and by maintaining appropriate access to credit.

Management believes its current capital resources and its ability to manage cash flow and working capital levels will allow the Corporation to meet its current and future obligations, to make scheduled principal and interest payments, and to fund the other needs of the business for at least the next 12 months. Meeting current and future obligations through periods of volatility is supported by the Corporation's financial framework and credit risk management policies minimizing exposure related to customer receivables primarily to investment grade customers in the energy industry. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary.

The US$453.6 million of 7.125% senior unsecured notes due February 2027 represents the earliest long-term debt maturity. None of the Corporation's outstanding long-term debt contain financial maintenance covenants. Additionally, the Corporation's modified covenant-lite $600 million revolving credit facility has no financial maintenance covenant unless drawn in excess of 50%, or $300 million. If drawn in excess of 50%, or $300 million, the Corporation 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 the Corporation'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.

18. CAPITAL MANAGEMENT

The Corporation's capital consists of cash and cash equivalents, debt and shareholders' equity. The Corporation's objective for managing capital is to prioritize balance sheet strength while maintaining flexibility to repay debt, fund capital expenditures, return capital to shareholders or fund future production growth. In the current price environment, management believes its current capital resources and its ability to manage cash flow and working capital levels will allow the Corporation to meet its current and future obligations, to make scheduled principal and interest payments, and to fund the other needs of the business for at least the next 12 months. Debt repayment, share buybacks and capital expenditures are anticipated to be funded by the Corporation's adjusted funds flow, cash-on-hand and/or other available liquidity.

On March 8, 2023, the TSX renewed the NCIB which will allow the Corporation to purchase for cancellation, from time to time, as the Corporation considers advisable, up to a maximum of 28,596,214 common shares of MEG. The

NCIB became effective March 10, 2023 and will terminate on March 9, 2024 or such earlier time as the NCIB is completed or terminated at the option of the Corporation.

Currently, 50% of free cash flow is allocated to share buybacks with the remainder applied to debt reduction. This allocation will remain in place until net debt reaches US$600 million, which is expected to occur beyond 2023 at current oil prices.

The following table summarizes the Corporation's net debt:

As at	**Note**	**June 30, 2023**	**December 31, 2022**
Long-term debt	8	**$ 1,382**	$ 1,578
Current portion of long-term debt	8	**—**	3
Cash and cash equivalents		**(66)**	(192)
Net debt - C$		**$ 1,316**	$ 1,389
Net debt - US$		**$ 994**	$ 1,026

Net debt is an important measure used by management to analyze leverage and liquidity.

During the six months ended June 30, 2023, the Corporation repurchased and extinguished US$126 million (approximately $171 million) of the Corporation's 7.125% senior unsecured notes due February 2027 at a weighted average price of 102.2% plus accrued and unpaid interest.

Beginning with the second quarter of 2022, the Corporation began purchasing MEG common shares for cancellation under the Corporation's NCIB program. For the six months ended June 30, 2023, the Corporation purchased for cancellation 8.0 million common shares, returning $169 million to MEG shareholders.

On June 24, 2022, the Corporation amended and restated its revolving credit facility and its letters of credit facility guaranteed by Export Development Canada ("EDC Facility") and extended the maturity date of each facility by 2.3 years to October 31, 2026. Total credit available under the two facilities was reduced from $1.3 billion to $1.2 billion and is comprised of $600 million under the revolving credit facility and $600 million under the EDC Facility.

The revolving credit facility has a modified covenant-lite structure, meaning it continues to contain no financial maintenance covenant unless the Corporation is drawn under the revolving credit facility in excess of 50% or $300 million. If drawn in excess of 50%, or $300 million, under the revolving credit facility the Corporation is required to maintain a first lien net debt to last twelve month EBITDA ratio of 3.50 or less. The Corporation continues to have no first lien debt outstanding.

The Corporation's earliest maturing long-term debt is represented by US$453.6 million of 7.125% senior unsecured notes due February 2027. As at June 30, 2023, the Corporation had $600 million unutilized capacity under the revolving credit facility and had $167 million of unutilized capacity under the $600 million EDC Facility.

The following table summarizes the Corporation's funds flow from operating activities, adjusted funds flow and free cash flow:

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Funds flow from operating activities	**$ 278**	$ 412	**$ 626**	$ 999
Adjustments:				
Impact of cash-settled SBC units subject to equity price risk management	**—**	66	**13**	85
Realized equity price risk management gain	**—**	—	**(87)**	(46)
Adjusted funds flow	**278**	478	**552**	1,038
Capital expenditures	**(149)**	(104)	**(262)**	(192)
Free cash flow	**$ 129**	$ 374	**$ 290**	$ 846

Management utilizes funds flow from operating activities, adjusted funds flow and free cash flow as measures to analyze operating performance and cash flow generating ability. Funds flow from operating activities, adjusted funds flow and free cash flow impact the level and extent of debt repayment, funding for capital expenditures and returning capital to shareholders. By excluding non-recurring items from cash flows, the funds flow from operating activities and adjusted funds flow measures provide meaningful metrics for management by establishing a clear link between the Corporation's cash flows and the operating netbacks from the Christina Lake Project. Free cash flow provides a meaningful metric to assist management and investors in analyzing corporate performance as a measure of financial liquidity and the capacity of the business to repay debt and return capital to shareholders. Funds flow from operating activities, adjusted funds flow and free cash flow are not intended to represent net cash provided by (used in) operating activities.

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 restricted share units ("RSUs") under its long-term incentive ("LTI") plan when the Corporation's share price was at a historic low of $1.57 per share. Concurrent with the issuance, the Corporation entered into equity price risk management contracts to manage share price volatility in the three-year period following the issuance, effectively eliminating cash flow risk associated with share price appreciation over that time period. The significant increase in the Corporation's share price from April 1, 2020 to March 31, 2023 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. Since the actual cash impact of the 2020 cash-settled RSUs was hedged through the equity price risk management contracts, the cash impact over the term of these RSUs has been reduced.

The Corporation's operating performance and cash flow generating ability are not impacted by the April 2020 cash-settled RSUs issued and the associated equity price risk management contracts, therefore the financial statement impacts of the cash-settled stock-based compensation associated with the April 2020 issuance 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

Net debt, adjusted funds flow and free cash flow are not standardized measures and may not be comparable with the calculation of similar measures by other companies.

19. COMMITMENTS AND CONTINGENCIES

a. Commitments

The Corporation's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. These items exclude amounts recorded on the consolidated balance sheet. The Corporation had the following commitments as at June 30, 2023:

	2023	2024	2025	2026	2027	Thereafter	Total
Transportation and storage[(i)]	$ 219	$ 495	$ 469	$ 448	$ 452	$ 5,514	$ 7,597
Diluent purchases	90	12	—	—	—	—	102
Other operating commitments	9	18	17	17	8	24	93
Variable office lease costs	2	4	4	4	4	17	35
Capital commitments	14	—	—	—	—	—	14
Commitments	**$ 334**	**$ 529**	**$ 490**	**$ 469**	**$ 464**	**$ 5,555**	**$ 7,841**

(i) This represents transportation and storage commitments from 2023 to 2048, including the estimated TMX commitment which is not yet in service. The estimated commitment on TMX increased during the second quarter of 2023 to reflect the interim toll. Excludes finance leases recognized on the consolidated balance sheet (Note 9(a)).

b. Contingencies

The Corporation is involved in various legal claims associated with the normal course of operations. The Corporation believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.