REPORT OF MANAGEMENT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of MEG Energy Corp. (the "Corporation") are the responsibility of Management. The consolidated financial statements have been presented and prepared within acceptable limits of materiality by Management in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and include certain estimates that reflect Management's best judgments.

The Corporation maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded. Management's evaluation concluded that the Corporation's internal controls over financial reporting were effective as of December 31, 2023.

The Corporation's Board of Directors has approved the consolidated financial statements. The Board of Directors fulfills its responsibility regarding the consolidated financial statements mainly through its Audit Committee, which is made up of three independent directors. The Audit Committee has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets with Management and the independent auditors at least on a quarterly basis to review and approve interim consolidated financial statements and management's discussion and analysis prior to their release as well as annually to review the annual consolidated financial statements and management's discussion and analysis and recommend their approval to the Board of Directors.

PricewaterhouseCoopers LLP, an independent firm of auditors, has been engaged, as approved by a vote of the shareholders at the Corporation's most recent Annual General Meeting, to audit and provide their independent audit opinion on the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. Their report, contained herein, outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

/s/ Derek Evans	/s/ Ryan Kubik
Derek Evans President and Chief Executive Officer	Ryan Kubik, CPA, CA Chief Financial Officer

February 29, 2024

Independent auditor's report

To the Shareholders of MEG Energy Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MEG Energy Corp. and its subsidiaries (together, the Corporation) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2023 and 2022;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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The impact of proved bitumen reserves on crude oil assets

Refer to note 3 – Material accounting policies, note 4 – Significant accounting estimates, assumptions, and judgments, and note 7 – Property, plant and equipment to the consolidated financial statements.

The Corporation's net crude oil assets was $5,442 million as at December 31, 2023 and the related depletion and depreciation (D&D) expense was $577 million for the year then ended. Field production assets represent a portion of the crude oil assets and are depleted using the unit-of-production method based on estimates of proved bitumen reserves.

Management applies significant judgment in developing the estimates of proved bitumen reserves. These estimates are based on estimated future prices, expected future rates of production and the cost and timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation's estimates of proved bitumen reserves are generated by the Corporation's independent reserve engineers (management's experts).

We determined that this is a key audit matter due to the significant judgment by management, including the use of management's experts, when developing the estimates of proved bitumen reserves, which led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures.

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Our approach to addressing the matter included the following procedures, among others:

- Tested how management developed the estimates of proved bitumen reserves and D&D expense, which included the following:
  - – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the estimates of proved bitumen reserves used to determine D&D expense. As a basis for using this work, the competence, capability and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. Evaluated the reasonableness of assumptions used in developing the underlying estimates, including:
    - ○ estimated future prices by comparing those prices with other reputable third party industry forecasts; and
    - ○ expected future rates of production, and the cost and timing of future capital expenditures by considering the current and past performance of the Corporation, and whether these assumptions were consistent with evidence obtained in other areas of the audit.
  - – Tested the data used in the determination of these estimates.

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Key audit matter	How our audit addressed the key audit matter
	– Recalculated the unit-of-production rates used to calculate depletion expense related to field production assets.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 29, 2024

Consolidated Balance Sheet
(Expressed in millions of Canadian dollars)

As at December 31	Note		2023		2022
Assets					
Current assets					
Cash and cash equivalents	21	$	160	$	192
Accrued revenue and accounts receivable	5		465		488
Inventories	6		235		185
Risk management	23		2		78
			862		943
Non-current assets					
Property, plant and equipment	7		5,683		5,763
Exploration and evaluation assets	8		128		126
Other assets	9		225		201
Total assets		$	6,898	$	7,033
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	10	$	499	$	573
Interest payable			31		44
Current portion of long-term debt	11		—		3
Current portion of provisions and other liabilities	12		30		21
Risk management	23		24		13
			584		654
Non-current liabilities					
Long-term debt	11		1,124		1,578
Provisions and other liabilities	12		486		389
Risk management	23		—		5
Deferred income tax liability	13		177		24
Total liabilities			2,371		2,650
Shareholders' equity					
Share capital	14		4,845		5,164
Contributed surplus			180		169
Deficit			(531)		(988)
Accumulated other comprehensive income			33		38
Total shareholders' equity			4,527		4,383
Total liabilities and shareholders' equity		$	6,898	$	7,033

Commitments and contingencies (Note 26)
The accompanying notes are an integral part of these Consolidated Financial Statements.
These Consolidated Financial Statements were approved by the Corporation's Board of Directors on February 29, 2024.

/s/ Derek Evans
Derek Evans, Director

/s/ Robert B. Hodgins
Robert B. Hodgins, Director

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

Year ended December 31	Note		2023		2022
Revenues					
Petroleum revenue, net of royalties	16	$	**5,536**	$	5,970
Power and transportation revenue	16		**117**		148
Revenues			**5,653**		6,118
Expenses					
Diluent expense			**1,691**		1,848
Transportation and storage expense			**600**		538
Operating expenses			**334**		420
Purchased product			**1,400**		1,135
Depletion and depreciation	7, 9		**596**		507
General and administrative			**69**		61
Stock-based compensation	15		**35**		36
Net finance expense	18		**149**		217
Other	19		**46**		1
Loss on asset dispositions			**—**		9
Commodity risk management loss, net	23		**32**		11
Foreign exchange (gain) loss, net	17		**(22)**		113
Earnings before income taxes			**723**		1,222
Income tax expense	13		**154**		320
Net earnings			**569**		902
Other comprehensive income, net of tax					
Items that may be reclassified to profit or loss:					
Foreign currency translation adjustment			**(5)**		13
Comprehensive income		$	**564**	$	915
Net earnings per common share					
Basic	22	$	**2.00**	$	2.97
Diluted	22	$	**1.98**	$	2.92

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

Consolidated Statement of Changes in Shareholders' Equity
(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	**—**	**25**	**—**	**—**	**25**
Stock options exercised	**2**	**(1)**	**—**	**—**	**1**
RSUs and PSUs vested and released	**13**	**(13)**	**—**	**—**	**—**
Repurchase of shares for cancellation	**(334)**	**—**	**(112)**	**—**	**(446)**
Comprehensive income	**—**	**—**	**569**	**(5)**	**564**
Balance as at December 31, 2023	**$ 4,845**	**$ 180**	**$ (531)**	**$ 33**	**$ 4,527**
Balance as at December 31, 2021	$ 5,486	$ 172	$ (1,875)	$ 25	$ 3,808
Stock-based compensation	—	18	—	—	18
Stock options exercised	34	(10)	—	—	24
RSUs vested and released	11	(11)	—	—	—
Repurchase of shares for cancellation	(367)	—	(15)	—	(382)
Comprehensive income	—	—	902	13	915
Balance as at December 31, 2022	$ 5,164	$ 169	$ (988)	$ 38	$ 4,383

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

Consolidated Statement of Cash Flow
(Expressed in millions of Canadian dollars)

Year ended December 31	Note	2023	2022
Cash provided by (used in):			
Operating activities			
Net earnings		**$ 569**	$ 902
Adjustments for:			
Deferred income tax expense		**152**	320
Depletion and depreciation	7, 9	**596**	507
Stock-based compensation	15	**103**	13
Unrealized (gain) loss on foreign exchange	17	**(20)**	111
Unrealized net loss on commodity risk management	23	**4**	21
Loss on asset dispositions		**—**	9
Debt extinguishment expense	18	**12**	30
Onerous contract expense	19	**47**	—
Accretion on provisions		**12**	9
Other		**4**	1
Decommissioning expenditures	12	**(3)**	(5)
Net change in long-term incentive compensation liability		**—**	(36)
Funds flow from operating activities		**1,476**	1,882
Net change in non-cash working capital items	21	**(127)**	6
Net cash provided by (used in) by operating activities		**1,349**	1,888
Investing activities			
Capital expenditures	7	**(449)**	(376)
Net proceeds on dispositions		**—**	6
Other		**1**	—
Net change in non-cash working capital items	21	**(30)**	16
Net cash provided by (used in) investing activities		**(478)**	(354)
Financing activities			
Repurchase and redemption of long-term debt	11	**(437)**	(1,325)
Debt redemption premium and refinancing costs	11	**(9)**	(30)
Repurchase of shares	14	**(446)**	(382)
Issue of shares, net of issue costs		**1**	24
Receipts on leased assets	21	**2**	3
Payments on leased liabilities	21	**(18)**	(23)
Net change in non-cash working capital items	21	**11**	6
Net cash provided by (used in) financing activities		**(896)**	(1,727)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(7)**	24
Change in cash and cash equivalents		**(32)**	(169)
Cash and cash equivalents, beginning of year		**192**	361
Cash and cash equivalents, end of period		**$ 160**	$ 192

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

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The consolidated financial statements have been prepared on the historical cost basis, except as detailed in the material accounting policies disclosed in Note 3. These audited consolidated financial statements were approved by the Corporation's Board of Directors on February 29, 2024.

3. MATERIAL ACCOUNTING POLICIES

a. Principles of consolidation

The consolidated financial statements of the Corporation comprise the Corporation and its wholly-owned subsidiary, MEG Energy (U.S.) Inc. Earnings and expenses of its subsidiary are included in the consolidated balance sheet and consolidated statement of earnings and comprehensive income. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

b. Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Corporation operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars ($ or C$), which is the Corporation's functional currency.

c. Financial instruments

Financial assets are initially measured at amortized cost and are derecognized when the rights to receive cash flows have expired or when the Corporation has transferred substantially all risks and rewards of ownership.

Financial liabilities are measured at amortized cost or fair value through profit or loss. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and long-term debt. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less any required discount to reduce this amount to fair value. Long-term debt is initially measured at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are derecognized when the liability is extinguished. A substantial modification of the terms of an existing financial liability is recorded as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in earnings or loss. Where a financial liability is modified in a way that does not constitute an extinguishment (generally when there is a change of less than 10% in the present value of future cash flows discounted at the original effective interest rate), the modified cash flows are discounted at the liability's original effective interest rate. Transaction costs paid to third parties in a modification are amortized over the remaining term of the modified liability.

Derivative financial instruments are recognized at fair value. Transaction costs are expensed in net earnings. Gains and losses arising from changes in fair value are recognized in net earnings in the period in which they arise.

Financial liabilities are classified as current except where an unconditional right to defer payment beyond 12 months exists. Derivative financial instruments are classified as current or non-current based on the contractual terms specific to the instrument.

Financial assets and liabilities are offset, and the net amount is reported on the balance sheet, when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

d. Cash and cash equivalents

Cash and cash equivalents include cash-on-hand, deposits held with banks, and other short-term highly liquid investments such as bankers' acceptances, commercial paper, money market deposits or similar instruments, with a maturity of 90 days or less.

e. Inventories

Inventories consist of crude oil products and materials and supplies. Inventory is valued at the lower of cost and net realizable value. The cost of bitumen blend inventory and the cost of diluent inventory are determined on a weighted average cost basis. Costs include direct and indirect expenditures incurred in the normal course of business in bringing an item or product to its existing condition and location. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the inventory is still on hand but the circumstances which caused the write-down no longer exist.

f. Property, plant and equipment

Property, plant and equipment ("PP&E") is measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Assets under construction are not subject to depletion and depreciation. When significant parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components).

i. Crude oil

Crude oil assets consist mainly of field production assets and major facilities and equipment. Planned major inspections, overhaul and turnaround activities, and the acquisition, construction, and development of oil sands properties and bitumen reserves, including directly attributable overhead and administrative costs, related borrowing costs and estimates of decommissioning costs are capitalized.

Field production assets are depleted using the unit-of-production method based on estimated proved bitumen reserves. Estimated future development costs required to develop and produce the proved bitumen reserves are also included in the costs subject to depletion. These estimates are reviewed by independent reserve engineers at least annually.

Facilities and equipment are depreciated on a unit-of-production basis over the estimated total remaining productive capacity of the facilities.

Costs of planned major inspections, overhaul and turnaround activities that benefit future years of operations are capitalized and depreciated on a straight-line basis over the period to the next turnaround. Recurring planned maintenance activities performed on annual or shorter intervals are expensed. Replacements of equipment are capitalized when it is probable that future economic benefits will flow to the Corporation and the carrying value of the replaced equipment is derecognized.

ii. Right-of-use (“ROU”) assets

Right-of-use assets consist of corporate office leases and storage leases. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

g. Exploration and evaluation assets

Exploration and evaluation ("E&E") expenditures, including the costs of acquiring licenses, technical studies, seismic, exploration drilling and evaluation and directly attributable general and administrative costs, including related borrowing costs, are capitalized as exploration and evaluation assets. Costs incurred prior to obtaining a legal right or license to explore are expensed in the period in which they are incurred.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Also, if sufficient data exists to determine technical feasibility and commercial viability of extracting a mineral resource and proved or probable bitumen reserves exist, E&E assets are tested for impairment upon reclassification to property, plant and equipment. If it is determined that an E&E asset is not technically feasible or commercially viable or facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the unrecoverable costs are charged to expense.

h. Leases

The Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Corporation. Initially lease liabilities are measured at the present value of the remaining lease payments, discounted using the Corporation's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding ROU assets are measured at the amount equal to the lease liability.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

The ROU asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses.

Lease payments are allocated between the lease liability and finance costs. The principal portion of the lease payments are classified as cash flows from financing activities and the interest portion of the lease payments are classified as cash flows from operating activities.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of earnings on a straight-line basis over the lease term.

i. Impairments

PP&E and E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Proved plus probable bitumen reserves generated by independent reserve engineers are used in calculating recoverable amounts for impairment testing. E&E assets are also assessed for impairment immediately prior to being reclassified to PP&E.

For the purpose of estimating the asset's recoverable amount, PP&E assets are grouped into cash-generating units ("CGU"). A CGU is the smallest group of assets that generates cash inflows largely independent of the cash inflows of other assets or groups of assets. E&E assets are allocated to related CGUs for impairment testing.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is estimated as the discounted present value of the expected future cash flows to be derived from its continuing use. In determining fair value less costs of disposal, recent market transactions are taken into account if available. In the absence of such transactions, an appropriate valuation model is used such as a discounted cash flow model. An impairment loss is recognized in earnings or loss if the carrying amount of a CGU exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been an increase in the estimated recoverable amount. The impairment loss is reversed only to the extent that the asset's resulting carrying amount does not exceed the amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

j. Provisions

i. Decommissioning provision

The Corporation's activities give rise to dismantling, decommissioning and restoration activities. A liability and corresponding PP&E asset are recorded for the estimated cost of those decommissioning and restoration activities. The estimated cost is updated at least annually.

Increases in the decommissioning provision due to the passage of time are recognized in net finance expense, and changes in the estimated future cash flows are capitalized. Actual payment incurred for dismantling, decommissioning, and restoration activities reduce the decommissioning provision.

ii. Onerous contracts

A provision for an onerous contract is recognized when the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be derived from the contract. Onerous contracts are recorded at the present value of future cash flows, and increases due to the passage of time are recognized in net finance expense. The net amount of actual payments incurred are charged against the onerous contract provision.

k. Share based payments

The Corporation's share-based compensation plans include equity-settled awards and cash-settled awards. Those costs are recorded as stock based compensation expense unless they directly relate to exploration or development activities, in which case they are capitalized.

i. Equity-settled

The Corporation's Stock Option Plan and Treasury-Settled Restricted Share Unit Plan (the "Equity-Settled RSU Plan") allows for the granting of equity-settled stock options, restricted share units ("RSUs") and performance share units ("PSUs") to directors, officers, employees and consultants. The fair value of stock options, RSUs and PSUs on the grant date is recognized as stock-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period. Each award has its own vesting period and grant date fair value. Stock option fair values are determined using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options, RSUs and PSUs that vest.

The Corporation's Equity-Settled RSU Plan allows the holder of an RSU or PSU to receive a cash payment or its equivalent in fully-paid common shares, at the Corporation's discretion, equal to the fair market value of the Corporation's common shares calculated at the date of such payment. The Corporation does not intend to make cash payments under the Equity-Settled RSU Plan and, as such, the RSUs and PSUs are accounted for within shareholders' equity. On exercise of stock options, the cash consideration received by the Corporation is credited to share capital and the associated amount in contributed surplus is reclassified to share capital.

ii. Cash-settled

The Corporation's Cash-Settled Restricted Share Unit Plan (the "Cash-Settled RSU Plan") allows for the granting of cash-settled RSUs and PSUs to directors, officers, employees and consultants. 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. The fair value is recognized as stock-based compensation over the vesting period. Fluctuations in the fair value are recognized within stock-based compensation in the period in which they occur.

The Corporation's Cash-Settled RSU Plan allows the holder of an RSU or PSU to receive a cash payment equal to the fair market value of the Corporation's common shares calculated around the date of such payment based on the contract terms.

The Corporation grants cash-settled deferred share units ("DSUs") to directors of the Corporation. A DSU represents the right for the holder to receive a cash payment equal to the fair market value of the Corporation's common shares calculated around the date of such payment based on the contract terms or, at the election of the Corporation, its equivalent in fully-paid common shares purchased through a broker. DSUs are accounted for as liability instruments and are measured at fair value based on the market price of the Corporation's common shares. The fair value of a DSU is recognized as stock-based compensation expense on the grant date and future fluctuations in the fair value are recognized as stock-based compensation expense in the period in which they occur.

l. Revenue recognition

The Corporation earns revenue primarily from the sale of crude oil, with power revenue earned from excess power generation.

i. Petroleum revenue and royalties

The Corporation sells proprietary and purchased crude oil under contracts of varying terms up to one year to customers at prevailing market prices, whereby delivery takes place throughout the contract period. In most cases, consideration is due when title has transferred and is generally collected in the month following the month of delivery.

The Corporation evaluates its arrangements with third parties to determine if the Corporation acts as the principal or as an agent. In making this evaluation, management considers if the Corporation obtains control of the product delivered. If the Corporation acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Corporation from the transaction.

Revenues associated with the sales of proprietary and purchased crude oil owned by the Corporation are recognized at a point in time when control of goods have transferred, which is generally when title passes from the Corporation to the customer. Revenues are recorded net of royalties, and royalties are recognized at the time of production.

ii. Power revenue

Revenue from power generated in excess of the Corporation's internal requirements is recognized upon delivery from the Christina Lake Project plant gate, at which point, control is transferred to the customer on the power grid. Revenues are earned at prevailing market prices for each megawatt hour produced.

m. Deferred income taxes

The Corporation follows the liability method of accounting for income taxes. Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority.

n. Net earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to stock options, RSUs and PSUs is computed using the treasury stock method. The Corporation's potentially dilutive instruments comprise stock options, and equity-settled RSUs and PSUs granted to directors, officers, employees and consultants.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The timely preparation of the consolidated financial statements requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Accordingly, actual results may differ materially from estimated amounts as future confirming events occur. Significant judgments, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below.

a. Property, plant and equipment (PP&E)

Field production assets within PP&E are depleted using the unit-of-production method based on estimates of proved bitumen reserves and future costs required to develop those bitumen reserves. There are a number of inherent uncertainties associated with estimating bitumen reserves. By their nature, these estimates of bitumen reserves, including the estimates of future prices and costs, and related future cash flows are subject to measurement uncertainty, and the impact on the consolidated financial statements of future periods could be material.

Amounts recorded for depreciation of major facilities and equipment and transportation and storage assets are based on management's best estimate of their useful lives, the facilities' productive capacity, and available bitumen reserves to process in those facilities. Accordingly, those amounts are subject to measurement uncertainty.

In addition, management is required to make estimates and assumptions and use judgment regarding the timing of when major development projects are ready for their planned use, which also determines when these assets are subject to depletion and depreciation.

b. Exploration and evaluation (E&E) assets

The application of the Corporation's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined and when technical feasibility and commercial viability have been reached. Estimates and assumptions may change as new information becomes available.

c. Bitumen reserves

The estimation of bitumen reserves involves the exercise of judgment. Forecasts are based on estimated future prices, expected future rates of production and the cost and timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that over time its bitumen reserves estimates will be revised either upward or downward based on updated information such as the results of future drilling, testing and production. Bitumen reserves estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion and depreciation and for determining potential asset impairment. For example, a revision to the proved bitumen reserves estimates would result in a higher or lower depletion and depreciation charge to net earnings. Downward revisions to bitumen reserves estimates may also result in an impairment of PP&E carrying amounts.

d. Decommissioning provision

Decommissioning costs are incurred when certain of the Corporation’s tangible long-lived assets are retired. Assumptions are made to estimate the future liability based on current economic factors. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and reclamation. The impact to net earnings over the remaining economic life of the assets could be significant due to the changes in cost estimates as new information becomes available. In addition, management exercises judgment to determine the appropriate discount rate at the end of each reporting period. This discount rate, which is a credit-adjusted risk-free rate, is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

e. Impairments

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGU’s requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures, and the way in which management monitors the Corporation’s operations.

The recoverable amount of a CGU's assets is determined as the higher of the total CGU asset fair value less costs of disposal and its value in use. These calculations require the use of estimates and significant assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of proved and probable bitumen reserves and discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

f. Stock-based compensation

The fair values of equity-settled and cash-settled share-based compensation plans are estimated using the Black-Scholes options pricing model. These estimates are based on the Corporation’s share price and on several assumptions, including the risk-free interest rate, the future forfeiture rate, the expected volatility of the Corporation's share price and the future attainment of performance criteria. Accordingly, these estimates are subject to measurement uncertainty.

g. Deferred income taxes

Tax regulations and legislation and the interpretations thereof in which the Corporation operates are subject to change. As such, income taxes are subject to measurement uncertainty.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Estimates of the periods in which timing differences reverse are impacted by future earnings and capital expenditures. Rates are also affected by changes to tax legislation.

A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available against which the temporary difference can be utilized. The extent to which a deferred tax asset may be utilized involves a significant amount of estimation and judgment including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings and the availability of cash flow to offset the tax assets when the reversal occurs.

The Corporation also makes interpretations and judgments on the application of tax laws for which the eventual tax determination may be uncertain. To the extent that interpretations change, there may be a significant impact on the consolidated financial statements.

h. Derivative financial instruments

The estimated fair values of financial assets and liabilities are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Corporation may use derivative instruments to manage commodity price, foreign currency and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows, and discount rates. Management's assumptions rely on external observable market data including quoted forward commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in market transactions and as such, are subject to measurement uncertainty.

i. Leases

The Corporation applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Corporation must use its best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to an extension or a termination option. The lease term must be reassessed if a significant event or change in circumstance occurs.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by reducing the carrying amount of the ROU asset, and recognizing a gain or loss in net earnings that reflects the proportionate decrease in scope.

Lease liabilities recognized have been estimated using a discount rate equal to the Corporation's estimated incremental borrowing rate. This rate represents the rate that the Corporation would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

5. ACCRUED REVENUE AND ACCOUNTS RECEIVABLE

As at December 31		2023		2022
Accrued revenue	**$**	**428**	$	457
Accounts receivable		**21**		16
Deposits and advances		**14**		13
Current portion of sublease receivable		**2**		2
	$	**465**	$	488

6. INVENTORIES

As at December 31		2023		2022
Bitumen blend	**$**	**196**	$	134
Diluent		**23**		39
Material and supplies		**16**		12
	$	**235**	$	185

During the year ended December 31, 2023, a total of $1.7 billion (2022 - $1.8 billion) in inventory product costs were charged to earnings through diluent expense.

7. PROPERTY, PLANT AND EQUIPMENT

		Crude oil		Right-of-use assets		Corporate assets		Total
Cost								
Balance as at December 31, 2021	$	9,658	$	286	$	79	$	10,023
Additions		377		3		—		380
Dispositions		(17)		—		—		(17)
Derecognition		(133)		(12)		—		(145)
Change in decommissioning provision		27		—		—		27
Balance as at December 31, 2022	$	9,912	$	277	$	79	$	10,268
Additions		449		31		—		480
Change in decommissioning provision		35		—		—		35
Balance as at December 31, 2023	**$**	**10,396**	**$**	**308**	**$**	**79**	**$**	**10,783**
Accumulated depletion and depreciation								
Balance as at December 31, 2021	$	4,030	$	61	$	54	$	4,145
Depletion and depreciation		482		21		4		507
Dispositions		(3)		—		—		(3)
Derecognition		(132)		(12)		—		(144)
Balance as at December 31, 2022	$	4,377	$	70	$	58	$	4,505
Depletion and depreciation		577		15		3		595
Balance as at December 31, 2023	**$**	**4,954**	**$**	**85**	**$**	**61**	**$**	**5,100**
Carrying amounts								
Balance as at December 31, 2022	$	5,535	$	207	$	21	$	5,763
Balance as at December 31, 2023	**$**	**5,442**	**$**	**223**	**$**	**18**	**$**	**5,683**

At December 31, 2023, PP&E was assessed for indicators of impairment and none were identified. Assets under construction as at December 31, 2023 totaled $13 million (assets under construction as at December 31, 2022 - $1 million).

During the year ended December 31, 2022, the Corporation completed the sale of the Bruderheim Pipeline System for cash proceeds of approximately $2 million, and a loss on sale of $12 million was recognized.

8. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2023, E&E assets consist of $128 million in exploration projects which are pending the determination of proved or probable bitumen reserves (year ended December 31, 2022 – $126 million). These assets were assessed for indicators of impairment at December 31, 2023 and none were identified.

9. OTHER ASSETS

As at December 31		2023		2022
Non-current pipeline linefill[(a)]	**$**	**206**	$	178
Finance sublease receivables		**10**		12
Prepaid transportation costs[(b)]		**8**		8
Intangible assets		**3**		4
Other		**—**		1
		227		203
Less current portion, included in accrued revenue and accounts receivable		**(2)**		(2)
	$	**225**	$	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. 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31		2023		2022
Trade payables and other	**$**	**475**	$	473
Current liability for cash-settled stock-based compensation		**24**		100
	$	**499**	$	573

At December 31, 2023, the Corporation recognized a liability of $24 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).

11. LONG-TERM DEBT

As at December 31	2023	2022
Unsecured:		
7.125% senior unsecured notes (December 31, 2023 - US$258.2 million; due 2027; December 31, 2022 - US$579.9 million)[(a)]	**$ 341**	$ 785
5.875% senior unsecured notes (December 31, 2023 - US$600 million; due 2029; December 31, 2022 - US$600 million)[(b)]	**792**	812
	1,133	1,597
Less unamortized deferred debt discount and debt issue costs	**(9)**	(16)
	1,124	1,581
Less current portion of 7.125% senior unsecured notes	**—**	(3)
	$ 1,124	$ 1,578

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US$1 = C$1.3205 (December 31, 2022 – US$1 = C$1.3534).

a. Effective January 31, 2020, the Corporation issued US$1.2 billion in aggregate principal amount of 7.125% senior unsecured notes, with a maturity of February 1, 2027. Interest is paid semi-annually in February and August. No principal payments are required until February 1, 2027. The Corporation has deferred the associated debt issue costs of $20 million and is amortizing these costs over the life of the notes utilizing the effective interest method.

Repurchase and extinguishment of 7.125% senior unsecured notes due February 2027	US$
Balance as at December 31, 2021	$ 1,200
Repurchased and extinguished at a weighted average price of 102.4% plus accrued and unpaid interest	(620)
Balance as at December 31, 2022	$ 580
Repurchased and extinguished at a weighted average price of 101.7% plus accrued and unpaid interest	(322)
Balance as at December 31, 2023	**$ 258**

For the year ended December 31, 2023, the Corporation recognized debt extinguishment expense of $12 million in net finance expense (Note 18), comprised of a debt redemption premium of $9 million and associated amortized deferred debt issue costs of $3 million.

For the year ended December 31, 2022, the Corporation recognized debt extinguishment expense of $30 million in net finance expense (Note 18), comprised of a debt redemption premium of $22 million and associated amortized deferred debt issue costs of $8 million.

b. Effective February 2, 2021, the Corporation issued US$600 million in aggregate principal amount of 5.875% senior unsecured notes, with a maturity date of February 1, 2029. Interest is paid semi-annually in February and August. No principal payments are required until February 1, 2029. The Corporation has deferred the associated debt issue costs of $10 million and is amortizing these costs over the life of the notes utilizing the effective interest method.

c. During the year ended December 31, 2022, the Corporation redeemed US$396 million (approximately $505 million) of its 6.50% senior secured second lien notes at a redemption price of 101.625% plus accrued and unpaid interest. The redemptions included prepayment options, recognized as at December 31, 2021, as the Corporation was required to assess the likelihood of exercising prepayment options at each reporting date.

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. Letters of credit under the EDC Facility do not consume capacity of the revolving credit facility. The revolving credit facility and EDC Facility are secured by substantially all the assets of the Corporation.

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. 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. The financial maintenance covenant, if triggered, will be tested quarterly. Issued letters of credit are not included in the calculation of this ratio. The Corporation continues to have no first lien debt outstanding.

As at December 31, 2023, the Corporation had $600 million of unutilized capacity under the $600 million revolving credit facility and the Corporation had $235 million of unutilized capacity under the $600 million EDC Facility.

12. PROVISIONS AND OTHER LIABILITIES

As at December 31	2023	2022
Lease liabilities[(a)]	**$ 259**	$ 244
Decommissioning provision[(b)]	**210**	166
Onerous contract[(c)]	**47**	—
Provisions and other liabilities	**516**	410
Less current portion	**(30)**	(21)
Non-current portion	**$ 486**	$ 389

a. Lease liabilities:

As at December 31	2023	2022
Balance, beginning of period	**$ 244**	$ 266
Modification	**33**	—
Payments	**(41)**	(48)
Interest expense	**24**	24
Foreign exchange impact	**(1)**	2
Balance, end of period	**259**	244
Less current portion	**(15)**	(17)
Non-current portion	**$ 244**	$ 227

The Corporation's minimum lease payments are as follows:

As at December 31		2023
Within one year	$	40
Later than one year but not later than five years		152
Later than five years		417
Minimum lease payments		609
Amounts representing finance charges		(350)
Net minimum lease payments	$	259

b. Decommissioning provision:

The following table presents the decommissioning provision associated with the reclamation and abandonment of the Corporation’s PP&E and E&E assets:

As at December 31		2023		2022
Balance, beginning of period	$	166	$	135
Changes in estimated life and estimated future cash flows		6		32
Changes in discount rates		30		(5)
Liabilities settled		(3)		(5)
Accretion		11		9
Balance, end of period		210		166
Less current portion		(6)		(4)
Non-current portion	$	204	$	162

The decommissioning provision represents the present value of the estimated future costs for the reclamation and abandonment of the Corporation's PP&E and E&E assets. The total undiscounted amount of the estimated future cash flows to settle the decommissioning obligations is $831 million (December 31, 2022 – $830 million). At December 31, 2023, the Corporation has estimated the net present value of the decommissioning obligations using a weighted average credit-adjusted risk-free rate of 8.0% (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).

c. Onerous contract:

As at December 31, 2023, the Corporation recognized a provision of $47 million related to an onerous marketing contract with a remaining term of 5 years. The provision represents the present value of the estimated future cash flows. The current portion of this onerous contract provision is $9 million.

13. INCOME TAX

Year ended December 31	2023	2022
Earnings before income taxes	**$ 723**	$ 1,222
Statutory income tax rate	**23 %**	23 %
Expected income tax expense	**166**	281
Add (deduct) the tax effect of:		
Stock-based compensation	**—**	4
Non-taxable loss (gain) on foreign exchange	**(3)**	16
Taxable capital loss (gain) not recognized	**(3)**	16
Adjustments relating to prior periods	**(6)**	3
Income tax expense	**$ 154**	$ 320
Current income tax expense (recovery)	**$ 2**	$ —
Deferred income tax expense	**152**	320
Income tax expense	**$ 154**	$ 320

As at December 31, 2023, the Corporation recognized a deferred tax liability of $177 million (December 31, 2022 - $24 million deferred tax liability).

The movements in deferred income tax assets and liabilities during the years are as follows:

Deferred tax assets	Tax losses	Risk management	Decommissioning provision	Lease liabilities	Other	Total
Balance as at December 31, 2021	$ 1,166	$ (16)	$ 31	$ 52	$ 53	$ 1,286
Credited (charged) to earnings	(222)	2	7	(4)	1	(216)
Balance as at December 31, 2022	**944**	**(14)**	**38**	**48**	**54**	**1,070**
Credited (charged) to earnings	**(202)**	**19**	**11**	**2**	**—**	**(170)**
Balance as at December 31, 2023	**$ 742**	**$ 5**	**$ 49**	**$ 50**	**$ 54**	**$ 900**

Deferred tax liabilities	Property, plant and equipment	Total
Balance as at December 31, 2021	$ (990)	$ (990)
Credited (charged) to earnings	(104)	(104)
Balance as at December 31, 2022	**(1,094)**	**(1,094)**
Credited (charged) to earnings	**17**	**17**
Balance as at December 31, 2023	**$ (1,077)**	**$ (1,077)**

As at December 31, 2023, the Corporation had approximately $4.6 billion of available Canadian tax pools including $3.2 billion of non-capital losses and $0.2 billion of capital losses (December 31, 2022 - $5.5 billion in available Canadian tax pools including $4.1 billion of non-capital losses and $0.2 billion of capital losses). The $3.2 billion of non-capital loss carry forward balances expire as follows:

	2033	2034	2035	2036	2037	Thereafter	Total
Non-capital loss carry forward balances	$ 482	$ 264	$ 870	$ 860	$ 400	$ 358	$ 3,234

As at December 31, 2023, the Corporation had not recognized the tax benefit related to $203 million of realized and unrealized taxable capital foreign exchange losses (December 31, 2022 - $199 million).

14. 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 and the amount of share capital are as follows:

	2023			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	**139**		**2**	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	**(18,955)**		**(334)**	(20,654)		(367)
Balance, end of period	**274,642**	**$**	**4,845**	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 repurchase 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 year ended December 31, 2023, the Corporation repurchased for cancellation 19.0 million common shares under its NCIB at a weighted average price of $23.54 per share for a total cost of $446 million. Share capital was reduced by $334 million, reflecting the average carrying value of $17.67 per share. Retained earnings was reduced by $112 million for the repurchase price of shares above the carrying value.

For the year ended December 31, 2022, the Corporation repurchased for cancellation 20.7 million common shares under its NCIB at a weighted average price of $18.50 per share for a total cost of $382 million. Share capital was reduced by $367 million, reflecting the average carrying value of $17.79 per share. Retained earnings was reduced by $15 million for the repurchase price of shares above the carrying value.

15. STOCK-BASED COMPENSATION

The Corporation has a number of stock-based compensation plans which include stock options, RSUs, PSUs and DSUs. Further detail on each of these plans is outlined below.

a. Stock-based compensation

Year ended December 31	2023	2022
Cash-settled expense(i)	$ 19	$ 69
Equity-settled expense	25	17
Unrealized equity price risk management (gain) loss(ii)	78	(4)
Realized equity price risk management (gain) loss(ii)	(87)	(46)
Stock-based compensation	$ 35	$ 36

(i) Cash-settled units 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 derivatives entered into to manage the Corporation's exposure to cash-settled RSUs and PSUs vesting in 2021, 2022 and 2023 granted under the Corporation's stock-based compensation plans. Amounts were unrealized until vesting of the related units occured. See note 23(d) for further details.

b. Cash-settled plans

i. Restricted share units and performance share units:

RSUs granted under the Cash-Settled RSU plan generally vest annually in thirds over a three-year period. PSUs granted under the Cash-Settled RSU plan generally vest on the third anniversary of the grant date, provided that the Corporation satisfies certain performance criteria identified by the Corporation's Board of Directors which are set and measured annually to establish a performance multiplier from zero to two. The stock-based compensation expense for PSUs is determined based on an estimate of the final number of PSU awards that eventually vest based on the performance multiplier and the performance criteria.

Cash-settled RSUs and PSUs outstanding:

Year ended December 31 (expressed in thousands)	2023	2022
Outstanding, beginning of year	4,413	6,745
Granted(i)	—	601
Vested and released	(4,165)	(2,837)
Forfeited	(248)	(96)
Outstanding, end of year	—	4,413

(i) Includes units added by PSU performance factors

ii. Deferred share units outstanding:

The Deferred Share Unit Plan allows for the granting of DSUs to directors of the Corporation. A DSU represents the right for the holder to receive a cash payment equal to the fair market value of the Corporation's common shares calculated at the date of such payment or, at the election of the Corporation, its equivalent in fully-paid common shares purchased through a broker. DSUs vest immediately when granted and are redeemed on the earlier of (a) December 15 of the first calendar year starting after the date the holder ceases to be a member of the Corporation, and (b) the fifth business day following each of the redemption dates elected by such holder. As at December 31, 2023, there were 1,033,307 DSUs outstanding (December 31, 2022 – 1,148,029 DSUs outstanding).

At December 31, 2023, the Corporation recognized a liability of $24 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). The current portion of $24 million is included within accounts payable and accrued liabilities (December 31, 2022 – $100 million in current portion).

c. Equity-settled plans

i. Stock options outstanding:

The Corporation's Stock Option Plan allows for the granting of stock options to directors, officers, employees and consultants of the Corporation. Stock options granted are generally fully exercisable after three years and expire seven years after the grant date.

Year ended December 31	**2023**			**2022**		
	Stock options (thousands)		**Weighted average exercise price**	**Stock options** (thousands)		**Weighted average exercise price**
Outstanding, beginning of year	**294**	**$**	**5.99**	2,495	$	11.70
Exercised	**(139)**		**7.57**	(2,003)		11.84
Forfeited	**—**		**—**	(192)		18.65
Expired	**—**		**—**	(6)		21.07
Outstanding, end of year	**155**	**$**	**4.57**	294	$	5.99

As at December 31, 2023 there were 155,000 stock options outstanding and vested at a weighted average exercise price of $4.57 per share and a weighted average remaining life of 2.45 years.

There were no stock options granted during the years ended December 31, 2023 and December 31, 2022.

ii. Restricted share units and performance share units:

RSUs granted under the equity-settled Restricted Share Unit Plan generally vest annually in thirds over a three-year period. PSUs granted under the equity-settled Restricted Share Unit Plan generally vest on the third anniversary of the grant date, provided that the Corporation satisfies certain performance criteria identified by the Corporation’s Board of Directors which are set annually and measured at set intervals to establish a performance multiplier from zero to two times.

Equity-settled RSUs and PSUs outstanding:

Year ended December 31 (expressed in thousands)	**2023**	**2022**
Outstanding, beginning of year	**5,131**	6,596
Granted	**1,277**	1,645
Vested and released	**(2,377)**	(2,867)
Forfeited	**(333)**	(243)
Outstanding, end of year	**3,698**	5,131

Equity-settled RSUs and PSUs granted during the year ended December 31, 2023 had a weighted average fair value of $22.07 per share (year ended December 31, 2022 - $17.61 per share).

16. REVENUES

Year ended December 31		2023		2022
Sales from:				
Production	$	**4,548**	$	5,044
Purchased product[(i)]		**1,444**		1,151
Petroleum revenue	$	**5,992**	$	6,195
Royalties		**(456)**		(225)
Petroleum revenue, net of royalties	$	**5,536**	$	5,970
Power revenue	$	**114**	$	144
Transportation revenue		**3**		4
Power and transportation revenue	$	**117**	$	148
Revenues	$	**5,653**	$	6,118

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

a. Disaggregation of revenue from contracts with customers

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

	Year ended December 31											
	2023						2022					
	Petroleum Revenue						Petroleum Revenue					
		Proprietary		Third-party		Total		Proprietary		Third-party		Total
Country:												
Canada	$	**1,318**	$	**267**	$	**1,585**	$	1,521	$	144	$	1,665
United States		**3,230**		**1,177**		**4,407**		3,523		1,007		4,530
	$	**4,548**	$	**1,444**	$	**5,992**	$	5,044	$	1,151	$	6,195

For the year ended December 31, 2023, power and transportation revenue of $117 million was attributed to Canada (December 31, 2022 – $148 million attributed to Canada).

b. Revenue-related assets

The Corporation has recognized the following revenue-related assets in accrued revenue and accounts receivable:

As at December 31		2023		2022
Petroleum revenue	$	**424**	$	427
Power and transportation revenue		**4**		30
Total revenue-related assets	$	**428**	$	457

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

17. FOREIGN EXCHANGE (GAIN) LOSS, NET

Year ended December 31		2023		2022
Unrealized foreign exchange (gain) loss on:				
Long-term debt	**$**	**(26)**	$	142
US$ denominated cash and cash equivalents		**6**		(25)
Foreign currency risk management contracts		**—**		(6)
Unrealized net (gain) loss on foreign exchange		**(20)**		111
Realized (gain) loss on foreign exchange		**(2)**		2
Foreign exchange (gain) loss, net	**$**	**(22)**	$	113

C$ equivalent of 1 US$		
Beginning of period	**1.3534**	1.2656
End of period	**1.3205**	1.3534

18. NET FINANCE EXPENSE

Year ended December 31		2023		2022
Interest expense on long-term debt	**$**	**90**	$	140
Interest expense on lease liabilities		**24**		24
Credit facility fees		**18**		18
Interest income		**(6)**		(4)
Net interest expense		**126**		178
Debt extinguishment expense		**12**		30
Accretion on provisions		**11**		9
Net finance expense	**$**	**149**	$	217

For the year ended December 31, 2023, debt extinguishment expense of $12 million was recognized in association with the repurchase and extinguishment of US$322 million (approximately $437 million) of the Corporation's 7.125% senior unsecured notes, which included a cumulative debt redemption premium of $9 million and associated amortized deferred debt issue costs of $3 million. Refer to Note 11 for further details.

For the year ended December 31, 2022, debt extinguishment expense of $30 million was recognized in association with the repurchase and extinguishment of US$620 million (approximately $820 million) of the Corporation's 7.125% senior unsecured notes, which included a cumulative debt redemption premium of $22 million and associated amortized deferred debt issue costs of $8 million. Refer to Note 11 for further details.

19. OTHER

Year ended December 31		2023		2022
Onerous contract expense[(i)]	**$**	**47**	$	—
Third party camp recovery		**(1)**		—
Severance and restructuring		**—**		1
Other	**$**	**46**	$	1

(i) During the year ended December 31, 2023, the Corporation recognized an onerous contract expense to reflect the estimated discounted future cash flows associated with a marketing transportation contract.

20. TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any significant related party transactions during the years ended December 31, 2023 and 2022, other than compensation of key management personnel. The Corporation considers directors and officers of the Corporation as key management personnel.

Year ended December 31		2023		2022
Share-based compensation	**$**	**21**	$	46
Salaries and short-term employee benefits		**5**		7
	$	**26**	$	53

The decrease in share-based compensation to key management personnel in 2023 reflects fewer cash-settled units outstanding in 2023, relative to 2022, and a comparatively larger increase in the Corporation's share price in 2022. All of the Corporation's outstanding cash-settled RSUs and PSUs vested during the first quarter of 2023 and the only cash-settled units which remain outstanding are DSUs.

21. SUPPLEMENTAL CASH FLOW DISCLOSURES

Year ended December 31		2023		2022
Cash provided by (used in):				
Accrued revenue and accounts receivable	**$**	**23**	$	14
Inventories[(a)]		**(83)**		(23)
Accounts payable and accrued liabilities		**(73)**		72
Interest payable		**(13)**		(35)
	$	**(146)**	$	28
Changes in non-cash working capital relating to:				
Operating	**$**	**(127)**	$	6
Investing		**(30)**		16
Financing		**11**		6
	$	**(146)**	$	28
Cash and cash equivalents:[(b)]				
Cash	**$**	**160**	$	192
Cash equivalents		**—**		—
	$	**160**	$	192
Cash interest paid	**$**	**103**	$	177

a. Cash provided by (used in) inventories for the year ended December 31, 2023 excludes a $33 million net reclassification of pipeline linefill from current inventories to non-current assets.

b. As at December 31, 2023, $102 million of the Corporation’s total cash and cash equivalents balance was held in U.S. dollars (December 31, 2022 – $117 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$1.3205 (December 31, 2022 – US$1 = C$1.3534).

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 Balance as at December 31, 2021	$ 15	$ 266	$ 2,762
Financing cash flow changes:			
Receipts on leased assets	(3)	—	—
Payments on leased liabilities	—	(23)	—
Repayment and redemption of long-term debt	—	—	(1,325)
Debt redemption premium and refinancing costs	—	—	(30)
Other cash and non-cash changes:			
Interest payments on lease liabilities	—	(25)	—
Interest expense on lease liabilities	—	24	—
Unrealized (gain) loss on foreign exchange	—	2	142
Debt extinguishment expense	—	—	30
Amortization of deferred debt discount and debt issue costs	—	—	2
Balance as at December 31, 2022	$ 12	$ 244	$ 1,581
Financing cash flow changes:			
Receipts on leased assets	**(2)**	**—**	**—**
Payments on leased liabilities	**—**	**(18)**	**—**
Repayment and redemption of long-term debt	**—**	**—**	**(437)**
Debt redemption premium and refinancing costs	**—**	**—**	**(9)**
Other cash and non-cash changes:			
Interest payments on lease liabilities	**—**	**(23)**	**—**
Interest expense on lease liabilities	**—**	**24**	**—**
Modification of lease liabilities	**—**	**33**	**—**
Unrealized (gain) loss on foreign exchange	**—**	**(1)**	**(26)**
Debt extinguishment expense	**—**	**—**	**12**
Amortization of deferred debt discount and debt issue costs	**—**	**—**	**3**
Balance as at December 31, 2023	**$ 10**	**$ 259**	**$ 1,124**

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

22. NET EARNINGS PER COMMON SHARE

Year ended December 31	**2023**	**2022**
Net earnings	**$ 569**	$ 902
Weighted average common shares outstanding (millions)[(a)]	**285**	304
Dilutive effect of stock options and equity-settled RSUs and PSUs (millions)	**3**	5
Weighted average common shares outstanding – diluted (millions)	**288**	309
Net earnings per share, basic	**$ 2.00**	$ 2.97
Net earnings per share, diluted	**$ 1.98**	$ 2.92

a. Weighted average common shares outstanding for the year ended December 31, 2023 include 0.5 million PSUs vested but not yet released (year ended December 31, 2022 - 0.3 million PSUs vested but not yet released).

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments recognized on the consolidated balance sheet are comprised of cash and cash equivalents, accrued revenue and accounts receivable, 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, accrued revenue and accounts receivable, 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 December 31	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Recurring measurements:				
Financial assets				
Commodity risk management contracts	**$ 2**	**$ 2**	$ —	$ —
Equity price risk management contracts	**$ —**	**$ —**	$ 78	$ 78
Financial liabilities				
Long-term debt (Note 11)	**$ 1,133**	**$ 1,108**	$ 1,597	$ 1,570
Commodity risk management contracts	**$ 24**	**$ 24**	$ 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 December 31, 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 December 31	2023			2022		
	Asset	Liability	Net	Asset	Liability	Net
Gross amount	**$ 2**	**$ (24)**	**$ (22)**	$ 78	$ (18)	$ 60
Amount offset	**—**	**—**	**—**	—	—	—
Net amount	**$ 2**	**$ (24)**	**$ (22)**	$ 78	$ (18)	$ 60
Current portion	**$ 2**	**$ (24)**	**$ (22)**	$ 78	$ (13)	$ 65
Non-current portion	**—**	**—**	**—**	—	(5)	(5)
Net amount	**$ 2**	**$ (24)**	**$ (22)**	$ 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 December 31:

As at December 31	2023	2022
Risk management assets (liabilities)	**$ 60**	$ 70
Realized risk management (gain) loss on:		
Equity price risk management contracts	**(87)**	(46)
Commodity risk management contracts	**28**	(10)
Change in fair value on[1]:		
Equity price risk management contracts[i]	**9**	50
Commodity risk management contracts[ii]	**(32)**	(11)
Foreign currency risk management contracts[iii]	**—**	7
Risk management assets (liabilities)	**$ (22)**	$ 60

(i) Represents total equity price risk management (gain) loss recognized within stock-based compensation expense.
(ii) Represents total commodity risk management (gain) loss.
(iii) Represents total foreign currency risk management (gain) loss recognized within foreign exchange (gain) loss, net.

c. Commodity risk management

The Corporation had the following financial commodity risk management contracts relating to natural gas purchases outstanding as at December 31, 2023:

Natural Gas Purchase Contracts	Volumes (GJ/d)	Term	Average Price (C$/GJ)
AECO Fixed Price	30,000	Jan 1, 2024 - Dec 31, 2024	$4.11

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

The Corporation had the following physical commodity risk management contracts relating to natural gas purchases and power sales outstanding as at December 31, 2023:

Natural Gas Purchase Contracts	Volumes (GJ/d)	Term	Average Price (C$/GJ)
AECO Fixed Price	17,313	Jan 1, 2024 - Jan 31, 2024	$2.13
AECO Fixed Price	17,277	Feb 1, 2024 - Feb 29, 2024	$2.13
Power Sales Contracts	**Quantity (MW)**	**Term**	**Average Price (C$/MWh)**
Fixed Price	15	Jan 1, 2024 - Jan 31, 2024	$108.67
Fixed Price	15	Feb 1, 2024 - Feb 29, 2024	$107.00

The following table summarizes the sensitivity of the earnings (loss) before income tax to the impact of fluctuating commodity prices on the Corporation's open financial commodity risk management positions in place at December 31, 2023:

Commodity	Sensitivity Range	Increase	Decrease
Natural gas purchase price	± C$0.50 per GJ applied to natural gas contracts	**$ 5**	**$ (5)**

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

Year ended December 31	2023	2022
Realized loss (gain) on commodity risk management	**$ 28**	$ (10)
Unrealized loss on commodity risk management	**4**	21
Commodity risk management loss, net	**$ 32**	$ 11

d. Equity price risk management:

In 2020, the Corporation entered 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 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, the unrealized asset (liability) is included in risk management on the balance sheet and any realized asset outstanding at period-end is included in accrued revenue and accounts receivable on the balance sheet.

Year ended December 31	2023	2022
Unrealized equity price risk management (gain) loss	**$ 78**	$ (4)
Realized equity price risk management gain	**(87)**	(46)
Equity price risk management gain	**$ (9)**	$ (50)

e. Foreign currency risk management

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the fair value or future cash flows of the Corporation's financial assets or liabilities. The Corporation has U.S. dollar denominated long-term debt as described in Note 11. As at December 31, 2023, a

$0.01 change in the Canadian dollar to U.S. dollar exchange rate would have resulted in a change to the carrying value of long-term debt and a corresponding change to earnings (loss) before income tax of C$9 million (December 31, 2022 - C$12 million).

The Corporation occasionally enters into short-term financial foreign currency risk management contracts to manage foreign currency risk on certain cash and cash equivalents. As at December 31, 2023, the Corporation did not have any outstanding financial foreign currency risk management contracts on cash and cash equivalents.

f. 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 accounts receivable. The Corporation uses a combination of historical and forward looking information to determine the appropriate loss allowance provisions. Credit risk exposure is mitigated through 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 accounts receivable. As at December 31, 2023, the Corporation’s estimated maximum exposure to credit risk related to accounts receivable, deposits and advances was $463 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 and return capital to shareholders. 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 December 31, 2023 was $160 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 $160 million.

g. Liquidity risk management:

Liquidity risk is the risk that the Corporation will not be able to meet 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 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$258.2 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 contains 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.

The future undiscounted financial obligations of the Corporation are noted below:

As at December 31, 2023	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
Long-term debt	$ 1,133	$ —	$ —	$ 341	$ 792
Interest on long-term debt	315	71	142	96	6
Lease liabilities	630	41	81	83	425
Commodity risk management contracts	24	24	—	—	—
Accounts payable and accrued liabilities	499	499	—	—	—
	$ 2,601	$ 635	$ 223	$ 520	$ 1,223

24. GEOGRAPHICAL DISCLOSURE

As at December 31, 2023, the Corporation had non-current assets related to operations in the United States of $53 million (December 31, 2022 – $98 million). For the year ended December 31, 2023, petroleum revenue related to operations in the United States was $4.4 billion (year ended December 31, 2022 – $4.5 billion).

25. 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 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 repurchases 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 repurchase 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 repurchases with the remainder applied to debt repayment. This allocation will remain in place until net debt reaches US$600 million, which is expected to occur in the third quarter of 2024 at a US$75 per barrel WTI price.

The following table summarizes the Corporation's net debt:

As at December 31	Note	2023	2022
Long-term debt	11	**$ 1,124**	$ 1,578
Current portion of long-term debt	11	**—**	3
Cash and cash equivalents		**(160)**	(192)
Net debt - C$		**$ 964**	$ 1,389
Net debt - US$		**$ 730**	$ 1,026

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

During the year ended December 31, 2023, the Corporation repurchased and extinguished US$322 million (approximately $437 million) of the Corporation's 7.125% senior unsecured notes due February 2027 at a weighted average price of 101.7% plus accrued and unpaid interest.

Beginning in the second quarter of 2022, the Corporation began repurchasing MEG common shares for cancellation under the Corporation's NCIB program. For the year ended December 31, 2023, the Corporation repurchased for cancellation 19.0 million common shares, returning $446 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 contains 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$258.2 million of 7.125% senior unsecured notes due February 2027. At December 31, 2023, the Corporation had $600 million unutilized capacity under the revolving credit facility and with $365 million of issued letters of credit, had $235 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:

Year ended December 31	**2023**	**2022**
Funds flow from operating activities	**$ 1,476**	$ 1,882
Adjustments:		
Impact of cash-settled SBC units subject to equity price risk management	**13**	98
Realized equity price risk management gain	**(87)**	(46)
Adjusted funds flow	**1,402**	1,934
Capital expenditures	**(449)**	(376)
Free cash flow	**$ 953**	$ 1,558

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 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 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.

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.

26. 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 December 31, 2023:

	2024	2025	2026	2027	2028	Thereafter	Total
Transportation and storage[i]	$ 468	$ 462	$ 440	$ 442	$ 448	$ 5,086	$ 7,346
Diluent purchases	231	20	—	—	—	—	251
Other operating commitments	19	18	18	9	9	59	132
Variable office lease costs	4	4	4	4	5	13	34
Capital commitments	28	—	—	—	—	—	28
Commitments	**$ 750**	**$ 504**	**$ 462**	**$ 455**	**$ 462**	**$ 5,158**	**$ 7,791**

(i) This represents transportation and storage commitments from 2024 to 2048, including the estimated TMX commitment which is not yet in service. Excludes amounts recognized on the consolidated balance sheet (Note 12).

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.