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

As at	Note	March 31, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents	19	**$ 88**	$ 156
Accrued revenue and accounts receivable	4	**452**	440
Inventories	5	**275**	258
		815	854
Non-current assets			
Property, plant and equipment	6	**5,598**	5,556
Exploration and evaluation assets	7	**128**	128
Other assets	8	**206**	206
Total assets		**$ 6,747**	$ 6,744
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	**$ 409**	$ 471
Dividends payable	12	**26**	26
Interest payable		**9**	22
Current portion of provisions and other liabilities	11	**37**	35
		481	554
Non-current liabilities			
Long-term debt	10	**857**	858
Provisions and other liabilities	11	**397**	417
Deferred income tax liability		**422**	362
Total liabilities		**2,157**	2,191
Shareholders' equity			
Share capital	13	**4,481**	4,571
Contributed surplus		**164**	176
Deficit		**(103)**	(242)
Accumulated other comprehensive income		**48**	48
Total shareholders' equity		**4,590**	4,553
Total liabilities and shareholders' equity		**$ 6,747**	$ 6,744

Commitments and contingencies (Note 23)
The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

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

Three Months Ended March 31	**Note**	**2025**	**2024**
Revenues			
Petroleum revenue, net of royalties	15	**$ 1,151**	$ 1,338
Power and transportation revenue	15	**11**	26
Revenues		**1,162**	1,364
Expenses			
Diluent expense		**458**	456
Transportation and storage expense		**166**	130
Operating expenses		**82**	86
Purchased product		**30**	304
Depletion and depreciation	6	**92**	159
General and administrative		**19**	20
Stock-based compensation	14	**19**	18
Net finance expense	17	**23**	35
Other income		**—**	(4)
Foreign exchange loss	16	**—**	23
Earnings before income taxes		**273**	137
Income tax expense	18	**62**	39
Net earnings		**211**	98
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustment		**—**	5
Comprehensive income		**$ 211**	$ 103
Net earnings per common share			
Basic	20	**$ 0.82**	$ 0.36
Diluted	20	**$ 0.82**	$ 0.36

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

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

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at December 31, 2024	**$ 4,571**	**$ 176**	**$ (242)**	**$ 48**	**$ 4,553**
Stock-based compensation	**—**	**14**	**—**	**—**	**14**
RSUs and PSUs vested and released	**26**	**(26)**	**—**	**—**	**—**
Repurchase of shares for cancellation	**(116)**	**—**	**(43)**	**—**	**(159)**
Tax on repurchases of equity	**—**	**—**	**(3)**	**—**	**(3)**
Dividends	**—**	**—**	**(26)**	**—**	**(26)**
Comprehensive income	**—**	**—**	**211**	**—**	**211**
Balance as at March 31, 2025	**$ 4,481**	**$ 164**	**$ (103)**	**$ 48**	**$ 4,590**
Balance as at December 31, 2023	$ 4,845	$ 180	$ (531)	$ 33	$ 4,527
Stock-based compensation	—	7	—	—	7
Stock options exercised	1	—	—	—	1
RSUs vested and released	23	(23)	—	—	—
Repurchase of shares for cancellation	(83)	—	(44)	—	(127)
Comprehensive income	—	—	98	5	103
Balance as at March 31, 2024	$ 4,786	$ 164	$ (477)	$ 38	$ 4,511

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

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

Three Months Ended March 31	Note	2025	2024
Cash provided by (used in):			
Operating activities			
Net earnings		**$ 211**	$ 98
Adjustments for:			
Deferred income tax expense	18	**62**	38
Depletion and depreciation	6	**92**	159
Stock-based compensation	14	**14**	7
Unrealized loss (gain) on foreign exchange	16	**—**	22
Unrealized net loss (gain) on commodity risk management	21	**—**	(4)
Debt extinguishment expense	17	**—**	7
Accretion on provisions	11	**3**	3
Other		**—**	(2)
Decommissioning expenditures	11	**(2)**	(2)
Payments on onerous contract	11	**(3)**	—
Net change in long-term incentive compensation liability	11	**3**	3
Net change in non-cash working capital items	19	**(84)**	(12)
Net cash provided by (used in) operating activities		**296**	317
Investing activities			
Capital expenditures	6	**(157)**	(112)
Net change in non-cash working capital items	19	**(18)**	(7)
Net cash provided by (used in) investing activities		**(175)**	(119)
Financing activities			
Repurchase and redemption of long-term debt		**—**	(142)
Debt redemption premium		**—**	(4)
Repurchase of shares	13	**(159)**	(127)
Tax on share repurchases	13	**(3)**	—
Issue of shares, net of issue costs		**—**	1
Receipts on leased assets	19	**—**	1
Payments on leased liabilities	19	**(5)**	(4)
Payments of dividends	12	**(26)**	—
Net change in non-cash working capital items	19	**5**	(4)
Net cash provided by (used in) financing activities		**(188)**	(279)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(1)**	6
Change in cash and cash equivalents		**(68)**	(75)
Cash and cash equivalents, beginning of year		**156**	160
Cash and cash equivalents, end of period		**$ 88**	$ 85

The accompanying notes are an integral part of these Interim 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 *in situ* thermal oil production at its Christina Lake Project.

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

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements ("interim consolidated financial statements") were prepared using the same accounting policies and methods as those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2024, unless otherwise noted. The interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), has been omitted or condensed. The preparation of interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, have been set out in Note 4 of the Corporation's audited consolidated financial statements for the year ended December 31, 2024. These interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2024.

Effective January 1, 2025, the Corporation made a change to the unit-of-production depletion method to better estimate the allocation of costs over the remaining estimated useful lives of certain assets. Please see note 6 of these interim consolidated financial statements for further details.

These interim consolidated financial statements are presented in Canadian dollars ($ or C$), which is the Corporation's functional currency and were approved by the Corporation's Board of Directors on May 6, 2025.

3. CHANGE IN ACCOUNTING POLICY

New accounting standards

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 'Presentation and Disclosure in Financial Statements' was issued on April 9, 2024 by the International Accounting Standards Board effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The standard introduces new requirements for improved comparability in the structure of the statement of earnings and comprehensive income, enhanced transparency of management-defined performance measures and more useful grouping of information in the financial statements. The Corporation is currently evaluating the impacts of the standard on its consolidated financial statements.

4. ACCRUED REVENUE AND ACCOUNTS RECEIVABLE

As at	March 31, 2025	December 31, 2024
Accrued revenue	$ 418	$ 411
Accounts receivable	11	9
Deposits and advances	22	19
Current portion of sublease receivable	1	1
	$ 452	$ 440

5. INVENTORIES

As at	March 31, 2025	December 31, 2024
Bitumen blend	$ 239	$ 221
Diluent	18	17
Material and supplies	18	20
	$ 275	$ 258

6. PROPERTY, PLANT AND EQUIPMENT

	Crude oil	Right-of-use assets	Corporate assets	Total
Cost				
Balance as at December 31, 2023	$ 10,396	$ 308	$ 79	$ 10,783
Additions	548	7	—	555
Derecognition	(11)	—	—	(11)
Change in decommissioning provision	(56)	—	—	(56)
Balance as at December 31, 2024	$ 10,877	$ 315	$ 79	$ 11,271
Additions	157	—	—	157
Change in decommissioning provision	(14)	—	—	(14)
Balance as at March 31, 2025	**$ 11,020**	**$ 315**	**$ 79**	**$ 11,414**
Accumulated depletion and depreciation				
Balance as at December 31, 2023	$ 4,954	$ 85	$ 61	$ 5,100
Depletion and depreciation	603	19	4	626
Derecognition	(11)	—	—	(11)
Balance as at December 31, 2024	$ 5,546	$ 104	$ 65	$ 5,715
Depletion and depreciation	96	4	1	101
Balance as at March 31, 2025	**$ 5,642**	**$ 108**	**$ 66**	**$ 5,816**
Carrying amounts				
Balance as at December 31, 2024	$ 5,331	$ 211	$ 14	$ 5,556
Balance as at March 31, 2025	**$ 5,378**	**$ 207**	**$ 13**	**$ 5,598**

At March 31, 2025, PP&E was assessed for indicators of impairment and none were identified. Assets under construction and not available for use as at March 31, 2025 totaled $74 million (as at December 31, 2024 - $44 million).

Effective January 1, 2025, field production assets are depleted using the unit-of-production method based on estimated proved developed bitumen reserves. Prior to January 1, 2025, field production assets were depleted using the unit-of-production method based on estimated proved bitumen reserves plus estimated future development costs to develop and produce these proved bitumen reserves. This change in estimate has been applied on a prospective basis resulting in an approximately $57 million decrease to depletion and depreciation expense during the three months ended March 31, 2025. This change in estimate better allocates costs over the remaining estimated useful lives of the field production assets.

7. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2025, 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, 2024 – $128 million). These assets were assessed for indicators of impairment at March 31, 2025 and none were identified.

8. OTHER ASSETS

As at	March 31, 2025	December 31, 2024
Non-current pipeline linefill[(a)]	**$ 190**	$ 189
Finance sublease receivables	**8**	8
Prepaid transportation costs	**7**	7
Intangible assets	**2**	3
	207	207
Less current portion, included in accrued revenue and accounts receivable	**(1)**	(1)
	$ 206	$ 206

a. Non-current pipeline linefill on third-party owned pipelines is classified as a non-current asset as these transportation contracts expire after December 2029.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2025	December 31, 2024
Trade payables and other	**$ 391**	$ 455
Current liability for cash-settled stock-based compensation	**18**	16
	$ 409	$ 471

10. LONG-TERM DEBT

As at	March 31, 2025	December 31, 2024
5.875% senior unsecured notes (March 31, 2025 - US$600 million; due 2029; December 31, 2024 - US$600 million)	**863**	864
Less unamortized deferred debt discount and debt issue costs	**(6)**	(6)
	$ 857	$ 858

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US$1 = C$1.4379 (December 31, 2024 – US$1 = C$1.4405).

11. PROVISIONS AND OTHER LIABILITIES

As at	March 31, 2025	December 31, 2024
Lease liabilities[(a)]	**$ 242**	$ 247
Decommissioning provision[(b)]	**147**	161
Onerous contract[(c)]	**40**	42
Long-term incentive compensation liability	**5**	2
Provisions and other liabilities	**434**	452
Less current portion	**(37)**	(35)
Non-current portion	**$ 397**	$ 417

a. Lease liabilities:

As at	March 31, 2025	December 31, 2024
Balance, beginning of period	**$ 247**	$ 259
Payments	**(11)**	(40)
Interest expense	**6**	25
Foreign exchange impact	**—**	3
Balance, end of period	**242**	247
Less current portion	**(16)**	(16)
Non-current portion	**$ 226**	$ 231

The Corporation's minimum lease payments are as follows:

As at March 31	2025
Within one year	**$ 38**
Later than one year but not later than five years	**154**
Later than five years	**370**
Minimum lease payments	**562**
Amounts representing finance charges	**(320)**
Net minimum lease payments	**$ 242**

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	March 31, 2025	December 31, 2024
Balance, beginning of period	**$ 161**	$ 210
Changes in estimated life and estimated future cash flows	**1**	(41)
Changes in discount rates	**(15)**	(15)
Liabilities settled	**(2)**	(5)
Accretion	**2**	12
Balance, end of period	**147**	161
Less current portion	**(10)**	(8)
Non-current portion	**$ 137**	$ 153

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 $895 million (December 31, 2024 – $898 million). At March 31, 2025, the Corporation estimated the net present value of the decommissioning obligations using a weighted-average credit-adjusted risk-free rate of 9.0% (December 31, 2024 – 8.5%) and an inflation rate of 2.1% (December 31, 2024 - 2.1%). The decommissioning provision is estimated to be settled in periods up to the year 2066 (December 31, 2024 - periods up to the year 2066).

c. Onerous contract:

As at	March 31, 2025	December 31, 2024
Balance, beginning of period	**$ 42**	$ 47
Modification	**—**	(3)
Payments	**(3)**	(8)
Accretion	**1**	2
Foreign exchange impact	**—**	4
Balance, end of period	**40**	42
Less current portion	**(11)**	(11)
Non-current portion	**$ 29**	$ 31

The onerous contract liability represents the present value of the estimated future cash flows with a remaining term of 4 years and relates to the assignment of an onerous marketing contract.

12. DIVIDENDS

On July 25, 2024, the Board of Directors approved the initiation of a base dividend program with the intent to pay a cash dividend each quarter, subject to Board of Directors' approval. Dividends are recognized as a reduction to retained earnings when declared. The declaration of dividends is at the sole discretion of the Corporation's Board of Directors.

Board of Directors Declaration Date	Shareholders of Record Date	Payment Date	Amount (C$/share)
November 5, 2024	December 16, 2024	January 15, 2025	$0.10
February 27, 2025	March 20, 2025	April 15, 2025	$0.10
May 6, 2025	June 16, 2025	July 15, 2025	$0.10

13. 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:

	Three months ended March 31, 2025		Year ended December 31, 2024	
	Number of shares (thousands)	**Amount**	**Number of shares (thousands)**	**Amount**
Balance, beginning of year	**260,151**	**$ 4,571**	274,642	$ 4,845
Issued upon exercise of stock options	**—**	**—**	155	1
Issued upon vesting and release of equity-settled RSUs and PSUs	**1,334**	**26**	2,311	23
Repurchase of shares for cancellation	**(6,659)**	**(116)**	(16,957)	(298)
Balance, end of period	**254,826**	**$ 4,481**	260,151	$ 4,571

On March 6, 2025, the Toronto Stock Exchange ("TSX") approved the renewal of the Corporation's normal course issuer bid ("NCIB"). Pursuant to the NCIB, MEG will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 22,535,791 common shares of the Corporation. The NCIB became effective on March 11, 2025 and will terminate on March 10, 2026 or such earlier time as the NCIB is completed or terminated at the option of MEG.

For the three months ended March 31, 2025, the Corporation repurchased for cancellation 6.7 million common shares under its NCIB at a weighted-average price of $23.82 per share for a total cost of $159 million. Share capital was reduced by $116 million, reflecting the average carrying value of $17.56 per share. Retained earnings was reduced by $43 million for the repurchase price of shares above the carrying value. A 2% tax levied on share repurchases totaling $3 million was also recorded as a reduction to retained earnings.

14. STOCK-BASED COMPENSATION

Three months ended March 31	**2025**	**2024**
Cash-settled expense	**$ 5**	$ 11
Equity-settled expense	**14**	7
Stock-based compensation	**$ 19**	$ 18

As at March 31, 2025, the Corporation recognized a current liability of $18 million relating to the fair value of cash-settled deferred share units (“DSUs”) (March 31, 2024 - $33 million) which is included within accounts payable and accrued liabilities and a non-current liability of $5 million relating to the fair value of cash-settled performance share units (“PSUs”) (March 31, 2024 - $3 million) which is included within provisions and other liabilities.

15. REVENUES

Three months ended March 31	2025	2024
Sales from:		
Production	$ 1,229	$ 1,153
Purchased product[(i)]	30	313
Petroleum revenue	$ 1,259	$ 1,466
Royalties	(108)	(128)
Petroleum revenue, net of royalties	$ 1,151	$ 1,338
Power revenue	$ 10	$ 25
Transportation revenue	1	1
Power and transportation revenue	$ 11	$ 26
Revenues	$ 1,162	$ 1,364

(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:

	Three months ended March 31					
	2025			2024		
	Petroleum Revenue			Petroleum Revenue		
	Proprietary	Third-party	Total	Proprietary	Third-party	Total
Country:						
Canada	$ 409	$ 22	$ 431	$ 541	$ 43	$ 584
United States	820	8	828	612	270	882
	$ 1,229	$ 30	$ 1,259	$ 1,153	$ 313	$ 1,466

For the three months ended March 31, 2025, power and transportation revenue of $11 million was attributed to Canada (three months ended March 31, 2024 – $26 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	March 31, 2025	December 31, 2024
Petroleum revenue	$ 415	$ 409
Power and transportation revenue	3	2
Total revenue-related assets	$ 418	$ 411

Revenue-related receivables are typically settled within 30 days. At March 31, 2025 and December 31, 2024, there was no material expected credit loss recorded against revenue-related receivables.

16. FOREIGN EXCHANGE (GAIN) LOSS

Three months ended March 31	2025	2024
Unrealized foreign exchange (gain) loss on:		
Long-term debt	$ (1)	$ 28
US$ denominated cash and cash equivalents	1	(6)
Unrealized net (gain) loss on foreign exchange	—	22
Realized (gain) loss on foreign exchange	—	1
Foreign exchange (gain) loss	$ —	$ 23

	2025	2024
C$ equivalent of 1 US$		
Beginning of period	1.4405	1.3205
End of period	1.4379	1.3533

17. NET FINANCE EXPENSE

Three months ended March 31	2025	2024
Interest expense on long-term debt	$ 13	$ 19
Interest expense on lease liabilities	6	6
Credit facility fees	2	3
Interest income	(1)	(3)
Net interest expense	20	25
Debt extinguishment expense	—	7
Accretion on provisions	3	3
Net finance expense	$ 23	$ 35

During the three months ended March 31, 2024, debt extinguishment expense of $7 million was recognized on the 7.125% senior unsecured note redemptions.

18. INCOME TAX EXPENSE

Three months ended March 31	2025	2024
Current income tax expense	$ —	$ 1
Deferred income tax expense	62	38
Income tax expense	$ 62	$ 39

19. SUPPLEMENTAL CASH FLOW DISCLOSURES

Three months ended March 31		2025		2024
Cash provided by (used in):				
Accrued revenue and accounts receivable	**$**	**(13)**	$	14
Inventories		**(9)**		(1)
Accounts payable and accrued liabilities		**(62)**		(17)
Interest payable		**(13)**		(19)
	$	**(97)**	$	(23)
Changes in non-cash working capital relating to:				
Operating	**$**	**(84)**	$	(12)
Investing		**(18)**		(7)
Financing		**5**		(4)
	$	**(97)**	$	(23)
Cash and cash equivalents:[(a)]				
Cash	**$**	**88**	$	85
Cash equivalents		**—**		—
	$	**88**	$	85
Cash interest paid	**$**	**25**	$	37

a. As at March 31, 2025, $69 million of the Corporation's total cash and cash equivalents balance was held in U.S. dollars (March 31, 2024 – $74 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$1.4379 (March 31, 2024 – US$1 = C$1.3533).

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

		Finance sublease receivables		Lease liabilities		Long-term debt
Balance as at December 31, 2024	$	8	$	247	$	858
Financing cash flow changes:						
Payments on leased liabilities		**—**		**(5)**		**—**
Other cash and non-cash changes:						
Interest payments on lease liabilities		**—**		**(6)**		**—**
Interest expense on lease liabilities		**—**		**6**		**—**
Unrealized loss on foreign exchange		**—**		**—**		**(1)**
Balance as at March 31, 2025	**$**	**8**	**$**	**242**	**$**	**857**

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

20. NET EARNINGS PER COMMON SHARE

Three months ended March 31	2025	2024
Net earnings	$ 211	$ 98
Weighted average common shares outstanding (millions)[a]	256	273
Dilutive effect of stock options and equity-settled RSUs and PSUs (millions)	2	3
Weighted average common shares outstanding – diluted (millions)	258	276
Net earnings per share, basic	$ 0.82	$ 0.36
Net earnings per share, diluted	$ 0.82	$ 0.36

a. Weighted average common shares outstanding for the three months ended March 31, 2025 include 105,643 PSUs vested but not yet released (three months ended March 31, 2024 - 397,671 PSUs vested but not yet released).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a. Fair values:

The carrying values of cash and cash equivalents, trade receivables and other, accounts payable and accrued liabilities, dividends payable and interest payable included on the consolidated balance sheet approximate 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	March 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Long-term debt (Note 10)	$ 863	$ 843	$ 864	$ 841

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 at March 31, 2025 and is expected to fluctuate over time.

b. Risk management:

All risk management contracts expired at the end of 2024, and the Corporation does not have any outstanding risk management assets or liabilities in 2025.

As at March 31	2025	2024
Risk management assets (liabilities), beginning of year	$ —	$ (22)
Realized risk management (gain) loss on:		
Commodity risk management contracts	—	4
Risk management assets (liabilities), end of period	$ —	$ (18)

c. Credit risk management:

Credit risk arises from the potential that the Corporation may incur a loss if a counterparty fails to meet its obligations in accordance with agreed terms. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Corporation uses a combination of historical and forward-looking information to determine the appropriate loss allowance provisions. Credit risk exposure is mitigated through credit policies governing the Corporation’s credit portfolio and with credit practices that limit transactions according to each counterparty's credit quality. A substantial portion of accounts receivable are with investment grade customers in the energy industry and are subject to normal industry credit risk. The Corporation has experienced no material loss in relation to trade receivables. At March 31, 2025, the Corporation’s estimated maximum exposure to credit risk related to trade receivables, deposits and advances was $451 million. 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 commercial paper, money market deposits or similar instruments. The cash and cash equivalents balance at March 31, 2025 was $88 million, which is the estimated maximum exposure to credit risk related to its cash and cash equivalents.

d. 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. In the event of a default, 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 which minimize 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$600 million of 5.875% senior unsecured notes due February 2029 represents the earliest and only long-term debt maturity and does not contain financial maintenance covenants. Additionally, the Corporation's modified covenant-lite $600 million revolving credit facility has no financial maintenance covenant unless drawn in excess of 50%, or $300 million. If drawn in excess of 50%, or $300 million, the Corporation is required to maintain a quarterly first lien net leverage ratio (first lien net debt to last twelve-month EBITDA) of 3.5 or less. Under the Corporation's credit facility, first lien net debt is calculated as debt under the credit facility plus other debt that is secured on a *pari passu* basis with the credit facility, less cash on hand.

22. 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. Share repurchases, dividends and capital expenditures are anticipated to be funded by the Corporation's funds from operations, cash-on-hand and/or other available liquidity.

The Corporation intends to return 100% of free cash flow ("FCF") to shareholders through share repurchases and a quarterly base dividend while managing working capital cash requirements.

The Corporation has $1.2 billion of available credit, comprised of $600 million under a revolving credit facility and $600 million under a letter of credit facility guaranteed by Export Development Canada ("EDC Facility").

The Corporation's US$600 million of 5.875% senior unsecured notes due February 2029 represent the only long-term debt maturity. At March 31, 2025, the Corporation had $600 million unutilized capacity under the revolving credit facility and, with $214 million of issued letters of credit, had $386 million of unutilized capacity under the $600 million EDC Facility.

The following table summarizes the Corporation's funds from operations ("FFO") and free cash flow ("FCF"):

Three Months Ended March 31	2025	2024
Net cash provided by (used in) operating activities	$ 296	$ 317
Net change in non-cash working capital items	84	12
Funds from operations	380	329
Capital expenditures	(157)	(112)
Free cash flow	$ 223	$ 217

Management utilizes FFO and FCF as measures to analyze operating performance and cash flow generating ability. FFO and FCF impact the level and extent of debt repayment, funding for capital expenditures and returning capital to shareholders. FCF is a meaningful metric to assist management and investors in analyzing corporate performance by providing a measure of financial liquidity and the capacity of the business to return capital to shareholders. FFO and FCF are not intended to represent net cash provided by (used in) operating activities.

The following table summarizes the Corporation's net debt:

As at	Note	March 31, 2025	December 31, 2024
Long-term debt	12	$ 857	$ 858
Cash and cash equivalents		(88)	(156)
Net debt - C$		$ 769	$ 702
Net debt - US$		$ 535	$ 488

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

Net debt and FCF are not standardized measures and may not be comparable with the calculation of similar measures by other companies.

23. 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 March 31, 2025:

	2025	2026	2027	2028	2029	Thereafter	Total
Transportation and storage(i)	$ 380	$ 506	$ 507	$ 512	$ 496	$ 4,691	$ 7,092
Diluent purchases(ii)	188	74	65	66	65	32	490
Other operating commitments	15	19	10	9	6	58	117
Variable office lease costs	3	4	4	4	4	8	27
Capital commitments	40	—	—	—	—	—	40
Commitments	**$ 626**	**$ 603**	**$ 586**	**$ 591**	**$ 571**	**$ 4,789**	**$ 7,766**

(i) This represents transportation and storage commitments from 2025 to 2048. Excludes amounts recognized on the consolidated balance sheet (Note 11).

(ii) The associated transportation commitment is included in transportation and storage.

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.