



THIRD QUARTER 2015

Report to Shareholders for the period ended September 30, 2015

MEG Energy Corp. reported third quarter 2015 operational and financial results on October 28, 2015. Highlights include:

- Net operating costs of \$9.10 per barrel, supported by record-low non-energy operating costs of \$5.98 per barrel in the third quarter and with annual guidance reduced to a targeted \$6.90 to \$7.10 non-energy operating cost per barrel;
- Record-high quarterly production volumes of 82,768 barrels per day (bpd);
- Cash flow from operations of \$24 million, or \$0.11 per share, and reduced capital spending supporting strong financial liquidity, exiting the quarter with \$351 million in cash and an undrawn US\$2.5 billion credit facility;
- The 2015 capital program has been revised downwards to approximately \$280 million from the previous guidance of \$305 million.

"Despite the challenging commodity price environment, we continue to see positive results from the cost reduction strategy that has moved MEG to a net operating cost of less than \$10 per barrel," said Bill McCaffrey, President and Chief Executive Officer. "This is a result of our ongoing efforts to further improve our operating efficiencies, as well as our success in steadily increasing production volumes from our existing assets."

MEG's third quarter 2015 production was a record 82,768 bpd, compared to 76,471 bpd for the third quarter of 2014. Production in the current quarter was slightly reduced from normal plant throughput levels as facilities ramped-up following planned major turnaround work, which was completed early in the third quarter. The turnaround work had been delayed from the original schedule due to wildfires in the Christina Lake area. Year-to-date production for the first nine months of 2015 increased 16% to 78,849 bpd from 68,108 bpd for the same period in 2014. MEG continues to target annual production of 78,000 to 82,000 bpd for 2015.

Net operating costs for the third quarter of 2015 averaged \$9.10 per barrel compared to \$10.31 per barrel for the third quarter of 2014. The decrease in net operating costs is due to a record-low non-energy operating cost of \$5.98 per barrel and a decrease in energy operating costs related to lower natural gas prices. These positive impacts were partially offset by a decrease in power revenue from electricity sold to the market from MEG's cogeneration facilities.

"The combination of advancements in technology, together with continued success in reducing our overall cost base, has enabled us to lower non-energy operating costs, along with sustaining and maintenance expenditures," said McCaffrey. "We've been able to reduce our non-energy operating cost guidance by 16% to between \$6.90 and \$7.10 per barrel and decrease our sustaining and maintenance capital to the \$7.00 to \$8.00 per barrel range."

MEG reported cash flow from operations of \$24 million for the third quarter of 2015 compared to \$239 million for the same period in 2014. The decrease is primarily due to lower crude oil benchmark pricing and higher transportation and interest costs. These impacts were partially offset by higher sales volumes and reduced royalties (reflecting lower commodity prices).

MEG recognized an operating loss of \$87 million for the third quarter of 2015 compared to operating earnings of \$87 million for the third quarter of 2014. Operating earnings were impacted by the same factors that impacted cash flow, as well as an increase in depletion and depreciation expense.

MEG's 2015 planned annual capital program guidance has been revised downward to approximately \$280 million from the previous guidance of \$305 million. The aggregate reduction in the annual capital program is \$49 million, after considering the revised \$280 million program includes \$24 million of capitalized turnaround costs, which were not part of the initial \$305 million capital program.

Financial Liquidity

As at September 30, 2015, MEG's available capital resources included \$351 million of cash and cash equivalents and an undrawn US\$2.5 billion syndicated revolving credit facility. The company also has a US\$500 million guaranteed letter of credit facility, under which US\$151 million of letters of credit have been issued. All of MEG's long-term debt is free of any financial maintenance covenants and is not dependent on, nor calculated from, MEG's crude oil reserves.

Along with its focus on cost reductions, MEG is reviewing its options around the monetization of the Access Pipeline to assist in further strengthening of the balance sheet.

Forward-Looking Information and Non-GAAP Financial Measures

This quarterly report contains forward-looking information and financial measures that are not defined by International Financial Reporting Standards ("IFRS") and should be read in conjunction with the "Forward-Looking Information" and "Non-GAAP Financial Measures" contained within the Advisory section of this quarter's Management's Discussion and Analysis.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of MEG Energy Corp. ("MEG" or the "Corporation") for the period ended September 30, 2015 is dated October 27, 2015. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2014 and the unaudited condensed consolidated interim financial statements and notes thereto for the period ended September 30, 2015. This MD&A and the unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and are presented in Canadian dollars, except where otherwise indicated. For a list of abbreviations that be referenced in this MD&A, please refer to the "ABBREVIATIONS" section of this MD&A.

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1. OVERVIEW

MEG is an oil sands company focused on sustainable in situ oil sands development and production in the southern Athabasca oil sands region of Alberta, Canada. MEG is actively developing enhanced oil recovery projects that utilize steam-assisted gravity drainage ("SAGD") extraction methods. MEG is not engaged in oil sands mining.

MEG owns a 100% working interest in over 900 square miles of oil sands leases. In a report dated effective December 31, 2014, with a preparation date of January 30, 2015, GLJ Petroleum Consultants Ltd. estimated that the oil sands leases it had evaluated contained 3.0 billion barrels of proved plus probable bitumen reserves and 3.8 billion barrels of contingent bitumen resources (best estimate).

The Corporation has identified two commercial SAGD projects; the Christina Lake Project and the Surmont Project. The Christina Lake Project has received regulatory approval for 210,000 barrels per day ("bbls/d") of production and MEG has applied for regulatory approval for 120,000 bbls/d of production at the Surmont Project. The ultimate production rate and life of each project will be dependent on a number of factors, including the size of, the performance of, and the development schedule for, each expansion or phase in those projects. In addition, the Corporation holds other leases (the "Growth Properties") that are still in the resource definition stage and that are anticipated to provide significant additional development opportunities.

The Corporation's first two production phases at the Christina Lake Project, Phases 1 and 2, commenced production in 2008 and 2009, respectively, with a combined designed capacity of 25,000 bbls/d. In 2012, the Corporation announced the RISER initiative, which is designed to increase production from existing assets at lower capital and operating costs using a combination of proprietary reservoir technologies, redeployment of steam and facilities modifications, including debottlenecking and expansions (collectively, "RISER"). Phase 2B, an expansion with an initial designed capacity of 35,000 bbls/d, commenced production in the fourth quarter of 2013 and was successfully ramped up throughout 2014. Due to the successful ramp-up of Phase 2B, in combination with the success achieved from applying RISER to Phases 1 and 2, the Corporation achieved average production in excess of 80,000 bbls/d from Christina Lake Phases 1, 2 and 2B in the fourth quarter of 2014.

The Corporation is currently focused on the expansion of the Christina Lake Project through the continuing application of RISER 2B. RISER 2B is an initiative that uses a combination of proprietary reservoir technologies, redeployment of steam and facilities modifications, including a series of brownfield expansions of existing Phase 2B facilities. The Corporation anticipates this strategy will allow the Corporation to increase production more quickly and efficiently and at lower capital intensity.

In addition, MEG has filed for regulatory applications for the Surmont Project, which is situated along the same geological trend as the Christina Lake Project and has an anticipated designed capacity of approximately 120,000 bbls/d over multiple phases. MEG filed a regulatory application for the project in September 2012. The proposed project is expected to use SAGD technology and include multi-well production pads, electricity and steam cogeneration and other facilities similar to MEG's current Christina Lake Project. The Surmont Project is located approximately 30 miles north of the Corporation's Christina Lake Project. This area has been extensively explored and developed for natural gas projects, and more recently for oil sands resources. Other thermal recovery projects are already operating in this area.

MEG also holds a 50% interest in the Access Pipeline, a strategic dual pipeline system that connects the Christina Lake Project to a large regional upgrading, refining, diluent supply and transportation hub in the Edmonton, Alberta area. In the third quarter of 2014, MEG completed an expansion of the Access Pipeline, which included the construction of a 42-inch blend line from the Christina Lake Project to the Edmonton, Alberta area. The expansion of the Access Pipeline will accommodate anticipated increases in production from the Christina Lake Project as well as provide expansion capacity for future production volumes from the Surmont Project and from the Growth Properties. MEG's 50% interest of the capacity in the expanded 42-inch line is approximately 200,000 bbls/d of blended bitumen. The system's former 24-inch blend line was converted to diluent service during the third quarter of 2015.

In addition to the Access Pipeline, MEG owns the Stonefell Terminal, located near Edmonton, Alberta. The Stonefell Terminal was commissioned in the fourth quarter of 2013 and has 900,000 barrels of strategic terminalling and storage capacity. The Stonefell Terminal is strategically located near the southern end of the Access Pipeline and is connected to local and export markets by pipeline, in addition to being pipeline connected to a third party rail-loading terminal near Bruderheim, Alberta. This combination of facilities allows for the loading of bitumen blend for transport by rail.

2. OPERATIONAL AND FINANCIAL HIGHLIGHTS

As a result of the ongoing global imbalance between supply and demand for crude oil, the Corporation's operating and financial results for third quarter of 2015 continued to be impacted by the low commodity price environment. The C\$/bbl WTI price for the third quarter of 2015 decreased 43% compared to the same period in 2014.

In addition, the value of the Canadian dollar, relative to the U.S. dollar declined 7% in the third quarter of 2015 compared to the second quarter of 2015. From December 31, 2014, the value of the Canadian dollar, relative to the U.S. dollar decreased 15%. As the value of the Canadian dollar weakens, relative to the U.S. dollar, the translated value of the Corporation's U.S. dollar denominated debt and related interest expense increases.

The following table summarizes selected operational and financial information of the Corporation for the periods noted. All dollar amounts are stated in Canadian dollars (\$) or C\$) unless otherwise noted:

(\$ millions, except as indicated)	Nine months ended Sept 30		2015			2014				2013
	2015	2014	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Bitumen production - bbls/d	78,849	68,108	82,768	71,376	82,398	80,349	76,471	68,984	58,643	42,251
Bitumen realization - \$/bbl	33.20	67.02	31.03	44.54	25.82	50.48	65.12	72.75	62.28	38.22
Net operating costs - \$/bbl ⁽¹⁾	9.69	12.76	9.10	9.43	10.49	10.13	10.31	14.49	13.63	11.22
Non-energy operating costs - \$/bbl	6.84	8.59	5.98	7.01	7.57	6.42	7.16	9.64	9.05	8.09
Cash operating netback ⁽²⁾ - \$/bbl	18.01	48.18	16.41	29.64	9.83	35.56	48.70	51.45	43.51	23.78
Cash flow from (used in) operations ⁽³⁾	94	657	24	99	(30)	134	239	262	157	23
Per share, diluted ⁽³⁾	0.42	2.92	0.11	0.44	(0.13)	0.60	1.06	1.16	0.70	0.10
Operating earnings (loss) ⁽³⁾	(234)	239	(87)	(23)	(124)	8	87	111	41	(33)
Per share, diluted ⁽³⁾	(1.04)	1.06	(0.39)	(0.10)	(0.56)	0.04	0.39	0.49	0.18	(0.15)
Revenue ⁽⁴⁾	1,481	2,215	460	555	467	615	706	829	680	350
Net earnings (loss) ⁽⁵⁾	(872)	45	(428)	63	(508)	(150)	(101)	249	(103)	(148)
Per share, basic	(3.89)	0.20	(1.90)	0.28	(2.27)	(0.67)	(0.45)	1.12	(0.46)	(0.67)
Per share, diluted	(3.89)	0.20	(1.90)	0.28	(2.27)	(0.67)	(0.45)	1.11	(0.46)	(0.67)
Total cash capital investment ⁽⁶⁾	203	914	32	90	80	324	291	299	324	366
Cash, cash equivalents and short-term investments	351	777	351	438	471	656	777	840	890	1,179
Long-term debt	5,024	4,203	5,024	4,678	4,759	4,350	4,203	4,002	4,148	3,991

(1) Net operating costs include energy and non-energy operating costs, reduced by power revenue.

(2) Cash operating netbacks are calculated by deducting the related diluent, transportation, operating expenses and royalties from proprietary sales volumes and power revenues, on a per barrel of bitumen sales volume basis.

(3) Cash flow from (used in) operations, Operating earnings (loss), and the related per share amounts do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. For the three and nine months ended September 30, 2015 and September 30, 2014, the non-GAAP measure of cash flow from operations is reconciled to net cash provided by (used in) operating activities and the non-GAAP measure of operating earnings (loss) is reconciled to net earnings (loss) in accordance with IFRS under the heading "NON-GAAP MEASURES" and discussed further in the "ADVISORY" section.

(4) The total of Petroleum revenue, net of royalties and Other revenue as presented on the Interim Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

(5) Includes a net unrealized foreign exchange loss of \$330.5 million and \$626.3 million on the Corporation's U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents for the three and nine months ended September 30, 2015, respectively. The net earnings (loss) for the three and nine months ended September 30, 2014 include a net unrealized foreign exchange loss of \$188.7 million and \$194.1 million, respectively.

(6) Defined as total capital investment excluding capitalized interest and non-cash items.

(7) Totals may not add due to rounding.

Bitumen Production

Bitumen production for the three months ended September 30, 2015 averaged 82,768 bbls/d compared to 76,471 bbls/d for the three months ended September 30, 2014. Bitumen production for the nine months ended September 30, 2015 averaged 78,849 bbls/d compared to 68,108 bbls/d for the nine months ended September 30, 2014. The increase in production volumes is primarily due to the successful ramp-up of Phase 2B and the continued implementation of RISER at the Christina Lake Project. The implementation of the RISER initiative has improved reservoir efficiency and allowed for redeployment of steam, thereby enabling the Corporation to place additional wells into production. These increases in production were partially offset by a reduction in volumes as a result of a planned turnaround in the second quarter of 2015, which was longer in duration and had a greater impact on production volumes than the turnaround for the same period in 2014. In addition, forest fires near the Christina Lake Project extended the duration of time required to complete the 2015 turnaround.

Bitumen Realization

Bitumen realization, as discussed in this MD&A, represents the Corporation's realized proprietary petroleum revenue ("blend sales revenue"), net of the cost of diluent, expressed on a per barrel basis. Blend sales revenue represents MEG's revenue from its heavy crude oil blend known as Access Western Blend ("AWB" or "blend"). AWB is comprised of bitumen produced at the Christina Lake region blended with purchased diluent. The cost of blending is impacted by the amount of diluent required and the Corporation's cost of purchasing and transporting diluent. A portion of the cost of diluent is effectively recovered in the sales price of the blended product. The cost of diluent is also impacted by U.S. benchmark pricing and the timing of diluent inventory purchases.

For the three months ended September 30, 2015, average bitumen realization decreased to \$31.03 per barrel compared to \$65.12 per barrel for the three months ended September 30, 2014. For the nine months ended September 30, 2015, average bitumen realization decreased to \$33.20 per barrel compared to \$67.02 per barrel for the nine months ended September 30, 2014. The decrease in bitumen realization is a result of the significant decline of U.S. crude oil benchmark pricing which resulted in lower blend sales revenue.

The C\$/bbl WTI price averaged \$60.79 per barrel during the three months ended September 30, 2015 compared to \$105.84 per barrel during the three months ended September 30, 2014. The WTI:WCS differential widened to an average of 28.8% for the three months ended September 30, 2015 compared to 20.8% for the three months ended September 30, 2014. The C\$/bbl WTI price averaged \$64.26 per barrel during the nine months ended September 30, 2015 compared to \$109.02 per barrel during the nine months ended September 30, 2014. The WTI:WCS differential widened to an average of 26.1% for the nine months ended September 30, 2015 compared to 21.2% for the nine months ended September 30, 2014.

Net Operating Costs

Net operating costs are comprised of the sum of non-energy operating costs and energy operating costs, which are reduced by power revenue. Non-energy operating costs represent production operating activities excluding energy operating costs. Energy operating costs represent the cost of natural gas for the production of steam and power at the Corporation's facilities. Power revenue is the sale of surplus power generated at the Corporation's cogeneration facilities at the Christina Lake Project.

Net operating costs for the three months ended September 30, 2015 averaged \$9.10 per barrel compared to \$10.31 per barrel for the three months ended September 30, 2014. The decrease in net

operating costs is attributable to a per barrel decrease in energy and non-energy operating costs, partially offset by a decrease in power revenue.

- Non-energy operating costs decreased to \$5.98 per barrel for the three months ended September 30, 2015 compared to \$7.16 per barrel for the same period in 2014. The per barrel decrease is primarily the result of holding absolute costs relatively constant during a period of increasing sales volumes, as these costs are now spread over a greater number of barrels.
- Energy operating costs decreased to \$3.97 per barrel for the three months ended September 30, 2015 compared to \$5.58 per barrel for the same period in 2014. The Corporation's energy costs decreased primarily as a result of the decline in natural gas prices, which decreased to an average of \$3.18 per mcf for the three months ended September 30, 2015 compared to \$4.00 per mcf for the same period in 2014.
- Power revenue decreased to \$0.85 per barrel for the three months ended September 30, 2015 compared to \$2.43 per barrel for the same period in 2014. The decrease in power revenue is primarily due to a decrease in the Corporation's realized power price. The Corporation's realized power price during the three months ended September 30, 2015 decreased to \$25.09 per megawatt hour compared to \$59.07 per megawatt hour for the same period in 2014. Power revenue had the effect of offsetting 21% of energy operating costs during the three months ended September 30, 2015 compared to offsetting 43% of energy operating costs during the same period in 2014.

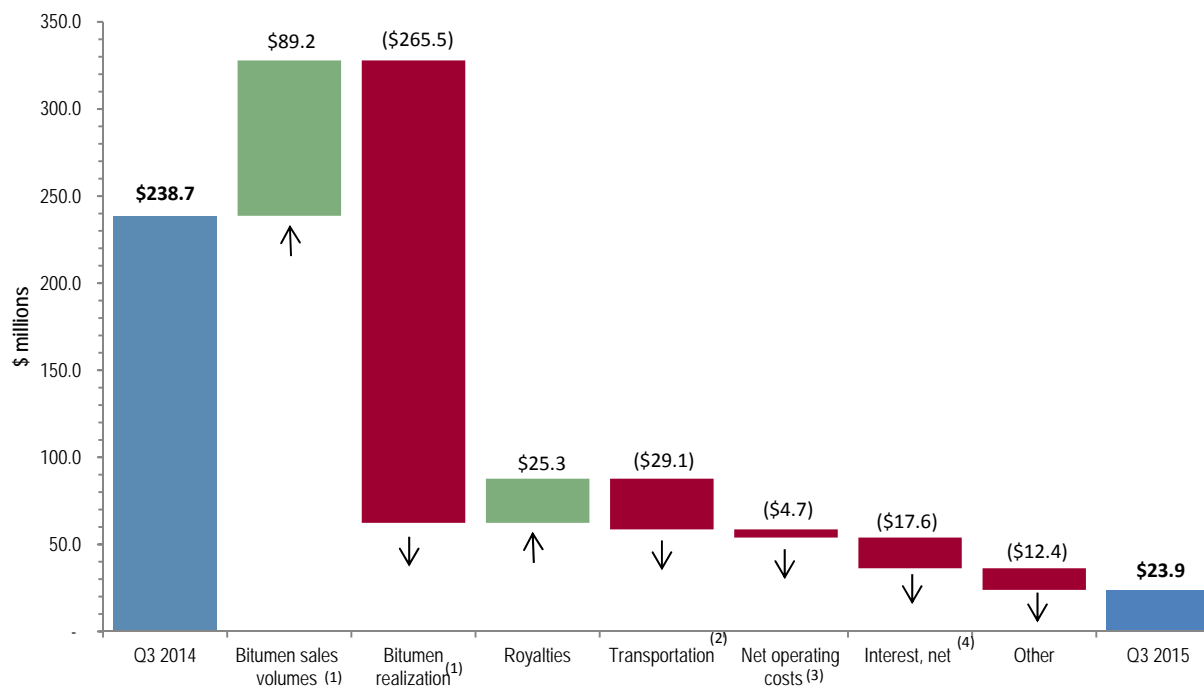
Net operating costs for the nine months ended September 30, 2015 averaged \$9.69 per barrel compared to \$12.76 per barrel for the nine months ended September 30, 2014. The decrease in net operating costs is attributable to a per barrel decrease in energy and non-energy operating costs, partially offset by a decrease in power revenue.

- Non-energy operating costs decreased to \$6.84 per barrel for the nine months ended September 30, 2015 compared to \$8.59 per barrel for the same period in 2014. Non-energy operating costs for 2014 include \$0.67 per barrel for annual inspection and maintenance activities at the Christina Lake facilities. The decrease in non-energy operating costs is primarily the result of holding absolute costs relatively constant during a period of increasing sales volumes, as these costs are now spread over a greater number of barrels. Consistent with the Corporation's capitalization policy, the 2015 turnaround costs have been capitalized, as the work performed will benefit future years of operations. As a result, the cost of the 2015 turnaround is treated as a component of capital investment and will be depreciated on a straight line basis over the period to the next turnaround.
- Energy operating costs decreased to \$3.93 per barrel for the nine months ended September 30, 2015 compared to \$6.71 per barrel for the same period in 2014. The Corporation's energy operating costs decreased primarily as a result of the decline in natural gas prices, which decreased to an average of \$3.17 per mcf for the nine months ended September 30, 2015 compared to \$5.04 per mcf for the same period in 2014.
- Power revenue decreased to \$1.08 per barrel for the nine months ended September 30, 2015 compared to \$2.54 per barrel for the same period in 2014. The decrease is primarily due to a decrease in the Corporation's realized power price. The Corporation's realized power price during the nine months ended September 30, 2015 decreased to \$30.22 per megawatt hour compared to \$54.87 per megawatt hour for the same period in 2014. Power revenue had the effect of offsetting 27% of energy operating costs during the nine months ended September 30, 2015 compared to offsetting 38% of energy operating costs during the same period in 2014.

Cash Operating Netback

Cash operating netback for the three months ended September 30, 2015 was \$16.41 per barrel compared to \$48.70 per barrel for the three months ended September 30, 2014. Cash operating netback for the nine months ended September 30, 2015 was \$18.01 per barrel compared to \$48.18 per barrel for the nine months ended September 30, 2014. The decrease in the cash operating netback is primarily due to a decrease in bitumen realization as a result of the significant decline of U.S. crude oil benchmark pricing.

Cash Flow from Operations – Three Months Ended September 30, 2015



(1) Net of diluent.

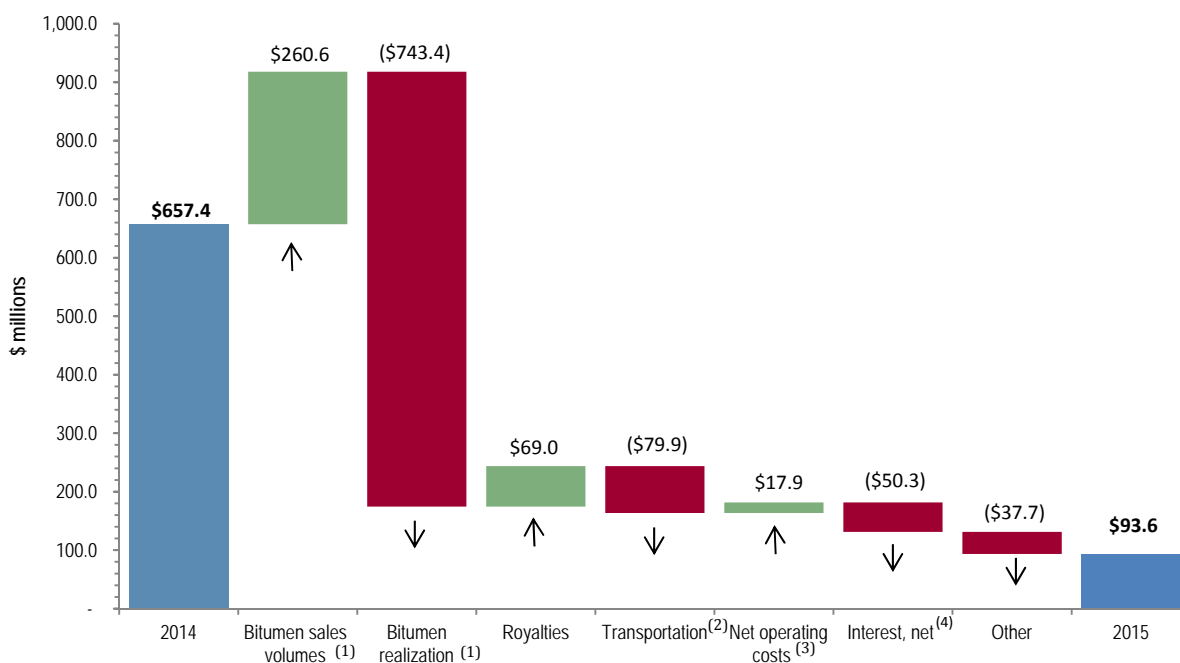
(2) Defined as transportation expense less transportation revenue.

(3) Includes non-energy and energy operating costs, reduced by power revenue.

(4) Includes cash interest expense, net of capitalized interest, and realized gain/loss on interest rate swaps less interest income.

Cash flow from operations was \$23.9 million for the three months ended September 30, 2015 compared to \$238.7 million for the three months ended September 30, 2014. Cash flow from operations decreased primarily due to lower bitumen realization, higher transportation and higher interest costs, partially offset by an increase in bitumen sales volumes and lower royalties. The decrease in bitumen realization and decrease in royalties is directly correlated to the significant decline of U.S. crude oil benchmark pricing. Transportation expense increased primarily due to the cost of transporting blend volumes from Edmonton to the U.S. Gulf Coast via the Flanagan-Seaway Pipeline, which commenced operations in the fourth quarter of 2014. During 2015, the Corporation's transportation costs have increased to accommodate a greater proportion of blend sales now being directly sold to refineries at the refinery gate. Interest costs increased as a result of the weakening of the Canadian dollar relative to the U.S. dollar, as the Corporation's debt is denominated in U.S. dollars.

Cash Flow from Operations – Nine Months Ended September 30, 2015



(1) Net of diluent.

(2) Defined as transportation expense less transportation revenue.

(3) Includes non-energy and energy operating costs, reduced by power revenue.

(4) Includes cash interest expense, net of capitalized interest, and realized gain/loss on interest rate swaps less interest income.

Cash flow from operations was \$93.6 million for the nine months ended September 30, 2015 compared to cash flow from operations of \$657.4 million for the nine months ended September 30, 2014. Cash flow from operations decreased primarily due to lower bitumen realization, higher transportation and higher interest costs, partially offset by an increase in bitumen sales volumes and lower royalties.

Operating Earnings (Loss)

The Corporation recognized an operating loss of \$86.8 million for the three months ended September 30, 2015 compared to operating earnings of \$87.5 million for the three months ended September 30, 2014. Operating earnings have decreased due to lower bitumen realization, primarily as a result of the significant decline of U.S. crude oil benchmark pricing, higher transportation costs, an increase in depletion and depreciation expense and an increase in interest expense, partially offset by an increase in bitumen sales volumes and lower royalties.

The operating loss for the nine months ended September 30, 2015 was \$234.1 million compared to operating earnings of \$239.3 million for the nine months ended September 30, 2014. Operating earnings decreased due to lower bitumen realization, primarily as a result of the significant decline of U.S. crude oil benchmark pricing, higher transportation costs, an increase in depletion and depreciation expense and an increase in interest expense, partially offset by an increase in bitumen sales volumes and lower royalties.

Revenue

Revenue for the three months ended September 30, 2015 totalled \$459.8 million compared to \$706.4 million for the three months ended September 30, 2014. Revenue for the nine months ended September 30, 2015 totalled \$1.5 billion compared to \$2.2 billion for the nine months ended September 30, 2014. Revenue decreased primarily due to a decrease in bitumen realization as a result of the significant decline of U.S. crude oil benchmark pricing. Revenue represents the total of Petroleum revenue, net of royalties and Other revenue.

Net Earnings (Loss)

The Corporation recognized a net loss of \$427.5 million for the three months ended September 30, 2015 compared to a net loss of \$101.0 million for the three months ended September 30, 2014. The net loss for the three months ended September 30, 2015 included a net unrealized foreign exchange loss of \$330.5 million on the Corporation's U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents. The net loss for the three months ended September 30, 2014 included a net unrealized foreign exchange loss of \$188.7 million on U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents.

The Corporation recognized a net loss of \$872.4 million for the nine months ended September 30, 2015 compared to net earnings of \$44.5 million for the nine months ended September 30, 2014. The net loss for the nine months ended September 30, 2015 included a net unrealized foreign exchange loss of \$626.3 million on the Corporation's U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents. Net earnings for the nine months ended September 30, 2014 included a net unrealized foreign exchange loss of \$194.1 million on U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents.

Total Cash Capital Investment

Total cash capital investment during the three months ended September 30, 2015 totalled \$32.1 million compared to a total of \$291.3 million for the three months ended September 30, 2014. Total cash capital investment during the nine months ended September 30, 2015 totalled \$202.7 million compared to a total of \$913.6 million for the nine months ended September 30, 2014. Capital investment in 2015 has been primarily directed towards sustaining and maintenance activities, as the Corporation has been focused on reducing capital spending until there is a sustained improvement in crude oil pricing.

Capital Resources

The Corporation's cash and cash equivalents balance totalled \$350.7 million as at September 30, 2015 compared to a cash and cash equivalents balance of \$656.1 million as at December 31, 2014. The Corporation's cash and cash equivalents balance decreased primarily due to lower cash flow from operations directly correlated to the significant decline of U.S. crude oil benchmark pricing and the use of cash to settle accounts payable related to 2014 capital investment activity.

All of the Corporation's long-term debt is denominated in U.S. dollars. As a result of the decrease in the value of the Canadian dollar relative to the U.S. dollar, long-term debt increased to C\$5.1 billion as at September 30, 2015 from C\$4.4 billion as at December 31, 2014. All of MEG's long-term debt is "covenant lite" in structure, meaning it is free of any financial maintenance covenants and is not dependent on, nor calculated from, the Corporation's crude oil reserves. The first maturity of any of the Corporation's long-term debt obligations is March 2020.

As at September 30, 2015, the Corporation's capital resources included \$350.7 million of cash and cash equivalents, an additional undrawn US\$2.5 billion syndicated revolving credit facility and a US\$500 million guaranteed letter of credit facility.

3. OUTLOOK

In the second quarter of 2015, the Corporation announced revised 2015 annual non-energy operating cost guidance in the range of \$7.30 to \$9.30 per barrel. As a result of further field operating cost efficiencies, non-energy operating costs are now targeted to be in the range of \$6.90 to \$7.10 per barrel for 2015. The 2015 planned annual capital program guidance has been revised downward to approximately \$280 million from the previously disclosed guidance of \$305 million. The aggregate reduction in the annual capital program is \$49 million, after considering the revised \$280 million program includes \$24 million of capitalized turnaround costs, which were not part of the initial \$305 million capital program. The Corporation's 2015 annual bitumen production volumes continue to be targeted in the 78,000 to 82,000 bbls/d range.

On August 31, 2015, the Corporation announced the formation of a committee of the Board of Directors and that it had retained BMO Capital Markets and Credit Suisse to assist management in the review of options available to the Corporation to utilize its interest in the Access Pipeline to reduce the financial leverage of the Corporation. The overall objective is to better position the Corporation to grow in a low price environment.

4. BUSINESS ENVIRONMENT

The following table shows industry commodity pricing information and foreign exchange rates on a quarterly and year-to-date basis to assist in understanding the impact of commodity prices and foreign exchange rates on the Corporation's financial results:

	Nine months ended September 30		2015			2014				2013
	2015	2014	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average Commodity Prices										
Crude oil prices										
Brent (US\$/bbl)	56.61	107.02	51.17	63.50	55.16	76.98	103.39	109.77	107.90	109.35
WTI (US\$/bbl)	51.00	99.61	46.43	57.94	48.63	73.15	97.16	102.99	98.68	97.43
WTI (C\$/bbl)	64.26	109.02	60.79	71.24	60.35	83.08	105.84	112.31	108.89	102.08
Differential – Brent:WTI (US\$/bbl)	5.61	7.41	4.74	5.56	6.53	3.83	6.23	6.78	9.22	11.92
Differential – Brent:WTI (%)	9.9%	6.9%	9.3%	8.8%	11.8%	5.0%	6.0%	6.2%	8.5%	10.9%
WCS (C\$/bbl)	47.47	85.89	43.29	56.98	42.13	66.74	83.82	90.44	83.41	68.31
Differential – WTI:WCS (C\$/bbl)	16.79	23.13	17.50	14.25	18.22	16.34	22.02	21.87	25.48	33.77
Differential – WTI:WCS (%)	26.1%	21.2%	28.8%	20.0%	30.2%	19.7%	20.8%	19.5%	23.4%	33.1%
Condensate prices										
C5+ at Edmonton (C\$/bbl)	61.88	109.90	57.89	71.17	56.59	81.98	101.72	114.72	113.26	99.19
Natural gas prices										
AECO (C\$/mcf)	2.76	4.80	2.89	2.64	2.74	3.58	4.00	4.70	5.69	3.52
Electric power prices										
Alberta power pool (C\$/MWh)	37.48	55.64	26.04	57.25	29.14	30.55	63.91	42.43	60.58	48.60
Foreign exchange rates										
C\$ equivalent of 1 US\$ - average	1.2600	1.0944	1.3093	1.2294	1.2411	1.1357	1.0893	1.0905	1.1035	1.0477
C\$ equivalent of 1 US\$ - period end	1.3394	1.1208	1.3394	1.2474	1.2683	1.1601	1.1208	1.0676	1.1053	1.0636

Crude Oil Pricing

Brent crude is the primary world price benchmark for global light sweet crude oil. The Brent benchmark price averaged US\$51.17 per barrel in the third quarter of 2015 compared to US\$63.50 per barrel for the second quarter of 2015 and US\$103.39 per barrel for the third quarter of 2014. The Brent benchmark price averaged US\$56.61 per barrel for the nine months ended September 30, 2015 compared to US\$107.02 per barrel for the nine months ended September 30, 2014. The global supply of crude oil is currently greater than demand, which has resulted in a decrease in prices.

The price of WTI is the current benchmark for mid-continent North American crude oil prices, at Cushing Oklahoma, and its Canadian dollar equivalent is the basis for determining royalties on the Corporation's bitumen sales. The WTI price averaged US\$46.43 per barrel in the third quarter of 2015 compared to US\$57.94 per barrel for the second quarter of 2015 and US\$97.16 per barrel for the third quarter of 2014. The WTI price averaged US\$51.00 per barrel for the nine months ended September 30, 2015 compared to US\$99.61 per barrel for the nine months ended September 30, 2014. The global supply of crude oil is currently greater than demand, which has resulted in a decrease in prices.

The WCS benchmark reflects North American prices at Hardisty, Alberta. WCS is a blend of heavy oils, consisting of heavy conventional crude oils and bitumen, blended with sweet synthetic, light crude oil or condensate. WCS typically trades at a differential below the WTI benchmark price. The WTI:WCS differential averaged \$17.50 per barrel or 28.8% for the third quarter of 2015, compared to \$22.02 per barrel or 20.8% for the third quarter of 2014. The WTI:WCS differential averaged \$16.79 per barrel or 26.1 % for the nine months ended September 30, 2015, compared to \$23.13 per barrel or 21.2% for the same period in 2014.

In order to meet pipeline transportation requirements, the Corporation uses condensate as diluent for blending with the Corporation's bitumen. Condensate prices, benchmarked at Edmonton, averaged \$57.89 per barrel in the third quarter of 2015 compared to \$71.17 per barrel for the second quarter of 2015 and \$101.72 per barrel for the third quarter of 2014. The condensate price averaged \$61.88 per barrel for the nine months ended September 30, 2015 compared to \$109.90 per barrel for the nine months ended September 30, 2014.

Apportionment of pipeline capacity between western Canada and the U.S. coastal markets reduces the ability for MEG to access higher heavy oil pricing at the U.S. Gulf Coast for its blend sales. Recent additions of crude-by-rail, new and expanded pipeline connections from the U.S. mid-continent to the U.S. Gulf Coast, and refinery modifications in the U.S. Midwest, are collectively working towards improved product value for bitumen by gaining access to the higher prices at the U.S. Gulf Coast.

Natural Gas Prices

Natural gas is a primary energy input cost for the Corporation, as it is used as fuel to generate steam for the SAGD process and to create electricity from the Corporation's cogeneration facilities. The AECO natural gas price averaged \$2.89 per mcf for the third quarter of 2015 compared to \$4.00 per mcf for the third quarter of 2014. The AECO natural gas price averaged \$2.76 per mcf for the nine months ended September 30, 2015 compared to \$4.80 per mcf for the nine months ended September 30, 2014. Natural gas prices continue to trade below \$3.00 per mcf as a result of continued strong gas production, a decrease in demand and the anticipation of a strong El Niño weather system for the winter, which typically provides warmer winter air flows.

Power Prices

Electric power prices impact the price that the Corporation receives on the sale of surplus power from the Corporation's cogeneration facilities. The Alberta power pool price averaged \$26.04 per megawatt hour for the third quarter of 2015 compared to \$63.91 per megawatt hour for third quarter of 2014. The Alberta power pool price decreased primarily due to the current surplus of power generation capacity in the province and moderate temperatures experienced in the summer of 2015.

The Alberta power pool price averaged \$37.48 per megawatt hour for the nine months ended September 30, 2015 compared to \$55.64 per megawatt hour for the same period in 2014. The decline in the Alberta power pool price is primarily due to the current surplus of power generation capacity in the province.

Foreign Exchange Rates

Changes in the value of the Canadian dollar relative to the U.S. dollar have an impact on the Corporation's blend sales revenue, as blend sales prices are determined by reference to U.S. benchmarks. Changes in the value of the Canadian dollar relative to the U.S. dollar also have an impact on principal and interest payments on the Corporation's U.S. dollar denominated debt. A decrease in the value of the Canadian dollar compared to the U.S. dollar has a positive impact on blend sales revenue and a negative impact on principal and interest payments, while an increase in the value of the Canadian dollar has a negative impact on blend sales revenue and a positive impact on principal and interest payments. The Corporation recognizes net unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents at each reporting date. As at September 30, 2015, the Canadian dollar, at a rate of 1.3394, had decreased in value by approximately 7% against the U.S. dollar compared to its value as at June 30, 2015, when the rate was 1.2474. During the nine month period ended September 30, 2015, the Canadian dollar weakened in value by approximately 15%.

5. RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2015 TO SEPTEMBER 30, 2014

	Three months ended September 30	
	2015	2014
Bitumen production – bbls/d	82,768	76,471
Steam to oil ratio (SOR)	2.5	2.5

Bitumen Production

Production for the three months ended September 30, 2015 averaged 82,768 bbls/d compared to 76,471 bbls/d for the three months ended September 30, 2014. The increase in production volumes is primarily due to the successful ramp-up of Phase 2B and the continued implementation of RISER at the Christina Lake Project. The implementation of the RISER initiative has improved reservoir efficiency and allowed for redeployment of steam, thereby enabling the Corporation to place additional wells into production.

Steam to Oil Ratio

The Corporation continues to focus on increasing production and maintaining efficiency of current production through a lower SOR, which is an important efficiency indicator that measures the average amount of steam that is injected into the reservoir for each barrel of bitumen produced.

The SOR averaged 2.5 during the three months ended September 30, 2015 and during the three months ended September 30, 2014.

Operating Cash Flow

(\$000)	Three months ended September 30	
	2015	2014
Petroleum revenue – proprietary ⁽¹⁾	\$ 446,743	\$ 712,383
Diluent	(205,069)	(294,495)
	241,674	417,888
Royalties	(6,874)	(32,188)
Transportation expense	(40,176)	(13,195)
Operating expenses	(77,474)	(81,779)
Power revenue	6,608	15,570
Transportation revenue	4,034	6,207
Operating cash flow ⁽²⁾	\$ 127,792	\$ 312,503

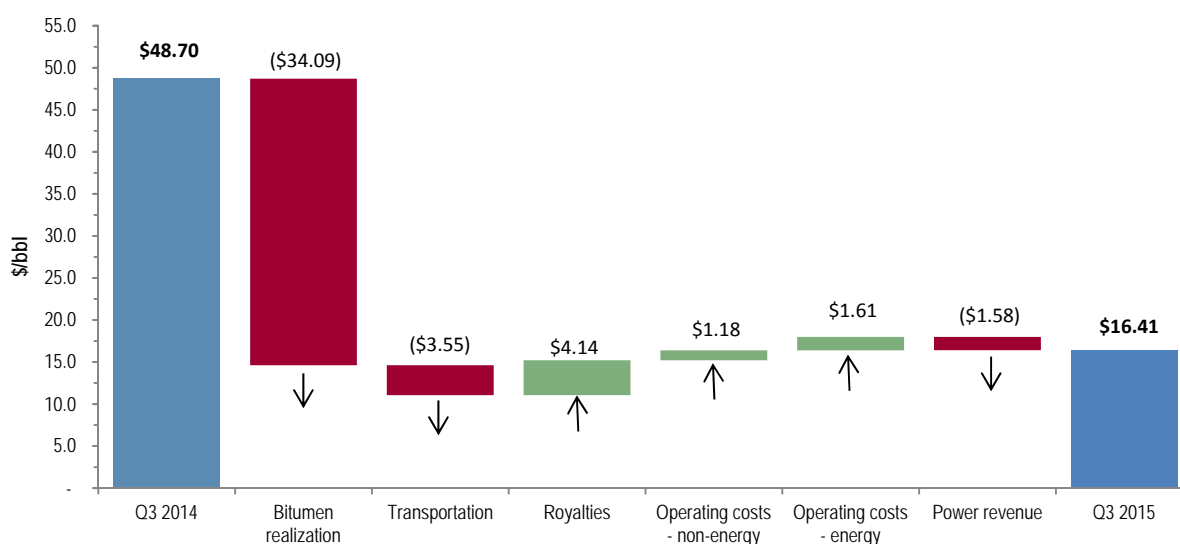
(1) Proprietary petroleum revenue represents MEG's revenue ("blend sales revenue") from its heavy crude oil blend known as Access Western Blend ("AWB" or "blend"). Blend is comprised of bitumen produced at the Christina Lake Project blended with purchased diluent.

(2) A non-GAAP measure as defined in the "NON-GAAP MEASURES" section of this MD&A.

Blend sales revenue for the three months ended September 30, 2015 was \$446.7 million compared to \$712.4 million for the three months ended September 30, 2014. The decrease in blend sales revenue is due to a 48% decrease in the average realized blend price partially offset by a 20% increase in sales volumes. The cost of diluent for the three months ended September 30, 2015 was \$205.1 million compared to \$294.5 million for the three months ended September 30, 2014. The total cost of diluent decreased primarily due to the decrease in condensate prices partially offset by higher volumes of diluent required for the increased blend sales volumes.

Operating cash flow decreased primarily due to lower blend sales revenue, primarily as a result of the significant decline of U.S. crude oil benchmark pricing and higher transportation, partially offset by a decrease in the cost of diluent and lower royalties.

Cash Operating Netback



The following table summarizes the Corporation's cash operating netback for the periods indicated:

	Three months ended September 30	
(\$/bbl)	2015	2014
Bitumen realization ⁽¹⁾	\$ 31.03	\$ 65.12
Transportation ⁽²⁾	(4.64)	(1.09)
Royalties	(0.88)	(5.02)
	25.51	59.01
Operating costs – non-energy	(5.98)	(7.16)
Operating costs – energy	(3.97)	(5.58)
Power revenue	0.85	2.43
Net operating costs	(9.10)	(10.31)
Cash operating netback	\$ 16.41	\$ 48.70

(1) Blend sales revenue net of diluent costs.

(2) Defined as transportation expense less transportation revenue. Transportation costs include rail, third-party pipelines and the Stonefell Terminal costs, as well as MEG's share of the operating costs for the Access Pipeline, net of third-party recoveries on diluent transportation arrangements.

Bitumen Realization

Bitumen realization represents the Corporation's blend sales revenue, net of the cost of diluent. Bitumen realization averaged \$31.03 per barrel for the three months ended September 30, 2015 compared to \$65.12 per barrel for the three months ended September 30, 2014. The decrease in bitumen realization is primarily a result of the significant decline of U.S. crude oil benchmark pricing which resulted in lower blend sales revenue.

For the three months ended September 30, 2015, the Corporation's cost of diluent was \$66.51 per barrel compared to \$111.33 per barrel for the three months ended September 30, 2014. The decrease in the cost of diluent is primarily a result of the significant decline of U.S. crude oil benchmark pricing.

Transportation

Transportation costs include rail, Stonefell Terminal costs and third-party pipelines as well as MEG's share of the operating costs for the Access Pipeline, net of third-party recoveries on diluent transportation arrangements. Transportation costs averaged \$4.64 per barrel for the three months ended September 30, 2015 compared to \$1.09 per barrel for the three months ended September 30, 2014. Transportation expense increased primarily due to the cost of transporting blend volumes from Edmonton to the U.S. Gulf Coast via the Flanagan-Seaway Pipeline, which commenced operations in the fourth quarter of 2014. During 2015, the Corporation's transportation costs have increased to accommodate a greater proportion of blend sales now being directly sold to refineries at the refinery gate. These increasing direct sales to refineries at the refinery gate are a result of MEG's strategy of broadening market access to world prices to improve netbacks.

Royalties

The Corporation's royalty expense is based on price-sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change depending on whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of bitumen sales and increases for every dollar that the WTI crude oil price in Canadian dollars is priced above \$55 per barrel, to a maximum of 9% when the WTI crude oil price is \$120 per barrel or higher. All of the Corporation's projects are currently pre-payout.

Royalties averaged \$0.88 per barrel during the three months ended September 30, 2015 compared to \$5.02 per barrel for the three months ended September 30, 2014. The decrease in royalties is attributable to the decrease in the Canadian dollar price of WTI and the decrease in bitumen realization.

In June 2015, the Alberta provincial government announced a review of Alberta's royalty framework, as further discussed in the "RISK FACTORS" section of this MD&A.

Net Operating Costs

Non-energy operating costs

Non-energy operating costs decreased to \$5.98 per barrel for the three months ended September 30, 2015 compared to \$7.16 per barrel for the three months ended September 30, 2014. The decrease in non-energy operating costs is primarily the result of holding absolute costs relatively constant during a period of increasing sales volumes, as these costs are now spread over a greater number of barrels.

Energy operating costs

Energy operating costs averaged \$3.97 per barrel for the three months ended September 30, 2015 compared to \$5.58 per barrel for the three months ended September 30, 2014. The decrease in energy operating costs on a per barrel basis is attributable to the decrease in natural gas prices. The Corporation's natural gas purchase price averaged \$3.18 per mcf during the third quarter of 2015 compared to \$4.00 per mcf for the third quarter of 2014.

Power revenue

Power revenue averaged \$0.85 per barrel for the three months ended September 30, 2015 compared to \$2.43 per barrel for the three months ended September 30, 2014. The decrease is primarily due to a

decrease in the Corporation's realized power sales price. The Corporation's realized power price during the three months ended September 30, 2015 decreased to \$25.09 per megawatt hour compared to \$59.07 per megawatt hour for the same period in 2014. The decrease in the realized power sales price is primarily due to the current surplus of power generation capacity in the province of Alberta.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2015 TO SEPTEMBER 30, 2014

	Nine months ended September 30	
	2015	2014
Bitumen production – bbls/d	78,849	68,108
Steam to oil ratio (SOR)	2.5	2.5

Bitumen Production

Production for the nine months ended September 30, 2015 averaged 78,849 bbls/d compared to 68,108 bbls/d for the nine months ended September 30, 2014. The increase in production volumes is primarily due to the successful ramp-up of Phase 2B and the continued implementation of RISER at the Christina Lake Project. The implementation of the RISER initiative has improved reservoir efficiency and allowed for redeployment of steam, thereby enabling the Corporation to place additional wells into production. These increases in production were partially offset by a reduction in production volumes as a result of a planned turnaround in the second quarter of 2015, which was longer in duration and had a greater impact on production volumes than the turnaround for the same period in 2014. In addition, forest fires near the Christina Lake Project extended the duration of time required to complete the 2015 turnaround.

Steam to Oil Ratio

The Corporation continues to focus on increasing production and maintaining efficiency of current production through a lower SOR, which is an important efficiency indicator that measures the average amount of steam that is injected into the reservoir for each barrel of bitumen produced.

The SOR averaged 2.5 during the nine months ended September 30, 2015 and during the nine months ended September 30, 2014.

Operating Cash Flow

(\$000)	Nine months ended September 30	
	2015	2014
Petroleum revenue – proprietary ⁽¹⁾	\$ 1,412,464	\$ 2,109,283
Diluent	(682,702)	(896,768)
	729,762	1,212,515
Royalties	(18,877)	(87,894)
Transportation expense	(111,945)	(45,414)
Operating expenses	(236,750)	(276,881)
Power revenue	23,798	46,013
Transportation revenue	9,920	23,312
Operating cash flow ⁽²⁾	\$ 395,908	\$ 871,651

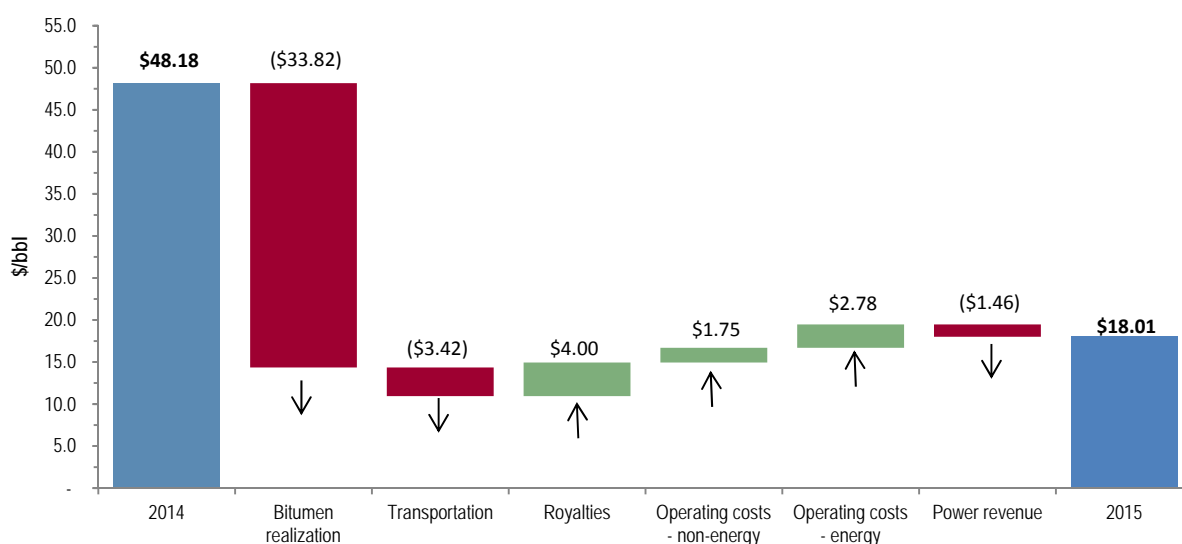
(1) Proprietary petroleum revenue represents MEG's revenue ("blend sales revenue") from its heavy crude oil blend known as Access Western Blend ("AWB" or "blend"). Blend is comprised of bitumen produced at the Christina Lake Project blended with purchased diluent.

(2) A non-GAAP measure as defined in the "NON-GAAP MEASURES" section of this MD&A.

Blend sales revenue for the nine months ended September 30, 2015 was \$1.4 billion compared to \$2.1 billion for the nine months ended September 30, 2014. The decrease in blend sales revenue is due to a 45% decrease in the average realized blend price partially offset by a 21% increase in sales volumes. The cost of diluent for the nine months ended September 30, 2015 was \$682.7 million compared to \$896.8 million for the nine months ended September 30, 2014. The total cost of diluent decreased primarily due to the decrease in condensate prices partially offset by higher volumes of diluent required for the increased blend sales volumes.

Operating cash flow decreased primarily due to lower blend sales revenue as a result of the significant decline of U.S. crude oil benchmark pricing and higher transportation costs. These factors were partially offset by a decrease in the cost of diluent, lower royalties and lower operating expenses.

Cash Operating Netback



The following table summarizes the Corporation's cash operating netback for the periods indicated:

	Nine months ended September 30	
(\$/bbl)	2015	2014
Bitumen realization ⁽¹⁾	\$ 33.20	\$ 67.02
Transportation ⁽²⁾	(4.64)	(1.22)
Royalties	(0.86)	(4.86)
	27.70	60.94
Operating costs – non-energy	(6.84)	(8.59)
Operating costs – energy	(3.93)	(6.71)
Power revenue	1.08	2.54
Net operating costs	(9.69)	(12.76)
Cash operating netback	\$ 18.01	\$ 48.18

(1) Blend sales net of diluent costs.

(2) Defined as transportation expense less transportation revenue. Transportation costs include rail, third-party pipelines and the Stonefell Terminal costs, as well as MEG's share of the operating costs for the Access Pipeline, net of third-party recoveries on diluent transportation arrangements.

Bitumen Realization

Bitumen realization averaged \$33.20 per barrel for the nine months ended September 30, 2015 compared to \$67.02 per barrel for the nine months ended September 30, 2014. The decrease in bitumen realization is primarily a result of the significant decline of U.S. crude oil benchmark pricing which resulted in lower blend sales revenue.

For the nine months ended September 30, 2015, the Corporation's cost of diluent was \$69.77 per barrel compared to \$110.52 per barrel for the nine months ended September 30, 2014. The decrease in the cost of diluent is primarily a result of the significant decline of U.S. crude oil benchmark pricing.

Transportation

Transportation costs averaged \$4.64 per barrel for the nine months ended September 30, 2015 compared to \$1.22 per barrel for the nine months ended September 30, 2014. Transportation expense increased primarily due to the cost of transporting blend volumes from Edmonton to the U.S. Gulf Coast via the Flanagan-Seaway Pipeline, which commenced operations in the fourth quarter of 2014. During 2015, the Corporation's transportation costs have increased to accommodate a greater proportion of blend sales now being directly sold to refineries at the refinery gate. These increasing direct sales to refineries at the refinery gate are a result of MEG's strategy of broadening market access to world prices to improve netbacks. In addition, there were lower transportation revenues from third parties.

Royalties

Royalties averaged \$0.86 per barrel during the nine months ended September 30, 2015 compared to \$4.86 per barrel for the nine months ended September 30, 2014. The decrease in royalties is attributable to the decrease in the Canadian dollar price of WTI and the decrease in bitumen realization.

Net Operating Costs

Non-energy operating costs

Non-energy operating costs decreased to \$6.84 per barrel for the nine months ended September 30, 2015 compared to \$8.59 per barrel for the nine months ended September 30, 2014. Non-energy operating costs were higher in the nine months ended September 30, 2014 as a result of the ongoing ramp up of Phase 2B production. The decrease in non-energy operating costs for the nine months ended September 30, 2015 is primarily the result of holding absolute costs relatively constant during a period of increasing sales volumes, as these costs are now spread over a greater number of barrels. Non-energy operating costs for the nine months ended September 30, 2014 also include \$0.67 per barrel for annual inspection and maintenance activities at the Christina Lake facilities.

Historically, the Corporation has only performed annual inspection and maintenance activities on the Christina Lake facilities, with the associated costs expensed as non-energy operating costs. Consistent with the Corporation's capitalization policy, in the nine months ended September 30, 2015, turnaround costs have been capitalized, as the work performed will benefit future years of operations. As a result, the cost of the 2015 turnaround is treated as a component of capital investment and depreciated on a straight line basis over the period to the next turnaround.

Energy operating costs

Energy operating costs averaged \$3.93 per barrel for the nine months ended September 30, 2015 compared to \$6.71 per barrel for the nine months ended September 30, 2014. The decrease in energy operating costs on a per barrel basis is attributable to the decrease in natural gas prices. The Corporation's natural gas purchase price averaged \$3.17 per mcf during the nine months ended September 30, 2015 compared to \$5.04 per mcf for the nine months ended September 30, 2014.

Power revenue

Power revenue averaged \$1.08 per barrel for the nine months ended September 30, 2015 compared to \$2.54 per barrel for the nine months ended September 30, 2014. The Corporation's average realized power sales price during the nine months ended September 30, 2015 was \$30.22 per megawatt hour compared to \$54.87 per megawatt hour for the same period in 2014. The decrease in the realized power

sales price is primarily due to the current surplus of power generation capacity in the province of Alberta.

6. OTHER OPERATING RESULTS

Net Marketing Activity

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Petroleum sales – third party	\$ 9,255	\$ 4,448	\$ 54,103	\$ 124,460
Purchased product and storage:				
Purchased product	(8,402)	(4,426)	(51,589)	(122,274)
Marketing and storage arrangements	(9,450)	(5,987)	(20,107)	(10,251)
	(17,852)	(10,413)	(71,696)	(132,525)
Net marketing activity ⁽¹⁾	\$ (8,597)	\$ (5,965)	\$ (17,593)	\$ (8,065)

(1) Net marketing activity is a non-GAAP measure as defined in the "NON-GAAP MEASURES" section.

Net marketing activity includes the Corporation's activities toward enhancing its ability to transport proprietary crude oil products to a wider range of markets in Canada and the United States. Accordingly, the Corporation has entered into product storage arrangements and marketing arrangements for rail, barge and U.S.-based pipelines. These arrangements are kept in place to optimize the value of all barrels sold to the marketplace. To the extent that the Corporation is not utilizing these arrangements for proprietary purposes, MEG purchases and sells third-party crude oil and related products and enters into transactions to optimize the returns on these marketing and storage arrangements.

Depletion and Depreciation

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Depletion and depreciation expense	\$ 121,786	\$ 97,960	\$ 340,269	\$ 277,822
Depletion and depreciation expense per barrel of production	\$ 15.99	\$ 13.92	\$ 15.81	\$ 14.94

Depletion and depreciation expense for the three months ended September 30, 2015 totalled \$121.8 million compared to \$98.0 million for the three months ended September 30, 2014. The increase is primarily due to an 8% increase in bitumen production volumes for the three months ended September 30, 2015, compared to the three months ended September 30, 2014. Depletion and depreciation expense in the three months ended September 30, 2014 was lower as a result of the utilization of 6,100 bbls/d of production as linefill for the Access Pipeline expansion.

Depletion and depreciation expense was \$15.99 per barrel for the three months ended September 30, 2015 compared to \$13.92 per barrel for the three months ended September 30, 2014. Depletion and depreciation expense per barrel in the three months ended September 30, 2014 was lower as a result of the utilization of 6,100 bbls/d of production as linefill for the Access Pipeline expansion.

Depletion and depreciation expense for the nine months ended September 30, 2015 totalled \$340.3 million compared to \$277.8 million for the nine months ended September 30, 2014. The increase is primarily due to a 16% increase in bitumen production volumes for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014. Depletion and depreciation expense was \$15.81 per barrel for the nine months ended September 30, 2015 compared to \$14.94 per barrel for the nine months ended September 30, 2014.

The Corporation's producing oil sands properties are depleted on a unit-of-production basis based on estimated proved reserves. Major facilities and equipment are depreciated on a unit-of-production basis over the estimated total productive capacity of the facilities and equipment. Pipeline and storage assets are depreciated on a straight-line basis over their estimated useful lives.

General and Administrative

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
General and administrative expense	\$ 28,335	\$ 24,750	\$ 93,237	\$ 76,845
General and administrative expense per barrel of production	\$ 3.72	\$ 3.52	\$ 4.33	\$ 4.13

General and administrative expense for the three months ended September 30, 2015 was \$28.3 million compared to \$24.8 million for the three months ended September 30, 2014. General and administrative expense for the nine months ended September 30, 2015 was \$93.2 million compared to \$76.8 million for the nine months ended September 30, 2014. The increase in general and administrative expense is primarily due to the decrease in the capitalization rate of general and administrative expense in 2015 as a result of a reduction of capital investing activity. The increase in general and administrative expense for the three and nine months ended September 30, 2015 compared to the same periods in 2014 was partially offset on a per barrel basis by higher production volumes, as expenses are spread over a greater number of barrels.

Stock-based Compensation

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Stock-based compensation expense	\$ 13,250	\$ 12,261	\$ 38,066	\$ 35,564

The fair value of compensation associated with the granting of stock options, restricted share units ("RSUs") and performance share units ("PSUs") to directors, officers, employees and consultants is recognized by the Corporation as stock-based compensation expense. Fair value is determined using the Black-Scholes option pricing model. Stock-based compensation costs for the three months ended September 30, 2015 were \$13.3 million compared to \$12.3 million for the three months ended September 30, 2014. Stock-based compensation costs for the nine months ended September 30, 2015 were \$38.1 million compared to \$35.6 million for the nine months ended September 30, 2014.

Research and Development

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Research and development expense	\$ 2,239	\$ 1,935	\$ 5,030	\$ 3,806

Research and development expenditures related to the Corporation's research of crude quality improvement and related technologies have been expensed. Research and development expenditures were \$2.2 million for the three months ended September 30, 2015 compared to \$1.9 million for the three months ended September 30, 2014. Research and development expenditures were \$5.0 million for the nine months ended September 30, 2015 compared to \$3.8 million for the nine months ended September 30, 2014.

Foreign Exchange Gain (Loss), Net

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Unrealized foreign exchange gain (loss) on:				
Long-term debt	\$ (350,066)	\$ (203,097)	\$ (682,850)	\$ (218,531)
Other	19,588	14,410	56,549	24,391
Unrealized net loss on foreign exchange	(330,478)	(188,687)	(626,301)	(194,140)
Realized loss on foreign exchange	(4,913)	(2,586)	(13,081)	(3,699)
Foreign exchange loss, net	\$ (335,391)	\$ (191,273)	\$ (639,382)	\$ (197,839)
C\$ equivalent of 1 US\$				
Beginning of period	1.2474	1.0676	1.1601	1.0636
End of period	1.3394	1.1208	1.3394	1.1208

The Corporation recognized a net foreign exchange loss of \$335.4 million for the three months ended September 30, 2015 compared to \$191.3 million for the three months ended September 30, 2014. The increase in the net foreign exchange loss is primarily due to an unrealized foreign exchange loss on the translation of U.S. dollar denominated debt as a result of weakening of the Canadian dollar compared to the U.S. dollar by approximately 7% during the three months ended September 30, 2015. During the three months ended September 30, 2014, the Canadian dollar weakened in value by approximately 5%.

The Corporation recognized a net foreign exchange loss of \$639.4 million for the nine months ended September 30, 2015 compared to \$197.8 million for the nine months ended September 30, 2014. The increase in the net foreign exchange loss is primarily due to an unrealized foreign exchange loss on the translation of U.S. dollar denominated debt as a result of weakening of the Canadian dollar compared to the U.S. dollar by approximately 15% during the nine months ended September 30, 2015. During the nine months ended September 30, 2014, the Canadian dollar weakened in value by less than 6%.

Net Finance Expense

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Total interest expense	\$ 80,248	\$ 65,366	\$ 231,524	\$196,140
Less capitalized interest	(17,991)	(19,505)	(50,479)	(61,074)
Net interest expense	62,257	45,861	181,045	135,066
Accretion on decommissioning provision	1,491	1,123	4,047	3,265
Unrealized loss (gain) on derivative financial liabilities	6,807	(4,696)	2,600	(6,913)
Realized loss on interest rate swaps	1,512	1,257	4,317	3,745
Unrealized fair value gain on other assets	-	(429)	-	(429)
Net finance expense	\$ 72,068	\$ 43,116	\$ 192,010	\$134,734
Average effective interest rate ⁽¹⁾	5.8%	5.8%	5.8%	5.8%

(1) Defined as the weighted average interest rate applied to the U.S. dollar denominated senior secured term loan and senior unsecured notes outstanding, including the impact of interest rate swaps.

Total interest expense, before capitalization, for the three months ended September 30, 2015 was \$80.2 million compared to \$65.4 million for the three months ended September 30, 2014. Total interest expense, before capitalization, for the nine months ended September 30, 2015 was \$231.5 million compared to \$196.1 million for the nine months ended September 30, 2014. Total interest expense for the three and nine months ended September 30, 2015 increased due to the weakening Canadian dollar and its impact on U.S. dollar denominated interest expense.

The Corporation recognized an unrealized loss on derivative financial liabilities of \$6.8 million for the three months ended September 30, 2015 compared to an unrealized gain of \$4.7 million for the three months ended September 30, 2014. The Corporation recognized an unrealized loss on derivative financial liabilities of \$2.6 million for the nine months ended September 30, 2015 compared to an unrealized gain of \$6.9 million for the nine months ended September 30, 2014. These losses and gains relate to the change in fair value of the interest rate floor associated with the Corporation's senior secured term loan and the change in fair value of the Corporation's interest rate swap contracts.

The Corporation recognized a realized loss on the interest swap contracts of \$1.5 million and \$4.3 million for the three and nine months ended September 30, 2015, respectively, compared to a realized loss of \$1.3 million and \$3.7 million for the three and nine months ended September 30, 2014, respectively.

Other Income

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest income	\$ 691	\$ 2,027	\$ 2,405	\$ 7,345
Contract cancellation recovery	-	-	5,880	-
Other income	\$ 691	\$ 2,027	\$ 8,285	\$ 7,345

The Corporation recognized a \$5.9 million recovery in the nine months ended September 30, 2015 relating to \$16.5 million of project cancellation costs recognized in the fourth quarter of 2014.

Income Tax Expense (Recovery)

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Current income tax recovery	\$ (400)	\$ -	\$ (1,200)	\$ -
Deferred income tax expense (recovery)	(25,280)	38,245	(47,798)	99,783
Income tax expense (recovery)	\$ (25,680)	\$ 38,245	\$ (48,998)	\$ 99,783

The Corporation recognized a current income tax recovery of \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2015, respectively, relating to the refundable Alberta tax credit on Scientific Research and Experimental Development expenditures.

The Corporation recognized a deferred income tax recovery of \$25.3 million for the three months ended September 30, 2015 compared to a deferred income tax expense of \$38.2 million for the three months ended September 30, 2014. The Corporation recognized a deferred income tax recovery of \$47.8 million for the nine months ended September 30, 2015 compared to a deferred income tax expense of \$99.8 million for the nine months ended September 30, 2014.

In June 2015, the Government of Alberta enacted an increase in the Alberta corporate income tax rate from 10% to 12%, effective July 1, 2015. As a result, the Corporation increased its deferred income tax liability by \$11.4 million, with a corresponding increase to deferred income tax expense.

The Corporation's effective tax rate on earnings is impacted by permanent differences and variances in taxable capital losses not recognized. The significant differences are:

- The permanent difference due to the non-taxable portion of unrealized foreign exchange gains and losses arising on the translation of the U.S. dollar denominated debt. For the three months ended September 30, 2015, the non-taxable loss was \$175.0 million compared to a non-taxable loss of \$101.5 million for the three months ended September 30, 2014. For the nine months ended September 30, 2015, the non-taxable loss was \$341.4 million compared to a non-taxable loss of \$109.3 million for the nine months ended September 30, 2014.
- Stock-based compensation expense is a permanent difference. Stock-based compensation expense was \$13.3 million for the three months ended September 30, 2015 compared to \$12.3 million for the three months ended September 30, 2014. Stock-based compensation expense for the nine months ended September 30, 2015 was \$38.1 million compared to \$35.6 million for the three months ended September 30, 2014.

- During the nine months ended September 30, 2015, a deferred tax recovery of \$5.4 million was recognized relating to a tax deduction available for the fair market value of vested RSUs.

As of September 30, 2015, the Corporation is not currently taxable and had approximately \$7.4 billion of available tax pools and had recognized a deferred income tax liability of \$130.4 million. In addition, at September 30, 2015, the Corporation had \$623.1 million of capital investment in respect of incomplete projects which will increase available tax pools upon completion of the projects. As at September 30, 2015, the Corporation had not recognized the tax benefit related to \$613.8 million of unrealized taxable capital foreign exchange losses.

7. CAPITAL INVESTING

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Total cash capital investment	\$ 32,139	\$ 291,309	\$ 202,705	\$ 913,569
Capitalized interest	17,991	19,505	50,479	61,074
	\$ 50,130	\$ 310,814	\$ 253,184	\$ 974,643

Total cash capital investment for the three months ended September 30, 2015 was \$32.1 million in comparison to \$291.3 million for the three months ended September 30, 2014. Total cash capital investment for the nine months ended September 30, 2015 was \$202.7 million in comparison to \$913.6 million for the nine months ended September 30, 2014. Total cash capital investing for 2015 was primarily directed to sustaining and maintenance capital activities as the Corporation has been focused on reducing capital spending until there is a sustained improvement in crude oil pricing.

In the nine months ended September 30, 2015, turnaround costs of \$24.4 million have been capitalized as there is future economic benefit associated with the work performed. As a result, the cost of the 2015 turnaround is treated as a component of capital investment and depreciated on a straight line basis over the period to the next turnaround.

The Corporation capitalizes interest associated with qualifying assets. A total of \$18.0 million of interest was capitalized during the three months ended September 30, 2015 in comparison to \$19.5 million for the three months ended September 30, 2014. A total of \$50.5 million of interest was capitalized during the nine months ended September 30, 2015 in comparison to \$61.1 million for the nine months ended September 30, 2014.

8. LIQUIDITY AND CAPITAL RESOURCES

(\$000)	September 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 350,736	\$ 656,097
Senior secured term loan (September 30, 2015 – US\$1.252 billion; December 31, 2014 – US\$1.262 billion; due 2020)	1,676,594	1,463,466
US\$2.5 billion revolver (due 2019)	-	-
6.5% senior unsecured notes (US\$750.0 million; due 2021)	1,004,550	870,075
6.375% senior unsecured notes (US\$800.0 million; due 2023)	1,071,520	928,080
7.0% senior unsecured notes (US\$1.0 billion; due 2024)	1,339,400	1,160,100
Total debt^{(1),(2)}	\$ 5,092,064	\$ 4,421,721

(1) Total debt does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. The Corporation uses this non-GAAP measure to analyze leverage and liquidity. Total debt less the current portion of the senior secured term loan, unamortized financial derivative liability discount and unamortized deferred debt issue costs is equal to long-term debt as reported in the Corporation's interim consolidated financial statements as at September 30, 2015 and the Corporation's consolidated financial statements as at December 31, 2014.

(2) In October 2015, Moody's Investors Services Inc. downgraded the Corporation's Corporate Family Rating to B1 from Ba3, its secured bank credit facility to Ba2 from Ba1 and its senior unsecured notes rating to B2 from B1. The rating outlook is stable. The Corporation's senior secured term loan and senior unsecured notes do not include any provision that would require any changes in payment schedules or terminations as a result of a credit downgrade.

Capital Resources

As at September 30, 2015, the Corporation's available capital resources included \$350.7 million of cash and cash equivalents and an undrawn US\$2.5 billion syndicated revolving credit facility. The Corporation also has a US\$500 million guaranteed letter of credit facility, under which US\$151.3 million of letters of credit have been issued.

During the fourth quarter of 2014, the Corporation increased the syndicated revolving credit facility from US\$2.0 billion to US\$2.5 billion and extended the maturity of the revolving credit facility to November 2019. The revolving credit facility remains undrawn as at September 30, 2015. All of MEG's long-term debt is "covenant lite" in structure, meaning it is free of any financial maintenance covenants and is not dependent on, nor calculated from, the Corporation's crude oil reserves. The first maturity of any of the Corporation's long-term debt obligations is March 2020.

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. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary. The Corporation's cash flow and the development of projects are dependent on factors discussed in the "RISK FACTORS" section of this MD&A.

The Corporation is exposed to interest rate cash flow risk on its floating rate long-term debt and periodically enters into interest rate swap contracts to manage its floating to fixed interest rate mix on long-term debt. The Corporation has entered into interest rate swap contracts to effectively fix the interest rate at approximately 4.4% on US\$748.0 million of the US\$1.252 billion senior secured term loan until September 30, 2016.

The objectives of the Corporation's investment guidelines for surplus cash are to ensure preservation of capital and to maintain adequate liquidity to meet the Corporation's cash flow requirements. The

Corporation only places investment with counterparties that have an investment grade debt rating. The Corporation has experienced no material loss or lack of access to its cash in operating accounts, invested cash or cash equivalents. However, the Corporation can provide no assurance that access to its invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. While the Corporation monitors the cash balances in its operating and investment accounts according to its investment guidelines and adjusts the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions or corporations fail or are subject to other adverse conditions in the financial markets.

Cash Flow Summary

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net cash provided by (used in):				
Operating activities	\$ (5,188)	\$ 221,859	\$ 99,631	\$ 557,515
Investing activities	(101,085)	(298,526)	(455,387)	(984,488)
Financing activities	(4,359)	(1,091)	(12,507)	32
Foreign exchange gains on cash and cash equivalents held in foreign currency	23,130	14,410	62,902	24,391
Change in cash and cash equivalents	\$ (87,502)	\$ (63,348)	\$ (305,361)	\$ (402,550)

Cash Flow – Operating Activities

Net cash used in operating activities totalled \$5.2 million for the three months ended September 30, 2015 compared to net cash provided by operating activities of \$221.9 million for the three months ended September 30, 2014. The decrease in cash flow from operating activities is primarily due to lower blend sales revenue, primarily as a result of the significant decline of U.S. crude oil benchmark pricing, higher transportation and higher interest costs, partially offset by a decrease in the cost of diluent and lower royalties.

Net cash provided by operating activities totalled \$99.6 million for the nine months ended September 30, 2015 compared to net cash provided by operating activities of \$557.5 million for the nine months ended September 30, 2014. The decrease in cash flow from operating activities is primarily due to lower blend sales revenue as a result of the significant decline of U.S. crude oil benchmark pricing, higher transportation costs and higher interest expense. These factors were partially offset by a decrease in the cost of diluent, an increase in bitumen sales volumes and lower royalties.

Transportation expense increased primarily due to the cost of transporting blend volumes from Edmonton to the U.S. Gulf Coast via the Flanagan-Seaway Pipeline, which commenced operations in the fourth quarter of 2014, in addition to lower transportation revenues from third parties. Interest costs increased as a result of the weakening of the Canadian dollar relative to the U.S. dollar, as the Corporation's debt and interest payable are denominated in U.S. dollars.

Cash Flow – Investing Activities

Net cash used in investing activities for the three months ended September 30, 2015 primarily consisted of \$50.1 million in capital investment, including \$18.0 million of capitalized interest, (refer to the "CAPITAL INVESTING" section of this MD&A for further details) and a \$51.0 million decrease in the net change in non-cash investing working capital.

Net cash used in investing activities for the three months ended September 30, 2014 primarily consisted of \$310.8 million in capital investment, including \$19.5 million of capitalized interest.

Net cash used in investing activities for the nine months ended September 30, 2015 primarily consisted of \$253.2 million in capital investment, including \$50.5 million of capitalized interest, (refer to the "CAPITAL INVESTING" section of this MD&A for further details) and a \$201.6 million decrease in the net change in non-cash investing working capital, primarily relating to the settlement of accounts payable related to 2014 capital investment activity.

Net cash used in investing activities for the nine months ended September 30, 2014 primarily consisted of \$974.6 in capital investment, including \$61.1 million of capitalized interest.

Cash Flow – Financing Activities

Net cash used in financing activities for the three months ended September 30, 2015 consisted of \$4.4 million of debt principal repayment.

Net cash used in financing activities for the three months ended September 30, 2014 consisted of \$3.6 million of debt principal repayment, partially offset by \$2.5 million of proceeds received from the exercise of stock options.

Net cash used in financing activities for the nine months ended September 30, 2015 consisted of \$12.5 million of debt principal repayment.

Net cash provided by financing activities for the nine months ended September 30, 2014 consisted of \$10.7 million of proceeds received from the exercise of stock options, almost completely offset by \$10.7 million of debt principal repayment.

9. SHARES OUTSTANDING

As at September 30, 2015, the Corporation had the following share capital instruments outstanding:

Common shares	224,942,261
Convertible securities	
Stock options outstanding - exercisable and unexercisable	10,090,913
RSUs and PSUs outstanding	3,411,709

As at October 16, 2015, the Corporation had 224,942,261 common shares, 10,068,913 stock options and 3,407,327 restricted share units and performance share units outstanding.

10. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The information presented in the table below reflects management's estimate of the contractual maturities of the Corporation's obligations. These maturities may differ significantly from the actual maturities of these obligations. In particular, debt under the senior secured credit facilities may be retired earlier due to mandatory repayments.

(\$000)	2015	2016	2017	2018	2019	Thereafter
Long-term debt ⁽¹⁾	\$ 4,353	\$ 17,412	\$ 17,412	\$ 17,412	\$ 17,412	\$ 5,018,062
Interest on long-term debt ⁽¹⁾	72,539	289,746	289,093	288,440	287,788	700,921
Decommissioning obligation ⁽²⁾	84	4,615	5,280	5,700	5,700	819,031
Office lease rentals ⁽³⁾	3,751	15,616	33,556	32,135	32,164	296,477
Diluent purchases ⁽⁴⁾	75,900	51,685	20,533	20,533	20,533	78,754
Transportation and storage ⁽⁵⁾	39,767	184,029	172,347	175,067	166,709	3,313,852
Other commitments ⁽⁶⁾	33,212	25,467	12,971	5,791	9,081	80,305
Total	\$ 229,606	\$ 588,570	\$ 551,192	\$ 545,078	\$ 539,387	\$10,307,402

(1) This represents the scheduled principal repayment of the senior secured credit facility and the senior unsecured notes and associated interest payments based on interest and foreign exchange rates in effect on September 30, 2015.

(2) This represents the undiscounted future obligation associated with the decommissioning of the Corporation's crude oil, transportation and storage assets.

(3) This represents the future commitments for the Calgary Corporate office.

(4) This represents the future commitment associated with the Corporation's diluent purchases.

(5) This represents transportation and storage commitments from 2015 to 2040, including various pipeline commitments which are awaiting regulatory approval.

(6) This represents the future commitment associated with the Corporation's capital program, and other operating and maintenance commitments.

11. NON-GAAP MEASURES

Certain financial measures in this MD&A including: net marketing activity, cash flow from operations, operating earnings (loss) and operating cash flow are non-GAAP measures. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These non-GAAP financial measures should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS.

Net Marketing Activity

Net marketing activity is a non-GAAP measure which the Corporation uses to analyze the returns on the sale of third-party crude oil and related products through various marketing and storage arrangements. Net Marketing Activity represents the Corporation's third-party petroleum sales less the cost of purchased product and related marketing and storage arrangements. Petroleum sales – third party is disclosed in Note 11 in the notes to the interim consolidated financial statements and purchased product and storage is presented as a line item on the interim Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

Cash Flow from Operations

Cash flow from operations is a non-GAAP measure utilized by the Corporation to analyze operating performance and liquidity. Cash flow from operations excludes the net change in non-cash operating working capital, contract cancellation recovery and decommissioning expenditures while the IFRS

measurement "Net cash provided by (used in) operating activities" includes these items. Cash flow from operations is reconciled to Net cash provided by (used in) operating activities in the table below.

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net cash provided by (used in) operating activities	\$ (5,188)	\$ 221,859	\$ 99,631	\$ 557,515
Add (deduct):				
Net change in non-cash operating working capital items	28,887	16,651	(1,594)	98,923
Contract cancellation recovery	-	-	(5,880)	-
Decommissioning expenditures	178	149	1,429	921
Cash flow from operations	\$ 23,877	\$ 238,659	\$ 93,586	\$ 657,359

Operating Earnings (Loss)

Operating earnings (loss) is a non-GAAP measure which the Corporation uses as a performance measure to provide comparability of financial performance between periods by excluding non-operating items. Operating earnings (loss) is defined as net earnings (loss) as reported, excluding unrealized foreign exchange gains and losses, unrealized gains and losses on derivative financial liabilities, unrealized fair value gains and losses on other assets, contract cancellation recovery and the respective deferred tax impact of these adjustments. Operating earnings (loss) is reconciled to "Net earnings (loss)", the nearest IFRS measure, in the table below.

(\$000)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net earnings (loss)	\$ (427,503)	\$ (100,975)	\$ (872,396)	\$ 44,538
Add (deduct):				
Unrealized net loss on foreign exchange ⁽¹⁾	330,478	188,687	626,301	194,140
Unrealized loss (gain) on derivative financial liabilities ⁽²⁾	6,807	(4,696)	2,600	(6,913)
Unrealized fair value gain on other assets	-	(429)	-	(429)
Contract cancellation recovery ⁽³⁾	-	-	(5,880)	-
Deferred tax expense relating to these adjustments	3,449	4,884	15,235	7,933
Operating earnings (loss)	\$ (86,769)	\$ 87,471	\$ (234,140)	\$ 239,269

(1) Unrealized net foreign exchange losses result from the translation of U.S. dollar denominated long-term debt and cash and cash equivalents using period-end exchange rates.

(2) Unrealized gains and losses on derivative financial liabilities result from the interest rate floor on the Corporation's long-term debt and interest rate swaps entered into to effectively fix a portion of its variable rate long-term debt.

(3) A recovery related to project cancellation costs initially recorded in the fourth quarter of 2014.

Operating Cash Flow

Operating cash flow is a non-GAAP measure widely used in the oil and gas industry as a supplemental measure of the Corporation's efficiency and its ability to fund future capital investments. Operating cash flow is calculated by deducting the related diluent, transportation, field operating costs and royalties from proprietary production revenues and power revenue. The per-unit calculation of operating cash flow, defined as cash operating netback, is calculated by deducting the related diluent, transportation, operating expenses and royalties from proprietary sales volumes and power revenues, on a per barrel basis.

12. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's critical accounting estimates are those estimates having a significant impact on the Corporation's financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change.

For a detailed discussion regarding the Corporation's critical accounting policies and estimates please refer to the Corporation's 2014 annual MD&A.

13. TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any related party transactions during the three and nine month periods ended September 30, 2015 and September 30, 2014, other than compensation of key management personnel. The Corporation considers directors and executive officers of the Corporation as key management personnel.

14. OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2015 and December 31, 2014 the Corporation did not have any off-balance sheet arrangements. The Corporation has certain operating or rental lease agreements, as disclosed in the Contractual Obligations and Commitments section of this MD&A, which are entered into in the normal course of operations. Payments of these leases are included as an expense as incurred over the lease term. No asset or liability value had been assigned to these leases as at September 30, 2015 and December 31, 2014.

15. NEW ACCOUNTING POLICIES

On July 22, 2015, the IASB issued an amendment to IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), deferring the effective date by one year to annual periods beginning on or after January 1, 2018. IFRS 15 provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework. The Corporation is currently assessing the impact of the adoption of IFRS 15 on the Corporation's consolidated financial statements.

There were no new accounting standards adopted during the nine months ended September 30, 2015.

16. RISK FACTORS

The Corporation's primary focus is on the ongoing development and operation of its oil sands assets. In developing and operating these assets, the Corporation is and will be subject to many risks, including the risks which have been categorized and described in the Corporation's MD&A for the year ended December 31, 2014. Further information regarding the risk factors which may affect the Corporation is contained in the Corporation's most recently filed AIF, which is available on the Corporation's website at www.megenergy.com and is also available on the SEDAR website at www.sedar.com.

Alberta Royalty Review

In June 2015, the Alberta provincial government announced a review of Alberta's royalty framework and appointed a panel of four members which has indicated that it will be delivering its recommendation to the Alberta government for optimizing the royalty framework by the end of 2015. The Alberta government has committed that the current royalty framework will remain in place until at least the end of December 2016. A change in the Alberta provincial royalty framework could have a significant impact on the Corporation's future financial results, cost of capital and capital investment.

17. DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Corporation's CEO and CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

18. INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO are required to cause the Corporation to disclose any change in the Corporation's internal controls over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No changes in internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

It should be noted that a control system, including the Corporation's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

19. ABBREVIATIONS

The following provides a summary of common abbreviations used in this document:

Financial and Business Environment		Measurement	
AECO	Alberta natural gas price reference location	bbbl	barrel
AIF	Annual Information Form	bbls/d	barrels per day
AWB	Access Western Blend	mcf	thousand cubic feet
\$ or C\$	Canadian dollars	mcf/d	thousand cubic feet per day
C5+	Condensate	MW	megawatts
GAAP	Generally Accepted Accounting Principles	MW/h	megawatts per hour
IFRS	International Financial Reporting Standards		
LIBOR	London Interbank Offered Rate		
MD&A	Management's Discussion and Analysis		
PSU	Performance share units		
RSU	Restricted share units		
SAGD	Steam-Assisted Gravity Drainage		
SOR	Steam to oil ratio		
U.S.	United States		
US\$	United States dollars		
WCS	Western Canadian Select		
WTI	West Texas Intermediate		

20. ADVISORY

Forward-Looking Information

This document may contain forward-looking information including but not limited to: expectations of future production, revenues, expenses, cash flow, operating costs, steam-oil ratios, pricing differentials, reliability, profitability and capital investments; estimates of reserves and resources; the anticipated reductions in operating costs as a result of optimization and scalability of certain operations; and the anticipated sources of funding for operations and capital investments. Such forward-looking information is based on management's expectations and assumptions regarding future growth, results of operations, production, future capital and other expenditures, plans for and results of drilling activity, environmental matters, business prospects and opportunities.

By its nature, such forward-looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: risks associated with the oil and gas industry, for example, the securing of adequate supplies and access to markets and transportation infrastructure; the availability of capacity on the electricity transmission grid; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to production, costs and revenues; health, safety and environmental risks; risks of legislative and regulatory changes to, amongst other things, tax, land use, royalty and environmental laws; assumptions regarding and the volatility of commodity prices and foreign exchange rates; risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with MEG's future phases and the expansion and/or operation of MEG's projects; risks and uncertainties related to the timing of completion, commissioning, and start-up, of MEG's future phases, expansions and projects; and the operational risks and delays in

the development, exploration, production, and the capacities and performance associated with MEG's projects.

Although MEG believes that the assumptions used in such forward-looking information are reasonable, there can be no assurance that such assumptions will be correct. Accordingly, readers are cautioned that the actual results achieved may vary from the forward-looking information provided herein and that the variations may be material. Readers are also cautioned that the foregoing list of assumptions, risks and factors is not exhaustive.

Further information regarding the assumptions and risks inherent in the making of forward-looking statements can be found in MEG's most recently filed annual information form ("AIF"), along with MEG's other public disclosure documents. Copies of the AIF and MEG's other public disclosure documents are available through the SEDAR website which is available at www.sedar.com.

The forward-looking information included in this document is expressly qualified in its entirety by the foregoing cautionary statements. Unless otherwise stated, the forward-looking information included in this document is made as of the date of this document and the Corporation assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Estimates of Reserves and Resources

This document contains references to estimates of the Corporation's reserves and contingent resources. For supplemental information regarding the classification and uncertainties related to MEG's estimated reserves and resources please see "Independent Reserve and Resource Evaluation" in the AIF.

Non-GAAP Financial Measures

Certain financial measures in this MD&A do not have a standardized meaning as prescribed by IFRS including: net marketing activity, cash flow from operations, operating earnings (loss) and operating cash flow. As such, these measures are considered non-GAAP financial measures. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These non-GAAP financial measures should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS. These measures are presented and described in order to provide shareholders and potential investors with additional measures in understanding the Corporation's ability to generate funds and to finance its operations as well as profitability measures specific to the oil sands industry. The definition and reconciliation of each non-GAAP measure is presented in the "NON-GAAP MEASURES" section of this MD&A.

21. ADDITIONAL INFORMATION

Additional information relating to the Corporation, including its AIF, is available on MEG's website at www.megenergy.com and is also available on SEDAR at www.sedar.com.

22. QUARTERLY SUMMARIES

	2015			2014				2013
Unaudited	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
FINANCIAL								
(\$000 unless specified)								
Net earnings (loss) ⁽¹⁾	(427,503)	63,414	(508,307)	(150,076)	(100,975)	248,954	(103,441)	(148,182)
Per share, diluted	(1.90)	0.28	(2.27)	(0.67)	(0.45)	1.11	(0.46)	(0.67)
Operating earnings (loss)	(86,769)	(22,950)	(124,421)	8,084	87,471	111,139	40,659	(32,685)
Per share, diluted	(0.39)	(0.10)	(0.56)	0.04	0.39	0.49	0.18	(0.15)
Cash flow from (used in) operations	23,877	99,243	(29,534)	134,099	238,659	261,713	156,987	22,648
Per share, diluted	0.11	0.44	(0.13)	0.60	1.06	1.16	0.70	0.10
Cash capital investment	32,139	90,465	80,101	323,970	291,309	298,727	323,533	366,321
Cash, cash equivalents and short-term investments	350,736	438,238	470,778	656,097	776,522	839,870	890,335	1,179,072
Working capital	366,725	374,766	386,130	525,534	747,928	805,742	877,069	1,045,607
Long-term debt	5,023,976	4,677,577	4,759,102	4,350,421	4,202,966	4,002,378	4,147,840	3,990,748
Shareholders' equity	3,956,689	4,358,078	4,279,873	4,768,235	4,894,444	4,970,144	4,705,966	4,788,430
BUSINESS ENVIRONMENT								
WTI (US\$/bbl)	46.43	57.94	48.63	73.15	97.16	102.99	98.68	97.43
C\$ equivalent of 1US\$ - average	1.3093	1.2294	1.2411	1.1357	1.0893	1.0905	1.1035	1.0477
Differential – WTI:WCS (\$/bbl)	17.50	14.25	18.22	16.34	22.02	21.87	25.48	33.77
Differential – WTI:WCS (%)	28.8%	20.0%	30.2%	19.7%	20.8%	19.5%	23.4%	33.1%
Natural gas – AECO (\$/mcf)	2.89	2.64	2.74	3.58	4.00	4.70	5.69	3.52
OPERATIONAL								
(\$/bbl unless specified)								
Bitumen production – bbls/d	82,768	71,376	82,398	80,349	76,471	68,984	58,643	42,251
Bitumen sales – bbls/d	84,651	71,401	85,519	70,116	69,757	70,849	58,089	35,990
Steam to oil ratio (SOR)	2.5	2.3	2.6	2.5	2.5	2.4	2.5	2.9
Bitumen realization	31.03	44.54	25.82	50.48	65.12	72.75	62.28	38.22
Transportation – net	(4.64)	(4.57)	(4.70)	(1.82)	(1.09)	(1.80)	(0.67)	(0.51)
Royalties	(0.88)	(0.90)	(0.80)	(2.97)	(5.02)	(5.01)	(4.47)	(2.71)
Operating costs – non-energy	(5.98)	(7.01)	(7.57)	(6.42)	(7.16)	(9.64)	(9.05)	(8.09)
Operating costs – energy	(3.97)	(3.71)	(4.07)	(5.16)	(5.58)	(6.45)	(8.43)	(5.38)
Power revenue	0.85	<u>1.29</u>	<u>1.15</u>	<u>1.45</u>	<u>2.43</u>	<u>1.60</u>	<u>3.85</u>	<u>2.25</u>
Cash operating netback	16.41	29.64	9.83	35.56	48.70	51.45	43.51	23.78
Power sales price (C\$/MWh)	25.09	39.55	28.21	31.67	59.07	40.98	62.26	44.63
Power sales (MW/h)	119	97	145	134	119	115	150	76
Depletion and depreciation rate per bbl of production	15.99	15.84	15.58	13.63	13.92	15.71	15.39	13.25
COMMON SHARES								
Shares outstanding, end of period (000)	224,942	224,881	223,847	223,847	223,794	223,673	222,575	222,507
Volume traded (000)	73,099	40,929	57,657	94,588	30,649	70,199	32,102	33,400
Common share price (\$)								
High	20.36	25.20	24.31	34.69	40.75	41.29	37.84	36.00
Low	7.87	17.56	14.84	13.30	34.00	35.52	29.41	28.60
Close (end of period)	8.24	20.40	20.46	19.55	34.38	38.89	37.36	30.61

(1) Includes net unrealized foreign exchange gains and losses on translation of U.S. dollar denominated debt and U.S. dollar denominated cash and cash equivalents.

Interim Consolidated Financial Statements

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

As at	Note	September 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	18	\$ 350,736	\$ 656,097
Trade receivables and other		170,317	177,219
Inventories		70,627	153,320
		591,680	986,636
Non-current assets			
Property, plant and equipment	4	8,086,976	8,195,490
Exploration and evaluation assets	5	588,324	588,526
Other intangible assets	6	84,091	83,090
Other assets	7	143,871	76,366
Total assets		\$ 9,494,942	\$ 9,930,108
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 190,880	\$ 427,910
Current portion of long-term debt	8	17,412	15,081
Current portion of provisions and other liabilities	9	16,663	18,111
		224,955	461,102
Non-current liabilities			
Long-term debt	8	5,023,976	4,350,421
Provisions and other liabilities	9	158,919	172,154
Deferred income tax liability	17	130,403	178,196
Total liabilities		5,538,253	5,161,873
Shareholders' equity			
Share capital	10	4,835,484	4,797,853
Contributed surplus	10	159,512	153,837
Deficit		(1,069,066)	(196,670)
Accumulated other comprehensive income		30,759	13,215
Total shareholders' equity		3,956,689	4,768,235
Total liabilities and shareholders' equity		\$ 9,494,942	\$ 9,930,108

Commitments and contingencies (note 22)

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

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

	Note	Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
Petroleum revenue, net of royalties	11	\$ 449,124	\$ 684,643	\$1,447,690	\$2,145,849
Other revenue	12	10,642	21,777	33,718	69,325
		459,766	706,420	1,481,408	2,215,174
Diluent and transportation	13	245,245	307,690	794,647	942,182
Purchased product and storage		17,852	10,413	71,696	132,525
Operating expenses		77,474	81,779	236,750	276,881
Depletion and depreciation	4,6	121,786	97,960	340,269	277,822
General and administrative		28,335	24,750	93,237	76,845
Stock-based compensation	10	13,250	12,261	38,066	35,564
Research and development		2,239	1,935	5,030	3,806
		506,181	536,788	1,579,695	1,745,625
Revenues less expenses		(46,415)	169,632	(98,287)	469,549
Other income (expense)					
Interest and other income	14	691	2,027	8,285	7,345
Foreign exchange loss, net	15	(335,391)	(191,273)	(639,382)	(197,839)
Net finance expense	16	(72,068)	(43,116)	(192,010)	(134,734)
		(406,768)	(232,362)	(823,107)	(325,228)
Earnings (loss) before income taxes		(453,183)	(62,730)	(921,394)	144,321
Income tax expense (recovery)	17	(25,680)	38,245	(48,998)	99,783
Net earnings (loss)		(427,503)	(100,975)	(872,396)	44,538
Other comprehensive income, net of tax					
Items that may be reclassified to profit or loss:					
Foreign currency translation adjustment		11,305	6,281	17,544	4,732
Comprehensive income (loss) for the period		\$ (416,198)	\$ (94,694)	\$ (854,852)	\$ 49,270
Net earnings (loss) per common share					
Basic	19	\$ (1.90)	\$ (0.45)	\$ (3.89)	\$ 0.20
Diluted	19	\$ (1.90)	\$ (0.45)	\$ (3.89)	\$ 0.20

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

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

	Note	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at December 31, 2014		\$4,797,853	\$ 153,837	\$ (196,670)	\$ 13,215	\$ 4,768,235
Stock-based compensation	10	-	43,306	-	-	43,306
RSUs vested and released	10	37,631	(37,631)	-	-	-
Comprehensive income (loss)		-	-	(872,396)	17,544	(854,852)
Balance as at September 30, 2015		\$4,835,484	\$ 159,512	\$(1,069,066)	\$ 30,759	\$ 3,956,689
Balance as at December 31, 2013		\$4,751,374	\$ 126,666	\$ (92,493)	\$ 2,883	\$ 4,788,430
Stock options exercised		14,098	(3,368)	-	-	10,730
Stock-based compensation		-	46,014	-	-	46,014
RSUs vested and released		30,715	(30,715)	-	-	-
Comprehensive income		-	-	44,538	4,732	49,270
Balance as at September 30, 2014		\$4,796,187	\$ 138,597	\$ (47,955)	\$ 7,615	\$ 4,894,444

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

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

		Three months ended September 30		Nine months ended September 30	
	Note	2015	2014	2015	2014
Cash provided by (used in):					
Operating activities					
Net earnings (loss)		\$ (427,503)	\$ (100,975)	\$ (872,396)	\$ 44,538
Adjustments for:					
Depletion and depreciation	4,6	121,786	97,960	340,269	277,822
Stock-based compensation	10	13,250	12,261	38,066	35,564
Unrealized loss on foreign exchange	15	330,478	188,687	626,301	194,140
Unrealized (gain) loss on derivative financial liabilities	16	6,807	(4,696)	2,600	(6,913)
Deferred income tax expense (recovery)	17	(25,280)	38,245	(47,798)	99,783
Amortization of debt issue costs	7,9	2,979	2,637	8,797	7,630
Decommissioning expenditures	9	(178)	(149)	(1,429)	(921)
Other		1,360	4,540	3,627	4,795
Net change in non-cash operating working capital items	18	(28,887)	(16,651)	1,594	(98,923)
Net cash provided by (used in) operating activities		(5,188)	221,859	99,631	557,515
Investing activities					
Capital investments					
Property, plant and equipment	4	(49,505)	(301,418)	(246,695)	(956,865)
Exploration and evaluation	5	(464)	(2,203)	(1,322)	(6,620)
Other intangible assets	6	(161)	(7,193)	(5,167)	(11,158)
Other		(1)	1,989	(578)	2,102
Net change in non-cash investing working capital items	18	(50,954)	10,299	(201,625)	(11,947)
Net cash provided by (used in) investing activities		(101,085)	(298,526)	(455,387)	(984,488)
Financing activities					
Repayment of long-term debt	8	(4,359)	(3,622)	(12,507)	(10,698)
Issue of shares	10	-	2,531	-	10,730
Net cash provided by (used in) financing activities		(4,359)	(1,091)	(12,507)	32
Effect of exchange rate changes on cash and cash equivalents held in foreign currency					
		23,130	14,410	62,902	24,391
Change in cash and cash equivalents		(87,502)	(63,348)	(305,361)	(402,550)
Cash and cash equivalents, beginning of period		438,238	839,870	656,097	1,179,072
Cash and cash equivalents, end of period		\$ 350,736	\$ 776,522	\$ 350,736	\$ 776,522

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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 ("TSX") under the symbol "MEG". The Corporation owns a 100% interest in over 900 square miles of oil sands leases in the southern Athabasca oil sands region of northern Alberta and is primarily engaged in a steam assisted gravity drainage oil sands development at its 80 section Christina Lake Regional Project ("Christina Lake Project"). The Corporation is using a staged approach to development. The Corporation also holds a 50% interest in the Access Pipeline, a dual pipeline to transport diluent north from the Edmonton area to the Athabasca oil sands area and a blend of bitumen and diluent south from the Christina Lake Project into the Edmonton area. In addition to the Access Pipeline, the Corporation owns the Stonefell Terminal, located near Edmonton, Alberta, which offers 900,000 barrels of terminalling and storage capacity. The Stonefell Terminal is connected to the Access Pipeline and is also connected by pipeline to a third party rail-loading terminal. The corporate office is located at 520 - 3rd Avenue S.W., 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, 2014. The interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have 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 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2014. These interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2014, which are included in the Corporation's 2014 annual report.

These interim consolidated financial statements are presented in Canadian dollars (\$ or C\$), which is the Corporation's functional currency. The Corporation's operations are aggregated into one operating segment for reporting consistent with the internal reporting provided to the chief operating decision-maker of the Corporation.

These interim consolidated financial statements were approved by the Corporation's Audit Committee on October 27, 2015.

3. CHANGE IN ACCOUNTING POLICIES

New accounting standards

There were no new accounting standards adopted during the nine months ended September 30, 2015.

Accounting standards issued but not yet applied

On July 22, 2015, the IASB issued an amendment to IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), deferring the effective date by one year to annual periods beginning on or after January 1, 2018. IFRS 15 provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework. The Corporation is currently assessing the impact of the adoption of IFRS 15 on the Corporation's consolidated financial statements.

A description of additional accounting standards that are anticipated to be adopted by the Corporation in future periods is provided within Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

4. PROPERTY, PLANT AND EQUIPMENT

	Crude oil	Transportation and storage	Corporate assets	Total
Cost				
Balance as at December 31, 2013	\$ 6,493,665	\$ 1,276,447	\$ 41,035	\$ 7,811,147
Additions	1,002,619	295,568	6,082	1,304,269
Change in decommissioning liabilities	43,085	680	-	43,765
Transfer to other assets	-	(12,381)	-	(12,381)
Balance as at December 31, 2014	7,539,369	1,560,314	47,117	9,146,800
Additions	203,167	46,704	2,440	252,311
Change in decommissioning liabilities	(16,019)	(1,940)	-	(17,959)
Transfer to other assets (Note 7)	-	(6,938)	-	(6,938)
Balance as at September 30, 2015	\$ 7,726,517	\$ 1,598,140	\$ 49,557	\$ 9,374,214
Accumulated depletion and depreciation				
Balance as at December 31, 2013	\$ 513,422	\$ 31,452	\$ 11,322	\$ 556,196
Depletion and depreciation for the year	370,301	19,661	5,152	395,114
Balance as at December 31, 2014	883,723	51,113	16,474	951,310
Depletion and depreciation for the period	309,788	21,871	4,269	335,928
Balance as at September 30, 2015	\$ 1,193,511	\$ 72,984	\$ 20,743	\$ 1,287,238
Carrying amounts				
Balance as at December 31, 2014	\$ 6,655,646	\$ 1,509,201	\$ 30,643	\$ 8,195,490
Balance as at September 30, 2015	\$ 6,533,006	\$ 1,525,156	\$ 28,814	\$ 8,086,976

During the nine months ended September 30, 2015, the Corporation capitalized \$50.5 million of interest and finance charges related to the development of capital projects (nine months ended September 30, 2014 - \$60.0 million). As at September 30, 2015, \$898.4 million of assets under construction were included within property, plant and equipment (December 31, 2014 - \$864.7 million). Assets under construction are not subject to depletion and depreciation. As of September 30, 2015, no impairment has been recognized on these assets.

5. EXPLORATION AND EVALUATION ASSETS

Cost	
Balance as at December 31, 2013	\$ 579,497
Additions	7,749
Change in decommissioning liabilities	1,280
Balance as at December 31, 2014	588,526
Additions	1,322
Change in decommissioning liabilities	(1,524)
Balance as at September 30, 2015	\$ 588,324

Exploration and evaluation assets consist of exploration projects which are pending the determination of proved or probable reserves. These assets are not subject to depletion, as they are in the exploration and evaluation stage, but are reviewed on a quarterly basis for any indication of impairment. As of September 30, 2015, no impairment has been recognized on these assets. During the nine months ended September 30, 2015, the Corporation did not capitalize any interest and finance charges related to exploration and evaluation assets (nine months ended September 30, 2014 - \$1.1 million).

6. OTHER INTANGIBLE ASSETS

Cost	
Balance as at December 31, 2013	\$ 66,209
Additions	23,571
Balance as at December 31, 2014	89,780
Additions	5,167
Balance as at September 30, 2015	\$ 94,947
Accumulated depreciation	
Balance as at December 31, 2013	\$ 3,004
Depreciation for the year	3,686
Balance as at December 31, 2014	6,690
Depreciation for the period	4,166
Balance as at September 30, 2015	\$ 10,856
Carrying amounts	
Balance as at December 31, 2014	\$ 83,090
Balance as at September 30, 2015	\$ 84,091

As at September 30, 2015, other intangible assets include \$63.3 million invested to maintain the right to participate in a potential pipeline project and \$20.8 million invested in software that is not an integral component of the related computer hardware (December 31, 2014 - \$60.2 million and \$22.9 million, respectively). As of September 30, 2015, no impairment has been recognized on these assets.

7. OTHER ASSETS

	September 30, 2015	December 31, 2014
Long-term pipeline linefill ^(a)	\$ 127,420	\$ 56,900
U.S. auction rate securities	3,357	2,908
Deferred financing costs	17,458	20,874
	148,235	80,682
Less current portion of deferred financing costs	(4,364)	(4,316)
	\$ 143,871	\$ 76,366

(a) The Corporation has entered into agreements to transport diluent and bitumen blend on third-party owned pipelines and is required to supply linefill for these pipelines. As these pipelines are owned by third parties, the linefill is not considered to be a component of the Corporation's property, plant and equipment. During the nine months ended September 30, 2015, the Corporation transferred \$6.9 million of bitumen blend from property, plant and equipment to long-term pipeline linefill. In addition, \$40.7 million of diluent and \$11.5 million of bitumen blend was transferred from inventories to long-term pipeline linefill to meet these linefill obligations. The linefill is classified as a long-term asset as these transportation contracts extend beyond the year 2024. As of September 30, 2015, no impairment has been recognized on these assets.

8. LONG-TERM DEBT

	September 30, 2015	December 31, 2014
Senior secured term loan (September 30, 2015 – US\$1.252 billion; December 31, 2014 – US\$1.262 billion)	\$ 1,676,594	\$ 1,463,466
6.5% senior unsecured notes (US\$750 million)	1,004,550	870,075
6.375% senior unsecured notes (US\$800 million)	1,071,520	928,080
7.0% senior unsecured notes (US\$1.0 billion)	1,339,400	1,160,100
	5,092,064	4,421,721
Less current portion of senior secured term loan	(17,412)	(15,081)
Less unamortized financial derivative liability discount	(15,176)	(17,514)
Less unamortized deferred debt issue costs	(35,500)	(38,705)
	\$ 5,023,976	\$ 4,350,421

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US\$1 = C\$1.3394 (December 31, 2014 - US\$1 = C\$1.1601).

All of the Corporation's long-term debt is "covenant lite" in structure, meaning it is free of any financial maintenance covenants and is not dependent on, nor calculated from, the Corporation's crude oil reserves. The first maturity of any of the Corporation's long-term debt obligations is March 2020.

9. PROVISIONS AND OTHER LIABILITIES

	September 30, 2015	December 31, 2014
Derivative financial liabilities ^(a)	\$ 32,112	\$ 29,511
Decommissioning provision ^(b)	139,517	156,382
Deferred lease inducements	3,953	4,372
Provisions and other liabilities	175,582	190,265
Less current portion	(16,663)	(18,111)
Non-current portion	\$ 158,919	\$ 172,154

(a) Derivative financial liabilities:

	September 30, 2015	December 31, 2014
1% interest rate floor	\$ 26,345	\$ 20,844
Interest rate swaps	5,767	8,667
Derivative financial liabilities	32,112	29,511
Less current portion	(14,603)	(15,538)
Non-current portion	\$ 17,509	\$ 13,973

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

Decommissioning provision	September 30, 2015	December 31, 2014
Balance, beginning of year	\$ 156,382	\$ 108,695
Changes in estimated future cash flows	17,692	20,406
Changes in discount rates	(42,241)	13,798
Liabilities incurred	5,066	10,841
Liabilities settled	(1,429)	(1,893)
Accretion	4,047	4,535
Balance, end of period	139,517	156,382
Less current portion	(1,540)	(1,835)
Non-current portion	\$ 137,977	\$ 154,547

The decommissioning provision represents the present value of the estimated future costs to reclaim and abandon the Corporation's property, plant and equipment and exploration and evaluation assets. The Corporation has estimated the net present value of the decommissioning obligations using a credit-adjusted risk-free rate of 7.7% (December 31, 2014 – 6.0%).

10. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
 Unlimited number of preferred shares

(b) Changes in issued common shares are as follows:

	Nine months ended September 30, 2015		Year ended December 31, 2014	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	223,846,891	\$ 4,797,853	222,506,896	\$ 4,751,374
Issued upon exercise of stock options	-	-	412,644	14,665
Issued upon vesting and release of RSUs	1,095,370	37,631	927,351	31,814
Balance, end of period	224,942,261	\$ 4,835,484	223,846,891	\$ 4,797,853

(c) Stock options outstanding:

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

Nine months ended September 30, 2015	Stock options	Weighted average exercise price
Outstanding, beginning of year	7,865,788	\$ 34.87
Granted	2,945,799	18.61
Forfeited	(387,874)	33.21
Expired	(332,800)	41.00
Outstanding, end of period	10,090,913	\$ 29.99

(d) Restricted share units outstanding and performance share units outstanding:

The Restricted Share Unit Plan allows for the granting of Restricted Share Units ("RSUs"), including Performance Share Units ("PSUs"), to directors, officers, employees and consultants of the Corporation.

Nine months ended September 30, 2015	
Outstanding, beginning of year	2,745,439
Granted	1,970,996
Vested and released	(1,095,370)
Forfeited	(209,356)
Outstanding, end of period	3,411,709

(e) Deferred share units outstanding:

The Deferred Share Unit Plan allows for the granting of Deferred Share Units ("DSUs") to directors of the Corporation. At September 30, 2015, there were 41,683 DSUs outstanding (December 31, 2014 – 17,281 DSUs outstanding).

(f) Contributed surplus:

Nine months ended September 30, 2015	
Balance, beginning of year	\$ 153,837
Stock-based compensation - expensed	38,066
Stock-based compensation - capitalized	5,240
RSUs vested and released	(37,631)
Balance, end of period	\$ 159,512

11. PETROLEUM REVENUE, NET OF ROYALTIES

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Petroleum revenue:				
Proprietary	\$ 446,743	\$ 712,383	\$ 1,412,464	\$ 2,109,283
Third party ^(a)	9,255	4,448	54,103	124,460
	455,998	716,831	1,466,567	2,233,743
Royalties	(6,874)	(32,188)	(18,877)	(87,894)
Petroleum revenue, net of royalties	\$ 449,124	\$ 684,643	\$ 1,447,690	\$ 2,145,849

(a) The Corporation purchases crude oil products from third parties for marketing-related activities. These purchases and associated storage charges are included in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss) under the caption "Purchased product and storage".

12. OTHER REVENUE

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Power revenue	\$ 6,608	\$ 15,570	\$ 23,798	\$ 46,013
Transportation revenue	4,034	6,207	9,920	23,312
Other revenue	\$ 10,642	\$ 21,777	\$ 33,718	\$ 69,325

13. DILUENT AND TRANSPORTATION

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Diluent	\$ 205,069	\$ 294,495	\$ 682,702	\$ 896,768
Transportation	40,176	13,195	111,945	45,414
Diluent and transportation	\$ 245,245	\$ 307,690	\$ 794,647	\$ 942,182

14. OTHER INCOME

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest income	\$ 691	\$ 2,027	\$ 2,405	\$ 7,345
Contract cancellation recovery	-	-	5,880	-
Other income	\$ 691	\$ 2,027	\$ 8,285	\$ 7,345

During the nine months ended September 30, 2015 the Corporation recognized a \$5.9 million recovery relating to \$16.5 million of project cancellation costs recorded in the fourth quarter of 2014.

15. FOREIGN EXCHANGE GAIN (LOSS), NET

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Unrealized foreign exchange gain (loss) on:				
Long-term debt	\$ (350,066)	\$ (203,097)	\$ (682,850)	\$ (218,531)
Other	19,588	14,410	56,549	24,391
Unrealized net loss on foreign exchange	(330,478)	(188,687)	(626,301)	(194,140)
Realized loss on foreign exchange	(4,913)	(2,586)	(13,081)	(3,699)
Foreign exchange loss, net	\$ (335,391)	\$ (191,273)	\$ (639,382)	\$ (197,839)

16. NET FINANCE EXPENSE

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Total interest expense	\$ 80,248	\$ 65,366	\$ 231,524	\$ 196,140
Less capitalized interest	(17,991)	(19,505)	(50,479)	(61,074)
Net interest expense	62,257	45,861	181,045	135,066
Accretion on decommissioning provision	1,491	1,123	4,047	3,265
Unrealized (gain) loss on derivative financial liabilities	6,807	(4,696)	2,600	(6,913)
Realized loss on interest rate swaps	1,512	1,257	4,317	3,745
Unrealized fair value gain on other assets	-	(429)	-	(429)
Net finance expense	\$ 72,068	\$ 43,116	\$ 192,010	\$ 134,734

17. INCOME TAX EXPENSE (RECOVERY)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Current income tax recovery	\$ (400)	\$ -	\$ (1,200)	\$ -
Deferred income tax expense (recovery)	(25,280)	38,245	(47,798)	99,783
Income tax expense (recovery)	\$ (25,680)	\$ 38,245	\$ (48,998)	\$ 99,783

During the nine months ended September 30, 2015 the Corporation recognized a current income tax recovery of \$1.2 million relating to the refundable Alberta tax credit on Scientific Research and Experimental Development expenditures.

In June 2015, the Government of Alberta enacted an increase in the Alberta corporate income tax rate from 10% to 12%. As a result, the Corporation increased its deferred income tax liability by \$11.4 million, with a corresponding increase to deferred income tax expense.

18. SUPPLEMENTAL CASH FLOW DISCLOSURES

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Cash provided by (used in): ^(a)				
Trade receivables and other	\$ 38,486	\$ 36,829	\$ 7,801	\$ (70,161)
Inventories	2,546	(31,877)	29,813	(3,872)
Accounts payable and accrued liabilities	(120,873)	(11,304)	(237,645)	(36,837)
	\$ (79,841)	\$ (6,352)	\$ (200,031)	\$ (110,870)
Changes in non-cash working capital relating to:				
Operating	\$ (28,887)	\$ (16,651)	\$ 1,594	\$ (98,923)
Investing	(50,954)	10,299	(201,625)	(11,947)
	\$ (79,841)	\$ (6,352)	\$ (200,031)	\$ (110,870)
Cash and cash equivalents: ^(b)				
Cash	\$ 254,202	\$ 293,555	\$ 254,202	\$ 293,555
Cash equivalents	96,534	482,967	96,534	482,967
	\$ 350,736	\$ 776,522	\$ 350,736	\$ 776,522

(a) The amounts for the three and nine months ended September 30, 2015, exclude non-cash working capital items primarily related to the \$52.2 million transferred from inventory to other assets (Note 7).

(b) As at September 30, 2015, C\$217.6 million of the Corporation's total cash and cash equivalents balance was held in U.S. dollars. (September 30, 2014 - C\$268.4 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\$1.3394 (September 30, 2014 - US\$1 = C\$1.1208).

19. EARNINGS (LOSS) PER COMMON SHARE

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net earnings (loss)	\$ (427,503)	\$ (100,975)	\$ (872,396)	\$ 44,538
Weighted average common shares outstanding	225,042,674	223,779,396	224,402,871	223,128,996
Dilutive effect of stock options, RSUs and PSUs ^(a)	-	-	-	1,653,882
Weighted average common shares outstanding – diluted	225,042,674	223,779,396	224,402,871	224,782,878
Net earnings (loss) per share, basic	\$ (1.90)	\$ (0.45)	\$ (3.89)	\$ 0.20
Net earnings (loss) per share, diluted	\$ (1.90)	\$ (0.45)	\$ (3.89)	\$ 0.20

(a) For the three and nine month periods ended September 30, 2015, there was no dilutive effect of stock options, RSUs and PSUs due to the Corporation incurring a net loss during these periods. If the Corporation had recognized net earnings during the three and nine months ended September 30, 2015, the dilutive effect of stock options, RSUs and PSUs would have been 282,562 and 652,742 weighted average common shares respectively. For the three month period ended September 30, 2014, there was no dilutive effect of stock options, RSUs and PSUs due to the Corporation incurring a net loss during the period, if the corporation would have recognized net earnings the dilutive effect would have been 1,679,019.

20. 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, U.S. auction rate securities ("ARS") included within other assets, accounts payable and accrued liabilities, derivative financial liabilities and long-term debt. As at September 30, 2015, the ARS and derivative financial liabilities were classified as held-for-trading financial instruments; cash and cash equivalents and trade receivables and other were classified as loans and receivables; and accounts payable and accrued liabilities were classified as other financial liabilities. Long-term debt was carried at amortized cost.

The carrying value of cash and cash equivalents, trade receivables and other, and accounts payable and accrued liabilities included on the Consolidated Balance Sheet approximate the fair value of the respective assets and liabilities due to the short-term nature of those instruments.

(a) Fair value measurement of ARS, long-term debt and derivative financial liabilities:

As at September 30, 2015	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
Recurring measurements:				
Financial assets				
ARS (Note 7)	\$ 3,357	\$ -	\$ 3,357	\$ -
Financial liabilities				
Long-term debt ⁽¹⁾ (Note 8)	5,092,064	-	4,286,250	-
Derivative financial liabilities (Note 9)	32,112	-	32,112	-

As at December 31, 2014	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
Recurring measurements:				
Financial assets				
ARS (Note 7)	\$ 2,908	\$ -	\$ 2,908	\$ -
Financial liabilities				
Long-term debt ⁽¹⁾ (Note 8)	4,421,721	4,075,233	-	-
Derivative financial liabilities (Note 9)	29,511	-	29,511	-

⁽¹⁾ Includes the current and long-term portions.

Level 1 fair value measurements are based on unadjusted quoted market prices.

As at September 30, 2015, the Corporation did not have any financial instruments measured at Level 1 fair value.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices.

The estimated fair values of the ARS and long-term debt are derived using quoted prices in an inactive market from a third-party independent broker.

The fair value of derivative financial liabilities are derived using third-party valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates for the Corporation's interest rate swaps and floors. Management's assumptions rely on external observable market data including interest rate yield curves 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.

Level 3 fair value measurements are based on unobservable information.

As at September 30, 2015, the Corporation did not have any financial instruments measured at Level 3 fair value.

The Corporation recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. In 2015, the Corporation's long-term debt was transferred from Level 1 to Level 2 of the fair value hierarchy as its fair value was derived from observable inputs from a third-party independent broker.

(b) Interest rate risk management:

The Corporation is exposed to interest rate cash flow risk on its floating rate long-term debt and periodically enters into interest rate swap contracts to manage its floating to fixed interest rate mix on long-term debt. As noted below, in order to mitigate a portion of this risk, the Corporation has entered into interest rate swap contracts to effectively fix the interest rate on US\$748.0 million of the US\$1.252 billion senior secured term loan. Interest rate swaps are classified as derivative financial liabilities and measured at fair value, with gains and losses on re-measurement included in net finance expense in the period in which they arise.

Amount	Effective date	Remaining term	Fixed rate	Floating rate
US\$300 million	September 30, 2011	Oct 2015-Sept 2016	4.436%	3 month LIBOR ⁽¹⁾
US\$150 million	December 31, 2011	Oct 2015-Sept 2016	4.376%	3 month LIBOR ⁽¹⁾
US\$150 million	January 12, 2012	Oct 2015-Sept 2016	4.302%	3 month LIBOR ⁽¹⁾
US\$148 million	January 27, 2012	Oct 2015-Sept 2016	4.218%	3 month LIBOR ⁽¹⁾

⁽¹⁾ London Interbank Offered Rate

21. GEOGRAPHICAL DISCLOSURE

As at September 30, 2015, the Corporation had non-current assets related to operations in the United States of \$107.1 million (December 31, 2014 - \$44.1 million). For the three and nine months ended September 30, 2015, petroleum revenue related to operations in the United States was \$141.9 million and \$420.3 million, respectively (three and nine months ended September 30, 2014 - \$2.9 million and \$89.0 million, respectively).

22. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Corporation had the following commitments as at September 30, 2015:

Operating:

	2015	2016	2017	2018	2019	Thereafter
Office lease rentals	\$ 3,751	\$ 15,616	\$ 33,556	\$ 32,135	\$ 32,164	\$ 296,477
Diluent purchases	75,900	51,685	20,533	20,533	20,533	78,754
Transportation and storage	39,767	184,029	172,347	175,067	166,709	3,313,852
Other commitments	4,294	15,270	9,387	5,791	9,081	80,305
Commitments	\$ 123,712	\$ 266,600	\$ 235,823	\$ 233,526	\$ 228,487	\$ 3,769,388

Capital:

As part of normal operations, the Corporation has entered into a total of \$42.7 million in capital commitments to be made in periods through 2017.

(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.