

REPORT OF MANAGEMENT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded. Management's evaluation concluded that the Corporation's internal controls over financial reporting were effective as of December 31, 2024.

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

PricewaterhouseCoopers LLP, an independent firm of auditors, has been engaged, as approved by a vote of the shareholders at the Corporation's most recent Annual General Meeting, to audit and provide their independent audit opinion on the Corporation's consolidated financial statements as at and for the year ended December 31, 2024. Their report, contained herein, outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

/s/ Darlene Gates

Darlene Gates
President and Chief Executive Officer

/s/ Ryan Kubik

Ryan Kubik, CPA, CA
Chief Financial Officer

February 27, 2025



Independent auditor's report

To the Shareholders of MEG Energy Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MEG Energy Corp. and its subsidiaries (together, the Corporation) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2024 and 2023;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T.: +1 403 509 7500, F.: +1 403 781 1825, Fax to mail: ca_calgary_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>The impact of proved bitumen reserves on crude oil assets</p> <p><i>Refer to note 3 – Material accounting policies, note 4 – Significant accounting estimates, assumptions, and judgments, and note 7 – Property, plant and equipment to the consolidated financial statements.</i></p> <p>The Corporation’s net crude oil assets was \$5,331 million as at December 31, 2024 and the related depletion and depreciation (D&D) expense was \$603 million for the year then ended. Field production assets represent a portion of the crude oil assets and are depleted using the unit-of-production method based on estimates of proved bitumen reserves.</p> <p>Management applies significant judgment in developing the estimates of proved bitumen reserves. These estimates are based on estimated future prices, expected future rates of production and the cost and timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation’s estimates of proved bitumen reserves are generated by the Corporation’s independent reserve engineers (management’s experts).</p> <p>We considered this a key audit matter due to the significant judgment by management, including the use of management’s experts, when developing the estimates of proved bitumen reserves, which led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management developed the estimates of proved bitumen reserves and D&D expense, which included the following:<ul style="list-style-type: none">– The work of management’s experts was used in performing the procedures to evaluate the reasonableness of the estimates of proved bitumen reserves used to determine D&D expense. As a basis for using this work, the competence, capability and objectivity of management’s experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management’s experts, tests of the data used by management’s experts and an evaluation of their findings. Evaluated the reasonableness of assumptions used in developing the underlying estimates, including:<ul style="list-style-type: none">o estimated future prices by comparing those prices with other reputable third party industry forecasts; and



Key audit matter

How our audit addressed the key audit matter

- o expected future rates of production, and the cost and timing of future capital expenditures by considering the current and past performance of the Corporation, and whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Tested the data used in the determination of these estimates.
- Recalculated the unit-of-production rates used to calculate depletion expense related to field production assets.

Other information

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

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

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

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

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

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

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



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

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

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

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

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



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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 27, 2025



FINANCIAL STATEMENTS

Consolidated Balance Sheet (Expressed in millions of Canadian dollars)

As at December 31	Note	2024	2023
Assets			
Current assets			
Cash and cash equivalents	22	\$ 156	\$ 160
Accrued revenue and accounts receivable	6	440	465
Inventories	7	258	235
Risk management	24	—	2
		854	862
Non-current assets			
Property, plant and equipment	8	5,556	5,683
Exploration and evaluation assets	9	128	128
Other assets	10	206	225
Total assets		\$ 6,744	\$ 6,898
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 471	\$ 499
Dividends payable		26	—
Interest payable		22	31
Current portion of provisions and other liabilities	13	35	30
Risk management	24	—	24
		554	584
Non-current liabilities			
Long-term debt	12	858	1,124
Provisions and other liabilities	13	417	486
Deferred income tax liability	14	362	177
Total liabilities		2,191	2,371
Shareholders' equity			
Share capital	15	4,571	4,845
Contributed surplus		176	180
Deficit		(242)	(531)
Accumulated other comprehensive income		48	33
Total shareholders' equity		4,553	4,527
Total liabilities and shareholders' equity		\$ 6,744	\$ 6,898

Commitments and contingencies (Note 27)

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

These Consolidated Financial Statements were approved by the Corporation's Board of Directors on February 27, 2025.

/s/ Darlene Gates
Darlene Gates, Director

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

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

Year ended December 31	Note	2024	2023
Revenues			
Petroleum revenue, net of royalties	17	\$ 5,091	\$ 5,536
Power and transportation revenue	17	58	117
Revenues		5,149	5,653
Expenses			
Diluent expense		1,682	1,691
Transportation and storage expense		625	600
Operating expenses		290	334
Purchased product		958	1,400
Depletion and depreciation		620	596
General and administrative		73	69
Stock-based compensation	16	24	35
Net finance expense	19	113	149
Other	20	(6)	46
Commodity risk management loss	24	7	32
Foreign exchange (gain) loss	18	67	(22)
Earnings before income taxes		696	723
Income tax expense	14	189	154
Net earnings		507	569
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustment		15	(5)
Comprehensive income		\$ 522	\$ 564
Net earnings per common share			
Basic	23	\$ 1.89	\$ 2.00
Diluted	23	\$ 1.87	\$ 1.98

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

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in millions of Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at December 31, 2023	\$ 4,845	\$ 180	\$ (531)	\$ 33	\$ 4,527
Stock-based compensation	—	19	—	—	19
Stock options exercised	1	—	—	—	1
RSUs and PSUs vested and released	23	(23)	—	—	—
Repurchase of shares for cancellation	(298)	—	(156)	—	(454)
Tax on repurchases of equity	—	—	(9)	—	(9)
Dividends	—	—	(53)	—	(53)
Comprehensive income	—	—	507	15	522
Balance as at December 31, 2024	\$ 4,571	\$ 176	\$ (242)	\$ 48	\$ 4,553
Balance as at December 31, 2022	\$ 5,164	\$ 169	\$ (988)	\$ 38	\$ 4,383
Stock-based compensation	—	25	—	—	25
Stock options exercised	2	(1)	—	—	1
RSUs vested and released	13	(13)	—	—	—
Repurchase of shares for cancellation	(334)	—	(112)	—	(446)
Comprehensive income	—	—	569	(5)	564
Balance as at December 31, 2023	\$ 4,845	\$ 180	\$ (531)	\$ 33	\$ 4,527

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

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

Year ended December 31	Note	2024	2023
Cash provided by (used in):			
Operating activities			
Net earnings		\$ 507	\$ 569
Adjustments for:			
Deferred income tax expense	14	185	152
Depletion and depreciation	8, 10	620	596
Stock-based compensation	16	19	103
Unrealized loss (gain) on foreign exchange	18	65	(20)
Unrealized net loss (gain) on commodity risk management	24	(22)	4
Debt extinguishment expense	19	7	12
Onerous contract expense	20	(3)	47
Accretion on provisions	13	14	12
Other		4	4
Decommissioning expenditures	13	(5)	(3)
Payments on onerous contract	13	(8)	—
Net change in long-term incentive compensation liability		2	—
Funds flow from operating activities		1,385	1,476
Net change in non-cash working capital items	22	(45)	(127)
Net cash provided by (used in) operating activities		1,340	1,349
Investing activities			
Capital expenditures	8	(548)	(449)
Other		—	1
Net change in non-cash working capital items	22	47	(30)
Net cash provided by (used in) investing activities		(501)	(478)
Financing activities			
Repurchase and redemption of long-term debt	12	(351)	(437)
Debt redemption premium	12	(7)	(9)
Repurchase of shares	15	(454)	(446)
Tax on share repurchases	15	(9)	—
Issue of shares, net of issue costs		1	1
Receipts on leased assets	22	2	2
Payments on leased liabilities	22	(15)	(18)
Payments of dividends		(27)	—
Net change in non-cash working capital items	22	—	11
Net cash provided by (used in) financing activities		(860)	(896)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		17	(7)
Change in cash and cash equivalents		(4)	(32)
Cash and cash equivalents, beginning of year		160	192
Cash and cash equivalents, end of period		\$ 156	\$ 160

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2024

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

1. CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The consolidated financial statements have been prepared on the historical cost basis, except as detailed in the material accounting policies disclosed in Note 3. These audited consolidated financial statements were approved by the Corporation's Board of Directors on February 27, 2025.

3. MATERIAL ACCOUNTING POLICIES

a. Principles of consolidation

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

b. Functional and presentation currency

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

c. Financial instruments

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

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

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

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

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

d. Cash and cash equivalents

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

e. Inventories

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

f. Property, plant and equipment

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

i. Crude oil

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

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

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

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

ii. Right-of-use ("ROU") assets

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

g. Exploration and evaluation assets

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

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Also, if sufficient data exists to determine technical feasibility and commercial

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

h. Leases

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

As Lessee

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

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

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

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

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

i. Impairments

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

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been an increase in the estimated recoverable amount. The impairment loss is reversed only to the extent that the asset's resulting

carrying amount does not exceed the amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

j. Provisions

i. Decommissioning provision

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

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

ii. Onerous contracts

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

k. Share based payments

The Corporation's share-based compensation plans include equity-settled awards and cash-settled awards. The associated costs are recorded as stock-based compensation expense.

i. Equity-settled

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

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

ii. Cash-settled

The Corporation's Cash-Settled Restricted Share Unit Plan (the "Cash-Settled RSU Plan") allows for the granting of cash-settled RSUs and PSUs to directors, officers, employees and consultants. Cash-settled RSUs and PSUs are accounted for as liability instruments and are measured at fair value based on the market value of the Corporation's common shares at each period end. The fair value is recognized as stock-based compensation over the vesting period and fluctuations in the fair value are recognized as stock-based compensation in the period in which they occur.

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

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

I. Revenue recognition

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

i. Petroleum revenue and royalties

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

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

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

ii. Power revenue

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

m. Deferred income taxes

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

n. Net earnings (loss) per share

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

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

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

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

b. Exploration and evaluation (E&E) assets

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

c. Bitumen reserves

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

d. Decommissioning provision

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

e. Impairments

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

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

f. Stock-based compensation

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

g. Deferred income taxes

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

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

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

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

h. Leases

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

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

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

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

5. CHANGE IN ACCOUNTING POLICY

New accounting standards

IFRS 18 Presentation and Disclosure in Financial Statements

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

6. ACCRUED REVENUE AND ACCOUNTS RECEIVABLE

As at December 31	2024		2023	
Accrued revenue	\$	411	\$	428
Accounts receivable		9		21
Deposits and advances		19		14
Current portion of sublease receivable		1		2
	\$	440	\$	465

7. INVENTORIES

As at December 31	2024		2023	
Bitumen blend	\$	221	\$	196
Diluent		17		23
Material and supplies		20		16
	\$	258	\$	235

8. PROPERTY, PLANT AND EQUIPMENT

	Crude oil		Right-of-use assets		Corporate assets		Total	
Cost								
Balance as at December 31, 2022	\$	9,912	\$	277	\$	79	\$	10,268
Additions		449		31		—		480
Change in decommissioning provision		35		—		—		35
Balance as at December 31, 2023	\$	10,396	\$	308	\$	79	\$	10,783
Additions		548		7		—		555
Derecognition		(11)		—		—		(11)
Change in decommissioning provision		(56)		—		—		(56)
Balance as at December 31, 2024	\$	10,877	\$	315	\$	79	\$	11,271
Accumulated depletion and depreciation								
Balance as at December 31, 2022	\$	4,377	\$	70	\$	58	\$	4,505
Depletion and depreciation		577		15		3		595
Balance as at December 31, 2023	\$	4,954	\$	85	\$	61	\$	5,100
Depletion and depreciation		603		19		4		626
Derecognition		(11)		—		—		(11)
Balance as at December 31, 2024	\$	5,546	\$	104	\$	65	\$	5,715
Carrying amounts								
Balance as at December 31, 2023	\$	5,442	\$	223	\$	18	\$	5,683
Balance as at December 31, 2024	\$	5,331	\$	211	\$	14	\$	5,556

At December 31, 2024, PP&E was assessed for indicators of impairment and none were identified. Assets under construction and not available for use as at December 31, 2024 totaled \$44 million (as at December 31, 2023 - \$13 million).

9. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2024, E&E assets consist of \$128 million in exploration projects which are pending the determination of proved or probable bitumen reserves (year ended December 31, 2023 - \$128 million). These assets were assessed for indicators of impairment at December 31, 2024 and none were identified.

10. OTHER ASSETS

As at December 31	2024	2023
Non-current pipeline linefill ^(a)	\$ 189	\$ 206
Finance sublease receivables	8	10
Prepaid transportation costs	7	8
Intangible assets	3	3
	207	227
Less current portion, included in accrued revenue and accounts receivable	(1)	(2)
	\$ 206	\$ 225

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2024	2023
Trade payables and other	\$ 455	\$ 475
Current liability for cash-settled stock-based compensation	16	24
	\$ 471	\$ 499

12. LONG-TERM DEBT

As at December 31	2024	2023
Unsecured:		
7.125% senior unsecured notes (December 31, 2024 - \$US nil; December 31, 2023 - US\$258 million) ^(a)	\$ —	\$ 341
5.875% senior unsecured notes (December 31, 2024 - US\$600 million; due 2029; December 31, 2023 - US\$600 million) ^(b)	864	792
	864	1,133
Less unamortized deferred debt discount and debt issue costs	(6)	(9)
	\$ 858	\$ 1,124

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US\$1 = C\$1.4405 (December 31, 2023 – US\$1 = C\$1.3205).

- a. Effective January 31, 2020, the Corporation issued US\$1.2 billion in aggregate principal amount of 7.125% senior unsecured notes, with a maturity of February 1, 2027. In 2023, the Corporation repurchased and extinguished US\$322 million of outstanding notes at a weighted average price of 101.7% plus accrued and unpaid interest. In 2024, the remaining US\$258 million of outstanding notes were repurchased and extinguished at a weighted average price of 101.8% plus accrued and unpaid interest. For the year ended December 31, 2024, the Corporation recognized debt extinguishment expense of \$7 million (year ended December 31, 2023 - \$12 million) in net finance expense.
- b. Effective February 2, 2021, the Corporation issued US\$600 million in aggregate principal amount of 5.875% senior unsecured notes, with a maturity date of February 1, 2029. Interest is paid semi-annually in February and August. No principal payments are required until maturity on February 1, 2029. The Corporation has deferred the associated debt issue costs of \$10 million and is amortizing these costs over the life of the notes utilizing the effective interest method.

On June 24, 2022, the Corporation amended and restated its revolving credit facility and its letters of credit facility guaranteed by Export Development Canada ("EDC Facility") and extended the maturity date of each facility to October 31, 2026. Total credit available under the two facilities is \$1.2 billion and is comprised of \$600 million under the revolving credit facility and \$600 million under the EDC Facility. Letters of credit under the EDC Facility do not consume capacity of the revolving credit facility. The revolving credit facility and EDC Facility are secured by substantially all the assets of the Corporation.

The revolving credit facility has a modified covenant-lite structure, meaning it contains no financial maintenance covenant unless drawn in excess of 50% or \$300 million. If drawn in excess of 50%, or \$300 million, the Corporation is required to maintain a first lien net debt to last twelve month EBITDA ratio of 3.50 or less. Under the Corporation's credit facilities, first lien net debt is calculated as debt under the credit facilities plus other debt that is secured on a pari passu basis with the credit facilities, less cash-on-hand. The financial maintenance covenant, if triggered, will be tested quarterly. Issued letters of credit are not included in the calculation of this ratio. The Corporation continues to have no first lien debt outstanding.

At December 31, 2024, the Corporation had \$600 million of unutilized capacity under the \$600 million revolving credit facility and the Corporation had \$344 million (as at December 31, 2023 \$235 million) of unutilized capacity under the \$600 million EDC Facility.

13. PROVISIONS AND OTHER LIABILITIES

As at December 31	2024	2023
Lease liabilities ^(a)	\$ 247	\$ 259
Decommissioning provision ^(b)	161	210
Onerous contract ^(c)	42	47
Long-term incentive compensation liability	2	—
Provisions and other liabilities	452	516
Less current portion	(35)	(30)
Non-current portion	\$ 417	\$ 486

a. Lease liabilities:

As at December 31	2024	2023
Balance, beginning of period	\$ 259	\$ 244
Modification	—	33
Payments	(40)	(41)
Interest expense	25	24
Foreign exchange impact	3	(1)
Balance, end of period	247	259
Less current portion	(16)	(15)
Non-current portion	\$ 231	\$ 244

The Corporation's minimum lease payments are as follows:

As at December 31	2024
Within one year	\$ 39
Later than one year but not later than five years	156
Later than five years	378
Minimum lease payments	573
Amounts representing finance charges	(326)
Net minimum lease payments	\$ 247

b. Decommissioning provision:

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

As at December 31	2024	2023
Balance, beginning of period	\$ 210	\$ 166
Changes in estimated life and estimated future cash flows	(41)	6
Changes in discount rates	(15)	30
Liabilities settled	(5)	(3)
Accretion	12	11
Balance, end of period	161	210
Less current portion	(8)	(6)
Non-current portion	\$ 153	\$ 204

The decommissioning provision represents the present value of the estimated future costs for the reclamation and abandonment of the Corporation's PP&E and E&E assets. The total undiscounted amount of the estimated future cash flows to settle the decommissioning obligations is \$898 million (December 31, 2023 – \$831 million). At December 31, 2024, the Corporation estimated the net present value of the decommissioning obligations using a weighted-average credit-adjusted risk-free rate of 8.5% (December 31, 2023 – 8.0%) and an inflation rate of 2.1% (December 31, 2023 - 2.1%). The decommissioning provision is estimated to be settled in periods up to the year 2066 (December 31, 2023 - periods up to the year 2066).

c. Onerous contract:

As at December 31	2024	2023
Balance, beginning of period	\$ 47	\$ —
Modification	(3)	—
Payments	(8)	—
Accretion	2	—
Foreign exchange impact	4	—
Recognition	—	47
Balance, end of period	42	47
Less current portion	(11)	(9)
Non-current portion	\$ 31	\$ 38

The onerous contract liability represents the present value of the estimated future cash flows with a remaining term of 4.25 years and relates to the assignment of an onerous marketing contract.

14. INCOME TAX

Year ended December 31	2024		2023	
Earnings before income taxes	\$	696	\$	723
Statutory income tax rate		23 %		23 %
Expected income tax expense		160		166
Add (deduct) the tax effect of:				
Non-taxable loss (gain) on foreign exchange		10		(3)
Taxable capital loss (gain) not recognized		10		(3)
Adjustments relating to prior periods		9		(6)
Income tax expense	\$	189	\$	154
Current income tax expense	\$	4	\$	2
Deferred income tax expense		185		152
Income tax expense	\$	189	\$	154

As at December 31, 2024, the Corporation recognized a deferred tax liability of \$362 million (December 31, 2023 - \$177 million).

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

Deferred tax assets	Tax losses	Risk management	Decommissioning provision	Lease liabilities	Other	Total
Balance as at December 31, 2022	\$ 944	\$ (14)	\$ 38	\$ 48	\$ 54	\$ 1,070
Credited (charged) to earnings	(202)	19	11	2	—	(170)
Balance as at December 31, 2023	742	5	49	50	54	900
Credited (charged) to earnings	(215)	(5)	(25)	(6)	(2)	(253)
Balance as at December 31, 2024	\$ 527	\$ —	\$ 24	\$ 44	\$ 52	\$ 647

Deferred tax liabilities	Property, plant and equipment	Total
Balance as at December 31, 2022	\$ (1,094)	\$ (1,094)
Credited (charged) to earnings	17	17
Balance as at December 31, 2023	(1,077)	(1,077)
Credited (charged) to earnings	68	68
Balance as at December 31, 2024	\$ (1,009)	\$ (1,009)

As at December 31, 2024, the Corporation had approximately \$3.7 billion of available Canadian tax pools including \$2.3 billion of non-capital losses and \$0.2 billion of capital losses (December 31, 2023 - \$4.6 billion in available Canadian tax pools including \$3.2 billion of non-capital losses and \$0.2 billion of capital losses). The \$2.3 billion of non-capital loss carry forward balances expire as follows:

	2035	2036	2037	2038	2039	Thereafter	Total
Non-capital loss carry forward balances	\$ 680	\$ 860	\$ 400	\$ 95	\$ —	\$ 262	\$ 2,297

As at December 31, 2024, the Corporation had not recognized the tax benefit related to \$224 million of realized and unrealized taxable capital foreign exchange losses (December 31, 2023 - \$203 million).

15. SHARE CAPITAL

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

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

Changes in issued common shares and the amount of share capital are as follows:

	2024		2023	
	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount
Balance, beginning of year	274,642	\$ 4,845	291,081	\$ 5,164
Issued upon exercise of stock options	155	1	139	2
Issued upon vesting and release of equity-settled RSUs and PSUs	2,311	23	2,377	13
Repurchase of shares for cancellation	(16,957)	(298)	(18,955)	(334)
Balance, end of period	260,151	\$ 4,571	274,642	\$ 4,845

On March 6, 2024, the Toronto Stock Exchange ("TSX") approved the renewal of the Corporation's normal course issuer bid ("NCIB"). Pursuant to the NCIB, MEG will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 24,007,526 common shares of the Corporation. The NCIB became effective on March 11, 2024 and will terminate on March 10, 2025 or such earlier time as the NCIB is completed or terminated at the option of MEG.

For the year ended December 31, 2024, the Corporation repurchased for cancellation 17.0 million common shares under its NCIB at a weighted-average price of \$26.77 per share for a total cost of \$454 million. Share capital was reduced by \$298 million, reflecting the average carrying value of \$17.58 per share. Retained earnings was reduced by \$156 million for the repurchase price of shares above the carrying value. A 2% tax levied on share repurchases totaling \$9 million was also recorded as a reduction to retained earnings.

For the year ended December 31, 2023, the Corporation repurchased for cancellation 19.0 million common shares under its NCIB at a weighted average price of \$23.54 per share for a total cost of \$446 million. Share capital was reduced by \$334 million, reflecting the average carrying value of \$17.67 per share. Retained earnings was reduced by \$112 million for the repurchase price of shares above the carrying value.

16. STOCK-BASED COMPENSATION

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

a. Stock-based compensation

Year ended December 31	2024	2023
Cash-settled expense ⁽ⁱ⁾	\$ 5	\$ 19
Equity-settled expense	19	25
Unrealized equity price risk management (gain) loss ⁽ⁱⁱ⁾	—	78
Realized equity price risk management (gain) loss ⁽ⁱⁱ⁾	—	(87)
Stock-based compensation	\$ 24	\$ 35

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

(ii) Relates to financial equity price risk management contracts entered to manage the Corporation's exposure to cash-settled RSUs and PSUs vesting between 2021 and 2023 granted under the Corporation's stock-based compensation plans. Amounts were unrealized until vesting of the related units occurred. All financial equity price risk management contracts were fully realized as at March 31, 2023. See note 24(d) for further details.

b. Cash-settled plans

i. Restricted share units and performance share units:

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

Cash-settled RSUs and PSUs outstanding:

Year ended December 31	2024	2023
(expressed in thousands)		
Outstanding, beginning of year	—	4,413
Granted ⁽ⁱ⁾	293	—
Vested and released	—	(4,165)
Forfeited	(71)	(248)
Outstanding, end of year	222	—

(i) Includes units added by dividend reinvestments

At December 31, 2024, the Corporation recognized a liability of \$2 million relating to the fair value of cash-settled PSUs (December 31, 2023 – \$nil) which is included within provisions and other liabilities.

ii. Deferred share units outstanding:

The Deferred Share Unit Plan allows for the granting of DSUs to directors of the Corporation. A DSU represents the right for the holder to receive a cash payment equal to the fair market value of the Corporation's common shares calculated at the date of such payment or, at the election of the Corporation, its equivalent in common shares purchased in the open market. DSUs vest immediately when granted and are redeemed on the earlier of (a) December 15 of the first calendar year starting after the date the holder ceases to be a Director of the Corporation of the Corporation, and (b) the fifth business day following each of the redemption dates elected by such holder.

DSUs outstanding:

Year ended December 31	2024	2023
(expressed in thousands)		
Outstanding, beginning of year	1,033	1,148
Granted ⁽ⁱ⁾	32	46
Vested and released	(404)	(161)
Outstanding, end of year	661	1,033

(i) Includes units added by dividend reinvestments

At December 31, 2024, the Corporation recognized a liability of \$16 million relating to the fair value of cash-settled DSUs (December 31, 2023 – \$24 million) which is included within accounts payable and accrued liabilities.

c. Equity-settled plans

- i. As at December 31, 2024 there were no stock options outstanding (December 31, 2023 - 155 stock options outstanding), and, there were no stock options granted during the years ended December 31, 2024 and December 31, 2023.
- ii. Restricted share units and performance share units:

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

Equity-settled RSUs and PSUs outstanding:

Year ended December 31	2024	2023
(expressed in thousands)		
Outstanding, beginning of year	3,698	5,131
Granted ⁽ⁱ⁾	991	1,277
Vested and released	(2,312)	(2,377)
Forfeited	(173)	(333)
Outstanding, end of year	2,204	3,698

(i) Includes units added by PSU performance factors and dividend reinvestments

Equity-settled RSUs and PSUs granted during the year ended December 31, 2024 had a weighted average fair value of \$24.82 per share (year ended December 31, 2023 - \$22.07 per share).

17. REVENUES

Year ended December 31	2024		2023	
Sales from:				
Production	\$	4,704	\$	4,548
Purchased product ⁽ⁱ⁾		978		1,444
Petroleum revenue	\$	5,682	\$	5,992
Royalties		(591)		(456)
Petroleum revenue, net of royalties	\$	5,091	\$	5,536
Power revenue	\$	56	\$	114
Transportation revenue		2		3
Power and transportation revenue	\$	58	\$	117
Revenues	\$	5,149	\$	5,653

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

a. Disaggregation of revenue from contracts with customers

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

	Year ended December 31					
	2024			2023		
	Petroleum Revenue			Petroleum Revenue		
Country:	Proprietary	Third-party	Total	Proprietary	Third-party	Total
Canada	\$ 1,616	\$ 246	\$ 1,862	\$ 1,318	\$ 267	\$ 1,585
United States	3,088	732	3,820	3,230	1,177	4,407
	\$ 4,704	\$ 978	\$ 5,682	\$ 4,548	\$ 1,444	\$ 5,992

For the year ended December 31, 2024, power and transportation revenue of \$58 million was attributed to Canada (year ended December 31, 2023 – \$117 million attributed to Canada).

b. Revenue-related assets

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

As at December 31	2024		2023	
Petroleum revenue	\$	409	\$	424
Power and transportation revenue		2		4
Total revenue-related assets	\$	411	\$	428

Revenue-related receivables are typically settled within 30 days. At December 31, 2024 and December 31, 2023, there was no material expected credit loss recorded against revenue-related receivables.

18. FOREIGN EXCHANGE (GAIN) LOSS

Year ended December 31	2024	2023
Unrealized foreign exchange (gain) loss on:		
Long-term debt	\$ 82	\$ (26)
US\$ denominated cash and cash equivalents	(17)	6
Unrealized net (gain) loss on foreign exchange	65	(20)
Realized (gain) loss on foreign exchange	2	(2)
Foreign exchange (gain) loss	\$ 67	\$ (22)
C\$ equivalent of 1 US\$		
Beginning of period	1.3205	1.3534
End of period	1.4405	1.3205

19. NET FINANCE EXPENSE

Year ended December 31	2024	2023
Interest expense on long-term debt	\$ 59	\$ 90
Interest expense on lease liabilities	25	24
Credit facility fees	16	18
Interest income	(8)	(6)
Net interest expense	92	126
Debt extinguishment expense	7	12
Accretion on provisions	14	11
Net finance expense	\$ 113	\$ 149

During the year ended December 31, 2024, debt extinguishment expense of \$7 million was recognized, which was associated with the 7.125% senior unsecured note redemptions.

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

20. OTHER (INCOME) EXPENSE

Year ended December 31	2024	2023
Onerous contract expense (recovery) ⁽ⁱ⁾	\$ (3)	\$ 47
Third party camp recovery	(3)	(1)
Other (income) expense	\$ (6)	\$ 46

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

21. TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any significant related party transactions during the years ended December 31, 2024 and 2023, other than compensation of key management personnel. The Corporation considers directors and officers of the Corporation as key management personnel.

Year ended December 31	2024	2023
Share-based compensation	\$ 11	\$ 21
Salaries and short-term employee benefits	8	5
	\$ 19	\$ 26

22. SUPPLEMENTAL CASH FLOW DISCLOSURES

Year ended December 31	2024	2023
Cash provided by (used in):		
Accrued revenue and accounts receivable	\$ 34	\$ 23
Inventories ^(a)	9	(83)
Accounts payable and accrued liabilities	(32)	(73)
Interest payable	(9)	(13)
	\$ 2	\$ (146)
Changes in non-cash working capital relating to:		
Operating	\$ (45)	\$ (127)
Investing	47	(30)
Financing	—	11
	\$ 2	\$ (146)
Cash and cash equivalents: ^(b)		
Cash	\$ 156	\$ 160
Cash equivalents	—	—
	\$ 156	\$ 160
Cash interest paid	\$ 69	\$ 103

- a. Cash provided by (used in) inventories during the year ended December 31, 2024 excludes a \$26 million reclassification of pipeline linefill from non-current assets to current inventories.
- b. As at December 31, 2024, \$131 million of the Corporation's total cash and cash equivalents balance was held in U.S. dollars (December 31, 2023 – \$102 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\$1.4405 (December 31, 2023 – US\$1 = C\$1.3205).

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

	Finance sublease receivables	Lease liabilities	Long-term debt
Balance as at December 31, 2022	\$ 12	\$ 244	\$ 1,581
Financing cash flow changes:			
Receipts on leased assets	(2)	—	—
Payments on leased liabilities	—	(18)	—
Repayment and redemption of long-term debt	—	—	(437)
Debt redemption premium and refinancing costs	—	—	(9)
Other cash and non-cash changes:			
Interest payments on lease liabilities	—	(23)	—
Interest expense on lease liabilities	—	24	—
Modification of lease liabilities	—	33	—
Unrealized (gain) loss on foreign exchange	—	(1)	(26)
Debt extinguishment expense	—	—	12
Amortization of deferred debt discount and debt issue costs	—	—	3
Balance as at December 31, 2023	\$ 10	\$ 259	\$ 1,124
Financing cash flow changes:			
Receipts on leased assets	(2)	—	—
Payments on leased liabilities	—	(15)	—
Repayment and redemption of long-term debt	—	—	(351)
Debt redemption premium	—	—	(7)
Other cash and non-cash changes:			
Interest payments on lease liabilities	—	(25)	—
Interest expense on lease liabilities	—	25	—
Unrealized loss on foreign exchange	—	3	82
Debt extinguishment expense	—	—	7
Amortization of deferred debt discount and debt issue costs	—	—	3
Balance as at December 31, 2024	\$ 8	\$ 247	\$ 858

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

23. NET EARNINGS PER COMMON SHARE

Year ended December 31	2024	2023
Net earnings	\$ 507	\$ 569
Weighted average common shares outstanding (millions) ^(a)	268	285
Dilutive effect of stock options and equity-settled RSUs and PSUs (millions)	2	3
Weighted average common shares outstanding – diluted (millions)	270	288
Net earnings per share, basic	\$ 1.89	\$ 2.00
Net earnings per share, diluted	\$ 1.87	\$ 1.98

a. Weighted average common shares outstanding for the year ended December 31, 2024 include 184,097 PSUs vested but not yet released (year ended December 31, 2023 - 519,160 PSUs vested but not yet released).

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a. Fair values:

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

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

As at December 31	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Recurring measurements:				
Financial assets				
Commodity risk management contracts	\$ —	\$ —	\$ 2	\$ 2
Financial liabilities				
Long-term debt (Note 12)	\$ 864	\$ 841	\$ 1,133	\$ 1,108
Commodity risk management contracts	\$ —	\$ —	\$ 24	\$ 24

The estimated fair value of long-term debt is derived using quoted prices in an inactive market from a third-party independent broker. The fair value was determined based on estimates as at December 31, 2024 and is expected to fluctuate overtime.

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

b. Risk management:

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

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

The following table provides a reconciliation of changes in the fair value of the Corporation's financial risk management assets and liabilities from January 1 to December 31:

As at December 31	2024	2023
Risk management assets (liabilities)	\$ (22)	\$ 60
Realized risk management (gain) loss on:		
Equity price risk management contracts	—	(87)
Commodity risk management contracts	29	28
Change in fair value on:		
Equity price risk management contracts ⁽ⁱ⁾	—	9
Commodity risk management contracts ⁽ⁱⁱ⁾	(7)	(32)
Risk management assets (liabilities)	\$ —	\$ (22)

(i) Represents total equity price risk management (gain) loss recognized within stock-based compensation expense.

(ii) Represents total commodity risk management (gain) loss.

c. Commodity risk management

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

Year ended December 31	2024	2023
Realized loss (gain) on commodity risk management	\$ 29	\$ 28
Unrealized loss (gain) on commodity risk management	(22)	4
Commodity risk management loss	\$ 7	\$ 32

As at December 31, 2024, the Corporation has no outstanding commodity risk contracts.

d. Equity price risk management:

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

Year ended December 31	2024	2023⁽¹⁾
Unrealized equity price risk management (gain) loss	\$ —	\$ 78
Realized equity price risk management gain	—	(87)
Equity price risk management gain	\$ —	\$ (9)

(1) As at March 31, 2023, all outstanding financial equity price risk management contracts were fully realized.

e. Foreign currency risk management

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the fair value or future cash flows of the Corporation's financial assets or liabilities. The

Corporation has U.S. dollar denominated long-term debt as described in Note 12. As at December 31, 2024, a \$0.01 change in the Canadian dollar to U.S. dollar exchange rate would have resulted in a change to the carrying value of long-term debt and a corresponding change to earnings (loss) before income tax of C\$6 million (December 31, 2023 - C\$9 million).

f. Credit risk management:

Credit risk arises from the potential that the Corporation may incur a loss if a counterparty fails to meet its obligations in accordance with agreed terms. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The Corporation uses a combination of historical and forward-looking information to determine the appropriate loss allowance provisions. Credit risk exposure is mitigated through credit policies governing the Corporation's credit portfolio and with credit practices that limit transactions according to each counterparty's credit quality. A substantial portion of accounts receivable are with investment grade customers in the energy industry and are subject to normal industry credit risk. The Corporation has experienced no material loss in relation to accounts receivable. As at December 31, 2024, the Corporation's estimated maximum exposure to credit risk related to accounts receivable, deposits and advances was \$438 million. Counterparty default risk associated with the Corporation's commodity risk management activities is also partially mitigated through credit exposure limits, frequent assessment of counterparty credit ratings and netting arrangements.

The Corporation's cash balances, along with adjusted funds flow, are used to fund expenses and capital expenditures and return capital to shareholders. The cash balances are held in high interest savings accounts or are invested in high grade, liquid, short-term instruments such as commercial paper, money market deposits or similar instruments. None of the investments are past their maturity or considered impaired. The Corporation's estimated maximum exposure to credit risk related to its cash and cash equivalents is \$156 million.

g. Liquidity risk management:

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

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

The US\$600 million of 5.875% senior unsecured notes due February 2029 represents the only long-term debt maturity. None of the Corporation's outstanding long-term debt contains financial maintenance covenants. Additionally, the Corporation's modified covenant-lite \$600 million revolving credit facility has no financial maintenance covenant unless drawn in excess of 50%, or \$300 million. If drawn in excess of 50%, or \$300 million, the Corporation is required to maintain a quarterly first lien net leverage ratio (first lien net debt to last twelve-month EBITDA) of 3.5 or less. Under the Corporation's credit facility, first lien net debt is calculated as debt under the credit facility plus other debt that is secured on a *pari passu* basis with the credit facility, less cash on hand.

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

As at December 31, 2024	Total	Less than 1			More than 5
		year	1 - 3 years	4 - 5 years	
Long-term debt	\$ 864	\$ —	\$ —	\$ 864	\$ —
Interest on long-term debt	210	51	102	57	—
Lease liabilities	560	40	72	72	376
Accounts payable and accrued liabilities	471	471	—	—	—
Dividends payable	26	26	—	—	—
	\$ 2,131	\$ 588	\$ 174	\$ 993	\$ 376

25. GEOGRAPHICAL DISCLOSURE

As at December 31, 2024, the Corporation had non-current liabilities related to operations in the United States of \$14 million (December 31, 2023 – non-current assets of \$53 million). For the year ended December 31, 2024, petroleum revenue related to operations in the United States was \$3.8 billion (year ended December 31, 2023 – \$4.4 billion).

26. CAPITAL MANAGEMENT

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

On March 6, 2024, the TSX approved the renewal of the Corporation's NCIB. Pursuant to the NCIB, MEG will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 24,007,526 common shares of the Corporation. The NCIB became effective on March 11, 2024 and will terminate on March 10, 2025 or such earlier time as the NCIB is completed or terminated at the option of MEG.

The Corporation allocated free cash flow to both share repurchases and debt repayment from 2022 until its US\$600 million net debt target was achieved in the third quarter of 2024. The Corporation then began returning 100% of free cash flow to shareholders through share repurchases and a quarterly base dividend. The Corporation's balance sheet strength and liquidity profile supports enhanced distributions to shareholders with a continued emphasis on share repurchases.

The following table summarizes the Corporation's net debt:

As at December 31	Note	2024	2023
Long-term debt	12	\$ 858	\$ 1,124
Cash and cash equivalents		(156)	(160)
Net debt - C\$		\$ 702	\$ 964
Net debt - US\$		\$ 488	\$ 730

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

During the year ended December 31, 2024, the Corporation redeemed the remaining US\$258 million (approximately \$351 million) of the Corporation's 7.125% senior unsecured notes due February 2027 at a weighted average price of 101.8% plus accrued and unpaid interest.

For the year ended December 31, 2024, the Corporation repurchased for cancellation 17.0 million common shares totaling \$454 million.

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

Cash dividends of \$0.10 per share were declared on July 25, 2024 and November 5, 2024 with payments on October 15, 2024 and January 15, 2025, respectively.

On February 27, 2025, the Corporation's Board of Directors declared a \$0.10 per share dividend payable on April 15, 2025 to shareholders of record at the close of business on March 20, 2025.

The Corporation has \$1.2 billion of available credit, comprised of \$600 million under a revolving credit facility and \$600 million under the EDC Facility.

The Corporation's US\$600 million of 5.875% senior unsecured notes due February 2029 represent the only long-term debt maturity. At December 31, 2024, the Corporation had \$600 million unutilized capacity under the revolving credit facility and, with \$256 million of issued letters of credit, had \$344 million of unutilized capacity under the \$600 million EDC Facility.

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

Year ended December 31	2024		2023	
Funds flow from operating activities	\$	1,385	\$	1,476
Adjustments:				
Impact of cash-settled SBC units subject to equity price risk management		—		13
Realized equity price risk management gain		—		(87)
Adjusted funds flow		1,385		1,402
Capital expenditures		(548)		(449)
Free cash flow	\$	837	\$	953

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

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

27. COMMITMENTS AND CONTINGENCIES

a. Commitments

The Corporation's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. These items exclude amounts recorded on the consolidated balance sheet. The Corporation had the following commitments as at December 31, 2024:

	2025	2026	2027	2028	2029	Thereafter	Total
Transportation and storage ⁽ⁱ⁾	\$ 504	\$ 506	\$ 507	\$ 512	\$ 497	\$ 4,685	\$ 7,211
Diluent purchases ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	266	72	65	66	65	32	566
Other operating commitments	20	19	10	9	6	58	122
Variable office lease costs	4	4	4	4	4	8	28
Capital commitments	74	—	—	—	—	—	74
Commitments	\$ 868	\$ 601	\$ 586	\$ 591	\$ 572	\$ 4,783	\$ 8,001

(i) This represents transportation and storage commitments from 2025 to 2048. Excludes amounts recognized on the consolidated balance sheet (Note 13).

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

(iii) During 2024, the Corporation executed a 5-year diluent supply commitment.

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.