MEG Energy Corp. Enters into Agreement to be Acquired by Cenovus

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- $27.25 per share Purchase Price, payable 75% in cash and 25% in Cenovus shares, represents a 33% premium to MEG's unaffected 20-day volume-weighted share price as of May 15, 2025
- Cash and highly liquid share consideration provides MEG Shareholders with near-term value certainty
- Upside participation in an industry-leading producer with significant scale and growth potential
- Accelerates and de-risks realization of value from MEG's standalone plan
- Unanimously approved by MEG's Board of Directors which recommends MEG Shareholders vote FOR the Transaction at a special meeting expected to be held in early October 2025

MEG Energy Corp. (TSX: MEG) ("MEG", or the "Company") today announced that it has entered into an arrangement agreement (the "Arrangement Agreement") with Cenovus Energy Inc. (TSX: CVE) (NYSE: CVE) ("Cenovus") under which Cenovus will acquire all issued and outstanding common shares of MEG ("MEG Shares") in a transaction that values MEG at $27.25 per MEG Share (the "Purchase Price").

The proposed transaction (the "Transaction"), to be completed by way of a plan of arrangement under the Business Corporations Act (Alberta), represents a MEG enterprise value of $7.9 billion, inclusive of assumption of MEG's debt, and is expected to close early in the fourth quarter of 2025, subject to customary approvals.

Under the terms of the Transaction, each holder of MEG Shares (a "MEG Shareholder") will have the option to elect to receive for each MEG Share (i) $27.25 in cash; or (ii) 1.325 Cenovus common shares (each whole share, a "Cenovus Share"), subject to pro-ration based on a maximum amount of cash and Cenovus Shares set out in the Arrangement Agreement. On a fully pro-rated basis, consideration per MEG Share represents approximately $20.44 in cash and 0.33125 of a Cenovus Share. The value of consideration payable under the Arrangement Agreement represents a mix of 75% cash and 25% Cenovus Shares. The Transaction is fully financed by Cenovus and is not subject to any financing conditions.

"The Special Committee, with the support of its financial and legal advisors, conducted a comprehensive review of all available alternatives to maximize value," said James McFarland, Chairman of MEG's board of directors (the "MEG Board"). "After considering the Strathcona unsolicited offer, engaging with multiple parties on proposals, and assessing them against MEG's standalone plan, the Special Committee and the MEG Board unanimously concluded that the proposed transaction with Cenovus represents the best strategic alternative, with short- and long-term value creation potential through a premium purchase price, an amalgamation of adjacent top tier oil sands assets, and participation in significant associated synergies."

Darlene Gates, President and CEO of MEG, added, "This strategic transaction with Cenovus accelerates and de-risks the value embedded in our compelling standalone plan. I am extremely proud of the MEG team, whose focus and execution around our world-class assets positioned us to deliver this positive outcome for shareholders. Through the process, it became clear that bringing together MEG and Cenovus's Christina Lake assets is a unique opportunity for synergy realization that will maximize the value of the resource for the benefit of its stakeholders."

Strategic Review and Benefits of the Transaction for MEG Shareholders

On June 16, 2025, MEG initiated a strategic review of alternatives (the "Process") which sought to surface an offer superior to the Company's compelling standalone plan. The Process was approved by the MEG Board which authorized a special committee comprised of independent members of the MEG Board (the "Special Committee") to oversee the Process.

After evaluating several alternatives, including continuing with MEG's previously announced standalone development plan, a comprehensive review of the unsolicited offer ("Unsolicited Strathcona Offer") from Strathcona Resources Ltd. ("Strathcona"), and proposals received in the Process, the MEG Board has determined that the Transaction is in the best interests of MEG and its stakeholders.

Highlights of the Transaction include, but are not limited to, the following:

- Significant Premium: The Purchase Price represents a 33% premium to MEG's unaffected 20-day volume-weighted average share price on May 15, 2025, the last trading day preceding the first public announcement of Strathcona's intention to acquire MEG. The Transaction is valued at approximately $7.9 billion, including the assumption of MEG's debt.
- Certainty of Consideration: The consideration mix offers a high degree of value certainty, with 75% in the form of cash and 25% in the form of highly liquid Cenovus Shares which will be freely tradeable immediately upon closing of the Transaction.
- Upside Participation with Significant Synergies: The Transaction provides MEG Shareholders continued ownership in Cenovus, an industry-leading producer with significant scale and growth potential, which expects to realize approximately $150 million of near-term annual synergies, growing to over $400 million per year in 2028 and beyond through corporate, commercial, operational and development synergies.
- Accelerates and De-Risks MEG's Standalone Value: The Transaction brings forward substantial value from MEG's standalone plan, including the expansion project at Christina Lake growing production capacity to 135,000 bpd (the "Facility Expansion Project"), which will continue to advance.
- Superior to the Unsolicited Strathcona Offer: The Unsolicited Strathcona offer involves consideration, per MEG Share, of $4.10 in cash and 0.62 of a Strathcona share. The share component of the Unsolicited Strathcona Offer represents approximately 85% of the total consideration and would expose MEG Shareholders to the overhang risk of significant selling from Waterous Energy Fund ("WEF") and its limited partners which will put downward pressure on the share price, significant governance risks introduced by a controlling shareholder in WEF that may not act in the interests of minority shareholders, and inferior assets. For additional detail, please refer to the Directors' Circular filed by the MEG Board on June 16, 2025 available at www.megenergy.com/offer-update and on SEDAR+ at www.sedarplus.ca.

Recommendation of the MEG Board

The MEG Board, informed in part by the recommendation of the Special Committee, and after considering advice from its external financial and legal advisors, has unanimously: (i) determined that the Arrangement is in the best interests of MEG; (ii) determined that the Arrangement is fair to the MEG Shareholders; (iii) approved the Arrangement Agreement and the transactions contemplated thereby; and (iv) resolved to recommend that the MEG Shareholders vote in favour of the Transaction at the Meeting (as defined below).

All directors and executive officers of MEG have entered into voting support agreements pursuant to which they have agreed, among other things, to vote their MEG Shares in favour of and otherwise support the Transaction, subject to the provisions of such agreements.

Additional Transaction Details

MEG shareholders will vote on the Transaction at a special meeting (the "Meeting") expected to be held in early October 2025. The Transaction requires approval by at least $66^{2/3}$% of the votes cast at the Meeting by MEG Shareholders represented in person or by proxy. Details of the Transaction and the required shareholder vote will be included in an information circular ("Circular") that MEG expects to mail to the MEG Shareholders and file on SEDAR+ (www.sedarplus.com) in mid-September 2025. All MEG Shareholders are urged to read the Circular once available as it will contain additional important information concerning the Transaction including the deadline for making elections to receive cash and/or Cenovus Shares.

The Transaction is subject to a number of other conditions including certain required regulatory and government approvals, as further detailed in the Arrangement Agreement, a copy of which will be filed on SEDAR+ (www.sedarplus.ca).

Fairness Opinions

BMO Capital Markets is acting as financial advisor to MEG and has provided a verbal opinion to the MEG Board that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by MEG Shareholders pursuant to the Transaction is fair, from a financial point of view, to MEG Shareholders.

RBC Capital Markets is acting as financial advisor to the Special Committee and has provided a verbal opinion to the Special Committee that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by MEG Shareholders pursuant to the Transaction is fair, from a financial point of view, to MEG Shareholders.

Reminder to MEG Shareholders to REJECT the Unsolicited Strathcona Offer

The MEG Board and the Special Committee continue to reiterate that the Unsolicited Strathcona Offer is not in the best interests of the Company or the MEG Shareholders, and unanimously recommends that the MEG Shareholders REJECT the Unsolicited Strathcona Offer by taking no action and NOT TENDER their MEG Shares.

If you have already tendered your MEG Shares to the Unsolicited Strathcona Offer, you can withdraw your MEG Shares by contacting your broker or Sodali & Co., by toll free phone call in North America to 1-888-999-2785, or to 1-289-695-3075 for banks, brokers, and callers outside North America or by email at assistance@investor.sodali.com.

Advisors

BMO Capital Markets and Burnet, Duckworth & Palmer LLP are acting as financial advisor and legal counsel, respectively, to the Company. RBC Capital Markets and Norton Rose Fulbright Canada LLP are acting as financial advisor and legal counsel, respectively, to the Special Committee.

Forward-Looking Information

Certain statements contained in this news release may constitute forward-looking statements within the meaning of applicable Canadian securities laws. These statements relate to future events or MEG's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "estimate", "will", "would", "believe", "plan", "expected", "potential", and similar expressions are intended to identify forward-looking statements. Forward-looking statements are often, but not always, identified by such words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In particular, and without limiting the foregoing, this news release contains forward looking statements with respect to: the expected closing date and the anticipated benefits of the Transaction to MEG's and Cenovus's respective securityholders and stakeholders; the Purchase Price per MEG Share to be received pursuant to the Transaction; Cenovus's ability to finance the Transaction; the anticipated synergies associated with the Transaction, including that the Transaction will maximize the value of the Christina Lake resource; the expectations that the Transaction will bring forward substantial value from MEG's standalone plan and the anticipated production volumes associated with the Facility Expansion Project; that the Cenovus Shares will be freely tradeable immediately upon closing of the Transaction; the anticipated risks and results of accepting the Unsolicited Strathcona Offer, including expectations that WEF will not act in the interests of minority shareholders and that there is a risk that WEF may sell shares to provide itself with liquidity and the results therefrom; the expected timing of the mailing and the contents of the Circular and the timing of the Meeting; the anticipated benefits and results of the Transaction; and other similar statements.

Forward-looking information contained in this news release is based on management's expectations and assumptions regarding, among other things: the satisfaction of the conditions the Transaction is subject to; the approval of the Transaction at the Meeting; MEG's standalone plan; that a significant number of MEG Shares are not tendered to the Unsolicited Strathcona Offer; Strathcona's intentions if the Transaction is approved; WEF's intentions if the Unsolicited Strathcona Offer is accepted; Cenovus's ability to finance the Transaction; regulatory and government approvals for the Transaction; future crude oil, bitumen blend, natural gas, electricity, condensate and other diluent prices; that tariffs currently in effect will remain the same; MEG's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; foreign exchange rates and interest rates; the applicability of technologies for the recovery and production of MEG's reserves and contingent resources; the recoverability of MEG's reserves and contingent resources; MEG's ability to produce and market production of bitumen blend successfully to customers; MEG's ability to maintain its dividend and capital programs; MEG's future production levels and steam-to-oil ratios; future capital and other expenditures; MEG's operating costs; anticipated sources of funding for operations and capital investments; the regulatory framework governing royalties, land use, taxes and environmental matters, including federal and provincial climate change policies, in which MEG conducts and will conduct its business; MEG's future debt levels; geological and engineering estimates in respect of MEG's reserves and contingent resources; the geography of the areas in which MEG is conducting exploration and development activities; the impact of increasing competition on MEG; MEG's ability to obtain financing on acceptable terms; and 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. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of MEG's businesses include: the risk that the Transaction may be varied, accelerated or terminated in certain circumstances; risks relating to the outcome of the Transaction, including the risks associated with approval at the Meeting; the risk that the conditions to the Transaction may not be satisfied, or to the extent permitted, waived, including the risk that required regulatory approvals may not be received in a timely manner or at all; risks related to the outcome of the Unsolicited Strathcona Offer, including the risks associated with WEF's ownership; the risk that operating results will differ from what is currently anticipated; MEG's status and stage of development; the concentration of MEG's production in a single project; the majority of MEG's total reserves and contingent resources are non-producing and/or undeveloped; the uncertainty of reserve and resource estimates; long-term reliance on third parties; the effect or outcome of litigation; the effect of any diluent supply constraints and increases in the cost thereof; the potential delays of and costs of overruns on projects and future expansions of MEG's assets; operational hazards; competition for, among other things, capital, the acquisition of reserves and resources, pipeline capacity and skilled personnel; risks inherent in the bitumen recovery process; changes to royalty regimes; the failure of MEG to meet specific requirements in respect of its oil sands leases; claims made by Indigenous peoples; unforeseen title defects and changes to the mineral tenure framework; risks arising from future acquisition activities; sufficiency of funds; fluctuations in market prices for crude oil, natural gas, electricity and bitumen blend; future sources of insurance for MEG's property and operations; public health crises, similar to the COVID-19 pandemic, including weakness and volatility of crude oil and other petroleum products prices from decreased global demand resulting from public health crises; risk of war (including the conflicts between Russia and Ukraine and Israel, Hamas and Iran); general economic, market and business conditions; volatility of commodity inputs; variations in foreign exchange rates and interest rates; hedging strategies; national or global financial crisis; environmental risks and hazards, including natural hazards such as regional wildfires, and the cost of compliance with environmental legislation and regulations, including greenhouse gas regulations, potential climate change legislation and potential land use regulations; enacted and proposed export and import restrictions, including but not limited to tariffs, export taxes or curtailment on exports; failure to accurately estimate abandonment and reclamation costs; the need to obtain regulatory approvals and maintain compliance with regulatory requirements; the extent of, and cost of compliance with, laws and regulations and the effect of changes in such laws and regulations from time to time including changes which could restrict MEG's ability to access foreign capital; failure to obtain or retain key personnel; potential conflicts of interest; changes to tax laws (including without limitation, a potential United States border adjustment tax) and government incentive programs; the potential for management estimates and assumptions to be inaccurate; risks associated with establishing and maintaining systems of internal controls; risks associated with the tariffs imposed on the import and export of commodities and the possibility that such tariffs may change; political risks and terrorist attacks; risks associated with downgrades in the credit ratings for MEG's securities; cybersecurity errors, omissions or failures; restrictions contained in MEG's credit facilities, other agreements relating to indebtedness and any future indebtedness; any requirement to incur additional indebtedness; MEG defaulting on its obligations under its indebtedness; and the inability of MEG to generate cash to service its indebtedness.

Although MEG believes that the assumptions used in such forward-looking statements and 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 and in respect of the Transaction will be found under the heading "Cautionary Statement on Forward-Looking Statements" in the Circular, along with MEG's other public disclosure documents which are available through the Company's website at http://www.megenergy.com/investors and through the SEDAR+ website at www.sedarplus.ca.

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

For further information:

Shareholder Questions:

MEG Investor Relations, 403.767.0515, invest@megenergy.com

Unsolicited Strathcona Offer Tendering Questions:

Sodali & Co., 1.888.999.2785 or 1.289.695.3075 for banks, brokers, and callers outside North America, assistance@investor.sodali.com

Media Questions:

MEG Media Relations, 403.775.1131, media@megenergy.com

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