ARC Resources Ltd. Reports Fourth Quarter and Year-end 2018 Financial and Operational Results

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CALGARY, Feb. 7, 2019 /CNW/ - (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") is pleased to report its f
and year-end 2018 financial and operational results. Fourth quarter production averaged 136,502 boe per day, net inco
$159.7 million ($0.45 per share), funds from operations totaled $208.6 million ($0.59 per share), and net debt was $702
December 31, 2018. ARC's audited consolidated financial statements and notes ("financial statements") and ARC's Ma
Discussion and Analysis ("MD&A") as at and for the year ended December 31, 2018, as well as ARC's 2018 year-end r
resources information, are available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar

	Three Months
(Cdn$ millions, except per share amounts, barrel of oil equivalent ("boe") amounts, and common shares outstanding)	September 30
	2018
FINANCIAL RESULTS	
Net income	45.1
Per share (1)	0.13
Funds from operations (2)	205.0
Per share (1)	0.58
Dividends	53.0
Per share (1)	0.15
Capital expenditures, before land and net property	169.3
acquisitions (dispositions)	
Total capital expenditures, including land and net property	73.1
acquisitions (dispositions)	
Net debt outstanding (2)	667.8
Common shares outstanding, weighted average diluted (millions)	354.0
Common shares outstanding, end of period (millions)	353.4
OPERATIONAL RESULTS	
Production	
Crude oil (bbl/day)	23,867
Condensate (bbl/day)	8,158
Natural gas (MMcf/day)	574.2
Natural gas liquids ("NGLs") (bbl/day)	7,687
Total (boe/day) (3)	135,410
Average realized prices, prior to gain or loss on risk management contracts (4)	
Crude oil ($/bbl)	78.62

Condensate ($/bbl)	85.28
Natural gas ($/Mcf)	2.15
NGLs ($/bbl)	35.26
Oil equivalent ($/boe) (3)	30.12
Operating netback ($/boe) (3)(4)(5)	
Commodity sales from production	30.12
Royalties	(2.90)
Operating expenses	(6.04)
Transportation expenses	(2.75)
Operating netback prior to gain on risk management contracts	18.43
Realized gain on risk management contracts	1.58
Operating netback including gain on risk management contracts	20.01
TRADING STATISTICS (6)	
High price	15.90
Low price	12.70
Close price	14.40
Average daily volume (thousands of shares)	1,246

(1) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.

(2) Refer to Note 16 "Capital Management" in ARC's financial statements and to the sections entitled, "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

(3) ARC has adopted the standard six thousand cubic feet of natural gas to one barrel of oil ratio when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

(4) Refer to Note 4 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the audited consolidated statement of income (the "statement of income") for the year ended December 31, 2017.

(5) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled, "Non-GAAP Measures" contained within ARC's MD&A.

(6) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

"ARC's business performance continued to impress in 2018, and the execution of our long-term strategies and busines creating value," explained Myron Stadnyk, ARC's President and Chief Executive Officer. "ARC's 2018 funds from opera share is the highest ARC has delivered since 2014, and was an increase of 12 per cent from 2017. Since 2014, ARC h lost-time incidents for employees, paid over $1 billion in dividends to shareholders, increased production by 18 per cen approximately 200 per cent of produced reserves per year through development activities, reduced operating expenses per cent, decreased debt levels by 45 per cent to $702.7 million, and our share count has effectively remained unchang years. Our project management and capital and operating efficiencies are exemplary, and we have one of the stronges sheets in the Energy sector. We firmly believe that our development plans will continue to add value to shareholders, in our dividend payment, over the long term."

Highlights of ARC's financial and operational results for the three months and year ended December 31, 2018 include:

Record Production	Achieved record quarterly average production of 136,502 bo average production of 132,724 boe per day in 2018, which w guidance of 131,000 to 133,000 boe per day. All commoditie for the year.
Strong Funds from Operations and Earnings	Generated funds from operations of $208.6 million ($0.59 pe the fourth quarter and full-year, respectively. Delivered net ir $213.8 million ($0.60 per share) in the fourth quarter and full
Excellent Capital Execution and Project Management	Executed 2018 capital program with an exceptional safety re Sunrise gas processing facility in the fourth quarter and inve northeast British Columbia. Advanced key infrastructure proj liquids-handling upgrade, Dawson Phase IV gas processing facility expansion project, and submitted regulatory applicatio Attachie West.
Competitively Low Cost Structure	Continued to manage a low cost structure, achieving quarter boe and $5.95 per boe, respectively, and proved plus probal $5.76 per boe, excluding future development capital ("FDC")
Strategic Natural Gas Sales Diversification Program	Managed a strategic physical and financial natural gas divers premium North American markets. ARC's corporate natural g and $3.18 per Mcf for the full-year, which includes realized g significantly higher than western Canadian natural gas prices commodity sales revenue is exposed to western Canadian p
Cash Flow Protection through Risk Management Program	Continued to execute on a risk management program that re supports ARC's dividend and capital programs. ARC realized million for the fourth quarter and full-year, respectively.
Balance Sheet Strength	Maintained significant financial flexibility through a strong ba from operations ratio of 0.9 times at December 31, 2018, and
Significant 2018 Reserves and Resources	Replaced 245 per cent of 2018 produced reserves through c 879 MMboe. Validated significant Montney resource across A Initially-in-Place ("TPIIP") of 101.8 Tcf of shale gas and 14.3

(1) GLJ Petroleum Consultants ("GLJ") conducted an Independent Reserves and Resources Evaluation effective December 31, 2018 which was prepared in accordance with the definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, and based on GLJ's forecast pricing and foreign exchange rates at January 1, 2019. Resources Evaluation volumes provided are the "Best Estimate" case. Year-end 2018 TPIIP estimates utilize a one per cent porosity cut-off based upon "Best Estimate" case. Additional details on ARC's 2018 Independent Reserves and Resources Evaluation can be found in the February 7, 2019 news release entitled, "ARC Resources Ltd. Announces 118 MMboe of Total Proved Plus Probable Reserve Additions in 2018, Replacing 245 Per Cent of Production, and Delivers Record Proved Producing Reserve Additions of 82 MMboe" available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

The following economic, financial, and operational reviews provide further details to the above highlights. For additional commentary on ARC's fourth quarter and year-end 2018 financial and operational results, as well as ARC's 2018 reserves and resources, please view the following videos: "Myron's Minute", "ARC Resources Q4/YE 2018 Financial Review", and "ARC Resources Q4/YE 2018 Operations Review" available on ARC's website at www.arcresources.com.

ECONOMIC ENVIRONMENT

ARC manages an integrated approach to its physical marketing and financial risk management programs, which is underpinned by a strong understanding of market fundamentals. ARC leverages market fundamental analysis to set a view on the outlook for commodity prices to drive decisions across the business. This detailed analysis provides the basis for ARC's financial hedging and physical marketing strategies, which help to reduce cash flow volatility and diversify price risk, and also supports ARC's strategic planning and budgeting processes. ARC regularly monitors commodity prices and market conditions and has the flexibility to adjust the investment levels and pace of development of its capital plans accordingly.

Global crude oil prices weakened in the fourth quarter of 2018, with WTI down an average of 15 per cent from the third quarter of 2018, and the mixed sweet crude stream price ("MSW") at Edmonton down an average of 47 per cent, reflecting the significant widening of Canadian oil differentials due to local export pipeline capacity constraints. Local Canadian benchmark prices have since strengthened in 2019 to-date, with differentials immediately tightening following the Alberta Government's mandatory production curtailment. It is, however, expected that pricing volatility will persist in the near term, with gradual improvements expected through the second half of 2019 when incremental export pipeline capacity comes on-line. The majority of ARC's crude oil production is made up of conventional light oil and condensate, which continue to realize premium pricing relative to heavier crude oil grades.

To mitigate the impact of weak natural gas pricing, ARC maintains a strategy to physically and financially diversify its realized natural gas prices to multiple North American downstream sales points. With western Canadian natural gas prices expected to remain depressed due to limited egress options out of the region, ARC continues to execute on its diversification strategy, which currently includes approximately 46 per cent of ARC's corporate natural gas volumes exposed to a combination of US Midwest and Pacific Northwest, Henry Hub, and Dawn pricing hubs in 2019, and only 25 per cent of corporate natural gas volumes exposed to AECO and Station 2 prices. The remaining 29 per cent is financially hedged. As a result of this diversification strategy, less than 10 per cent of ARC's expected commodity sales revenue from production is exposed to the AECO and Station 2 markets in 2019.

2019 CAPITAL PLAN AND OUTLOOK

ARC's 2019 capital budget was designed to create value through the development of a compelling suite of projects to increase ARC's productive capacity and to continue to pay a meaningful dividend to shareholders. ARC's near-term plan to 2021 includes the development of five infrastructure projects, with a continued commitment to ARC's monthly dividend of $0.05 per share. These initiatives will be guided with a pace of development that supports ARC's enduring principle of strong balance sheet performance and controlling corporate decline rates. The development plan for 2019 to 2021 includes the following projects, which to varying degrees, are all currently underway:

- Bringing to full capacity the recently constructed 180 MMcf per day Sunrise gas processing facility in 2019. The in per day of processing capacity is now in service, with the remaining balance anticipated to be put in service by Ju
- Upgrading the Dawson Phase I & II gas processing facility with liquids-handling capabilities by year-end 2019;
- Constructing and bringing on production the liquids-rich Dawson Phase IV gas processing and liquids-handling fa second quarter of 2020;
- Expanding the Ante Creek 10-36 facility to grow the area's light oil production, scheduled for completion in the se 2020; and
- Advancing infrastructure development at Attachie West to commission and bring to capacity the first phase of gas and liquids-handling during 2021. ARC has submitted the application for regulatory approval for multiple phases o at Attachie West.

ARC's disciplined capital plan was designed to achieve strong returns on average capital employed ("ROACE") (1) and deliver profitable growth through investing funds from operations generated from existing businesses and the remaining proceeds from previously completed non-core asset dispositions. ARC regularly monitors commodity prices and market conditions to ensure that, first and foremost, its balance sheet and dividend are protected. ARC's plan has been stress-tested at a range of commodity price outcomes, and at prevailing commodity prices, the 2019 capital budget of $775 million that was announced in November 2018, and the corresponding outlook to 2021, are expected to continue to generate strong economic returns and deliver meaningful production and cash flow per share growth to shareholders over the long term.

ARC will continue to manage conservative debt levels as a priority, targeting a net debt to annualized funds from operations ratio of between 1.0 and 1.5 times, and will continue to monitor commodity prices and market conditions. Should conditions change such that they adversely impact ARC's ability to effectively and profitably deliver on its strategic plans, ARC will adjust its investment levels and pace of development accordingly.

Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, "ARC Resources Ltd. Announces $775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek" available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled, "Non-GAAP Measures" contained within ARC's MD&A.

2018 RESERVES AND RESOURCES

ARC's 2018 reserves and resources evaluation reaffirmed the significant resource potential of ARC's Montney assets. ARC replaced approximately 245 per cent of produced reserves through development activities in 2018, adding approximately 118 MMboe of 2P reserves at low finding and development costs of $5.76 per boe, excluding FDC. This is ARC's eleventh consecutive year of replacing greater than 200 per cent of produced reserves. ARC's 2P reserves at year-end 2018 were 879 MMboe with a reserve life index of 17.4 years, and proved producing reserves were 244 MMboe, an increase of six per cent from year-end 2017. An updated Independent Resources Evaluation for ARC's lands in the Montney region validated ARC's significant future resource potential, with shale gas TPIIP of 101.8 Tcf and tight oil TPIIP of 14.3 billion barrels identified across ARC's Montney lands. See ARC's February 7, 2019 news release entitled, "ARC Resources Ltd. Announces 118 MMboe of Total Proved Plus Probable Reserve Additions in 2018, Replacing 245 Per Cent of Production, and Delivers Record Proved Producing Reserve Additions of 82 MMboe" available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

ARC continues to ensure financial flexibility through its strong balance sheet, with $702.7 million of net debt outstanding at December 31, 2018, which is approximately three per cent lower than the net debt balance at December 31, 2017. The net debt to funds from operations ratio was 0.9 times at year-end 2018, and ARC had an additional $1.2 billion of cash and credit capacity available after taking into account its working capital surplus. The maturity date of ARC's credit facility was extended in the fourth quarter of 2018 for an additional year to November 8, 2022; the facility remains undrawn.

At prevailing commodity prices, ARC is generating funds from operations in excess of its anticipated 2019 dividends of approximately $210 million and sustaining capital (1) requirements of approximately $400 million with funds generated from existing businesses. Unallocated funds from operations and the redeployment of cash proceeds from previously completed non-core dispositions are being invested in key development projects. Should commodity prices adversely impact ARC's ability to effectively and profitably deliver on its capital plan, ARC will adjust its investment levels and pace of development accordingly.

ARC's outlook is such that once the productive capacity at Dawson Phase IV is brought on-line, the Company will be able to fund its dividends and sustain and grow its business entirely out of funds from operations. At that time, ARC will have the optionality to pursue one, or a combination, of the following with ARC's unallocated funds from operations: future development opportunities, initiating a share buyback program, and increasing its dividend.

(1) Sustaining capital refers to capital expenditures to maintain production from existing facilities at current production levels. Sustaining capital does not have any standardized meaning and therefore may not be comparable to similar measures presented by other entities.

Net Income

ARC recorded net income of $159.7 million ($0.45 per share) for the three months ended December 31, 2018 compared to net income of $45.1 million ($0.13 per share) for the three months ended September 30, 2018. The increase in earnings is primarily attributed to the mark-to-market on ARC's risk management contracts, which resulted in the recognition of increased unrealized gains in the period. The impact of these gains was partially offset by decreased commodity sales revenue from lower crude oil and liquids pricing, increased taxes, and reduced unrealized gains on foreign exchange resulting from the revaluation of ARC's US dollar-denominated debt.

ARC recorded net income of $213.8 million ($0.60 per share) for the year ended December 31, 2018 compared to net income of $388.9 million ($1.10 per share) for the year ended December 31, 2017. The decrease in net income is primarily due to decreased unrealized gains on risk management contracts and foreign exchange. Partially offsetting these items were increased commodity sales from production and higher gains recorded on the disposal of non-core assets for the year ended December 31, 2018 relative to the year ended December 31, 2017.

Funds from Operations

ARC's funds from operations for the three months ended December 31, 2018 was $208.6 million ($0.59 per share), an increase of $3.6 million from the three months ended September 30, 2018. The impact that lower realized crude oil and liquids pricing had on ARC's funds from operations was offset by several items, including improved realized natural gas pricing, increased realized gain on risk management contracts, and reduced royalties and operating expenses. Lower general and administrative ("G&A") expenses also served to increase funds from operations, reflecting a reduction in the fair value of ARC's share-based compensation plans due to a decrease in ARC's common share price during the fourth quarter of 2018.

Funds from operations for the year ended December 31, 2018 of $819.0 million ($2.31 per share) increased 12 per cent relative to funds from operations of $731.9 million ($2.07 per share) for the year ended December 31, 2017. Improved oil and liquids pricing and increased production levels were the most significant contributors to higher funds from operations.

The following table details the change in funds from operations for the three months ended December 31, 2018 relative to the three months ended September 30, 2018 and the change in funds from operations for the year ended December 31, 2018 relative to the year ended December 31, 2017.

Funds from Operations Reconciliation (1)(2)	Q3 2018 to Q4 2018		2017 YTD to 2018 YTD	
	$ millions	$/share (3)	$ millions	$/ (3
Funds from operations for the three months ended September 30, 2018	205.0	0.58		
Funds from operations for the year ended December 31, 2017			731.9	2.
Volume variance				
Crude oil and liquids	(25.7)	(0.06)	34.7	0.
Natural gas	5.5	0.02	41.3	0.
Price variance				
Crude oil and liquids	(91.3)	(0.25)	110.5	0.
Natural gas	38.9	0.11	(39.5)	(0
Sales of commodities purchased from third parties	(27.0)	(0.08)	54.9	0.
Interest income	(2.0)	(0.01)	2.3	0.
Other income	0.1	—	(1.6)	&
Realized gain on risk management contracts	25.7	0.07	(21.6)	(0
Royalties	15.1	0.04	(12.9)	(0
Expenses				
Commodities purchased from third parties	26.8	0.08	(59.1)	(0
Operating	11.9	0.03	5.1	0.
Transportation	0.8	—	(15.7)	(0
G&A	11.7	0.03	(0.4)	&
Interest	0.1	—	2.7	0.
Current tax	1.6	—	(31.9)	(0
Realized gain (loss) on foreign exchange	11.4	0.03	18.3	0.
Funds from operations for the three months ended December 31, 2018	208.6	0.59		
Funds from operations for the year ended December 31, 2018			819.0	2.

(1) Refer to Note 16 "Capital Management" in ARC's financial statements and to the sections entitled, "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

(2) Refer to Note 4 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the statement of income for the year ended December 31, 2017.

(3) Per share amounts are based on weighted average diluted common shares.

Physical Marketing and Financial Risk Management

ARC's commodity sales revenue is supported by its liquids revenue, with crude oil and liquids production comprising 48 per cent and 64 per cent of commodity sales revenue for the three months and year ended December 31, 2018, respectively. The majority of ARC's liquids production is made up of conventional light oil and condensate and has realized narrower differentials than the significantly discounted pricing recently experienced by Canadian heavy oil producers. ARC's average realized corporate price for crude oil for the three months and year ended December 31, 2018 was $43.30 per barrel and $68.58 per barrel, respectively, and ARC's average realized corporate price for condensate for the three months and year ended December 31, 2018 was $57.25 per barrel and $75.56 per barrel, respectively. ARC's financial risk management program provided cash flow protection in the fourth quarter of 2018, primarily from 7,000 barrels per day of ARC's oil production that was hedged at an average MSW differential to WTI of US$3.38 per barrel, generating $10.5 million of cash gains for crude oil during the period.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have helped to significantly increase ARC's exposure to more attractive North American markets and enhance corporate natural gas realizations. ARC's financial risk management program provides additional cash flow protection. Summarized in the following table are the positive impacts that ARC's physical natural gas diversification and financial risk management activities had on its corporate natural gas price for the three months and year ended December 31, 2018.

Corporate Natural Gas Price	Three Months Ended	Year Ended
($/Mcf)	December 31, 2018	December 31, 2018
Average price before diversification activities	1.70	1.65
Diversification activities	1.15	0.72
Realized gain on risk management contracts (1)	0.62	0.81
Corporate natural gas price	3.47	3.18

(1) Realized gain on risk management contracts is not included in ARC's realized natural gas price.

ARC will continue to monitor commodity prices and execute on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital programs. Total realized gains on risk management contracts for the three months and year ended December 31, 2018 were $45.4 million and $123.4 million, respectively, and the fair value of ARC's risk management contracts at December 31, 2018 was $266.2 million. For details pertaining to ARC's risk management program and for a summary of the average oil and natural gas volumes associated with ARC's risk management contracts as at February 7, 2019, refer to the section entitled, "Risk Management" contained within ARC's MD&A.

Operating Netback

Summarized in the following table are the components of ARC's operating netback for the three months ended December 31, 2018 relative to the three months ended September 30, 2018, and for the year ended December 31, 2018 relative to the year ended December 31, 2017.

Operating Netback ($/boe) (1)(2)	Three Months Ended December 31, 2018	September 30, 2018	% Change	Year Ended December 31, 2018	December 31, 2017	% Change
Commodity sales from production	24.09	30.12	(20)	28.12	27.08	4
Royalties	(1.67)	(2.90)	(42)	(2.39)	(2.29)	4
Operating expenses	(5.04)	(6.04)	(17)	(5.95)	(6.55)	(9)
Transportation expenses	(2.66)	(2.75)	(3)	(2.66)	(2.52)	6
Operating netback prior to gain on risk management contracts	14.72	18.43	(20)	17.12	15.72	9
Realized gain on risk management contracts	3.62	1.58	129	2.55	3.23	(21)
Operating netback including gain on risk management contracts	18.34	20.01	(8)	19.67	18.95	4

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled, "Non-GAAP Measures" contained within ARC's MD&A.

(2) Refer to Note 4 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the statement of income for the year ended December 31, 2017.

ARC's operating netback prior to gain on risk management contracts for the three months ended December 31, 2018 decreased 20 per cent from the three months ended September 30, 2018 primarily due to weakened crude oil and liquids pricing. The impact of lower crude oil and liquids pricing was partially offset by increased natural gas pricing and production and reduced royalties and operating expenses. ARC's operating netback including gain on risk management contracts for the three months ended December 31, 2018 decreased eight per cent relative to the three months ended September 30, 2018 with an increase in realized gain on risk management contracts further offsetting the impact that weaker crude oil and liquids pricing had on ARC's operating netback.

ARC's operating netback prior to gain on risk management contracts, and ARC's operating netback including gain on risk management contracts for the year ended December 31, 2018 increased nine per cent and four per cent, respectively, relative to the year ended December 31, 2017. Improved operating netbacks were primarily due to strengthened crude oil and liquids pricing, increased production, and lower operating expenses.

ARC's royalties for the three months ended December 31, 2018 decreased 42 per cent from the three months ended September 30, 2018, and reflect the sliding scale effect that lower crude oil and liquids pricing had on royalty rates in the period. Royalties for the year ended December 31, 2018 increased four per cent relative to the year ended December 31, 2017, and reflect the increase in commodity prices year-over-year. Royalties for the three months and year ended December 31, 2018 were $21.0 million and $115.7 million, respectively.

ARC's operating expenses for the three months ended December 31, 2018 decreased 17 per cent from the three months ended September 30, 2018, driven primarily by the disposal of ARC's Redwater assets partway through the third quarter of 2018, which had higher relative costs to operate. Operating expenses for the year ended December 31, 2018 decreased nine per cent relative to the year ended December 31, 2017, and is the combination of bringing on new Montney production at Dawson and Sunrise with lower relative costs to operate and disposing of non-core assets with higher relative costs to operate. Operating expenses for the three months and year ended December 31, 2018 were $63.3 million and $288.5 million, respectively.

ARC's transportation expenses for the three months ended December 31, 2018 were relatively unchanged from the three months ended September 30, 2018, decreasing three per cent. Transportation expenses for the year ended December 31, 2018 increased six per cent relative to the year ended December 31, 2017, and reflect an increase in expenses associated with new production, an increase in natural gas tolls, and the addition of new transportation agreements to allow for greater market access beyond AECO. Transportation expenses for the three months and year ended December 31, 2018 were $33.4 million and $128.8 million, respectively.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,120 net sections of land (approximately 730,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. ARC's proven history of disciplined execution in the Montney has positioned the Company to continue delivering excellent capital and operating efficiencies and generate strong rates of return on its projects. Owned-and-operated infrastructure affords ARC greater control over costs and the production mix of its liquids recovery, strong safety and environmental performance, and the ability to manage a prudent pace of development. ARC looks to optimize well designs and maximize well value, pursue technological advancements, and work with service providers to preserve its competitively low cost structure. ARC actively monitors market conditions and executes a marketing strategy that proactively secures takeaway capacity for future development projects, mitigates the impact of third-party infrastructure outages, and diversifies ARC's sales portfolio to ensure that production gets to market at optimal pricing.

Capital Expenditures

ARC invested $131.6 million of capital, before land and net property acquisitions and dispositions, during the three months ended December 31, 2018, which included drilling 22 wells (14 oil wells and eight natural gas and liquids-rich wells), and completing 10 wells. Capital investment in the period was focused on infrastructure projects throughout northeast British Columbia, including electrification of the Sunrise gas processing facility, completion of the water handling and recycling infrastructure at Parkland/Tower, and initial investments for the Dawson Phase I and II liquids-handling facility upgrade, the Dawson Phase IV facility, and the Ante Creek 10-36 facility expansion project.

ARC invested $679.4 million of capital, before land and net property acquisitions and dispositions, in 2018, approximately 95 per cent of which was directed towards ARC's Montney assets. The capital that ARC invested in 2018 delivered record annual production, low 2P finding and development costs of $5.76 per boe (excluding FDC), operating expenses of $5.95 per boe, which are the lowest operating expenses the Company has achieved since 2001, and included the completion of a major gas processing facility at Sunrise.

In addition to the capital invested in major infrastructure in 2018, ARC drilled 77 wells (46 natural gas and liquids-rich wells, 30 oil wells, and one disposal well), and completed 78 wells. The following table outlines the number of wells drilled and completed in each of ARC's core operating areas.

	Year Ended December 31, 2018	
Area	Wells Drilled	Wells Completed
Attachie West	1	7
Dawson	13	26
Parkland/Tower	23	20
Sunrise	24	15
Ante Creek	10	5
Pembina	5	5
Other	1	—
Total	77	78

Production

ARC delivered record production in the fourth quarter of 2018, averaging 136,502 boe per day, which was comprised of 28,550 barrels per day of light oil and condensate, 7,402 barrels per day of NGLs, and 603 MMcf per day of natural gas. ARC's fourth quarter 2018 average daily production increased slightly relative to the third quarter of 2018, with new production flowing through the Sunrise Phase II gas processing facility expansion partially offset by the disposal of non-core Redwater production, which was disposed of partway through the third quarter of 2018.

Average daily production for the year ended December 31, 2018 was 132,724 boe per day, at the high end of ARC's annual production guidance of 131,000 to 133,000 boe per day. All commodities were within their respective guidance ranges, with full-year 2018 production made up of 30,741 barrels per day of light oil and condensate, 6,955 barrels per day of NGLs, and 570 MMcf per day of natural gas. Average daily production for the year ended December 31, 2018 was eight per cent higher than production of 122,937 boe per day for the year ended December 31, 2017. The increase is predominantly made up of new condensate-rich production flowing through the Dawson Phase III facility, new condensate-rich wells at Attachie West, as well as new production flowing through the Sunrise Phase II gas processing facility expansion.

ARC divested approximately 4,700 boe per day of production in 2018; the annual impact of the non-core dispositions to ARC's full-year 2018 production was approximately 2,100 boe per day. ARC did not experience any material impacts to production as a result of third-party outages in 2018.

Water Infrastructure

As part of its ongoing commitment to responsible water management and reducing its overall freshwater dependency, ARC has invested in strategic water infrastructure in northeast British Columbia. These water infrastructure initiatives are expected to drive cost savings from both reduced capital and lease operating expenses. At Sunrise, ARC completed the construction of a 200,000 cubic metre water storage reservoir in the second quarter of 2018 for completion operations. The project has generated strong economic returns to-date with an expected 80 per cent reduction in water handling costs in the Sunrise area. At Parkland/Tower, construction of a water recycling facility was completed in the fourth quarter of 2018. With pipelines connecting the three assets, the water hub facility will reduce ARC's dependency on freshwater used for hydraulic fracturing operations and will result in completion cost savings.

Attachie

ARC's Attachie property is a highly prospective Montney condensate and liquids-rich natural gas play located in northeast British Columbia where ARC has a land position of 306 net sections (approximately 201,000 net acres). ARC invested $60 million in 2018, directed primarily towards completion activities on a seven-well commercial demonstration pad at Attachie West. ARC also drilled a tenure well and invested in upgrades to the Attachie West area's battery to increase condensate processing capacity to 3,500 barrels per day.

ARC is encouraged by wellhead condensate rates and indications of the overall productivity of the commercial demonstration pad wells. Cumulatively, the seven wells have produced over 490,000 barrels of condensate and nearly 2.3 Bcf of raw natural gas over 275 days of production. Fourth quarter 2018 production at Attachie West averaged 4,100 boe per day, comprised of 2,200 barrels per day of condensate and 11 MMcf per day of natural gas. With ARC's 2019 drilling program at Attachie West not planned until the second half of the year, ARC expects current production levels to decline slightly through the year as existing wells decline.

Positive results at ARC's seven-well pad validate the material upper Montney condensate development opportunity at Attachie West and extends the prolific lower Montney liquids-rich resource play into Attachie. ARC's first pilot well into the lower Montney horizon encountered high condensate-to-gas ratio gas and significant over-pressuring. ARC will continue to optimize and monitor production results and will incorporate learnings into well designs and development plans to support the first phase of development at Attachie West.

With its condensate-rich production profile, significantly over-pressured reservoir, and a large contiguous land position that is suited for multi-layered development, Attachie West is a leading development opportunity within ARC's portfolio. ARC submitted the regulatory application for multiple phases of development at Attachie West in the fourth quarter of 2018, including the Attachie West Phase I gas processing and liquids-handling facility, which is expected to be brought on-stream during 2021.

Dawson

ARC's flagship Dawson property is a low-cost Montney natural gas play where ARC has a land position of 137 net sections (approximately 89,000 net acres). The Dawson play delivers strong economics and cash flow at prevailing natural gas prices, and is further enhanced by the growing liquids-rich production being developed in the lower Montney horizon. Dawson production averaged 47,400 boe per day in the fourth quarter of 2018, comprised of 256 MMcf per day of natural gas, 2,800 barrels per day of condensate, and 1,800 barrels per day of NGLs.

ARC invested $135 million in 2018 to drill 13 wells and complete 26 wells across the Dawson field. Capital investment in the period was also directed towards initial work for the Dawson Phase I & II liquids-handling facility upgrade, which will support ARC's broad shift to liquids-rich lower Montney development at Dawson; and at Dawson Phase IV, where lease construction is underway. Both infrastructure projects have received regulatory approval and are expected to be completed by the fourth quarter of 2019 and the second quarter of 2020, respectively. ARC has acquired 3D seismic across the western portion of ARC's Dawson lands, which will enable the Company to further its knowledge of the subsurface and assist in the planning of future phases of development in the greater Dawson area.

Parkland/Tower

ARC's Parkland/Tower property, a light oil and liquids-rich natural gas Montney play in northeast British Columbia, consists of 57 net sections at Tower (approximately 37,000 net acres), which produce predominantly light oil and condensate with liquids-rich associated gas; and 37 net sections at Parkland (approximately 24,000 net acres), which produce liquids-rich natural gas. With contiguous lands, these areas share ARC owned-and-operated infrastructure and processing capacity. Fourth quarter 2018 production at Parkland/Tower averaged 30,200 boe per day, comprised of 8,100 barrels per day of light oil and condensate, 3,500 barrels per day of NGLs, and 112 MMcf per day of natural gas. Of the 30,200 boe per day produced, 4,400 boe per day (approximately 45 per cent condensate and NGLs) was directed to the Dawson Phase III facility for processing and sales via the Parkland-Dawson interconnect pipeline.

Capital investment at Parkland/Tower was $200 million in 2018, and included the drilling and completion of

15 oil wells at Tower, and the drilling of eight and completion of five liquids-rich natural gas wells at Parkland, where ARC is currently piloting dual-layer lower Montney development. In addition to drilling and completion activities, capital investment was directed towards the electrification of ARC's owned-and-operated Parkland/Tower gas processing and liquids-handling facility, upgrades to the facility's refrigeration capacity, completion of the Parkland-Dawson pipeline interconnect, and completion of the water recycling facility that will be utilized by the Dawson and Parkland/Tower areas.

Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres); a highly prolific dry natural gas Montney play in northeast British Columbia. With a significant natural gas resource base suited for multi-layer development, low finding and development costs, high well deliverability, low capital requirements, and low operating expenses, Sunrise creates value and delivers attractive rates of return in the current commodity price environment. Fourth quarter 2018 production at Sunrise was approximately 152 MMcf per day of natural gas, a 19 per cent increase from the third quarter of 2018, with initial production flowing through the Sunrise Phase II gas processing facility expansion being partially offset by downtime required to electrify the plant.

ARC invested $159 million on capital activities at Sunrise in 2018, directed primarily towards completing construction of the Sunrise Phase II gas processing facility expansion, which was commissioned in the third quarter of 2018. Overall, execution of the expansion project was excellent, with the project being completed ahead of schedule, under budget, and with an exceptional safety record. The plant was connected to BC Hydro's electric grid in the fourth quarter of 2018 and is now being fully run on hydro-electricity. Capital investment in 2018 also included drilling and completion activities on wells that are now providing the initial supply of gas to the Sunrise Phase II facility. ARC drilled 23 natural gas wells, drilled one disposal well, and completed 15 wells in 2018.

The Sunrise Phase II facility was designed for 180 MMcf per day of gas processing and sales capacity, and brings ARC's total owned-and-operated processing and sales capacity for the entire Sunrise area to 240 MMcf per day of natural gas. Production is planned to be processed through Sunrise Phase II according to the following, approximate timeline:

- With plant commissioning and electrification activities complete, an initial 60 MMcf per day of processing and sale now being used.
- In the first half of 2019, an additional 60 MMcf per day of incremental processing capacity is expected to be availa transportation arrangements have come into effect. The exact timing of the production being brought on-stream w commodity price-dependent.
- By June 2019, 60 MMcf per day of existing natural gas production that is currently being processed through a thir is expected to be redirected to ARC's operated Sunrise Phase II facility. With increased control of ARC's Sunrise volumes, the Company expects operating expenses to be significantly reduced with the elimination of third-party p fees.

Ante Creek

ARC has a land position of 327 net sections at Ante Creek (approximately 209,000 net acres), a Montney light oil play in northern Alberta that generates strong cash flow and profitable returns, and has significant future development potential. Production at Ante Creek in the fourth quarter of 2018 was 16,200 boe per day (approximately 50 per cent light oil and liquids).

ARC invested $73 million in 2018 to drill 10 oil wells and to complete five wells. Capital investment was also directed towards the construction of a water reservoir, which is expected to be operational in the first quarter of 2019 and will help reduce completion costs due to improved access in the area. Additionally, ordering of major equipment for the Ante Creek 10-36 facility expansion project commenced in the fourth quarter of 2018. The facility expansion will allow ARC to grow its light oil production in the area and is expected to be completed by the second quarter of 2020. Maintenance and optimization of base production remain underlying objectives for the area.

Pembina

ARC's Cardium assets in Pembina deliver high-quality, light oil production, generating attractive operating netbacks and strong cash flow with major infrastructure already in place. ARC has a land position of 218 net sections in Pembina (approximately 139,000 net acres), where fourth quarter 2018 production averaged 10,700 boe per day (approximately 85 per cent light oil and liquids). ARC invested approximately $32 million in 2018 to drill and complete a five-well pad that was brought on production in the fourth quarter of 2018. Capital investment in 2018 was also directed towards managing production declines through maintenance and optimization activities and waterflood management.

OUTLOOK

ARC's 2019 capital program of $775 million focuses on liquids growth to deliver a meaningful cash flow per share increase over the long term, while continuing to support ARC's strong financial position and dividend. The 2019 budget includes investment in multi-year infrastructure development projects that will add facility capacity at Attachie West and Dawson in northeast British Columbia, and Ante Creek in northern Alberta. The majority of the production associated with these infrastructure projects is expected to be added in 2020 and 2021. Annual average production is expected to be in the range of 135,000 to 142,000 boe per day in 2019, which will set the stage for an anticipated average production compound annual growth rate (1) of greater than 10 per cent from 2019 to 2021. Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, "ARC Resources Ltd. Announces $775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek" available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

Ongoing commodity price volatility may affect ARC's funds from operations, profitability, and economic returns of its capital programs. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including managing the pace of development, focusing on capital and operating efficiencies, executing financial and physical marketing diversification programs, and protecting its strong financial position, with a targeted net debt to annualized funds from operations ratio of between 1.0 and 1.5 times. ARC will continue to screen projects for profitability and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected. ARC's capital budgets exclude land purchases and property acquisitions or dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key operating areas through land purchases and property acquisitions, and evaluate its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that could impact the expected production for the year.

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities.

ARC's full-year 2019 and 2018 guidance estimates and a review of 2018 actual results are outlined in the following table.

	2019 Guidance	2018 Guidance	2018 Actuals	% Variance from Guidance
Production				
Crude oil (bbl/day)	18,000 - 22,000	23,000 - 24,000	23,460	—
Condensate (bbl/day)	7,500 - 8,500	7,000 - 7,500	7,281	—
Crude oil and condensate (bbl/day)	25,500 - 30,500	30,000 - 31,500	30,741	—
Natural gas (MMcf/day)	600 - 630	565 - 570	570.2	—
NGLs (bbl/day)	8,000 - 9,500	6,500 - 7,000	6,955	—
Total (boe/day)	135,000 - 142,000	131,000 - 133,000	132,724	—
Expenses ($/boe)				
Operating	5.30 - 5.70	6.10 - 6.30	5.95	(2)
Transportation	2.60 - 2.90	2.60 - 2.80	2.66	—
G&A expenses before share-based compensation plans	1.10 - 1.30	1.25 - 1.30	1.23	(2)
G&A - share-based compensation plans (1)	0.35 - 0.50	0.40 - 0.55	0.20	(50)
Interest	0.70 - 0.80	0.80 - 1.00	0.88	—
Current income tax (per cent of funds from operations) (2)	2 - 7	3 - 6	6	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions) (3)	750	690	679.4	(2)
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	N/A	(95.0)	N/A
Weighted average shares (millions)	353	353	353	—

(1) Comprises expenses recognized under the Restricted Share Unit and Performance Share Unit Plans, Share Option Plan, and Long-term Restricted Share Award Plan, and excludes compensation charges under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(2) The current income tax estimate varies depending on the level of commodity prices.

(3) Land expenditures and net property acquisitions and dispositions are not included as these amounts are unbudgeted.

ARC's 2018 financial and operational results were in line with, or better than, guidance. On a per boe basis, ARC's 2018 operating expenses were below the guidance range, reflecting new Montney production at Dawson and Sunrise with lower relative costs to operate, greater-than-expected reductions through the disposal of non-core assets with higher relative costs to operate, and diligent cost control efforts undertaken by ARC's field operations teams. ARC's 2018 G&A expenses were below the guidance range primarily due to a reduction in the fair value of ARC's share-based compensation plans due to a decrease in ARC's common share price during the year.

ARC RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

As at

(Cdn$ millions)	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	259.6	220.2
Accounts receivable	114.1	132.7
Prepaid expenses	17.0	18.1
Risk management contracts	168.7	146.6
Assets held for sale	—	301.1
	559.4	818.7
Deferred consideration	40.0	—
Reclamation fund	—	36.7
Risk management contracts	102.1	148.4
Exploration and evaluation assets	217.1	418.9
Property, plant and equipment	4,849.4	4,553.1
Goodwill	248.2	248.2
Total assets	6,016.2	6,224.0
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	166.5	170.0
Current portion of long-term debt	80.5	73.9
Current portion of asset retirement obligations	19.5	16.0
Dividends payable	17.7	17.7
Risk management contracts	0.3	—
Liabilities associated with assets held for sale	—	219.7

	284.5	497.3
Risk management contracts	4.3	0.2
Long-term debt	828.7	837.4
Long-term incentive compensation liability	12.4	17.5
Other deferred liabilities	10.1	12.3
Asset retirement obligations	337.2	386.8
Deferred taxes	863.2	803.6
Total liabilities	2,340.4	2,555.1
SHAREHOLDERS' EQUITY		
Shareholders' capital	4,658.5	4,658.5
Contributed surplus	27.2	21.9
Deficit	(1,009.9)	(1,011.4)
Accumulated other comprehensive loss	—	(0.1)
Total shareholders' equity	3,675.8	3,668.9
Total liabilities and shareholders' equity	6,016.2	6,224.0

See accompanying notes to ARC's consolidated financial statements.

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three months and year ended December 31

	Three Months Ended		Year Ended	
	December 31		December 31	
(Cdn$ millions, except per share amounts)	2018	2017 (1)	2018	2017 (1)
Commodity sales from production	302.5	337.3	1,362.2	1,215.2
Royalties	(21.0)	(26.4)	(115.7)	(102.8)
Sales of commodities purchased from third parties	28.9	14.8	143.0	88.1
Revenue from commodity sales	310.4	325.7	1,389.5	1,200.5
Interest income	1.9	1.1	8.5	6.2
Other income	1.5	2.2	6.4	8.0
Gain on risk management contracts	240.3	79.8	94.8	282.8
Total revenue, interest and other income and gain on				
risk management contracts	554.1	408.8	1,499.2	1,497.5
Commodities purchased from third parties				

29.1

13.6

13.6

143.9

84.8

Operating	63.3	75.0	288.5	293.6
Transportation	33.4	30.0	128.8	113.1
Exploration and evaluation	4.4	9.7	15.7	9.7
General and administrative	10.7	17.5	69.5	70.2
Interest and financing charges	10.7	10.9	42.6	45.3
Accretion of asset retirement obligations	2.0	3.6	11.3	13.1
Depletion, depreciation, amortization and impairment	125.6	130.1	494.7	405.1
Loss (gain) on foreign exchange	38.2	(0.7)	63.8	(57.0)
Gain on short-term investments	—	(0.4)	—	(0.4)
Gain on sale of reclamation fund	—	—	(0.9)	—
Loss (gain) on disposal of petroleum and natural gas				
properties	—	0.1	(80.5)	(4.8)
Total expenses	317.4	289.4	1,177.4	972.7
Net income before income taxes	236.7	119.4	321.8	524.8
Provision for income taxes				
Current	12.9	6.1	48.4	16.5
Deferred	64.1	39.4	59.6	119.4
Total income taxes	77.0	45.5	108.0	135.9
Net income	159.7	73.9	213.8	388.9
Net income per share				
Basic	0.45	0.21	0.60	1.10
Diluted	0.45	0.21	0.60	1.10

(1) Refer to Note 4 "Changes in Accounting Policy" in ARC's financial statements for details on revised presentation of certain items in the consolidated statement of income for the year ended December 31, 2017.

See accompanying notes to ARC's consolidated financial statements.

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months and year ended December 31

	Three Months Ended December 31		Year Ended December 31	
(Cdn$ millions)	2018	2017	2018	2017
Net income	159.7	73.9	213.8	388.9
Other comprehensive income				
Net unrealized gain (loss) on reclamation fund, net of tax	—	0.2	0.9	(0.4)
Realized gain on reclamation fund assets, net of tax, reclassified into earnings	—	—	(0.8)	—
Other comprehensive income (loss)	—	0.2	0.1	(0.4)
Comprehensive income	159.7	74.1	213.9	388.5

See accompanying notes to ARC's consolidated financial statements.

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

(Cdn$ millions)	Shareholders' Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
December 31, 2016	4,654.9	17.6	(1,188.0)	0.3	3,484.8
Net income	—	—	388.9	—	388.9
Other comprehensive loss	—	—	—	(0.4)	(0.4)
Total comprehensive income (loss)	—	—	388.9	(0.4)	388.5
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	3.0	—	—	—	3.0
Recognized under share-based compensation plans	0.6	4.3	—	—	4.9
Dividends declared	—	—	(212.3)	—	(212.3)
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
Net income	—	—	213.8	—	213.8
Other comprehensive income	—	—	—	0.1	0.1
Total comprehensive income	—	—	213.8	0.1	213.9
Recognized under share-based compensation plans	—	5.3	—	—	5.3
Dividends declared	—	—	(212.3)	—	(212.3)
December 31, 2018	4,658.5	27.2	(1,009.9)	—	3,675.8

See accompanying notes to ARC's consolidated financial statements.

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months and year ended December 31

	Three Months Ended		Year Ended	
	December 31		December 31	
(Cdn$ millions)	2018	2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	159.7	73.9	213.8	388.9
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	(104.9)	(36.0)	28.6	(137.8)
Accretion of asset retirement obligation	2.8	3.6	11.3	13.1
Depletion, depreciation, amortization and impairment	125.6	130.1	494.7	405.1
Exploration and evaluation	[illegible]	9.7	15.7	9.7
Unrealized loss (gain) on foreign exchange	[illegible]	0.8	73.9	(65.2)
Loss (gain) on disposal of petroleum and natural gas properties	—	0.1	(80.5)	(4.8)
Deferred tax	[illegible]	39.4	59.6	119.4
Other	0.6	(0.5)	1.9	3.5
Net change in other liabilities	(12.1)	(2.5)	(20.9)	(30.4)
Change in non-cash working capital	[illegible]	(22.6)	64.7	(28.7)
Cash flow from operating activities	[illegible]	196.0	862.8	672.8
CASH FLOW USED IN FINANCING ACTIVITIES				
Repayment of senior notes	—	(12.0)	(76.4)	(49.8)
Issuance of common shares	—	0.1	—	0.6
Cash dividends paid	(53.1)	(53.1)	(212.3)	(209.2)
Cash flow used in financing activities	(53.1)	(65.0)	(288.7)	(258.4)
CASH FLOW USED IN INVESTING ACTIVITIES				

Acquisition
of
petroleum
and

natural
gas
properties

—	(2.2)	(0.2)	(2.5)

Disposal
of

petroleum
and
natural
gas
properties

0.9	—	156.1	—

Property, plant and equipment development expenditures	(127.8)	(225.9)	(619.9)	(810.3)
Exploration and evaluation asset expenditures	[illegible]	(19.6)	(60.1)	(116.7)
Net reclamation fund withdrawals (contributions)	—	(0.6)	1.1	(0.6)
Disposition of [illegible]	—	—	36.5	—
[illegible] withdrawal	—	—	—	452.8
Change in short-term investments / non-cash working capital	(32.1)	4.7	(48.2)	60.9
Cash flow used in investing activities	[illegible]	(243.6)	(534.7)	(416.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8.0	(112.6)	39.4	(2.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	251.6	332.8	220.2	222.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	259.6	220.2	259.6	220.2
The following are included in cash flow from operating activities:				
Income taxes paid	[illegible]	5.2	14.6	17.1
Interest paid	[illegible]	8.1	42.7	46.3

See accompanying notes to ARC's consolidated financial statements.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: as to ARC's views on future commodity prices and planned natural gas diversification activities under the heading "Economic Environment"; as to the execution of its business plan, and guidance as to the capital expenditure plans of ARC in 2019 and beyond and its production expectations, and net debt to annualized funds from operations ratio for 2019 and beyond, as to plans to internally fund growth capital with funds from operations generated from ARC's existing businesses and proceeds from non-core dispositions, as to expectations that the 2019 budget will generate strong returns, meaningful production, and cash flow per share growth over the long term under the heading "2019 Capital Plan and Outlook"; as to plans to internally fund dividends and sustaining capital with funds from operations generated from ARC's existing businesses, as to plans to fund key development projects from both unallocated funds from operations and proceeds from non-core dispositions, as to pursuing future development opportunities, initiating a share buyback program, increasing its dividend, or a combination of the three, with unallocated funds from operations, as to ARC's ability to satisfy its dividend and sustaining and growth capital once productive capacity at Dawson Phase IV is brought on-line, and as to its risk management and planned natural gas diversification activities for 2019 and beyond under the heading "Financial Review"; as to its production, exploration and development and infrastructure plans, and capital expenditures for 2019 and beyond, as to the impact of the completion of the water facility on ARC's operations and as to the timing and regulatory approvals and as to future operational and capital expenditure plans by area (including planned capital expenditures, timing for completion of infrastructure and processing capacities), and as to planned production processing time lines under the heading "Operational Review"; and all matters in respect of 2019 guidance under the heading "Outlook".

The forward-looking information and statements contained in this news release reflect several material factors, expectations and assumptions of ARC, including, without limitation: the production performance of ARC's oil and natural gas assets; the cost and competition for services throughout the oil and gas industry in 2019 and beyond; the results of exploration and development activities during 2019; the general continuance of current industry conditions including commodity and forward strip pricing; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserve and resource volumes; certain commodity price and other cost assumptions for 2019 and beyond; the retention of ARC's key properties; ARC's knowledge and past experience with developing major infrastructure projects will be applicable to similar projects in the future; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results, or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in ARC's public disclosure documents (including, without limitation, those risks identified in this news release and in ARC's Annual Information Form).

The internal projections, expectations or beliefs underlying the 2019 capital budget and corporate outlook from 2019 to 2021 are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. ARC's financial outlook for 2019 and beyond provides shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for 2019 and beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2019 guidance may not be appropriate for other purposes. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and ARC assumes no obligation to publicly update or revise such information or statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

ARC Resources Ltd. is one of Canada's largest conventional oil and gas companies with an enterprise value [(1)] of approximately $3.9 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC Resources Ltd.
Myron M. Stadnyk
President and Chief Executive Officer

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(1) Enterprise value is also referred to as total capitalization. Refer to Note 16 "Capital Management" in ARC's financial statements as at and for the year ended December 31, 2018 and to the section entitled, "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

SOURCE ARC Resources Ltd.