

ARC Resources Ltd. Reports Fourth Quarter and Year-end 2019 Financial and Operational Results and Year-end 2019 Reserves Results

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CALGARY, Feb. 6, 2020 - (ARX - TSX) [ARC Resources Ltd.](#) ("ARC" or the "Company") is pleased to report its fourth quarter and year-end 2019 financial and operational results as well as its year-end 2019 reserves results. ARC's audited consolidated financial statements and notes ("financial statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the year ended December 31, 2019 are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC's business delivered strong financial and operational results in 2019. During the year ended December 31, 2019, ARC generated funds from operations⁽¹⁾ of \$697.4 million (\$1.97 per share), paid \$212.4 million (\$0.60 per share) in dividends to its shareholders, and maintained its strong financial position. ARC invested \$691.5 million during the year, demonstrating strong capital execution by bringing the Sunrise Phase II gas processing facility to full capacity and advancing strategic infrastructure projects at Dawson and Ante Creek that will deliver profitable liquids growth over the long term. Average daily production in 2019 was a record 139,126 barrels of oil equivalent ("boe")⁽³⁾ per day, and ARC replaced 164 per cent of 2019 production by adding 83 MMboe of proved plus probable ("2P") reserves through development activities to total 910 MMboe, which included replacing 198 per cent of 2019 oil and NGLs production and 153 per cent of 2019 natural gas production. ARC added 66 MMboe of proved producing ("PDP") reserves through development activities to total 258 MMboe.

ARC has established a very efficient, robust, and sustainable business. The Company's operating expense of \$4.97 per boe, the lowest it has been in 20 years, and continues to trend downwards. 2P finding and development ("F&D") costs⁽⁴⁾, including development capital ("FDC"), are \$4.82 per boe, and ARC continues to manage its corporate decline rate below 30 per cent. The safety of ARC's employees and contractors continues to be paramount. ARC employees recently surpassed six years without a lost-time incident, and the total recordable injury frequency for contractors in 2019 was the lowest it has been in the Company's history.

ARC has moved towards a larger production base with lower capital requirements. Planned investment levels for 2020 are a 28 per cent decrease from 2019 and are expected to deliver a 14 per cent increase in production. Looking ahead to the year 2020, ARC's key priorities will be to:

- Continue to profitably develop the Company's Montney assets, growing light oil and condensate production in an efficient manner to maximize funds from operations, with a focus on the lower Montney horizon;
- Remain committed to the Company's industry-leading environmental, social, and governance performance, including prudently managing business risks and reducing its greenhouse gas ("GHG") emissions intensity and freshwater consumption through responsible development activities;
- Secure transportation and market diversification arrangements while investigating opportunities to expand the Company's value chain; and
- Remain focused on delivering returns to shareholders through investing in high-return projects and paying a meaningful dividend.

- (1) Refer to Note 15 "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) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). ARC's production of heavy crude oil is considered to be immaterial. Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (3) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") 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) "Reserve replacement" and "finding and development costs" or "F&D costs" do not have standardized meanings. Refer to the section entitled, "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained within this news release.

Key takeaways from ARC's financial and operational results for the three months and year ended December 31, 2019 include:

Production	Delivered record average daily production of 147,650 boe per day and 139,126 boe per day during the three months and year ended December 31, 2019, respectively. Production for the three months ended December 31, 2019 increased 10 per cent relative to the three months ended September 30, 2019, with Sunrise Phase I & II operating at its 240 MMcf per day of natural gas sales capacity for the majority of the period. All commodities were either within or above their respective production guidance ranges for 2019.
Funds from Operations and Earnings	Generated funds from operations of \$172.8 million (\$0.49 per share) during the three months ended December 31, 2019, representing a 19 per cent increase relative to the three months ended September 30, 2019, with increased production and stronger commodity price realizations driving the increase. Generated funds from operations of \$697.4 million (\$1.97 per share) during the year ended December 31, 2019. ARC recorded a net loss of \$10.2 million (loss of \$0.03 per share) and a net loss of \$27.6 million (loss of \$0.08 per share) for the three months and year ended December 31, 2019, respectively.
Capital Program	Invested \$691.5 million in capital during the year ended December 31, 2019, focused on improved efficiencies for the Company's base business. ARC brought the Sunrise Phase II facility to full capacity and advanced strategic infrastructure projects at Dawson and Ante Creek that will deliver profitable liquids growth over the long term. The first four wells from ARC's 2019 drilling program at Attachie were brought on production during the three months ended December 31, 2019 with encouraging results observed to-date. Executed the 2019 capital program with top quartile drilling and completions performance.
Operational Excellence	Continued to realize sustainable cost reductions, recording an operating expense of \$4.59 per boe and \$4.97 per boe for the three months and year ended December 31, 2019, respectively. ARC's 2019 operating expense is the lowest it has been in 20 years, and continues to trend downwards.
Balance Sheet	Maintained a strong balance sheet, with net debt ⁽¹⁾ of \$940.2 million at December 31, 2019, representing a decrease from September 30, 2019. The net debt to funds from operations ratio of 1.3 times was within ARC's targeted range of between 1.0 and 1.5 times.
Returns to Shareholders	Paid \$53.1 million (\$0.15 per share) and \$212.4 million (\$0.60 per share) of dividends to shareholders for the three months and year ended December 31, 2019, respectively. In 2019, ARC surpassed \$6.5 billion of dividends to shareholders since inception.
2019 Reserves	Replaced 164 per cent of total 2019 production, adding 83 MMboe of 2P reserves through development activities. Replaced 198 per cent of 2019 oil and NGLs production and 153 per cent of 2019 natural gas production. 2P reserves for 2019 increased four per cent from 2018 to total 910 MMboe and PDP reserves for 2019 increased six per cent from 2018 to total 258 MMboe.
2020 Outlook	ARC's \$500 million capital program will be focused on completing the Dawson Phase IV facility to support profitable liquids production growth. The facility is planned to be brought on-stream in the second quarter of 2020. 2020 capital investment levels are expected to be down 28 per cent from 2019, delivering production of between 155,000 and 161,000 boe per day, representing year-over-year production growth of 14 per cent. ARC expects that funds from operations generated in 2020 will fund the Company's dividend obligations of approximately \$212 million as well as its \$500 million capital program.

(1) Refer to Note 15 "Capital Management" in ARC's financial statements and to the section entitled, "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

ORGANIZATIONAL ANNOUNCEMENT

Van Dafoe, Senior Vice President and Chief Financial Officer ("CFO") will be retiring from ARC. Van has had an impressive 21-year career at ARC and has been an integral part of its success as ARC has grown from a 10,000 boe per day company to a 150,000 boe per day company. Van has built an exceptional team, including the very focused and deliberate development of his successor. Please join us in thanking Van for his leadership and commitment to ARC.

Consistent with ARC's long-term thinking and approach to the business, a deliberate, thoughtful succession plan has been executed. ARC's board of directors is pleased to announce that Kris Bibby will be promoted to the position of Senior Vice President and Chief Financial Officer, effective immediately. Kris joined ARC in 2014 in the role of Vice President, Finance. Over the last six years, Kris has proven the strength of his leadership and strategic abilities in managing the finance, risk management, capital markets, and information technology and systems responsibilities at ARC. Kris is a commercially minded leader with previous CFO experience, both internationally and domestically. Kris will oversee the finance, treasury, accounting, tax, risk management, capital markets, marketing, and information technology teams at ARC. Please join ARC in congratulating Kris on his promotion.

INVESTOR DAY

ARC will be hosting its Investor Day in Calgary, Alberta on February 11, 2020, where ARC's senior management team will provide an update on ARC's business. A live webcast of the event will be available on ARC's website at www.arcresources.com.

FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended			Year Ended	
(Cdn\$ millions, except per share amounts, boe amounts, September 30, December 31, December 31, December 31, December 31, and common shares outstanding)	2019	2019	2018	2019	2018
FINANCIAL RESULTS					
Net income (loss)	(57.2)	(10.2)	159.7	(27.6)	211.1
Per share ⁽¹⁾	(0.16)	(0.03)	0.45	(0.08)	0.60
Funds from operations	145.4	172.8	208.6	697.4	811.1
Per share ⁽¹⁾	0.41	0.49	0.59	1.97	2.30
Dividends	53.1	53.1	53.1	212.4	211.1
Per share ⁽¹⁾	0.15	0.15	0.15	0.60	0.60
Capital expenditures, before land and net property acquisitions (dispositions)	161.9	141.7	131.6	691.5	671.1
Total capital expenditures, including land and net property acquisitions (dispositions)	159.8	140.6	130.9	687.4	481.1
Net debt outstanding	945.5	940.2	702.7	940.2	701.1
Common shares outstanding, weighted average diluted (millions)	353.4	353.4	353.9	353.4	351.1
Common shares outstanding, end of period (millions)	353.4	353.4	353.4	353.4	351.1
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	16,782	17,083	20,092	17,591	23,111

Condensate (bbl/day)	10,846	10,937	8,458	10,066	7,2
Crude oil and condensate (bbl/day)	27,628	28,020	28,550	27,657	30
Natural gas (MMcf/day)	595.4	669.0	603.3	623.3	57
NGLs (bbl/day)	7,952	8,123	7,402	7,578	6,9
Total (boe/day)	134,813	147,650	136,502	139,126	13
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil (\$/bbl)	64.79	65.11	43.30	66.01	68
Condensate (\$/bbl)	65.70	68.08	57.25	67.61	75
Natural gas (\$/Mcf)	1.54	2.36	2.85	2.12	2.3
NGLs (\$/bbl)	5.25	11.69	29.12	12.28	32
Oil equivalent (\$/boe)	20.46	23.93	24.09	23.42	28
Netback (\$/boe) ⁽²⁾					
Commodity sales from production	20.46	23.93	24.09	23.42	28
Royalties	(1.26)	(1.48)	(1.67)	(1.39)	(2.
Operating expense	(5.05)	(4.59)	(5.04)	(4.97)	(5.
Transportation expense	(2.97)	(2.86)	(2.66)	(2.94)	(2.
Netback	11.18	15.00	14.72	14.12	17
Realized gain on risk management contracts	2.29	0.49	3.62	1.57	2.5
Netback including realized gain on risk management contracts					
	13.47	15.49	18.34	15.69	19

TRADING STATISTICS ⁽³⁾

(1) High price amounts (with the exception of dividends) are based on weighted average closing commo 15

(2) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards 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. 7.3 8.1

(3) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange. 1,4

COMMODITY PRICE ENVIRONMENT

Crude Oil and Condensate

Geopolitical tensions and uncertainty around global demand growth continued to impact global crude oil prices during the three months ended December 31, 2019. While significant intra-day volatility was observed

during the period, prices did not break out of their recent banded range. Despite OPEC and non-OPEC members collectively agreeing to deepen existing production cuts and decelerated production growth observed in US supply, prices are expected to remain range-bound in the near term.

In Canada, crude oil differentials remained relatively narrow in the period as the Alberta government eased its mandated production curtailments and introduced special production allowances for crude-by-rail exports. ARC's physical oil production has not been impacted by the mandated production curtailments while its corporate crude oil and condensate realizations have benefited from the narrower price differentials.

Natural Gas

US natural gas benchmark prices increased slightly during the three months ended December 31, 2019; however, remain under pressure with continued production growth and lower demand due to warmer-than-average weather. Meanwhile, western Canadian natural gas prices strengthened and differentials tightened considerably in the period. Recent cold weather, along with natural gas storage entering withdrawal season at multi-year lows, has provided a constructive backdrop for Canadian winter natural gas prices. Changes to TC Energy's NOVA Gas Transmission Limited ("NGTL") System's flow priorities have also improved the outlook for western Canadian natural gas prices for the summer of 2020, and are expected to reduce pricing volatility through future periods of maintenance.

ARC maintains a strategy to physically and financially diversify its realized natural gas price to multiple downstream sales points with the objective of mitigating the impact that single-hub pricing volatility could have on the Company's commodity sales revenue, and protecting itself from being solely exposed to local markets. ARC expects that its diversification activities may be less economic in times when local spot prices are strong relative to other North American markets.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

During the year ended December 31, 2019, ARC generated funds from operations of \$697.4 million, funding the Company's dividend obligations of \$212.4 million and sustaining capital⁽¹⁾ requirements of approximately \$400 million. The remainder of ARC's 2019 capital program, which included significant infrastructure investments for key development projects at Dawson and Ante Creek, was funded with excess funds from operations and cash.

ARC maintains financial flexibility through its strong balance sheet, targeting its net debt to be between 1.0 and 1.5 times funds from operations. At December 31, 2019, ARC had \$940.2 million of net debt outstanding, a reduction from the net debt balance at September 30, 2019. The net debt to funds from operations ratio was 1.3 times at December 31, 2019, and ARC had an additional \$1.2 billion of credit capacity available.

With lower facility and infrastructure investments planned for 2020 compared to the last several years, funds from operations generated in 2020 are expected to fund ARC's dividend obligations of approximately \$212 million and ARC's capital program of \$500 million.

(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 (Loss)

ARC recognized a net loss of \$10.2 million (loss of \$0.03 per share) during the three months ended December 31, 2019 compared to a net loss of \$57.2 million (loss of \$0.16 per share) during the three months ended September 30, 2019. An increase in commodity sales due to higher production and stronger price

realizations was partially offset by increased unrealized losses on ARC's risk management contracts and increased general and administrative ("G&A") expense recognized for ARC's share-based compensation plans due to an increase in ARC's common share price during the period.

ARC recognized a net loss of \$27.6 million (loss of \$0.08 per share) for the year ended December 31, 2019 compared to net income of \$213.8 million (\$0.60 per share) for the year ended December 31, 2018. The decrease in earnings is primarily attributed to an increased unrealized loss on ARC's risk management contracts, a decrease in commodity sales from production due to lower crude oil production and lower price realizations, and a lower gain recorded on the disposal of non-core assets in 2019 compared to 2018. Partially offsetting these items were increased income tax recovery and an increased gain on foreign exchange related to the revaluation of ARC's US dollar-denominated debt.

Funds from Operations

ARC generated funds from operations of \$172.8 million (\$0.49 per share) during the three months ended December 31, 2019, an increase of \$27.4 million (\$0.08 per share) relative to funds from operations generated during the three months ended September 30, 2019. Increased commodity sales due to higher commodity price realizations (\$0.16 per share) and increased production (\$0.04 per share) was partially offset by a lower realized gain on risk management contracts (\$0.06 per share) and increased G&A expense recognized for ARC's share-based compensation plans (\$0.04 per share).

ARC generated funds from operations of \$697.4 million (\$1.97 per share) for the year ended December 31, 2019, a decrease of \$121.6 million (\$0.34 per share) relative to funds from operations of \$819.0 million (\$2.31 per share) for the year ended December 31, 2018. The decrease in funds from operations was largely driven by lower commodity sales due to weaker price realizations and decreased crude oil production, as well as a reduced gain on risk management contracts. Partially offsetting these items was a reduced current tax expense and lower royalties and operating expense.

Table 1 details the change in funds from operations for the three months ended December 31, 2019 relative to the three months ended September 30, 2019 and for the year ended December 31, 2019 relative to the year ended December 31, 2018.

Table 1

Funds from Operations Reconciliation	Q3 2019 to Q4 2019 2018 to 2019			
	\$ millions	\$/share ⁽¹⁾	\$ millions	\$/share ⁽¹⁾
Funds from operations for the three months ended September 30, 2019	145.4	0.41		
Funds from operations for the year ended December 31, 2018			819.0	2.31
Volume variance				
Crude oil and liquids	2.4	0.01	(62.8)	(0.18)
Natural gas	10.8	0.03	47.0	0.13
Price variance				
Crude oil and liquids	7.7	0.02	(100.9)	(0.28)
Natural gas	50.5	0.14	(56.0)	(0.16)
Sales of commodities purchased from third parties	(25.9)	(0.07)	(48.0)	(0.14)
Interest income	(0.9)	—	(3.7)	(0.01)
Other income	0.2	—	1.9	0.01
Realized gain on risk management contracts	(21.8)	(0.06)	(43.9)	(0.12)
Royalties	(4.6)	(0.01)	45.2	0.13
Expenses				
Commodities purchased from third parties	26.1	0.07	48.4	0.14
Operating	0.3	—	36.0	0.10
Transportation	(2.0)	(0.01)	(20.6)	(0.06)
G&A	(14.1)	(0.04)	(13.3)	(0.04)
Interest and financing ⁽²⁾	(0.3)	—	1.6	—
Current tax	—	—	62.4	0.18
Realized gain (loss) on foreign exchange	(1.0)	—	(14.9)	(0.04)
Funds from operations for the three months ended December 31, 2019	172.8	0.49		
Funds from operations for the year ended December 31, 2019			697.4	1.97

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

(2) Excludes accretion of asset retirement obligation.

Physical Marketing and Financial Risk Management

A significant portion of ARC's liquids production comprises conventional light oil and condensate, which realized average pricing of \$65.11 per barrel and \$68.08 per barrel, respectively. For the year ended December 31, 2019, ARC realized average pricing of \$66.01 per barrel for crude oil and \$67.61 per barrel for condensate.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have enhanced corporate natural gas price realizations, provided additional funds from operations, and assisted in managing natural gas price risk. During the three months ended December 31, 2019, AECO natural gas prices were strong relative to other North American markets, which resulted in ARC realizing a loss of \$0.09 per Mcf on its diversification activities. ARC realized a gain of \$0.40 per Mcf on its diversification activities for the year ended December 31, 2019. Summarized in Table 2 are the impacts that ARC's physical natural gas diversification and financial risk management activities had on the Company's realized natural gas price for the three months ended December 31, 2019 relative to the three months ended September 30, 2019 and for the year ended December 31, 2019 relative to the year ended December 31, 2018.

Table 2

Risk Management Contracts (\$/Mcf)	Three Months Ended			Year Ended		
	December 31, 2019	September 30, 2019	% Change	December 31, 2019	December 31, 2018	% Change
Realized Natural Gas						
Including Realized Gain on Price						
Average price before diversification activities	2.45	1.02	140	1.72	1.65	4
Diversification activities	(0.09)	0.52	(117)	0.40	0.72	(44)
Realized gain on risk management contracts ⁽¹⁾						
	0.18	0.61	(70)	0.44	0.81	(46)
Realized natural gas price including realized gain on risk management contracts						
	2.54	2.15	18	2.56	3.18	(19)

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

ARC recorded a total realized gain on risk management contracts of \$6.6 million and \$79.5 million for the three months and year ended December 31, 2019, respectively. ARC continuously monitors commodity prices and executes on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital programs. 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 December 31, 2019, refer to Note 16 "Financial Instruments and Market Risk Management" in ARC's financial statements.

Netback

Table 3 details the components of ARC's netback for the three months ended December 31, 2019 relative to the three months ended September 30, 2019 and for the year ended December 31, 2019 relative to the year ended December 31, 2018.

Table 3

Netback	Three Months Ended			Year Ended		
	December 31, 2019	September 30, 2019	% Change	December 31, 2019	December 31, 2018	% Change
(\$/boe)	2019	2019		2019	2018	
Commodity sales from production	23.93	20.46	17	23.42	28.12	(17)
Royalties	(1.48)	(1.26)	17	(1.39)	(2.39)	(42)
Operating expense	(4.59)	(5.05)	(9)	(4.97)	(5.95)	(16)
Transportation expense	(2.86)	(2.97)	(4)	(2.94)	(2.66)	11
Netback	15.00	11.18	34	14.12	17.12	(18)
Realized gain on risk management contracts	0.49	2.29	(79)	1.57	2.55	(38)
Netback including realized gain on risk management contracts	15.49	13.47	15	15.69	19.67	(20)

For the three months ended December 31, 2019 relative to the three months ended September 30, 2019, ARC's:

- Netback, and netback including realized gain on risk management contracts, increased primarily due to higher realized commodity prices.
- Royalties increased as a result of higher royalty rates associated with higher realized commodity prices.
- Operating and transportation expense per boe decreased, reflecting new natural gas production at the Sunrise Phase II facility, which has lower relative costs to operate and transport.

For the year ended December 31, 2019 relative to the year ended December 31, 2018, ARC's:

- Netback, and netback including realized gain on risk management contracts, decreased due to lower realized commodity prices and a reduced realized gain on risk management contracts, and were partially offset by a year-over-year decrease in ARC's royalties and operating expense.
- Royalties decreased due to the sliding scale effect that lower realized commodity prices have on royalty rates, in addition to a year-over-year increase in condensate and natural gas production, which have generally been subject to lower royalty rates compared to crude oil production.
- Operating expense decreased as ARC brought on new natural gas production at the Sunrise Phase II facility, which has lower relative costs to operate, and disposed of non-core production throughout 2018 and 2019 which had higher relative costs to operate.
- Transportation expense increased due to higher trucking charges and pipeline tariffs associated with increased condensate and natural gas production.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,000 net sections of land (approximately 638,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. Nearly all of ARC's production is processed through owned-and-operated

infrastructure; this affords ARC greater control over its cost structure and liquids recoveries, supports strong safety and environmental performance, and gives ARC the ability to manage a flexible pace of development. ARC is a leader in sustainability practices and is committed to continue reducing its GHG emissions intensity and freshwater usage through responsible development activities. ARC has set a target to reduce its GHG emissions intensity by 25 per cent by 2021, relative to 2017 levels, and has made significant progress to-date in meeting this target.

Capital Expenditures

In 2019, ARC continued to focus on its core Montney businesses through strong capital execution and excellent safety performance. ARC invested \$691.5 million of capital in the year, and with its consistent approach to asset development, delivered record annual production, low 2P F&D costs, and the Company's lowest operating expense in 20 years. Approximately 95 per cent of 2019 capital investment was directed at ARC's highly efficient Montney assets. Notably, ARC advanced the Dawson Phase IV gas processing and liquids-handling facility, the Company's next major phase of development and growth.

ARC invested \$141.7 million during the three months ended December 31, 2019 to drill 17 wells, complete 14 wells, commission the Dawson Phase I & II liquids-handling upgrade, and advance infrastructure projects at Dawson and Ante Creek.

Table 4 details capital expenditures and the number of wells drilled and completed in each of ARC's core operating areas for the year ended December 31, 2019.

Table 4

Capital Activity by Area	Year Ended December 31, 2019				
	Plant and Facilities (\$ millions)	Drilling and Completions and Other ⁽¹⁾ (\$ millions)	Capital Expenditures ⁽²⁾ (\$ millions)	Wells Drilled ⁽³⁾	Wells Completed ⁽³⁾
Dawson	160.5	147.4	307.9	39	28
Parkland/Tower	34.9	92.0	126.9	12	18
Ante Creek	33.4	65.2	98.6	15	13
Attachie West	7.1	75.3	82.4	10	4
Sunrise	3.4	22.3	25.7	—	9
Pembina	12.9	20.3	33.2	11	11
All other ⁽⁴⁾	2.2	14.6	16.8	—	—
Total	254.4	437.1	691.5	87	83

(1) Other capital expenditures comprise expenditures for geological and geophysical and corporate assets.

(2) Land expenditures and net property acquisitions and dispositions are not included.

(3) Wells drilled and completed for ARC's operated properties only.

(4) All other comprises spending and activity for ARC's non-core properties as well as corporate assets.

A significant focus of ARC's 2019 capital program was on long-term infrastructure projects to support profitable liquids growth in the greater Dawson and Ante Creek areas. \$254.4 million of the total \$691.5 million invested in 2019 was to develop infrastructure, with the key focus being on advancing the Dawson Phase IV facility. Spending for these projects is largely complete, with initial production expected to be brought on-stream during the second quarter of 2020.

- Dawson Phase IV gas processing and liquids-handling facility — Facility construction progressed through the fourth quarter of 2019, with commissioning activities planned to commence at the end of the first quarter of 2020. The facility is expected to be brought on-stream in the second quarter of 2020, adding natural gas sales capacity of approximately 15 MMcf per day. Condensate and NGLs production is expected to grow over time and stabilize at approximately 3,000 barrels per day and 1,500 barrels per day, respectively.
- Ante Creek 10-36 facility oil expansion — Facility construction progressed through the fourth quarter of 2019, with the project remaining on schedule to be brought on-stream in the second quarter of 2020. The oil expansion project will add natural gas sales capacity by approximately 15 MMcf per day, allowing the area's light oil volumes to grow by approximately 1,500 barrels per day in 2020 and approximately 2,500 barrels per day in 2021.

With strong production results observed from the lower Montney horizon to-date, ARC continues to look for opportunities to optimize its existing infrastructure to support liquids growth. The Dawson Phase I & II liquids-handling upgrade was commissioned early in the fourth quarter of 2019 and the Parkland 3-9 facility sour conversion is planned to be in-service during the first half of 2021. Both optimization projects will allow ARC to continue generating significant funds from operations from the greater Dawson area.

Production

ARC's production for the three months ended December 31, 2019 averaged 147,650 boe per day, comprised of 17,083 barrels per day of crude oil, 10,937 barrels per day of condensate, 8,123 barrels per day of NGLs, and 669 MMcf per day of natural gas. Table 5 details production from ARC's core operating areas for the three months ended December 31, 2019 relative to the three months ended September 30, 2019.

Table 5

	Three Months Ended					
	December 31, 2019		September 30, 2019		Total	Total
Production by Area ⁽¹⁾	Crude Oil (bbl/day)	Condensate (bbl/day)	Natural Gas (MMcf/day)	NGLs (bbl/day)	(boe/day)	(boe/day)
Dawson	— 2,925	228.3	2,046	43,014	38,513	
Parkland/Tower	3,062	4,802	128.7	4,158	33,464	35,624
Ante Creek	5,623	489	46.3	1,365	15,199	14,919
Attachie West	— 2,349	9.7	61	4,022	2,495	
Sunrise	— 50	235.5	26	39,324	31,608	
Pembina	8,288	156	11.4	422	10,773	9,898
All other ⁽²⁾	110	166	9.1	45	1,854	1,756
Total	17,083	10,937	669.0	8,123	147,650	134,813

(1) Includes both operated and non-operated properties.

(2)

All other production comprises production for ARC's non-core properties.

Average daily production for the three months ended December 31, 2019 increased 10 per cent relative to the three months ended September 30, 2019, with the most notable production increases recorded in the following areas:

- Dawson — Production increased by 12 per cent from the prior period when production had been impacted downtime for maintenance at the Dawson Phase I & II facility.
- Attachie West — Production increased by 61 per cent from the prior period with initial production recorded new wells that were brought on-stream in the fourth quarter of 2019. Due to facility constraints, the wells have been and only three of the four wells have been producing consistently. ARC has realized significant improvements in well performance as a result of pad and well design changes in the area. Over the first 90 days of production, the three wells produced approximately 160,000 barrels of condensate and 530 MMcf of natural gas for an initial condensate-to-gas ratio of approximately 300 barrels per MMcf. The Attachie West battery has liquids-handling capacity of 3,500 barrels per day and natural gas production is currently being processed through third-party infrastructure.
- Sunrise — Production increased by 24 per cent from the prior period with the final 60 MMcf per day of natural gas transportation arrangements at the Sunrise Phase II facility coming into effect early in the fourth quarter of 2019.

Average daily production for the year ended December 31, 2019 was 139,126 boe per day. All commodities were either within or above their respective production guidance ranges, with full-year 2019 production being made up of 17,591 barrels per day of crude oil, 10,066 barrels per day of condensate, 7,578 barrels per day of NGLs, and 623 MMcf per day of natural gas. Full-year 2019 production increased five per cent relative to full-year 2018 production, driven by increased natural gas production at the Sunrise Phase II facility and increased liquids-rich lower Montney production in the greater Dawson area.

GUIDANCE

ARC's \$500 million capital program for 2020 centres around capital discipline and efficiency, balance sheet strength, delivering profitable projects to shareholders, and generating funds from operations to fully fund the Company's dividend and capital program. Notably, ARC will complete the Dawson Phase IV facility in the second quarter of 2020. Planned investment levels for 2020 represent a 28 per cent decrease from 2019. ARC plans to keep its gas plants at or near capacity through 2020 while maximizing liquids production and funds from operations. ARC expects that production will grow through the second half of the year and that annual average production will be in the range of 155,000 to 161,000 boe per day. For additional details on ARC's 2020 capital program, refer to the November 7, 2019 news release entitled, "[ARC Resources Ltd. Reports Third Quarter 2019 Financial and Operational Results and Announces \\$500 Million Capital Program for 2020](#)" available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC's full-year 2020 and 2019 guidance estimates and a review of 2019 actual results are outlined in Table 6.

Table 6

	2020	2019	2019	% Variance
	Guidance	Guidance	Actuals	from Guidance
Production				
Crude oil (bbl/day)	15,000 - 17,000	17,000 - 19,000	17,591	—
Condensate (bbl/day)	12,000 - 14,000	9,000 - 11,000	10,066	—
Crude oil and condensate (bbl/day)	27,000 - 31,000	26,000 - 30,000	27,657	—
Natural gas (MMcf/day) ⁽¹⁾	715 - 725	620 - 630	623.3	—
NGLs (bbl/day)	8,500 - 9,000	6,500 - 7,000	7,578	8
Total (boe/day) ⁽¹⁾	155,000 - 161,000	136,000 - 142,000	139,126	—
Expenses (\$/boe)				
Operating	4.55 - 4.95	5.00 - 5.35	4.97	(1)
Transportation	3.10 - 3.30	2.90 - 3.10	2.94	—
G&A expense before share-based compensation expense	1.00 - 1.20	1.10 - 1.30	1.20	—
G&A - share-based compensation expense ⁽²⁾	0.30 - 0.45	0.20 - 0.35	0.46	31
Interest and financing ⁽³⁾	0.65 - 0.80	0.75 - 0.90	0.81	—
Current income tax expense (recovery) as a per cent of funds from operations ⁽⁴⁾	(2) - 3	(3) - 2	(2)	—
Capital expenditures before land and net property acquisitions (dispositions) (\$ millions)	500	700	691.5	(1)
Weighted average shares (millions)	N/A	353	353	—

(1) Does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.

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

(3) Excludes accretion of asset retirement obligation.

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

ARC's 2019 financial and operational results were generally within guidance. ARC's 2019 NGLs production was above the guidance range due to stronger-than-anticipated results from lower Montney development across ARC's asset base. ARC's 2019 operating expense was below the guidance range, reflecting diligent cost control efforts undertaken by ARC's field operations teams. ARC's 2019 G&A expense for share-based

compensation was above the guidance range due to an increase in the value of the plans, driven primarily by the appreciation in ARC's share price late in 2019.

2019 RESERVES

Highlights

ARC's year-end 2019 reserves results demonstrate ARC's continued ability to create value with reserves adds across its core properties as well as across all product types. ARC's 2P, total proved ("TP"), and PDP reserves all increased relative to 2018, exemplifying the Company's history of strong reserves replacements.

- Replaced 164 per cent of total 2019 production, adding 83 MMboe of 2P reserves through development activities includes positive technical revisions of 10 MMboe due to the continued strong well performance from ARC's Montney
- ● Replaced 153 per cent of 2019 natural gas production, adding 348 Bcf of 2P natural gas reserves.
- ● Replaced 198 per cent of 2019 oil and NGLs production, adding 25 MMbbl of 2P oil and NGLs reserves.
- 2P F&D costs of \$8.32 per boe excluding FDC and \$4.82 per boe including FDC, demonstrating strong capital efficiency
- 2P reserves increased four per cent relative to 2018 to total 910 MMboe, while TP reserves increased eight per cent to 955 MMboe, and PDP reserves increased six per cent to total 258 MMboe.
- Oil and NGLs comprise 24 per cent of 2P reserves and 27 per cent of PDP reserves. Natural gas comprises 76 per cent of 2P reserves and 73 per cent of PDP reserves.
- ● High-value condensate and pentanes plus represent 63 per cent of 2P NGLs reserves and 52 per cent of PDP reserves.
- FDC totaled \$3.4 billion at December 31, 2019, representing a decrease of \$292 million from December 31, 2018 due to the advancement of the Dawson Phase IV facility, which is expected to be brought on-stream in the second quarter of 2020 and capital efficiency improvements related to drilling and completions activities.
- Before-tax net present value ("NPV") for 2P reserves, discounted at 10 per cent, was \$5.9 billion at December 31, 2019, evaluated on GLJ Petroleum Consultants Ltd. ("GLJ") forecast pricing and foreign exchange rates at January 1, 2020. Before-tax NPV decreased seven per cent from December 31, 2018 primarily due to a decrease in forecast crude oil and natural gas prices.

Since 2014, ARC has significantly transformed its business through the disposition of non-core assets, reinvesting the associated proceeds to grow the Company's Montney business. During this time, ARC's before-tax NPV, discounted at 10 per cent, has remained consistent despite significant downward pressure on crude oil and natural gas prices and the disposition of non-core assets.

2019 Independent Reserves Evaluation

GLJ conducted an independent Reserves Evaluation effective December 31, 2019, which was prepared in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-101. The Reserves Evaluation was based on GLJ forecast pricing and foreign exchange rates at January 1, 2020 as outlined in Table 7.

Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without the inclusion of any royalty interest) unless otherwise noted. In addition to the information disclosed in this news release, more detailed information will be included in ARC's annual information form for the year ended December 31, 2019, which will be available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com on or before March 31, 2020.

Table 7

GLJ Price Forecast (1)	WTI		Edmonton		NYMEX Henry Hub		AECO		Foreign	
	Crude Oil		Light Oil		Natural Gas		Natural Gas		Exchange	
	(US\$/bbl)		(Cdn\$/bbl)		(US\$/MMBtu)		(Cdn\$/MMBtu)		(US\$/Cdn\$)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
2020	61.00	63.00	71.71	75.32	2.42	3.15	2.08	2.29	0.760	0.770
2021	63.00	67.00	74.03	79.75	2.75	3.35	2.35	2.67	0.770	0.790
2022	66.00	70.00	76.92	81.48	2.90	3.50	2.55	2.90	0.780	0.810
2023	68.00	72.50	80.13	83.54	3.00	3.63	2.65	3.14	0.780	0.820
2024	70.00	75.00	82.69	86.06	3.10	3.70	2.75	3.23	0.780	0.825
2025	72.00	77.50	85.26	89.09	3.20	3.77	2.85	3.34	0.780	0.825
2026	74.00	80.41	87.82	92.62	3.27	3.85	2.91	3.41	0.780	0.825
2027	75.81	82.02	90.14	94.57	3.33	3.93	2.97	3.48	0.780	0.825
2028	77.33	83.66	92.09	96.56	3.40	4.00	3.03	3.54	0.780	0.825
2029 (2)	78.88		94.08		3.47		3.09		0.780	0.825
Escalate thereafter at	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%	0.780	0.825

per year per year

(1) GLJ assigns a value to ARC's existing physical diversification contracts for natural gas to consuming markets at Chicago, Dawn, Malin, and Ventura based upon GLJ's forecast differential to NYMEX Henry Hub, contracted volumes, and transportation expense. No incremental value is assigned to potential future contracts that were not in place as of December 31, 2019.

(2) Escalated at two per cent per year starting in 2029 in the January 1, 2020 GLJ price forecast with the exception of foreign exchange, which remains flat.

Reserves Reconciliation

Table 8 reconciles reserves volumes from opening balances at December 31, 2018 to closing balances at December 31, 2019. Key takeaways include:

- New well classification guidelines in British Columbia resulted in a negative technical revision in Tight Oil in the TML reserves categories due to the reclassification of recovered liquids from oil to condensate. The majority of the negative Oil revisions are directly offset by additions of condensate in the NGLs category.
- Further positive technical revisions in the NGLs category were observed due to strong well performance in the Montney, particularly with ARC's continued focus on the liquids-rich lower Montney horizon.
- ARC divested 1.5 MMboe of 2P reserves in 2019, of which 72 per cent were heavy oil volumes associated with non-core assets.

Table 8

Reserves Reconciliation	Light, Medium and Heavy Oil ⁽²⁾ (Mbbbl)	Tight Oil (Mbbbl)	NGLs ⁽³⁾ (Mbbbl)	Total Oil and Natural NGLs ⁽⁴⁾ (Mbbbl)	Gas ⁽⁵⁾ (MMcf)	Oil Equivalent (Mboe)
Company Gross ⁽¹⁾						
Proved Producing						
Opening Balance, December 31, 2018	33,242	14,411	24,209	71,863	1,034,297	244,246
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery ⁽⁶⁾	999	1,234	9,522	11,755	223,513	49,007
Technical Revisions	716	(187)	816	1,346	97,394	17,577
Acquisitions	—	—	—	—	—	—
Dispositions	(1,169)	—	(4)	(1,173)	(389)	(1,238)
Economic Factors	(94)	(47)	(182)	(324)	(5,106)	(1,175)
Production	(2,827)	(3,457)	(6,437)	(12,721)	(227,336)	(50,610)
Ending Balance, December 31, 2019	30,868	11,954	27,923	70,745	1,122,372	257,807
Total Proved						
Opening Balance, December 31, 2018	39,987	28,885	66,528	135,399	2,492,424	550,803
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery ⁽⁶⁾	49	3,209	13,349	16,606	308,804	68,074
Technical Revisions	438	(7,068)	12,826	6,196	142,804	29,997
Acquisitions	—	—	—	—	—	—
Dispositions	(1,169)	—	(4)	(1,173)	(389)	(1,238)
Economic Factors	(102)	(44)	(204)	(350)	(7,879)	(1,663)
Production	(2,827)	(3,457)	(6,437)	(12,721)	(227,336)	(50,610)
Ending Balance, December 31, 2019	36,375	21,526	86,057	143,958	2,708,428	595,363
Proved plus Probable						
Opening Balance, December 31, 2018	50,621	47,856	107,100	205,576	4,039,794	878,875
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery ⁽⁶⁾	63	3,235	20,445	23,743	315,083	76,258
Technical Revisions	484	(11,268)	13,253	2,468	47,471	10,381
Acquisitions	—	—	—	—	—	—
Dispositions	(1,397)	—	(5)	(1,403)	(494)	(1,485)
Economic Factors						

(212)

(1,053)

(14,613)

(3,489)

Production	(2,827)	(3,457)	(6,437)	(12,721)	(227,336)	(50,610)
Ending Balance, December 31, 2019	46,731	36,044	133,838	216,613	4,159,905	909,930

- (1) Amounts may not add due to rounding.
- (2) Light, Medium and Heavy Oil includes light, medium, and heavy crude oil product types, as heavy oil makes up less than two per cent of total light, medium, and heavy crude oil and is therefore considered to be immaterial.
- (3) Condensate and pentanes plus represent 53 per cent of PDP NGLs reserves and 59 per cent of 2P NGLs reserves for the respective opening balances at December 31, 2018. Condensate and pentanes plus represent 52 per cent of PDP NGLs reserves and 63 per cent of 2P NGLs reserves for the respective ending balances at December 31, 2019.
- (4) Total Oil and NGLs represents the summation of Light, Medium, Heavy, and Tight Oil and NGLs.
- (5) Natural Gas includes shale gas and conventional natural gas product types, as conventional natural gas makes up to four per cent of total gas and is therefore considered to be immaterial.
- (6) Reserves additions for infill drilling, improved recovery, and extensions are combined and reported as "Extensions and Improved Recovery".

Reserve Life Index ("RLI")⁽¹⁾

ARC's 2P RLI was 15.8 years in 2019, which was determined by dividing 2P reserves by the midpoint of ARC's 2020 production guidance range of 155,000 to 161,000 boe per day, contingent upon the execution of a \$500 million capital program. As a result of successful development activities and reserves growth of the Company's Montney assets in northeast British Columbia, ARC's 2P RLI has been maintained at greater than 15 years since 2010.

- (1) "Reserve life index" or "RLI" does not have a standardized meaning. Refer to the section entitled, "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained within this news release.

Net Present Value Summary

ARC's crude oil, natural gas, and NGLs reserves were evaluated using GLJ forecast pricing and foreign exchange rates at January 1, 2020. The NPV is prior to the provision for interest, debt service charges, and G&A expense. It should not be assumed that the NPV of future net revenue estimated by GLJ represents the fair market value of ARC's reserves. The NPV of ARC's reserves at December 31, 2019 decreased seven per cent relative to December 31, 2018 as a result of lower forecast prices for both crude oil and natural gas. NPVs on both a before-tax and after-tax basis are presented in Table 9.

Table 9

NPV of Future Net Revenue ⁽¹⁾⁽²⁾ Undiscounted Discounted at 10%

(\$ millions)

Before-tax

Proved Producing	2,734	2,212
Proved Developed Non-producing	263	166
Proved Undeveloped	3,782	1,687
Total Proved	6,779	4,066
Probable	5,129	1,861
Proved plus Probable	11,908	5,927

After-tax ⁽³⁾⁽⁴⁾

Proved Producing	2,338	1,983
Proved Developed Non-producing	197	123
Proved Undeveloped	2,821	1,179
Total Proved	5,356	3,285
Probable	3,861	1,372
Proved plus Probable	9,217	4,657

(1) Amounts may not add due to rounding.

(2) Based on NI 51-101 company net interest reserves and GLJ price forecasts and costs at January 1, 2020.

(3) Based on ARC's estimated tax pools at year-end 2019.

(4) The after-tax NPV of the future net revenue attributed to ARC's crude oil and natural gas properties reflects the tax burden on the properties on a standalone basis. It does not consider the business entity tax-level situation or tax planning, nor does it provide an estimate of the value at the business entity level, which may be significantly different. Refer to ARC's financial statements and MD&A for information at the business entity level.

Future Development Capital

FDC reflects GLJ's best estimate of what it will cost to bring ARC's proved and probable developed and undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs. Undiscounted FDC at December 31, 2019 decreased by \$292 million relative to December 31, 2018, to total \$3.4 billion (\$2.5 billion discounted at 10 per cent). The year-over-year decrease is driven by the advancement of the Dawson Phase IV facility, which is expected to be brought on-stream in the second quarter of 2020, and capital efficiency improvements related to drilling and completions activities.

ARC's 2020 capital budget of \$500 million is two per cent higher than the 2P FDC forecasted for 2020, while the total 2P FDC, undiscounted, is less than seven times ARC's 2020 capital budget. For details pertaining to ARC's 2020 capital budget, refer to the November 7, 2019 news release entitled, "[ARC Resources Ltd. Reports Third Quarter 2019 Financial and Operational Results and Announces \\$500 Million Capital Program for 2020](http://www.arcresources.com)" available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Finding and Development Costs

ARC's low F&D costs are attributed to the high-quality nature of ARC's portfolio of Montney assets, efficient execution, strong well results, and meaningful reserves growth in 2019.

Table 10

Company Gross ⁽¹⁾⁽²⁾	F&D Cost excluding FDC	F&D Cost including FDC
Proved Producing		
Reserve Additions (MMboe)	65.4	65.4
2019 (\$/boe)	10.58	9.74
Three-year Average (\$/boe)	10.99	11.48
Proved plus Probable		
Reserve Additions (MMboe)	83.2	83.2
2019 (\$/boe)	8.32	4.82
Three-year Average (\$/boe)	6.65	8.57

(1) F&D costs take into account reserves revisions during the year on a per boe basis.

(2) The aggregate of the exploration and development costs incurred in the financial year and the changes during that year in estimated future development costs may not reflect the total F&D costs related to reserves additions for that year.

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CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn\$ millions)	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	8.5	259.6
Accounts receivable	134.4	114.1
Prepaid expense	8.9	17.0
Risk management contracts	41.4	168.7
	193.2	559.4
Deferred consideration	—	40.0
Risk management contracts	4.2	102.1
Exploration and evaluation assets	219.6	217.1

Property, plant and equipment	5,074.3	4,849.4
Right-of-use assets	38.8	—
Goodwill	248.2	248.2
Total assets	5,778.3	6,016.2

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	150.5	166.5
Current portion of lease obligations	16.3	—
Current portion of long-term debt	148.9	80.5
Current portion of asset retirement obligation	25.5	19.5
Dividends payable	17.7	17.7
Risk management contracts	6.1	0.3
	365.0	284.5
Risk management contracts	28.7	4.3
Long-term portion of lease obligations	29.9	—
Long-term debt	728.7	828.7
Long-term incentive compensation liability	24.5	12.4
Other deferred liabilities	5.1	10.1
Asset retirement obligation	384.1	337.2
Deferred taxes	772.4	863.2
Total liabilities	2,338.4	2,340.4

SHAREHOLDERS' EQUITY

Shareholders' capital	4,658.3	4,658.5
Contributed surplus	32.2	27.2
See the accompanying notes to ARC's financial statements, which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com .	(1,256.8)	(1,009.9)
Deficit		
Total shareholders' equity	3,439.9	3,675.8

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Total liabilities and shareholders' equity	5,778.3	6,016.2
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For the three months and year ended December 31

	Three Months Ended Year Ended			
	December 31		December 31	
(Cdn\$ millions, except per share amounts)	2019	2018	2019	2018

Commodity sales from production	325.1	302.5	1,189.5	1,362.2
Royalties	(20.2)	(21.0)	(70.5)	(115.7)
Sales of commodities purchased from third parties	12.8	28.9	95.0	143.0
Revenue from commodity sales	317.7	310.4	1,214.0	1,389.5
Interest income	0.2	1.9	4.8	8.5
Other income	2.0	1.5	8.3	6.4
Gain (loss) on risk management contracts	(56.3)	240.3	(175.9)	94.8
Total revenue, interest and other income and gain (loss) on risk management contracts	263.6	554.1	1,051.2	1,499.2
Commodities purchased from third parties	12.8	29.1	95.5	143.9
Operating	62.3	63.3	252.5	288.5
Transportation	38.8	33.4	149.4	128.8
Exploration and evaluation	—	4.4	—	15.7
General and administrative	32.0	10.7	84.2	69.5
Interest and financing ⁽¹⁾	11.9	12.7	48.3	53.9
Impairment of financial assets	0.1	—	47.8	—
Depletion, depreciation, amortization and impairment	132.6	125.6	539.2	494.7
Loss (gain) on foreign exchange	(15.7)	38.2	(35.5)	63.8
Gain on sale of reclamation fund	—	—	—	(0.9)
Gain on disposal of petroleum and natural gas properties	(1.7)	—	(1.7)	(80.5)
Total expenses	273.1	317.4	1,179.7	1,177.4
Net income (loss) before income taxes	(9.5)	236.7	(128.5)	321.8
Provision for (recovery of) income taxes				
Current	(2.0)	12.9	(14.0)	48.4
Deferred	2.7	64.1	(86.9)	59.6
Total income taxes (recovery)	0.7	77.0	(100.9)	108.0
Net income (loss)	(10.2)	159.7	(27.6)	213.8
Net income (loss) per share				

Basic	(0.03)	0.45	(0.08)	0.60
Diluted	(0.03)	0.45	(0.08)	0.60

(1) Interest and financing was previously presented as Interest and financing charges and Accretion of asset retirement obligation in the audited consolidated statements of income for the year ended December 31, 2018.

See the accompanying notes to ARC's financial statements, which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
For the three months and year ended December 31

	Three Months Ended Year Ended			
	December 31		December 31	
(Cdn\$ millions)	2019	2018	2019	2018
Net income (loss)	(10.2)	159.7	(27.6)	213.8
Other comprehensive income				
Net unrealized gain on reclamation fund assets, net of tax	—	—	—	0.9
Realized gain on reclamation fund reclassified into earnings, net of tax	—	—	—	(0.8)
Other comprehensive income	—	—	—	0.1
Comprehensive income (loss)	(10.2)	159.7	(27.6)	213.9

See the accompanying notes to ARC's financial statements, which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the years ended December 31

(Cdn\$ millions)	Shareholders' Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
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
Impact of change in accounting policy	—	—	(0.7)	—	(0.7)
January 1, 2019	4,658.5	27.2	(1,010.6)	—	3,675.1
Total comprehensive loss	—	—	(27.6)	—	(27.6)
Recognized under share-based compensation plans	(0.2)	5.0	—	—	4.8
Dividends declared	—	—	(212.4)	—	(212.4)
December 31, 2019	4,658.3	32.2	(1,250.6)	—	3,439.9

See the accompanying notes to ARC's financial statements, which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months and year ended December 31

(Cdn\$ millions)	Three Months Ended Year Ended			
	December 31		December 31	
	2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	(10.2)	159.7	(27.6)	213.8
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	62.9	(194.9)	255.4	28.6
Accretion of asset retirement obligation	1.7	2.0	7.3	11.3
Impairment of financial assets	0.1	—	47.8	—
Depletion, depreciation, amortization and impairment	132.6	125.6	539.2	494.7

Exploration and evaluation	—	4.4	—	15.7
Unrealized loss (gain) on foreign exchange	(16.3)	47.2	(40.3)	73.9
Gain on disposal of petroleum and natural gas properties	(1.7)	—	(1.7)	(80.5)
Deferred taxes	2.7	64.1	(86.9)	59.6
Other	1.0	0.5	4.2	1.9
Net change in other liabilities	8.3	(12.1)	(0.3)	(20.9)
Change in non-cash working capital	(14.4)	28.1	(58.3)	64.7
Cash flow from operating activities	166.7	224.6	638.8	862.8
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	433.6	—	616.3	—
Repayment of long-term debt	(382.9)	—	(606.8)	(76.4)
Repayment of principal relating to lease obligations	(2.1)	—	(13.7)	—
Cash dividends paid	(53.1)	(53.1)	(212.4)	(212.3)
Cash flow used in financing activities	(4.5)	(53.1)	(216.6)	(288.7)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of petroleum and natural gas properties	—	—	(0.2)	(0.2)
Disposal of petroleum and natural gas properties	1.1	0.9	5.0	156.1
Property, plant and equipment development expenditures	(139.0)	(127.8)	(683.4)	(619.9)
Exploration and evaluation asset expenditures	(1.0)	(4.0)	(2.1)	(60.1)
Net reclamation fund withdrawals	—	—	—	1.1
Disposition of reclamation fund	—	—	—	36.5
Change in non-cash working capital	(21.2)	(32.1)	7.4	(48.2)
Cash flow used in investing activities	(160.1)	(163.0)	(673.3)	(534.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	2.1	8.5	(251.1)	39.4
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD				
	6.4	251.1	259.6	220.2
CASH AND CASH EQUIVALENTS, END OF PERIOD				
	8.5	259.6	8.5	259.6

The following are included in cash flow from operating activities:

Income taxes paid in cash	—	2.3	20.6	14.6
Interest paid in cash	7.1	6.8	42.9	42.7

See the accompanying notes to ARC's financial statements, which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

DEFINITIONS OF OIL AND GAS RESERVES

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates as follows:

Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

INFORMATION REGARDING DISCLOSURE ON OIL AND GAS RESERVES AND OPERATIONAL INFORMATION

All amounts in this news release are stated in Canadian dollars unless otherwise specified. Where applicable, natural gas has been converted to boe based on a six thousand cubic feet of natural gas to one barrel of oil ratio. The boe rate is based on an energy equivalency conversion method primarily applicable at the burner tip, and 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. Use of boe in isolation may be misleading. In accordance with Canadian practice, production volumes and revenues are reported on a company gross basis, before deduction of Crown and other royalties, and without including any royalty interest, unless otherwise stated. Unless otherwise specified, all reserves volumes in this news release (and all information derived therefrom) are based on company gross reserves using forecast prices and costs.

This news release contains metrics commonly used in the oil and gas industry. Each of these metrics is determined by ARC as set out below. These metrics are "reserve replacement", "reserve life index", and "finding and development costs". These metrics do not have standardized meanings and may not be comparable to similar measures presented by other entities. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare ARC's performance over time, however, such measures are not reliable indicators of ARC's future performance and future performance may not compare to the performance in previous periods.

- "Reserve replacement" is calculated by dividing the annual 2P reserve additions (in boe) by ARC's annual production. Management uses this measure to determine the relative change of its reserves base over a period of time.
- "Reserve life index" or "RLI" is calculated by dividing the reserves (in boe) in the referenced category by the mid-year production guidance (in boe) for the following year. Management uses this measure to determine how long the boe reserves will last at current production rates if no further reserves were added.
- "Finding and development costs" or "F&D costs" are calculated by dividing the sum of the total capital expenditures in the year (in dollars) by the change in reserves within the applicable reserves category (in boe). F&D costs, including FDC, includes all capital expenditures in the year as well as the change in FDC required to bring the reserves within the reserves category on production.
- F&D costs take into account reserves revisions and capital revisions during the year. The aggregate of the costs in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves for that year. Management uses F&D costs as a measure of its ability to execute its capital programs (and success so) and of its asset quality.

ARC's oil and gas reserves statement for the year ended December 31, 2019, which will include complete disclosure of its oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within ARC's annual information form which will be available on or before March 31, 2020 on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

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 infrastructure development plans and the timing for completion thereof; as to the Company's expectations with respect to trends relating to operating expenses and capital efficiencies; as to ARC's strategic plans for the future including planned investment levels for 2020, increasing funds from operations through the growth of Montney assets, increasing technical expertise, reduction of GHG emission intensity and freshwater usage, securing transportation and market diversification arrangements and continued delivery of a meaningful dividend to shareholders; as to production from wells recently drilled at Attachie; as to ARC's 2020 capital program and the production and funds from operations generated therefrom in the introductory paragraphs of this news release; as to expectations with respect to natural gas commodity prices for summer 2020 as a result of changes to TC Energy's NGTL System; as to economic efficiencies of market diversification when local spot prices experience relative strength under the heading "Commodity Price Environment"; as to the Company's plans to fund ARC's dividend obligations and 2020 capital program from funds from operations and the Company's ability to maintain a net debt to annualized funds from operations ratio of between 1.0 and 1.5 during 2020 under the heading "Financial Review"; as to ARC's plans to reduce GHG emissions intensity and freshwater usage by 2021; as to the Company's strategic plans for Dawson Phase IV; as to ARC's views as to timing of certain infrastructure projects (including processing capacities, on-stream dates, and corresponding production additions) in 2020 under the heading "Operational Review"; as to ARC's 2020 capital budget, including planned infrastructure projects (including processing capacities, on-stream dates, and corresponding production additions) under the heading "Guidance"; and the recognition of significant additional reserves; the volumes and estimated value of ARC's oil and gas reserves; the future net value of ARC's reserves; the future development costs; the 2020 capital expenditure budget; the life of ARC's reserves; the volume and product mix of ARC's oil and gas production; future oil and natural gas prices; future results from operations and operating metrics; and future development, exploration, acquisition, and development activities (including drilling plans) and related production expectations under the heading "2019 Reserves".

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 2020 and beyond; the results of exploration and development activities during 2020; the continuation of the monthly \$0.05 dividend per share; 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; that ARC will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities are consistent with past results; the continued and timely development of infrastructure in areas of new production; the general continuance of current industry conditions; 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 volumes; certain commodity price and other cost assumptions; 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 volumes; limited, unfavourable, or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the potential for variation in the quality of the Montney formation; unanticipated results from ARC's exploration and development activities; 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 most recent annual information form).

The internal projections, expectations or beliefs underlying the 2020 capital budget and corporate outlook for 2020 and beyond are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. ARC's financial outlook for 2020 and beyond provides shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2020 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 of approximately \$3.5 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

[ARC Resources Ltd.](#)

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