

# ARC Resources Ltd. Reports Record Third Quarter 2021 Results, Increases Dividend, and Announces 2022 Budget

05.11.2021 | [CNW](#)

CALGARY, Nov. 4, 2021 - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") today reported its third quarter 2021 financial and operational results and announced its 2022 budget.

## HIGHLIGHTS

Q3 2021 Results - ARC delivered record quarterly production and free funds flow<sup>(1)</sup> per share, exceeding consensus expectations<sup>(2)</sup>. Average production of 353,657 boe<sup>(3)(4)</sup> per day generated funds from operations<sup>(5)</sup> of \$765 million (\$1.06 per share) and free funds flow of \$497 million (\$0.69 per share).

- Free funds flow was used to reduce net debt excluding lease obligations<sup>(5)</sup> by \$158 million and to return \$172 million of capital to shareholders through quarterly dividends of \$47 million and share repurchases of \$125 million.
- To date, ARC has repurchased approximately 20 million common shares for total consideration of \$210 million, representing 2.7 per cent of common shares outstanding.

2022 Capital Budget - ARC's board of directors (the "Board") has approved a preliminary 2022 capital budget of \$1.2 to \$1.3 billion that is expected to deliver average production in the range of 335,000 to 350,000 boe per day.

- Approximately \$1.1 billion is required to sustain production at 335,000 to 350,000 boe per day, with the balance planned for investing in an expansion at Sunrise, long-lead investments for Attachie West Phase I, and progressing several emissions-reduction initiatives.

Free Funds Flow Allocation - ARC plans to return 50 to 80 per cent of free funds flow to shareholders primarily through:

- Sustainable dividend growth as the primary long-term mechanism.
- Share repurchases when Management's view of the intrinsic value of the business exceeds ARC's share price under moderate commodity price scenarios.
- ARC plans to allocate the balance of free funds flow to debt reduction.

Dividend Increase - The Board has approved a 52 per cent increase to ARC's quarterly dividend, from \$0.066 per share to \$0.10 per share, beginning with its dividend that is expected to be paid on January 17, 2022 to shareholders of record on December 31, 2021.

- ARC now expects to exceed the \$160 million of synergies originally identified through the business combination (the "Business Combination") with [Seven Generations Energy Ltd.](#) ("Seven Generations") due to greater-than-expected capital synergies. The integration is effectively complete and ARC expects to capture all of the identified synergies by year-end.
- The dividend increase reflects ARC's conviction in its business, increased profitability, and is sustainable in a low commodity price environment.

Long-term Gas Supply Agreement - ARC has entered into a long-term gas supply agreement to deliver approximately 150 MMcf per day of natural gas from ARC's Sunrise facility to an LNG Canada participant. The agreement will commence with the start-up of LNG Canada.

ARC's unaudited condensed interim consolidated financial statements and notes (the "financial statements")

and Management's Discussion and Analysis ("MD&A") as at and for the three and nine months ended September 30, 2021, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Notes:

- (1) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" in ARC's MD&A for the three and nine months ended September 30, 2021, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).
- (2) Source: Refinitiv Eikon (October 27, 2021).
- (3) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("boe"). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl 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) 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"). 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. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (5) 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" in ARC's MD&A as at and for the three and nine months ended September 30, 2021, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).

	Three Months Ended		
	June 30, 2021	September 30, 2021	September 30, 2020
(Cdn\$ millions, except per share amounts, boe amounts, and common shares outstanding)			
<b>FINANCIAL RESULTS</b>			
Net income (loss)	(123.0)	53.6	(61.0)
Per share <sup>(2)</sup>	(0.17)	0.07	(0.08)
Cash flow from operating activities	458.9	615.0	117.0
Per share <sup>(2)</sup>	0.63	0.85	0.15
Funds from operations <sup>(3)</sup>	542.5	765.4	141.0
Per share <sup>(2)</sup>	0.75	1.06	0.25
Free funds flow <sup>(4)</sup>	249.7	497.0	92.0
Per share <sup>(2)</sup>	0.35	0.69	0.16
Dividends declared	43.5	47.1	21.0
Per share <sup>(2)</sup>	0.06	0.066	0.03
Capital expenditures before net property acquisitions (dispositions)	292.8	268.4	52.0
Capital expenditures including net property acquisitions (dispositions)	214.8	268.4	52.0
Net debt <sup>(3)</sup>	2,986.7	2,807.9	800.0
Net debt excluding lease obligations <sup>(3)</sup>	2,084.1	1,926.4	830.0
Common shares outstanding, weighted average diluted (millions)	723.1	723.1	330.0
Common shares outstanding, end of period (millions)	723.9	711.7	330.0
<b>OPERATIONAL RESULTS</b>			
Production			
Crude oil (bbl/day)	11,659	8,639	15,000
Condensate (bbl/day)	73,459	77,539	14,000
Crude oil and condensate (bbl/day)	85,118	86,178	30,000
Natural gas (MMcf/day)	1,203	1,300	700
NGLs (bbl/day)	50,020	50,891	10,000
Total (boe/day)	335,701	353,657	150,000
Average realized prices, prior to gain or loss on risk management contracts			

Crude oil (\$/bbl)	74.01	77.43	48
Condensate (\$/bbl)	77.93	85.72	48
Natural gas (\$/Mcf)	3.34	4.67	2.1
NGLs (\$/bbl)	22.19	27.92	14
Oil equivalent (\$/boe)	34.90	41.88	19
Netback (\$/boe) <sup>(4)</sup>			
Commodity sales from production	34.90	41.88	19
Royalties	(3.02)	(3.38)	(0.2)
Operating expense	(4.53)	(3.58)	(4.3)
Transportation expense	(4.49)	(4.93)	(3.1)
Netback	22.86	29.99	15
Realized gain (loss) on risk management contracts	(1.97)	(4.27)	1.1
Netback including realized gain (loss) on risk management contracts	20.89	25.72	12
TRADING STATISTICS <sup>(5)</sup>			
(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.	10.74	11.95	6.1
(2) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.	7.26	7.51	4.1
(3) 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" in ARC's MD&A as at and for the three and nine months ended September 30, 2021, available on ARC's website at <a href="http://www.arcresources.com">www.arcresources.com</a> and under ARC's SEDAR profile at <a href="http://www.sedar.com">www.sedar.com</a> .	3,309	3,034	1.1

(4) 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" in ARC's MD&A for the three and nine months ended September 30, 2021, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

#### BOARD OF DIRECTORS UPDATE

##### Director Appointment

ARC is pleased to announce that Ms. Carol Banducci has been appointed to the Board, effective immediately. Ms. Banducci is a global finance executive with over 30 years of experience in operational, corporate, and senior leadership roles. Most recently, Ms. Banducci served as Executive Vice President and Chief Financial Officer of IAMGOLD Corporation until her retirement from the company in 2021. Ms. Banducci serves on the board of directors of [HudBay Minerals Inc.](http://www.hudbay.com), is a member of the National Association of Corporate Directors (USA), the Institute of Corporate Directors and the Financial Executives Institute of Canada, and is a past member of the Canadian Board Diversity Council.

#### OUTLOOK

##### 2022 Capital Budget

The Board has approved a preliminary capital budget of \$1.2 to \$1.3 billion, which is expected to deliver production of 335,000 to 350,000 boe per day. Capital discipline and risk management are guiding principles of ARC. The Company will closely monitor and adjust its capital budget based on the outcome of the ongoing negotiations between Blueberry River First Nations and the Government of British Columbia ("BC") regarding continued resource development in the province following the June 29, 2021 BC Supreme Court ruling in Blueberry First River Nations (Yahey) v. Province of British Columbia.

The capital budget is designed to sustain production levels in the near term, return additional free funds flow to shareholders to provide a competitive total return, and invest a modest amount of capital to grow free funds flow in the future.

Notably, ARC will invest:

- Approximately \$1.1 billion of its capital budget to sustain production between 335,000 and 350,000 boe per day.
- ● ARC anticipates continuous efficiency improvement initiatives will largely offset inflationary pressures in 2022.
- ● Average drilling and completions costs at Kakwa have been reduced by 12 per cent since 2020, which includes inflationary pressures realized in 2021.
- \$115 million to expand natural gas production and processing capacity at Sunrise by 80 MMcf per day, which includes facility capital of approximately \$35 million. The expansion is expected to be brought on-stream in late 2022, bringing the area's processing capacity to 360 MMcf per day of low-cost, low-emission natural gas.
- ● ARC is pleased to announce that it has entered into a long-term gas supply agreement to deliver approximately 150 MMcf per day of natural gas from ARC's Sunrise facility to an LNG Canada participant. The agreement will commence with the start-up of LNG Canada.
- \$75 million to advance Attachie West Phase I ahead of sanctioning.
- ● ARC is fully prepared to proceed with Attachie West Phase I. Total capital expenditures required to build the facility and drill the initial wells, including the \$75 million, is expected to total approximately \$600 million over an 18 to 24-month period.
- \$45 million of environmental, social, and governance ("ESG")-related investments to reduce corporate emissions, which includes investment in the electrification of the Dawson Phase III and Phase IV facilities and several other emissions-reduction projects.

#### Free Funds Flow Allocation

ARC's goal is to deliver a competitive total return to its shareholders through a combination of sustainable return-of-capital measures and capital appreciation from profitable investments. The Company is in a strong financial position and its capital requirements are being met. As net debt excluding lease obligations reaches the low end of the Company's targeted range of 1.0 to 1.5 times annualized funds from operations under moderate commodity price assumptions, ARC intends to accelerate and increase the return-of-capital component of its total return proposition:

- ARC will return 50 to 80 per cent of free funds flow to shareholders.
- A growing dividend remains ARC's primary long-term mechanism of returning capital to shareholders. The dividend is designed to grow with the underlying profitability of the business and be sustainable during extended periods of low commodity prices.
- ARC will repurchase its shares under its normal course issuer bid ("NCIB") when Management's view of the business' intrinsic value exceeds ARC's share price under moderate commodity price scenarios.
- ARC plans to allocate the balance of free funds flow to debt reduction.
- ARC does not believe that the returns currently generated by M&A activities compete with the returns generated by investing in ARC's common shares or by developing ARC's own assets.

#### 2022 Guidance

ARC's 2022 preliminary corporate guidance is based on various commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with commodity price changes and regulatory changes. ARC's guidance provides readers with the information relevant to Management's expectations for financial and operational results for 2022. Readers are cautioned that the guidance estimates may not be appropriate

for any other purpose.

	2022 Guidance
Crude oil (bbl/day)	7,000 - 9,000
Condensate (bbl/day)	72,000 - 78,000
Crude oil and condensate (bbl/day)	79,000 - 87,000
Natural gas (MMcf/day)	1,240 - 1,280
NGLs (bbl/day)	49,000 - 51,000
Total (boe/day)	335,000 - 350,000
Expenses (\$/boe)	
Operating	4.00 - 4.50
Transportation	4.50 - 5.00
General and administrative ("G&A") expense before share-based compensation expense	0.80 - 0.90
G&A - share-based compensation expense	0.30 - 0.40
Interest and financing	0.55 - 0.65
Current income tax expense as a per cent of funds from operations	1 - 6

Capital expenditures before undeveloped land purchases and net property acquisitions (dispositions) (\$ 1.2 - 1.3 billions)

Full-year 2021 guidance for production, expenses, and capital expenditures remains unchanged. Refer to the section entitled "Annual Guidance" in ARC's MD&A for the three and nine months ended September 30, 2021, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### Q3 2021 OPERATIONAL RESULTS

#### Capital Expenditures

- ARC invested \$268 million during the third quarter of 2021 to drill 41 wells and complete 31 wells. In addition, ARC commissioned the Parkland/Tower facility expansion and sour conversion project, which allows for continued development of the lower Montney horizon and is expected to improve the area's overall deliverability and profitability.
- ARC invested \$687 million during the nine months ended September 30, 2021, which included drilling 94 wells and completing 103 wells.
- ARC has realized significant capital efficiencies at Kakwa by leveraging the Company's expertise in the Montney.
  - Average drilling and completions costs have been reduced by 12 per cent since 2020, which includes inflationary pressures realized in 2021. Drilling and completions costs per metre have been reduced by 11 per cent and 12 per cent, respectively.
  - Wider well spacing is expected to yield better deliverability per well, which ARC anticipates will result in meaningful capital efficiency improvements and increased profitability.
- ARC expects full-year 2021 capital expenditures to be at the upper end of the Company's guidance range of \$950 million to \$1.0 billion.

#### Production and Operating Expenses

- Production averaged 353,657 boe per day during the third quarter of 2021 (61 per cent natural gas and 39 per cent crude oil and liquids), increasing five per cent relative to the second quarter of 2021. Production growth was driven primarily by production at Kakwa as operations recovered from planned turnaround activities conducted in the prior period.
- ARC expects fourth quarter 2021 production to average approximately 340,000 boe per day. Fourth quarter 2021 production was partly impacted by unplanned third-party infrastructure outages at the beginning of the period, which were fully resolved by the end of October 2021.
- ARC's third quarter 2021 operating expense of \$3.58 per boe decreased 21 per cent relative to the second quarter of 2021 as a result of the planned turnaround activities that were conducted in the prior period.

## Q3 2021 FINANCIAL RESULTS

### Financial Position

#### Net Debt Excluding Lease Obligations

- ARC's net debt excluding lease obligations was \$1.9 billion or 0.9 times annualized funds from operations at the end of the third quarter of 2021, decreasing \$158 million or eight per cent from the end of the second quarter of 2021.
- ARC has reduced its net debt excluding lease obligations by approximately \$0.5 billion or 20 per cent since the closing of the Business Combination.
- Preserving a strong balance sheet through all commodity price cycles is a key tenet of ARC's long-term strategy. Given the volatility of commodity prices, ARC plans its business at conservative pricing levels. ARC plans to maintain its net debt excluding lease obligations at the lower end of its targeted range of 1.0 to 1.5 times annualized funds from operations under pricing assumptions of US\$55 per barrel WTI and Cdn\$2.50 per GJ AECO.

#### Private Senior Note Repayments

- During the third quarter of 2021, in order to optimize its capital structure and investment-grade credit rating, ARC repaid the entire principal amount outstanding of the private senior notes outlined in the following table.

Private Senior Notes	Maturity Date	Principal Amount Repaid <sup>(1)</sup>	Principal Amount Repaid <sup>(1)</sup>
		(US\$ millions)	(Cdn\$ millions)
3.72% US\$ note <sup>(2)</sup>	September 25, 2026	150.0	189.7
5.36% US\$ note	May 27, 2022	30.0	37.9
3.81% US\$ note	August 23, 2024	180.0	227.6
4.49% Cdn\$ note	August 23, 2024	N/A	24.0
<b>Total</b>			<b>479.2</b>

(1) An additional Cdn\$31 million of make-whole payments were incurred as part of the private senior note repayments.

(2) Private senior note issued under ARC's Master Shelf Agreement.

- The repayments were made with ARC's unsecured extendible revolving credit facility (the "Credit Facility"), lowering the Company's overall cost of debt to approximately 2.4 per cent.
- ARC expects interest and financing expenses to exceed full-year 2021 guidance due to the private senior note repayments.

#### Credit Facility Amendments

- On October 27, 2021, ARC amended and restated its \$2.0 billion Credit Facility to improve the Company's overall investment-grade credit profile. The tenor of the Credit Facility was extended from three to four years, and amendments to the financial covenants governing the Credit Facility were executed to align with credit facilities of other investment-grade energy companies.
- ARC currently has approximately \$1.2 billion of capacity remaining on the Credit Facility.

#### Returns to Shareholders

ARC delivered on its commitment to return capital to shareholders during the third quarter of 2021, distributing \$172 million (\$0.24 per share) through dividends and share repurchases. This represented 35 per cent of free funds flow in the period and included only one month of share repurchases, with ARC's NCIB commencing on September 1, 2021.

#### Dividends

- ARC declared a quarterly dividend of \$47 million or \$0.066 per share during the third quarter of 2021, representing a 10 per cent increase from the Company's previous quarterly dividend of \$0.06 per share.
- The Board has approved an increase of 52 per cent to ARC's quarterly dividend, from \$0.066 per share to \$0.10 per share, beginning with its dividend that is expected to be paid on January 17, 2022 to shareholders of record on December 31, 2021. The ex-dividend date is December 31, 2021.

#### Share Repurchases

- On August 30, 2021, ARC received approval from the TSX to commence an NCIB, allowing the Company to purchase up to 72.2 million of its common shares outstanding or up to 10 per cent of its public float.
- ARC repurchased 12.4 million common shares in September 2021 at a weighted average price of \$10.11 per share for total consideration of \$125 million.
- Subsequent to quarter end, ARC repurchased an additional 7.2 million common shares at a weighted average price of \$11.80 per share for total consideration of \$85 million.

#### Net Income

- ARC recognized net income of \$54 million (\$0.07 per share) in the third quarter of 2021. Increased commodity sales from production, driven by higher production and higher commodity prices, were partially offset by increased losses on ARC's risk management contracts and a reduced income tax recovery.
- ARC recognized net income of \$109 million (\$0.18 per share) during the nine months ended September 30, 2021, compared to a net loss of \$668 million (\$1.89 per share) during the nine months ended September 30, 2020.

#### Funds from Operations and Free Funds Flow

##### Funds from Operations

- ARC generated funds from operations of \$765 million (\$1.06 per share) during the third quarter of 2021, increasing \$223 million (\$0.31 per share) from the second quarter of 2021. In addition to increased commodity sales from production, lower G&A expense and lower transaction costs helped increase funds from operations in the period. Partially offsetting the increases to funds from operations were higher realized losses on ARC's risk management contracts and \$31 million of make-whole payments associated with the private senior note repayments.
- ARC's average realized natural gas price of \$4.67 per Mcf during the third quarter of 2021 was \$1.13 per Mcf higher than the average AECO 7A Monthly Index price.
- The following table details the change in funds from operations for the third quarter of 2021 relative to the second quarter of 2021.

	\$ millions	\$/share <sup>(1)</sup>
Funds from operations for the three months ended June 30, 2021	542.5	0.75
Production volumes		
Crude oil and liquids	18.2	0.02
Natural gas	33.8	0.05
Commodity prices		
Crude oil and liquids	85.1	0.13
Natural gas	159.3	0.22
Sales of commodities purchased from third parties	69.5	0.10
Interest income	(1.6)	-
Other income	(4.1)	(0.01)
Realized loss on risk management contracts	(78.7)	(0.11)
Royalties	(17.2)	(0.02)
Expenses		
Commodities purchased from third parties	(62.8)	(0.09)
Operating	21.7	0.03
Transportation	(23.3)	(0.03)
G&A	15.3	0.02
Transaction costs	16.1	0.02
Interest and financing	(27.2)	(0.04)
Current income tax	2.5	-
Realized gain (loss) on foreign exchange	15.2	0.02
Other	1.1	-
Funds from operations for the three months ended September 30, 2021	765.4	1.06

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

- ARC generated funds from operations of \$1.6 billion (\$2.63 per share) during the nine months ended September 30, 2021, compared to funds from operations of \$456 million (\$1.29 per share) during the nine months ended September 30, 2020.

#### Free Funds Flow

- Demonstrating the underlying strength of ARC's business and its high-quality assets, ARC generated free funds flow of \$497 million (\$0.69 per share) during the third quarter of 2021 and free funds flow of \$895 million (\$1.49 per share) during the nine months ended September 30, 2021.

## ESG TARGETS

ARC plays a leadership role within the energy sector with its strong ESG performance and ongoing commitment to responsible resource development. ARC has successfully integrated Seven Generations' sustainability initiatives into its broader ESG strategy, and has maintained or enhanced the Company's existing ESG targets. These targets will continue to evolve as ARC evaluates and pursues numerous opportunities across its assets and the energy value chain to enhance the Company's leadership position as a low-emission and responsible energy producer.

ARC has set the following emissions-reduction targets relative to ARC's and Seven Generations' combined 2019 emissions profiles:

- Reduce its Scope 1 and Scope 2 greenhouse gas emissions intensity by 20 per cent and its absolute emissions by a minimum of 70,000 metric tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e") by 2025, through emissions-reduction projects.
- Reduce its overall methane emissions intensity by 20 per cent by 2025.
- The 2019 baseline has been adjusted to remove emissions associated with ARC's Pembina asset, which was disposed of in the second quarter of 2021 and emitted approximately 165,000 metric tCO<sub>2</sub>e in 2019.

ARC will continue its approach of setting meaningful and achievable emissions-reduction targets over shorter timeframes to deliver industry-leading, low-emissions production.

A complete summary of ARC's ESG goals and targets, in addition to ARC's 2020 performance results, can be accessed on ARC's website at [www.arcresources.com/responsibility](http://www.arcresources.com/responsibility).

## CONFERENCE CALL

ARC's management team will be holding a conference call to discuss the Company's third quarter 2021 results and 2022 budget on Friday, November 5, 2021, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, November 5, 2021
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	31080422
Webcast URL	<a href="https://produceredition.webcasts.com/starthere.jsp?ei=1507053&amp;tp_key=068b394c79">https://produceredition.webcasts.com/starthere.jsp?ei=1507053&amp;tp_key=068b394c79</a>

Callers are encouraged to dial in 15 minutes before the start time to register for the event. A replay will be available on ARC's website at [www.arcresources.com](http://www.arcresources.com) for 30 days following the conference call.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations about the future, based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no

assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: estimated production amounts and quantities thereof; the anticipated investments in an expansion at Sunrise and in Attachie West Phase I; the planned returns to shareholders and the expected ranges of such returns; emissions-reduction targets and the associated timelines; planned ESG initiatives, priorities, and targets, and the anticipated success and timing thereof; ARC's intended approach to emissions-reduction targets and expected results thereof; the continued assessment of dividends and the payment thereof; statements with respect to the 2022 capital budget including the planned investment and allocation of the 2022 capital budget; the estimated total capital expenditures with respect to Attachie West Phase I; the anticipated ability of ARC to remain flexible in adjusting its capital budget and production guidance; ARC's plans to maintain its net debt excluding lease obligations to annualized funds from operations at the lower end of its targeted range; the expectation that ARC will fully fund the capital program and dividend with internally generated funds from operations; the expectation that interest and financing expenses will exceed full-year 2021 guidance due to ARC's private senior note repayments; intentions and strategies regarding free funds flow allocation; ARC's plans to repurchase its shares under the NCIB and the timing and anticipated benefits thereof; adjusting the capital budget based on the outcome of negotiations between Blueberry River First Nations and the Government of BC; plans to accelerate and increase the return-of-capital component or its total return proposition; ARC's 2021 and 2022 guidance estimates; plans to evaluate return-of-capital measures with excess free funds flow; and other statements.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. The material assumptions on which the forward-looking information in this news release is based, and the material risks and uncertainties underlying such forward-looking information, include: ARC's ability to successfully integrate and realize the anticipated benefits of the Business Combination as well as other completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities; ARC's ability to meet and maintain certain targets, including with respect to emissions-related and ESG performance; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; the potential implementation of new technologies and the cost thereof; the successful implementation and use of the NCIB; forecast commodity prices and other pricing assumptions with respect to ARC's 2022 capital budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in *Blueberry First River Nations (Yahey) v. Province of British Columbia* on BC and/or federal laws or policies affecting resource development in northeast BC and potential outcomes of the ongoing negotiations between Blueberry River First Nations and the Government of BC; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2021, 2022, and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that ARC will be able to proceed with Attachie West Phase I; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure; achievement of further cost reductions and sustainability thereof; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the board of directors of ARC; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; cash flows, cash balances on hand, and access to ARC's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial hedge transactions to partially mitigate a portion of ARC's risks against wider price differentials; business interruption, property and casualty losses, or unexpected technical difficulties; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; ARC's ability to obtain necessary regulatory approvals; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to oil and gas interests and operations on Indigenous lands; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; ARC's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; ARC's ability to carry out transactions on

