

ARC Resources Ltd. Reports Record Year-end 2021 Results and Reserves

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CALGARY, Feb. 9, 2022 - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") today reported its fourth quarter year-end 2021 financial and operational results as well as its year-end 2021 reserves.

2021 was a transformative year for ARC, marked by the acquisition of [Seven Generations Energy Ltd.](#) ("Seven Generations") which closed on April 6, 2021 (the "Business Combination"). Coupled with its solid financial position, ARC delivered a record operating expense and the highest free funds flow per share in its 25-year history, illustrating the underlying profitability of ARC's business.

HIGHLIGHTS

Fourth Quarter 2021 Results

- ARC recognized net income of \$678 million (\$0.96 per share), compared to net income of \$121 million (\$0.34 per share) during the fourth quarter of 2020.
- ARC delivered average production of 345,831 boe⁽¹⁾⁽²⁾ per day (62 per cent natural gas and 38 per cent crude oil) to generate cash flow from operating activities of \$669 million and funds from operations of \$834 million⁽³⁾ (\$1.19 per share).
- ARC's market diversification activities and enhanced scale continued to drive strong price realizations. ARC's average realized natural gas price of \$6.45 per Mcf⁽⁴⁾ was \$1.51 per Mcf greater than the average AECO 7A Monthly Index. ARC's average realized condensate price was \$96.90 per barrel⁽⁴⁾.
- Cash flow used in investing activities was \$269 million. ARC invested \$375 million into capital expenditures⁽⁵⁾, which was allocated across the Company's Alberta and northeast British Columbia ("BC") assets, and included accelerating approximately \$50 million of its 2022 capital expenditure budget for Attachie West Phase I to begin securing long-term gas supply. Accordingly, ARC's 2022 capital expenditure guidance has been lowered to a range of \$1.15 to \$1.25 billion.
- ARC generated free funds flow of \$459 million⁽⁵⁾ (\$0.65 per share)⁽⁶⁾, returning \$289 million (\$0.41 per share), or 100 per cent of its 2021 free funds flow, to shareholders through a combination of dividends and share repurchases. The remaining free funds flow generated in 2021 was used to strengthen ARC's balance sheet, with ARC exiting 2021 with long-term debt of \$1.7 billion and 0.8 times funds from operations⁽³⁾ or 0.8 times funds from operations⁽³⁾.

Year-end 2021 Results

- ARC recognized net income of \$787 million (\$1.25 per share) in 2021, compared to a net loss of \$547 million (\$1.00 per share) in 2020. Cash flow from operating activities was \$2.0 billion and funds from operations were \$2.4 billion (\$1.25 per share).
- ARC maintained its industry-leading safety performance, surpassing eight years without an employee lost-time injury. ARC delivered an operating expense of \$3.86 per boe⁽⁴⁾, the lowest annual operating expense per boe in the Company's history, reflecting the low cost structure associated with owning and operating its infrastructure.
- ARC executed its 2021 capital program safely and efficiently. Cash flow used in investing activities totalled \$808 million and capital expenditures of \$1,062 million delivering record annual average production of 302,003 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).
- ARC successfully integrated Seven Generations and has now captured approximately \$190 million in synergies, surpassing initial expectations of \$110 million in annual savings due to synergies of the Business Combination.
- ARC advanced its marketing strategy by entering into its first long-term gas supply agreement to deliver approximately 100 million cubic feet ("MMcf") per day of natural gas from ARC's Sunrise facility to an LNG Canada participant. The agreement, as previously announced in November 2021, will commence with the start-up of LNG Canada.
- Free funds flow per share was the highest in ARC's 25-year history. ARC generated \$1.4 billion (\$2.16 per share) in free funds flow, which included nine months of contribution from the Kakwa asset acquired through the Business Combination. ARC delivered an 18 per cent return on average capital employed⁽⁷⁾ ("ROACE").
- ARC declared dividends of \$181 million or \$0.286 per share⁽⁴⁾ in 2021, and since September 2021, has repurchased \$1.1 billion of its common shares outstanding at a weighted average price of \$11.34 per share for total consideration of \$1.1 billion.

Year-end 2021 Reserves⁽¹⁾⁽⁸⁾

- ARC nearly doubled its reserves volumes and tripled its reserves value through high-value liquids additions from Business Combination and strong organic additions across ARC's portfolio. Year-end 2021 proved producing ("PDP") reserves increased by 88 per cent to 503 million boe ("MMboe"), total proved ("TP") reserves increased by 96 per cent to 1,761 MMboe, and proved plus probable ("2P") reserves increased by 90 per cent to 1,761 MMboe at year-end 2021.
- ARC's before-tax net present value ("NPV") of 2P reserves, discounted at 10 per cent, substantially increased to approximately \$23.00 per share⁽⁹⁾ at December 31, 2021. The year-over-year increase was driven by additions from Business Combination, positive organic technical revisions, and stronger average commodity prices. ARC's 2P NPV is based on the development of approximately 15 per cent of the Company's total internal inventory estimate; Attachie contributes more than four per cent of total 2P locations.

ARC's audited consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three months and year ended December 31, 2021, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com. The disclosure under the section "Non-GAAP Financial Measures" in ARC's MD&A as at and for the three months and year ended December 31, 2021 (the "2021 MD&A") is incorporated by reference into this news release.

- (1) ARC has adopted the standard six thousand cubic feet ("Mcf") of natural gas 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.
- (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"). 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, with the exception of reserves data presented under the section "2021 Reserves". Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (3) See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
- (4) See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (5) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this news release. See "Non-GAAP and Other Financial Measures" of this news release for the most directly comparable financial measure disclosed in ARC's current financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.
- (6) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.
- (7) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Adjusted earnings before interest and taxes and average capital employed, each non-GAAP financial measures, are used as components of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.
- (8) GLJ Ltd. ("GLJ") conducted an Independent Qualified Reserves Evaluation ("Reserves Evaluation"), effective December 31, 2021, which was prepared in accordance with definitions, standards, and procedures in the Financial Industry Operations Manual ("FOIOM") Handbook and NI 51-101. The Reserves Evaluation was based on GLJ forecast pricing and foreign exchange rates at January 1, 2022.
- (9) See "Non-GAAP and Other Financial Measures" of this news release for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

	Three Months Ended	
	September 30, 2021	December 2021
(Cdn\$ millions, except per share amounts ⁽¹⁾ , boe amounts, and common shares outstanding)		
FINANCIAL RESULTS		
Net income (loss)	53.6	678.0
Per share	0.07	0.96
Cash flow from operating activities	615.0	668.7
Per share ⁽³⁾	0.85	0.95
Funds from operations	765.4	833.6
Per share	1.06	1.19
Free funds flow	497.0	458.7
Per share	0.69	0.65
Dividends declared	47.1	69.5
Per share	0.066	0.10
Cash flow used in investing activities	228.8	268.7
Capital expenditures	268.4	374.9
Long-term debt	1,849.0	1,705.3
Net debt	1,926.4	1,828.7
Common shares outstanding, weighted average diluted (millions)	723.1	703.0
Common shares outstanding, end of period (millions)	711.7	693.5
OPERATIONAL RESULTS		
Production		
Crude oil (bbl/day)	8,639	7,857
Condensate (bbl/day)	77,539	74,220
Crude oil and condensate (bbl/day)	86,178	82,077
Natural gas (MMcf/day)	1,300	1,293
NGLs (bbl/day)	50,891	48,299
Total (boe/day)	353,657	345,831

Average realized price		
Crude oil (\$/bbl) ⁽³⁾	77.43	92.11
Condensate (\$/bbl) ⁽³⁾	85.72	96.90
Natural gas (\$/Mcf) ⁽³⁾	4.67	6.45
NGLs (\$/bbl) ⁽³⁾	27.92	27.65
Average realized price (\$/boe) ⁽³⁾	41.88	50.87
Netback		
Commodity sales from production (\$/boe) ⁽³⁾	41.88	50.87
Royalties (\$/boe) ⁽³⁾	(3.38)	(5.44)
Operating expense (\$/boe) ⁽³⁾	(3.58)	(3.50)
Transportation expense (\$/boe) ⁽³⁾	(4.93)	(5.47)
Netback (\$/boe) ⁽⁴⁾	29.99	36.46
TRADING STATISTICS ⁽⁵⁾		
High price	11.95	13.34
Low price	7.51	10.20
Closing price	11.87	11.50
Average daily volume (thousand shares)		3,173

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

(2) 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.

(3) See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(4) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.

(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.

OUTLOOK

- Building on the momentum generated in 2021, ARC's near-term priority is to provide investors with an attractive total return by balancing profitable reinvestment in the Company's assets with meaningful returns of capital delivered to shareholders. In 2022, ARC plans to sustain its current levels of production, increase productive capacity at Sunrise, and proceed with development at Attachie once the BC regulatory environment becomes more certain. While commodity prices are volatile, ARC will remain disciplined and does not plan to accelerate capital investments in growth projects beyond what is planned for Sunrise and Attachie. Instead, ARC plans to allocate surplus funds from operations to debt reduction and returns to shareholders.
- Between 50 and 80 per cent of free funds flow generated in 2022 will be delivered to shareholders through the balance sheet and share repurchases, with the balance directed to further strengthening ARC's financial position.

- 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.
- Share repurchases will continue to be executed, as the intrinsic value of ARC's shares under lower commodity price assumptions exceeds the current market trading price.
- ARC remains fully prepared to execute its Attachie West Phase I development project once the BC regulatory environment supports such investment.
- At this time, ARC believes anticipated returns generated by mergers and acquisitions do not compete with the returns generated by investing in ARC's common shares or developing its assets organically.

2022 Guidance

- ARC is lowering its 2022 capital expenditure guidance by \$50 million to a revised range of \$1.15 to \$1.25 billion. This reduction reflects the portion of the original 2022 capital expenditure budget for Attachie West Phase I that was allocated into 2021. Production and all other previously disclosed guidance for 2022 remain unchanged. ARC continues to expect that it will offset inflationary pressures in 2022 through continued efficiency improvement initiatives.

	2022 Guidance	2022 Rev Estimate
Production		
Crude oil (bbl/day)	7,000 - 9,000	7,000 - 9,000
Condensate (bbl/day)	72,000 - 78,000	72,000 - 78,000
Crude oil and condensate (bbl/day)	79,000 - 87,000	79,000 - 87,000
Natural gas (MMcf/day)	1,240 - 1,280	1,240 - 1,280
NGLs (bbl/day)	49,000 - 51,000	49,000 - 51,000
Total (boe/day)	335,000 - 350,000	335,000 - 350,000
Expenses (\$/boe) ⁽¹⁾		
Operating	4.00 - 4.50	4.00 - 4.50
Transportation	4.50 - 5.00	4.50 - 5.00
General and administrative ("G&A") expense before share-based compensation expense	0.80 - 0.90	0.80 - 0.90
G&A - share-based compensation expense	0.30 - 0.40	0.30 - 0.40
Interest and financing	0.55 - 0.65	0.55 - 0.65
Current income tax expense as a per cent of funds from operations ⁽¹⁾	1 - 6	1 - 6
Capital expenditures (\$ billions)	1.2 - 1.3	1.15 - 1.2

(1) See "Non-GAAP and Other Financial Measures" in the 2021 Annual MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

- For a summary of ARC's full-year 2021 actuals for production, expenses, and capital expenditures, as compared to 2020, see "Annual Guidance" in the 2021 Annual MD&A.

OPERATIONAL RESULTS

Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$269 million during the fourth quarter of 2021. Of this, ARC invested \$33 million into capital expenditures. In addition to drilling 47 wells and completing 29 wells, ARC accelerated approximately 25 per cent of the 2022 capital expenditure budget for Attachie West Phase I into the fourth quarter of 2021 to begin securing items.
- ARC's cash flow used in investing activities totalled \$808 million in 2021, of which \$1,062 million was invested into capital expenditures. During the year, ARC drilled 141 wells, completed 132 wells, and brought on-stream two small infrastructure optimization and expansion projects at Sunrise and Parkland. The following table details ARC's 2021 capital activities.

Area	Year Ended December 31, 2021	
	Wells Drilled ⁽¹⁾	Wells Completed ⁽¹⁾
Kakwa ⁽²⁾	65	61
Greater Dawson	45	38
Sunrise	18	18
Ante Creek	13	15
Total	141	132

(1) Wells drilled and completed for operated assets only.

(2) Assets acquired through the Business Combination, which closed on April 6, 2021.

- By leveraging the Company's expertise in the Montney and the increased scale achieved through the Business Combination, ARC captured drilling and completions efficiency improvements of approximately \$60 million in 2021, exceeding its expectations of \$25 million.
- At Kakwa, ARC expects that capital expenditures required to sustain production could be reduced by approximately 10 per cent over time, as the Company continues to evaluate the results from implementing wider well spacing and modifying its well and pad design. Initial results indicate improved resource deliverability and therefore greater overall profitability for the Kakwa asset.

Production and Operating Expense

Production

- ARC's production averaged 345,831 boe per day during the fourth quarter of 2021 (62 per cent natural gas and 38 per cent crude oil and liquids), decreasing two per cent from the third quarter of 2021 due to unplanned third-party infrastructure outages in the period.
- Full-year 2021 production averaged a record 302,003 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids). Strong operational performance and excellent facility run-times across all areas resulted in full-year average production reaching the high end of the Company's guidance range of 287,000 to 302,000 boe per day.

Operating Expense

- ARC's fourth quarter 2021 operating expense per boe of \$3.50 decreased two per cent from the third quarter of 2021.
- ARC demonstrated excellent cost control by delivering an operating expense per boe of \$3.86 for the year, the lowest operating expense per boe in the Company's 25-year history. Consequently, ARC's full-year 2021 operating expense was one per cent below the Company's guidance range of \$3.90 to \$4.40.

Physical Marketing

Average Realized Prices

- ARC's expanded sales portfolio has significantly enhanced the Company's ability to generate value through its production and marketing activities. During the fourth quarter of 2021, ARC's average realized natural gas price of \$6.45 per Mcf, or 31 per cent greater than the average AECO 7A Monthly Index price.
- Strong liquids pricing also helped drive commodity sales from production higher in the fourth quarter of 2021. ARC's average realized condensate price of \$96.90 per barrel increased 13 per cent, and ARC's average realized crude oil price per barrel increased 19 per cent relative to the third quarter of 2021. ARC's average realized NGLs price of \$27.6 per barrel was unchanged.

Transportation Arrangements

- ARC has right-sized its natural gas transportation agreement with Alliance Pipeline. The four-year deal includes a new contract and takes effect on November 1, 2022.
- ARC continues to execute its strategy of diversifying the markets where the Company sells natural gas. Through this strategy, ARC gains exposure to increases in regional pricing as well as mitigates price concentration risk. The following table shows the sales markets where ARC's natural gas volumes are exposed in 2022.

Natural Gas Sales Market	2022 Natural Gas Sales Exposure ⁽¹⁾
Midwest US	45%
Western Canadian Sedimentary Basin	23%
Malin	12%
Henry Hub	11%
Dawn	9%
Total	100%

(1) Natural gas sales exposure based on internal volume and marketing assumptions, adjusted for ARC's heat content, and prior to financial risk management contracts.

Transportation Expense

- ARC's fourth quarter 2021 transportation expense per boe of \$5.47 increased 11 per cent from the third quarter of 2021, primarily due to a one-time charge of \$14 million associated with a legacy condensate and NGLs transportation contract.
- ARC's full-year 2021 transportation expense per boe of \$4.79 was in line with guidance of \$4.50 to \$5.00.

FINANCIAL RESULTS

Financial Position

- ARC exited 2021 with a long-term debt balance of \$1.7 billion and net debt of \$1.8 billion or 0.8 times funds from operations. During the fourth quarter of 2021, ARC reduced long-term debt by \$144 million and net debt by \$98 million. ARC significantly bolstered its financial position since the closing of the Business Combination, having reduced net debt by approximately \$0.6 billion or 25 per cent.
- As of December 31, 2021, the Company had \$1.0 billion of senior notes outstanding and \$0.7 billion in borrowing capacity under a \$2.0 billion credit facility.

Returns to Shareholders

ARC distributed \$289 million (\$0.41 per share), or 63 per cent of free funds flow to shareholders during the fourth quarter of 2021 through a combination of dividends and share repurchases.

Dividends

- ARC declared a quarterly dividend of \$70 million or \$0.10 per share during the fourth quarter of 2021, representing a 50 per cent increase from the Company's previous quarterly dividend of \$0.066 per share.

- ARC declared dividends of \$181 million or \$0.286 per share in 2021. A growing dividend remains ARC's primary method of returning capital to shareholders over the long term.
- Share Repurchases
- ARC repurchased 18.5 million common shares during the fourth quarter of 2021 at a weighted average price of \$11.89 per share for total consideration of \$220 million.
- Since its normal course issuer bid ("NCIB") commenced on September 1, 2021, ARC has repurchased 33.6 million common shares at a weighted average price of \$11.34 per share for total consideration of \$381 million, representing 4.6 percent of total shares outstanding.

Net Income

- ARC recognized net income of \$678 million (\$0.96 per share) in the fourth quarter of 2021, compared to net income of \$547 million (\$0.07 per share) in the third quarter of 2021. Increased commodity sales from production, driven by higher realized commodity prices, and reduced losses on ARC's risk management contracts were partially offset by an increase in ARC's income tax expense.
- ARC recognized net income of \$787 million (\$1.25 per share) during the year ended December 31, 2021, compared to a net loss of \$547 million (\$1.55 per share) during the year ended December 31, 2020.

Cash Flow from Operating Activities, Funds from Operations, and Free Funds Flow

Cash Flow from Operating Activities

- Fourth quarter and full-year 2021 cash flow from operating activities were \$669 million and \$2.0 billion, respectively.

Funds from Operations

- ARC generated funds from operations of \$834 million (\$1.19 per share) during the fourth quarter of 2021, an increase from \$721 million (\$0.13 per share) from the third quarter of 2021. Increased commodity sales from production were partially offset by higher realized losses on ARC's risk management contracts and increased royalties.
- During the fourth quarter of 2021, ARC recorded a \$14 million current income tax recovery, primarily attributed to the recognition of investment tax credits and scientific research and experimental development deductions related to investments made in prior periods.
- The following table details the change in funds from operations for the fourth quarter of 2021 relative to the third quarter of 2021.

Funds from Operations Reconciliation	\$ millions	\$/share ⁽¹⁾
Funds from operations for the three months ended September 30, 2021	765.4	1.06
Production volumes		
Crude oil and liquids	(38.4)	(0.06)
Natural gas	(3.1)	-
Commodity prices		
Crude oil and liquids	85.9	0.13
Natural gas	211.5	0.29
Sales of commodities purchased from third parties	0.2	-
Other income	2.5	-
Realized loss on risk management contracts	(142.6)	(0.20)
Royalties	(63.0)	(0.09)
Expenses		
Commodities purchased from third parties	(10.4)	(0.01)
Operating	5.1	0.01
Transportation	(13.9)	(0.02)
G&A	(5.5)	(0.01)
Transaction costs	(0.8)	-
Interest and financing	35.5	0.05
Current income tax	14.1	0.02
Realized gain (loss) on foreign exchange	(6.2)	(0.01)
Other	(2.7)	-
Weighted average shares, diluted	-	0.03
Funds from operations for the three months ended December 31, 2021	833.6	1.19

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

- ARC generated funds from operations of \$2.4 billion (\$3.85 per share) in 2021, an increase of \$1.7 billion (\$1.96 per share) from 2020.

Free Funds Flow

- ARC generated free funds flow of \$459 million (\$0.65 per share) during the fourth quarter of 2021. \$289 million of free funds flow was allocated to returns to shareholders, with the remaining free funds flow allocated to strengthen ARC's balance sheet.
- Full-year 2021 free funds flow totalled \$1.4 billion (\$2.16 per share), increasing \$1.0 billion (\$1.24 per share) from 2020.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") REVIEW

ARC has a long track record of leadership in ESG performance. Over the past decade, ARC was one of few North American energy producers to reduce its absolute emissions, while simultaneously growing its production profitably. ARC remains committed to responsible resource development, reducing absolute emissions, and is evaluating several opportunities across the energy value chain to bolster its position as an ESG leader.

ARC has recently received the following recognitions for its leading ESG performance:

- ARC's ongoing promotion of diversity and inclusion was recognized in 2021, with the Company's inclusion in the Gender Equality Index for the second consecutive year. ARC was the only Canadian exploration and production company included in the index. ARC has achieved its target of 30 per cent female representation at the Board of Directors and executive levels.
- ARC completed the annual Equitable Origin EO100™ assessment for its Kakwa asset, maintaining its certification as a responsible energy developer. ARC is currently undergoing the certification process for its northeast BC assets.

2021 RESERVES

- The acquisition of the Kakwa asset roughly doubled ARC's reserves volumes, while development additions replaced more than 100 per cent of production in all reserves categories, reflecting ARC's successful operational execution throughout 2021. Through development additions, PDP reserves increased by 119 per cent, TP reserves increased by 132 per cent, and 2P reserves increased by 143 per cent.
- Reserves were replaced at attractive finding and development ("F&D") costs, which resulted in F&D recycle ratios including future development costs ("FDC"), ranging from 3.4 times to 4.0 times⁽¹⁾.
- ARC's before-tax NPV for 2P reserves, discounted at 10 per cent, was \$15.9 billion, or approximately \$23.00 per barrel at December 31, 2021, tripling from ARC's 2P NPV at December 31, 2020.
- As the largest pure-play Montney producer, ARC has decades of top-tier drilling inventory within its portfolio. At December 31, 2021, ARC has booked approximately 900 gross 2P locations, representing approximately 15 per cent of the Company's total gross internal inventory estimates. 2P locations at Attachie account for less than four per cent of total 2P locations.
- ARC's NPV was determined using GLJ forecast pricing and foreign exchange rates at January 1, 2022, with a 10-year average WTI price of US\$72 per barrel and a 10-year average AECO price of \$3.35 per million British thermal units ("MMBtu").
- FDC for 2P reserves totalled \$7.4 billion at December 31, 2021 as compared to \$3.2 billion at December 31, 2020.
- FDC of \$4.4 billion was added due to the acquisition of the Kakwa asset.
- FDC of \$0.2 billion was removed for the disposition of ARC's Pembina asset.

(1) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Netback per boe, a non-GAAP financial ratio, and capital expenditures and adjusted net capital acquisitions, both non-GAAP financial measures, are used as components of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" of this news release for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio.

Reserves Reconciliation

Reserves Reconciliation	Light, Medium, and Heavy Oil ⁽²⁾ (Mbbbl)	Tight Oil (Mbbbl)	NGLs ⁽³⁾ (Mbbbl)	Total Oil and NGLs ⁽⁴⁾ (Mbbbl)	Natural Gas ⁽⁵⁾ (MMcf)	Oil Equivalent (Mboe)
Company Gross ⁽¹⁾						
Proved Producing						
Opening Balance, December 31, 2020	24,516	10,984	31,828	67,238	1,203,981	267,991
Extensions and Improved Recovery ⁽⁶⁾	-	1,233	34,549	35,782	443,873	109,761

Technical Revisions	4	(10)	4,355	4,350	90,266	19,394
Acquisitions	-	243	126,209	126,452	712,101	245,135
Dispositions	(23,206)	-	(1,527)	(24,732)	(41,579)	(31,662)
Economic Factors	-	429	79	508	10,641	2,282
Production	(827)	(2,916)	(36,511)	(40,254)	(419,198)	(110,120)
Ending Balance, December 31, 2021	487	9,962	158,983	169,433	2,000,085	502,780
Total Proved						
Opening Balance, December 31, 2020	32,911	19,538	84,110	136,558	2,799,765	603,185
Extensions and Improved Recovery ⁽⁶⁾	-	1,622	28,004	29,626	519,252	116,168
Technical Revisions	(10)	(719)	7,364	6,634	97,848	22,942
Acquisitions	-	243	310,020	310,263	1,702,602	594,030
Dispositions	(31,586)	-	(2,276)	(33,862)	(82,267)	(47,574)
Economic Factors	-	651	766	1,417	29,239	6,290
Production	(827)	(2,916)	(36,511)	(40,254)	(419,198)	(110,120)
Ending Balance, December 31, 2021	488	18,418	391,476	410,381	4,647,242	1,184,922
Proved plus Probable						
Opening Balance, December 31, 2020	42,690	32,434	137,536	212,660	4,297,945	928,984
Extensions and Improved Recovery ⁽⁶⁾	-	1,673	33,175	34,848	615,745	137,472
Technical Revisions	(21)	(1,622)	5,319	3,676	54,509	12,761
Acquisitions	-	281	439,749	440,030	2,451,784	848,660
Dispositions	(41,189)	-	(3,145)	(44,333)	(118,302)	(64,050)
Economic Factors	-	749	240	990	35,708	6,941
Production	(827)	(2,916)	(36,511)	(40,254)	(419,198)	(110,120)
Ending Balance, December 31, 2021	654	30,598	576,364	607,616	6,918,191	1,760,648

- (1) Amounts may not add due to rounding.
- (2) Light, Medium, and Heavy Oil includes light, medium, and heavy crude oil product types, as light and medium oil make up less than one per cent of total light, medium, and heavy crude oil and is therefore considered to be immaterial.
- (3) Condensate and pentanes plus represented 52 per cent of PDP NGLs reserves, 60 per cent of TP NGLs reserves, and 61 per cent of 2P NGLs reserves for the respective opening balances at December 31, 2020. Condensate and pentanes plus represent 62 per cent of PDP NGLs reserves, 66 per cent of TP NGLs reserves, and 67 per cent of 2P NGLs reserves for the respective ending balances at December 31, 2021.
- (4) Total Oil and NGLs represents the summation of Light, Medium, and Heavy Oil, Tight Oil, and NGLs.
- (5) Natural Gas includes shale gas and conventional natural gas product types, as conventional natural gas makes up less than one per cent of total gas and is therefore considered to be immaterial.
- (6) Reserves additions for discoveries, infill drilling, improved recovery, and extensions are combined and reported as "Extensions and Improved Recovery".

Net Present Value Summary

- For a summary of the GLJ forecast pricing and foreign exchange rates used to evaluate ARC's reserves, see "2020 Independent Qualified Reserves Evaluation" of this news release.

(\$ millions)	Undiscounted	Discounted at 10%
Before-tax NPV ⁽¹⁾⁽²⁾		
Proved Producing	7,375	5,601
Proved Developed Non-producing	1,306	953
Proved Undeveloped	9,477	4,770
Total Proved	18,158	11,325
Probable	11,314	4,571
Proved plus Probable	29,472	15,895
After-tax NPV ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾		
Proved Producing	6,778	5,227
Proved Developed Non-producing	992	722
Proved Undeveloped	7,160	3,425
Total Proved	14,929	9,374
Probable	8,615	3,420
Proved plus Probable	23,544	12,794

(1) Amounts may not add due to rounding.

(2) Based on NI 51-101 company net interest reserves and GLJ forecast pricing and foreign exchange rates and costs at January 1, 2022.

(3) Based on ARC's estimated tax pools at December 31, 2021.

(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 and does not necessarily reflect the business entity tax-level situation or tax planning. For information at the business entity level, see "Taxes" in the 2021 Annual MD&A.

Finding, Development and Acquisition ("FD&A") Costs

- ARC delivered a 2P F&D cost, including FDC, of \$7.28 per boe⁽¹⁾ from development additions in 2021, continuing to demonstrate the high-quality nature of its Montney assets and the Company's ability to consistently deliver strong performance through efficient development planning and operational execution. Including net acquisitions and dispositions, ARC's 2021 F&D cost, including FDC, was \$10.39 per boe⁽¹⁾.
- The year-over-year increase in F&D costs reflects the Company's higher proportion of liquids reserves within its portfolio as a result of the Business Combination.

	F&D Cost ⁽²⁾ (\$/boe)	FD&A Cost ⁽²⁾ (\$/boe)	F&D Recycle Ratio ⁽²⁾	FD&A Recycle Ratio ⁽²⁾
Proved Producing ⁽³⁾				
2021	8.48	16.75	3.4	1.7
2020	4.29	4.33	2.7	2.6
2019	9.74	9.85	1.4	1.4
Three-year Average ⁽⁴⁾	7.69	14.02	2.7	1.5
Total Proved ⁽³⁾				
2021	7.78	12.68	3.8	2.3
2020	2.60	2.07	4.4	5.5
2019	5.64	5.66	2.5	2.5
Three-year Average ⁽⁴⁾	5.80	11.07	3.6	1.9
Proved plus Probable ⁽³⁾				
2021	7.28	10.39	4.0	2.8
2020	2.34	1.89	4.9	6.1
2019	4.82	4.84	2.9	2.9
Three-year Average ⁽⁴⁾	5.07	9.38	4.1	2.2

- (1) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Capital expenditures and adjusted net capital acquisitions, both non-GAAP financial measures, are used as components of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" of this news release for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio.
- (2) F&D and FD&A costs and recycle ratios take into account reserves revisions during the year on a per boe basis, and include FDC.
- (3) The aggregate of the exploration and development costs incurred in the financial year and the changes during that year in estimated FDC may not reflect the total F&D and FD&A costs related to reserves additions for that year.
- (4) Three-year average F&D and FD&A costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions over the three prior years. The three-year average recycle ratio is calculated as the three-year F&D or FD&A costs divided by the three-year average netback per boe.

ORGANIZATIONAL UPDATE

ARC is pleased to announce the following changes to its senior leadership team:

- Lara Conrad - Chief Development Officer (ARC employee since 2011)
- Armin Jahangiri - Chief Operating Officer (ARC employee since 2014)
- Ryan Berrett - Senior Vice President, Marketing (ARC employee since 2003)
- Lisa Olsen - Senior Vice President, People and Corporate (ARC employee since 2008)

For biographies of ARC's senior leadership team members, see ARC's website at www.arcresources.com.

CONFERENCE CALL

ARC's senior leadership team will be holding a conference call to discuss the Company's 2021 year-end results on Friday, February 11, 2022, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, February 11, 2022
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	03374224
Webcast URL	https://produceredition.webcasts.com/starthere.jsp?ei=1525226&tp_key=ddc32bf441

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 for 30 days following the conference call.

CONSOLIDATED BALANCE SHEETS (unaudited)

As at

Cdn\$ millions	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	-	0.4
Inventory	22.3	1.6
Accounts receivable	672.0	145.9
Prepaid expense	35.6	8.4
Risk management contracts	0.1	6.0
	730.0	162.3
Long-term investment	2.5	-
Exploration and evaluation assets	277.9	214.9
Property, plant and equipment	9,265.6	4,284.3
Right-of-use assets	856.1	44.5
Goodwill	248.2	248.2
Total assets	11,380.3	4,954.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	761.5	125.0
Current portion of lease obligations	109.3	15.3
Current portion of long-term debt	-	146.7
Current portion of other deferred liabilities	90.5	-
Current portion of asset retirement obligation	15.0	19.0
Dividends payable	69.5	21.3
Risk management contracts	465.3	40.4
	1,511.1	367.7
Risk management contracts	171.9	44.4
Long-term portion of lease obligations	760.0	33.9
Long-term debt	1,705.3	555.2
Long-term incentive compensation liability		

40.8

32.0

Other deferred liabilities	154.2	16.3
Asset retirement obligation	535.3	522.7
Deferred taxes	574.2	591.4
Total liabilities	5,452.8	2,163.6
SHAREHOLDERS' EQUITY		
Shareholders' capital	7,221.1	4,658.2
Contributed surplus	46.3	36.5
Deficit	(1,337.4)	(1,904.1)
Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2021, comprehensive basis on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.		
Total shareholders' equity	5,927.5	2,790.6
CONSOLIDATED STATEMENTS OF INCOME (unaudited)		
Total liabilities and shareholders' equity	11,380.3	4,954.2

for the year ended December 31, 2021, comprehensive basis on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

	Three Months Ended		Year
	2021	2020	2021
(Cdn\$ millions, except per share amounts)			
Commodity sales from production	1,618.5	363.1	4,577.1
Royalties	(172.7)	(16.1)	(400.0)
Sales of commodities purchased from third parties	329.9	4.9	938.0
Revenue from commodity sales	1,775.7	351.9	5,115.1
Interest income	0.1	0.1	1.9
Other income	3.5	4.6	15.6
Gain (loss) on risk management contracts	103.4	49.3	(1,000.0)
Total revenue, interest income, other income, and gain (loss) on risk management contracts	1,882.7	405.9	4,081.6
Commodities purchased from third parties	322.4	4.4	903.0
Operating	111.5	62.0	425.0
Transportation	174.2	46.2	528.0
Exploration and evaluation	-	7.1	-
General and administrative	46.0	22.9	167.0
Transaction costs			





Interest and financing	24.2	9.9	126
Impairment (reversal of impairment) of financial assets	2.0	(0.2)	4.0
Depletion, depreciation and amortization	320.1	128.4	1,06
Impairment (reversal of impairment)	-	-	(13)
Gain on foreign exchange	(5.5)	(24.8)	(11.
Total expenses	994.9	255.9	3,09
Net income (loss) before income taxes	887.8	150.0	995
Provision for (recovery of) income taxes			
Current	(14.0)	8.1	33.7
Deferred	223.8	21.1	174
Total income taxes (recovery)	209.8	29.2	208
Net income (loss)	678.0	120.8	786
Net income (loss) per share	0.97	0.34	1.26
Diluted	0.96	0.34	1.25

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2021, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

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

	Three Months Ended		Y
	2021	2020	
(Cdn\$ millions)			2
Net income (loss)	678.0	120.8	7
Items that may be reclassified to the consolidated statements of income in subsequent periods:			
Net unrealized loss on foreign currency translation adjustment	(0.9)	-	(
Comprehensive income (loss)	677.1	120.8	7

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2021, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

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

(Cdn\$ millions)	Shareholders' Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
January 1, 2020	4,658.3	32.2	(1,250.6)	-	3,439.9
Comprehensive loss	-	-	(547.2)	-	(547.2)
Recognized under share-based compensation plans	(0.1)	4.3	-	-	4.2
Dividends declared	-	-	(106.3)	-	(106.3)
December 31, 2020	4,658.2	36.5	(1,904.1)	-	2,790.6
Comprehensive income	-	-	786.6	(2.5)	784.1
Issued upon close of Business Combination	2,903.5	10.5	-	-	2,914.0
Recognized under share-based compensation plans	0.3	3.3	-	-	3.6
Recognized on exercise of share options	17.7	(4.0)	-	-	13.7
Repurchase of shares for cancellation	(321.1)	-	(24.1)	-	(345.2)
Change in liability for share purchase commitment	(37.5)	-	(14.4)	-	(51.9)
Dividends declared	-	-	(181.4)	-	(181.4)
December 31, 2021	7,221.1	46.3	(1,337.4)	(2.5)	5,927.5

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2021, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months and years ended December 31

	Three Months Ended		Year Ended	
	2021	2020	2021	2020
(Cdn\$ millions)				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	678.0	120.8	786.6	(547.2)
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	(384.9)	(40.5)	534.2	89.6
Accretion of asset retirement obligation	2.6	1.5	9.5	6.3
Impairment (reversal of impairment) of financial assets	2.0	(0.2)	4.0	12.9
Depletion, depreciation and amortization	320.1	128.4	1,063.6	523.6
Impairment (reversal of impairment)	-	-	(137.5)	750.3
Exploration and evaluation	-	7.1	-	7.1
Unrealized loss (gain) on foreign exchange	(7.3)	(26.3)	(22.2)	2.1
Deferred taxes	223.8	21.1	174.8	(180.9)
Other	(0.7)	0.1	2.4	3.8
Net change in other liabilities	(56.4)	2.7	(224.8)	7.6
Change in non-cash working capital	(108.5)	(13.6)	(184.1)	(19.5)
Cash flow from operating activities	668.7	201.1	2,006.5	655.7
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	2,605.2	468.9	6,628.7	2,209.2
Issuance of senior notes	-	-	1,000.0	-
Repayment of long-term debt	(2,739.7)	(567.5)	(8,304.7)	(2,387.9)
Proceeds from exercise of share options	3.4	-	13.9	-
Repurchase of shares	(229.2)	-	(340.6)	-
Repayment of principal relating to lease obligations	(19.8)	(3.9)	(63.0)	(18.1)
Cash dividends paid	(47.1)	(21.3)	(133.1)	(102.7)
Cash flow used in financing activities	(427.2)	(123.8)	(1,198.8)	(299.5)
CASH FLOW USED IN INVESTING ACTIVITIES				
Cash acquired upon close of Business Combination	-	-	4.9	-

Acquisition of crude oil and natural gas assets	(0.2)	(0.2)	(1.1)	(0.2)
Disposal of crude oil and natural gas assets	0.7	1.8	79.7	1.8
Property, plant and equipment development expenditures	(371.7)	(75.3)	(1,051.5)	(334.6)
Exploration and evaluation asset expenditures	(0.7)	(0.2)	(2.3)	(0.7)
Long-term investment	(2.5)	-	(2.5)	-
Change in non-cash working capital	105.7	(5.4)	164.7	(30.6)
Cash flow used in investing activities	(268.7)	(79.3)	(808.1)	(364.3)
DECREASE IN CASH AND CASH EQUIVALENTS	(27.2)	(2.0)	(0.4)	(8.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	27.2	2.4	0.4	8.5
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	0.4	-	0.4
Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2021 included in cash flow from operating activities on www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.				
Income taxes paid (received) in cash	5.2	-	56.9	(24.8)
NON-GAAP AND OTHER FINANCIAL MEASURES				
Interest paid in cash	14.5	4.1	118.9	41.0

Throughout this news release and in other materials disclosed by the Company, ARC employs certain measures to analyze its financial performance, financial position, and cash flow. These non-GAAP and other financial measures are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The non-GAAP and other financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

Non-GAAP Financial Measures

Capital Expenditures

ARC uses capital expenditures to measure its capital investment level compared to the Company's annual budgeted capital expenditures. ARC's budgeted capital expenditures exclude any acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under lease arrangements. The directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

	Three Months Ended		Year Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(\$ millions)				
Cash flow used in investing activities	268.7	79.3	808.1	364.2
Cash acquired upon close of Business Combination	-	-	4.9	-
Acquisition of crude oil and natural gas assets	(0.2)	(0.2)	(1.1)	(0.2)
Disposal of crude oil and natural gas assets	0.7	1.8	79.7	1.8
Change in non-cash working capital	105.7	(5.4)	164.7	(30.2)
Other property, plant and equipment ("PP&E")(1)	-	1.2	5.5	7.9
Capital expenditures	374.9	76.7	1,061.8	343.2

(1) Other PP&E comprises non-cash capitalized costs related to the Company's right-of-use asset depreciation and share-based compensation.

Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds after capital expenditures available to manage debt levels, pay dividends, and return capital to shareholders. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

	Three Months Ended		Year Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(\$ millions)				
Cash flow from operating activities	668.7	201.1	2,006.5	655.7
Net change in other liabilities	56.4	(2.7)	224.8	(7.6)
Change in non-cash operating working capital	108.5	13.6	184.1	19.5
Funds from operations	833.6	212.0	2,415.4	667.6
Capital expenditures ⁽¹⁾	(374.9)	(76.7)	(1,061.8)	(343.2)
Free funds flow	458.7	135.3	1,353.6	324.4

(1) Certain additional disclosures for these specified financial measures have been incorporated by reference. See "Cash Flow Used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions" in the 2021 Annual MD&A.

Adjusted Net Capital Acquisitions

Adjusted net capital acquisitions is a non-GAAP financial measure used in the determination of FD&A costs, which is a non-GAAP financial ratio. Adjusted net capital acquisitions is useful as it provides a measure of cash, debt, and share consideration used to acquire crude oil and natural gas assets during the period, net of cash provided by the disposal of any crude oil and natural gas assets during the period. The most directly comparable GAAP measure to adjusted net capital acquisitions is acquisition of crude oil and natural gas assets. The following table details the calculation of adjusted net capital acquisitions and its reconciliation to

acquisition of crude oil and natural gas assets.

	Year Ended	Year Ended
(\$ millions)	December 31, 2021	December 31, 2020
Acquisition of crude oil and natural gas assets	1.1	0.2
Add:		
Total consideration in Business Combination	2,914.0	-
Debt acquired in Business Combination	1,712.7	-
Remove:		
Disposal of crude oil and natural gas assets	(79.7)	(1.8)
Adjusted net capital acquisitions	4,548.1	(1.6)

Non-GAAP Financial Ratios

Finding and Development Costs

ARC calculates F&D costs as capital expenditures divided by the change in reserves within the applicable reserves category. ARC calculates F&D costs, including FDC, as the sum of capital expenditures and the change in FDC required to bring the reserves on production, divided by the change in reserves within the applicable reserves category. Capital expenditures, a non-GAAP financial measure, is used as a component of F&D costs. Management uses F&D costs as a measure of capital efficiency for organic reserves development.

Finding, Development and Acquisition Costs

ARC calculates FD&A costs as the sum of capital expenditures and adjusted net capital acquisitions divided by the change in reserves within the applicable reserves category, inclusive of changes due to acquisitions and dispositions. ARC calculates FD&A costs, including FDC, as the sum of capital expenditures, adjusted net capital acquisitions, and the change in FDC required to bring the reserves on production, divided by the change in reserves within the applicable reserves category, inclusive of changes due to acquisitions and dispositions. Capital expenditures and adjusted net capital acquisitions, both non-GAAP financial measures, are used as components of FD&A costs. Management uses FD&A costs as a measure of capital efficiency for organic and acquired reserves development.

Recycle Ratio

ARC calculates recycle ratio by dividing the netback per boe by F&D or FD&A costs. Netback per boe is a non-GAAP financial ratio that uses netback, a non-GAAP financial measure, as a component. Capital expenditures, a non-GAAP financial measure, is used as a component of F&D costs. Capital expenditures and adjusted net capital acquisitions, both non-GAAP financial measures, are used as components of FD&A costs. Management uses recycle ratio to relate the cost of adding reserves to the expected cash flows to be generated.

Supplementary Financial Measures

Before-tax Proved plus Probable Net Present Value per Share

Before-tax 2P NPV per share is comprised of the before-tax NPV for 2P reserves, discounted at 10 per cent,

as determined in accordance with NI 51-101, divided by diluted weighted average common shares.

2021 INDEPENDENT QUALIFIED RESERVES EVALUATION

GLJ conducted a Reserves Evaluation, effective December 31, 2021, which was prepared in accordance with definitions, standards, and procedures in the COGE Handbook and NI 51-101. The Reserves Evaluation was based on GLJ forecast pricing and foreign exchange rates at January 1, 2022, as outlined in the table below. These forecasts reflect current market conditions as defined by current forward commodity prices as at December 31, 2021. This aligns with the COGE Handbook, effective April 1, 2021, which states that major benchmark commodity price forecasts, up to and including the second full forecast year, should not deviate from current forward commodity prices by more than 20 per cent.

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. ARC's oil and gas reserves statement for the year ended December 31, 2021, including complete disclosure of the Company's oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be disclosed in ARC's Annual Information Form for the year ended December 31, 2021, which will be available on or before March 31, 2022 on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

GLJ Price Forecast ⁽¹⁾	WTI Crude Oil (US\$/bbl)		Edmonton Light Oil (Cdn\$/bbl)		NYMEX Henry Hub Natural Gas (US\$/MMBtu)		AECO Natural Gas (Cdn\$/MMBtu)		Foreign Exchange (US\$/Cdn\$)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
2022	73.00	51.50	87.97	60.78	3.80	2.80	3.40	2.67	0.790	0.765
2023	69.01	54.50	81.89	63.82	3.50	2.85	3.10	2.60	0.790	0.760
2024	67.24	57.79	79.32	68.14	3.15	2.90	3.15	2.60	0.790	0.760
2025	68.58	58.95	80.91	69.67	3.21	2.95	3.21	2.65	0.790	0.760
2026	69.96	60.13	82.53	71.22	3.28	3.01	3.28	2.71	0.790	0.760
2027	71.35	61.33	84.18	72.80	3.34	3.07	3.34	2.76	0.790	0.760
2028	72.78	62.56	85.86	74.42	3.41	3.13	3.41	2.81	0.790	0.760
2029	74.24	63.81	87.58	76.07	3.48	3.19	3.48	2.87	0.790	0.760
2030	75.72	65.09	89.32	77.59	3.55	3.25	3.55	2.92	0.790	0.760
2031 ⁽²⁾	77.24		91.11		3.62		3.62		0.790	0.760
Escalate thereafter at	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	0.790	0.760
	per year	per year	per year	per year	per year	per year	per year	per year		

(1) GLJ assigns a value to ARC's existing physical diversification contracts for natural gas to consuming markets across North America based upon GLJ's forecast differential to NYMEX Henry Hub, contracted volumes, and transportation expense. No incremental value was assigned to potential future contracts that were not in place on December 31, 2021.

(2) Escalated at two per cent per year starting in 2032 in the January 1, 2022 GLJ price forecast with the exception of foreign exchange, which remains flat.

Definitions of Oil and Gas Reserves

Reserves are estimated remaining quantities of crude 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

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 interests, 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. These metrics do not have standardized meanings and may not be comparable to similar metrics disclosed by other issuers. See "Non-GAAP and Other Financial Measures" of this news release and the definition of reserve replacement below. Management uses these 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.

- Reserves replacement is calculated by dividing the annual reserves 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.

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 regarding 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: expected changes to ARC's 2022 capital expenditure guidance; ARC's near-term priorities; ARC's plans to sustain production, increase productive capacity at Sunrise, and proceed with the development of Attachie West Phase I once the BC regulatory environment becomes more certain; plans to remain disciplined and plans to not accelerate capital investments in growth projects beyond what is planned at Sunrise and Attachie; plans to allocate surplus funds from operations to debt reduction and returns to shareholders; ARC's objectives with respect to growing its dividend and share repurchases under its NCIB; plans to execute Attachie West Phase I development once the BC regulatory environment supports such investment; ARC's 2022 guidance including planned capital expenditures, production guidance, and expectations that it will offset inflationary pressures through continued efficiency improvement initiatives; ARC's continued evaluation of the results from implementing wider well spacing and modifications to the well and pad design at Kakwa; expectations that capital expenditures required to sustain production at Kakwa will be reduced by approximately 10 per cent over time; ARC's expectations with respect to its natural gas transportation agreement with Alliance Pipeline; expected sales markets to which ARC will be exposed in 2022; ARC's continued commitment to responsible resource development, plans to reduce its absolute emissions, and plans to bolster its position as an ESG leader; ARC's continued promotion of diversity and inclusion; ARC's anticipated future development costs; GLJ's price forecasts and foreign exchange rates; and similar statements. Further, statements relating to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking

information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

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 are 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 and to repurchase its securities under the NCIB; ARC's ability to meet and maintain certain targets, including with respect to emissions-related reductions 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; forecast commodity prices and other pricing assumptions with respect to ARC's 2022 capital expenditure budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in *Blueberry River First 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 2022 and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that the regulatory environment will be able to support ARC's investment in the execution of Attachie West Phase I, including that regulatory authorities in BC will resume granting approvals for oil and gas activities relating to drilling, completions, testing, processing facilities, and production and transportation infrastructure in 2022 on time frames, and terms and conditions, consistent with past practice; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; the accuracy of the reserves information contained herein and the assumptions and risks involved in the evaluation of such reserves; 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; 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 generally; 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 the desired terms and within the expected timelines; forecast inflation and other assumptions inherent in the guidance of ARC; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; GLJ's estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of COVID-19 on commodity prices and the global economy; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

About ARC

[ARC Resources Ltd.](#) is a pure-play Montney producer and one of Canada's largest dividend-paying energy companies, featuring low-cost operations and leading ESG performance. ARC's investment-grade credit profile is supported by commodity and geographic diversity and robust risk management practices around all aspects of the business. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

[ARC Resources Ltd.](#)

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