Arc Resources Ltd. Reports Third Quarter 2023 Results And Announces 2024 Budget

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CALGARY, Nov. 2, 2023 - (TSX: ARX) ARC Resources Ltd. ("ARC" or the "Company") today reported its third quarter 2 financial and operational results and announced its 2024 budget.

HIGHLIGHTS

Third Quarter Results

- ARC delivered quarterly production of 360,177 boe[(1)] per day (63 per cent natural gas and 37 per cent crude oil a Production increased five per cent compared to the third quarter of 2022, and 13 per cent on a per share basis[(3)].
- ARC generated free funds flow of $261 million[(4)] ($0.43 per share[(5)]), out of funds from operations of $662 million share[(7)]) and capital expenditures of $401 million[(4)]. ARC recognized cash flow from operating activities of $604 r per share) and net income of $236 million ($0.39 per share).
    - ARC's natural gas diversification activities continued to generate higher realized pricing than local benchma realized a natural gas price of $3.16 per Mcf[(7)], 32 per cent greater than the average AECO 7A Monthly Ind
- ARC distributed 71 per cent of free funds flow or $185 million, to shareholders during the third quarter. Through th months of 2023, ARC has returned 92 per cent of free funds flow to shareholders.
    - During the quarter, ARC declared dividends of $103 million or $0.17 per share, and repurchased 4.1 million shares for $82 million under its normal course issuer bid ("NCIB").
    - Since instituting its first NCIB in September 2021, ARC has repurchased 17 per cent of its outstanding shar average share price of $15.81.
- Net debt decreased by $38 million compared to the second quarter of 2023. As of September 30, 2023, ARC's lo balance was $1.1 billion and its net debt balance was $1.2 billion[(6)] or 0.4 times funds from operations[(6)].

2024 Budget

- ARC's Board of Directors (the "Board") has approved a 2024 capital budget of between $1.75 billion and $1.85 bi expected to deliver average annual production of between 350,000 to 360,000 boe per day (63 per cent natural g cent crude oil and liquids).
- The 2024 budget represents an approximate $200 million decrease in capital spending from what was presented June 2023 Investor Update. The decrease reflects operational decisions to minimize non-productive capital and r savings.
- Total capital investments in 2023 and 2024 to complete Attachie Phase I are unchanged.
    - Total capital investment for Attachie Phase I start-up remains at approximately $740 million, with $240 millio in 2023 and approximately $500 million in 2024.
    - ARC is on track to fully complete the 40,000 boe per day facility in the first quarter of 2025, with commission expected in late 2024.
- ARC intends to return essentially all of its free funds flow to shareholders. The optimal method to return capital re growing base dividend and share repurchases.

ARC's unaudited condensed consolidated financial statements and notes (the "financial statements") and Management Discussion and Analysis ("MD&A") as at and for the three and nine months ended September 30, 2023, are available o website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca. The disclosure under the se entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three and nine months ended Se 2023 (the "Q3 2023 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. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

(3) Represents average daily production divided by the diluted weighted average common shares outstanding for the respective three months ended September 30.

(4) 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 Q3 2023 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 financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.

(5) Non-GAAP 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 ratio. See "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.

(6) See Note 10 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.

(7) See "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts[1], boe amounts,	Three Months Ended			Nir
and common shares outstanding)	June 30, 2023	September 30, 2023	September 30, 2022	Sep
FINANCIAL RESULTS				
Net income	278.9	236.4	867.8	1,0
Per share	0.46	0.39	1.32	1.7
Cash flow from operating activities	550.9	604.2	1,103.6	1,6
Per share[2]	0.90	0.99	1.68	2.7
Funds from operations	560.8	662.2	953.0	1,9
Per share	0.92	1.09	1.45	3.1
Free funds flow	144.3	260.8	580.1	635
Per share	0.24	0.43	0.89	1.0
Dividends declared	103.7	103.0	76.7	298
Per share				

0.17

0.17

0.12

0.4

Cash flow used in investing activities	464.4	394.6	351.9	1,2
Capital expenditures	416.5	401.4	372.9	1,3
Long-term debt	1,122.0	1,108.9	1,126.6	1,1
Net debt	1,281.1	1,243.5	1,541.3	1,2
Common shares outstanding, weighted average diluted (millions)	611.5	609.0	655.4	61
Common shares outstanding, end of period (millions)	608.4	605.0	637.6	60
OPERATIONAL RESULTS				
Production				
Crude oil (bbl/day)	8,076	8,872	8,149	8,2
Condensate (bbl/day)	75,464	78,226	82,203	74,
Crude oil and condensate (bbl/day)	83,540	87,098	90,352	83,
Natural gas (MMcf/day)	1,289	1,353	1,227	1,3
NGLs (bbl/day)	45,202	47,557	47,108	47,
Total (boe/day)	343,630	360,177	342,034	34
Average realized price				
Crude oil ($/bbl)[3]	88.13	104.91	111.41	95.
Condensate ($/bbl)[3]	93.43	103.21	110.35	10
Natural gas ($/Mcf)[3]	2.83	3.16	9.29	3.9
NGLs ($/bbl)[3]	20.89	19.63	20.72	23.
Average realized price ($/boe)[3]	35.97	39.47	65.37	41.
Netback				
Commodity sales from production ($/boe)[3]	35.97	39.47	65.37	41.
Royalties ($/boe)[3]	(4.38)	(4.68)	(9.23)	(5.
Operating expense ($/boe)[3]	(4.81)	(4.94)	(4.69)	(4.
Transportation expense ($/boe)[3]	(5.34)	(4.94)	(6.08)	(5.
Netback ($/boe)[3]	21.44	24.91	45.37	26.
TRADING STATISTICS[4]				
High price	18.44	22.05	19.51	22.
Low price	15.38	17.63	13.12	14.
Close price	17.67	21.68	16.59	21.

Average daily volume (thousands of shares)	4,009	3,705	5,315	4,5

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

(2) See "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(3) Non-GAAP 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 ratio. See "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.

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

2024 BUDGET

The 2024 budget prioritizes disciplined growth and long-term profitability. To achieve this, ARC will pursue capital efficient Montney development by completing its first phase at Attachie, and advance margin expansion opportunities such as long-term liquefied natural gas ("LNG") supply agreements. Combined, these actions are expected to result in meaningful growth in free funds flow per share in 2025 and beyond.

The budget adheres to ARC's guiding principles of operational excellence and capital discipline, and leverages the competitive strengths established over its 28 years that include world-class people, high-quality assets, and a transportation portfolio with global reach to key demand markets.

Highlights

- ARC plans to invest between $1.75 billion and $1.85 billion[1] in capital expenditures in 2024 to generate average between 350,000 and 360,000 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).
- Capital expenditures, excluding the investments at Attachie, represent an approximate 25 per cent decrease com 2023. The lower capital expenditures on the base assets is primarily related to a lower corporate decline rate, low expenditures at Kakwa, operational decisions to minimize non-productive capital, and realized cost savings.
- ARC estimates capital expenditures required to maintain production at 350,000 to 360,000 boe per day to be betw billion and $1.4 billion.
- Production guidance in 2024 incorporates the anticipated expiry of an ethane sales contract in the second quarter reduce reported NGL production by approximately 5,000 barrels per day on an annualized basis in 2024. As a res expects to re-inject ethane into its natural gas stream resulting in an expected increase in revenue from sales of h content natural gas that will offset the impact to funds from operations.
- Kakwa production is expected to average approximately 180,000 boe per day (175,000 boe per day upon expiry o sales contract). This is the optimal production level to maximize profitability and moderate the decline rate, with a 15 years of inventory at this production level from currently identified locations:
  - Condensate production at Kakwa is expected to remain relatively flat in 2024 compared to 2023 despite low spending and fewer planned wells at Kakwa. Development in 2024 will focus primarily in the condensate-ric asset, following 2023 activity where ARC planned and executed development in areas where condensate g lower.

Attachie Phase I

- Total capital investment to bring Attachie Phase I on-stream to its facility capacity is unchanged at approximately with approximately $240 million planned in 2023 and $500 million in 2024.
  - ARC is on track to complete the first phase of Attachie (40,000 boe per day facilities, 40 per cent natural ga cent crude oil and liquids) in the first quarter of 2025, with commissioning volumes expected in late 2024.
  - Infrastructure related capital represents 55 to 60 per cent of the total investment, with the remainder allocat drilling and completion of approximately 40 wells to initially fill the facilities in 2025.

(1) Refer to the section entitled "About ARC Resources Ltd." contained within the Q3 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

- ARC estimates that the facilities and related infrastructure are approximately 20 per cent complete to date.
  - The natural gas sales line is installed, and the liquids line is progressing as planned.
  - ARC expects Attachie Phase I to be fully electrified through BC Hydro upon start-up, thereby lowering ARC' intensity per boe.
  - ARC plans to begin drilling at Attachie Phase I in the fourth quarter of 2023 utilizing its existing rig fleet, and services to fully execute the capital program.

2024 Guidance

ARC's 2024 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 2024. Readers are cautioned that the guidance estimates may not be appropriate for any other purpose.

	2024 Guidance
Crude oil and condensate (bbl/day)	87,000 - 91,500
Natural gas (MMcf/day)	1,325 - 1,340
NGLs (bbl/day)	42,000 - 45,000
Total (boe/day)	350,000 - 360,000
Expenses ($/boe)(1)	
Operating	4.50 - 4.90
Transportation	5.50 - 6.00
General and administrative ("G&A") expense before share-based compensation expense	1.05 - 1.25
G&A - share-based compensation expense	0.25 - 0.35
Interest and financing(2)	0.90 - 1.00
Current income tax expense as a per cent of funds from operations(1)	10 - 15
Capital expenditures ($ billions)(3)	1.75 - 1.85

(1) See "Non-GAAP and Other Financial Measures" in the Q3 2023 MD&A for an explanation of the composition of these supplementary financial measures, which information is incorporated by reference into this news release.

(2) Excludes accretion of ARC's asset retirement obligation.

(3) Refer to the section entitled "About ARC Resources Ltd." contained within the Q3 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

2023 Guidance

Full-year 2023 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, 2023, available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

OUTLOOK

ARC provided details of its long-term strategy at its Investor Update in June 2023 following the sanction of Attachie Phase I. The strategy relies upon a disciplined investment framework that balances organic growth in the Montney with a meaningful return of capital to shareholders that is sustainable through commodity price cycles. Underpinned by its financial strength and high-quality asset base, ARC remains committed to returning essentially all free funds flow to shareholders.

The development of Attachie over multiple phases, beginning with Phase I in 2025, will represent a positive fundamental change for ARC. This aligns with demand growth in both local and global end-markets, where the Company has long-term transportation agreements in place to deliver its products.

The first phase of Attachie marks the eighth Montney infrastructure project for ARC, and remains on schedule and within budget. Consistent with the Company's long track record of execution, ARC has taken steps to mitigate risk and manage the costs to achieve the financial returns as planned. Long-lead items were procured in advance, drilling and completions services are secured, and drilling activity is expected to commence in the fourth quarter of 2023.

With Attachie Phase I anticipated to be on-stream in 2025, ARC is positioned to achieve a significant step-change in production and free funds flow per share:

- Production is expected to increase approximately 10 per cent, and 27 per cent per share(1) compared to 2023.
- Free funds flow per share is expected to increase by approximately 100 per cent compared to 2023.

The anticipated per share growth is driven by a combination of capital efficient Montney growth and a meaningful return of capital in the form of share repurchases. Cumulative capital expenditures in 2024 and 2025 are expected to represent approximately 50 per cent of funds from operations, with the remainder allocated to base dividend growth and share repurchases. Net debt is expected to remain relatively flat, implying a net debt to funds from operations ratio of approximately 0.5 times.

The outlook through 2025 is outlined below, subject to Board approval.

	2023	2024	2025
Total production (boe/day)	350,000 - 355,000	350,000 - 360,000	375,000 - 400,000
Natural gas production (%)	62 %	63 %	60 %
Crude oil and liquids production (%)	38 %	37 %	40 %
Capital Expenditures ($ billions)	1.8 - 1.9	1.75 - 1.85	1.6 - 1.8
Funds from Operations ($ billions)(2)	2.7 - 2.8	2.9 - 3.2	3.4 - 3.7

(1) Represents average daily production divided by the diluted weighted average common shares outstanding for the respective periods.

(2) Based on the forward curve at October 23rd, 2023 (2024: WTI US$81.00 per barrel; C$2.89/Mcf AECO; 2025: WTI US$75 per barrel; C$3.86/Mcf AECO).

FINANCIAL AND OPERATIONAL RESULTS

Production

- ARC's production averaged 360,177 boe per day during the third quarter of 2023 (63 per cent natural gas and 37 crude oil and liquids).
  - Production increased five per cent year-over-year, and 13 per cent on a per share basis. The increase in pr driven primarily from Kakwa and Sunrise.
- Production in the fourth quarter of 2023 is estimated at approximately 355,000 boe per day (62 per cent natural g cent crude oil and liquids).

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

Third quarter 2023 funds from operations was $662 million ($1.09 per share), representing an 18 per cent increase from the second quarter of 2023. The increase was driven by a combination of higher production volumes and average realized commodity prices, offset primarily by higher royalties and current taxes.

- Third quarter 2023 cash flow from operating activities was $604 million, increasing by $53 million ($0.09 per share second quarter of 2023.
- ARC generated free funds flow of $261 million ($0.43 per share) during the third quarter of 2023, representing an $117 million ($0.19 per share) from the second quarter of 2023.

The following table details the change in funds from operations for the third quarter of 2023 relative to the second quarter of 2023.

Funds from Operations Reconciliation	$ millions	$/share(1)
Funds from operations for the three months ended June 30, 2023	560.8	0.92
Production volumes		
Crude oil and liquids	43.4	0.07
Natural gas	20.2	0.03
Commodity prices		
Crude oil and liquids	78.6	0.14
Natural gas	41.1	0.06
Sales of commodities purchased from third parties	30.0	0.05
Interest income	(0.2)	-
Other income	2.9	-
Realized loss on risk management contracts	(12.8)	(0.02)
Royalties	(18.5)	(0.03)
Expenses		
Commodities purchased from third parties	(30.3)	(0.05)
Operating	(13.1)	(0.02)
Transportation	3.0	-
G&A	(10.7)	(0.02)
Interest and financing	(1.3)	-
Current income tax	(37.0)	(0.06)
Realized gain on foreign exchange	6.3	0.01
Other	(0.2)	-
Weighted average shares, diluted	-	0.01
Funds from operations for the three months ended September 30, 2023	662.2	1.09

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

Shareholder Returns

- During the third quarter, ARC distributed 71 per cent or $185 million ($0.30 per share) of free funds flow to shareh through a combination of dividends and share repurchases under its NCIB.
    - During the third quarter 2023, ARC declared dividends of $103 million ($0.17 per share).
    - ARC repurchased 4.1 million common shares under its NCIB at a weighted average price of $19.95 per sha
- In the first nine months of 2023, ARC has returned 92 per cent of free funds flow to shareholders.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 17 per cent of total o shares or 124 million common shares, at a weighted average price of $15.81 per share.
- ARC intends to continue to distribute essentially all of its free funds flow to shareholders.

Operating, Transportation, and General and Administrative Expense

Operating Expense

- Operating expense per boe increased three per cent or by $0.13 per boe quarter-over-quarter, reflecting planned activity.
- ARC's operating expense is expected to decrease in the fourth quarter with planned maintenance largely complet full-year 2023 operating expense is expected to be within the guidance range.

Transportation Expense

- ARC's third quarter 2023 transportation expense per boe of $4.94 decreased by $0.40 per boe from the second q 2023 primarily due to increased volumes.
- ARC's full-year 2023 transportation expense is expected to be slightly below ARC's guidance range of $5.50 to $ primarily due to modifications to certain natural gas transportation contracts and lower fuel gas expense.

General and Administrative Expense

- ARC's third quarter 2023 general and administrative expense before share-based compensation expense per boe decreased by $0.09 per boe from the second quarter of 2023.
- General and administrative expense through the first nine months of 2023 of $1.68 per boe is above Company gu primarily due to share based compensation expense related to share price appreciation.

Cash Flow Used in Investing Activities and Capital Expenditures

- Capital expenditures in the third quarter were $401 million. ARC drilled 33 wells and completed 35 wells during th quarter, focused mainly at Kakwa, Greater Dawson and Sunrise. Other capital expenditures included Attachie Ph infrastructure.
- Cash flow used in investing activities was $395 million during the third quarter of 2023. During the nine months en September 30, 2023, cash flow used in investing activities was $1.3 billion. Of this, ARC invested $1.3 billion in ca expenditures to drill 111 wells and complete 118 wells.

The following table details ARC's capital activity by area during the first nine months of 2023.

	Nine Months Ended September 30, 2023	
Area	Wells Drilled(1)(2)	Wells Completed(1)
Kakwa	60	76
Greater Dawson	29	17
Sunrise	18	17
Ante Creek	4	8
Total	111	118

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

(2) Excludes disposal wells.

Physical Marketing & Risk Management

- In the third quarter, ARC realized an average natural gas price of $3.16 per Mcf, 32 per cent greater than the ave 7A Monthly Index price for the period.
- The Company continues to advance additional opportunities to supply natural gas to international markets throug LNG supply agreements.
  - ARC plans to market up to 25 per cent of its future natural gas production to international markets with reve international or LNG pricing.

Net Debt

- As of September 30, 2023, ARC's long-term debt balance was $1.1 billion, and its net debt balance was $1.2 billi times funds from operations.
- ARC targets its net debt to be approximately 1.0 times funds from operations and manages its capital structure to target over the long term.
  - Long-term debt is comprised of $1.0 billion of senior notes outstanding and $0.1 billion in borrowings under Company's credit facility.
- ARC holds an investment-grade credit rating, which allows the Company to have access to capital and manage a capital structure. ARC is committed to protecting its strong financial position by maintaining significant financial fle its balance sheet.

Net Income

- ARC recognized net income of $236 million ($0.39 per share) during the third quarter of 2023, a decrease of $43 ($0.07 per share) from the second quarter of 2023.

BOARD OF DIRECTORS UPDATE

Mr. Farhad Ahrabi will be retiring from the Board at year end 2023. ARC would like to extend its sincerest gratitude to Mr. Ahrabi for the guidance he provided during his four-year tenure.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's third quarter 2023 results on Friday, November 3, 2023, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, November 3, 2023
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	75545576
Webcast URL	https://app.webinar.net/wKe25d2aWQz

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 following the conference call.

NON-GAAP AND OTHER FINANCIAL MEASURES

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, 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 monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC's capital budget excludes acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under certain lease arrangements. The most 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			Nine Months Ended	
Capital Expenditures	June 30, 2023	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
($ millions)					
Cash flow used in investing activities	464.4	394.6	351.9	1,256.4	1,062.5
Acquisition of crude oil and natural gas assets	-	-	(1.0)	(0.5)	(2.6)
Disposal of crude oil and natural gas assets	-	-	4.5	73.6	11.9
Long-term investments	(3.2)	(0.7)	(8.6)	(5.1)	(8.7)
Change in non-cash investing working capital	(44.8)	3.9	22.1	(24.9)	(14.4)
Other (1)	0.1	3.6	4.0	5.8	9.9
Capital expenditures	416.5	401.4	372.9	1,305.3	1,058.6

(1) 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 investment available to manage debt levels, pay dividends, and return capital to shareholders through share repurchases. 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 flow 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			Nine Months Ended	
Free Funds Flow	June 30, 2023	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
($ millions)					
Cash flow from operating activities	550.9	604.2	1,103.6	1,695.4	2,955.0
Net change in other liabilities	(13.9)	7.9	43.3	7.7	115.3
Change in non-cash operating working capital	23.8	50.1	(193.9)	237.3	(344.0)
Funds from operations	560.8	662.2	953.0	1,940.4	2,726.3
Capital expenditures(1)	(416.5)	(401.4)	(372.9)	(1,305.3)	(1,058.6)
Free funds flow	144.3	260.8	580.1	635.1	1,667.7

(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 Q3 2023 MD&A.

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: ARC's 2024 capital budget including expectations with respect to ARC's planned investments in capital expenditures, 2024 average annual production and the component thereof, anticipated condensate production, anticipated expiry of the ethane sales contract, the anticipated on-stream date of the Attachie asset capital investment and the total capital investment in the Attachie asset in 2023 and 2024, Kakwa production estimates, estimates that there will be 15 years of inventory from anticipated Kakwa production, the anticipated focus of Kakwa development, that corporate condensate production will remain largely unchanged, estimated capital expenditures to maintain production, 2024 production guidance, anticipated productive capacity in the first quarter of 2025 for Attachie Phase I, the productive capacity of the Attachie asset, the anticipated timing of development and drilling at Attachie Phase I and the anticipated benefits therefrom, estimates that the Attachie Phase I facilities and related infrastructure are approximately 20 per cent complete, ARC's plans regarding electrification and the anticipated benefits therefrom, plans to begin drilling at Attachie Phase I in early 2024, ARC's intention to return all of its free funds flow to shareholders in 2024 through dividends and share repurchases and ARC's 2024 corporate guidance; anticipated per share growth of production and free funds flow; expectations with respect to cumulative capital expenditures in 2024 and 2025; expectations with respect to net debt; ARC's 2025 outlook; fourth quarter production estimates and impacts thereof; that ARC's operating expense will decrease in the fourth quarter; that ARC will continue to advance additional opportunities to supply natural gas to international markets through long-term LNG supply agreements including plans to market up to 25 per cent of its future natural gas production to international markets; net debt targets; and other 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 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; 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 2023 and 2024 capital expenditure budget; assumptions with respect to ARC's 2024 and 2025 guidance; 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 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 2023, 2024 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 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 2023 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; 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; 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 risk management 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 Ltd.'s estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

Forward-looking information in this news release pertaining to dividend increases and the repurchase of ARC's outstanding common shares, while based on ARC's current intentions and beliefs, are not guaranteed and should not be unduly relied upon. Any decisions with respect to dividends and/or share repurchases are subject to the approval of the Board.

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.

The forward-looking information in this news release also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC, including, but not limited to: the expectations of ARC regarding free funds flow, funds from operations, net debt, and production. Any financial outlook and forward-looking information implied by such forward-looking statements are described in ARC's MD&A, and ARC's most recent annual information form, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca and are incorporated by reference herein.

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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