

Arc Resources Ltd. Reports Record Production, Year-end Results And Reserves

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CALGARY, Feb. 8, 2024 - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") today reported its fourth quarter year-end 2023 financial and operational results as well as its year-end 2023 reserves.

HIGHLIGHTS

Fourth Quarter 2023 Results

- Fourth quarter production averaged 365,248 boe⁽¹⁾⁽²⁾ per day (63 per cent natural gas and 37 per cent crude oil and liquids), the highest in ARC's 28-year history. Production per share⁽³⁾ increased six per cent compared to the fourth quarter of 2022.
- ARC recognized both funds from operations and cash flow from operating activities of \$699 million⁽⁴⁾ (\$1.16 per share) during the fourth quarter. ARC generated free funds flow of \$155 million⁽⁶⁾ (\$0.26 per share)⁽⁷⁾ and recognized net income of \$506 million (\$0.84 per share).
 - End market diversification resulted in an average realized natural gas price of \$3.33 per Mcf⁽⁵⁾; 25 per cent greater than the average AECO 7A Monthly Index price of \$2.66 Mcf.
 - Fourth quarter combined operating and transportation cost of \$8.72 per boe registered as the lowest in two years.
- ARC invested \$545 million into capital expenditures⁽⁶⁾, in-line with Company guidance. ARC disposed of certain non-core assets for net proceeds of \$44 million during the fourth quarter, with the proceeds re-invested through the repurchase of common shares.
- ARC repurchased 8.4 million shares during the fourth quarter. In the five months since renewing its normal course of business ("NCIB") on September 1, 2023, ARC has repurchased 10.6 million common shares, or 17 per cent of its allotment under the current NCIB. Since instituting the NCIB in September of 2021, ARC has repurchased 18 per cent of its common shares outstanding.
- In the fourth quarter of 2023, ARC announced that it entered into a long-term natural gas supply agreement with Spherule Liquefaction Stage V, LLC, a subsidiary of Cheniere Energy, Inc. ("Cheniere") for approximately 140 MMcf per day, expected to commence by 2029. Under the agreement, ARC will supply natural gas and will receive a liquefied natural gas ("LNG") price based on the Dutch Title Transfer Facility ("TTF"), after fixed deductions for liquefaction, shipping, and regasification fees.
- Attachie Phase I is progressing on-schedule and on budget. Initial commissioning volumes are anticipated in late 2024, with full production expected in the first quarter of 2025.

Year-end 2023 Results

- ARC generated record annual production in 2023 averaging 351,954 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids), an increase of 11 per cent per share compared to 2022.
- ARC generated free funds flow of \$790 million (\$1.29 per share) in 2023 and distributed 110 per cent (96 per cent from operations and proceeds from divestitures) of free funds flow to shareholders. ARC recognized net income of \$1.6 billion (\$2.61 per share) in 2023.
- Return on average capital employed ("ROACE")⁽⁷⁾ was 23 per cent in 2023. Over the previous three years, ROACE ranged between 18 and 35 per cent.
- Capital expenditures of \$1.8 billion were directly in-line with the Company guidance range of \$1.8 to \$1.9 billion.
- Combined operating and transportation cost registered at \$9.70 per boe, slightly below the bottom end of ARC's guidance range.
- ARC's market diversification strategy resulted in an annual average realized natural gas price of \$3.77 per Mcf; \$3.77 or 29 per cent greater than the 2023 average AECO 7A Monthly Index price. This marks the 11th straight year where the realized natural gas price exceeded AECO by 20 per cent or greater.

2023 Reserves & Contingent Resource Update⁽¹⁾⁽⁸⁾

- ARC's before-tax net present value ("NPV") of proved plus probable ("2P") reserves, discounted at 10 per cent, increased from \$35.00 per share⁽⁹⁾ in 2022 to \$38.00 per share⁽⁹⁾ at December 31, 2023. The 2P NPV considers the development of 20 per cent of ARC's internally identified inventory.

- ARC booked 90 MMboe of 2P reserves at Attachie, representing approximately five years of development at Attachie. The 116 undeveloped locations booked at year-end 2023 represent seven per cent of ARC's internal inventory at Attachie, providing a considerable runway for future reserve growth.
- Reserves were a record across all categories - increasing by between 12 per cent and 13 per cent per share on a producing ("PDP"), proved ("1P") and 2P basis.
- Kakwa PDP reserves increased by five per cent. This was due to strong performance from the 2023 development activities, positive technical revisions, which resulted in an increase in reserve life index ("RLI") across all three categories (1P, 2P).
- 2P reserve adds of 310 MMboe were the largest in ARC's 28-year history, and for the 16th consecutive year, ARC's 2P reserve replacement from development activities was greater than 140 per cent of production.
- For the first time since the strategic combination with Seven Generations, ARC conducted a third-party Resource Estimation Study at its Montney properties to quantify resource quality and inventory depth. The study included an estimate of unrisked contingent resource of 15 Tcf and 920 MMbbl, in addition to ARC's 2P reserves of 8 Tcf and 670 MMbbl.
 - The study estimates a contingent plus prospective well inventory of 4,900 locations at its Montney properties above the 1,000 well inventory that forms ARC's before-tax 2P NPV of \$38.00 per share.

ARC's 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, 2023, are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca. The disclosures under the section entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three months and year ended December 31, 2023 (the "2023 Annual MD&A") is incorporated by reference in 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 December 31.
- (4) See Note 15 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the 2023 Annual MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
- (5) See "Non-GAAP and Other Financial Measures" in the 2023 Annual MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (6) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and may not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures" in the 2023 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.
- (7) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards and may not be comparable to similar ratios 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 2023 Annual 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.
- (8) GLJ Ltd. ("GLJ") conducted an Independent Qualified Reserves Evaluation ("Reserves Evaluation"), dated February 8, 2024 and effective December 31, 2023, which was prepared in accordance with definitions, standards, and procedures in the Canadian Oil and Gas Evaluation ("COGE") Handbook and NI 51-101. The Reserves Evaluation was based on GLJ's forecast pricing and foreign exchange rates at January 1, 2024.

FINANCIAL AND OPERATIONAL RESULTS

- (9) See "Non-GAAP and Other Financial Measures" of this news release for an explanation of the composition of this supplementary financial measure.

and common shares outstanding)	September 30, December 31, December 31, December 31, 2023 2023 2022 2023			Year Ended
FINANCIAL RESULTS				
Net income	236.4	506.3	741.0	1,596.5
Per share	0.39	0.84	1.18	2.61
Cash flow from operating activities	604.2	698.9	878.3	2,394.3
Per share ⁽²⁾	0.99	1.16	1.39	3.92
Funds from operations				

662.2

699.2

2,639.6

Per share	1.09	1.16	1.56	4.32	5
Free funds flow	260.8	154.7	602.9	789.8	2
Per share	0.43	0.26	0.96	1.29	3
Dividends declared	103.0	101.7	93.4	400.3	3
Per share	0.17	0.17	0.15	0.66	0
Cash flow used in investing activities	394.6	434.3	350.7	1,690.7	1
Capital expenditures	401.4	544.5	383.3	1,849.8	1
Long-term debt	1,108.9	1,148.9	990.0	1,148.9	9
Net debt	1,243.5	1,317.1	1,301.5	1,317.1	1
Common shares outstanding, weighted average diluted	609.0	602.8	630.3	610.6	6
(millions)					
Common shares outstanding, end of period (millions)	605.0	596.9	620.9	596.9	6
OPERATIONAL RESULTS					
Production					
Crude oil and condensate (bbl/day)	87,098	85,805	90,135	83,880	8
Natural gas (MMcf/day)	1,353	1,380	1,310	1,322	1
NGLs (bbl/day)	47,557	49,474	51,311	47,760	4
Total (boe/day)	360,177	365,248	359,730	351,954	3
Average realized price					
Crude oil (\$/bbl) ⁽³⁾	104.91	93.34	103.58	95.05	1
Condensate (\$/bbl) ⁽³⁾	103.21	99.09	107.24	99.92	1
Natural gas (\$/Mcf) ⁽³⁾	3.16	3.33	8.31	3.77	8
NGLs (\$/bbl) ⁽³⁾	19.63	21.97	28.86	22.79	2
Average realized price (\$/boe) ⁽³⁾	39.47	38.69	61.17	40.95	6
Netback					
Commodity sales from production (\$/boe) ⁽⁴⁾	39.47	38.69	61.17	40.95	6
Royalties (\$/boe) ⁽⁴⁾	(4.68)	(5.14)	(10.18)	(5.50)	(
Operating expense (\$/boe) ⁽⁴⁾	(4.94)	(4.13)	(4.37)	(4.59)	(
Transportation expense (\$/boe) ⁽⁴⁾	(4.94)	(4.59)	(5.70)	(5.11)	(
Netback (\$/boe) ⁽⁴⁾	24.91	24.83	40.92	25.75	4
TRADING STATISTICS ⁽⁵⁾					

High price	22.05	23.77	20.49	23.77
Low price	17.63	19.02	17.05	14.33
Close price	21.68	19.67	18.25	19.67
Average daily volume (thousands of shares)	3,705	4,271	4,259	4,488

- (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 2023 Annual MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (3) See "Non-GAAP and Other Financial Measures" in the 2023 Annual MD&A for an explanation of the composition of these supplementary financial measures, which information is incorporated by reference into this news release.
- (4) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards 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 2023 Annual 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.
- (5) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the ~~OUTLOOK~~ ~~Stock~~ Stock Exchange.

In 2023, ARC delivered on its strategy of safe and efficient Montney development to drive long-term value creation. Production, reserves, and safety performance achieved 28-year records, and the sanctioning of Attachie and execution of subsequent LNG supply agreements provided greater visibility into ARC's long-term growth plans and margin expansion initiatives.

In 2024, ARC will build on this operating momentum to achieve the goals of the five-year outlook introduced in 2023. This will be defined and measured by a capital efficient Montney development program and by completing the first phase of Attachie on-time and on budget. Consistent with 2023, ARC expects to return substantially all of its free funds flow to shareholders through a growing base dividend⁽¹⁾ and share repurchases under its NCIB to provide a competitive and sustainable total return.

Execution of this plan is expected to drive an increase in profitable production growth and free funds flow per share beginning in 2025.

Operations Update

First quarter 2024 operations are progressing as planned. Drilling and completions activities have commenced at Attachie, and the extreme cold weather experienced in early January 2024 had no material impact to operations.

Production in the first quarter is anticipated to average between 340,000 and 350,000 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids) as planned within the 2024 budget. Growth in the second half of the year is expected to be driven by Kakwa, Sunrise, and start-up volumes from Attachie Phase I later in the year.

Attachie Phase I Update

Attachie Phase I development remains on schedule and on budget. ARC invested approximately \$250 million in capital expenditures at Attachie in 2023.

Completion of Attachie Phase I is anticipated in the fourth quarter of 2024 with commissioning volumes expected before year-end. Facility capacity for the first phase is 40,000 boe per day (40 per cent natural gas and 60 per cent crude oil and liquids).

- Facilities and related infrastructure are approximately 30 per cent complete.
 - The natural gas sales line is complete; water ponds are complete and being utilized for drilling and completion; gathering pipelines are 40 per cent complete.

- ARC successfully drilled its first pad and commenced completion activities. ARC currently has two drilling rigs active at Attachie.
- Construction of the transmission and distribution lines to enable the electrification of the facility is on-track for start-up and will lower ARC's emissions intensity.
- The permitting process is progressing well and ARC continues to receive additional permits working collaboratively with neighbouring Treaty 8 First Nations in support of the multi-year development project.

(1) Subject to the approval of ARC's board of directors (the "Board").

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

	2024	2025
Total production (boe/day)	350,000 - 360,000	375,000 - 400,000
Natural gas production (%)	63 %	60 %
Crude oil and liquids production (%)	37 %	40 %
Capital Expenditures (\$ billions) ⁽¹⁾	1.75 - 1.85	1.6 - 1.8
Funds from Operations (\$ billions) ⁽²⁾⁽³⁾	2.5 - 2.8	2.9 - 3.2

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

(2) Based on the forward curve at January 25, 2024 (2024: WTI US\$75 per barrel; US\$2.60/MMbtu NYMEX; C\$2.15/Mcf AECO; 2025: WTI US\$71 per barrel; US\$3.50/MMbtu NYMEX; C\$3.30/Mcf AECO).

(3) See Note 15 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the 2023 Annual MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.

Guidance

Full-year 2024 guidance is unchanged and detailed in the table below.

- Planned capital expenditures of between \$1.75 to \$1.85 billion⁽³⁾, which includes approximately \$500 million to complete commission Attachie Phase I.
- Average annual production of between 350,000 and 360,000 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).
 - Kakwa production is expected to average approximately 180,000 boe per day (approximately 60 per cent crude oil and liquids) as previously disclosed (175,000 boe per day upon expiry of the ethane sales contract in the second quarter of 2024).

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 2023 Annual 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 2023 Annual MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

FINANCIAL AND OPERATIONAL RESULTS

Production

- Fourth quarter production averaged a record 365,248 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids). Production per share increased six per cent compared to the fourth quarter of 2022.
 - Fourth quarter production exceeded fourth quarter guidance of 355,000 boe per day, due to stronger production from the asset base.
- Full-year production averaged a record 351,954 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids). Production was in-line with guidance and represented a two per cent increase (11 per cent on a per share basis) over the daily production in 2022.
- Production in the first quarter of 2024 is estimated to average between 340,000 to 350,000 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).

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

- Fourth quarter 2023 funds from operations and cash from operating activities were each \$699 million (\$1.16 per share). Funds from operations increased six per cent from the third quarter of 2023, driven by a combination of higher production and lower operating expense, G&A expense, and current income tax expense.
- In 2023, ARC generated funds from operations of \$2.6 billion (\$4.32 per share) and cash from operating activities of \$2.6 billion (\$3.92 per share).
- Fourth quarter and full-year 2023 free funds flow was \$155 million (\$0.26 per share) and \$790 million (\$1.29 per share) respectively.

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

Funds from Operations Reconciliation	\$ millions \$/share ⁽¹⁾	
Funds from operations for the three months ended September 30, 2023	662.2	1.09
Production volumes		
Crude oil and liquids	(8.8)	(0.01)
Natural gas	7.5	0.01
Commodity prices		
Crude oil and liquids	(27.8)	(0.04)
Natural gas	21.3	0.02
Sales of commodities purchased from third parties	11.1	0.02
Other income	(0.5)	-
Realized loss on risk management contracts	1.6	-
Royalties	(17.6)	(0.03)
Expenses		
Commodities purchased from third parties	(12.8)	(0.02)
Operating	25.0	0.04
Transportation	9.6	0.02
G&A	15.2	0.02
Interest and financing	(4.0)	(0.01)
Current income tax	18.5	0.03
Realized gain on foreign exchange	(0.9)	-
Other	(0.4)	-
Weighted average shares, diluted	-	0.02
Funds from operations for the three months ended December 31, 2023	699.2	1.16

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

Shareholder Returns

- In 2023, ARC returned 110 per cent (96 per cent net of proceeds from divestitures) of free funds flow to shareholders through the base dividend and share repurchases.
 - In the first quarter of 2023, the Board approved an increase of 13 per cent to the Company's quarterly dividend from \$0.15 per share to \$0.17 per share.
- During the fourth quarter, ARC distributed 183 per cent (143 per cent net of proceeds from divestitures) or \$284 million (284 per cent net of proceeds from divestitures) of free funds flow to shareholders through a combination of dividends and share repurchases under its NCIB.
 - During the fourth quarter 2023, ARC declared dividends of \$102 million (\$0.17 per share).
 - ARC repurchased 8.4 million common shares under its NCIB at a weighted average price of \$21.65 per share.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 18 per cent of total outstanding common shares or 131 million common shares, at a weighted average price of \$16.06 per share.
- ARC will continue to repurchase common shares when the intrinsic value of the Company's common shares exceeds the current market trading price. ARC determines the intrinsic value using a discounted cash flow framework under a commodity price assumptions and discount rates.
- ARC intends to continue to distribute essentially all of its free funds flow to shareholders given its strong financial

Operating, Transportation, and General and Administrative Expense

Operating Expense

- ARC's fourth quarter 2023 operating expense of \$4.13 per boe decreased 16 per cent from the third quarter of 2023 due to lower planned maintenance activity and higher production.
- Full-year 2023 operating expense of \$4.59 per boe was in-line with Company guidance.
- Operating expense per boe in 2024 is anticipated to average between \$4.50 to \$4.90 per boe.

Transportation Expense

- ARC's fourth quarter 2023 transportation expense per boe of \$4.59 decreased by seven per cent or \$0.35 per boe from the third quarter of 2023 primarily due to higher volumes and lower than anticipated crude oil and liquids transportation costs.
- ARC's full-year 2023 transportation expense of \$5.11 per boe was below ARC's guidance range of \$5.50 to \$6.00 per boe primarily due to modifications of certain natural gas transportation contracts and lower fuel gas expense.

General and Administrative Expense

- ARC's fourth quarter 2023 general and administrative expense before share-based compensation expense per boe increased by \$0.42 per boe from the third quarter of 2023. The increase is due to an enterprise system implementation and increased consulting and technology costs.
- ARC's full-year 2023 general and administrative expense of \$1.65 per boe was above Company guidance primarily due to share-based compensation expense driven by share price appreciation.

Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$434 million during the fourth quarter of 2023. Capital expenditures in the fourth quarter were \$545 million. ARC drilled 37 wells and completed 33 wells during the quarter, focused mainly at Attachie and Greater Dawson.
- ARC executed its 2023 capital program efficiently and had a record year in terms of safety performance.
 - Cash flow used in investing activities was \$1.7 billion. ARC invested \$1.8 billion in capital expenditures to drill and complete 151 wells.

The following table details ARC's 2023 drilling and completion activities by area.

Area	Year Ended December 31, 2023	
	Wells Drilled ⁽¹⁾⁽²⁾	Wells Completed ⁽¹⁾
Kakwa	75	88
Greater Dawson	38	36
Sunrise	26	17
Ante Creek	6	10
Attachie	3	-
Total	148	151

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

(2) Excludes disposal wells.

Physical Natural Gas Marketing

- ARC's infrastructure ownership and committed takeaway capacity to end markets played a critical role in mitigating volatility and capturing additional margin in periods of price volatility in North America.
 - ARC's average realized natural gas price during the fourth quarter was \$3.33 per Mcf, 25 per cent higher than the average AECO 7A Monthly Index price for the period.
 - Full-year 2023 market diversification activities resulted in an average realized natural gas price of \$3.77 per Mcf, 25 per cent greater than the average AECO 7A Monthly Index price.
- In the fourth quarter 2023, ARC entered into a long-term natural gas supply agreement with Cheniere. The agreement commences with the commercial operations of the first train of the Sabine Pass Stage 5 Expansion Project SPL E Project, which is anticipated to occur by 2029.
 - ARC will supply 140 MMBtu per day of natural gas for 15 years, and will receive an LNG price based on the NYMEX price after fixed deductions for liquefaction, shipping and regasification fees.
- ARC plans to market up to 25 per cent of its future natural gas production to international markets with revenue linked to international or LNG pricing.

Net Debt

- As of December 31, 2023, ARC's long-term debt balance was \$1.1 billion, and its net debt balance was \$1.3 billion, which is 1.0 times funds from operations.
 - ARC targets its net debt to be in the range of or below 1.0 times funds from operations and manages its capital structure to achieve that target over the long-term.
 - Long-term debt is comprised of \$155 million of syndicated credit facilities and \$1.0 billion of senior notes outstanding.
 - Subsequent to year-end, ARC extended its credit facility by one year to a maturity date of February 2028 and increased its capacity to \$1.7 billion from \$1.8 billion.
- ARC holds an investment-grade credit rating, which allows the Company to have access to capital and to manage its capital structure. ARC is committed to protecting its strong financial position by maintaining significant financial flexibility on its balance sheet.

Net Income

- ARC recognized net income of \$506 million (\$0.84 per share) during the fourth quarter of 2023, an increase of \$206 million (\$0.45 per share) from the third quarter 2023.
- In 2023, ARC recognized net income of \$1.6 billion (\$2.61 per share), compared to net income of \$2.3 billion (\$3.68 per share) in 2022. The decrease in net income compared to the prior year was primarily due to lower average realized commodity prices.

2023 RESERVES

Highlights

- ARC's before-tax NPV for 2P reserves of \$38.00 per share represented a 13 per cent increase compared to 2022's before-tax NPV of \$23.0 billion, discounted at 10 per cent, registered as the highest in ARC's 28-year history.
 - ARC's NPV for 2P reserves of \$38.00 per share is based on the development of approximately 1,000 gross barrels of oil equivalent, which represents 20 per cent of the Company's total gross internal inventory estimates.
 - ARC's before-tax PDP NPV, discounted at 10 per cent, registered at \$14.00 per share, and \$26.00 per share on a per share basis.
 - ARC's NPV was determined using GLJ's forecast pricing and foreign exchange rates at January 1, 2024, with an average WTI price of US\$81 per barrel and a 10-year average AECO price of \$4.23 per million MMBtu.
- Reserves were a record across all categories - increasing by between 12 per cent and 13 per cent per share on a per share and 2P basis.
 - Reserve growth was primarily driven by development additions at Attachie and positive technical revisions and drilling extensions at Kakwa and Sunrise.
 - ARC booked 90 MMboe of 2P reserves at Attachie, representing approximately five years of development at Phase I. The 116 undeveloped locations booked at year-end 2023 represent seven per cent of ARC's internal inventory estimate at Attachie, providing a considerable runway for future reserve growth.
 - PDP reserves increased 43 MMboe or eight per cent (12 per cent per share) to 591 MMboe, driven by positive technical revisions and drilling extensions.
 - 2P reserves increased by nine per cent, and 13 per cent on a per share basis. The increase was driven by development additions at Attachie, Sunrise, and Kakwa.

- Kakwa reserves increased by five per cent on a PDP basis, and between one and two per cent on each of a 1P and 2P basis, respectively. The increase was driven by positive technical revisions and drilling extensions, which more than offset the impact of a previously announced ethane sales contract expiry in the second quarter of 2024 that resulted in a decrease in book value equivalent, as shown in the economic category.
 - RLI at Kakwa increased across all categories (PDP RLI 4.8 years; 2P RLI 14.2 years), and is based on approximately 10 per cent of the internally identified inventory at Kakwa.
 - 2P reserves of 1,994 MMboe were a record, driven by organic reserve growth at Attachie, Sunrise and Kakwa. Attachie comprised 12 per cent of total 2P locations with 116 undeveloped drilling locations booked.
- PDP finding, development and acquisition ("FD&A") costs, including future development capital ("FDC") of \$9.81 billion, equated to a 2.5 times⁽²⁾ PDP FD&A recycle ratio.
 - FDC for 2P reserves totaled \$10.0 billion at December 31, 2023 as compared to \$9.1 billion at December 31, 2022. A 10 per cent increase in FDC is primarily due to the sanctioning of Attachie Phase I.
 - FDC for 2P reserves equates to 5.6 times the mid-point of ARC's 2024 capital budget.
- ARC's RLI increased on a PDP, 1P, and 2P basis in 2023, driven by strong technical revisions and drilling extensions.

(1) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards 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 this non-GAAP ratio. See "Non-GAAP and Other Financial Measures" of this news release for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio.

(2) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards and may not be comparable to similar financial measures disclosed by other issuers. Netback per boe, a non-GAAP ratio, is used as a component of this non-GAAP ratio. Additional information with respect to the calculation of netback per boe can be found under "Non-GAAP and Other Financial Measures" in the 2023 Annual MD&A, which is incorporated by reference herein. See "Non-GAAP and Other Financial Measures" of this news release for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio.

Reserves Reconciliation

Reserves Reconciliation	Tight Oil ⁽²⁾	NGLs ⁽³⁾	Total Oil	Natural	Oil Equivalent
Company Gross ⁽¹⁾	(Mbbbl)	(Mbbbl)	and NGLs ⁽⁴⁾	Gas ⁽⁵⁾	(Mboe)
			(Mbbbl)	(MMcf)	
Proved Producing					
Opening Balance, December 31, 2022	10,192	181,423	191,615	2,142,265	548,659
Extensions and Improved Recovery ⁽⁶⁾	3,225	53,431	56,656	498,968	139,817
Technical Revisions	1,063	4,392	5,456	245,168	46,317
Acquisitions	-	-	-	-	-
Dispositions	(472)	(335)	(807)	(10,756)	(2,600)
Economic Factors	-	(14,937)	(14,938)	15,461	(12,361)
Production	(2,986)	(44,994)	(47,980)	(482,300)	(128,363)
Ending Balance, December 31, 2023	11,022	178,979	190,002	2,408,806	591,469
Total Proved					
Opening Balance, December 31, 2022	18,698	391,339	410,037	4,794,579	1,209,133
Extensions and Improved Recovery ⁽⁶⁾	1,535	64,191	65,726	650,988	174,224
Technical Revisions	1,594	26,011	27,605	289,879	75,918
Acquisitions	-	-	-	-	-
Dispositions	(472)	(1,478)	(1,950)	(39,723)	(8,570)
Economic Factors	-	(26,651)	(26,651)	14,168	(24,290)
Production	(2,986)	(44,994)	(47,980)	(482,300)	(128,363)
Ending Balance, December 31, 2023	18,369	408,418	426,787	5,227,591	1,298,052
Proved plus Probable					
Opening Balance, December 31, 2022	32,031	611,947	643,978	7,107,440	1,828,551
Extensions and Improved Recovery ⁽⁶⁾	2,103	86,070	88,172	1,020,207	258,207
Technical Revisions	(49)	26,853	26,804	327,807	81,439
Acquisitions	-	-	-	-	-
Dispositions	(638)	(2,715)	(3,353)	(72,177)	(15,382)
Economic Factors	(1)	(35,538)	(35,539)	32,499	(30,122)
Production	(2,986)	(44,994)	(47,980)	(482,300)	(128,363)
Ending Balance, December 31, 2023	30,460	641,622	672,082	7,933,476	1,994,328

- (1) Amounts may not add due to rounding.
- (2) Tight Oil includes immaterial amounts of Light, Medium, Heavy Crude Oil.
- (3) Condensate and pentanes plus represented 63 per cent of PDP NGLs reserves, 66 per cent of TP NGLs reserves, and 69 per cent of 2P NGLs reserves for the respective opening balances at December 31, 2022. Condensate and pentanes plus represent 67 per cent of PDP NGLs reserves, 71 per cent of TP NGLs reserves, and 72 per cent of 2P NGLs reserves for the respective ending balances at December 31, 2023.
- (4) Total Oil and NGLs represents the summation of Light, Medium, Heavy Oil, and Tight Oil, and NGLs.
- (5) Natural Gas includes shale gas and conventional natural gas product types, as conventional natural gas makes up less than two 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 "2023 Independent Qualified Reserves Evaluation" of this news release.

(\$ millions)	Undiscounted	Discounted at 10%
Before-tax NPV ⁽¹⁾⁽²⁾		
Proved Producing	12,968	8,402
Proved Developed Non-producing	690	457
Proved Undeveloped	14,940	6,442
Total Proved	28,598	15,301
Probable	20,201	7,661
Proved plus Probable	48,799	22,962
After-tax NPV ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾		
Proved Producing	10,746	7,120
Proved Developed Non-producing	523	348
Proved Undeveloped	11,209	4,608
Total Proved	22,478	12,075
Probable	15,286	5,702
Proved plus Probable	37,763	17,778

- (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, 2024.
- (3) Based on ARC's estimated tax pools at December 31, 2023.

- (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 the section entitled Taxes in the 2023 Annual MD&A.

Finding, Development and Acquisition Costs

- ARC continues to demonstrate the profitability and consistency of its Montney assets through low finding and development ("F&D") costs and strong recycle ratios.
 - ARC delivered a 2P F&D cost, including FDC, of \$9.17 per boe⁽¹⁾ (\$5.98 per boe excluding FDC), a decrease of \$3.29 per boe (\$7.42 per boe excluding FDC) in 2022.
 - Including net acquisitions and dispositions, ARC's 2P FD&A cost, including FDC, was \$9.03 per boe⁽¹⁾ (\$5.88 per boe excluding FDC), compared to \$16.18 per boe (\$7.39 per boe excluding FDC) in the prior year.

FD&A costs are provided including and excluding the change in FDC in the table below.

Including FDC	F&D Cost ⁽²⁾	FD&A Cost ⁽²⁾	F&D Recycle Ratio ⁽²⁾	FD&A Recycle Ratio ⁽²⁾
	(\$/boe)	(\$/boe)	Ratio ⁽²⁾	
Proved Producing ⁽³⁾				
2023	10.34	9.81	2.5	2.6
2022	8.35	8.31	5.2	5.2
2021	8.48	16.75	3.4	1.7
Three-year Average ⁽⁴⁾	9.11	12.91	3.6	2.5
Total Proved ⁽³⁾				
2023	11.33	11.04	2.3	2.3
2022	16.92	16.90	2.6	2.6
2021	7.78	12.68	3.8	2.3
Three-year Average ⁽⁴⁾	11.96	12.94	2.7	2.5
Proved plus Probable ⁽³⁾				
2023	9.17	9.03	2.8	2.9
2022	16.18	16.18	2.7	2.7
2021	7.28	10.39	4.0	2.8
Three-year Average ⁽⁴⁾	9.49	10.90	3.5	3.0

Excluding FDC	F&D Cost ⁽²⁾ (\$/boe)	FD&A Cost ⁽²⁾ (\$/boe)	F&D Recycle Ratio ⁽²⁾	FD&A Recycle Ratio ⁽²⁾
Proved Producing⁽³⁾				
2023	10.64	10.12	2.4	2.5
2022	8.37	8.33	5.2	5.2
2021	8.08	16.27	3.6	1.8
Three-year Average ⁽⁴⁾	9.12	12.75	3.6	2.6
Total Proved⁽³⁾				
2023	8.19	7.97	3.1	3.2
2022	9.58	9.54	4.5	4.5
2021	7.31	8.11	4.0	3.6
Three-year Average ⁽⁴⁾	8.34	8.28	3.9	4.0
Proved plus Probable⁽³⁾				
2023	5.98	5.89	4.3	4.4
2022	7.42	7.39	5.8	5.9
2021	6.76	5.96	4.3	4.9
Three-year Average ⁽⁴⁾	6.59	6.14	5.0	5.4

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

- Dawson III and IV Electrification - In 2023, ARC completed the electrification of its Dawson III and IV facilities. In a Attachie Phase I will be fully electrified at start-up, marking an important milestone in achieving its emissions intensity reduction targets.
- Hydrogen Pilot Project - In the first quarter of 2024, ARC announced a partnership with Ekona Power Inc., a Canadian clean technology company, to conduct a field-based hydrogen pilot. The pilot project will evaluate the technology to produce a reliable supply of clean hydrogen using the Company's existing natural gas infrastructure at ARC's Golden natural gas plant in Alberta.

BOARD OF DIRECTORS UPDATE

ARC is pleased to announce the appointment of Hugh Connett to the Company's Board of Directors,

effective immediately. Mr. Connett has 40 years of global energy industry experience with extensive experience working across various sectors of the energy value chain including natural gas, power, pipelines and LNG. Mr. Connett spent 24 years at Chevron Corporation where he held several executive roles including his most recent role as President, Chevron Global Gas. In this role, he was responsible for overseeing Chevron's global gas business which included an international portfolio of natural gas, liquefied petroleum gas, natural gas liquids and LNG commodities.

After five years of service, Farhad Ahrabi stepped down from the Board on January 1, 2024. In addition, Director, William McAdam, has announced he will not be seeking re-election in 2024. ARC would like to extend its sincerest gratitude to both Mr. Ahrabi and Mr. McAdam for their service to the Company.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's fourth quarter and full-year 2023 results on Friday, February 9, 2024, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, February 9, 2024
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	22053891
Webcast URL	https://app.webinar.net/qZAJMXE1IQb

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.

CONSOLIDATED BALANCE SHEETS (unaudited) As at

Cdn\$ millions	December 31, 2023	December 31, 2022
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ASSETS

Current assets

Cash and cash equivalents	1.1	57.1
Inventory	29.1	6.7
Accounts receivable	583.0	863.2
Prepaid expense	102.7	52.5
Risk management contracts	177.5	0.9
Assets held for sale	-	6.1
	893.4	986.5

Risk management contracts	61.5	13.3
Long-term investments	19.7	14.5
Exploration and evaluation assets	307.6	290.9
Property, plant and equipment	9,836.5	9,300.3
Right-of-use assets	1,016.0	770.2
Goodwill	248.2	248.2
Total assets	12,382.9	11,623.9

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	753.3	1,190.9
Current portion of lease obligations	85.2	92.4
Current portion of other deferred liabilities	20.8	20.0
Current portion of asset retirement obligation	17.0	16.0
Dividends payable	101.7	93.4
Risk management contracts	3.6	303.0
	981.6	1,715.7

Risk management contracts	10.5	38.1
Long-term portion of lease obligations	974.6	702.9
Long-term debt	1,148.9	990.0
Long-term incentive compensation liability	58.4	48.1
Other deferred liabilities	125.9	135.7
Asset retirement obligation	434.3	378.3
Deferred taxes	1,220.9	961.6
Total liabilities	4,955.1	4,970.4

SHAREHOLDERS' EQUITY

Shareholders' capital	6,268.2	6,497.6
Contributed surplus	36.1	39.9
Retained earnings	1,141.4	139.1
Accumulated other comprehensive loss	(17.9)	(23.1)
Total shareholders' equity	7,427.8	6,653.5

Total liabilities and shareholders' equity	12,382.9	11,623.9
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Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2023, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

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

(Cdn\$ millions, except per share amounts)	Three Months Ended Year End			
	2023	2022	2023	2022
Commodity sales from production	1,300.2	2,024.4	5,260.4	7,000.0
Royalties	(172.8)	(336.8)	(706.8)	(1,000.0)
Sales of commodities purchased from third parties	261.7	458.1	1,101.5	1,000.0
Revenue from commodity sales	1,389.1	2,145.7	5,655.1	7,000.0
Interest and other income	3.5	3.7	12.3	10.0
Gain (loss) on risk management contracts	207.0	39.6	354.4	(50.0)
Total revenue, interest and other income, and gain (loss) on risk management contracts	1,599.6	2,189.0	6,021.8	7,000.0
Commodities purchased from third parties	259.2	422.4	1,076.3	1,000.0
Operating	138.6	144.7	589.8	500.0
Transportation	154.3	188.6	656.0	700.0
General and administrative	52.5	56.0	212.2	200.0
Interest and financing	31.6	25.5	105.5	90.0
Impairment (reversal of impairment) of financial assets	(1.4)	4.2	(7.3)	60.0
Depletion, depreciation and amortization and impairment of property, plant and equipment	353.6	364.2	1,405.8	1,000.0
Loss (gain) on foreign exchange	10.8	4.7	10.6	(50.0)
Gain on disposal of crude oil and natural gas assets	(58.5)	-	(84.4)	(20.0)
Total expenses	940.7	1,210.3	3,964.5	4,000.0
Net income before income taxes	658.9	978.7	2,057.3	3,000.0
Provision for income taxes				
Current	41.5	68.5	201.5	200.0
Deferred	111.1	169.2	259.3	300.0
Total income taxes	152.6	237.7	460.8	500.0
Net income	506.3	741.0	1,596.5	2,500.0
Net income per share				
Basic				

Diluted

0.84

1.18

2.61

3

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2023, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

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

(Cdn\$ millions)	Three Months Ended Y		
	2023	2022	2021
Net income	506.3	741.0	1,111.1
Items that may be reclassified to the consolidated statements of income in subsequent periods:			
Net unrealized gain (loss) on foreign currency translation adjustment	4.4	5.1	5.1
Comprehensive income	510.7	746.1	1,116.2

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2023, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

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

(Cdn\$ millions)	Shareholders' Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
January 1, 2022	7,221.1	46.3	(1,337.4)	(2.5)	5,927.5
Comprehensive income	-	-	2,302.3	(20.6)	2,281.7
Recognized under share-based compensation plans (0.3)	-	1.5	-	-	1.2
Recognized on exercise of share options	37.3	(7.9)	-	-	29.4
Repurchase of shares for cancellation	(781.1)	-	(513.7)	-	(1,294.8)
Change in liability for share purchase commitment	20.6	-	6.1	-	26.7
Dividends declared	-	-	(318.2)	-	(318.2)
December 31, 2022	6,497.6	39.9	139.1	(23.1)	6,653.5
Comprehensive income	-	-	1,596.5	5.2	1,601.7
Recognized under share-based compensation plans 0.2	-	1.0	-	-	1.2
Recognized on exercise of share options	21.4	(4.8)	-	-	16.6
Repurchase of shares for cancellation	(264.6)	-	(199.5)	-	(464.1)
Change in liability for share purchase commitment	13.6	-	5.6	-	19.2
Dividends declared	-	-	(400.3)	-	(400.3)
December 31, 2023	6,268.2	36.1	1,141.4	(17.9)	7,427.8

Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2023, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three months and years ended December 31

(Cdn\$ millions)	Three Months Ended Year Ended			
	2023	2022	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	506.3	741.0	1,596.5	2,302.3
Add items not involving cash:				
Unrealized gain on risk management contracts	(227.3)	(317.6)	(556.2)	(280.5)
Accretion of asset retirement obligation	3.7	3.1	13.2	11.0
Impairment (reversal of impairment) of financial assets	(1.4)	4.2	(7.3)	6.7

Depletion, depreciation and amortization and impairment of property, plant and equipment	353.6	364.2	1,405.8	1,313.7
Unrealized loss (gain) on foreign exchange	11.3	21.2	7.1	(28.8)
Gain on disposal of crude oil and natural gas assets	(58.5)	-	(84.4)	(2.0)
Deferred taxes	111.1	169.2	259.3	387.4
Other	0.4	0.9	5.6	2.7
Net change in other liabilities	(1.6)	(13.9)	(9.3)	(129.2)
Change in non-cash working capital	1.3	(94.0)	(236.0)	250.0
Cash flow from operating activities	698.9	878.3	2,394.3	3,833.3
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	1,359.3	1,396.4	4,247.9	7,027.0
Repayment of long-term debt	(1,320.3)	(1,533.4)	(4,092.9)	(7,748.2)
Proceeds from exercise of share options	2.3	2.7	16.6	29.4
Repurchase of shares	(181.9)	(317.4)	(469.3)	(1,292.3)
Repayment of principal relating to lease obligations	(22.0)	(20.3)	(69.9)	(84.6)
Cash dividends paid	(103.1)	(76.7)	(392.0)	(294.3)
Cash flow used in financing activities	(265.7)	(548.7)	(759.6)	(2,363.0)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of crude oil and natural gas assets	-	(0.1)	(0.5)	(2.7)
Disposal of crude oil and natural gas assets	44.2	-	117.8	11.9
Property, plant and equipment development expenditures	(533.8)	(373.8)	(1,826.0)	(1,419.7)
Exploration and evaluation asset expenditures	(4.5)	(3.6)	(11.8)	(6.4)
Long-term investments	(0.3)	(3.3)	(5.4)	(12.0)
Change in non-cash working capital	60.1	30.1	35.2	15.7
Cash flow used in investing activities	(434.3)	(350.7)	(1,690.7)	(1,413.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1.1)	(21.1)	(56.0)	57.1
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2.2	78.2	57.1	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	1.1	57.1	1.1	57.1

The following are included in cash flow from operating activities:

Income taxes paid (received) in cash

(2.4)

Interest paid in cash	19.7	14.3	88.1	82.8
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Refer to the accompanying notes to ARC's consolidated financial statements as at and for the year ended December 31, 2023, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

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 Accounting Standards 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 Accounting Standards, 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		Year Ended		
	September 30, 2023	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Capital Expenditures					
(\$ millions)					
Cash flow used in investing activities	394.6	434.3	350.7	1,690.7	1,413.2
Acquisition of crude oil and natural gas assets -	-	-	(0.1)	(0.5)	(2.7)
Disposal of crude oil and natural gas assets	-	44.2	-	117.8	11.9
Long-term investments	(0.7)	(0.3)	(3.3)	(5.4)	(12.0)
Change in non-cash investing working capital	3.9	60.1	30.1	35.2	15.7
Other ⁽¹⁾	3.6	6.2	5.9	12.0	15.8
Capital expenditures	401.4	544.5	383.3	1,849.8	1,441.9

(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.

Free Funds Flow	Three Months Ended			Year Ended	
	September 30, 2023	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
(\$ millions)					
Cash flow from operating activities	604.2	698.9	878.3	2,394.3	3,833.3
Net change in other liabilities	7.9	1.6	13.9	9.3	129.2
Change in non-cash operating working capital	50.1	(1.3)	94.0	236.0	(250.0)
Funds from operations	662.2	699.2	986.2	2,639.6	3,712.5
Capital expenditures ⁽¹⁾	(401.4)	(544.5)	(383.3)	(1,849.8)	(1,441.9)
Free funds flow	260.8	154.7	602.9	789.8	2,270.6

(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 2023 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 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.

Adjusted Net Capital Acquisitions	Year Ended	Year Ended
(\$ millions)	December 31, 2023	December 31, 2022
Acquisition of crude oil and natural gas assets (0.5)		2.7
Remove:		
Disposal of crude oil and natural gas assets	117.8	(11.9)
Adjusted net capital acquisitions	117.3	(9.2)

Non-GAAP 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 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 common shares outstanding at the end of the period.

2023 INDEPENDENT QUALIFIED RESERVES EVALUATION

GLJ conducted a Reserves Evaluation, effective December 31, 2023, 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, 2024, as outlined in the table below. These forecasts reflect current market conditions as defined by current forward commodity prices as at December 31, 2023. 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 crude oil and natural gas reserves statement for the year ended December 31, 2023, including complete disclosure of the Company's crude oil and natural gas reserves and other crude oil and natural gas information in accordance with NI 51-101, will be disclosed in ARC's Annual Information Form for the year ended December 31, 2023, which will be available on or before March 31, 2024 on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

ARC also engaged GLJ to provide an evaluation of its contingent resources effective December 31, 2023 for its working interest Montney properties as at December 31, 2023. See our supplementary filing titled "Other" and dated February 8, 2024 which has been filed on SEDAR+ at www.sedarplus.ca for additional details with respect to ARC's contingent resources, including the risks and uncertainties related thereto.

Summary of GLJ January 1, 2024 Forecast Prices and Inflation Rate Assumptions

GLJ Price Forecast ⁽¹⁾	WTI		Edmonton		NYMEX Henry Hub Natural Gas		AECO		Foreign Exchange	
	Crude Oil		Light Oil		(US\$/MMBtu)		Natural Gas		(US\$/Cdn\$)	
	(US\$/bbl)		(Cdn\$/bbl)				(Cdn\$/MMBtu)			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
2024	72.50	75.00	89.40	95.30	2.75	4.50	2.01	4.77	0.755	0.745
2025	75.00	75.43	94.04	94.50	3.85	4.27	3.42	4.47	0.755	0.755
2026	76.99	76.94	95.31	95.14	4.16	4.35	4.30	4.49	0.765	0.765
2027	78.53	78.48	97.22	95.79	4.25	4.44	4.39	4.53	0.765	0.775
2028	80.10	80.05	99.16	97.70	4.33	4.53	4.47	4.62	0.765	0.775
2029	81.70	81.65	101.14	99.66	4.42	4.62	4.56	4.71	0.765	0.775
2030	83.34	83.28	103.16	101.65	4.50	4.71	4.65	4.80	0.765	0.775
2031	85.00	84.95	105.23	103.68	4.60	4.80	4.75	4.89	0.765	0.775
2032	86.70	86.65	107.33	104.31	4.69	4.90	4.84	4.99	0.765	0.775
2033 ⁽²⁾	88.44		109.48		4.78		4.94		0.765	0.775
Escalate thereafter at	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	0.765	0.775
	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, 2023.

(2) Escalated at two per cent per year starting in 2034 in the January 1, 2024 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 Crude Oil and Natural 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 crude oil and natural 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.

This news release discloses drilling inventory in three categories: (i) proved plus probable (2P) locations; (ii) contingent resources (2C) drilling locations; and (iii) prospective resources (PR) drilling locations. 2P locations are derived from the report prepared by GLJ, evaluating ARC's reserves as of December 31, 2023 (the "GLJ Reserve Report"), and account for drilling locations that have associated proved plus probable reserves. 2C drilling locations are derived from a report prepared by GLJ evaluating ARC's contingent and prospective resources as of December 31, 2021 (the "GLJ Resource Report"), and account for drilling locations that have associated contingent resources based on a best estimate of such contingent resources. PR drilling locations are derived from the GLJ Resource Report, and account for drilling locations that have associated prospective resources based on a best estimate of such prospective resources. Of the roughly 6,000 total drilling locations identified herein, 1,048 are 2P, 3,612 are 2C, and 1,275 are PR locations. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity. Economic contingent resources are those contingent resources that are currently economically recoverable. The sub-classes included under economic contingent resources are Development Pending CR, Development on Hold CR, and Development Unclassified CR. Development Pending are resources where resolution of the final conditions for development is being actively pursued (high chance of development). Development on Hold are resources where there is a reasonable chance of development but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator. Development Unclassified are resources where the evaluation is incomplete and there is ongoing activity to resolve any risks or uncertainties. Development Not Viable are resources that are not viable in the conditions prevailing at the effective date of the evaluation, and where no further data acquisition or evaluation is currently planned and hence there is a low chance of development.

There is no certainty that ARC will drill all drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas production. The drilling locations on which ARC will drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

This news release contains estimates of the NPV of the Company's future net revenue from reserves associated with ARC's assets. Such amounts do not represent the fair market value of such reserves. The recovery and reserve estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. The NPV of the assets' base production is a snapshot in time and is based on the reserves evaluated using applicable pricing assumptions. It should not be assumed that the undiscounted or discounted NPV of future net revenue attributable to the assets represents the fair market value of those assets. The estimates for reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates relied upon for NPV calculations, herein.

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: the anticipated terms and timing of the long-term natural gas supply agreement with Sabine Pass Liquefaction Stage V, LLC and the expected pricing and revenue thereunder; expected timing of completion for Attachie Phase I; ARC's plans to build on operating momentum to achieve the goals of its five-year outlook introduced in 2023; intentions to return free funds flow to shareholders through a growing base dividend and share repurchases under ARC's NCIB; expectations that executing ARC's plan will result in a positive fundamental change in ARC's business and the timing thereof; anticipated production in the first quarter of 2024; expectations and the rationale behind anticipated growth in the second half of 2024; anticipated capacity for the first phase of Attachie Phase I and the components thereof; expectations with respect to drilling a second rig and timing thereof; anticipated benefits with respect to the electrification of the Attachie Phase I facility; ARC's 2024 and 2025 outlook; ARC's 2024 guidance including, among others, planned capital expenditures, anticipated average annual production and the components thereof, Kakwa production estimates and anticipated expenses and the components thereof; ARC's plans to continue to repurchase common shares under the NCIB when the intrinsic value of the Company's common shares exceeds the market trading price; ARC's plans to market up to 25 per cent of its future natural gas production to international markets; net debt targets; anticipated runway for future reserves growth; that Attachie Phase I will be fully electrified at start-up; the anticipated results and benefits of the field-based hydrogen pilot; and other statements. Further, statements relating to reserves and resources 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 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 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 2024 on time frames, and terms and conditions, currently anticipated; 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 and other long-term debt 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'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, including those risks contained under the heading "Risk Factors" in ARC's 2023 Annual MD&A.

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.

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[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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