ARC RESOURCES LTD.

ARC RESOURCES LTD. REPORTS SECOND QUARTER 2021 RESULTS AND ANNOUNCES DIVIDEND INCREASE OF 10 PER CENT

NEWS RELEASE

Calgary, July 29, 2021 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its second quarter 2021 financial and operational results.

SECOND QUARTER 2021 HIGHLIGHTS

- ARC successfully closed the strategic Montney combination with Seven Generations Energy Ltd. ("Seven Generations") on April 6, 2021 (the "Business Combination"), to become the largest pure-play Montney producer, and remains well on track to deliver annual synergies of $160 million for 2022.
- ARC's board of directors (the "Board") has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021 to shareholders of record on September 30, 2021, and reflects ARC's conviction in its assets, increased profitability, and the progress made to-date in delivering on the $160 million of annual synergies.
- ARC generated funds from operations(1) of $542.5 million ($0.75 per share) and free funds flow(2) of $249.7 million ($0.35 per share).
    - Free funds flow was allocated to debt reduction and declaring dividends of $43.5 million ($0.06 per share).
    - Net debt excluding lease obligations(1) outstanding was reduced by $270.8 million or 11 per cent and was 1.3 times annualized funds from operations at period end.
- ARC delivered average daily production of 335,701 boe(3) per day (60 per cent natural gas and 40 per cent crude oil and liquids)(4), which was above guidance. Production in the period was impacted by planned maintenance and turnaround activities across the Company's asset base.
- ARC safely executed its active capital program, drilling 38 wells and completing 40 wells. Capital investments totalled $292.8 million and included bringing the Sunrise facilities expansion on-stream in May 2021.
- ARC disposed of its Pembina assets in the second quarter of 2021. Production guidance during the second half of 2021 is unchanged at approximately 340,000 boe per day, while operating expense guidance and crude oil production guidance have been lowered to reflect the disposition. Production guidance for condensate, natural gas, and NGLs remains unchanged.

A video update from ARC's senior management team and an updated investor presentation are available on ARC's website at www.arcresources.com. ARC's unaudited condensed interim consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three and six months ended June 30, 2021, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

Notes:

(1) Refer to Note 15 *"Capital Management"* in ARC's financial statements and to the sections entitled *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* in ARC's MD&A as at and for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

(2) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled *"Non-GAAP Measures"* in ARC's MD&A for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

(3) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("boe"). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

(4) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended March 31, 2021[1]	Three Months Ended **June 30, 2021**	Three Months Ended June 30, 2020[1]	Six Months Ended **June 30, 2021**	Six Months Ended June 30, 2020[1]
FINANCIAL RESULTS					
Net income (loss)	178.0	**(123.0)**	(43.5)	**55.0**	(601.9)
Per share[2]	0.50	**(0.17)**	(0.12)	**0.10**	(1.70)
Funds from operations[3]	273.9	**542.5**	150.2	**816.4**	311.0
Per share[2]	0.77	**0.75**	0.42	**1.51**	0.88
Free funds flow[4]	148.2	**249.7**	106.1	**397.9**	97.1
Per share[2]	0.42	**0.35**	0.30	**0.74**	0.27
Dividends declared	21.3	**43.5**	21.3	**64.8**	63.8
Per share[2]	0.06	**0.06**	0.06	**0.12**	0.18
Capital expenditures, before undeveloped land purchases and net property acquisitions (dispositions)	125.7	**292.8**	44.1	**418.5**	213.9
Total capital expenditures, including undeveloped land purchases and net property acquisitions (dispositions)	125.6	**214.8**	44.0	**340.4**	213.9
Net debt outstanding[3]	613.6	**2,986.7**	961.1	**2,986.7**	961.1
Net debt excluding lease obligations outstanding[3]	568.0	**2,084.1**	923.0	**2,084.1**	923.0
Common shares outstanding, weighted average diluted (millions)	354.4	**723.1**	353.4	**540.3**	353.4
Common shares outstanding, end of period (millions)	353.4	**723.9**	353.4	**723.9**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	13,647	**11,659**	14,987	**12,648**	15,992
Condensate (bbl/day)	13,812	**73,459**	13,239	**43,800**	12,251
Crude oil and condensate (bbl/day)	27,459	**85,118**	28,226	**56,448**	28,243
Natural gas (MMcf/day)	794.1	**1,203.3**	773.3	**999.9**	732.7
NGLs (bbl/day)	10,620	**50,020**	9,405	**30,429**	8,779
Total (boe/day)	170,430	**335,701**	166,510	**253,522**	159,146
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	64.46	**74.01**	25.88	**68.89**	38.53
Condensate ($/bbl)	71.59	**77.93**	31.54	**76.93**	43.48
Natural gas ($/Mcf)	4.60	**3.34**	1.92	**3.84**	1.98
NGLs ($/bbl)	29.45	**22.19**	10.84	**23.45**	8.76
Oil equivalent ($/boe)	34.25	**34.90**	14.38	**34.68**	16.83
Netback ($/boe)[4]					
Commodity sales from production	34.25	**34.90**	14.38	**34.68**	16.83
Royalties	(1.69)	**(3.02)**	(0.38)	**(2.58)**	(0.73)
Operating expense	(3.85)	**(4.53)**	(3.32)	**(4.30)**	(3.83)
Transportation expense	(3.70)	**(4.49)**	(2.88)	**(4.22)**	(2.87)
Netback	25.01	**22.86**	7.80	**23.58**	9.40
Realized gain (loss) on risk management contracts	(1.75)	**(1.97)**	2.10	**(1.90)**	1.69
Netback including realized gain (loss) on risk management contracts	23.26	**20.89**	9.90	**21.68**	11.09
TRADING STATISTICS[5]					
High price	8.67	**10.74**	6.12	**10.74**	8.39
Low price	5.88	**7.26**	3.64	**5.88**	2.42
Close price	7.72	**10.55**	4.56	**10.55**	4.56
Average daily volume (thousands of shares)	3,125	**3,309**	2,177	**3,218**	2,692

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.
(2) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.
(3) Refer to Note 15 *"Capital Management"* in ARC's financial statements and to the sections entitled *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* in ARC's MD&A as at and for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.
(4) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled *"Non-GAAP Measures"* in ARC's MD&A for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.
(5) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

BUSINESS COMBINATION WITH SEVEN GENERATIONS

On April 6, 2021, ARC successfully closed the strategic Montney combination with Seven Generations, issuing approximately 369.4 million shares to acquire all of the outstanding Seven Generations shares and making ARC the largest pure-play Montney producer. On May 1, 2021, ARC amalgamated with Seven Generations.

ARC expects to achieve annual synergies of approximately $160 million for 2022, which will be attained through a combination of corporate and finance cost savings, operating efficiencies, market optimization opportunities, and drilling and completions efficiencies. ARC estimates that over half of the identified synergies have been captured to-date.

ARC has made significant progress in integrating the two companies while maintaining business continuity and ensuring safe and efficient operations. ARC expects to have fully integrated Seven Generations by year-end 2021. Of note:

- Shared learnings and knowledge transfer is taking place across ARC's expanded operations and within all disciplines to deliver capital and operating efficiency improvements.
- The Kakwa field operations were integrated safely and efficiently into ARC's broader asset portfolio.
- ARC is realizing improved purchasing power within its field operations and capital programs due to its increased size and scale.
- The transportation and sales portfolios of the two companies have been fully integrated, providing ARC with a greater ability to optimize transportation and fractionation capacity usage to increase sales revenues.

ORGANIZATIONAL UPDATE

ARC announces that David Holt has resigned from his position as Senior Vice President and Chief Operating Officer, effective August 27, 2021. Through the Business Combination, David has played a significant role in ensuring the safe and efficient execution of ARC's expanded field operations. ARC thanks David for his valuable contributions to the successful integration of ARC and Seven Generations.

OPERATIONAL REVIEW

ARC's leading position in the Montney resource play features a deep inventory of high-return, de-risked development opportunities. The enhanced commodity and geographic diversity established through the Business Combination provides significant optionality within ARC's portfolio and improves the Company's ability to reduce development risk and mitigate the impacts of future commodity price volatility.

ARC processes the majority of its production through owned-and-operated infrastructure. This affords the Company greater control to deliver on its low cost structure and optimal liquids recoveries, as well as the ability to optimize revenue streams, and supports strong safety and environmental performance.

ARC is monitoring the recent Supreme Court of British Columbia judgment regarding a claim by the Blueberry River First Nations against the Province of British Columbia. ARC will continue to work closely and respectfully with stakeholders and neighbouring Indigenous communities.

Capital Expenditures

ARC invested $292.8 million during the second quarter of 2021, drilling 38 wells and completing 40 wells. During the period, ARC commissioned the Sunrise facilities expansion, bringing on-stream an additional 40 MMcf per day of natural gas processing and sales capacity to the area. ARC also advanced the

Parkland/Tower facility sour conversion and expansion, which remains on schedule to be completed in the third quarter of 2021.

ARC invested $418.5 million to drill 53 wells and complete 72 wells during the first half of 2021. The following table details ARC's capital activity by core operating area.

	Six Months Ended June 30, 2021		
	Capital Expenditures[1] ($ millions)	**Wells Drilled**[2]	**Wells Completed**[2]
Kakwa[3]	**190.4**	**21**	**35**
Greater Dawson[4]	**108.1**	**21**	**19**
Sunrise	**65.1**	**9**	**9**
Ante Creek	**25.7**	**2**	**9**
Attachie West	**4.2**	**—**	**—**
All other[5]	**25.0**	**—**	**—**
Total	**418.5**	**53**	**72**

(1) Undeveloped land purchases and net property acquisitions and dispositions are not included.
(2) Wells drilled and completed for operated assets only.
(3) Assets acquired through the Business Combination, which closed on April 6, 2021.
(4) Comprises Dawson and Parkland/Tower assets.
(5) Comprises spending and activity for ARC's non-core and corporate assets and includes capitalized general and administrative ("G&A") expenditures.

ARC expects full-year 2021 capital expenditures to be between $950 million and $1.0 billion.

Production

ARC's production averaged 335,701 boe per day (60 per cent natural gas and 40 per cent crude oil and liquids) during the second quarter of 2021, with operations impacted by planned turnaround and maintenance activities across the asset base.

The following table details ARC's production by core operating area during the second quarter of 2021, relative to the first quarter of 2021.

	Three Months Ended					
	June 30, 2021					March 31, 2021
	Crude Oil (bbl/day)	**Condensate** (bbl/day)	**Natural Gas** (MMcf/day)	**NGLs** (bbl/day)	**Total** (boe/day)	Total (boe/day)
Kakwa[1]	**—**	**60,319**	**437.6**	**39,633**	**172,890**	180,774
Greater Dawson[2]	**1,344**	**10,189**	**427.5**	**8,439**	**91,219**	99,003
Sunrise	**—**	**14**	**259.2**	**29**	**43,242**	40,913
Ante Creek	**6,538**	**488**	**53.2**	**1,435**	**17,331**	17,099
Attachie West	**—**	**2,232**	**12.2**	**148**	**4,418**	4,593
All other[3]	**3,777**	**217**	**13.6**	**336**	**6,601**	8,822
Total	**11,659**	**73,459**	**1,203.3**	**50,020**	**335,701**	351,204[4]

(1) Assets acquired through the Business Combination, which closed on April 6, 2021.
(2) Comprises Dawson and Parkland/Tower assets.
(3) Comprises production from ARC's non-core assets.
(4) Represents production of ARC plus Seven Generations for the three months ended March 31, 2021. Refer to the May 5, 2021 news release entitled *"ARC Resources Ltd. Reports First Quarter 2021 Results and Provides 2021 Guidance"*, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC expects production to average approximately 340,000 boe per day during the second half of 2021.

ESG REVIEW

ARC ranks amongst the best in the world for ESG performance in the sector and remains committed to low-emission, responsible energy development. ARC continues to evolve its market access strategy through its pursuit of responsible natural gas supply agreements that supply low-emission natural gas to North American consumers. ARC plans to publish its 2020 ESG performance data and highlights in the third quarter of 2021, with new ESG targets expected to be released in the fourth quarter of 2021.

FINANCIAL REVIEW

Balance Sheet and Liquidity

At the core of ARC's long-term strategy is preserving a strong balance sheet through all commodity price cycles and maintaining an investment-grade credit rating to access low-cost debt. To achieve this, ARC targets its net debt excluding lease obligations to be within a range of 1.0 to 1.5 times annualized funds from operations over the long term. As at June 30, 2021, ARC's net debt excluding lease obligations outstanding was $2.1 billion or 1.3 times annualized funds from operations.

ARC currently has ample liquidity, with approximately $1.9 billion of undrawn credit capacity. At current forward commodity prices, ARC expects to reduce net debt excluding lease obligations outstanding to the low end of the Company's targeted range by the third quarter of 2021.

Dividend Increase

The Board has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021 to shareholders of record on September 30, 2021. The ex-dividend date is September 29, 2021.

Profitable assets and a strong financial position ensure that ARC's dividend is sustainable in a low commodity price environment. Dividends will continue to be assessed to ensure that they are aligned with the Company's capital allocation priorities.

Net Income (Loss)

ARC recognized a net loss of $123.0 million ($0.17 per share) in the second quarter of 2021. Following the closing of the Business Combination, ARC's netback increased due to higher volumes and strong liquids realizations; however, the increased netback was offset by increases in G&A expense, transaction costs, and depletion, depreciation, and amortization. Additionally, ARC recognized increased losses on its risk management contracts in the period, driven by the acquisition of Seven Generations' risk management contracts and the positions that ARC entered into to de-risk its deleveraging plan.

ARC recognized net income of $55.0 million ($0.10 per share) in the first half of 2021, compared to a net loss of $601.9 million ($1.70 per share) in the first half of 2020.

Funds from Operations and Free Funds Flow

ARC generated funds from operations of $542.5 million ($0.75 per share) during the second quarter of 2021. ARC's second quarter 2021 funds from operations were impacted by planned turnaround and maintenance activities, which reduced commodity sales from production and increased the Company's operating expense. During the second quarter of 2021, ARC also recognized increased realized losses on risk management contracts, recognized higher G&A expense due to a larger workforce and increased share-based compensation expense, and incurred transaction costs resulting from the Business Combination. These decreases to funds from operations were partially offset by a reduced current tax expense in the second quarter of 2021 compared to the first quarter of 2021.

ARC generated free funds flow of $249.7 million ($0.35 per share) during the second quarter of 2021. Free funds flow was used to fund the Company's dividend obligations of $43.5 million ($0.06 per share) and to strengthen the Company's balance sheet, reducing net debt excluding lease obligations outstanding by $270.8 million or 11 per cent since the closing of the Business Combination.

During the first half of 2021, ARC generated funds from operations of $816.4 million ($1.51 per share) and free funds flow of $397.9 million ($0.74 per share).

The following table details the change in funds from operations for the second quarter of 2021 relative to the first quarter of 2021 and the change in funds from operations for the first half of 2021 relative to the first half of 2020.

	Q1 2021 to Q2 2021		2020 YTD to 2021 YTD	
	$ millions	$/share(1)	$ millions	$/share(1)
Funds from operations for the three months ended March 31, 2021(2)	273.9	0.77		
Funds from operations for the six months ended June 30, 2020(2)			311.0	0.88
Volume				
Crude oil and liquids	**484.7**	**1.37**	**258.0**	**0.73**
Natural gas	**174.9**	**0.49**	**94.1**	**0.27**
Price				
Crude oil and liquids	**19.4**	**0.06**	**415.6**	**1.18**
Natural gas	**(138.1)**	**(0.39)**	**336.4**	**0.95**
Sales of commodities purchased from third parties	**241.1**	**0.68**	**262.2**	**0.73**
Interest income	**1.7**	**—**	**1.5**	**—**
Other income	**(0.9)**	**—**	**8.4**	**0.02**
Realized gain (loss) on risk management contracts	**(33.4)**	**(0.09)**	**(135.9)**	**(0.38)**
Royalties	**(66.7)**	**(0.19)**	**(97.4)**	**(0.28)**
Expenses				
Commodities purchased from third parties	**(228.9)**	**(0.65)**	**(252.8)**	**(0.72)**
Operating	**(79.3)**	**(0.22)**	**(86.2)**	**(0.24)**
Transportation	**(80.2)**	**(0.23)**	**(110.8)**	**(0.31)**
G&A	**(31.1)**	**(0.09)**	**(42.8)**	**(0.12)**
Transaction costs	**(7.7)**	**(0.02)**	**(22.9)**	**(0.06)**
Interest and financing	**(21.9)**	**(0.06)**	**(16.6)**	**(0.05)**
Current income tax	**42.4**	**0.12**	**(82.5)**	**(0.23)**
Realized gain (loss) on foreign exchange	**(8.1)**	**(0.02)**	**(21.5)**	**(0.06)**
Other	**0.7**	**—**	**(1.4)**	**—**
Weighted average shares, diluted	**—**	**(0.78)**	**—**	**(0.80)**
Funds from operations for the three months ended June 30, 2021	**542.5**	**0.75**		
Funds from operations for the six months ended June 30, 2021			**816.4**	**1.51**

(1) Per share amounts are based on weighted average diluted common shares.
(2) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.

Financial and Physical Price Management

ARC manages a strategic physical and financial diversification program to increase ARC's exposure to downstream sales points across North America. Following the closing of the Business Combination, ARC quickly integrated the sales portfolios of both companies to capitalize on several market optimization opportunities. To date, ARC has:

- proactively managed pricing differentials for light oil and condensate production to optimize revenues;
- optimized transportation and fractionation capacity usage; and
- actively managed its natural gas sales portfolio to improve realizations and adjust downstream exposures to align with ARC's market views.

The following table summarizes ARC's average realized prices for the second quarter of 2021 relative to the first quarter of 2021 and ARC's average realized prices for the first half of 2021 relative to the first half of 2020.

	Three Months Ended			Six Months Ended		
	June 30, 2021	March 31, 2021(1)	% Change	**June 30, 2021**	June 30, 2020(1)	% Change
Average natural gas price before diversification activities ($/Mcf)	**3.37**	3.19	6	**3.34**	2.10	59
Natural gas diversification activities ($/Mcf)	**(0.03)**	1.41	(102)	**0.50**	(0.12)	(517)
Realized gain (loss) on risk management contracts ($/Mcf)(2)	**(0.18)**	(0.21)	(14)	**(0.19)**	0.10	(290)
Average realized natural gas price including realized gain (loss) on risk management contracts ($/Mcf)	**3.16**	4.39	(28)	**3.65**	2.08	75
Average realized crude oil price ($/bbl)	**74.01**	64.46	15	**68.89**	38.53	79
Average realized condensate price ($/bbl)	**77.93**	71.59	9	**76.93**	43.48	77
Average realized NGLs price ($/bbl)	**22.19**	29.45	(25)	**23.45**	8.76	168
Total average realized commodity price ($/boe)	**34.90**	34.25	2	**34.68**	16.83	106

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.
(2) Realized gain (loss) on risk management contracts is not included in ARC's average realized natural gas price.

ARC's risk management program reduces volatility in funds from operations to support ARC's dividend, capital program, and deleveraging plan. For the balance of 2021, ARC has hedged approximately 50 per cent of both its expected crude oil and condensate and natural gas production at levels that generate profitable rates of return.

Netback

The following table details the components of ARC's netback for the second quarter of 2021 relative to the first quarter of 2021 and ARC's netback for the first half of 2021 relative to the first half of 2020.

	Three Months Ended			Six Months Ended		
($/boe)	**June 30, 2021**	March 31, 2021(1)	% Change	**June 30, 2021**	June 30, 2020(1)	% Change
Commodity sales from production	**34.90**	34.25	2	**34.68**	16.83	106
Royalties	**(3.02)**	(1.69)	79	**(2.58)**	(0.73)	253
Operating expense	**(4.53)**	(3.85)	18	**(4.30)**	(3.83)	12
Transportation expense	**(4.49)**	(3.70)	21	**(4.22)**	(2.87)	47
Netback	**22.86**	25.01	(9)	**23.58**	9.40	151
Realized gain (loss) on risk management contracts	**(1.97)**	(1.75)	13	**(1.90)**	1.69	(212)
Netback including realized gain (loss) on risk management contracts	**20.89**	23.26	(10)	**21.68**	11.09	95

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.

ARC's second quarter 2021 netback decreased nine per cent relative to ARC's first quarter 2021 netback and was driven by the following:

- Increased royalties, reflecting the higher proportion of crude oil and liquids production in ARC's sales mix resulting from the Business Combination, which have higher average royalty rates than natural gas.
- Increased operating expense, reflecting the planned turnaround and maintenance activities conducted in the period.
- Increased transportation expense, reflecting the integration of transportation arrangements associated with the Kakwa asset into ARC's sales portfolio.

ARC's netback in the first half of 2021 increased 151 per cent relative to the first half of 2020, mainly resulting from increased commodity sales from production due to higher commodity prices and higher average production. Partially offsetting the increase to commodity sales from production were increased royalties, operating expense, and transportation expense, reflecting the integration of the Kakwa asset into ARC's asset portfolio.

OUTLOOK

2021 Guidance

ARC's 2021 capital budget of $950 million to $1.0 billion has been designed to maximize free funds flow and enhance ARC's returns-focused value proposition. While the primary focus for 2021 will be to successfully integrate Seven Generations and realize anticipated synergies, ARC will continue to maintain capital discipline to maximize profitability and preserve a strong financial position. ARC will also continue to uphold a strong safety culture and advance its ESG leadership and performance. Through the balance of 2021, ARC plans to sustain production at Greater Dawson, Sunrise, Kakwa, and Ante Creek.

ARC's 2021 crude oil production, total production, and operating expense guidance have been revised to reflect the disposition of ARC's Pembina assets. Production guidance for condensate, natural gas, and NGLs remains unchanged.

ARC's production guidance estimates for the second half of 2021 are outlined below.

	Q3 2021 to Q4 2021 Guidance(1)(2)
Crude oil (bbl/day)	**8,000 - 9,000**
Condensate (bbl/day)	**72,000 - 78,000**
Crude oil and condensate (bbl/day)	**80,000 - 87,000**
Natural gas (MMcf/day)	**1,230 - 1,265**
NGLs (bbl/day)	**50,000 - 53,000**
Total (boe/day)	**335,000 - 350,000**

(1) The Business Combination closed on April 6, 2021, and as such, 2021 guidance and 2021 revised guidance include ARC's financial and operational results for the three months ended March 31, 2021 plus the Company's expectations for the combined financial and operational results of ARC's and Seven Generations' operations for the remainder of 2021.
(2) COVID-19 impacts on demand and market volatility may impact ARC's future financial and operational results. ARC will continuously monitor its guidance and provide updates as deemed appropriate.

ARC's full-year 2021 guidance estimates and a review of 2021 year-to-date results are outlined below.

	2021 Guidance(1)(2)	2021 Revised Guidance(1)(2)	**2021 YTD Actual**	% Variance from 2021 Revised Guidance(3)
Crude oil (bbl/day)	12,000 - 13,500	9,000 - 10,500	**12,648**	20
Condensate (bbl/day)	55,000 - 60,000	55,000 - 60,000	**43,800**	(20)
Crude oil and condensate (bbl/day)	67,000 - 73,500	64,000 - 70,500	**56,448**	(12)
Natural gas (MMcf/day)	1,100 - 1,140	1,100 - 1,140	**999.9**	(9)
NGLs (bbl/day)	40,000 - 42,000	40,000 - 42,000	**30,429**	(24)
Total (boe/day)	290,000 - 305,000	287,000 - 302,000	**253,522**	(12)
Expenses ($/boe)				
Operating	4.10 - 4.60	3.90 - 4.40	**4.30**	—
Transportation	4.50 - 5.00	4.50 - 5.00	**4.22**	(6)
G&A expense before share-based compensation expense(4)	0.90 - 1.00	0.90 - 1.00	**1.21**	21
G&A - share-based compensation expense(5)	0.30 - 0.45	0.30 - 0.45	**0.54**	20
Transaction costs	0.20 - 0.30	0.20 - 0.30	**0.50**	67
Interest and financing	0.70 - 0.80	0.70 - 0.80	**0.83**	4
Current income tax expense as a per cent of funds from operations	1 - 5	1 - 5	**6**	20
Capital expenditures before undeveloped land purchases and net property acquisitions (dispositions) ($ millions)	950 - 1,000	950 - 1,000	**419**	N/A

(1) The Business Combination closed on April 6, 2021, and as such, 2021 guidance and 2021 revised guidance include ARC's financial and operational results for the three months ended March 31, 2021 plus the Company's expectations for the combined financial and operational results of ARC's and Seven Generations' operations for the remainder of 2021.
(2) COVID-19 impacts on demand and market volatility may impact ARC's future financial and operational results. ARC will continuously monitor its guidance and provide updates as deemed appropriate.
(3) Reflects the percentage variation from ARC's 2021 year-to-date actual results and the current expectations of the Company.
(4) Excludes transaction costs associated with the Business Combination.
(5) Comprises expense recognized under all share-based compensations plans, with the exception of the Deferred Share Unit Plans.

ARC's 2021 guidance is based on full-year estimates; certain variances exist between 2021 year-to-date actual results and 2021 guidance estimates due to the timing of the Business Combination. ARC expects full-year 2021 actual results to closely approximate revised guidance.

Capital Allocation

ARC will continue to allocate capital where risk-adjusted returns are greatest, while maintaining a strong financial position and employing a portfolio approach that consists of profitable growth, a meaningful dividend, and other capital return measures.

At present, strong operational momentum and a positive commodity backdrop are driving rapid debt reduction. As a result, ARC is on track to sanction Attachie West Phase I in the fourth quarter of 2021. Attachie West Phase I is a profitable development project that increases free funds flow per share in a number of commodity price scenarios. Should future commodity prices remain strong and in line with the current outlook, free funds flow is expected to exceed the capital investment needs of the business, including what is required to develop Attachie West Phase I. ARC is currently evaluating alternative return of capital options for the Company's anticipated excess free funds flow.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations about the future, based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: estimated production amounts and quantities thereof; the expectations with respect to the integration of Seven Generations; the anticipated annual synergies for 2022 and the sources thereof; expected capital expenditures for 2021; the continued integration of Seven Generations' ESG initiatives; plans to publish ARC's 2020 ESG performance data and highlights in the third quarter of 2021; the anticipated reduction in net debt excluding lease obligations outstanding; the continued assessment of dividends and the payment thereof; plans to maintain capital discipline to maximize profitability and preserve a strong financial position and plans to uphold a strong safety culture and advance its ESG leadership and performance; plans to sustain production at Greater Dawson, Sunrise, Kakwa, and Ante Creek; the Company's guidance estimates; the continued allocation of capital where risk-adjusted return are greatest; plans to evaluate return of capital measures with excess free funds flow; and other statements.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. Material factors or assumptions on which the forward-looking information in this news release include: ARC's ability to successfully integrate the business of Seven Generations; access to sufficient capital to pursue any development plans; ARC's ability to issue securities; the impacts the Business Combination may have on the current credit ratings of ARC; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; achievement of further cost reductions and sustainability thereof; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the board of directors of ARC; cash flows, cash balances on hand, and access to ARC's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial hedge transactions to partially mitigate a portion of ARC's risks against wider price differentials; 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; 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; the accuracy of the estimates of each of ARC's and Seven Generations' reserve volumes; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of COVID-19 on commodity prices and the global economy; and other risks and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

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 following the completion of the Business Combination, including: the expectations of ARC regarding the impact of the Business Combination on free funds flow, net debt excluding lease obligations outstanding, production, and net debt excluding lease obligations outstanding to annualized funds from operations. Any financial outlook and forward-looking information implied by such forward-looking statements are described in the joint management information circular of ARC and Seven Generations dated March 1, 2021, and the documents incorporated by reference therein, the 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.sedar.com and are incorporated by reference herein.

Advisory – Credit Ratings

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold, or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by the rating agency in the future if, in its judgment, circumstances so warrant.

About ARC

ARC Resources Ltd. is the largest 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.

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