NEWS RELEASE
February 10, 2021

ARC RESOURCES LTD. REPORTS FOURTH QUARTER AND YEAR-END 2020 FINANCIAL AND OPERATIONAL RESULTS AND YEAR-END 2020 RESERVES RESULTS

Calgary, February 10, 2021 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its fourth quarter and year-end 2020 financial and operational results as well as its year-end 2020 reserves results. ARC's audited consolidated financial statements and notes ("financial statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the year ended December 31, 2020, are available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

On February 10, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") jointly announced that they entered into a definitive agreement to combine the companies in an all-share transaction to create a new Canadian oil and natural gas company through a plan of arrangement. Upon completion of the transaction, which will require shareholder approval and regulatory approvals, the combined entity will operate as ARC. Refer to the joint February 10, 2021 news release entitled *"ARC Resources and Seven Generations Announce Strategic Montney Combination"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

The guiding principles upon which ARC conducts its business have created a strong foundation for excellent business performance. ARC's operational excellence, robust risk management program, and strong balance sheet have positioned the Company to prudently manage volatile market conditions. The Company's concentrated Montney asset base, located in premier positions within the Montney fairway, and which includes commodity optionality and a network of owned-and-operated infrastructure, allows ARC to deliver strong capital and operating efficiencies. Exercising capital discipline and managing a moderate pace of development enables ARC to maintain a corporate decline rate of approximately 30 per cent. ARC's sustainable business model is focused on a strong balance sheet, ample liquidity, environmental, social, and governance ("ESG") leadership, long-term corporate profitability, generating free funds flow(1) at reasonable commodity prices, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney and significant resources in-place, these principles make ARC a differentiated company.

ARC strengthened its business in 2020 through prudent capital allocation decisions and excellent operational execution, despite volatile and uncertain market conditions. The Company delivered record production by bringing a major facility on-stream, thus expanding ARC's low-cost Montney business, and bolstered its strong financial position through significant debt reduction. During the year, ARC replaced over 200 per cent of 2020 production through development activities, prioritized the safety of its employees and contractors, and demonstrated the Company's ongoing commitment to delivering leading ESG performance and reporting transparency.

ARC is entering 2021 with significant momentum and is focused on sustaining production at the Company's core Montney properties to maximize the generation of free funds flow and to demonstrate how efficient ARC's expanded business has become. ARC's key priorities for 2021 are to:

- Protect the health, safety, and well-being of employees and contractors while safely executing the Company's business plans;
- Continue to focus on delivering returns to shareholders, which includes paying a sustainable dividend;
- Further strengthen the Company's balance sheet by exercising financial discipline and ensuring ample liquidity;
- Generate significant free funds flow by profitably sustaining production through efficient execution and manage a paced approach to development to control the Company's decline rate;
- Manage a responsible growth strategy that ensures future development activities are profitable and sustainable, including making a potential sanctioning decision for the first phase of development at Attachie;
- Identify cost reduction opportunities across the business to lower the Company's break-even economics and enhance profitability;

- Secure financial risk management opportunities and transportation arrangements to achieve optimal pricing and diversified access to markets for ARC's production; and
- Remain committed to the Company's industry-leading ESG performance, including prudently managing business risks and continue to reduce ARC's greenhouse gas ("GHG") emissions and freshwater usage through responsible development activities.

Highlights

Production	• Delivered average daily production of 169,468 barrels of oil equivalent ("boe")[(2)] per day during the fourth quarter of 2020, comprising 783 million cubic feet ("MMcf") per day of natural gas, 15,554 barrels per day of crude oil, 14,715 barrels per day of condensate, and 8,678 barrels per day of natural gas liquids ("NGLs").[(3)] Production increased seven per cent from the prior quarter, as ARC maximized natural gas production through its core Montney facilities. • Delivered record annual production of 161,564 boe per day in 2020, comprising 739 MMcf per day of natural gas, 15,726 barrels per day of crude oil, 13,519 barrels per day of condensate, and 9,112 barrels per day of NGLs. Average daily production for 2020 represented a 16 per cent increase from average daily production for 2019.
Funds from Operations[(4)]	• Generated funds from operations of $212.0 million ($0.60 per share) during the fourth quarter of 2020, representing an increase of 47 per cent from the prior quarter, which was driven primarily by increased commodity sales from production. • Generated funds from operations of $667.6 million ($1.89 per share) in 2020, representing a decrease of four per cent from the prior year. Reduced commodity sales due to lower average realized commodity prices, despite increased production year-over-year, was the primary driver in lower funds from operations. • Delivered free funds flow of $135.3 million and $324.4 million during the fourth quarter and full-year 2020, respectively, which was used to pay ARC's dividend and to strengthen the Company's balance sheet.
Capital Program	• Successfully executed the Company's 2020 capital program, which included bringing the Dawson Phase IV gas processing and liquids-handling facility on-stream during the second quarter of 2020, a major infrastructure project that was completed ahead of schedule, under budget, and with a perfect safety record. • Capital investments totalled $76.7 million and $343.2 million during the fourth quarter and full-year 2020, respectively, and focused on efficient execution and expanding the Company's low-cost Montney business. • Delivered over $35 million of capital savings in 2020 through continuous improvement projects and procurement initiatives.
Operational Excellence	• Demonstrated excellent cost control by delivering an operating expense of $3.97 per boe and $3.94 per boe for the fourth quarter and full-year 2020, respectively. ARC's 2020 operating expense was the lowest annual operating expense per boe in the Company's 24-year history and is top-decile. • Delivered a 20 per cent improvement in capital costs relative to 2019, through optimization of well design, best-in-class efficiency of execution, and service contract negotiations. • Continued to demonstrate the Company's leading ESG performance and reporting transparency, with CDP awarding ARC a score of "A-" on Climate Change and a score of "B" on Water Security, both the highest scores within ARC's peer group of Canadian exploration and production companies.
Financial Strength	• Bolstered the Company's strong financial position by further reducing net debt[(4)] to $742.7 million or 1.1 times funds from operations at December 31, 2020. • Reduced net debt by $125.1 million or 14 per cent during the fourth quarter of 2020, and by $197.5 million or 21 per cent in 2020.
Returns to Shareholders	• Declared $21.3 million ($0.06 per share) and $106.3 million ($0.30 per share) of dividends to shareholders for the fourth quarter and full-year 2020, respectively. ARC has delivered approximately $6.7 billion of dividends to shareholders since inception.
2020 Reserves[(5)]	• Proved plus probable ("2P") reserves increased by two per cent in 2020 to total 929 million boe ("MMboe"), total proved ("TP)" reserves increased by one per cent to total 603 MMboe, and proved developed producing ("PDP") reserves increased by four per cent to total 268 MMboe. • Replaced 203 per cent of total 2020 production, adding 120 MMboe of 2P reserves through development activities. • Delivered record-low 2P finding and development ("F&D") costs, excluding future development capital ("FDC"), of $2.87 per boe and a recycle ratio of 4.0 times, both attributed to the high-quality nature of ARC's Montney assets and the Company's efficient execution of its capital programs.

Notes:

(1) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled *"Non-GAAP Measures"* in ARC's MD&A.
(2) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") of crude oil ratio when converting natural gas to 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.
(3) 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, NGLs comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately, with the exception of reserves data presented in the section entitled *"2020 Reserves"*. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
(4) Refer to Note 16 *"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.
(5) "Reserve replacement", "finding and development costs" or "F&D costs", and "recycle ratio" do not have standardized meanings. Refer to the section entitled *"Information Regarding Disclosure on Oil and Gas Reserves and Operational Information"* in this news release.

Video updates from ARC's management team and an updated investor presentation are available on ARC's website at www.arcresources.com.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended			Year Ended	
	September 30, 2020	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
FINANCIAL RESULTS					
Net income (loss)	(66.1)	**120.8**	(10.2)	**(547.2)**	(27.6)
Per share (1)	(0.19)	**0.34**	(0.03)	**(1.55)**	(0.08)
Funds from operations	144.6	**212.0**	172.8	**667.6**	697.4
Per share (1)	0.41	**0.60**	0.49	**1.89**	1.97
Dividends declared	21.2	**21.3**	53.1	**106.3**	212.4
Per share (1)	0.06	**0.06**	0.15	**0.30**	0.60
Capital expenditures, before undeveloped land purchases and net property acquisitions (dispositions)	52.6	**76.7**	141.7	**343.2**	691.5
Total capital expenditures, including undeveloped land purchases and net property acquisitions (dispositions)	52.6	**75.1**	140.6	**341.6**	687.4
Net debt outstanding	867.8	**742.7**	940.2	**742.7**	940.2
Common shares outstanding, weighted average diluted (millions)	353.4	**354.3**	353.4	**353.4**	353.4
Common shares outstanding, end of period (millions)	353.4	**353.4**	353.4	**353.4**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	15,373	**15,554**	17,083	**15,726**	17,591
Condensate (bbl/day)	14,831	**14,715**	10,937	**13,519**	10,066
Crude oil and condensate (bbl/day)	30,204	**30,269**	28,020	**29,245**	27,657
Natural gas (MMcf/day)	708.2	**783.1**	669.0	**739.2**	623.3
NGLs (bbl/day)	10,208	**8,678**	8,123	**9,112**	7,578
Total (boe/day)	158,444	**169,468**	147,650	**161,564**	139,126
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	45.45	**48.14**	65.11	**42.62**	66.01
Condensate ($/bbl)	48.49	**53.55**	68.08	**47.62**	67.61
Natural gas ($/Mcf)	2.16	**2.88**	2.36	**2.26**	2.12
NGLs ($/bbl)	14.85	**18.03**	11.69	**12.69**	12.28
Oil equivalent ($/boe)	19.55	**23.29**	23.93	**19.20**	23.42
Netback ($/boe) (2)					
Commodity sales from production	19.55	**23.29**	23.93	**19.20**	23.42
Royalties	(0.72)	**(1.04)**	(1.48)	**(0.81)**	(1.39)
Operating expense	(4.13)	**(3.97)**	(4.59)	**(3.94)**	(4.97)
Transportation expense	(3.22)	**(2.97)**	(2.86)	**(2.98)**	(2.94)
Netback	11.48	**15.31**	15.00	**11.47**	14.12
Realized gain on risk management contracts	1.13	**0.56**	0.49	**1.25**	1.57
Netback including realized gain on risk management contracts	12.61	**15.87**	15.49	**12.72**	15.69
TRADING STATISTICS (3)					
High price	6.94	**7.20**	8.26	**8.39**	10.49
Low price	4.54	**5.66**	5.40	**2.42**	5.37
Close price	5.95	**6.00**	8.18	**6.00**	8.18
Average daily volume (thousands of shares)	1,363	**1,582**	2,583	**2,082**	2,242

(1) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.
(2) 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.
(3) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

COMMODITY PRICE ENVIRONMENT

While the economic recovery from the demand destruction caused by the novel coronavirus COVID-19 ("COVID-19") pandemic is gradually taking place, significant uncertainty remains. Near-term pricing risk and continued volatility are expected for all commodities. ARC's risk management program serves to protect corporate cash flows, and ARC will continue to maximize the throughput of its low-cost Montney natural gas production during periods of relative pricing strength.

Crude Oil and Condensate

The global crude oil markets started to stabilize during the second half of 2020 after experiencing extreme volatility during the first half of the year. Benchmark prices increased over the course of the fourth quarter of 2020, as COVID-19 vaccine approval and roll-out announcements were received with strong macroeconomic support. However, a rising number of COVID-19 cases across the globe has forced many governments to put additional restrictions in place, which has caused new concerns of a prolonged economic recovery. Near-term prices are expected to remain mostly range-bound but volatile.

Locally, Canadian crude oil differentials widened slightly during the fourth quarter of 2020, driven by oil sands producers bringing their production back online following summer maintenance and turnaround activities. Concurrently, Canadian condensate differentials tightened due to the increase in demand for diluent. Capital activity in the Western Canadian Sedimentary Basin is expected to remain muted in 2021, with most producers' capital budgets focused on maintaining production at existing levels and continuing to deleverage their balance sheets.

Natural Gas

US natural gas benchmark prices strengthened during the fourth quarter of 2020, as strong demand for liquefied natural gas exports and exports to Mexico more than offset the impacts from a warmer-than-expected winter. On the supply side, producers continued to moderate their spending and have provided no indications of near-term structural growth.

Natural gas prices were also higher in western Canada during the fourth quarter of 2020, relative to the third quarter of 2020. The demand from oil sands producers and the demand for power generation has returned to normal levels, while supply levels have remained relatively flat.

Despite mild winter weather to-date, which has put some downward pressure on near-term demand and pricing, the North American natural gas market is structurally improving. Demand is expected to outpace supply, thus providing pricing momentum in 2021. While near-term pricing volatility is still likely, improving natural gas fundamentals are expected for 2021 and beyond as the balance between supply and demand continues to normalize.

FINANCIAL REVIEW

Capital Allocation

ARC regularly evaluates its capital allocation priorities and decisions and believes that taking a portfolio approach to capital allocation creates significant long-term shareholder value. Managing reasonable debt levels, paying a sustainable dividend, and delivering modest production growth through profitable development activities are the basis for ARC's current capital allocation. As ARC's net debt to funds from operations ratio reaches the low end of the Company's targeted range of 1.0 to 1.5 times, ARC is evaluating several capital allocation options, including growth through either long-term development investments or mergers and acquisitions; share repurchases; and sustainable dividend increases.

ARC generated funds from operations of $667.6 million and free funds flow of $324.4 million during 2020, respectively. Free funds flow was used to pay the Company's dividend obligations of $106.3 million and to strengthen the Company's balance sheet. ARC reduced its net debt balance by $197.5 million or 21 per cent in 2020.

Balance Sheet and Liquidity

ARC is committed to protecting its strong financial position by maintaining significant financial flexibility with its balance sheet. At December 31, 2020, ARC had $742.7 million of net debt outstanding, and the net debt to funds from operations ratio was 1.1 times, which was at the low end of the Company's targeted range of 1.0 to 1.5 times. At December 31, 2020, ARC complied with all of its debt covenants.

ARC's $1.2 billion of undrawn credit capacity further enhances the Company's total liquidity. The Company's long-term debt is structured to mature over several years, and repayment of maturities due in 2021 will be settled with free funds flow or existing committed credit facilities. Debt maturities due in 2021 total US$109.0 million of US dollar-denominated debt and $8.0 million of Canadian dollar-denominated debt.

ARC's focus on financial liquidity has historically allowed the Company to sustain its operations through prolonged periods of commodity price volatility and is expected to enable the Company to remain in a position of financial strength during future periods of economic uncertainty. ARC will continue to manage conservative debt levels as a priority.

Net Income (Loss)

ARC recognized net income of $120.8 million ($0.34 per share) during the fourth quarter of 2020, compared to a net loss of $66.1 million ($0.19 per share) during the third quarter of 2020. The increase in earnings was primarily due to an increased gain on ARC's risk management contracts and increased commodity sales from production, which were partially offset by an increased income tax expense.

ARC recognized a net loss of $547.2 million ($1.55 per share) in 2020, compared to a net loss of $27.6 million ($0.08 per share) in 2019. An impairment charge recognized on ARC's property, plant, and equipment during the first quarter of 2020, resulting from the decrease in forecasted commodity pricing for crude oil and natural gas, was the most significant contributor to the net loss in 2020. Further contributing to ARC's net loss were lower commodity sales due to lower average realized crude oil and condensate prices, which were partially offset by increased production, a reduced loss on ARC's risk management contracts, and an increased income tax recovery.

Funds from Operations

ARC generated funds from operations of $212.0 million ($0.60 per share) during the fourth quarter of 2020, an increase of $67.4 million ($0.19 per share) or 47 per cent compared to funds from operations generated during the third quarter of 2020. Increased commodity sales from production and a lower general and administrative ("G&A") expense were partially offset by an increased current income tax expense, reduced cash hedging gains, and increased royalties.

ARC generated funds from operations of $667.6 million ($1.89 per share) in 2020, representing a decrease of $29.8 million ($0.08 per share) compared to funds from operations generated in 2019. Reduced commodity sales due to lower average realized crude oil and condensate prices, despite increased total production year-over-year, was the largest driver in lower funds from operations. Increased transportation expense also served to reduce funds from operations in 2020, relative to 2019. These decreases to funds from operations were partially offset by lower royalties, lower operating expense, and an increase in current income tax recovery.

Table 1 details the change in funds from operations for the fourth quarter of 2020, relative to the third quarter of 2020, and the change in funds from operations for 2020, relative to 2019.

Table 1

	Q3 2020 to Q4 2020		2019 to 2020	
	$ millions	$/share (1)	$ millions	$/share (1)
Funds from operations for the three months ended September 30, 2020	144.6	0.41		
Funds from operations for the year ended December 31, 2019			697.4	1.97
Volume				
Crude oil and liquids	**(1.8)**	**(0.01)**	**49.2**	**0.14**
Natural gas	**14.9**	**0.04**	**91.3**	**0.26**
Price				
Crude oil and liquids	**13.3**	**0.04**	**(232.2)**	**(0.66)**
Natural gas	**51.7**	**0.15**	**37.7**	**0.11**
Sales of commodities purchased from third parties	**(10.8)**	**(0.03)**	**(57.3)**	**(0.16)**
Interest income	**(0.4)**	**—**	**(4.0)**	**(0.01)**
Other income	**3.2**	**0.01**	**0.4**	**—**
Realized gain on risk management contracts	**(7.7)**	**(0.02)**	**(5.3)**	**(0.01)**
Royalties	**(5.6)**	**(0.02)**	**23.0**	**0.07**
Expenses				
Commodities purchased from third parties	**12.3**	**0.03**	**57.7**	**0.16**
Operating	**(1.8)**	**(0.01)**	**19.2**	**0.05**
Transportation	**0.8**	**—**	**(26.8)**	**(0.08)**
G&A	**8.4**	**0.03**	**(7.7)**	**(0.02)**
Interest and financing	**1.2**	**—**	**1.7**	**—**
Current income tax	**(8.1)**	**(0.02)**	**12.8**	**0.04**
Realized gain (loss) on foreign exchange	**(1.1)**	**—**	**10.9**	**0.03**
Other	**(1.1)**	**—**	**(0.4)**	**—**
Funds from operations for the three months ended December 31, 2020	**212.0**	**0.60**		
Funds from operations for the year ended December 31, 2020			**667.6**	**1.89**

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

Physical Marketing and Financial Risk Management

ARC's assets and network of owned-and-operated infrastructure provide significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity pricing, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production and can optimize the liquids recoveries at its processing facilities.

ARC manages its natural gas price risk exposure through physical diversification and financial risk management activities to reduce volatility in funds from operations. Summarized in Table 2 are the impacts that ARC's physical natural gas diversification and financial risk management activities had on the Company's realized natural gas price for the fourth quarter of 2020, relative to the third quarter of 2020, and for 2020, relative to 2019.

Table 2

($/Mcf)	**December 31, 2020** (Three Months Ended)	September 30, 2020 (Three Months Ended)	% Change	**December 31, 2020** (Year Ended)	December 31, 2019 (Year Ended)	% Change
Average price before diversification activities	**2.94**	2.26	30	**2.36**	1.72	37
Diversification activities	**(0.06)**	(0.10)	40	**(0.10)**	0.40	(125)
Realized gain (loss) on risk management contracts (1)	**(0.06)**	0.02	(400)	**0.04**	0.44	(91)
Realized natural gas price including realized gain (loss) on risk management contracts	**2.82**	2.18	29	**2.30**	2.56	(10)

(1) Realized gain (loss) on risk management contracts is not included in ARC's realized natural gas price.

ARC's average realized crude oil and condensate prices were $48.14 per barrel and $53.55 per barrel, respectively, for the fourth quarter of 2020, increasing six per cent and 10 per cent, from the third quarter of 2020. ARC's average realized crude oil and condensate prices were $42.62 per barrel and $47.62 per barrel, respectively, for 2020, decreasing 35 per cent and 30 per cent from 2019.

ARC's risk management program increased the Company's funds from operations during the fourth quarter and full-year 2020, with ARC recording a realized gain of $8.8 million and $74.2 million, respectively. In 2021, approximately 50 per cent of ARC's anticipated crude oil and condensate production and approximately 40 per cent of ARC's anticipated natural gas production is currently hedged. ARC continuously monitors commodity prices and executes its risk management program to reduce the volatility of its funds from operations and support its dividend and capital programs. ARC will continue to take positions in natural gas, crude oil, NGLs, and foreign exchange rates, as appropriate, to provide greater certainty over future funds from operations. For details pertaining to ARC's risk management program and for a summary of the average crude oil and natural gas volumes associated with ARC's risk management contracts as at December 31, 2020, refer to Note 17 *"Financial Instruments and Market Risk Management"* in ARC's financial statements.

Netback

Table 3 details the components of ARC's fourth quarter 2020 netback, compared to its third quarter 2020 netback, and the components of ARC's full-year 2020 netback, compared to its full-year 2019 netback.

Table 3

($/boe)	**December 31, 2020** (Three Months Ended)	September 30, 2020 (Three Months Ended)	% Change	**December 31, 2020** (Year Ended)	December 31, 2019 (Year Ended)	% Change
Commodity sales from production	**23.29**	19.55	19	**19.20**	23.42	(18)
Royalties	**(1.04)**	(0.72)	(44)	**(0.81)**	(1.39)	42
Operating expense	**(3.97)**	(4.13)	4	**(3.94)**	(4.97)	21
Transportation expense	**(2.97)**	(3.22)	8	**(2.98)**	(2.94)	(1)
Netback	**15.31**	11.48	33	**11.47**	14.12	(19)
Realized gain on risk management contracts	**0.56**	1.13	(50)	**1.25**	1.57	(20)
Netback including realized gain on risk management contracts	**15.87**	12.61	26	**12.72**	15.69	(19)

For the fourth quarter of 2020, relative to the third quarter of 2020, ARC's:

- Netback increased primarily due to higher average realized commodity prices, partially offset by a lower realized gain on risk management contracts.
- Royalties increased as a result of higher royalty rates associated with higher average realized commodity prices.
- Operating and transportation expense per boe decreased, reflecting increased natural gas production, which has lower relative costs to operate and transport.

For 2020, relative to 2019, ARC's:

- Netback decreased primarily due to lower average realized commodity prices, partially offset by a year-over-year decrease in ARC's royalties and operating expense.
- Royalties decreased as a result of lower royalty rates associated with lower average realized commodity prices.
- Operating expense decreased as ARC brought on additional Montney production at Dawson and Sunrise, which have lower relative costs.

OPERATIONAL REVIEW

ARC's position in the Montney resource play comprises approximately 970 net sections or 632,000 net acres of land, with production from these assets representing 95 per cent of total corporate production. ARC processes nearly all of its production through owned-and-operated infrastructure. This affords ARC greater control over its cost structure and liquids recoveries, supports strong safety and environmental performance, and enables a flexible pace of development, all of which are especially critical in a volatile commodity price environment.

ARC's assets provide significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity pricing, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production by focusing its development in the areas that generate the most robust half-cycle economics.

ARC is a leader in ESG and sustainability practices. Employee and contractor safety is the Company's top priority, and ARC is committed to upholding its strong environmental performance by reducing its GHG emissions and freshwater usage. ARC currently ranks as the lowest GHG emissions intensity producer amongst its Canadian peers. The Company's leading environmental performance and reporting transparency was recognized in 2020, with CDP awarding ARC a score of "A-" on Climate Change and a score of "B" on Water Security, both the highest scores within ARC's peer group of Canadian exploration and production companies.

To progress towards meeting the Company's target to reduce its GHG emissions intensity by 20 per cent by 2025, ARC plans to electrify its Dawson Phase III and IV facility. ARC expects to incur some initial costs for the project in 2021, which is expected be completed over the next three years.

Capital Expenditures

With development activities focused on profitable half-cycle investments and maximizing the generation of free funds flow, ARC invested $76.7 million during the fourth quarter of 2020, to drill 19 wells and complete nine wells.

ARC's 2020 capital program was highlighted by strong operational execution and excellent safety performance, delivering record annual production, competitive 2P F&D costs, and the lowest operating expense per boe in the Company's history. ARC invested $343.2 million in 2020, to execute a development program that included 59 wells drilled, 66 wells completed, and the completion of the Dawson Phase IV gas processing and liquids-handling facility and the Ante Creek facility expansion.

In 2020, ARC realized efficiencies across its operations, including reducing the capital cost per lateral length by 20 per cent relative to 2019. ARC also realized execution efficiencies in its development program by drilling more metres per day, pumping more sand per day, and sustainably reducing the average number of drilling days per well and the overall cycle times required for onsite well facilities.

Also of note in 2020 is the strong operational performance observed in the Dawson area since bringing the Dawson Phase IV gas processing and liquids-handling facility on-stream. Optimized well designs and the above-mentioned cost reductions and execution efficiencies have resulted in better-than-expected well productivity and capital efficiencies at Dawson.

Table 4 details ARC's capital expenditures and the number of wells drilled and completed in each of the Company's core operating areas for 2020.

Table 4

	Year Ended December 31, 2020				
	Plant and Facilities ($ millions)	**Drilling and Completions and Other** (2) ($ millions)	**Capital Expenditures** (3) ($ millions)	**Wells Drilled** (4)	**Wells Completed** (4)
Dawson	**25.7**	**107.1**	**132.8**	**21**	**25**
Sunrise	**0.2**	**48.2**	**48.4**	**16**	**7**
Parkland/Tower	**4.0**	**48.4**	**52.4**	**8**	**12**
Ante Creek	**11.1**	**54.2**	**65.3**	**14**	**16**
Attachie West	**2.0**	**28.9**	**30.9**	**—**	**6**
Pembina	**—**	**0.8**	**0.8**	**—**	**—**
All other (1)	**0.1**	**12.5**	**12.6**	**—**	**—**
Total	**43.1**	**300.1**	**343.2**	**59**	**66**

(1) All other comprises spending and activity for ARC's non-core properties as well as its corporate assets.
(2) Other capital expenditures comprise expenditures for geological and geophysical, maintenance and optimization, and corporate assets.
(3) Undeveloped land purchases and net property acquisitions and dispositions are not included.
(4) Wells drilled and completed for ARC's operated properties only.

Production

ARC's production for the fourth quarter of 2020 averaged 169,468 boe per day, comprising 783 MMcf per day of natural gas, 15,554 barrels per day of crude oil, 14,715 barrels per day of condensate, and 8,678 barrels per day of NGLs.

Average daily production for the fourth quarter of 2020 increased seven per cent relative to the third quarter of 2020. ARC maximized the throughput of natural gas at its core Montney facilities during the fourth quarter of 2020, and increased production at Parkland/Tower following the planned maintenance activities that were conducted in the area during the prior quarter.

Table 5 details production from ARC's core operating areas for the fourth quarter of 2020, relative to the third quarter of 2020.

Table 5

	Three Months Ended					
	December 31, 2020					September 30, 2020
	Crude Oil (bbl/day)	**Condensate** (bbl/day)	**Natural Gas** (MMcf/day)	**NGLs** (bbl/day)	**Total** (boe/day)	Total (boe/day)
Dawson	**—**	**5,471**	**322.3**	**2,650**	**61,834**	60,251
Sunrise	**—**	**—**	**234.4**	**36**	**39,098**	33,450
Parkland/Tower	**2,126**	**5,414**	**142.9**	**3,819**	**35,181**	32,876
Ante Creek	**7,690**	**597**	**50.9**	**1,502**	**18,274**	17,291
Attachie West	**—**	**2,966**	**13.5**	**166**	**5,386**	5,458
Pembina	**5,737**	**143**	**10.4**	**363**	**7,976**	8,130
All other (1)	**1**	**124**	**8.7**	**142**	**1,719**	988
Total	**15,554**	**14,715**	**783.1**	**8,678**	**169,468**	158,444

(1) All other comprises production for ARC's non-core properties.

ARC's production for 2020 averaged a record 161,564 boe per day, comprising 739 MMcf per day of natural gas, 15,726 barrels per day of crude oil, 13,519 barrels per day of condensate, and 9,112 barrels per day of NGLs. Average daily production for 2020 represented a 16 per cent increase from average daily production for 2019, driven primarily by increased natural gas production at Dawson and Sunrise. Full-year average daily production for 2020 exceeded the Company's guidance range of 157,000 boe per day to 160,000 boe per day as a result of strong operational execution and performance across ARC's Montney assets throughout the entire year.

OUTLOOK

ARC's capital budget for 2021 will range from $375 million to $425 million and focus on maximizing the generation of free funds flow. The capital program centres around ARC's principles of capital discipline, profitability, and financial strength, and will deliver sustainable returns to shareholders through the continuation of ARC's quarterly dividend of $0.06 per share. Advancing the Company's ESG leadership and performance, and upholding ARC's strong safety culture, will continue to be top priorities in 2021.

ARC plans to sustain its production at Dawson, Sunrise, Parkland/Tower, and Ante Creek, with approximately 80 per cent of the 2021 capital budget directed at profitable half-cycle investments. Additionally, ARC plans to complete two small-scale facility optimization projects at Sunrise and Parkland/Tower to enhance the assets' overall deliverability and profitability. ARC expects to deliver average daily production of between 158,000 boe per day and 165,000 boe per day in 2021, of which approximately 80 per cent is natural gas and 20 per cent is crude oil and liquids.

Refer to the November 5, 2020 news release entitled *"ARC Resources Ltd. Reports Third Quarter 2020 Financial and Operational Results and Announces 2021 Capital Budget of $375 Million to $425 Million"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

ARC's full-year 2021 and 2020 guidance estimates and a review of 2020 actual results are outlined in Table 6.

Table 6

	2020 Revised Guidance (4)	**2020 Actual**	% Variance from 2020 Revised Guidance	2021 Guidance (5)
Production				
Crude oil (bbl/day)	15,000 - 16,000	**15,726**	—	12,000 - 13,500
Condensate (bbl/day)	12,000 - 13,000	**13,519**	4	11,000 - 12,500
Crude oil and condensate (bbl/day)	27,000 - 29,000	**29,245**	1	23,000 - 26,000
Natural gas (MMcf/day) (1)	725 - 730	**739.2**	1	750 - 775
NGLs (bbl/day)	9,000 - 9,500	**9,112**	—	9,500 - 10,500
Total (boe/day) (1)	157,000 - 160,000	**161,564**	1	158,000 - 165,000
Expenses ($/boe)				
Operating	4.00 - 4.20	**3.94**	(2)	4.00 - 4.50
Transportation	3.00 - 3.20	**2.98**	(1)	3.00 - 3.50
G&A expense before share-based compensation expense	1.05 - 1.15	**1.12**	—	1.00 - 1.25
G&A - share-based compensation expense (2)	0.30 - 0.45	**0.43**	—	0.30 - 0.45
Interest and financing (3)	0.65 - 0.75	**0.66**	—	0.45 - 0.55
Current income tax expense (recovery) as a per cent of funds from operations	(5) - 0	**(4)**	—	3 - 7
Capital expenditures before undeveloped land purchases and net property acquisitions (dispositions) ($ millions)	350	**343.2**	(2)	375 - 425

(1) Guidance does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.
(2) Comprises expense recognized under the Restricted Share Unit and Performance Share Unit Plans, Share Option Plan, and Long-term Restricted Share Award Plan, and excludes compensation expense under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expense is subject to greater volatility.
(3) Excludes accretion of the asset retirement obligation.
(4) 2020 Revised Guidance reflects updates made to ARC's 2020 guidance items in November 2020. Refer to the November 5, 2020 news release entitled *"ARC Resources Ltd. Reports Third Quarter 2020 Financial and Operational Results and Announces 2021 Capital Budget of $375 Million to $425 Million"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.
(5) Ongoing weakness in commodity prices resulting from 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 2020 financial and operational results were within or exceeded guidance. Total production exceeded the guidance range due to strong operational execution and performance across the Company's Montney assets, resulting in higher-than-forecasted condensate and natural gas production for the year. ARC's operating expense per boe was below the guidance range, reflecting diligent cost control efforts undertaken by ARC's field operations team and the deferral of some discretionary maintenance and workover activities.

2020 RESERVES

Highlights

ARC's year-end 2020 reserves results exemplify ARC's continued ability to create value through strong reserve adds, both across the Company's core properties and across product types, despite lower forecast commodity pricing at year-end 2020 compared to year-end 2019. ARC's 2P, TP, and PDP reserves all increased relative to 2019, extending the Company's long history of strong reserves replacement.

- Relative to year-end 2019, ARC's year-end 2020 2P reserves increased two per cent to total 929 MMboe, TP reserves increased one per cent to total 603 MMboe, and PDP reserves increased four per cent to total 268 MMboe.

- ARC added 105 MMboe of 2P reserves through extensions and improved recovery in 2020 and an additional 20 MMboe of 2P reserves through positive technical revisions. These additions were partially offset by the disposition of 44 MMboe of 2P reserves, of which 97 per cent was attributed to a transaction whereby ARC executed an asset exchange agreement in northeast British Columbia.
- Replaced 203 per cent of total 2020 production, adding 120 MMboe of 2P reserves through development activities, as a result of the continued strong well performance from ARC's Montney assets.
    - Replaced 239 per cent of 2020 natural gas production, adding 646 Bcf of 2P natural gas reserves.
    - Replaced 86 per cent of 2020 total oil and NGLs production, adding 12 MMbbl of 2P total oil and NGLs reserves.
- Delivered record-low 2P F&D costs of $2.87 per boe, excluding FDC, and a recycle ratio of 4.0 times, demonstrating ARC's capitally efficient operations and the high-quality nature of ARC's Montney assets. ARC's 2P F&D costs, including FDC, were $2.34 per boe.
- FDC totalled $3.2 billion at December 31, 2020, representing a six per cent or approximately $0.2 billion decrease from December 31, 2019. The decrease in FDC was driven by the completion of the Dawson Phase IV gas processing and liquids-handling facility, which was brought on-stream in the second quarter of 2020, as well as capital efficiency improvements related to recent drilling and completions activities.
- Before-tax net present value ("NPV") for 2P reserves, discounted at 10 per cent, was $4.9 billion at December 31, 2020, evaluated on GLJ Ltd. ("GLJ") forecast pricing and foreign exchange rates at January 1, 2021. The before-tax NPV decreased 18 per cent from December 31, 2019, primarily due to a decrease in forecast pricing for both crude oil and natural gas.
    - Before-tax NPV of TP and PDP reserves, discounted at 10 per cent, were $3.2 billion and $1.9 billion, respectively.

2020 Independent Qualified Reserve Evaluation

GLJ conducted an Independent Qualified Reserve Evaluation, effective December 31, 2020, which was prepared in accordance with definitions, standards, and procedures in the Canadian Oil and Gas Evaluation Handbook and NI 51-101. The Reserves Evaluation was based on GLJ forecast pricing and foreign exchange rates at January 1, 2021, as outlined in Table 7.

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. In addition to the information disclosed in this news release, ARC will include more detailed information in its Annual Information Form ("AIF") for the year ended December 31, 2020, which will be available on or before March 31, 2021 on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

Table 7

GLJ Price Forecast [1]	WTI Crude Oil (US$/bbl)		Edmonton Light Oil (Cdn$/bbl)		NYMEX Henry Hub Natural Gas (US$/MMBtu)		AECO Natural Gas (Cdn$/MMBtu)		Foreign Exchange (US$/Cdn$)	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
2021	**48.00**	63.00	**55.49**	74.03	**2.75**	2.75	**2.72**	2.35	**0.775**	0.770
2022	**51.50**	66.00	**60.78**	76.92	**2.80**	2.90	**2.67**	2.55	**0.765**	0.780
2023	**54.50**	68.00	**63.82**	80.13	**2.85**	3.00	**2.60**	2.65	**0.760**	0.780
2024	**57.79**	70.00	**68.14**	82.69	**2.90**	3.10	**2.60**	2.75	**0.760**	0.780
2025	**58.95**	72.00	**69.67**	85.26	**2.95**	3.20	**2.65**	2.85	**0.760**	0.780
2026	**60.13**	74.00	**71.22**	87.82	**3.01**	3.27	**2.71**	2.91	**0.760**	0.780
2027	**61.33**	75.81	**72.80**	90.14	**3.07**	3.33	**2.76**	2.97	**0.760**	0.780
2028	**62.56**	77.33	**74.42**	92.09	**3.13**	3.40	**2.81**	3.03	**0.760**	0.780
2029	**63.81**	78.88	**76.07**	94.08	**3.19**	3.47	**2.87**	3.09	**0.760**	0.780
2030 [2]	**65.09**		**77.59**		**3.25**		**2.92**		**0.760**	0.780
Escalate thereafter at	**+2.0% per year**	+2.0% per year	**+2.0% per year**	+2.0% per year	**+2.0% per year**	+2.0% per year	**+2.0% per year**	+2.0% per year	**0.760**	0.780

(1) GLJ assigns a value to ARC's existing physical diversification contracts for natural gas to consuming markets at Chicago, Dawn, Malin, and Ventura, 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, 2020.

(2) Escalated at two per cent per year starting in 2031 in the January 1, 2021 GLJ price forecast with the exception of foreign exchange, which remains flat.

Reserves Reconciliation

Table 8 reconciles reserves volumes from opening balances at December 31, 2019, to closing balances at December 31, 2020. Key takeaways include:

- Continued strong well performance across ARC's Montney assets drove positive technical revisions in the Natural Gas category.
- Strong well performance in the Dawson area resulted in extensions and improved recovery that offset negative technical revisions in the NGLs probable category by greater than 12 times. The minor technical revisions were the result of ARC refining its expectations for ultimate NGLs recovery.
- Strong condensate production from lower Montney development at Parkland and Tower offset negative technical revisions in the Tight Oil category, which were primarily attributed to recent well results from development activities targeting the upper Montney horizon at Tower.
- ARC divested 44 MMboe of 2P reserves in 2020, of which 97 per cent was attributed to a transaction, whereby ARC executed an asset exchange agreement in northeast British Columbia.
- Economic factors, which primarily affected ARC's Pembina area, had a minor impact to total reserves. Two per cent of PDP volumes and less than one per cent of TP and 2P volumes were removed due to the negative impact of lower forecast pricing for both crude oil and natural gas.

Table 8

Reserves Reconciliation Company Gross (1)	Light, Medium, and Heavy Oil (3) (Mbbl)	Tight Oil (Mbbl)	NGLs (4) (Mbbl)	Total Oil and NGLs (5) (Mbbl)	Natural Gas (6) (MMcf)	Oil Equivalent (MMboe)
Proved Producing						
Opening Balance, December 31, 2019	30,868	11,954	27,923	70,745	1,122,372	257,807
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery (2)	—	**3,509**	**11,342**	**14,851**	**260,284**	**58,231**
Technical Revisions	**11**	**(441)**	**1,534**	**1,104**	**100,930**	**17,926**
Acquisitions	—	—	—	—	—	—
Dispositions	**(522)**	—	**(82)**	**(603)**	**(2,685)**	**(1,051)**
Economic Factors	**(3,530)**	**(664)**	**(608)**	**(4,802)**	**(6,506)**	**(5,886)**
Production	**(2,311)**	**(3,375)**	**(8,281)**	**(13,967)**	**(270,414)**	**(59,036)**
Ending Balance, December 31, 2020	**24,516**	**10,984**	**31,828**	**67,328**	**1,203,981**	**267,991**
Total Proved						
Opening Balance, December 31, 2019	36,375	21,526	86,057	143,958	2,708,428	595,363
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery (2)	—	**2,112**	**7,074**	**9,185**	**299,534**	**59,108**
Technical Revisions	**1,137**	**(30)**	**521**	**1,628**	**170,890**	**30,109**
Acquisitions	—	—	—	—	—	—
Dispositions	**(522)**	—	**(585)**	**(1,107)**	**(102,429)**	**(18,178)**
Economic Factors	**(1,768)**	**(694)**	**(677)**	**(3,139)**	**(6,243)**	**(4,180)**
Production	**(2,311)**	**(3,375)**	**(8,281)**	**(13,967)**	**(270,414)**	**(59,036)**
Ending Balance, December 31, 2020	**32,911**	**19,538**	**84,110**	**136,558**	**2,799,765**	**603,185**
Proved plus Probable						
Opening Balance, December 31, 2019	46,731	36,044	133,838	216,613	4,159,905	909,930
Discoveries	—	—	—	—	—	—
Extensions and Improved Recovery (2)	—	**2,216**	**15,530**	**17,746**	**524,372**	**105,141**
Technical Revisions	**927**	**(1,490)**	**(1,205)**	**(1,768)**	**131,504**	**20,150**
Acquisitions	—	—	**2**	**2**	**16,716**	**2,788**
Dispositions	**(648)**	—	**(1,370)**	**(2,018)**	**(254,326)**	**(44,406)**
Economic Factors	**(2,008)**	**(961)**	**(978)**	**(3,947)**	**(9,812)**	**(5,583)**
Production	**(2,311)**	**(3,375)**	**(8,281)**	**(13,967)**	**(270,414)**	**(59,036)**
Ending Balance, December 31, 2020	**42,690**	**32,434**	**137,536**	**212,660**	**4,297,945**	**928,984**

(1) Amounts may not add due to rounding.
(2) Reserves additions for infill drilling, improved recovery, and extensions are combined and reported as "Extensions and Improved Recovery".
(3) Light, Medium, and Heavy Oil includes light, medium, and heavy crude oil product types, as heavy oil makes up less than two per cent of total light, medium, and heavy crude oil and is therefore considered to be immaterial.
(4) Condensate and pentanes plus represented 52 per cent of PDP NGLs reserves, 62 per cent of TP NGLs reserves, and 63 per cent of 2P NGLs reserves for the respective opening balances at December 31, 2019. Condensate and pentanes plus represent 52 per cent of PDP NGLs reserves, 60 per cent of TP NGLs reserves, and 61 per cent of 2P NGLs reserves for the respective ending balances at December 31, 2020.
(5) Total Oil and NGLs represents the summation of Light, Medium, and Heavy Oil, Tight Oil, and NGLs.
(6) 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.

Reserve Life Index ("RLI")[(1)]

ARC's 2P RLI was 15.8 years in 2020, which was determined by dividing 2P reserves by the midpoint of ARC's 2021 production guidance range of 158,000 boe per day to 165,000 boe per day, which is contingent upon the execution of a capital budget that will range from $375 million to $425 million. As a result of successful development activities and reserves growth of the Company's Montney assets in northeast British Columbia, ARC's 2P RLI has been maintained over 15 years since 2010.

(1) "Reserve life index" or "RLI" does not have a standardized meaning. Refer to the section entitled *"Information Regarding Disclosure on Oil and Gas Reserves and Operational Information"* in this news release.

Net Present Value Summary

ARC's crude oil, natural gas, and NGLs reserves were evaluated using GLJ forecast pricing and foreign exchange rates at January 1, 2021. The NPV of estimated future net revenue is prior to the provision for interest, debt service charges, and G&A expense. It should not be assumed that the NPV of future net revenue estimated by GLJ represents the fair market value of ARC's reserves. The NPV of ARC's reserves at December 31, 2020 decreased 18 per cent relative to December 31, 2019, as a result of lower forecast pricing for both crude oil and natural gas. NPVs on both a before-tax and after-tax basis are presented in Table 9.

Table 9

($ millions)	**Undiscounted**	**Discounted at 10%**
Before-tax (1)(2)		
Proved Producing	**2,234**	**1,914**
Proved Developed Non-producing	**273**	**160**
Proved Undeveloped	**2,749**	**1,173**
Total Proved	**5,256**	**3,248**
Probable	**4,390**	**1,626**
Proved plus Probable	**9,646**	**4,874**
After-tax (1)(2)(3)(4)		
Proved Producing	**1,901**	**1,693**
Proved Developed Non-producing	**205**	**119**
Proved Undeveloped	**2,024**	**788**
Total Proved	**4,129**	**2,600**
Probable	**3,275**	**1,183**
Proved plus Probable	**7,403**	**3,783**

(1) Amounts may not add due to rounding.
(2) Based on NI 51-101 company net interest reserves and GLJ price forecasts and costs at January 1, 2021.
(3) Based on ARC's estimated tax pools at December 31, 2020.
(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. It does not consider the business entity tax-level situation or tax planning, nor does it provide an estimate of the value at the business entity level, which may be significantly different. Refer to ARC's financial statements and MD&A for information at the business entity level.

Future Development Capital

ARC's FDC reflects GLJ's best estimate of what it will cost to bring ARC's proved and probable, developed and undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs. ARC's undiscounted FDC at December 31, 2020 decreased six per cent or approximately $0.2 billion, relative to December 31, 2019, to total $3.2 billion ($2.2 billion discounted at 10 per cent). The decrease in FDC was driven by the completion of the Dawson Phase IV gas processing and liquids-handling facility, which was brought on-stream in the second quarter of 2020, as well as capital efficiency improvements related to recent drilling and completions activities.

ARC's 2021 capital budget of between $375 million and $425 million is five per cent higher than the 2P FDC forecasted for 2021, while the total 2P FDC, undiscounted, is approximately eight times ARC's 2021 capital budget.

For details pertaining to ARC's 2021 capital budget, refer to the November 5, 2020 news release entitled *"ARC Resources Ltd. Reports Third Quarter 2020 Financial and Operational Results and Announces 2021 Capital Budget of $375 Million to $425 Million"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

Finding and Development Costs

ARC's low F&D costs are attributed to the high-quality nature of ARC's portfolio of Montney assets, the Company's excellent operational execution and ability to deliver strong well results, as well as meaningful reserves growth in 2020.

Table 10

	F&D Cost excluding FDC	F&D Cost including FDC
Proved Producing (1)(2)		
Reserve Additions (MMboe)	**70.3**	**70.3**
2020 ($/boe)	**4.88**	**4.29**
Three-year Average ($/boe)	**7.89**	**8.00**
Proved plus Probable (1)(2)		
Reserve Additions (MMboe)	**119.7**	**119.7**
2020 ($/boe)	**2.87**	**2.34**
Three-year Average ($/boe)	**5.35**	**5.77**

(1) F&D costs take into account reserves revisions during the year on a per boe basis.
(2) The aggregate of the exploration and development costs incurred in the financial year and the changes during that year in estimated future development costs may not reflect the total F&D costs related to reserves additions for that year.

CONSOLIDATED BALANCE SHEETS (unaudited)
As at

Cdn$ millions	**December 31, 2020**	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**0.4**	8.5
Inventory	**1.6**	—
Accounts receivable	**145.9**	134.4
Prepaid expense	**8.4**	8.9
Risk management contracts	**6.0**	41.4
	162.3	193.2
Risk management contracts	**—**	4.2
Exploration and evaluation assets	**214.9**	219.6
Property, plant, and equipment	**4,284.3**	5,074.3
Right-of-use assets	**44.5**	38.8
Goodwill	**248.2**	248.2
Total assets	**4,954.2**	5,778.3
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**125.0**	150.5
Current portion of lease obligations	**15.3**	16.3
Current portion of long-term debt	**146.7**	148.9
Current portion of asset retirement obligation	**19.0**	25.5
Dividends payable	**21.3**	17.7
Risk management contracts	**40.4**	6.1
	367.7	365.0
Risk management contracts	**44.4**	28.7
Long-term portion of lease obligations	**33.9**	29.9
Long-term debt	**555.2**	728.7
Long-term incentive compensation liability	**32.0**	24.5
Other deferred liabilities	**16.3**	5.1
Asset retirement obligation	**522.7**	384.1
Deferred taxes	**591.4**	772.4
Total liabilities	**2,163.6**	2,338.4
SHAREHOLDERS' EQUITY		
Shareholders' capital	**4,658.2**	4,658.3
Contributed surplus	**36.5**	32.2
Deficit	**(1,904.1)**	(1,250.6)
Total shareholders' equity	**2,790.6**	3,439.9
Total liabilities and shareholders' equity	**4,954.2**	5,778.3

Refer to the accompanying notes to ARC's consolidated financial statements, which are available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

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

	Three Months Ended		Year Ended	
(Cdn$ millions, except per share amounts)	**2020**	2019	**2020**	2019
Commodity sales from production	**363.1**	325.1	**1,135.5**	1,189.5
Royalties	**(16.1)**	(20.2)	**(47.5)**	(70.5)
Sales of commodities purchased from third parties	**4.9**	12.8	**37.7**	95.0
Revenue from commodity sales	**351.9**	**317.7**	**1,125.7**	**1,214.0**
Interest income	**0.1**	0.2	**0.8**	4.8
Other income	**4.6**	2.0	**8.7**	8.3
Gain (loss) on risk management contracts	**49.3**	(56.3)	**(15.4)**	(175.9)
Total revenue, interest income, other income, and gain (loss) on risk management contracts	**405.9**	263.6	**1,119.8**	1,051.2
Commodities purchased from third parties	**4.4**	12.8	**37.8**	95.5
Operating	**62.0**	62.3	**233.3**	252.5
Transportation	**46.2**	38.8	**176.2**	149.4
Exploration and evaluation	**7.1**	—	**7.1**	—
General and administrative	**22.9**	32.0	**91.9**	84.2
Interest and financing	**9.9**	11.9	**45.6**	48.3
Impairment (reversal) of financial assets	**(0.2)**	0.1	**12.9**	47.8
Depletion, depreciation, amortization, and impairment	**128.4**	132.6	**1,273.9**	539.2
Gain on foreign exchange	**(24.8)**	(15.7)	**(4.0)**	(35.5)
Gain on disposal of crude oil and natural gas properties	**—**	(1.7)	**—**	(1.7)
Total expenses	**255.9**	273.1	**1,874.7**	1,179.7
Net income (loss) before income taxes	**150.0**	**(9.5)**	**(754.9)**	**(128.5)**
Provision for (recovery of) income taxes				
Current	**8.1**	(2.0)	**(26.8)**	(14.0)
Deferred	**21.1**	2.7	**(180.9)**	(86.9)
Total income taxes (recovery)	**29.2**	0.7	**(207.7)**	(100.9)
Net income (loss) and comprehensive income (loss)	**120.8**	(10.2)	**(547.2)**	(27.6)
Net income (loss) per share				
Basic	**0.34**	(0.03)	**(1.55)**	(0.08)
Diluted	**0.34**	(0.03)	**(1.55)**	(0.08)

Refer to the accompanying notes to ARC's consolidated financial statements, which are available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

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

(Cdn$ millions)	Shareholders' Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
January 1, 2019	4,658.5	27.2	(1,010.6)	3,675.1
Comprehensive loss	—	—	(27.6)	(27.6)
Recognized under share-based compensation plans	(0.2)	5.0	—	4.8
Dividends declared	—	—	(212.4)	(212.4)
December 31, 2019	4,658.3	32.2	(1,250.6)	3,439.9
Comprehensive loss	**—**	**—**	**(547.2)**	**(547.2)**
Recognized under share-based compensation plans	**(0.1)**	**4.3**	**—**	**4.2**
Dividends declared	**—**	**—**	**(106.3)**	**(106.3)**
December 31, 2020	**4,658.2**	**36.5**	**(1,904.1)**	**2,790.6**

Refer to the accompanying notes to ARC's consolidated financial statements, which are available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

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

	Three Months Ended		Year Ended	
(Cdn$ millions)	**2020**	2019	**2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**120.8**	(10.2)	**(547.2)**	(27.6)
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**(40.5)**	62.9	**89.6**	255.4
Accretion of asset retirement obligation	**1.5**	1.7	**6.3**	7.3
Impairment (reversal) of financial assets	**(0.2)**	0.1	**12.9**	47.8
Depletion, depreciation, amortization, and impairment	**128.4**	132.6	**1,273.9**	539.2
Exploration and evaluation	**7.1**	—	**7.1**	—
Unrealized loss (gain) on foreign exchange	**(26.3)**	(16.3)	**2.1**	(40.3)
Gain on disposal of crude oil and natural gas properties	**—**	(1.7)	**—**	(1.7)
Deferred taxes	**21.1**	2.7	**(180.9)**	(86.9)
Other	**0.1**	1.0	**3.8**	4.2
Net change in other liabilities	**2.7**	8.3	**7.6**	(0.3)
Change in non-cash working capital	**(13.6)**	(14.4)	**(19.5)**	(58.3)
Cash flow from operating activities	**201.1**	166.7	**655.7**	638.8
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**468.9**	433.6	**2,209.2**	616.3
Repayment of long-term debt	**(567.5)**	(382.9)	**(2,387.9)**	(606.8)
Repayment of principal relating to lease obligations	**(3.9)**	(2.1)	**(18.1)**	(13.7)
Cash dividends paid	**(21.3)**	(53.1)	**(102.7)**	(212.4)
Cash flow used in financing activities	**(123.8)**	(4.5)	**(299.5)**	(216.6)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of crude oil and natural gas properties	**(0.2)**	—	**(0.2)**	(0.2)
Disposal of crude oil and natural gas properties	**1.8**	1.1	**1.8**	5.0
Property, plant, and equipment development expenditures	**(75.3)**	(139.0)	**(334.6)**	(683.4)
Exploration and evaluation asset expenditures	**(0.2)**	(1.0)	**(0.7)**	(2.1)
Change in non-cash working capital	**(5.4)**	(21.2)	**(30.6)**	7.4
Cash flow used in investing activities	**(79.3)**	(160.1)	**(364.3)**	(673.3)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2.0)**	2.1	**(8.1)**	(251.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**2.4**	6.4	**8.5**	259.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	**0.4**	8.5	**0.4**	8.5
The following are included in cash flow from operating activities:				
Income taxes paid (received) in cash	**—**	—	**(24.8)**	20.6
Interest paid in cash	**4.1**	7.1	**41.0**	42.9

Refer to the accompanying notes to ARC's consolidated financial statements, which are available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

DEFINITIONS OF OIL AND GAS RESERVES

Reserves are estimated remaining quantities of crude oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates as follows:

Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

INFORMATION REGARDING DISCLOSURE ON OIL AND GAS RESERVES AND OPERATIONAL INFORMATION

All amounts in this news release are stated in Canadian dollars unless otherwise specified. Where applicable, natural gas has been converted to boe based on a six thousand cubic feet of natural gas to one barrel of oil ratio. The boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip, and given that the value ratio based on the current price of crude oil 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. Use of boe in isolation may be misleading. 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 interest, 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. Each of these metrics is determined by ARC as set out below. These metrics do not have standardized meanings and may not be comparable to similar measures presented by other entities, and should not be used to make comparisons. 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.

- **Finding and development costs** or **F&D costs** are calculated by dividing the sum of the total capital expenditures for the year, in dollars, by the change in reserves within the applicable reserves category, in boe. F&D costs, including FDC, includes all capital expenditures in the year as well as the change in FDC required to bring the reserves, within the specified reserves category, on production.
    - F&D costs take into account reserves revisions and capital expenditure revisions during the year. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year. Management uses F&D costs as a measure of its ability to execute its capital program, the success in doing so, and of the Company's asset quality.
- **Recycle ratio** is calculated by dividing the netback for the year, in dollars per boe, by F&D costs for the year, in dollars per boe.
- **Reserve life index** or **RLI** is calculated by dividing the reserves, in boe, in the referenced category, by the midpoint of the production guidance range, in boe, for the following year. Management uses this measure to determine how long the booked reserves will last at current production rates if no further reserves were added.
- **Reserve replacement** is calculated by dividing the annual 2P reserve additions, in boe, by ARC's annual production, in boe. Management uses this measure to determine the relative change of its reserve base over a period of time.

ARC's crude oil and natural gas reserves statement for the year ended December 31, 2020, which will include 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 in ARC's AIF, which will be available on or before March 31, 2021 on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information pertaining to the following: ARC's key priorities and production plans for 2021, the expectation to fully fund ARC's dividend obligations and capital program from funds from operations, and plans for free funds flow in the introductory paragraphs of this news release; the expectations in respect of near-term pricing risk and continued volatility of commodities, ARC's plans to continue to maximize the throughput of its low-cost Montney natural gas production, the expectation that capital activity will remain muted throughout 2021, the outlook for natural gas and the possibility of a sustained crude oil price recovery, and the expectation of improving natural gas fundamentals under the heading *"Commodity Price Environment"*; the planned evaluation of certain capital allocation options and funds from operations expectations under the heading *"Capital Allocation"*; the expected settlement of maturities due in 2021 using free funds flow or existing committed credit facilities, ARC's ability to maintain financial liquidity with its balance sheet and remain in a position of financial strength during future periods of economic uncertainty, and ARC's ability to manage conservative debt levels under the heading *"Balance Sheet and Liquidity"*; ARC's risk management program and plans to continue to take positions in natural gas, crude oil, NGLs, and foreign exchange rates under the heading *"Physical Marketing and Financial Risk Management"*; ARC's planned capital investments for the electrification of the Dawson Phase III and IV facility in 2021 under the heading *"Operational Review"*; ARC's 2021 capital budget, guidance estimates, expected capital activity, anticipated average daily production, plans to sustain production at Dawson, Sunrise, Parkland/Tower, and Ante Creek, and the potential impacts of third-party transportation restrictions and the ongoing weakness in commodity prices resulting from COVID-19 on ARC's future financial and operational results under the heading *"Outlook";* GLJ's forecast pricing and foreign exchange rates under the heading *"2020 Independent Qualified Reserve Evaluation"*; ARC's 2P RLI under the heading *"Reserve Life Index ("RLI")"*; the NPV of estimated future net revenue under the heading *"Net Present Value Summary"*; ARC's estimated future development costs to bring its proved and probable, developed and undeveloped reserves on production under the heading *"Future Development Capital"*; and other statements.

The forward-looking information and statements contained in this news release reflect several material factors, expectations, and assumptions of ARC, including, without limitation: changing global economic conditions; public health crises, such as the COVID-19 pandemic, and any related actions taken by businesses and governments; the production performance of ARC's crude oil and natural gas assets; the cost and competition for services throughout the crude oil and natural gas industry in 2021; the results of exploration and development activities during 2021; the retention of ARC's key properties; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of ARC's reserve volumes; the accuracy of GLJ's forecast pricing and foreign exchange rate estimates; certain commodity price and other cost assumptions; the continued availability of adequate debt and equity financing and funds from operations to fund planned expenditures; and other material risks disclosed in ARC's most recently filed MD&A and AIF. ARC believes the material factors, expectations, and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes to foreign exchange rates; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results, or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's crude oil and natural gas reserve volumes; limited, unfavourable, or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the potential for variation in the quality of the Montney formation; unanticipated results from ARC's exploration and development activities; and other risks detailed from time-to-time in ARC's most recently filed MD&A and AIF.

The internal projections, expectations, or beliefs underlying the 2021 capital budget and outlook for 2021 are subject to change in light of the impact of the COVID-19 pandemic, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. ARC's financial outlook for 2021 provides shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2021 guidance may not be appropriate for other purposes. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and ARC assumes no obligation to publicly update or revise such information or statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

ARC Resources Ltd. is one of Canada's largest energy companies with an enterprise value of approximately $3.4 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

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