

## Extractive Sector Transparency Measures Act Report

Reporting Year From: 1/1/2016 To: 12/31/2016  
Reporting Entity Name ARC Resources Ltd.

Reporting Entity ESTMA Identification Number E256030

Subsidiary Reporting Entities (if necessary) ARC Resources General Partnership E137009, 1504793 Alberta Ltd. E255599,  
Redwater A&R Trust E472081

**Attestation: Please check one of the boxes below and provide the required information**

Attestation (by Reporting Entity)

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.*

Attestation (through independent audit)

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.*

*The auditor expressed an unmodified opinion, dated 5/3/2017, on the ESTMA report for the entity(ies) and period listed above.  
The independent auditor's report is on page 8 of the ESTMA report which can be found at <http://www.arcresources.com/investors/reporting/estma>*

Director or Officer of Reporting Entity Full Name: P. Van R. Dafoe  
Position Title: Senior Vice President & Chief Financial Officer

Date: 5/3/2017

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Payments by Payee

Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	Big Lakes County	\$510,000							\$510,000	
Canada	Brazeau County	\$5,280,000							\$5,280,000	
Canada	Clear Hills County	\$330,000		\$110,000					\$440,000	
Canada	Clearwater County	\$140,000							\$140,000	
Canada	County of Grande Prairie No. 1	\$190,000							\$190,000	
Canada	County of Northern Lights			\$100,000					\$100,000	
Canada	Federal Government of Canada	\$13,200,000		\$110,000					\$13,310,000	Payee includes recipients: Innovation, Science & Economic Development Canada; Receiver General for Canada
Canada	Municipal District of Greenview No. 16	\$2,310,000							\$2,310,000	
Canada	Municipal District of Taber	\$160,000							\$160,000	
Canada	Government of Alberta	\$6,370,000	\$22,820,000	\$4,980,000		\$2,640,000			\$36,810,000	Royalties paid in-kind total \$18,230,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.  Payee includes recipients: ABSA - Pressure Equipment Safety Authority; Agriculture Financial Services Corporation; Alberta Energy Regulator; Alberta Municipal Affairs Special Areas Board; Alberta Sustainable Resource Development; Alberta Petroleum Marketing Commission (APMC); Eastern Irrigation District; Minister of Finance; Provincial Treasurer of Alberta; Safety Codes Council
Canada	Government of British Columbia	\$1,160,000	\$39,680,000	\$6,270,000					\$47,110,000	Payee includes recipients: BC Oil & Gas Commission; British Columbia Safety Authority; BC Transportation Financing Authority c/o Ministry of Energy & Mines; Land Title & Survey Authority of British Columbia; Ministry of Environment; Minister of Finance; Ministry of Forests, Lands & Natural Resource Operations; Ministry of Natural Gas Development; Ministry of Transportation & Infrastructure
Canada	Government of Saskatchewan	\$2,660,000	\$11,880,000	\$730,000					\$15,270,000	Payee includes recipients: Information Services Corporation; Ministry of Agriculture; Ministry of the Economy; Minister of Finance; Saskatchewan Research Council; Southeast Saskatchewan Airshed Association; Technical Safety Authority of Saskatchewan; Water Security Agency
Canada	Red Deer County	\$580,000							\$580,000	

Canada	Rural Municipality of Argyle No. 1	\$210,000								\$210,000	
Canada	Rural Municipality of Browning No. 34	\$470,000								\$470,000	
Canada	Rural Municipality of Laurier No. 38	\$130,000								\$130,000	
Canada	Rural Municipality of Lomond No. 37	\$540,000								\$540,000	
Canada	Rural Municipality of Moose Creek No. 33	\$130,000								\$130,000	
Canada	Rural Municipality of Reciprocity No. 32	\$140,000								\$140,000	
Canada	Rural Municipality of Wawken No. 93	\$110,000								\$110,000	
Canada	Rural Municipality of Souris Valley No. 7	\$740,000								\$740,000	
Canada	Saddle Hills County	\$450,000								\$450,000	
Canada	Strathcona County	\$390,000								\$390,000	
Canada	Sturgeon County	\$620,000								\$620,000	
Canada	Thorhild County	\$690,000								\$690,000	
Canada	Town of Drayton Valley	\$480,000								\$480,000	
Canada	Town of Redwater	\$220,000								\$220,000	
<b>Total</b>		<b>\$ 38,210,000</b>	<b>\$ 74,380,000</b>	<b>\$ 12,300,000</b>	<b>\$ -</b>	<b>\$ 2,640,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,530,000</b>	All payments were made in Canadian dollars.

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Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Northeast British Columbia	\$1,170,000	\$39,680,000	\$6,290,000		\$2,560,000			\$49,700,000	
Canada	Northern Alberta	\$3,780,000	\$12,720,000	\$2,490,000		\$80,000			\$19,070,000	Royalties paid in-kind total \$9,340,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	Pembina, Alberta	\$5,900,000	\$9,350,000	\$1,900,000					\$17,150,000	Royalties paid in-kind total \$7,980,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	South Central Alberta	\$2,830,000	\$890,000	\$870,000					\$4,590,000	Royalties paid in-kind total \$910,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	Southeast Saskatchewan	\$5,130,000	\$11,740,000	\$750,000					\$17,620,000	
Canada	Corporate- ARC Resources Ltd.	\$19,400,000							\$19,400,000	Relates to corporate income tax payments that are not attributable to a specific project and are reported at the corporate level.
<b>TOTAL</b>		<b>\$ 38,210,000</b>	<b>\$ 74,380,000</b>	<b>\$ 12,300,000</b>	<b>\$ -</b>	<b>\$ 2,640,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,530,000</b>	All payments were made in Canadian dollars.

## INTRODUCTION

ARC Resources Ltd. and its subsidiaries (collectively the “Company” or “ARC”) has prepared the following audited consolidated report (“the Report”) of payments made to government entities for the year ended December 31, 2016 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

ARC makes a broader socio-economic contribution to the local areas in which we operate in addition to the payments that are required to be reported under the Act. For further information on such broader contributions, please refer to ARC’s 2016 Sustainability Report.

## BASIS OF PREPARATION

The Report has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. The Technical Reporting Specifications provides specifications with regards to the form and manner of reporting. The following is a summary of judgments and definitions that ARC has made for the purpose of preparing the Report.

### Payee

For purposes of the Act, a payee is:

- a) Any government in Canada or in a foreign state.
- b) A body that is established by two or more governments.
- c) Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state/provincial or local/municipal levels. Payees include Crown corporations and other state-owned enterprises that are exercising or performing a power, duty or function of government.

Aboriginal and indigenous groups and organizations within Canada and in other jurisdictions may be regarded as governments for purposes of qualifying as a payee under the Act. However, the Act defers the requirement to report on payments made to Aboriginal governments in Canada, with reporting on these payments beginning on June 1, 2017. For the year ended December 31, 2016, there were no reportable payments to an Aboriginal payee.

The individual department, agency or other body of the payee that received the payment is disclosed, where practical, in a supplementary note to the Report.

### Activities within the scope of the Report

Payments made by ARC to payees relating to the commercial development of oil, gas and minerals (“commercial development”) are disclosed in this Report. ARC makes payments related to its initial processing activities which are integrated with its extraction operations and comprise commercial development. The Report excludes payments that are not related to ARC’s commercial development activities, as defined by the Act and in the associated Guidance document published by NRCan.

## Project

Payments are reported at the project level except for payments that are not attributable to a specific project and are reported at the entity level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

A “project” means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities with a government. However, if multiple such agreements are substantially interconnected, ARC has aggregated such interconnected agreements into a single “Project” for reporting purposes, as permitted under the Act and the associated Technical Reporting Specifications published by NRCan.

## Cash and in-kind payments

Payments are reported on a cash basis, meaning they are reported in the period in which they are paid. In-kind payments are converted to an equivalent cash value based on cost or, if cost is not determinable, the in-kind payment is reported at the fair market value. The valuation method for each payment has been disclosed in a supplementary note to the Report.

All information is reported in Canadian dollars (“Cdn\$”). Payments to the “same payee” that meet or exceed \$100,000 Cdn in one category of payment are disclosed. Payments disclosed are rounded to the nearest \$10,000 Cdn.

## Payments made in situations of joint control

Where ARC has itself made a reportable payment to a payee, regardless of whether ARC is the operator, the full amount paid has been disclosed; this is the case even where ARC as the operator has been proportionally reimbursed by its non-operating partners through a partner billing process.

## Payment Categories

The information is reported under the following payment categories.

### *Taxes*

This category may include taxes paid by ARC on its income, profits or production. Taxes reported include property taxes, business taxes and certain provincial resource surcharges. Consumption taxes and personal income taxes are excluded.

### *Royalties*

These are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue less any deductions that may be taken. Royalties paid in kind are also reported under this category.

### *Fees*

This category may include rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits or concessions. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

### *Production entitlements*

A payee’s share of oil, gas or mineral production under a production sharing agreement or a similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2016, there were no reportable production entitlement payments to a payee.

*Bonuses*

Signing, discovery, production and any other type of bonuses paid to a payee are reported under this category.

*Dividends*

These are dividend payments other than dividends paid to a payee as an ordinary shareholder of ARC. For the year ended December 31, 2016, there were no reportable dividend payments to a payee.

*Infrastructure improvement payments*

These are payments which relate to the construction of infrastructure that do not relate primarily to the operational purposes of ARC. For the year ended December 31, 2016, there were no reportable infrastructure improvement payments to a payee.



May 3, 2017

## **Independent Auditor's Report**

### **To Those Charged with ESTMA Governance at ARC Resources Ltd.**

We have audited the accompanying Extractive Sector Transparency Measures Act – Annual Report of ARC Resources Ltd. which comprise the schedules of payments by payee and payments by project for the year ended December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (the “ESTMA Report”). The ESTMA Report has been prepared by management using the basis of accounting described in the notes, which is in accordance with the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s 376 (the “Act”).

#### **Management's responsibility for the ESTMA Report**

Management is responsible for the preparation of the ESTMA Report in accordance with the basis of accounting described in the notes, and for such internal control as management determines is necessary to enable the preparation of an ESTMA Report that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the ESTMA Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the ESTMA Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the ESTMA Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the ESTMA Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the ESTMA Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the ESTMA Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.





**Opinion**

In our opinion, the Extractive Sector Transparency Measures Act – Annual Report of ARC Resources Ltd. for the year ended December 31, 2016 is prepared, in all material respects, in accordance with the basis of accounting described in the notes.

**Basis of accounting**

Without modifying our opinion, we draw attention to the notes to the ESTMA Report, which describes the basis of accounting. The ESTMA Report is prepared to assist ARC Resources Ltd. to comply with the reporting requirements of the Act. As a result, the ESTMA Report may not be suitable for another purpose.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**  
Calgary, Alberta