

# ARC RESOURCES LTD. REPORTS RECORD SECOND QUARTER 2022 RESULTS

## NEWS RELEASE

**Calgary, July 28, 2022 (ARX - TSX)** ARC Resources Ltd. ("ARC" or the "Company") today reported its second quarter 2022 financial and operational results.

## HIGHLIGHTS

- Second quarter 2022 production averaged 336,112 boe<sup>(1)(2)</sup> per day (60 per cent natural gas and 40 per cent crude oil and liquids).
- Cash flow from operating activities was \$1,093 million and funds from operations was \$1,030 million<sup>(3)</sup> (\$1.52 per share)<sup>(4)</sup>.
  - Market diversification generated higher realized pricing than local benchmarks, enhancing strong commodity prices. ARC's average realized natural gas price of \$9.08 per Mcf<sup>(4)</sup> was \$2.81 per Mcf higher than the average AECO 7A Monthly Index price. ARC's average realized condensate price was \$137.91 per barrel<sup>(4)</sup> compared to US\$WTI of \$108.52 per barrel.
- Record free funds flow of \$677 million<sup>(5)</sup> or \$1.00 per share<sup>(6)</sup> represented a 67 per cent increase in the second quarter of 2022 compared to the first quarter, and a 186 per cent increase compared to the same period in the prior year. ARC distributed approximately 60 per cent or \$406 million (\$0.60 per share)<sup>(4)</sup> of its free funds flow to shareholders, with the balance allocated to debt reduction.
  - ARC declared dividends of \$80 million or \$0.12 per share<sup>(4)</sup> and repurchased 18.4 million common shares for \$326 million under its normal course issuer bid ("NCIB").
  - ARC has repurchased 67.1 million common shares or approximately nine per cent of the total common shares outstanding since instituting the NCIB in September 2021, at an average price of \$14.00 per share.
  - ARC intends to complete the existing 10 per cent NCIB by the end of August 2022. Upon completion and subject to review and approval by the TSX, ARX intends to renew the NCIB for an additional 10 per cent of the public float (as defined by the TSX) outstanding at that time.
- As of June 30, 2022, ARC's long-term debt balance was \$1.2 billion and its net debt balance was \$1.5 billion<sup>(3)</sup> or 0.4 times funds from operations<sup>(3)</sup>.
- Cash flow used in investing activities was \$364 million, of which \$352 million was invested into capital expenditures<sup>(5)</sup>. During the second quarter of 2022, ARC drilled 29 wells and completed 38 wells primarily in its Alberta operations.
- Capital spending and production guidance have been revised upwards to primarily reflect realized and anticipated inflation, along with additional water infrastructure in Kakwa and funds to manage longer supply chain related lead times that will support 2023 activity.
  - Capital expenditure guidance for 2022 has increased from \$1.15 to \$1.25 billion to \$1.35 to \$1.45 billion.
  - Production guidance for 2022 has increased from 335,000 to 350,000 boe per day to 340,000 to 350,000 boe per day.

ARC's unaudited condensed 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, 2022, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com). The disclosure under the section entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three and six months ended June 30, 2022 (the "Q2 2022 MD&A") is incorporated by reference into this news release.

---

- (1) ARC has adopted the standard six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("boe"). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.
- (2) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (3) See Note 10 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
- (4) See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (5) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this news release. See "Non-GAAP and Other Financial Measures" of this news release for the most directly comparable financial measure disclosed in ARC's current financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.
- (6) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.

# FINANCIAL AND OPERATIONAL RESULTS

(Cdn\$ millions, except per share amounts <sup>(1)</sup> , boe amounts, and common shares outstanding)	Three Months Ended			Six Months Ended <sup>(2)</sup>	
	March 31, 2022	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>FINANCIAL RESULTS</b>					
Net income (loss)	(69.4)	<b>762.9</b>	(123.0)	<b>693.5</b>	55.0
Per share	(0.10)	<b>1.13</b>	(0.17)	<b>1.01</b>	0.10
Cash flow from operating activities	758.8	<b>1,092.6</b>	456.0	<b>1,851.4</b>	722.8
Per share <sup>(3)</sup>	1.10	<b>1.61</b>	0.63	<b>2.71</b>	1.34
Funds from operations	743.6	<b>1,029.7</b>	542.5	<b>1,773.3</b>	816.4
Per share	1.08	<b>1.52</b>	0.75	<b>2.59</b>	1.51
Free funds flow	410.3	<b>677.3</b>	249.7	<b>1,087.6</b>	397.9
Per share	0.60	<b>1.00</b>	0.35	<b>1.59</b>	0.74
Dividends declared	68.2	<b>79.9</b>	43.5	<b>148.1</b>	64.8
Per share	0.10	<b>0.12</b>	0.06	<b>0.22</b>	0.12
Cash flow used in investing activities	346.7	<b>363.9</b>	206.5	<b>710.6</b>	310.6
Capital expenditures	333.3	<b>352.4</b>	292.8	<b>685.7</b>	418.5
Long-term debt	1,578.7	<b>1,247.6</b>	2,016.9	<b>1,247.6</b>	2,016.9
Net debt	1,695.5	<b>1,511.4</b>	2,084.1	<b>1,511.4</b>	2,084.1
Common shares outstanding, weighted average diluted (millions)	688.8	<b>676.8</b>	723.1	<b>683.6</b>	540.3
Common shares outstanding, end of period (millions)	680.9	<b>663.7</b>	723.9	<b>663.7</b>	723.9
<b>OPERATIONAL RESULTS</b>					
Production					
Crude oil (bbl/day)	7,892	<b>8,297</b>	11,659	<b>8,096</b>	12,648
Condensate (bbl/day)	72,956	<b>75,793</b>	73,459	<b>74,382</b>	43,800
Crude oil and condensate (bbl/day)	80,848	<b>84,090</b>	85,118	<b>82,478</b>	56,448
Natural gas (MMcf/day)	1,280	<b>1,219</b>	1,203	<b>1,249</b>	1,000
NGLs (bbl/day)	50,257	<b>48,877</b>	50,020	<b>49,563</b>	30,429
Total (boe/day)	344,447	<b>336,112</b>	335,701	<b>340,256</b>	253,522
Average realized price					
Crude oil (\$/bbl) <sup>(3)</sup>	111.48	<b>134.52</b>	74.01	<b>123.35</b>	68.89
Condensate (\$/bbl) <sup>(3)</sup>	119.15	<b>137.91</b>	77.93	<b>128.76</b>	76.93
Natural gas (\$/Mcf) <sup>(3)</sup>	5.98	<b>9.08</b>	3.34	<b>7.50</b>	3.84
NGLs (\$/bbl) <sup>(3)</sup>	27.94	<b>34.16</b>	22.19	<b>31.03</b>	23.45
Average realized price (\$/boe) <sup>(3)</sup>	54.10	<b>72.31</b>	34.90	<b>63.14</b>	34.68
Netback					
Commodity sales from production (\$/boe) <sup>(3)</sup>	54.10	<b>72.31</b>	34.90	<b>63.14</b>	34.68
Royalties (\$/boe) <sup>(3)</sup>	(7.81)	<b>(11.10)</b>	(3.02)	<b>(9.45)</b>	(2.58)
Operating expense (\$/boe) <sup>(3)</sup>	(4.04)	<b>(4.66)</b>	(4.53)	<b>(4.35)</b>	(4.30)
Transportation expense (\$/boe) <sup>(3)</sup>	(5.57)	<b>(6.27)</b>	(4.49)	<b>(5.91)</b>	(4.22)
Netback (\$/boe) <sup>(4)</sup>	36.68	<b>50.28</b>	22.86	<b>43.43</b>	23.58
<b>TRADING STATISTICS<sup>(5)</sup></b>					
High price	17.50	<b>22.88</b>	10.74	<b>22.88</b>	10.74
Low price	11.66	<b>14.81</b>	7.26	<b>11.88</b>	5.88
Close price	16.74	<b>16.23</b>	10.55	<b>16.23</b>	10.55
Average daily volume (thousands of shares)	4,224	<b>9,208</b>	3,309	<b>8,334</b>	3,218

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

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

(3) See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(4) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.

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

## OUTLOOK

ARC delivered on all aspects of the business in the second quarter of 2022 including the safe and efficient execution of the capital program and operations:

- Strong commodity prices across diversified markets combined with our low-cost structure and capital discipline resulted in free funds flow of \$1.00 per share.
- Free funds flow per share reached a 26-year record level, allowing ARC to further strengthen its balance sheet and return additional capital to shareholders at a faster rate than anticipated.
- Planned maintenance was completed on time and within budget providing strong momentum for growth in the second half of the year.

While increased commodity prices and inflationary pressure have introduced tightness across the supply chain, ARC's scale and disciplined approach to planning is mitigating the impact and ensures ARC has sufficient access across the supply chain to continue to efficiently execute its capital program.

ARC has increased capital expenditures and production guidance for 2022. All other cost guidance items are unchanged, with operating and transportation expenses expected to decrease over the balance of the year on a per boe basis. The capital increase primarily reflects realized and anticipated inflation, with a lesser amount towards water infrastructure investments at Kakwa and additional funds to manage longer supply chain related lead times that will support 2023 activity. At Kakwa, strong well performance is expected to support three to five per cent production growth in the second half of 2022, and sustained higher production levels in 2023. Should the regulatory environment in BC support investment, ARC is well-positioned to resume activity in an efficient manner, including the Sunrise expansion and sanctioning Attachie West Phase I.

- Capital expenditure guidance increased to \$1.35 to \$1.45 billion (from \$1.15 to \$1.25 billion).
- Production guidance increased to 340,000 to 350,000 boe per day (from 335,000 to 350,000 boe per day).

## 2022 Guidance

	2022 Guidance	2022 Guidance (July 2022)	2022 YTD Actuals	% Variance from 2022 Guidance (July 2022)
Production				
Crude oil (bbl/day)	7,000 - 9,000	8,000 - 9,000	8,096	—
Condensate (bbl/day)	72,000 - 78,000	77,000 - 81,000	74,382	(3)
Crude oil and condensate (bbl/day)	79,000 - 87,000	85,000 - 90,000	82,478	(3)
Natural gas (MMcf/day)	1,240 - 1,280	1,240 - 1,260	1,249	—
NGLs (bbl/day)	49,000 - 51,000	48,000 - 50,000	49,563	—
Total (boe/day)	335,000 - 350,000	340,000 - 350,000	340,256	—
Expenses (\$/boe) <sup>(1)</sup>				
Operating	4.00 - 4.50	4.00 - 4.50	4.35	—
Transportation	5.35 - 5.75	5.35 - 5.75	5.91	3
G&A expense before share-based compensation expense	0.80 - 0.90	0.80 - 0.90	0.92	2
G&A - share-based compensation expense	0.60 - 0.70	0.60 - 0.70	0.83	19
Interest and financing <sup>(2)</sup>	0.55 - 0.65	0.55 - 0.65	0.68	5
Current income tax expense as a per cent of funds from operations <sup>(1)</sup>	3 - 8	3 - 8	8	—
Capital expenditures (\$ billions) <sup>(3)</sup>	1.15 - 1.25	1.35 - 1.45	0.7	n/a

(1) See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

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

(3) See "About ARC Resources Ltd." in the Q2 2022 MD&A for historical capital expenditures.

## OPERATIONAL RESULTS

### Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$364 million during the second quarter of 2022, with the Company drilling 29 wells and completing 38 wells. Cash flow used in investing activities was \$711 million during the first half of 2022, of which \$686 million was invested into capital expenditures to drill 60 wells and complete 79 wells.

The following table details ARC's capital activity by area during the first six months of 2022.

Area	Six Months Ended June 30, 2022	
	Wells Drilled <sup>(1)</sup>	Wells Completed <sup>(1)</sup>
Kakwa	50	45
Greater Dawson	6	16
Sunrise	—	9
Ante Creek	4	9
<b>Total</b>	<b>60</b>	<b>79</b>

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

## Production and Operating Expense

### Production

- ARC's production averaged 336,112 boe per day during the second quarter of 2022 (60 per cent natural gas and 40 per cent crude oil and liquids). Production was in line with guidance and

slightly lower compared to the first quarter of 2022 due to planned maintenance and turnarounds, which were executed on time and within budget.

- Production in the second half of 2022 is expected to increase by three to five per cent compared to the second quarter, primarily driven by growth at Kakwa.

#### *Operating Expense*

- ARC's second quarter 2022 operating expense per boe of \$4.66 increased 15 per cent from the first quarter of 2022, primarily due to pass through input costs from higher commodity prices and planned maintenance.
- ARC's operating expense per boe is expected to decrease over the balance of year due to higher production volumes.

## Physical Marketing

#### *Average Realized Prices*

- End market diversification and liquids marketing enhanced strong pricing and supported high margins in the second quarter.
  - ARC's average realized natural gas price during the second quarter was \$9.08 per Mcf, 45 per cent higher than the average AECO 7A Monthly Index price.
  - ARC's realized condensate price of \$137.91 per barrel increased by 16 per cent compared to the first quarter. ARC's average realized NGLs price of \$34.16 per barrel increased by 22 per cent relative to the first quarter of 2022.

#### *Transportation Expense*

- ARC's second quarter 2022 transportation expense per boe of \$6.27 increased by 13 per cent from the first quarter of 2022 primarily due to higher fuel gas expense resulting from higher natural gas prices and other pass through fuel costs.
- ARC's transportation expense is expected to decrease over the balance of year due to higher production volumes.

## FINANCIAL RESULTS

### Financial Position

- As of June 30, 2022, ARC's long-term debt balance was \$1.2 billion, and its net debt balance was \$1.5 billion, or 0.4 times funds from operations.
  - ARC targets its net debt to be in the range of 1.0 to 1.5 times funds from operations at mid-cycle commodity prices.
  - Long-term debt comprised \$1.0 billion of senior notes outstanding and \$0.2 billion in borrowings under the Company's \$2.0 billion credit facility.
  - During the quarter, ARC reduced long-term debt and net debt by \$331 million and \$184 million, respectively.

## Returns to Shareholders

- ARC distributed approximately 60 per cent or \$406 million (\$0.60 per share) of free funds flow to shareholders during the second quarter of 2022 through a combination of dividends and share repurchases.

### *Dividends*

- ARC declared dividends of \$80 million or \$0.12 per share during the second quarter of 2022.
- The dividend serves as the primary mechanism to return capital to shareholders over the long term. ARC's dividend is designed to grow with the underlying profitability of the business and be sustainable through the commodity cycle.

### *Share Repurchases*

- ARC repurchased 18.4 million common shares under its NCIB during the second quarter of 2022 at a weighted average price of \$17.69 per share.
- ARC has repurchased approximately nine per cent of total shares outstanding since its NCIB commenced on September 1, 2021, or 67.1 million common shares at a weighted average price of \$14.00 per share.
- ARC will continue to repurchase common shares when the intrinsic value of the Company's common shares exceeds the current market trading price. ARC determines intrinsic value using much lower commodity price assumptions than the forward strip and a wide range of discount rates.
- ARC intends to renew its NCIB in September of 2022.

## Net Income (Loss)

- ARC recognized net income of \$763 million (\$1.13 per share) during the second quarter of 2022, compared to a net loss of \$69 million (\$0.10 per share) during the first quarter of 2022.
  - Higher commodity prices and decreases in losses on risk management contracts explained the majority of the increase in net income relative to the first quarter of 2022.

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

### *Cash Flow from Operating Activities*

- Cash flow from operating activities was \$1,093 million (\$1.61 per share) during the second quarter of 2022, increasing by \$334 million (\$0.51 per share) from the first quarter of 2022.

### *Funds from Operations*

- ARC generated funds from operations of \$1,030 million (\$1.52 per share) during the second quarter of 2022, representing an increase of \$286 million (\$0.44 per share) from the first quarter of 2022.
  - Royalties of \$340 million (\$0.50 per share)<sup>(1)</sup> increased by \$97 million from the first quarter of 2022, reflecting the impact of higher average realized commodity prices.
  - ARC's expected taxable income has also increased with stronger commodity prices, which resulted in ARC recording current income tax expense of \$90 million (\$0.13 per share)<sup>(1)</sup> during the second quarter of 2022.

- ARC's second quarter 2022 general and administrative ("G&A") expense of \$36 million (\$0.05 per share)<sup>(1)</sup> decreased by \$35 million from the first quarter of 2022. The decrease in G&A expense primarily reflects the decrease in the fair value of the Company's share-based compensation plans.
- The following table details the change in funds from operations for the second quarter of 2022 relative to the first quarter of 2022.

<b>Funds from Operations Reconciliation</b>	<b>\$ millions</b>	<b>\$/share<sup>(2)</sup></b>
Funds from operations for the three months ended March 31, 2022	743.6	1.08
Production volumes		
Crude oil and liquids	42.3	0.07
Natural gas	(25.8)	(0.04)
Commodity prices		
Crude oil and liquids	174.4	0.26
Natural gas	343.7	0.49
Sales of commodities purchased from third parties	(67.2)	(0.10)
Other income	1.4	—
Realized loss on risk management contracts	(140.5)	(0.20)
Royalties	(97.3)	(0.14)
Expenses		
Commodities purchased from third parties	83.4	0.12
Operating	(17.1)	(0.02)
Transportation	(19.1)	(0.03)
G&A	35.2	0.05
Interest and financing	(1.9)	—
Current income tax	(35.0)	(0.05)
Realized gain on foreign exchange	9.5	0.01
Other	0.1	—
Weighted average shares, diluted	—	0.02
Funds from operations for the three months ended June 30, 2022	1,029.7	1.52

(1) See "Non-GAAP and Other Financial Measures" in the Q2 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

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

## CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's second quarter 2022 results on Friday, July 29, 2022, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, July 29, 2022
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	44166497
Webcast URL	<a href="https://app.webinar.net/7PkDn3Kn5Nq">https://app.webinar.net/7PkDn3Kn5Nq</a>

Callers are encouraged to dial in 15 minutes before the start time to register for the event. A replay will be available on ARC's website at [www.arcresources.com](http://www.arcresources.com) following the conference call.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release and in other materials disclosed by the Company, ARC employs certain measures to analyze its financial performance, financial position, and cash flow. These non-GAAP and other financial measures are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The non-GAAP and other financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

### Non-GAAP Financial Measures

#### Capital Expenditures

ARC uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC's capital budget excludes acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under certain lease arrangements. The directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

(\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2022	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flow used in investing activities	346.7	<b>363.9</b>	206.5	<b>710.6</b>	310.6
Cash acquired upon close of Business Combination	—	—	4.9	—	4.9
Acquisition of crude oil and natural gas assets	(0.8)	<b>(0.8)</b>	(0.1)	<b>(1.6)</b>	(0.1)
Disposal of crude oil and natural gas assets	7.4	—	78.1	<b>7.4</b>	78.2
Long-term investment	—	<b>(0.1)</b>	—	<b>(0.1)</b>	—
Change in non-cash investing working capital	(22.7)	<b>(13.8)</b>	1.0	<b>(36.5)</b>	20.8
Other <sup>(1)</sup>	2.7	<b>3.2</b>	2.4	<b>5.9</b>	4.1
Capital expenditures	333.3	<b>352.4</b>	292.8	<b>685.7</b>	418.5

(1) Comprises non-cash capitalized costs related to the Company's right-of-use asset depreciation and share-based compensation.

## Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

(\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2022	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flow from operating activities	758.8	<b>1,092.6</b>	456.0	<b>1,851.4</b>	722.8
Net change in other liabilities	40.8	<b>31.2</b>	52.9	<b>72.0</b>	71.1
Change in non-cash operating working capital	(56.0)	<b>(94.1)</b>	33.6	<b>(150.1)</b>	22.5
Funds from operations	743.6	<b>1,029.7</b>	542.5	<b>1,773.3</b>	816.4
Capital expenditures <sup>(1)</sup>	(333.3)	<b>(352.4)</b>	(292.8)	<b>(685.7)</b>	(418.5)
Free funds flow	410.3	<b>677.3</b>	249.7	<b>1,087.6</b>	397.9

(1) Certain additional disclosures for these specified financial measures have been incorporated by reference. See "Cash Flow Used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions" in the Q2 2022 MD&A.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations regarding the future based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions, and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: ARC's 2022 guidance, including planned capital expenditures (and the commodity prices at which such capital expenditures are fully funded by funds from operations), production guidance, and expenses; the expectation that transportation costs will decrease over the balance of the year on a per unit basis; the expectation that strong performance at Kakwa will support three to five percent production growth in the second half of 2022 relative to the second quarter; the possibility of resuming activity in BC, including the Sunrise expansion and sanctioning Attachie West Phase I, should the regulatory environment in BC support such investment; the expectation that ARC's operating expense per boe will decrease due to higher production volumes; ARC's expected taxable income; plans to allocate surplus funds from operations to returns to shareholders and debt reduction; ARC's plans with respect to growing its dividend and share repurchases under its NCIB; ARC's target net debt to funds from operations ratio at mid-cycle commodity prices. Further, statements relating to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. The material assumptions on

which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: ARC's ability to successfully integrate and realize the anticipated benefits of completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities and to repurchase its securities under the NCIB; ARC's ability to meet and maintain certain targets, including with respect to emissions-related reductions and ESG performance; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; the potential implementation of new technologies and the cost thereof; forecast commodity prices and other pricing assumptions with respect to ARC's 2022 capital expenditure budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in *Blueberry River First Nations (Yahey) v. Province of British Columbia* on BC and/or federal laws or policies affecting resource development in northeast BC and potential outcomes of the ongoing negotiations between Blueberry River First Nations and the Government of BC; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2022 and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that the regulatory environment will be able to support ARC's investment in the execution of Attachie West Phase I and the Sunrise expansion, including that regulatory authorities in BC will resume granting approvals for oil and gas activities relating to drilling, completions, testing, processing facilities, and production and transportation infrastructure in 2022 on time frames, and terms and conditions, consistent with past practice; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the Board; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; cash flows, cash balances on hand, and access to ARC's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial risk management transactions to partially mitigate a portion of ARC's risks against wider price differentials; business interruption, property and casualty losses, or unexpected technical difficulties; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; ARC's ability to obtain necessary regulatory approvals generally; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to oil and gas interests and operations on Indigenous lands; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; ARC's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; ARC's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation and other assumptions inherent in the guidance of ARC; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; GLJ Ltd.'s estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of the COVID-19 pandemic on commodity prices and the global economy; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

## About ARC

ARC Resources Ltd. is a pure-play Montney producer and one of Canada's largest dividend-paying energy companies, featuring low-cost operations and leading ESG performance. ARC's investment-grade credit profile is supported by commodity and geographic diversity and robust risk management practices around all aspects of the business. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

Please visit ARC's website at [www.arcresources.com](http://www.arcresources.com) or contact Investor Relations:

E-mail: [IR@arcresources.com](mailto:IR@arcresources.com)  
Telephone: (403) 503-8600  
Fax: (403) 509-6427  
Toll Free: 1-888-272-4900  
ARC Resources Ltd.  
Suite 1200, 308 - 4 Avenue SW  
Calgary, AB T2P 0H7