

Extractive Sector Transparency Measures Act - Annual Report



Reporting Entity Name ARC Resources Ltd.

Reporting Year **From** 1/1/2018 **To:** 12/31/2018 **Date submitted** 5/14/2019

Reporting Entity ESTMA Identification Number E256030

Original Submission
 Amended Report

Other Subsidiaries Included
 (optional field)

For Consolidated Reports - Subsidiary Reporting Entities Included in Report: Redwater A&R Trust E472081

Not Substituted

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.

Full Name of Director or Officer of Reporting Entity Van Dafoe **Date** 5/10/2019

Position Title Senior Vice President & CFO

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Reporting Year	From: 1/1/2018	To: 12/31/2018	Reporting Entity Name	ARC Resources Ltd.	Currency of the Report	CAD
Reporting Entity ESTMA Identification Number	E256030					
Subsidiary Reporting Entities (if necessary)	Redwater A&R Trust E472081					

Payments by Payee

Country	Payee Name ¹	Departments, Agency, etc... within Payee that Received Payments ²	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes ^{3,4}
Canada	BIG LAKES COUNTY		370,000							370,000	
Canada	BRAZEAU COUNTY		5,060,000		160,000					5,220,000	
Canada	CLEAR HILLS COUNTY		260,000							260,000	
Canada	CLEARWATER COUNTY		160,000							160,000	
Canada	FEDERAL GOVERNMENT OF CANADA	Receiver General	8,410,000							8,410,000	
Canada	HALFWAY RIVER FIRST NATION	Devlin Gailus Watson Law Corporation			150,000					150,000	
Canada	MUNI DISTRICT- GREENVIEW NO. 16		2,110,000							2,110,000	
Canada	MUNICIPAL DISTRICT OF TABER		140,000							140,000	
Canada	PROVINCIAL GOVERNMENT- ALBERTA	Alberta Energy Regulator			3,070,000					3,070,000	
Canada	PROVINCIAL GOVERNMENT- ALBERTA	APMC		460,000						460,000	
Canada	PROVINCIAL GOVERNMENT- ALBERTA	Minister of Finance, Province of Alberta - Mineral Operations Division			960,000					960,000	
Canada	PROVINCIAL GOVERNMENT- ALBERTA	Provincial Treasurer of Alberta	4,120,000	55,530,000	580,000					60,230,000	Royalties paid in-kind total \$50,170,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	PROVINCIAL GOVERNMENT- ALBERTA	Special Areas Board	140,000							140,000	
Canada	PROVINCIAL GOVERNMENT- B.C.	BC Oil & Gas Commission			1,400,000					1,400,000	
Canada	PROVINCIAL GOVERNMENT- B.C.	Energy, Mines, and Petroleum Resources			1,720,000		890,000			2,610,000	
Canada	PROVINCIAL GOVERNMENT- B.C.	Minister of Finance, Resources Revenue Branch & Revenue Management		61,360,000	150,000					61,510,000	
Canada	PROVINCIAL GOVERNMENT- B.C.	Minister of Finance & Corporate Relations			4,640,000					4,640,000	
Canada	PROVINCIAL GOVERNMENT- B.C.	Ministry of Finance - Surveyor of Taxes	1,530,000							1,530,000	
Canada	PROVINCIAL GOVERNMENT- SASK	Saskatchewan Ministry of the Economy		190,000						190,000	
Canada	SADDLE HILLS COUNTY		410,000							410,000	
Canada	STRATHCONA COUNTY		330,000							330,000	
Canada	STURGEON COUNTY		530,000							530,000	
Canada	THORHILD COUNTY	County of Thorhild No. 7	640,000							640,000	
Canada	TOWN OF DRAYTON VALLEY		450,000							450,000	
Canada	TOWN OF REDWATER		250,000							250,000	

All payments were made in Canadian dollars.

Additional Notes:

¹ Enter the proper name of the Payee receiving the money (i.e. the municipality of x, the province of y, national government of z).

² Optional field.

³ When payments are made in-kind, the notes field must highlight which payment includes in-kind contributions and the method for calculating the value of the payment.

⁴ Any payments made in currencies other than the report currency must be identified. The Reporting Entity may use the Additional notes row or the Notes column to identify any payments that are converted, along with the exchange rate and primary method used for currency conversions.

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Reporting Entity ESTMA Identification Number	E256030		
Subsidiary Reporting Entities (if necessary)	Redwater A&R Trust E472081		

Payments by Project

Country	Project Name ¹	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes ²³
Canada	Northeast British Columbia	1,540,000	61,360,000	8,060,000		890,000			71,850,000	
Canada	Northern Alberta	9,080,000	51,390,000	4,190,000					64,660,000	Royalties paid in-kind total \$45,620,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	Redwater	1,760,000	4,610,000	580,000					6,950,000	Royalties paid in-kind total \$4,550,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price.
Canada	Saskatchewan		190,000						190,000	

All Payments were made in Canadian dollars.

Additional Notes³:

INTRODUCTION

ARC Resources Ltd. and its subsidiaries (collectively the “Company” or “ARC”) has prepared the following report (“the Report”) of payments made to government entities for the year ended December 31, 2018 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 2018 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.

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, 2018, 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, 2018, 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, 2018, there were no reportable infrastructure improvement payments to a payee.