

Extractive Sector Transparency Measures Act - Annual Report



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|---|--------------------|--|------------|------------|-----------------------|----------|
| Reporting Entity Name | ARC Resources Ltd. | | | | | |
| Reporting Year | From | 1/1/2020 | To: | 12/31/2020 | Date submitted | 5/6/2021 |
| Reporting Entity ESTMA Identification Number | E256030 | <input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report | | | | |

Other Subsidiaries Included
(optional field)

For Consolidated Reports - Subsidiary Reporting Entities Included in Report: ARC RESOURCES U.S. ENERGY MARKETING LTD. E024418

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 | Kristen J. Bibby | Date | 5/6/2021 |
| Position Title | Senior VP and CFO | | |

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| Reporting Entity Name | ARC Resources Ltd. | | Currency of the Report CAD |
| Reporting Entity ESTMA Identification Number | E256030 | | |
| Subsidiary Reporting Entities (if necessary) | ARC RESOURCES U.S. ENERGY MARKETING LTD. E024418 | | |

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 ³⁴ |
|---------|--|--|-----------|------------|-----------|-------------------------|---------|-----------|-------------------------------------|----------------------------|--|
| Canada | BRAZEAU COUNTY | | 5,120,000 | | | | | | | 5,120,000 | |
| Canada | CLEARWATER COUNTY | | 120,000 | | | | | | | 120,000 | |
| Canada | HALFWAY RIVER FIRST NATION | | | | 520,000 | | | | | 520,000 | |
| Canada | MUNICIPAL DISTRICT OF GREENVIEW NO. 16 | | 1,900,000 | | 240,000 | | | | | 2,140,000 | |
| Canada | PROVINCIAL GOVERNMENT - ALBERTA | ALBERTA ENERGY REGULATOR | | | 1,660,000 | | | | | 1,660,000 | |
| Canada | PROVINCIAL GOVERNMENT - ALBERTA | ALBERTA PETROLEUM MARKETING COMMISSION | | 180,000 | | | | | | 180,000 | |
| Canada | PROVINCIAL GOVERNMENT - ALBERTA | MINISTER OF FINANCE, PROVINCE OF ALBERTA | | | 650,000 | | | | | 650,000 | |
| Canada | PROVINCIAL GOVERNMENT - ALBERTA | PROVINCIAL TREASURER OF ALBERTA | | 16,230,000 | 500,000 | | | | | 16,730,000 | Royalties paid in-kind total \$14,030,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price. |
| Canada | PROVINCIAL GOVERNMENT - BRITISH COLUMBIA | ENERGY, MINES AND PETROLEUM RESOURCES | | | 1,730,000 | | | | | 1,730,000 | |
| Canada | PROVINCIAL GOVERNMENT - BRITISH COLUMBIA | MINISTER OF FINANCE | 1,730,000 | 25,330,000 | 5,900,000 | | | | | 32,960,000 | |
| Canada | PROVINCIAL GOVERNMENT - BRITISH COLUMBIA | OIL AND GAS COMMISSION | | | 1,280,000 | | | | | 1,280,000 | |
| Canada | PROVINCIAL GOVERNMENT - SASKATCHEWAN | SASKATCHEWAN MINISTRY OF THE ECONOMY | | 260,000 | | | | | | 260,000 | |
| Canada | SADDLE HILLS COUNTY | | 300,000 | | | | | | | 300,000 | |
| Canada | TOWN OF DRAYTON VALLEY | | 420,000 | | | | | | | 420,000 | |

Additional Notes: All payments were made in Canadian dollars.

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| Subsidiary Reporting Entities (if necessary) | ARC RESOURCES U.S. ENERGY MARKETING LTD. E024418 | | |

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 | 1,740,000 | 25,330,000 | 9,430,000 | | | | | 36,500,000 | |
| Canada | Northern Alberta | 7,850,000 | 16,410,000 | 3,020,000 | | | | | 27,280,000 | Royalties paid in-kind total \$14,030,000 and are valued at the fair market value of the volumes taken in-kind, based on ARC's realized sales price. |
| Canada | Redwater | | | 10,000 | | | | | 10,000 | |
| Canada | Saskatchewan | | 260,000 | | | | | | 260,000 | |

Additional Notes³: All Payments were made in Canadian dollars.

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, 2020 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 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, 2020, 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. For the year ended December 31, 2020, there were no reportable bonus payments to a payee.

Dividends

These are dividend payments other than dividends paid to a payee as an ordinary shareholder of ARC. For the year ended December 31, 2020, 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, 2020, there were no reportable infrastructure improvement payments to a payee.