

(ARC RESOURCES LTD.

June 2023

## Agenda



1	Strategic Overview & Long-term Plan	<b>Terry Anderson</b> President and Chief Executive Officer
2	Capital Allocation	Kris Bibby Senior Vice President and Chief Financial Officer
3	<ul> <li>Asset Overview</li> <li>Kakwa</li> <li>Greater Dawson</li> <li>Greater Sunrise</li> <li>Attachie</li> </ul>	<ul> <li>Armin Jahangiri</li> <li>Senior Vice President and Chief Operating Officer</li> <li>Lara Conrad</li> <li>Senior Vice President and Chief Development Officer</li> </ul>
4	LNG & Marketing Strategy	Ryan Berrett Senior Vice President, Marketing
5	ESG Performance & Strategy	Armin Jahangiri Senior Vice President and Chief Operating Officer
6	Closing Remarks	Terry Anderson

### **Senior Leadership**



**Terry Anderson** President and Chief Executive Officer



Kris Bibby Senior Vice President and Chief Financial Officer



Armin Jahangiri Senior Vice President and Chief Operating Officer



Lara Conrad Senior Vice President and Chief Development Officer



Ryan Berrett Senior Vice President, Marketing



Lisa Olsen Senior Vice President, People and Corporate





Ante Creek, AB

### **Best-in-class Responsible Energy Producer**



# **Corporate Profile**

Premium investment opportunity for Montney exposure, one of the most profitable assets in North America

Shares outstanding <sup>1</sup>	609 million	Canada's
Market capitalization <sup>1</sup>	\$10.0 billion	largest BC AB
Long-term debt <sup>2</sup>	\$1.0 billion	condensate
Net debt <sup>23</sup>	\$1.3 billion	producer
Enterprise value <sup>2</sup>	\$11.2 billion	
Quarterly dividend	\$0.17/share	Canada's 3 <sup>rd</sup> largest natural gas producer
Dividend yield <sup>14</sup>	4.2%	
Production	~350 Mboe/day	gas producer

Our energy creates a better world for everyone

1) As at May 31, 2023.

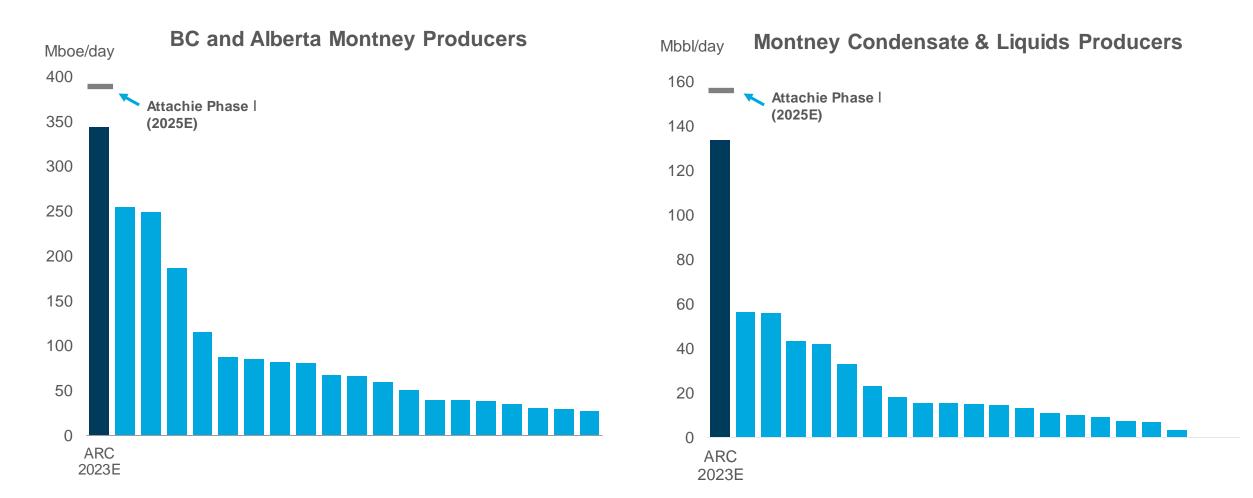
2) As at March 31, 2023.



4) Supplementary Financial Measure- see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

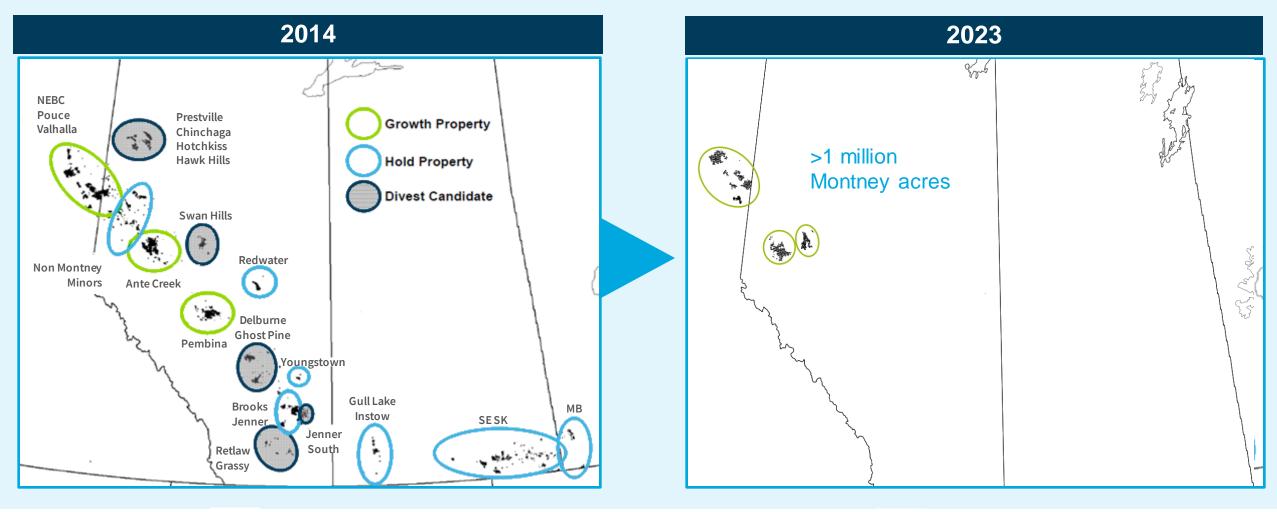
# Scale in a World-class Resource Play

Largest Montney producer, Canada's largest condensate producer and 3rd largest gas producer



## **Transformation to the Largest Montney Producer**

Large concentrated asset base drives efficiency, well positioned for the future









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### **Actions Taken to Deliver Free Funds Flow Growth**

Executing our strategy to increase future profitability

### 2021 to 2023



- Achieved investment-grade credit rating
- Initiated an NCIB and reduced the share count by 16% in less than two years
- Increased the dividend 180% above pre-COVID levels
- Executed multiple LNG supply agreements
  - Sanctioned Attachie Phase I



# **What Differentiates ARC?**

Guiding principles to cement ARC as a 'Blue Chip' energy company





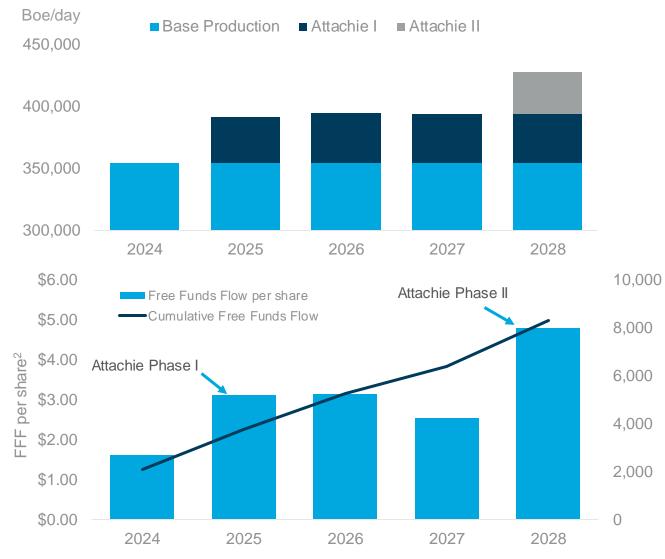
Dawson III & IV, BC

### **Strategic Overview and Long-term Plan**



# **Five-Year Outlook Delivers Significant Value**

### Disciplined plan to grow free funds flow per share<sup>1</sup>



Financial Ratio- see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation. Based on forward pricing US\$70 WTI; \$3.50/GJ AECO 3)

Non-GAAP Financial Measure - see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

4) Supplementary Financial Measure- see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation

### ~200%

Free Funds Flow Per Share Growth (>20% CAGR<sup>4</sup>)

### ~80%

of Market Cap Generated in Free Funds Flow<sup>3</sup> Now Through 2028

~14% CAGR

Production Per Share and Funds from Operations Per Share<sup>4</sup>

### ~20%

\$MM

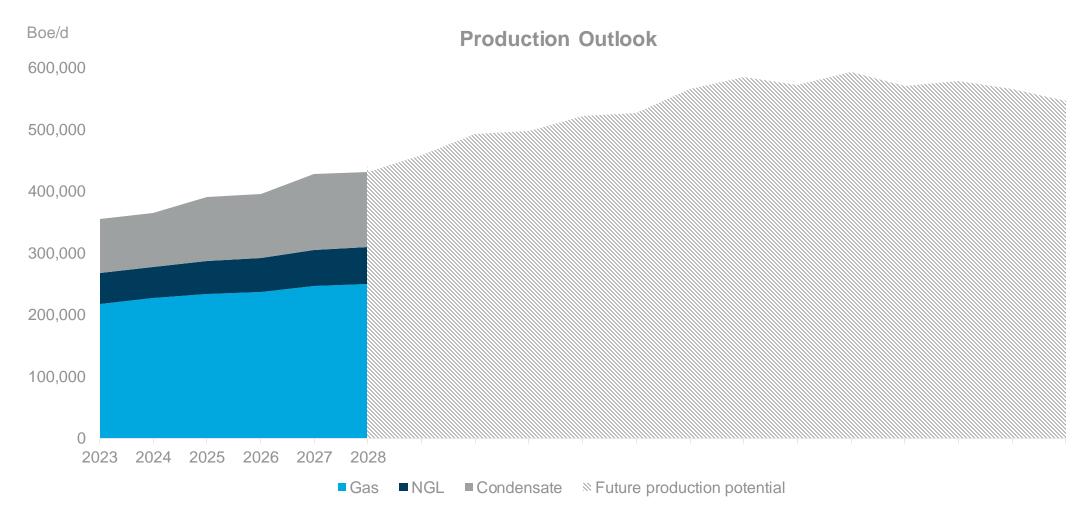
Cumulative

Return on Average Capital Employed



# **Long-term Resource Optionality**

### Unmatched inventory runway in a world-class asset



ARC's Montney assets capable of sustaining ~500,000 boe per day



# **Global Leader in Responsible Energy Development**

Providing reliable, affordable and sustainable energy to global demand markets



ARC

### **Investment Case for ARC**



### **Disciplined Growth**

- Five-year plan to more than double free funds flow per share
- Achieved by unlocking Montney development and reducing the share count



### **Commitment to Shareholder Returns**

• Commitment to return essentially all free funds flow to shareholders



### World-class Assets

- Inventory runway in a quality asset that extends decades
- Infrastructure with long-term market access near impossible to replicate



### Margin Expansion

- Lowering capital intensity
- Executing additional margin expansion opportunities like LNG and downstream marketing





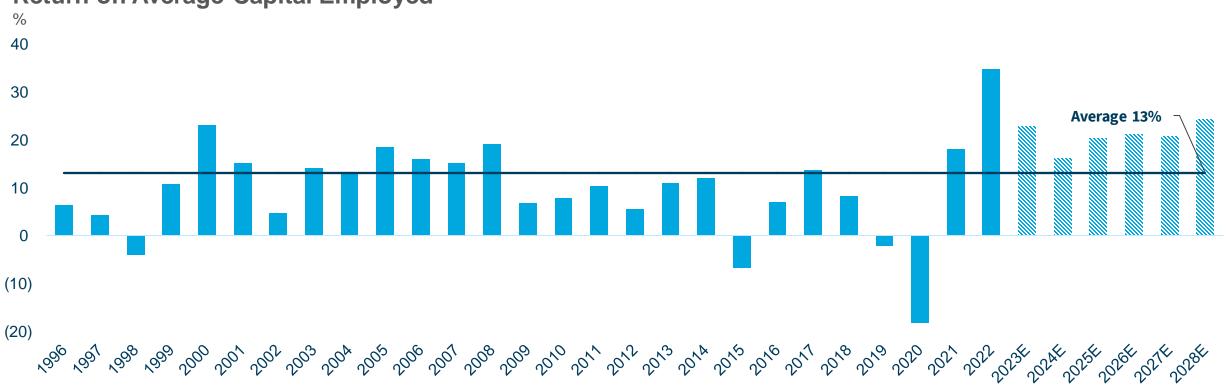
Kakwa, AB

### **Capital Allocation**



# **Track Record of Capital Discipline**

A disciplined investment framework fundamental to profitable growth



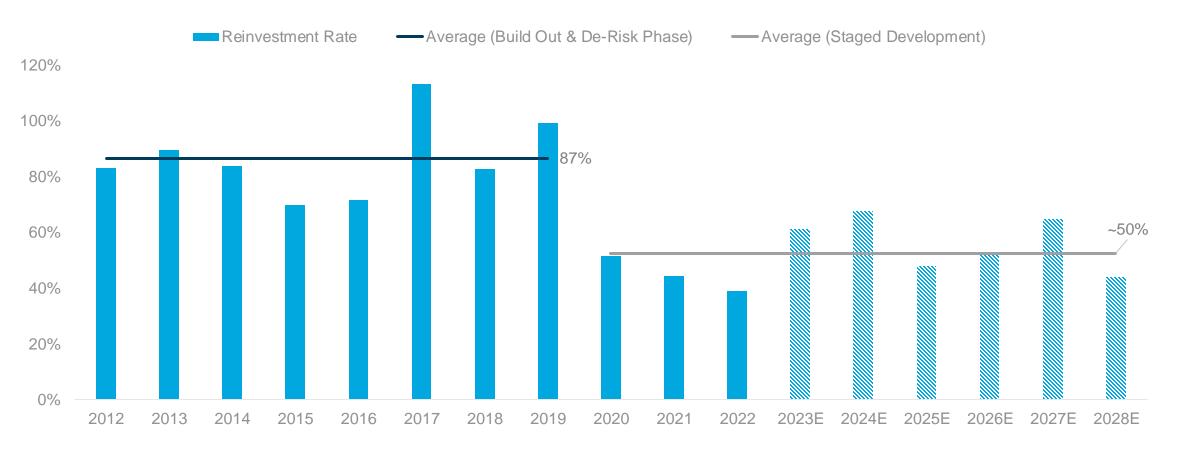
### **Return on Average Capital Employed**<sup>1</sup>



# **Capital Allocation**

Lower reinvestment requirement allows for profitable growth and superior return on capital

### **Reinvestment Rate<sup>1 2</sup>**



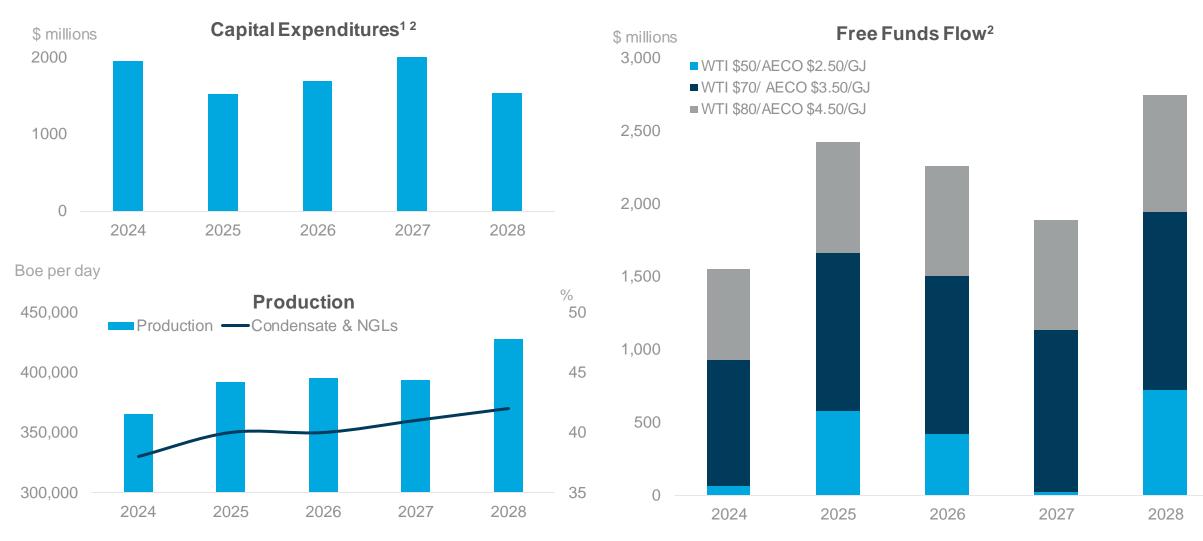
#### Multi-decade inventory and infrastructure network allows for lower reinvestment



Non-GAAP Financial Ratio— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.
 Based on forward pricing US\$70 WTI; \$3.50/GJ AECO

# **Five-Year Outlook**

### Disciplined investment drives free funds flow per share growth



### Pace of growth governed by corporate returns and a balance sheet first mentality

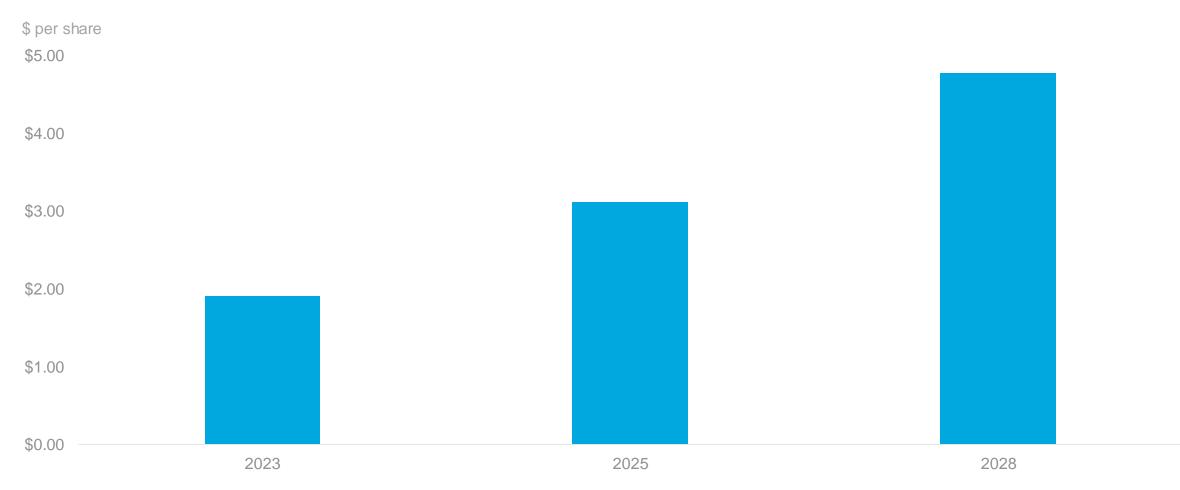


Refer to the section entitled "About ARC Resources Ltd." contained within the 2022 Annual MD&A for historical capital expenditures. Non-GAAP Financial Measure — see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

2)

# Free Funds Flow Per Share<sup>12</sup> Growth

### Sustainable per share growth



### Montney investment and share repurchases drive 20% free funds flow per share CAGR<sup>3</sup>

ARC

1) Non-GAAP Financial Ratio- see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation

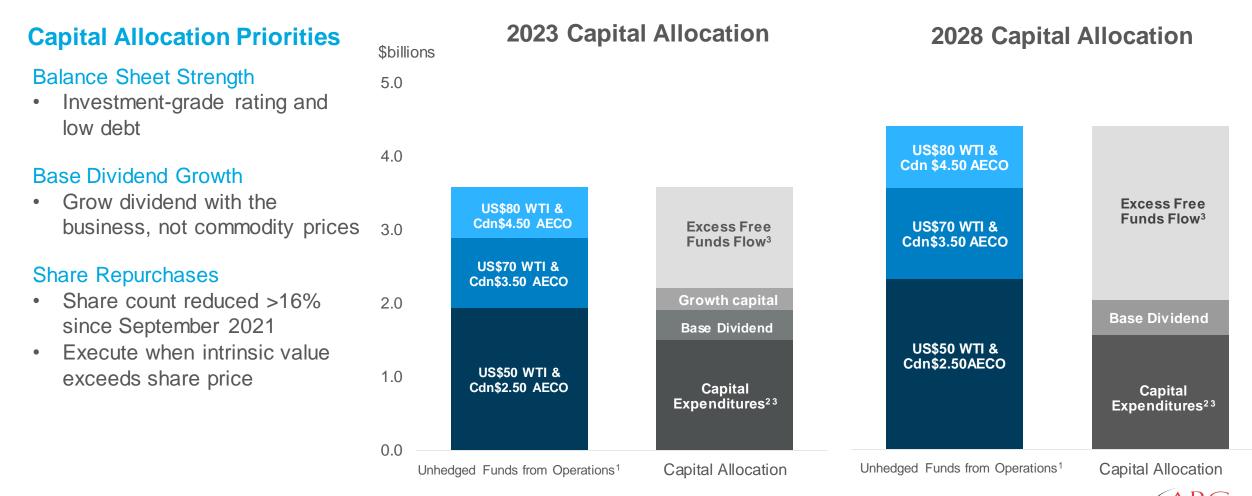
2) Based on US\$70 WTI; \$3.50/GJ AECO

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3) Supplementary Financial Measure— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation

# **Free Funds Flow Allocation**

Committed to returning essentially all free funds flow to shareholders



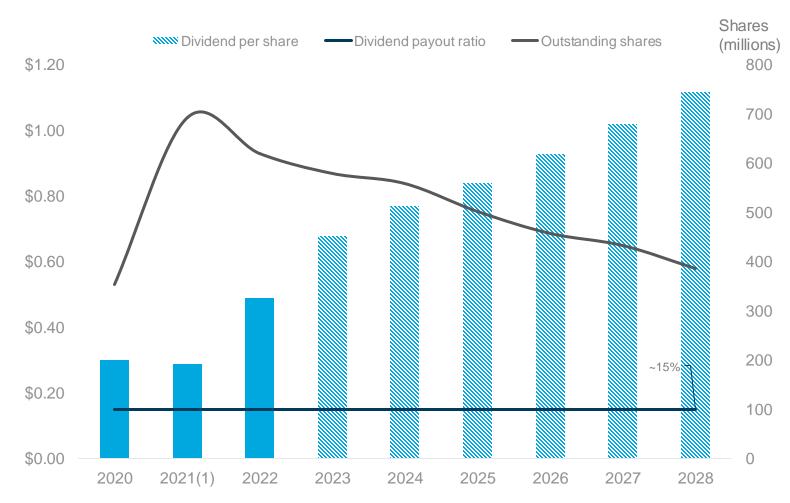
20 1) Capital Management Measure— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

Average capital expenditures expected for 2023 and 2028.

3) Non-GAAP Financial Measure — see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

# **Return of Capital Strategy**

### Balancing sustainable dividend growth with share repurchases



>10%

Dividend Per Share Growth CAGR<sup>3</sup>

### ~15%

Dividend Payout Ratio<sup>3</sup> (% of FFO)

### **Sustainable**

at Bottom-of-Cycle Commodity Prices

### **Reduce Share Count**

To pre-Business Combination level

On April 6, 2021, ARC issued 369.4 million common shares to acquire Seven Generations. Following the business combination, ARC's outstanding common shares balance was 723.0 million
 Based on US\$70 WTI; \$3.50/GJ AECO

3) Non-GAAP Financial Ratio— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation



# **Debt Strategy**

#### ARC is a balance sheet first organization \$ millions Simple Investment Grade Capital Structure 3,000 \$1.0 billion low-cost, long-term notes provide stability • DBRS BBB (stable) 2,500 Weighted average interest rate 2.9% Credit Remaining duration 5.8 years 2,000 Facility Ample Credit Capacity for Flexibility 1.500 \$1.8 billion of available liquidity to manage working capital and be opportunistic Target \$1.0-1.5B Syndicated credit facility with 11 banks 1,000 4-year tenor due October 2026 Long-term Target Net Debt<sup>12</sup> of \$1.0 - 1.5 Billion 500 Debt Balance sheet is resilient through low commodity price cycles and over the next phase of disciplined organic growth ()

**Debt Stack** 

Net debt excluding leases and not considering periods of time when debt levels may fluctuate due to mergers and/or acquisitions
 Capital Management Measure— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

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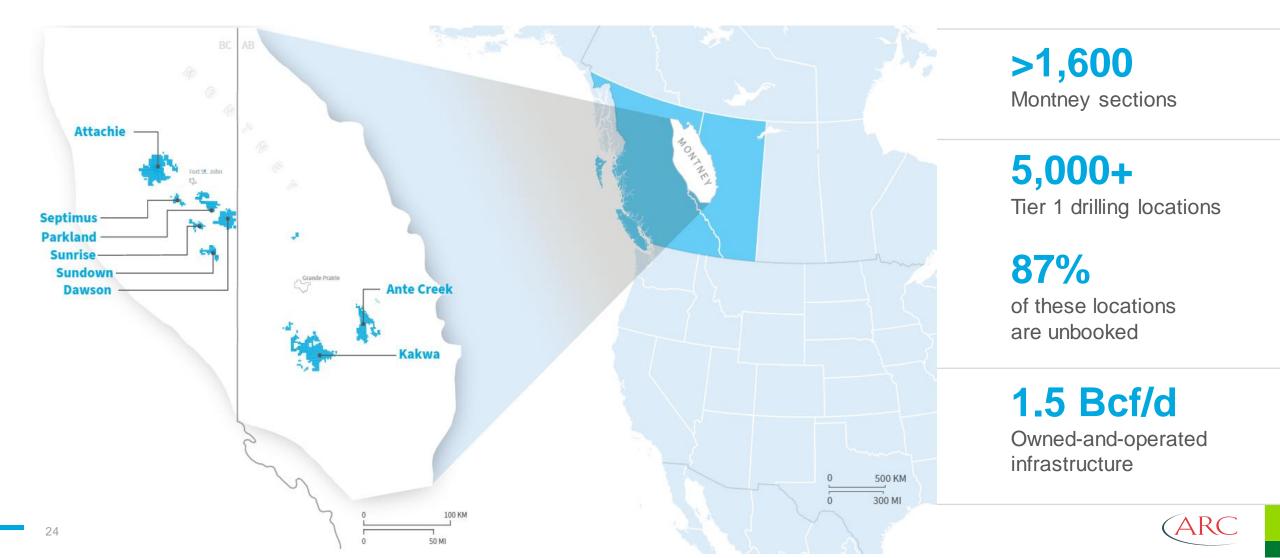
Parkland, AB

### **Asset Portfolio Overview**



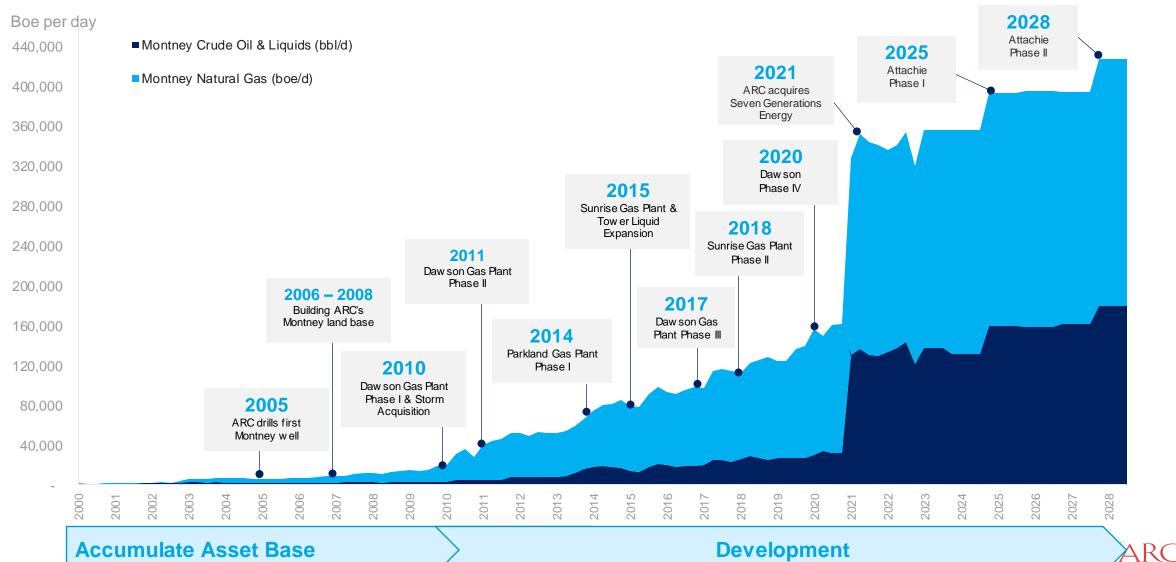
# **Montney Overview**

### ARC's competitive advantage in a world-class asset



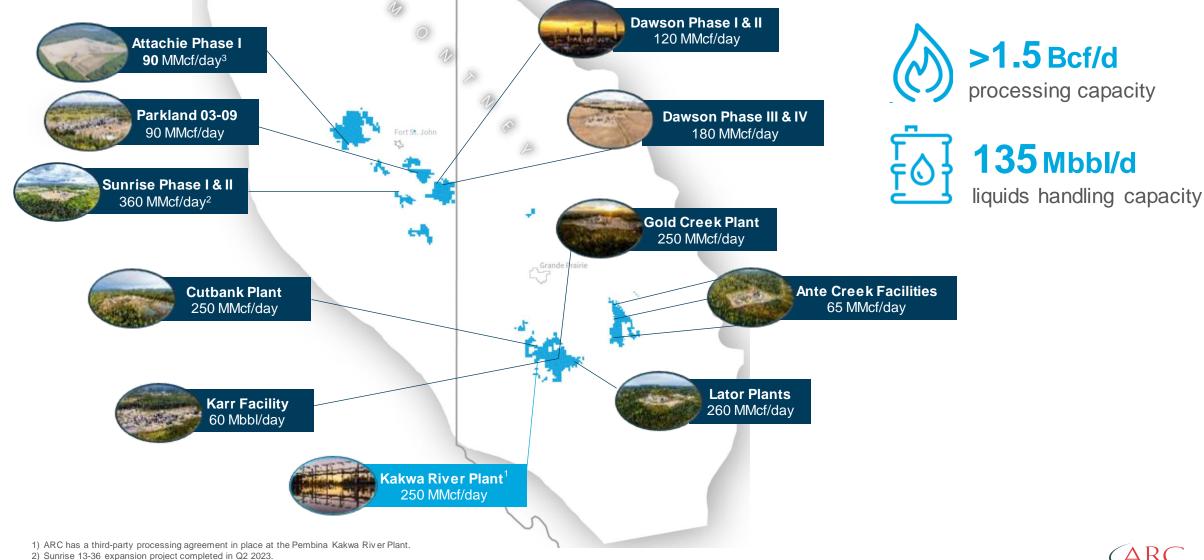
## **Montney – Track Record of Execution**

Early movers to consolidate asset base at a low cost and deliver sustained profitable growth



# Large Network of Owned-and-operated Infrastructure

Owned infrastructure results in approximately \$300 million of cost avoidance annually

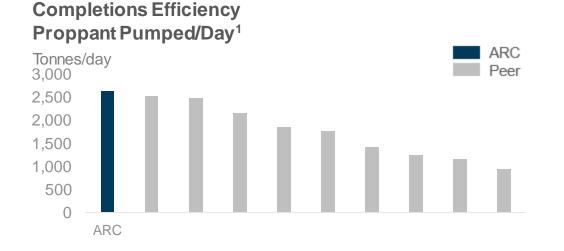


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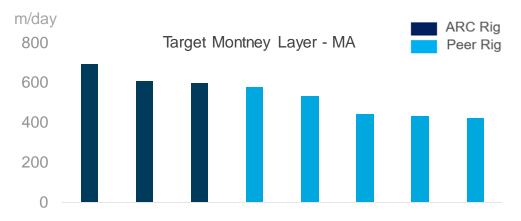


# **NEBC Montney Operational Excellence**

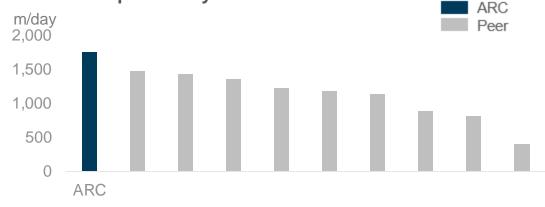
ARC outperforms industry peers on both drilling and completions operating metrics



#### Drilling Efficiency<sup>12</sup>



#### Completions Efficiency Lateral Completed/Day<sup>1</sup>



#### Drilling Efficiency<sup>12</sup>



ARC

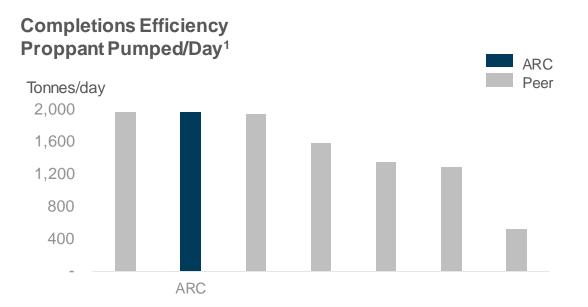
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Benchmarking data from 2021 to present

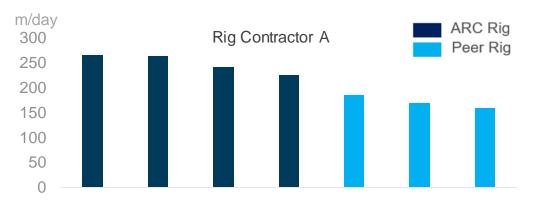
Drilling efficiency represents the Greater Dawson area

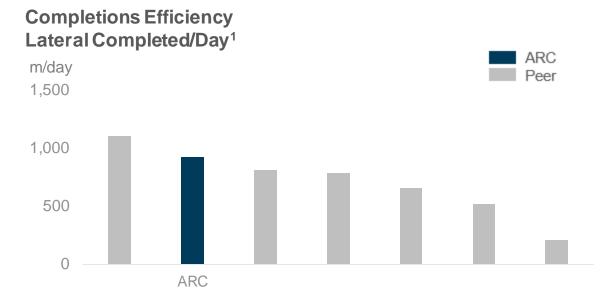
# **Greater Kakwa Montney Operational Excellence**

ARC continues to deliver top-quartile completions and drilling efficiencies in Kakwa



#### Drilling Efficiency m/day<sup>1</sup>



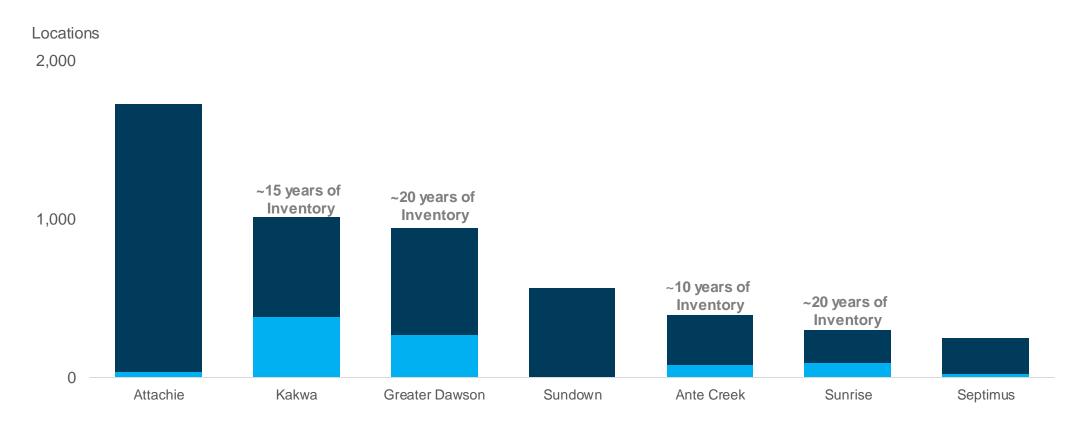


Drilling Efficiency m/day<sup>1</sup>



# **Deep Inventory of Development Opportunities**

ARC has substantial Montney drilling inventory at each of our producing and growth assets



Proved + Probable Booked Locations

Internal Inventory Estimate

### ARC has >5,000 drilling locations in the Montney; 87% of which are unbooked

# Kakwa Overview

Liquids-rich asset offering a long runway of development with <50% developed

### 180,000 boe/d

Able to sustain at 180,000 boe/d for the next 15 years

Significant inventory extension recently identified

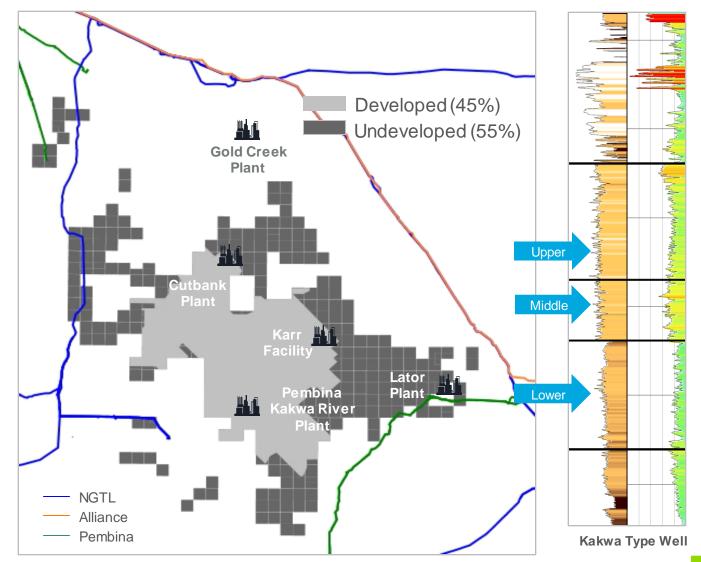
Kakwa development to date covers ~45% of ARC's land base

### ~750 producing wells

at Kakwa delivers predictability of results

### **Strong well performance**

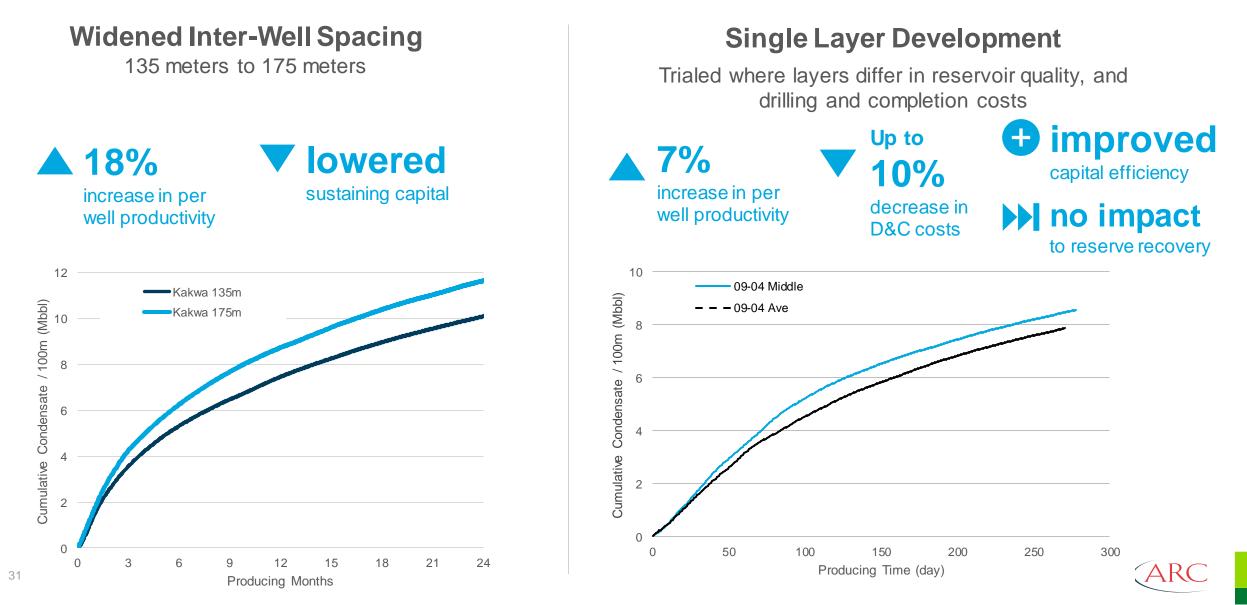
due to well designs and subsurface understanding of the reservoir





# **Kakwa Outperformance**

Improved efficiencies via systematic design progressions



# **Dawson Overview**

Flagship asset delivering superior free funds flow<sup>2</sup> with a long inventory runway



Non-GAAP Financial Measure - see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation

# **Sunrise Overview**

### Scale, low-cost, near-zero emissions - the key ingredients to supply West Coast LNG

#### **Highly efficient**

dry natural gas play due to stacked development layers

#### Interconnected

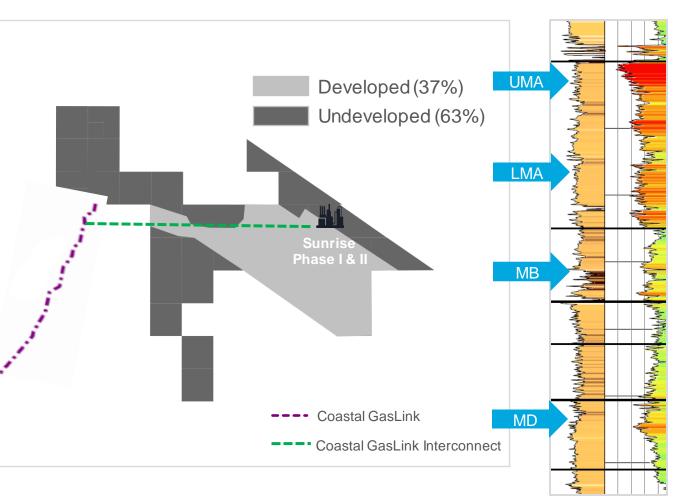
to Coastal GasLink to move gas volumes to West Coast LNG

#### **Electrified**

facilities provide low-emissions production

#### **Near-Zero Emissions Facility**

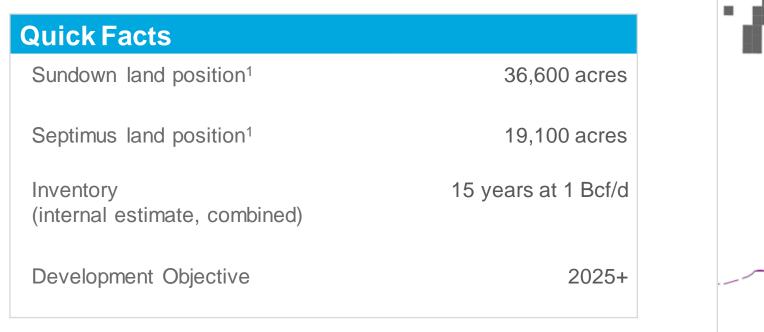
Less than 1 kg/boe of scope 1 and 2 emissions

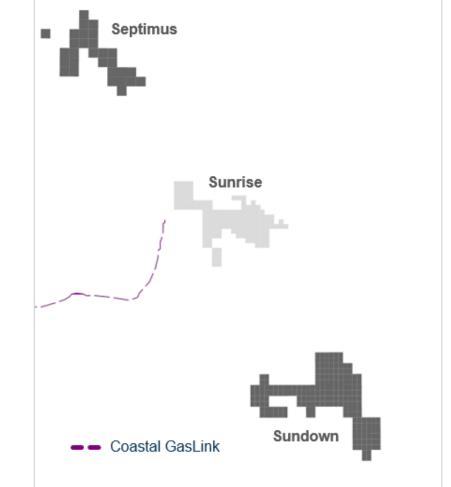


Sunrise Type Well

# **Septimus and Sundown Overview**

Capable of delivering approximately 1 Bcf per day of combined production for ~15 years







Attachie, BC

### **Attachie Phase I**



# **Attachie Overview**

ARC's largest and most economic undeveloped asset



#### Scale to Replicate Kakwa

>300 net sections in condensate-rich Montney

### **Consolidated Land Base Drives Efficiencies**

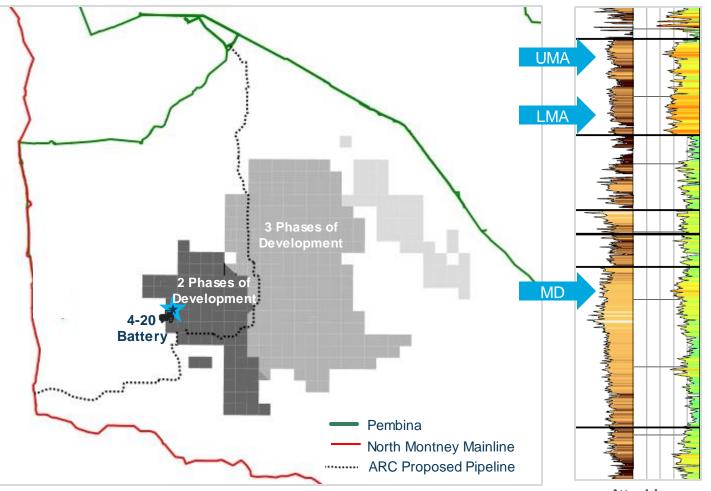
Multi-layered development

Leverage Montney data and experience to maximize efficiencies

#### Planning and Track Record

Full development plan in place including takeaway secured for multiple phases

First Nations support

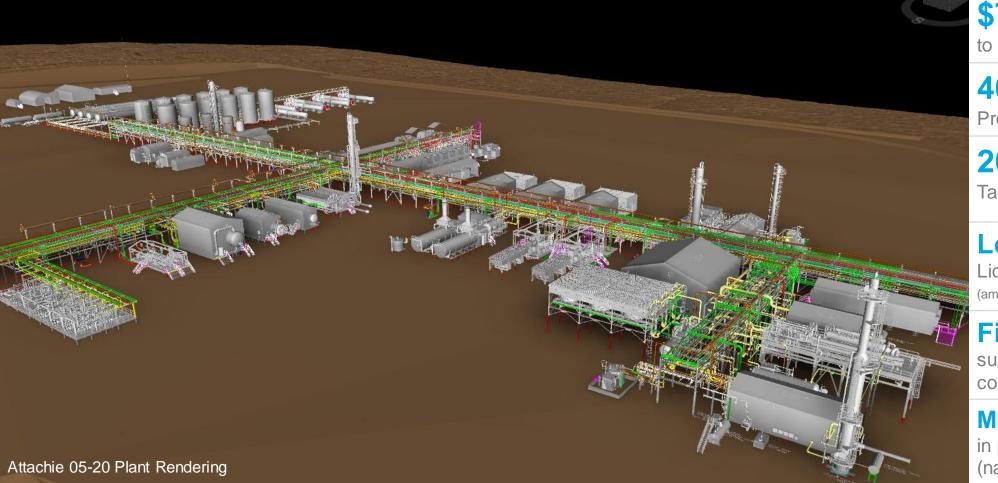


Attachie Type Well

ARC

# **Attachie Phase I Overview**

# Aiming to deliver the most efficient Montney development to-date



**\$740 MM** to construct and fill facilities

**40 Mboe/d** Processing capacity

**2025** Targeting full production capacity

## **Low-Emissions**

Liquids-rich greenfield project (among the lowest to be developed to-date)

First Nations support from neighbouring communities

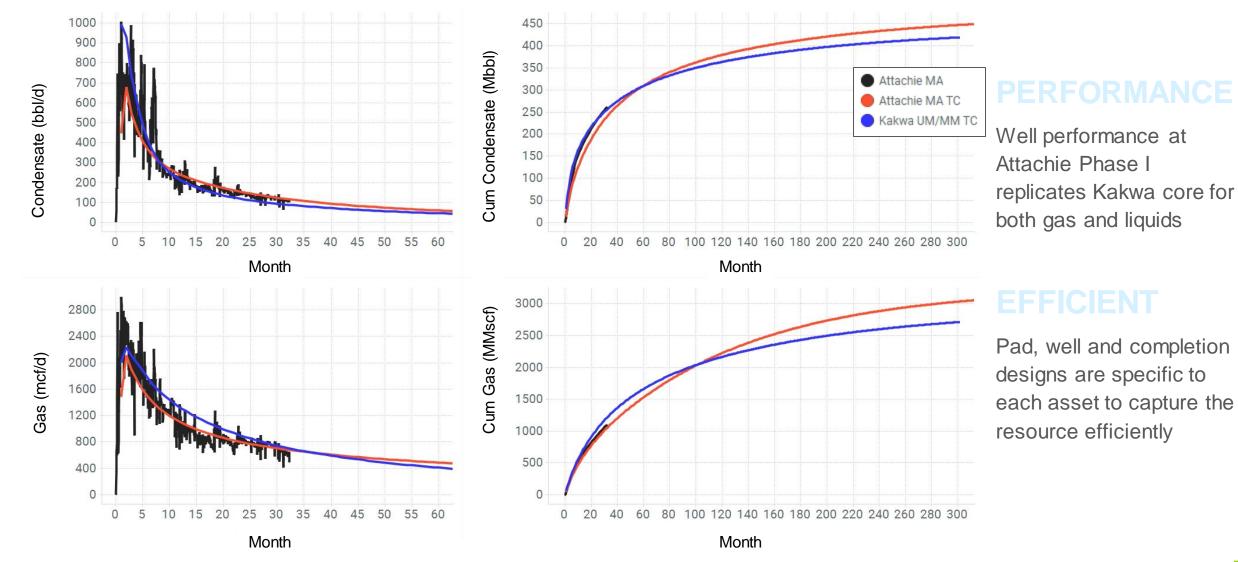
### **Marketing Agreements**

in place for multiple phases (natural gas & liquids)



# **Attachie Phase I**

## Performance replicates Kakwa



Note: Curves are normalized to 2,700m

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# **Attachie Phase I Economics**

Full production anticipated in 2025; project payout in 2027

Economic Outlook (2023 to 2032)		
\$ millions		
\$5,000		
\$4,000		
\$3,000		
\$2,000		
\$1,000		
\$0		
ΨŬ	Capital Expenditures <sup>2 3</sup>	Netback <sup>12</sup>

## **Economics**

- \$740 million of capital to build and fill the facility
- ~\$500 million of netback<sup>3</sup> in 2025+
- Project payout in 2027
- Above cost of capital return at US \$50/B WTI and C\$2.50/mcf AECO

## Inventory

• Greater than 10 years for Phase I

## Phase I Detail

- Processing Capacity of 40 Mboe per day
  - 60% condensate and NGLs
  - 90 MMcf/d natural gas processing facility

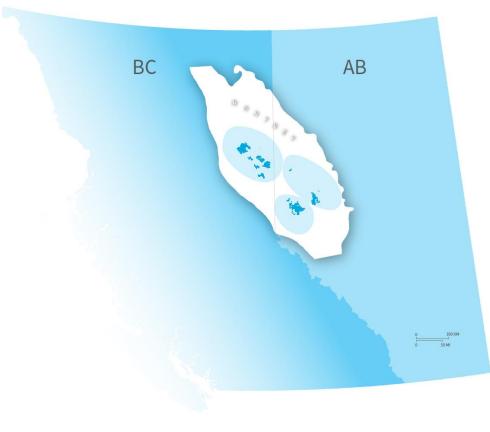
Refer to the section entitled "About ARC Resources Ltd." contained within the 2022 Annual MD&A for historical capital expenditures
 Non-GAAP Financial Measure — see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation



<sup>39</sup> 1) Economics run at US\$70/bbl WTI and \$3.50 AECO/GJ

# **Asset Strategy Summary**

Inventory rich across all assets, continued focus on optimizing capital efficiency



## **NEBC Assets** 45% of corporate production

**Greater Dawson:** Continued focus on minimizing sustaining capital to maximize free funds flow generation

**Greater Sunrise** (including Septimus/Sundown): LNG connectivity planned with growth capability at Septimus and Sundown

**Attachie:** Long-term condensate and liquids-rich natural gas growth Scale to take asset from near zero production to 150,000 to 200,000 boe/d

## Alberta Assets 55% of corporate production

**Kakwa:** Approximately 15 years of inventory at current pace of development Sustain production and maximize free cash flow through margin expansion projects

Ante Creek: Oil exposure provides strong free funds flow





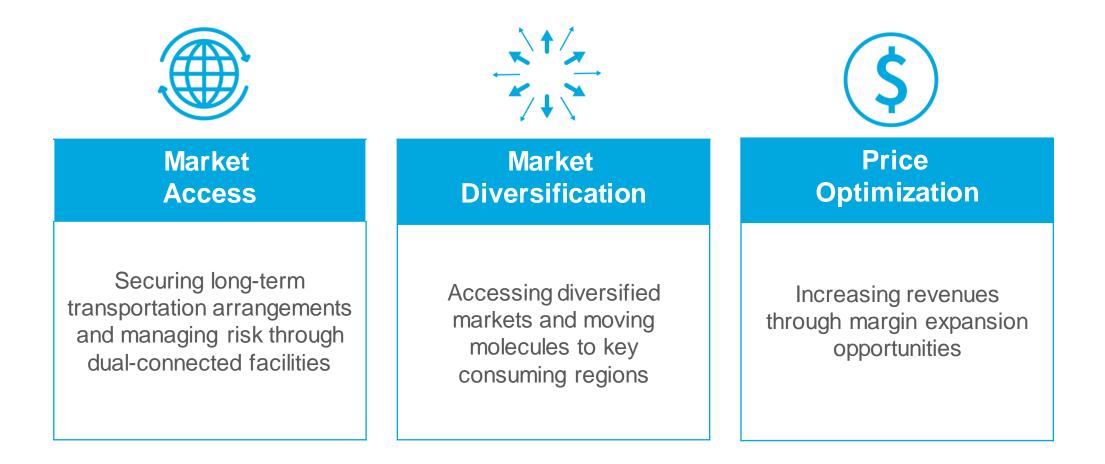
Sunrise, AB

# **LNG & Marketing Strategy**



# **Our Marketing Strategy**

Accessing global demand markets at the lowest cost

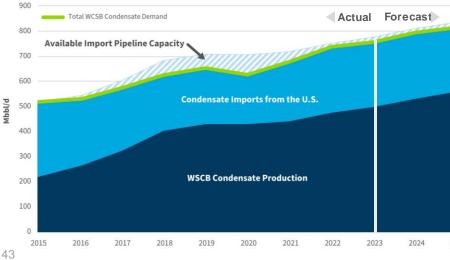


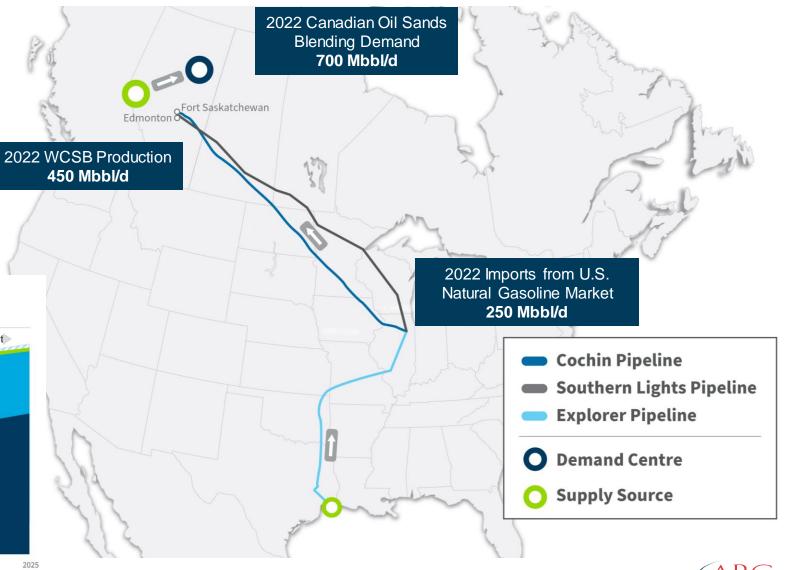


# **Condensate Supply and Demand Outlook**

- 35% of WCSB condensate demand is met by supply imported from the U.S. market
- Import pipelines run at high utilization
- Demand from the oil sands is growing

## **WCSB Condensate Balances**



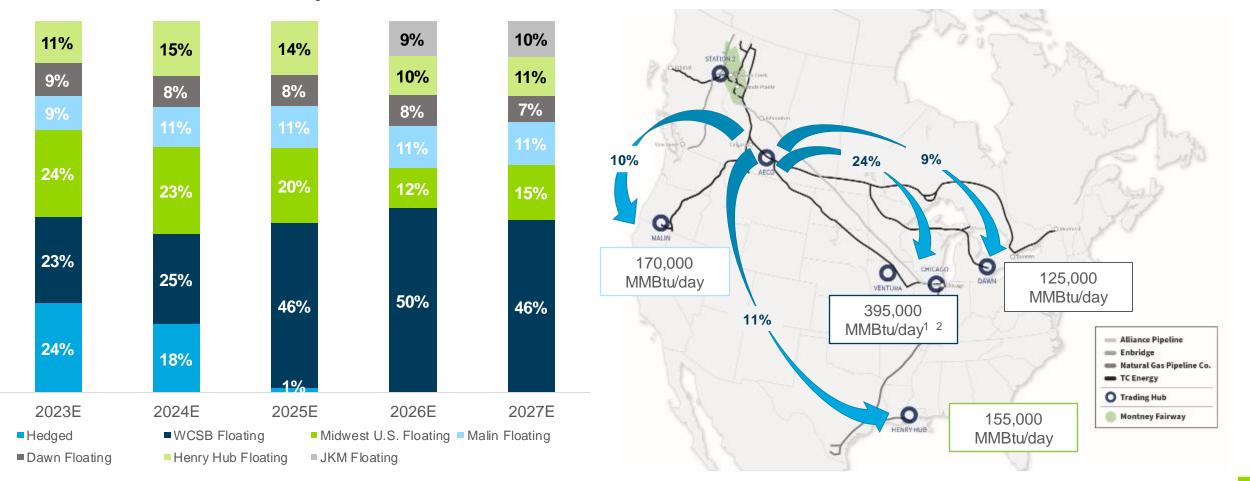


Note: Import capacity assumes 180 Mbbl/d for Southern Lights and 95 Mbbl/d for Cochin. Source: ARC Risk Research, AER, BCOGC, Peters & Co., Petrinex, Company Reports

# **Natural Gas Marketing Strategy**

**Natural Gas Financial Exposure**<sup>12</sup>

Portfolio with well-diversified North American exposure is driving strong realizations



### **ARC's Current Natural Gas Portfolio**

(ARC

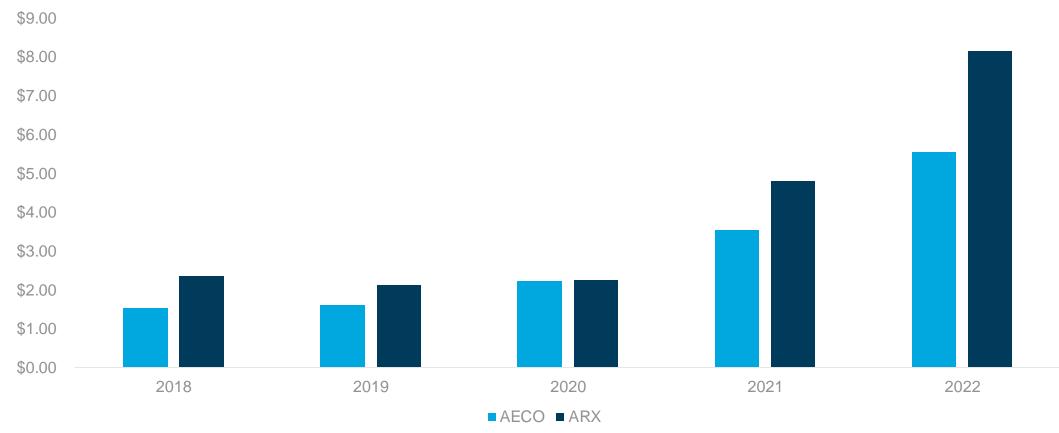
1) Natural gas financial exposure based on internal volume and marketing assumptions, adjusted for ARC's heat content. Volumes denoted on map indicate 2023 natural gas sales exposure.

2) ARC's Midwest US exposure is a combination of Alliance Pipeline and various third-party and proprietary contracting arrangements on Northern Border Pipeline.

# **Natural Gas Price Realization – Benchmarking**

## Physical diversification to end markets is a competitive advantage

Realized Natural Gas Price<sup>1</sup>



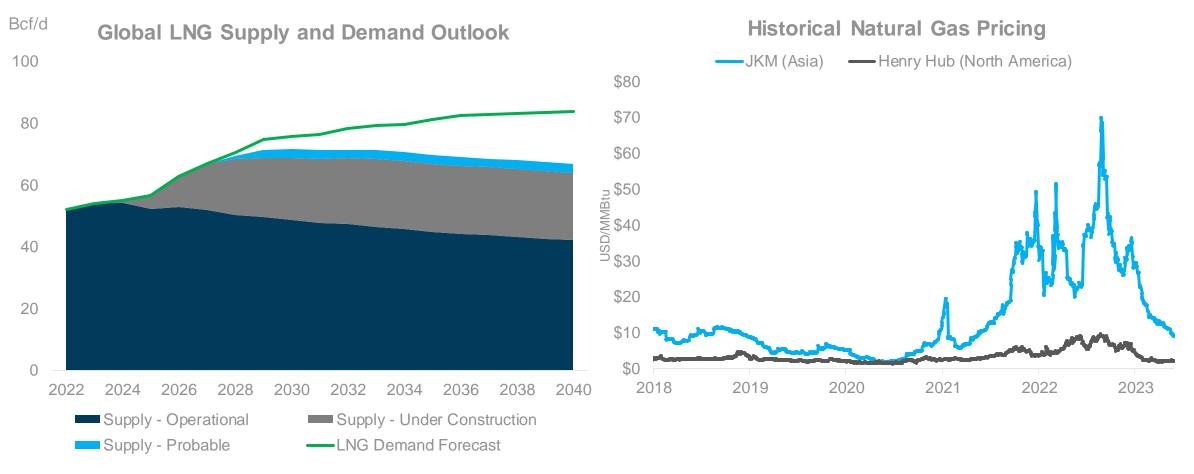
## ARC has realized an average premium to AECO of 20% over the past decade

1) Supplementary Financial Measure— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

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# **Global LNG Supply and Demand Outlook**

## Structural long-term outlook for global natural gas demand

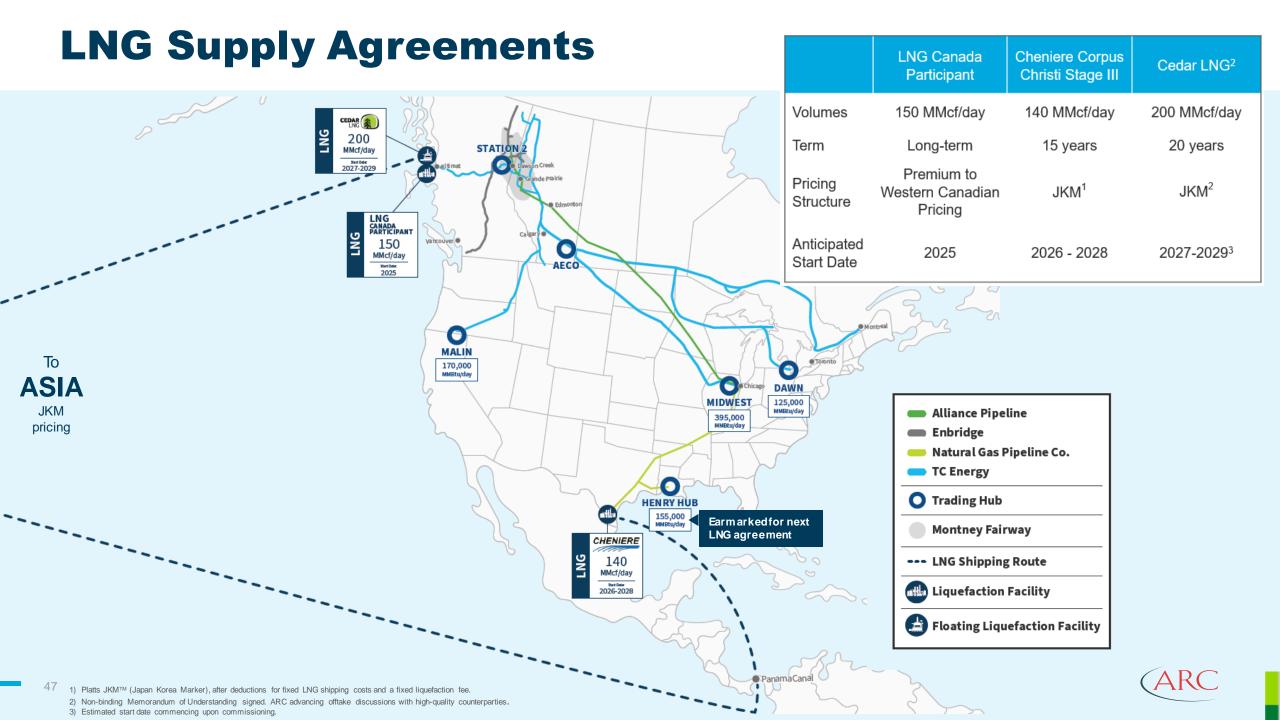


Source: ARC Risk Research, Wood Mackenzie

Source: ARC Risk Research, Bloomberg

ARC

### North America accounts for ~50% amount of LNG buildout under construction



# **LNG Economics**

Long-term supply agreements to diversify and access global natural gas pricing

800 \$775 MM Annual Incremental Net Revenue relative to AECO 600 C\$MM<sup>1</sup> per MTPA \$500 MM 400 \$240 MM 200 **Break-even** 0 \$8.00 \$12.00 \$16.00 \$20.00 JKM (US\$/mmbtu)

LNG Revenue Enhancement Sensitivity

extension of ARC's diversification activities
 Diversify while maintaining low-cost and low-emission status at each end-market

LNG access is an

 ARC's all-in landed cost to reach JKM is US\$5-6/MMBtu

1) Economics run at US\$70/bbl WTI and \$3.50 AECO/GJ







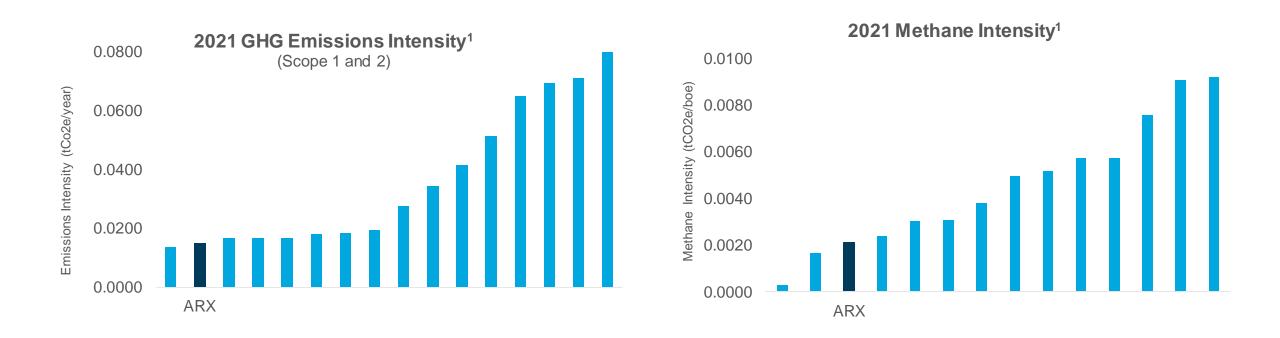


# **ESG Strategy & Performance**



# **Leading Emissions Profile**

ARC has one of the lowest emissions profiles amongst Canadian E&P companies

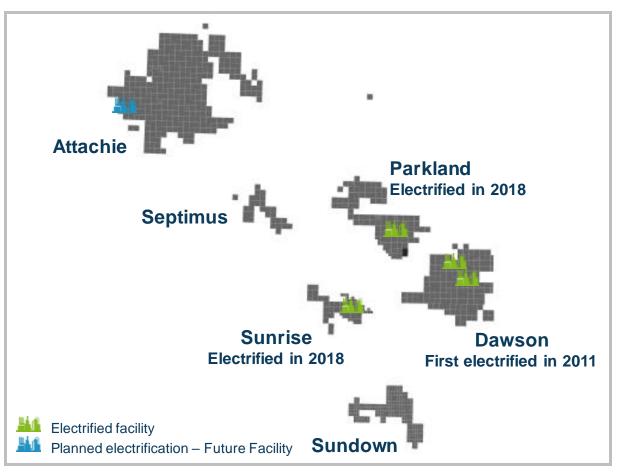


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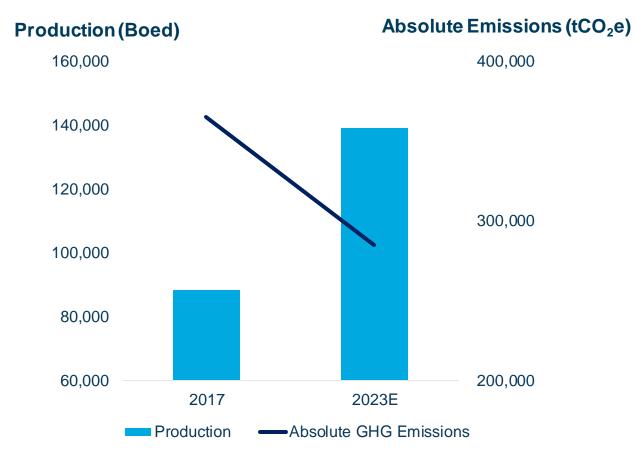


# **ESG Leadership**

## **Northeast BC Infrastructure**



## **NEBC** Absolute GHG emissions reduction<sup>1</sup>



From 2017 to 2023, ARC reduced its direct emissions in NEBC by 22% despite growing production by 57%

ARC

(1) Absolute GHG emissions and production represented are prior to the acquisition of Seven Generations, which closed on April 6, 2021

## Through electrification of its NEBC facilities ARC will avoid 415,000 tCO<sub>2</sub>e per year

# **ESG Leadership Through Innovation**

Driving operational efficiencies and enabling top-quartile emissions performance

## **OUR APPROACH**

## Invest

in emerging technologies directly (equity) or indirectly (funds) that have the potential to drive operational efficiencies or improve emissions performance

# Apply

clean technologies in our business to capture value and deliver leading ESG and operational performance

### ARC has committed to invest

in the development of clean technologies

\$50 мм



Application of artificial intelligence in continuous emissions monitoring



Pilot project to enhance water recycling capabilities









Kakwa Field, AB

# **Closing Remarks**



# **Key Takeaways**



# World-class Assets

- Largest condensate producer
- Kakwa has 15 years of inventory to sustain production at 180,000 boe/d
- Attachie Phase I unlocks decades of liquids-rich development opportunities
- Capability to grow and sustain production at ~500,000 boe/d



# **Commitment to Shareholder Returns**

- Five-year plan to more than **double** free funds flow per share
- Reduce share count to pre-merger levels, from 720 million to 350 million
- Increase the dividend annually >10%<sup>1</sup>



# Margin Expansion

• Diversification and margin expansion **targeting up to 25%** of natural gas sales globally through LNG

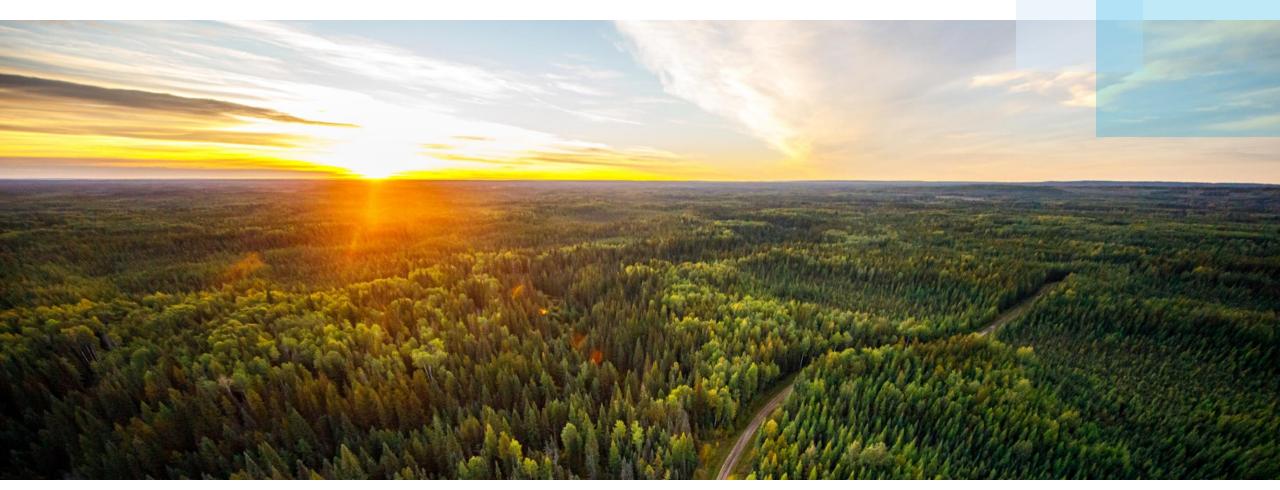




Ante Creek, AB

# **Best-in-class Responsible Energy Producer**





Kakwa Field, AB

# **Question & Answer Session**



## **Notes Regarding Forward-looking Information**

This presentation contains certain forw ard-looking statements and forw ard-looking information (collectively referred to as "forw ard-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 forw ard-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forw ard-looking information in this presentation 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 presentation contains forw ard-looking information with respect to: ARC's production guidance, production estimates and expenses; ARC's plans to maintain a strong balance sheet, improve per share metrics and grow dividends; ARC's plans to grow free funds flow per share and the anticipated timing and benefits therefrom; anticipated shareholder returns and the anticipated timing and benefits therefrom; production outlook; estimated production volutons, commodity types and timing for Attachie Phase I; the anticipated return on average capital employed; anticipated capital allocation and reinvestment rates; ARC's long-term motolook regarding capital expenditures, production and free funds flow; ARC's five-year outlook regarding dividend grow th; the enticipated timing and benefits therefrom; production estimates for Attachie Phase I and the anticipated timing and benefits therefrom; the cash flow per share basis as shares are retired through share buybacks or other means; global LNG supply and demand outlook; ARC's LNG supply agreements and the anticipated timing thereof; and the anticipated timing thereof; and the anticipated timing thereof; and there assumptions, that the resources and reserves de

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 2023 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 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 2023, 2024 and in the future: suspension of or changes to guidance, and the associated impact to production: that ARC's investment in Attachie West Phase I will result in the anticipated benefits: 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 gualified 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; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

The forw ard-looking information contained here in are expressly qualified in their entirety by this cautionary statement. The forw ard-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 forw ard-looking information to reflect new information, subsequent events or otherwise.

## **Financial Outlook**

This presentation contains information that may be considered a financial outlook under applicable securities laws about ARC's potential financial position, including, but not limited to, ARC's production guidance, production estimates and expenses; ARC's plans to maintain a strong balance sheet, improve per share metrics and grow dividends; ARC's plans to grow free funds flow per share; anticipated shareholder returns; long-term resource optionality and production outlook; the anticipated return on average capital employed; anticipated capital allocation and reinvestment rates; ARC's long-term outlook regarding capital expenditures, production and free funds flow; ARC's five-year outlook regarding dividend growth; the cash flow profile of Attachie Phase I; the anticipated increase in free funds flow allocations to shareholder; the continued assessment of dividends and payment thereof and other statements, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of ARC and the resulting financial results will vary from the amounts set forth in this presentation and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies. Accordingly, these estimates are not to be relied upon. Because this information is subjective and subject to numerous risks, it should not be relied on as indicative of future results. Except as required by applicable securities laws, ARC's potential future business operations. Readers are cautioned that the financial outlook contained in this presentation is not conclusive and is subject to change.

## **Basis of Preparation**

All financial figures and information have been prepared in Canadian dollars (which includes references to "dollars" and "\$"), except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. Production volumes are presented on a before royalties basis.

## **Non-GAAP and Other Financial Measures**

Throughout this presentation 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 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. See "Non-GAAP and Other Financial Measures" in the 2022 Annual MD&A.

References to disclosure in Q1 2023 MD&A (as defined below) are incorporated by reference in this presentation and are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

## **Non-GAAP Financial Measures**

### **Capital Expenditures**

ARC uses capital expenditures to measure its capital investment level compared to the Company's annual budgeted capital expenditures. ARC's budgeted capital expenditures exclude any acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under lease arrangements. The directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. Please see "*Non-GAAP Financial Measures – Capital Expenditures*" in the Company's MD&A for the three months ended March 31, 2023 ("Q1 2023 MD&A") for a quantitative reconciliation of capital expenditures against cash flow used in investing activities, its more directly comparable GAAP measure.

#### 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 expenditures 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. Please see "*Non-GAAP Financial Measures – Free Funds Flow*" in the Q1 2023 MD&A for a quantitative reconciliation of free funds flow against cash flow from operating activities, its most directly comparable GAAP measure.

#### Netback

ARC computes netback as commodity sales from production less royalties, operating, and transportation expense. Management believes that netback is a key industry performance indicator and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. The most directly comparable GAAP measure is commodity sales from production. Please see "*Non-GAAP Financial Measures – Netback*" in the Q1 2023 MD&A for a quantitative reconciliation of netbacks against commodity sales from production, its most directly comparable GAAP measure.

#### Adjusted Earnings before Interest and Taxes ("EBIT")

ARC calculates adjusted EBIT as net income (loss) plus interest and financing, less accretion of ARO, plus total income taxes (recovery). ARC uses adjusted EBIT as a measure of long-term operating performance and as a component in the calculation for ROACE, which is calculated by ARC on an annual basis and a five-year basis. The most directly comparable GAAP measure is net income (loss). Please see "*Non-GAAP Financial Measures – Adjusted EBIT*" in the Q1 2023 MD&A for a quantitative reconciliation of adjusted EBIT against net income (loss), its most directly comparable GAAP measure.

#### Average Capital Employed

ARC calculates average capital employed as the total of net debt plus current and long-term portions of lease obligations and shareholders' equity. ARC uses average capital employed as a measure of long-term capital management and operating performance, and as a component in the calculation for ROACE. The most directly comparable GAAP measure is shareholders' equity. Please see "*Non-GAAP Financial Measures – Average Capital Employed*" in the Q1 2023 MD&A for a quantitative reconciliation of average capital employed against shareholders' equity, its most directly comparable GAAP measure.

## **Non-GAAP** Ratios

### Netback per boe

ARC calculates netback per boe as netback divided by weighted average daily production. Netback is a non-GAAP financial measure component of netback per boe. Management believes that netback per boe is a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other oil and gas producers.

### Free Funds Flow per Share

ARC presents free funds flow per share by dividing free funds flow by the Company's diluted or basic weighted average common shares outstanding. Free funds flow is a non-GAAP financial measure. Management believes that free funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

### Return on Average Capital Employed ("ROACE")

ARC calculates ROACE, expressed as a percentage, as EBIT divided by the average capital employed. The components EBIT and a verage capital employed are non-GAAP financial measures. ARC uses ROACE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital it has been provided and to demonstrate to shareholders the returns generated over the long term.

## **Capital Management Measures**

#### Funds from Operations

ARC considers funds from operations to be a key measure of capital management as it demonstrates ARC's ability to generate the necessary funds to maintain production at current levels and fund future growth through capital investment. Management believes that such a measure provides an insightful assessment of ARC's operations on a continuing basis by eliminating certain non-cash charges and actual settlements of ARO, of which the nature and timing of expenditures are discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Please see "*Non-GAAP Financial Measures – Capital Management Measures – Funds from Operations*" in the Q1 2023 MD&A for a quantitative reconciliation of funds from operations against cash flow from operating activities, the most directly comparable financial measure disclosed in the Company's primary financial statements.

#### Net Debt and Net Debt to Funds from Operations

Net debt and net debt to funds from operations are used by Management as key measures to assess the Company's liquidity position at a point in time. Previously, net debt was computed including current and long-term portions of lease obligations and a similar measure; "net debt excluding lease obligations" was also presented. At December 31, 2022 and 2021, net debt has been computed excluding lease obligations. The current determination of net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Please see "*Non-GAAP Financial Measures – Capital Management Measures – Net Debt and Net Debt to Funds from Operations*" in the Q1 2023 MD&A for a quantitative reconciliation of net debt and net debt to funds from operations against long term debt, the most directly comparable financial measure disclosed in the Company's primaryfinancial statements.



## **Supplementary Financial Measures**

"Average realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Break-even" is comprised as funds from operation less capital to sustain base production less dividends equals zero.

"CAGR" is defined as the compounded annual growth rate.

"Dividend Payout" is comprised of dividends declared, as determined in accordance with IFRS, divided by funds from operations.

"Dividend Yield" is comprised of the dividend as a percent of current share price.

"Funds from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.

"Reinvestment rate" is comprised capital expenditures as a percent of funds from operations.

## **Barrels of Oil Equivalent**

Natural gas volumes have been converted to barrels of oil equivalent ("boe") on the basis of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of liquids. Boe may be misleading, particularly if used in isolation. A 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 value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is not an accurate reflection of value.

### Product Types

Throughout this presentation, crude oil refers to tight, 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"). Natural gas refers to shale gas and conventional natural gas product types as defined by NI 51-101. ARC's production of conventional natural gas is considered to be immaterial. ARC's core producing properties that are considered to be shale gas include Attachie, Dawson, Parkland (including parts of Tower), and Sunrise, and as such, natural gas, condensate, and natural gas liquids ("NGLs") are disclosed. ARC's core producing properties that are considered to be tight oil include Ante Creek and parts of Tower, and as such, crude oil, natural gas, and NGLs are disclosed. NGLs for Kakwa refer to natural gas liquids, except for condensate, which is reported separately. Natural gas for Kakwa refers to conventional natural gas and shale gas combined.

Throughout this presentation, when condensate is disclosed, it is done so as it is the product type that is measured at the first point of sale. As per the Canadian Oil and Gas Evaluation ("COGE") Handbook, condensate is a by-product of the NGLs product type. NGLs by-products include ethane, butane, propane, and pentanes-plus (condensate).

## **Drilling Locations**

This presentation disdoses ARC's expectations of future drilling location in two categories: (i) proved plus probable locations; and (ii) unbooked locations. Proved plus probable locations are derived from the Reserves Evaluation conducted by GLJ and account for drilling locations that have associated proved plus probable reserves. While certain of these estimated drilling locations may be consistent with "booked" drilling locations identified in the Reserves Report, as having associated proved and/or probable reserves, other locations are considered "unbooked" as they have no associated proved and/or probable reserves Report or any associated proved and/or probable reserves, other locations are considered "unbooked" as they have no associated proved and/or probable reserves Report or any associated proved and/or probable reserves, on a net basis. Unbooked locations have been identified by Management as an estimation of the multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, historic drilling, production, commodity price assumptions, and reserves information. These unbooked locations. Of the more than 5,000 total drilling locations identified herein, approximately 87 per cent are unbooked locations. There is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations on which wells are actually drilled will ultimately depend upon the capital allocation decisions of royalty payors who have working interests in respect of such drilling locations and a number of other factors induding, without limitation, availability of capital, regulatory approvals, crude oil and natural gas prices, costs, actual drilling locations, other unbooked drilling locations are farther away from existing wells, where Management has less information about the characteristics of the reservoir and other reserves, resources, or production.

## **Advisory – Credit Ratings**

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold, or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by the rating agency in the future if, in its judgment, circumstances so warrant.

## **Third-party Information**

This presentation includes market, industry and economic data which was obtained from various publicly available sources and other sources believed by ARC to be true. Although ARC believes it to be reliable, it has not independently verified any of the data from third party sources referred to in this presentation or analyzed or verified the underlying reports relied upon or referred to by such sources or as certained the underlying economic data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market, industry and economic data used throughout this presentation are not guaranteed and ARC makes no representation as to the accuracy of such information.



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