ARC RESOURCES LTD.

# ARC Resources Ltd.

## Investor Update & Attachie Tour

October 2024

ARX

# 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

# Agenda

ARC RESOURCES LTD.

| | | |
|---|---|---|
| 1 | Introduction<br><br>Corporate Overview | **Dale Lewko**<br>Manager, Capital Markets<br><br>**Terry Anderson**<br>President and Chief Executive Officer |
| 2 | Montney Overview | **Lara Conrad**<br>Senior Vice President and Chief Development Officer |
| 3 | Attachie Update | **Armin Jahangiri**<br>Senior Vice President and Chief Operating Officer<br><br>**Lara Conrad**<br>Senior Vice President and Chief Development Officer |
| 4 | Marketing & Fundamentals | **Ryan Berrett**<br>Senior Vice President, Marketing |
| 5 | Capital Allocation | **Kris Bibby**<br>Senior Vice President and Chief Financial Officer |
| 6 | Closing Remarks and Q&A | **Terry Anderson and the Executive Team** |

ARX

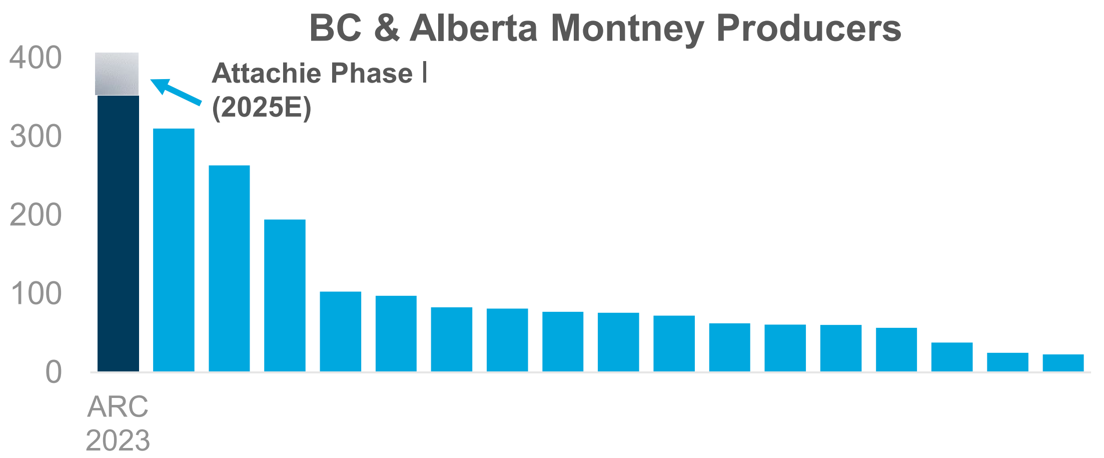

Attachie, BC

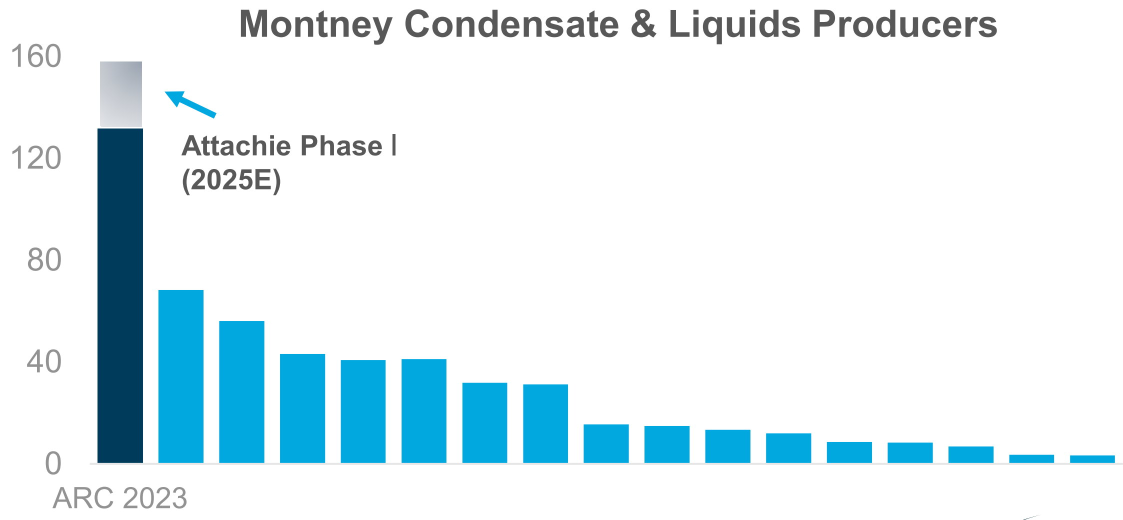
# Corporate Overview

# Corporate Profile

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

| | |
|---|---|
| **Shares outstanding**[1] | 597 million |
| **Market capitalization**[2] | $14.1 billion |
| **Long-term debt**[1] | $1.4 billion |
| **Net debt**[1 3] | $1.5 billion |
| **Enterprise value**[2] | $15.6 billion |
| **Quarterly dividend** | $0.17/share |
| **Dividend yield**[2 4] | 2.9% |
| **Production** | ~355 Mboe/day |



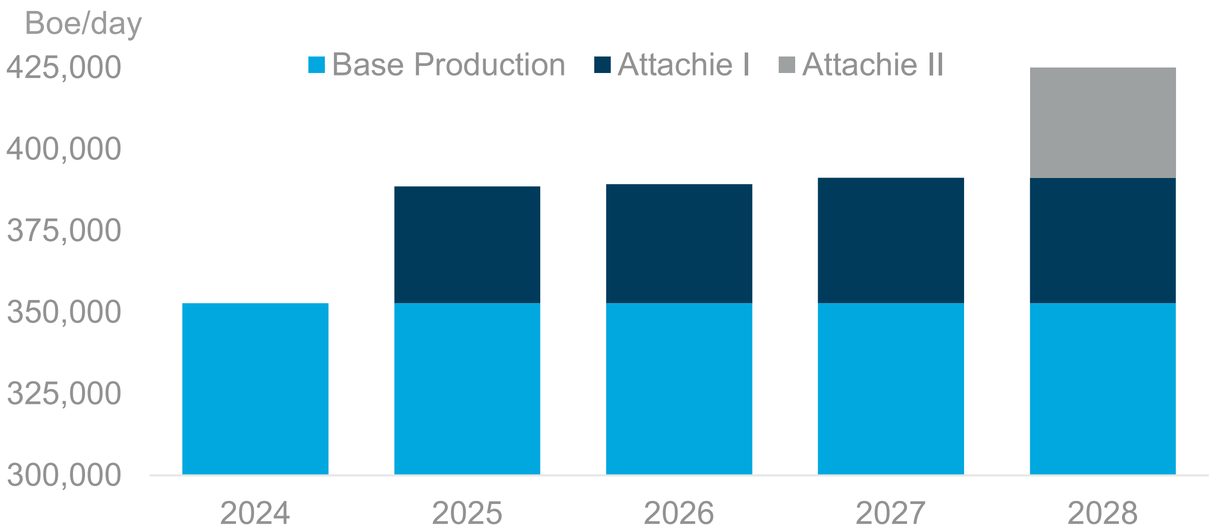



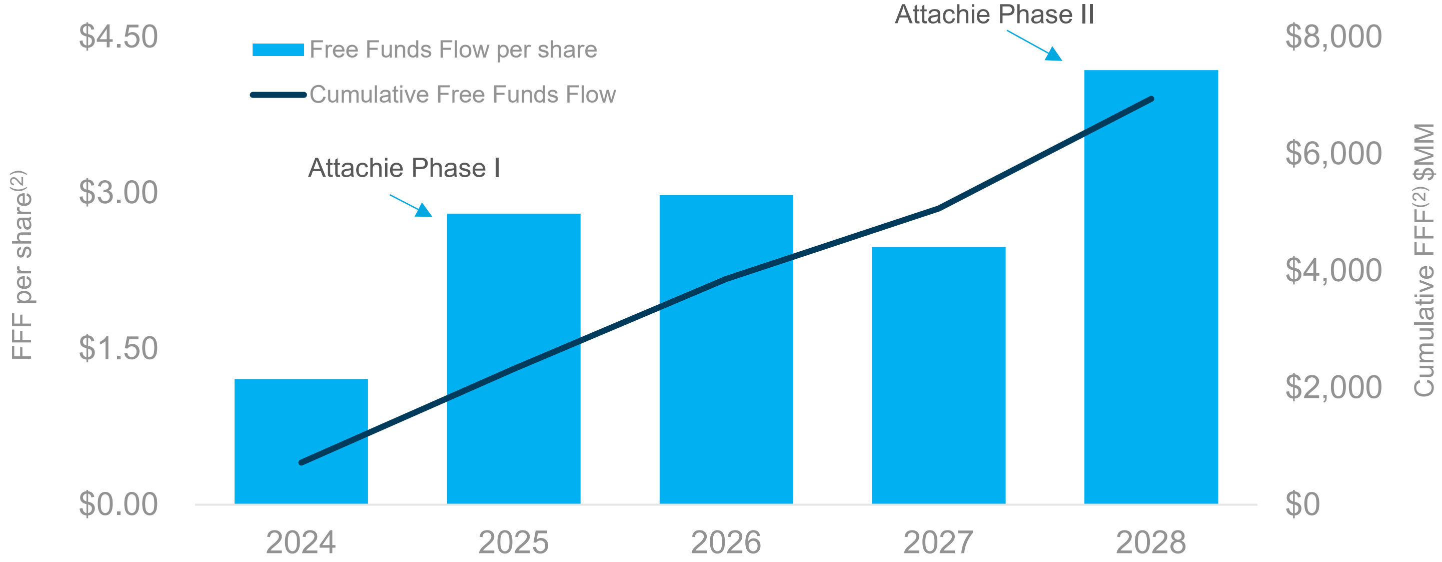

1) Common shares outstanding, end of period, as at June 30, 2024.
2) As at July 22, 2024.
3) Capital Management Measure— see "*Non-GAAP and Other Financial Measures*" in the *Advisory Statements* of this presentation.
4) Supplementary Financial Measure— see "*Non-GAAP and Other Financial Measures*" in the *Advisory Statements* of this presentation.

*Sources: Company reports, geoSCOUT, and Peters & Co. Limited estimates (data reflects 2023 actuals)*

# Long-term Outlook Delivers Significant Value

## Disciplined plan to grow free funds flow per share[1]




**~200%**

Free Funds Flow[3] Per Share Growth (~30% CAGR[4])

**~10% CAGR**

Production Per Share[4]

**~20%**

Return on Average Capital Employed

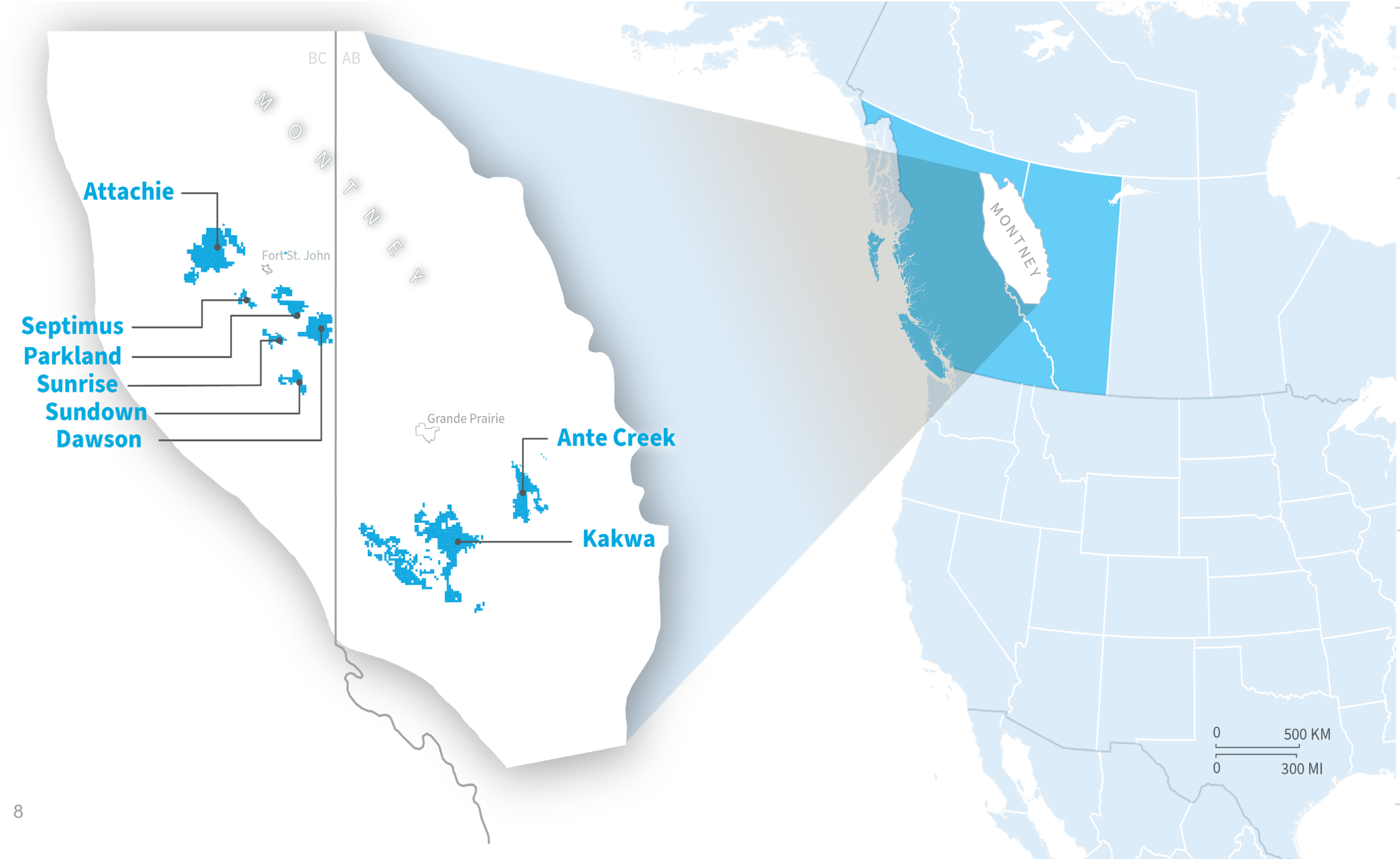
1) Non-GAAP Financial Ratio— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.
2) Based on actual pricing in Q2 2024, and forward pricing thereafter of US$70 WTI; $3.50/GJ AECO.
3) Non-GAAP Financial Measure — see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.
4) Supplementary Financial Measure— see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

Ante Creek, AB

# Montney Overview

# Montney Overview

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




**>1,500**
Montney sections

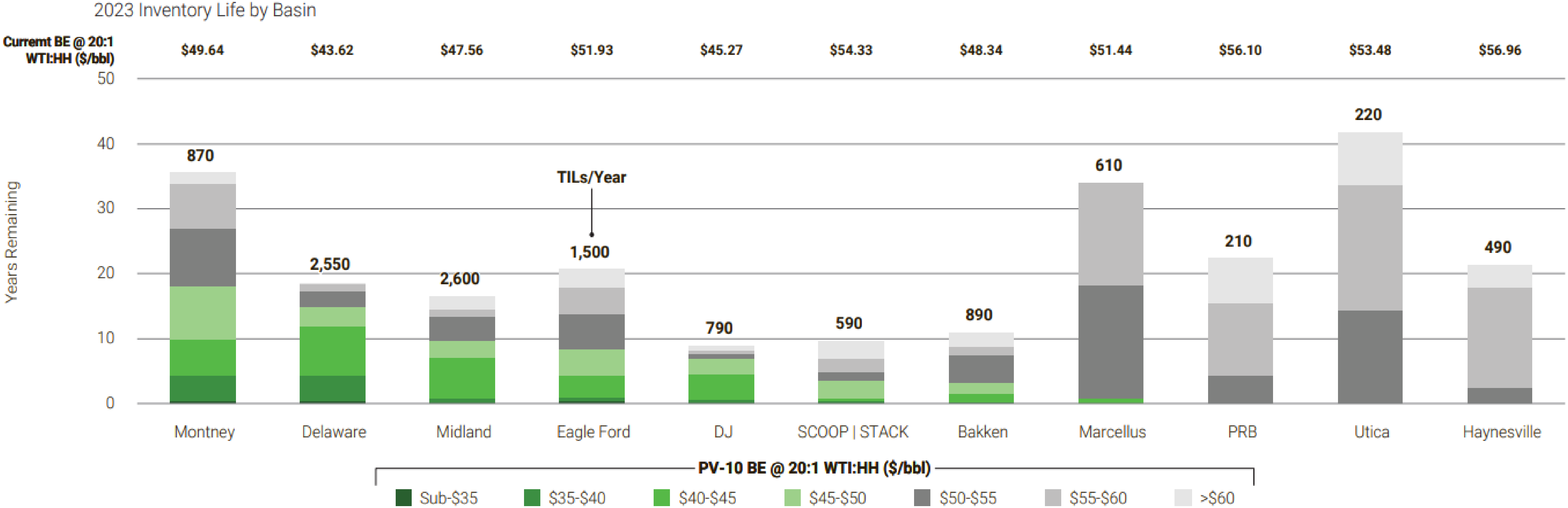
**~5,000**
drilling locations

**80%**
of these locations are unbooked

**~1.7 Bcf/d**
**~150 Mbbl/d**
Owned-and-operated infrastructure

# Montney Outcompetes North America Plays

## Low-cost and deep inventory relative to North American shale plays




Source | Enverus Intelligence® Research, Enverus Placed Well Analytics, Enverus Core



1) Turn-in line (TILs)

# Montney Unconventional Fairway

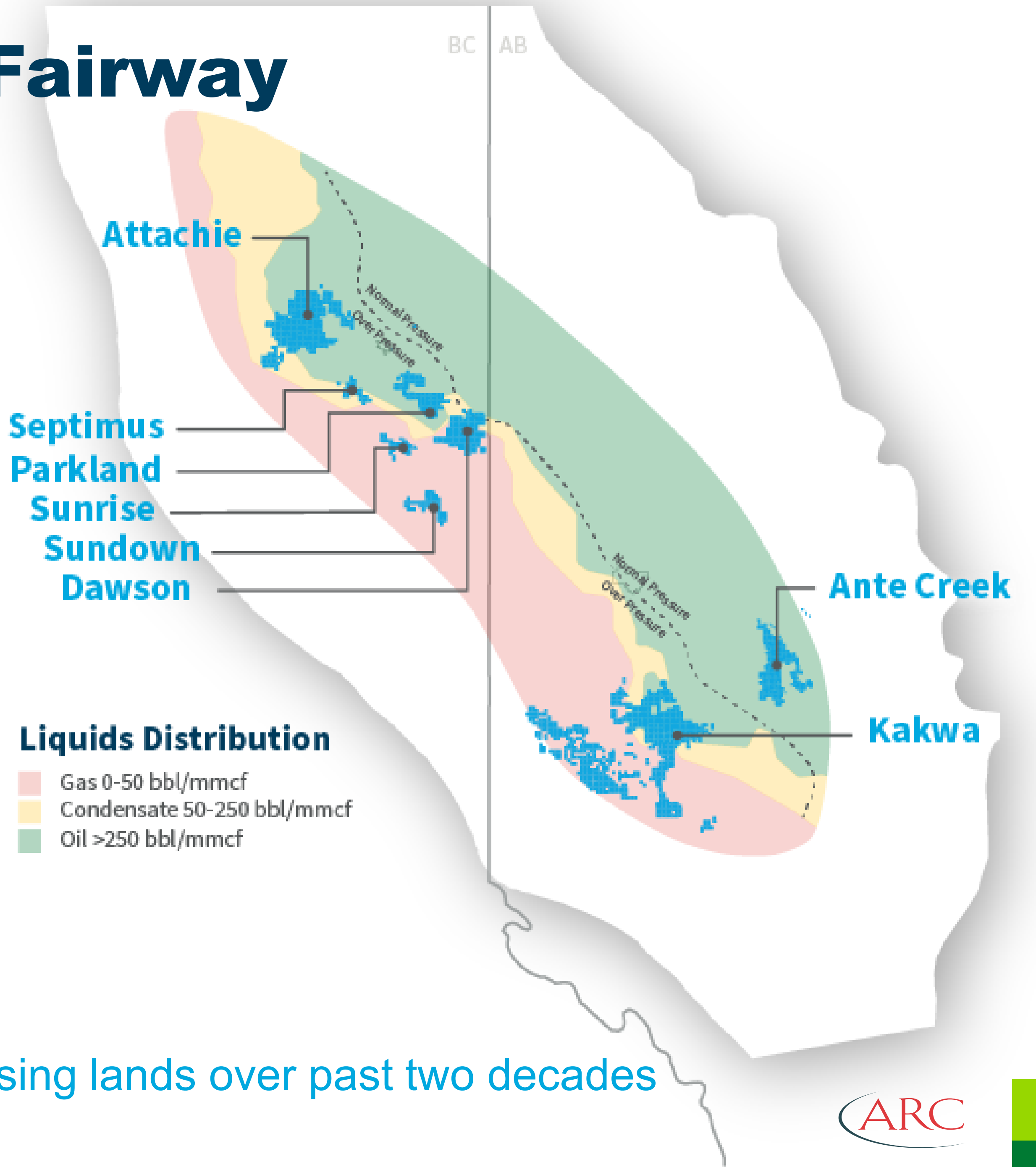
ARC's premium quality, balanced portfolio

## ARC Montney Assets

- >20 years of inventory
- Concentrated in over-pressured fairway
- Diverse fluid types (gas through to volatile oil)
- Condensate-rich resource

## Montney Reservoir

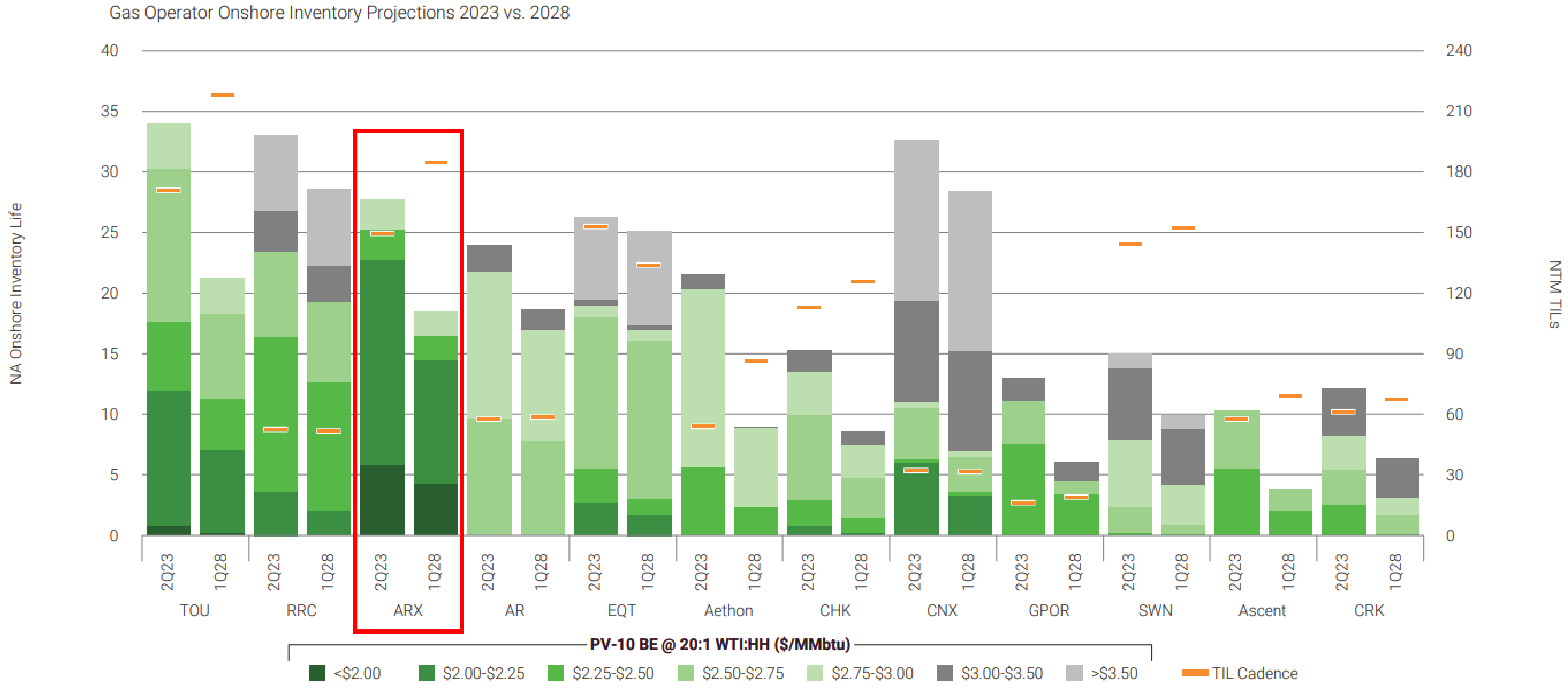
- Up to 300 metres of charged reservoir
- Multi-layer development




ARC established its Montney position early, amassing lands over past two decades

# ARC's Montney vs North American Peers

## A competitive advantage in a world-class asset

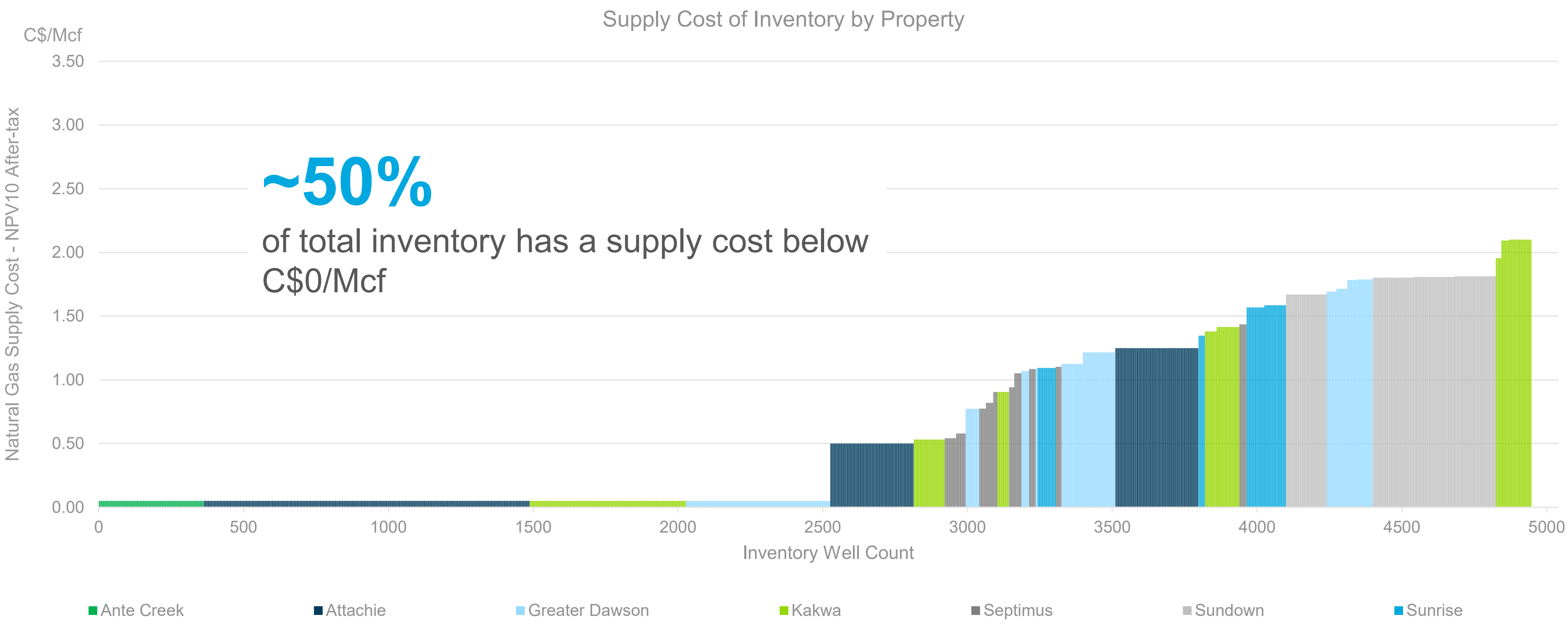



Source | Enverus Intelligence® Research, Enverus Placed Well Analytics, Enverus Core, Enverus Valuation Analytics

1) Turn-in line (TILs)

# Montney Inventory

## ARC has a deep Montney inventory at the low end of the cost curve

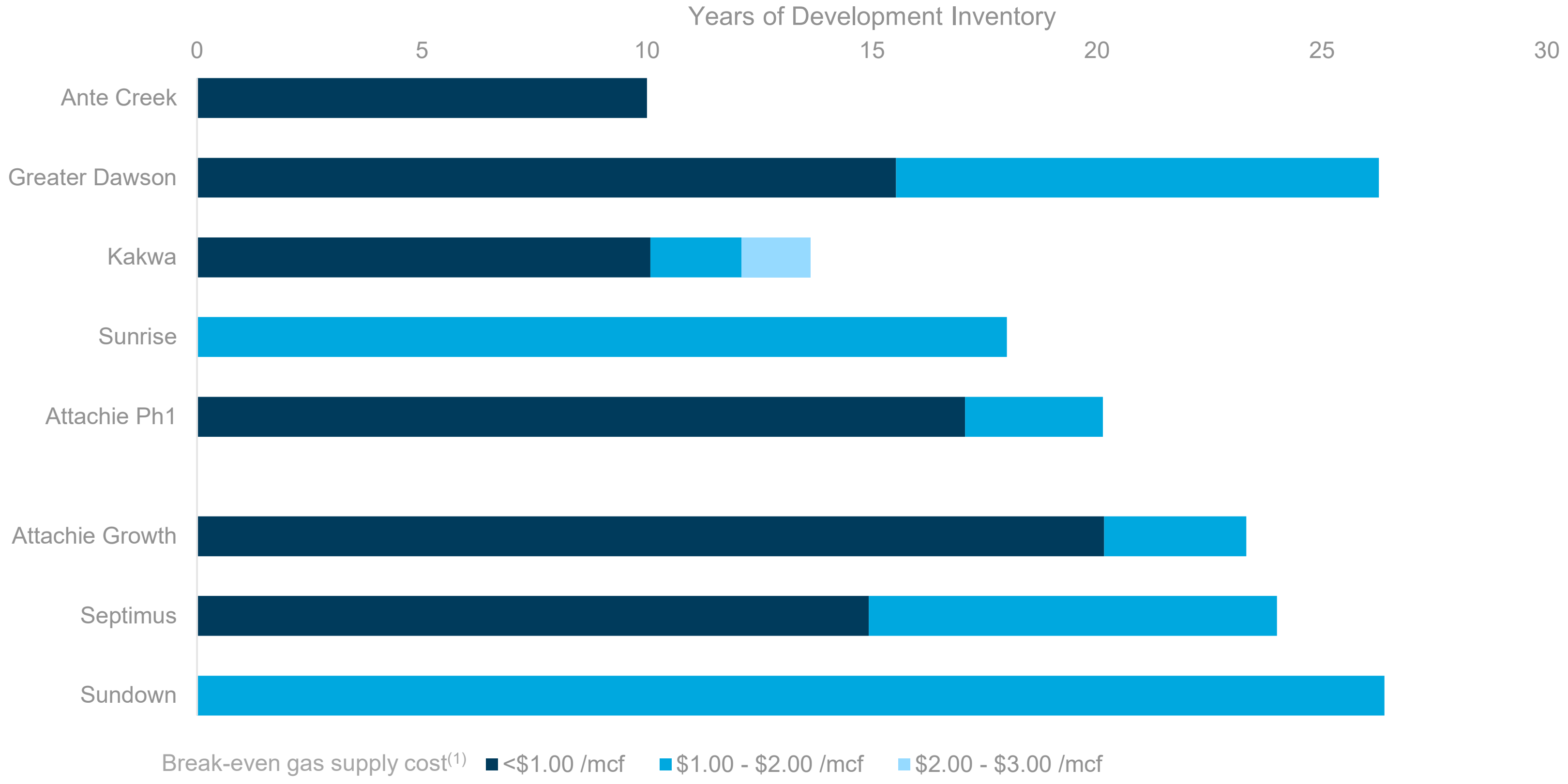





1) Inventory as of YE2023 except at Sunrise where one layer of development has been removed to account for the design change in the Upper Montney
2) Based on internal type curves and economics calculated with US$70/bbl WTI oil pricing

# Asset Level Inventory

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




| Production Run Rate at Full Capacity (Mboe/d) | |
|---|---|
| Ante Creek | 15 – 20 |
| Greater Dawson | 90 – 100 |
| Kakwa | 170 – 175 |
| Sunrise | 60 – 70 |
| Attachie | 150 – 180 |
| Septimus | 30 – 40 |
| Sundown | 70 - 100 |
| **Total** | **500 - 600** |

## ARC has 10 to 25 years of sustaining inventory at 500-600 Mboe/d

1) Breakeven gas supply cost shown is where NPV10 = 0, holding oil price flat at US$70/bbl WTI. Gas price units are C$/mcf AECO.

Attachie, BC

# Attachie Overview

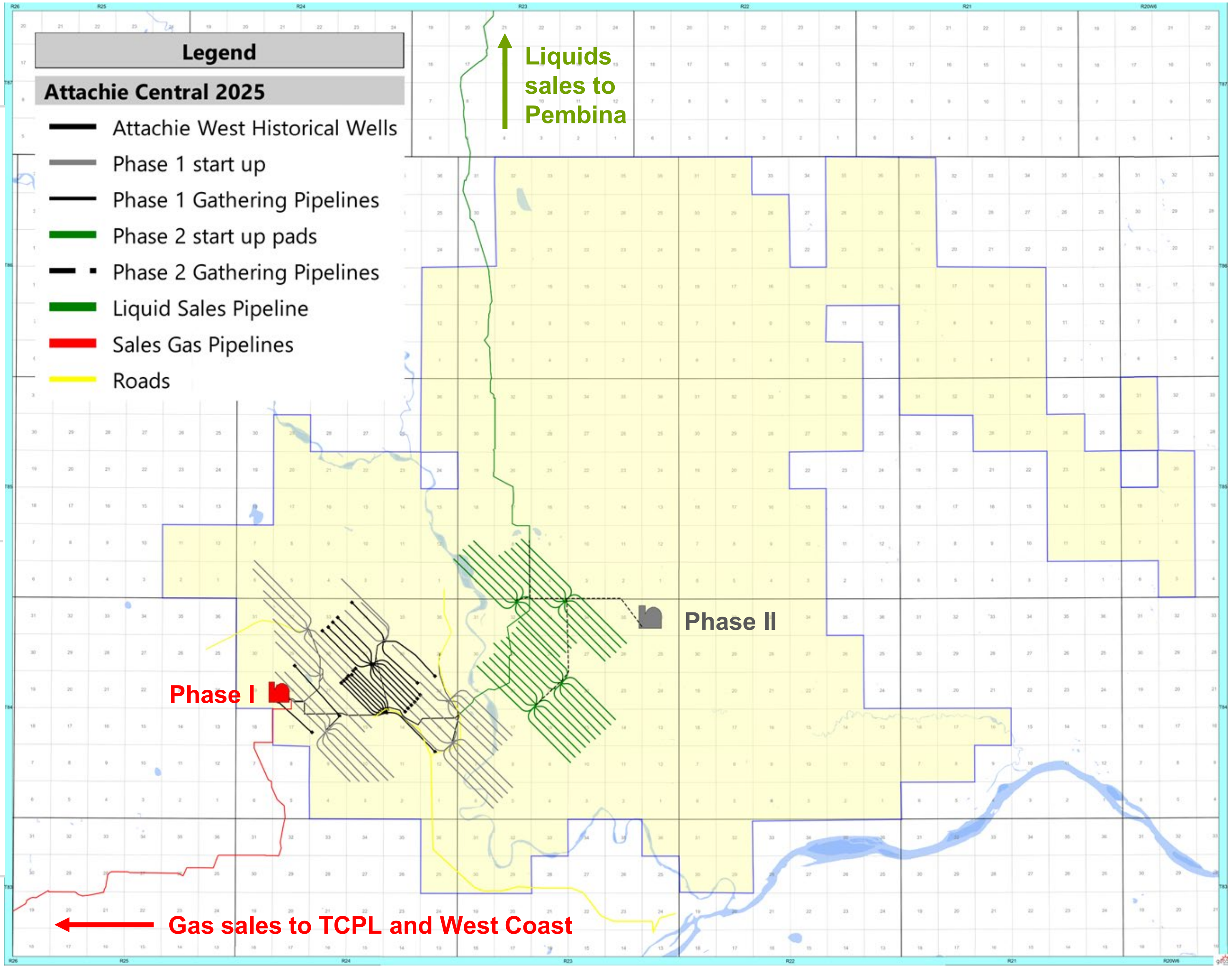
# Greater Attachie Development Plan

## Attachie Resource

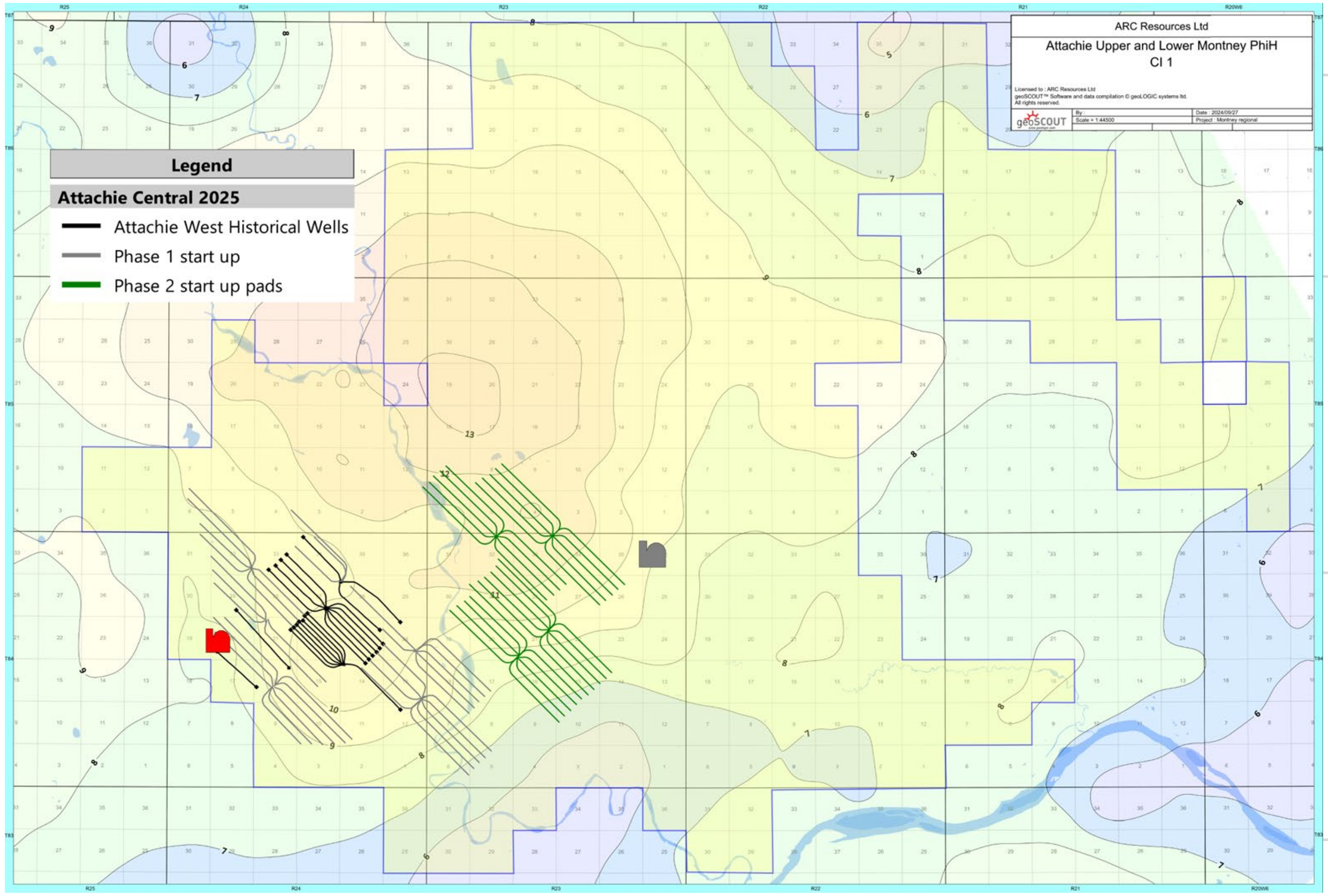
- > 300 net sections for future development
- Multi-layered
- Overpressured liquids-rich resource

## Development Plan

- Natural gas and condensate sales infrastructure in place
- First Nations support



# Attachie Montney Subsurface Overview




**High-quality reservoir throughout ARC's lands**

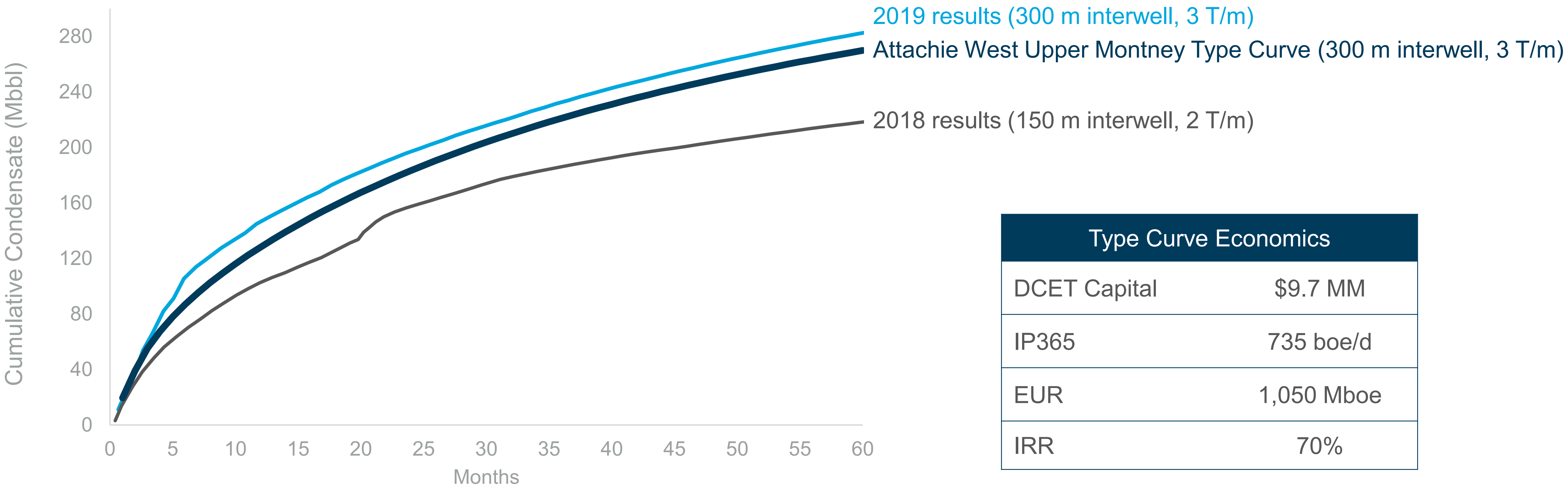
**Upper Montney reservoir thickness is consistent** moving from west to east across Attachie

**Lower Montney reservoir thickness increases** to the north

Map depicts net pay times porosity, a fundamental view for reservoir quality

# Integrated Workflow Identifying Opportunities

## Optimizing well design to maximize returns




| Type Curve Economics | |
|---|---|
| DCET Capital | $9.7 MM |
| IP365 | 735 boe/d |
| EUR | 1,050 Mboe |
| IRR | 70% |

Attachie sanction design is based on performance from 2019 design.
2018 results had lower production per well and higher recovery per pad, showing opportunity for greater reserves recovery.



1) Type curve based on representative 2,550 meter lateral length
2) Economics at US$70/bbl WTI and C$3.50/GJ AECO

# Attachie Phase I Infrastructure Update

05-20 Plant

Halfway River
Pipeline Crossing

## Completed Projects

- Water Recycling Hub
- Farrell Creek Pipeline Bridge
- Attachie Gas Sales Line and Gathering Lines
- Halfway River Pipeline Bridge
- Power Infrastructure

## Remaining Work

- Plant construction 90% complete
- Attachie Liquids Terminal 90% complete
- Attachie West Sales Liquid Pipelines 90% complete



ARC

# Attachie Drilling and Completions Update

6 start-up pads:

- 90% of wells drilled.  All start-up pads to be drilled by end of October.
  - Using 2, best-in-class, high-spec AC triple drilling rigs
- 70% of wells fracture stimulated. Last start-up pad to be completed starting mid Q4 as planned.
  - Using ARC dedicated, high rate, slickwater fracturing crew


Drilling Operations - Attachie 11-25 pad

Fracturing Operations Attachie 01-32 pad

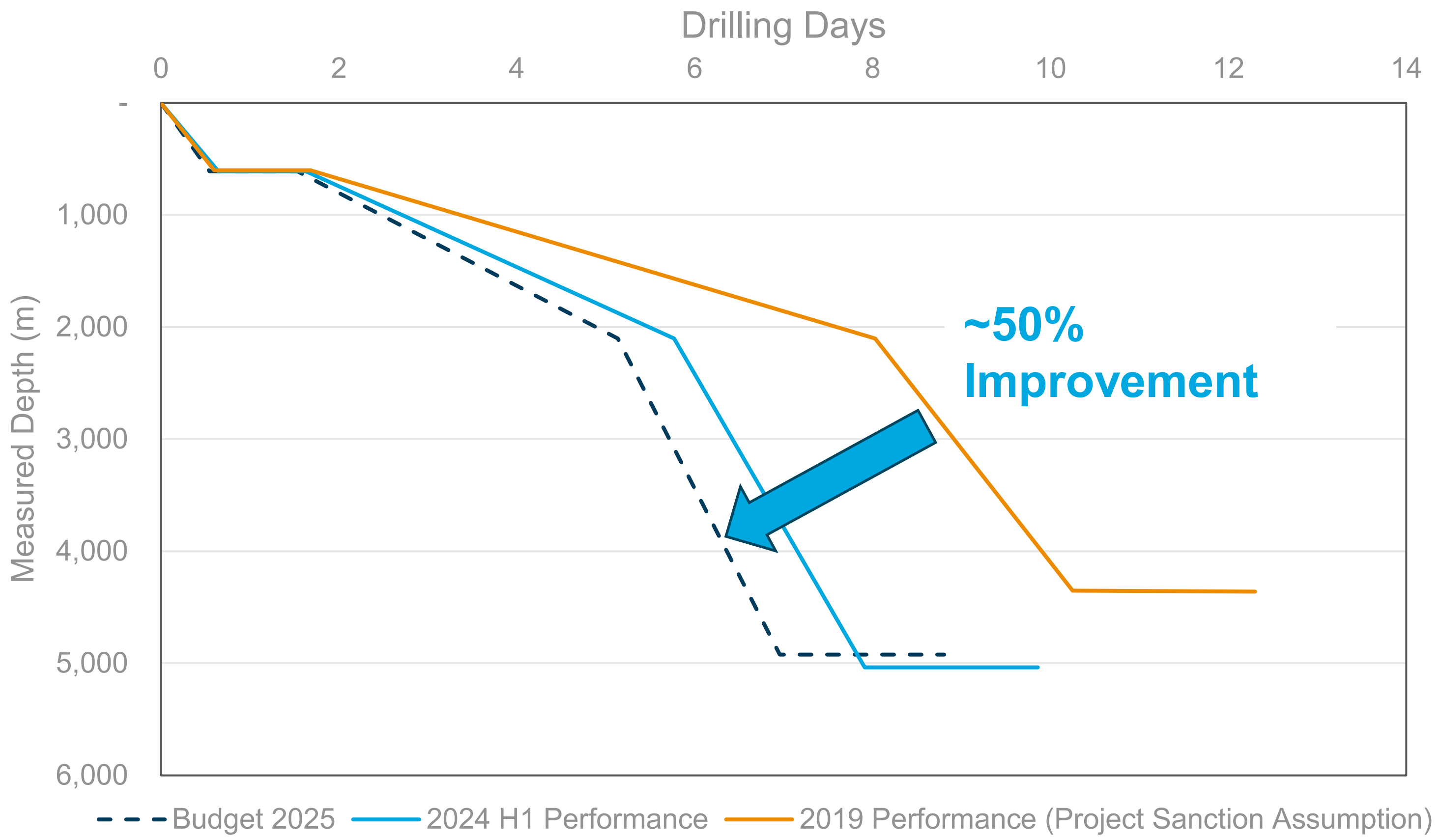
# Attachie Drilling Efficiency

## Sustainable efficiency improvements since sanction

### Drilling Hole Size Optimization
Successful transition to 171 mm vs 200 mm hole (-2 days/well)

### Drill Bits and Directional Tool Optimization
Realtime learnings captured and employed between both high spec rigs

### Drilling Fluid Optimization
Utilized learnings from other ARC assets to successfully implement produced water-based drilling fluid system (drill to TD & run casing)




>50% improvement in metres drilled per day relative to project sanction assumption. Yields ~15% cost reduction.

# Attachie Completions Efficiency

Improvement in frac execution driving cost reductions

## Redesigned frac isolation equipment

- Increased allowable frac pumping rates to 18 $m^3$/min (from 12 $m^3$/min in 2019)

## Improved frac sand logistics

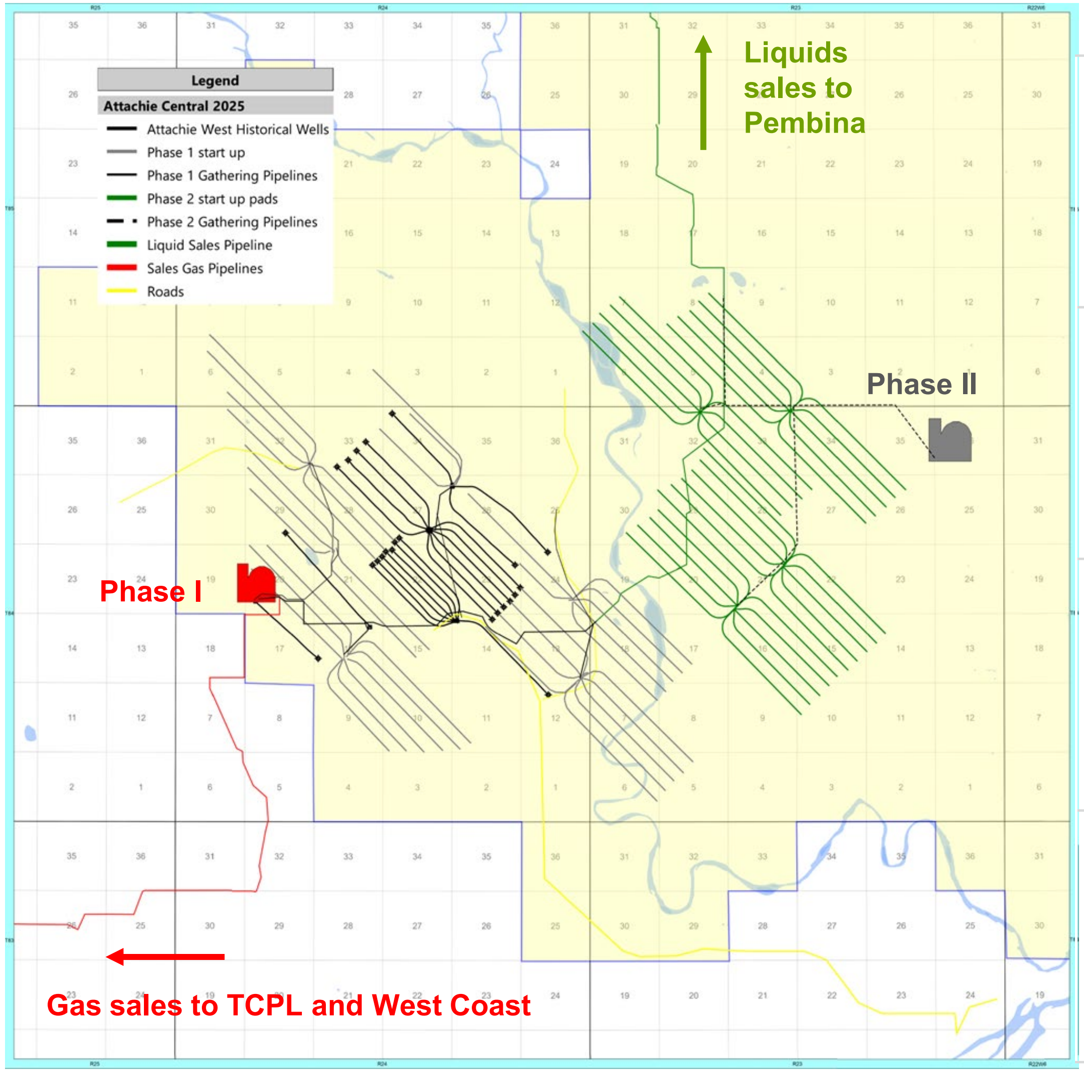
- Strategic alliance with sand supplier
- Increased storage and offloading capacity to increase daily frac sand capacity to 4,500 tonnes per day
- Frac sand closer to pad sites: ~200 km and 4.5 hr less travel per round trip

## Improved frac water logistics

- Invested in 150,000 $m^3$ produced water storage and recycling infrastructure to support higher frac rates and lower freshwater dependance
- >80% produced water for frac operations

# Attachie Phase II

## High conviction on Attachie Phase II



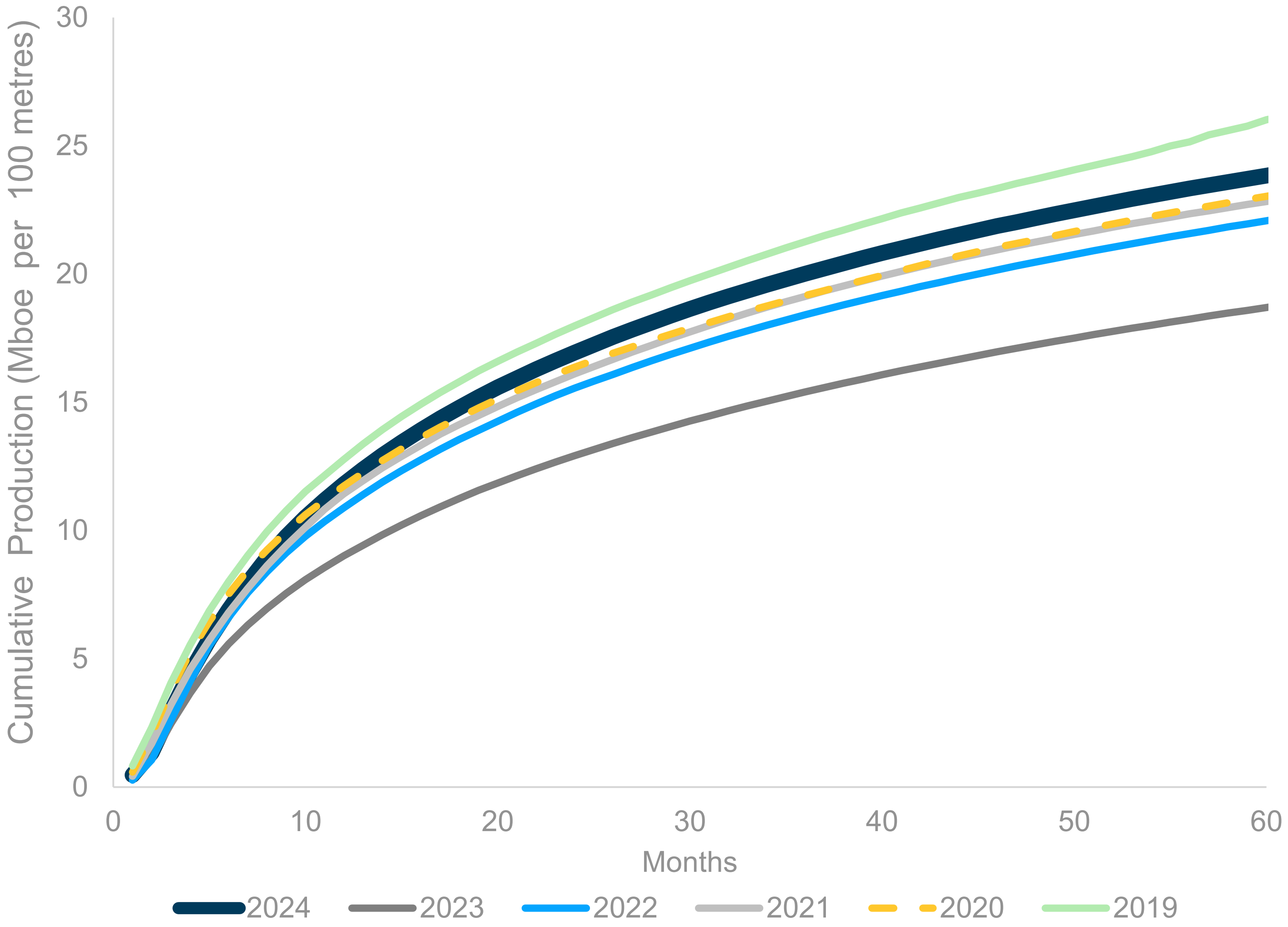

- **Financial**
- **Subsurface**
- **Regulatory & Permitting**
- **Commercial**

Dawson III & IV, BC

# Operational Updates – Other Key Assets

# Kakwa Production Performance

## Production outcomes by vintage



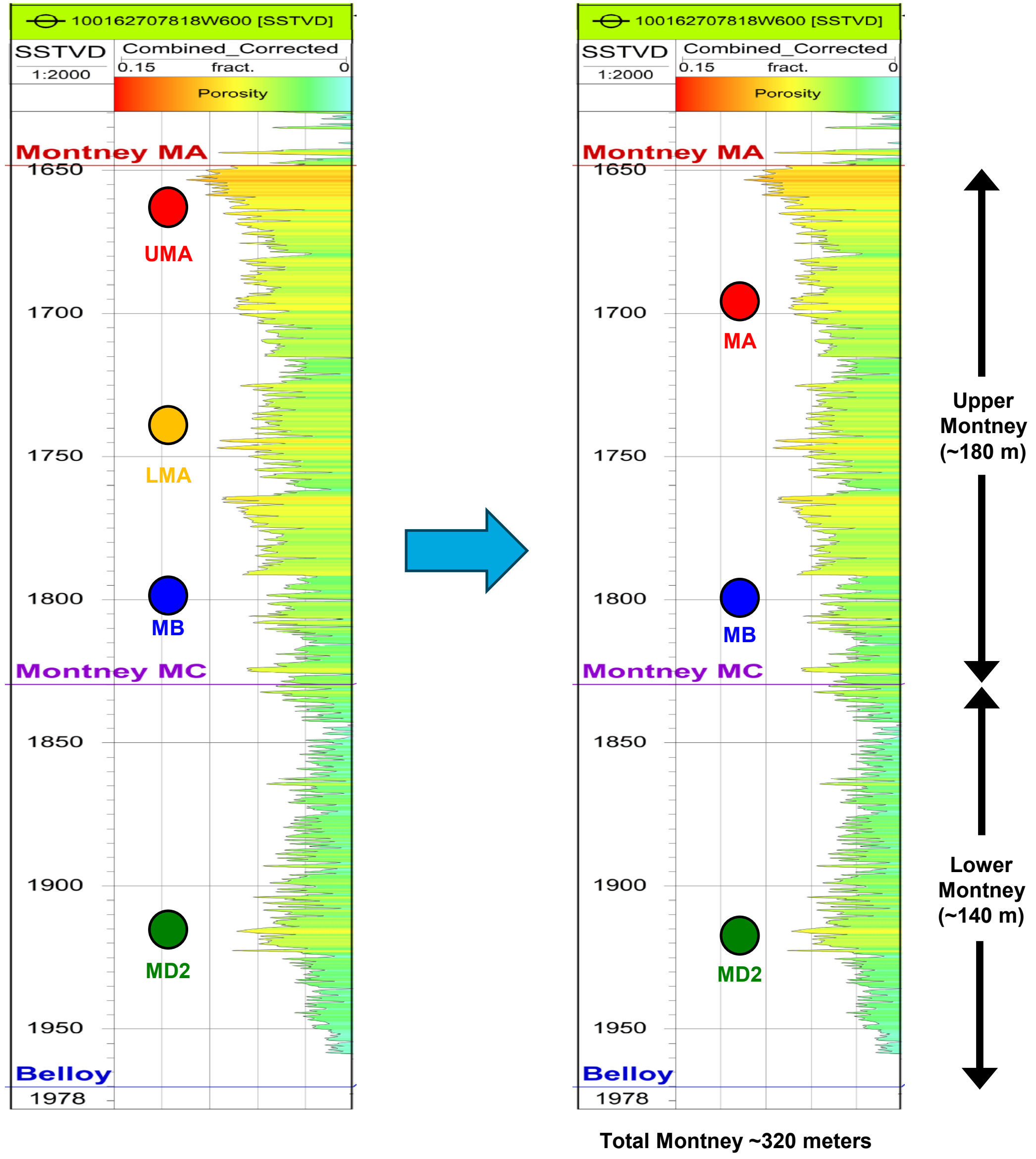

## Highly productive reservoir

- Every vintage of wells have delivered strong results
- Infill drilling effectively complete as of 2023, allowing for return to orderly field development

## Looking forward

- 2024 and 2025 development wells are targeting higher CGR areas of the field

# Sunrise Development Plan




## Low-cost natural gas asset

- ARC's sole dry gas asset
- Full-cycle breakeven of ~C$1.10 per Mcf

## Well design changes yielding stronger productivity in Upper Montney

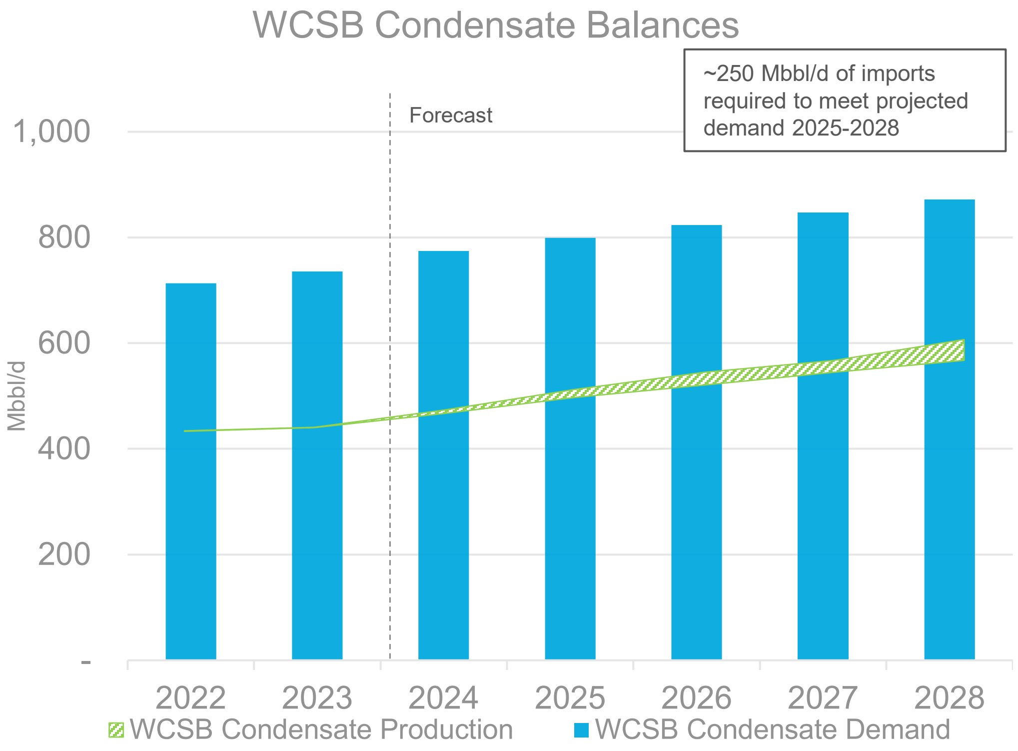
- ~40% production increase (first 12 months)
- Decrease of ~10% in sustaining capital
- Recovers ~ equivalent resource as prior design, with less wells being drilled

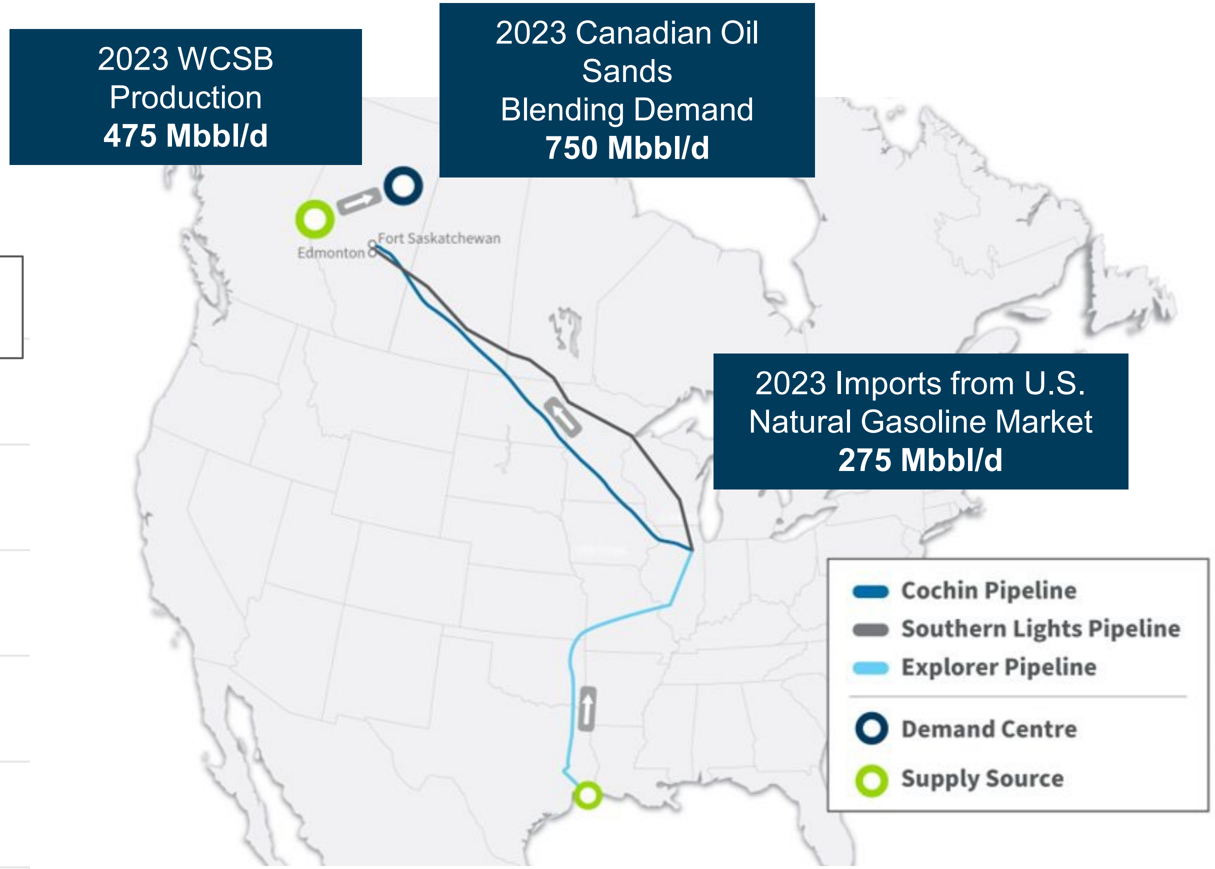
Sunrise, BC

# Marketing Strategy & Fundamentals

# Condensate Market Overview and Outlook

## WCSB condensate remains a structurally short market, reliant on imports to satisfy demand



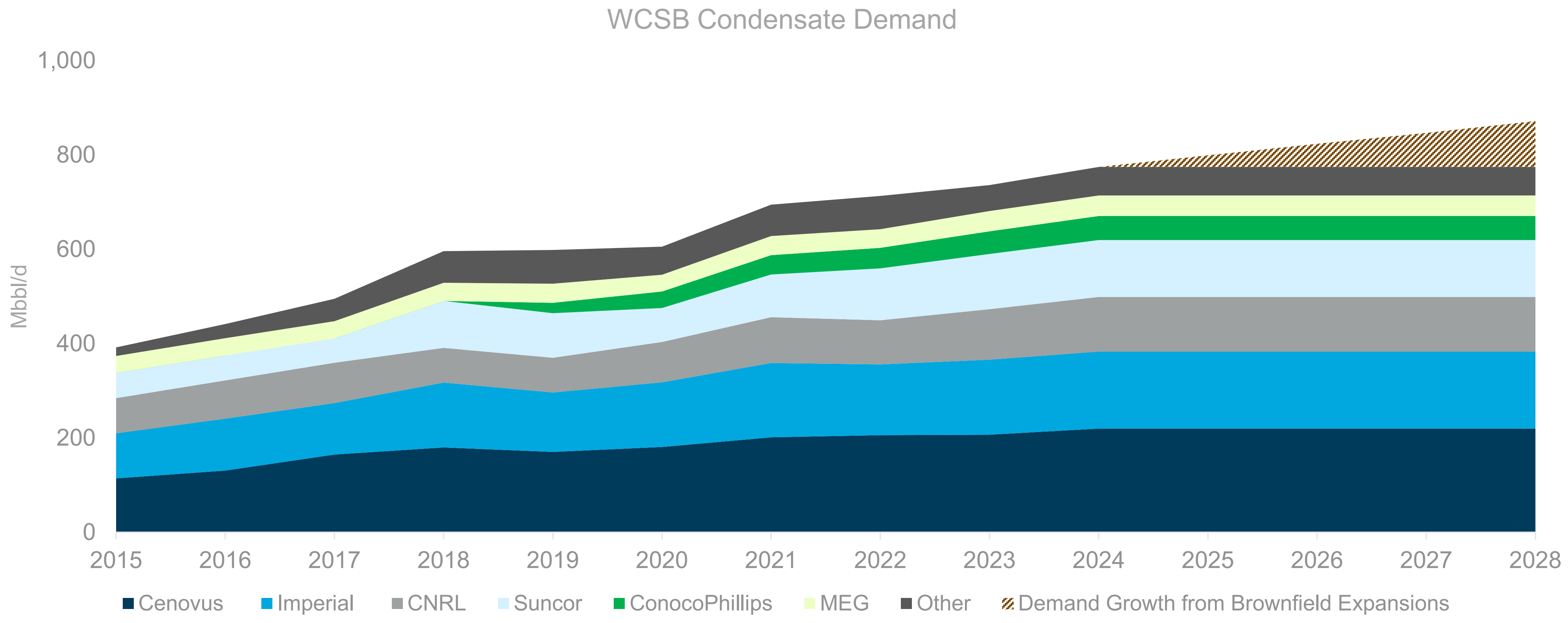






Source: ARC Risk Research, various third-party reports

# Condensate Demand Outlook

## WCSB condensate demand rising with brownfield expansions at oil sands operations; oil sands majors account for the vast majority of basin demand

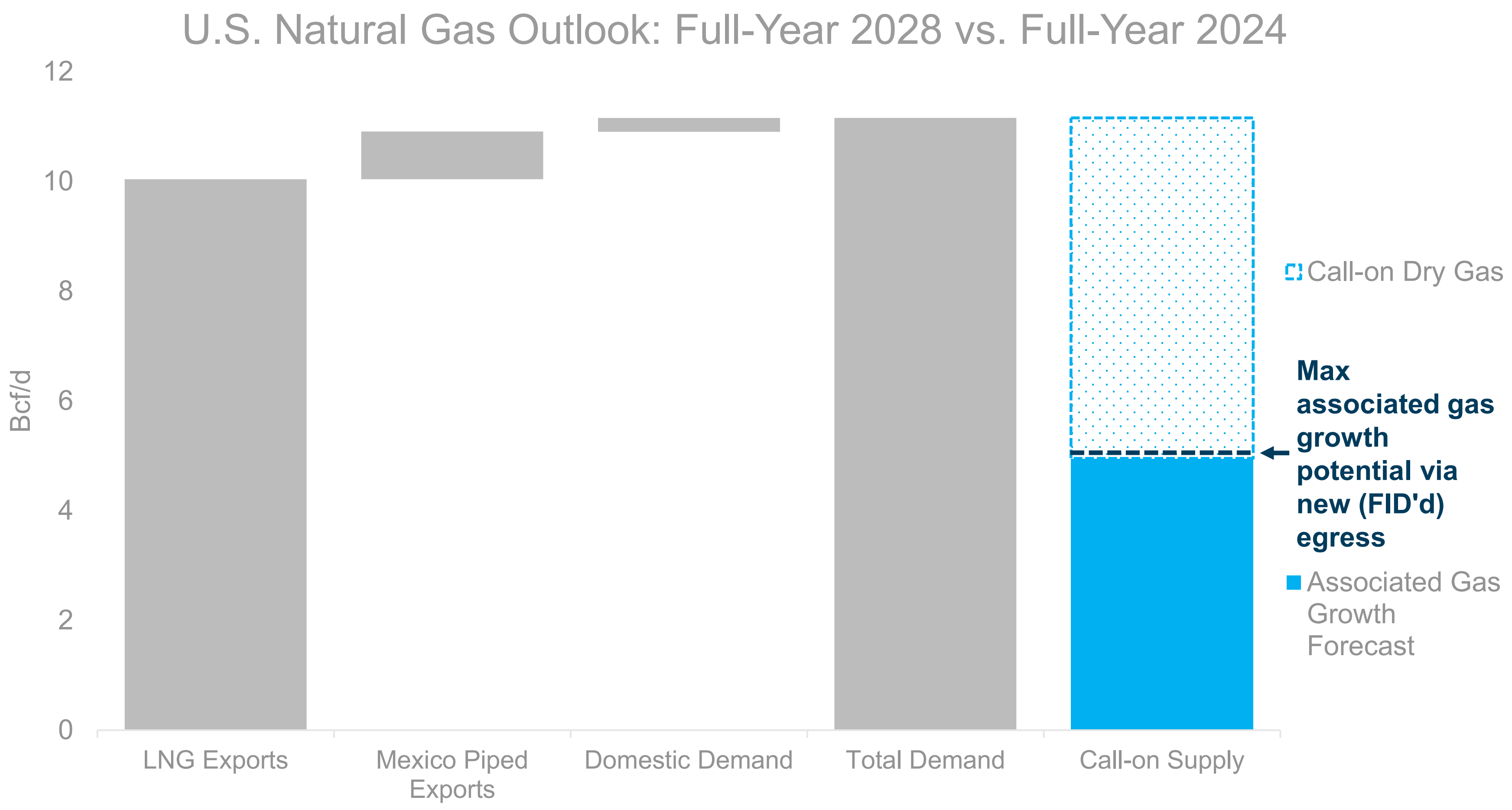





Source: ARC Risk Research, various third-party reports

# U.S. Natural Gas Market Outlook

## Rising export demand requires ~11 Bcf/d of supply growth by 2028, a significant amount must be supplied by dry gas basins

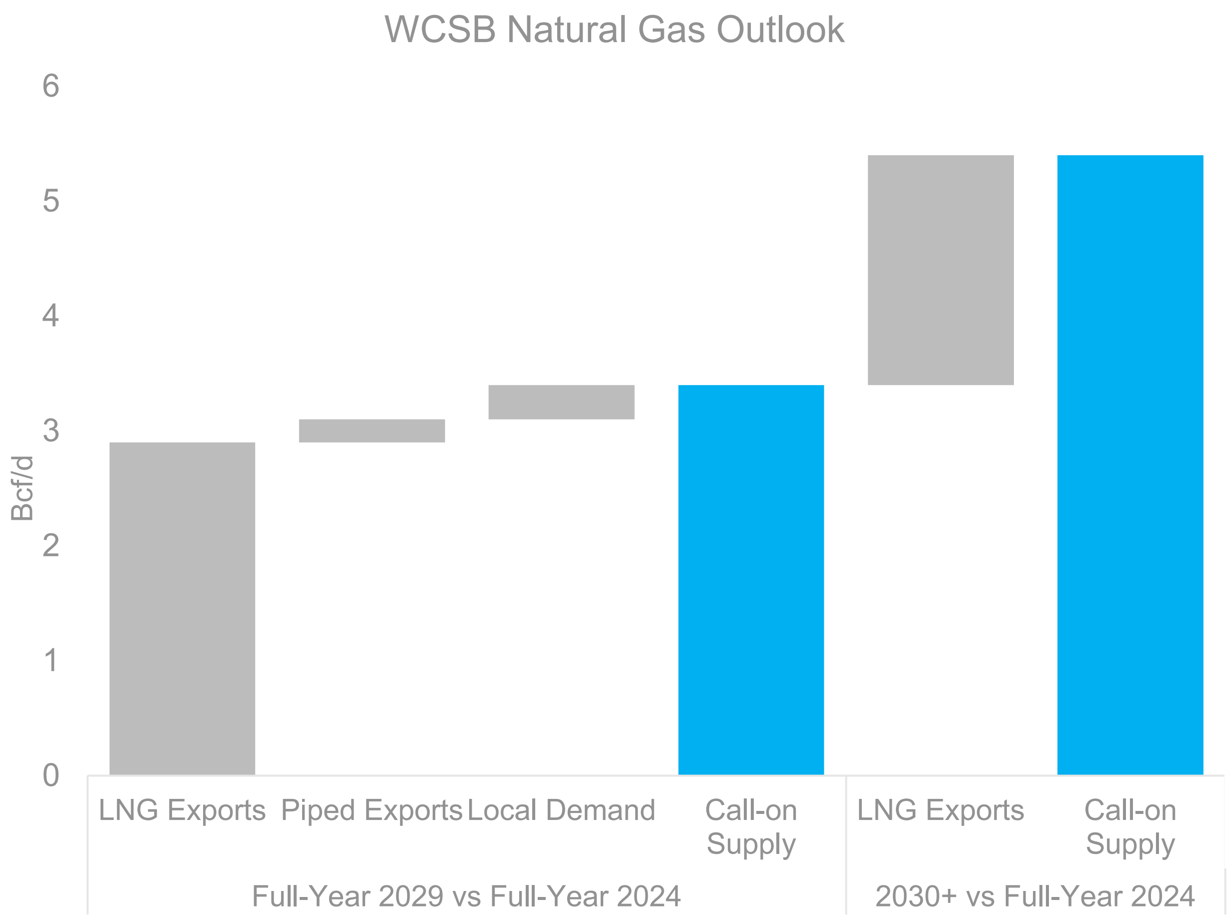


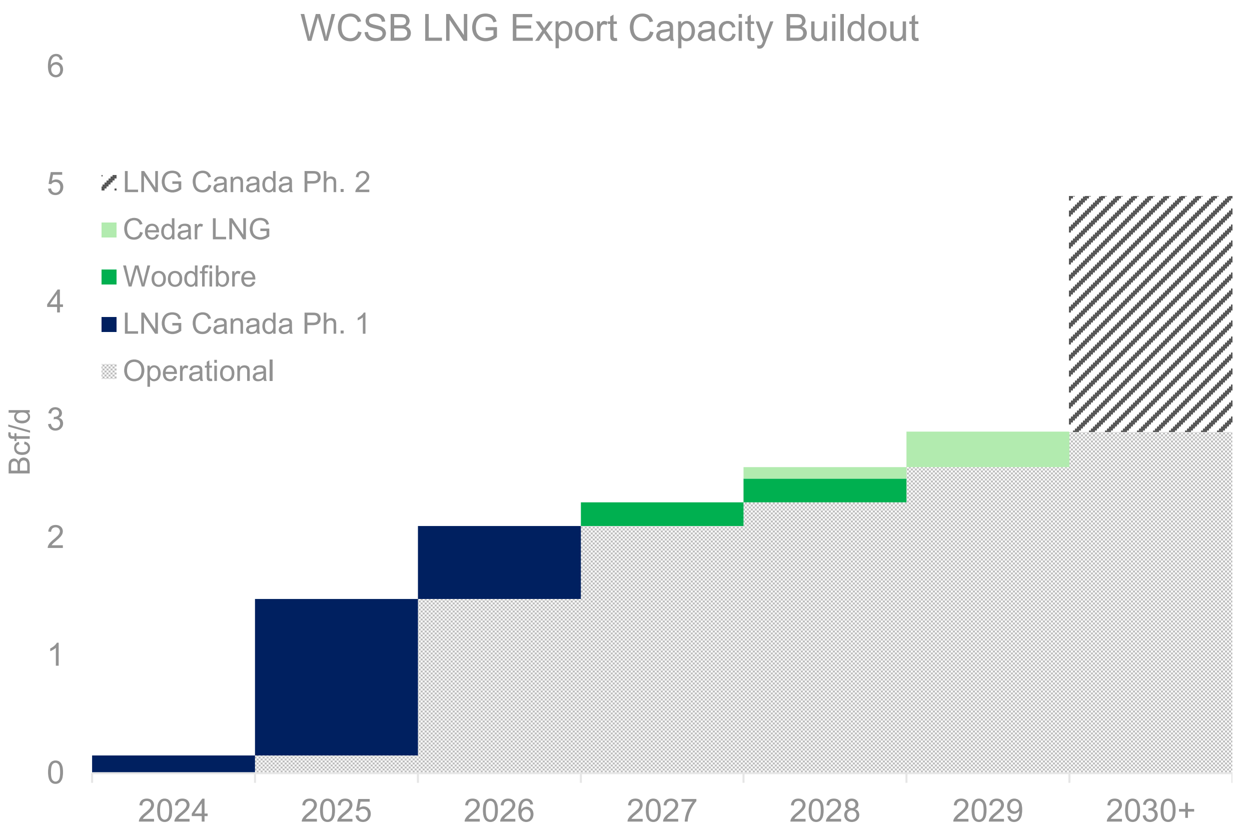



Source: ARC Risk Research, various third-party reports

# WCSB Natural Gas Market Outlook

## WCSB demand projections suggest >3 Bcf/d of incremental production is required by 2028-2029



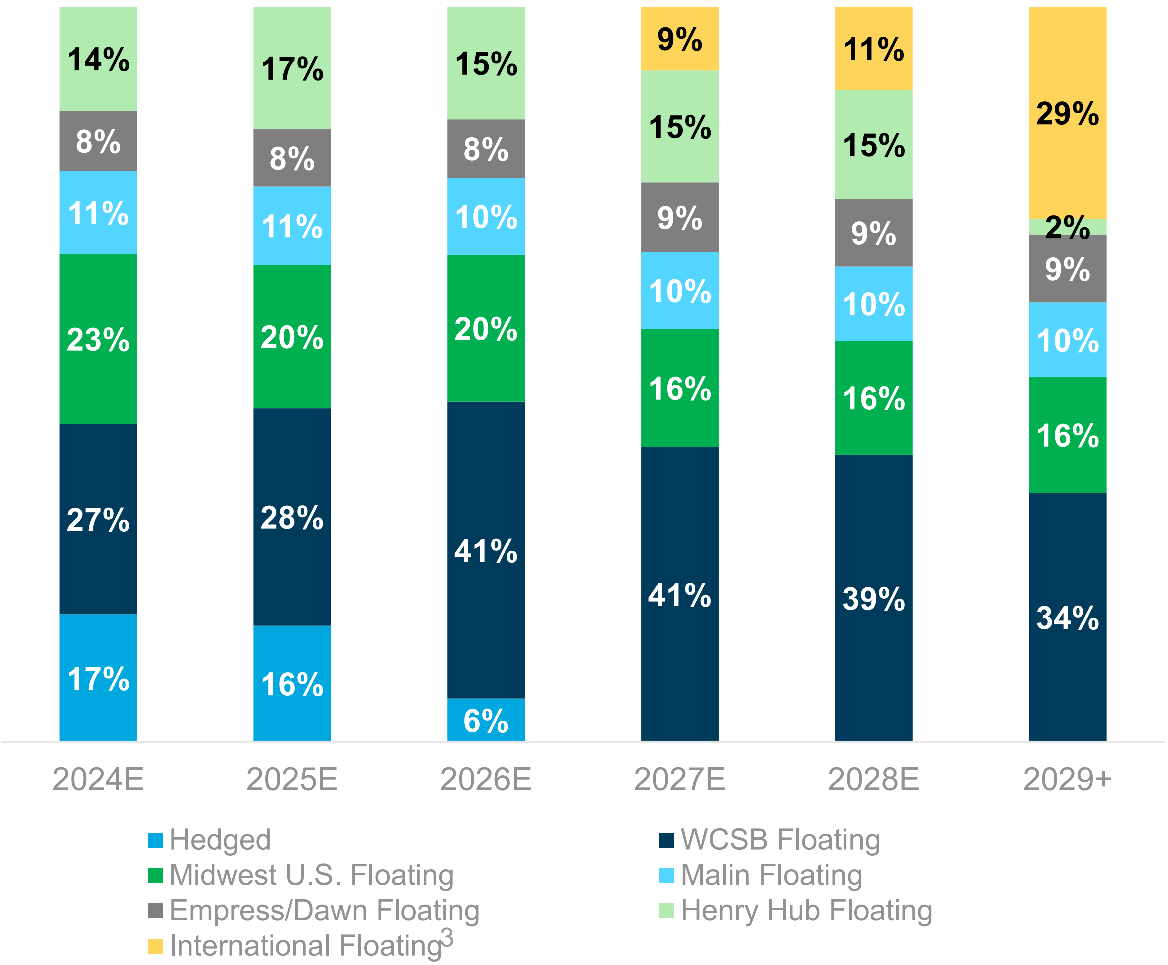




Source: ARC Risk Research, various third-party reports

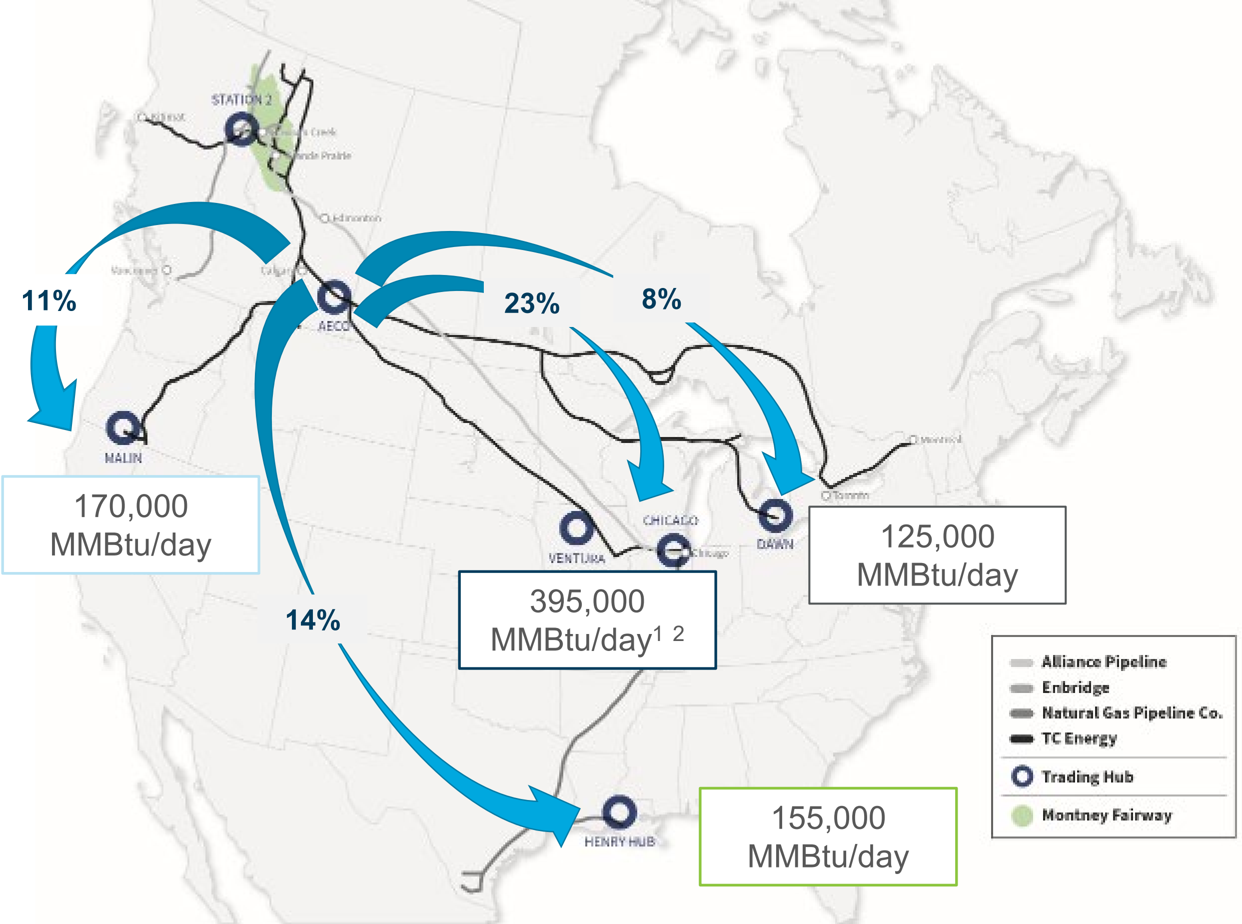
# Natural Gas Marketing Strategy

## Portfolio with well-diversified global price exposure is driving strong realizations

### Natural Gas Financial Exposure[1 2]




### ARC's Current Natural Gas Portfolio



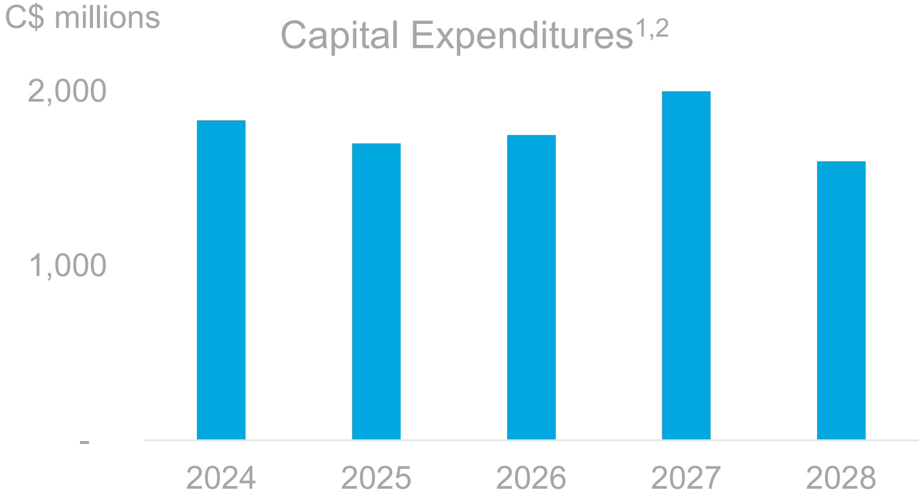

1) Natural gas financial exposure based on internal volume and marketing assumptions, adjusted for ARC's heat content, exposures subject to ARC renewal elections. Volumes denoted on map indicate 2024E natural gas sales exposure.
2) ARC's Midwest US exposure is a combination of Alliance Pipeline and various third-party and proprietary contracting arrangements on Northern Border Pipeline.
3) International floating includes JKM and TTF linked pricing.

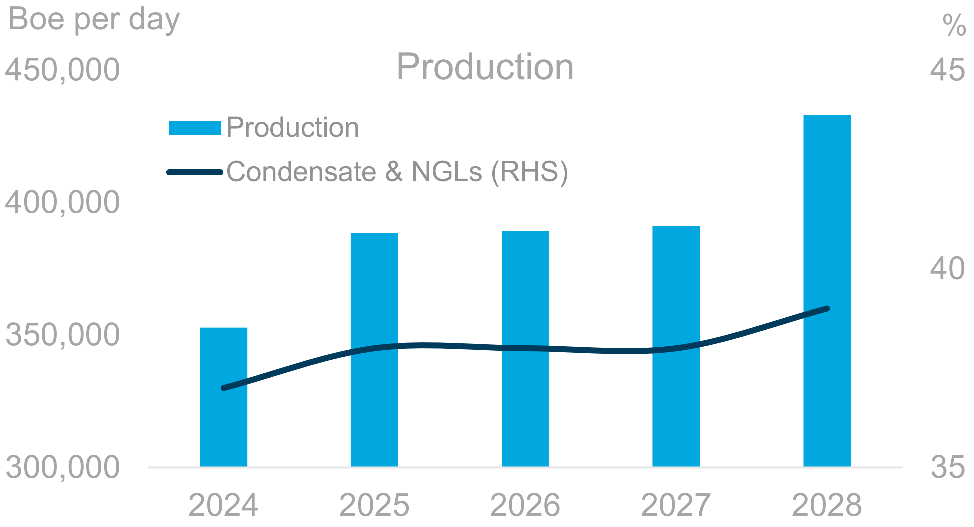
Kakwa, AB

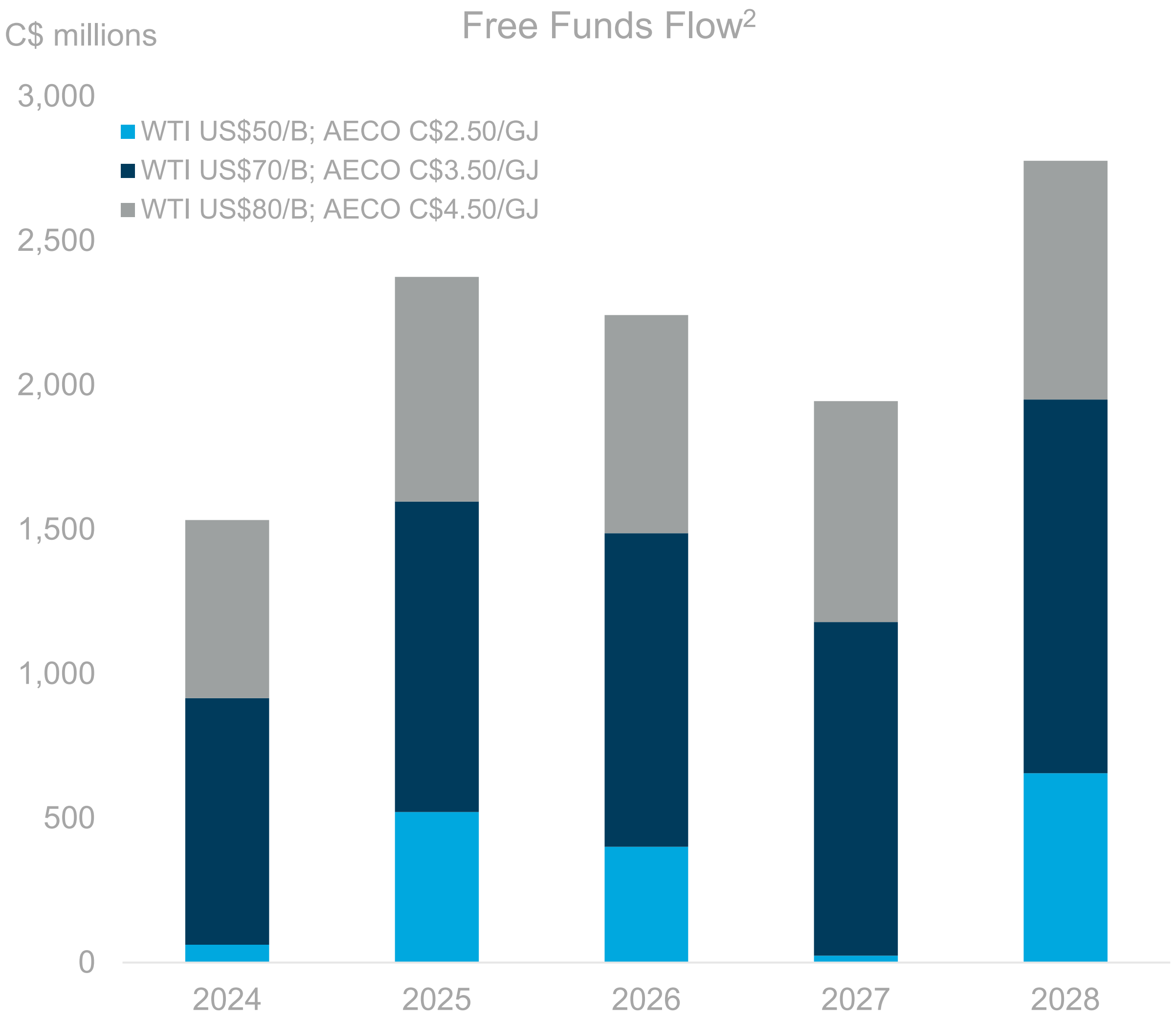
# Capital Allocation

# Long-term Outlook

## Disciplined investment drives free funds flow per share growth



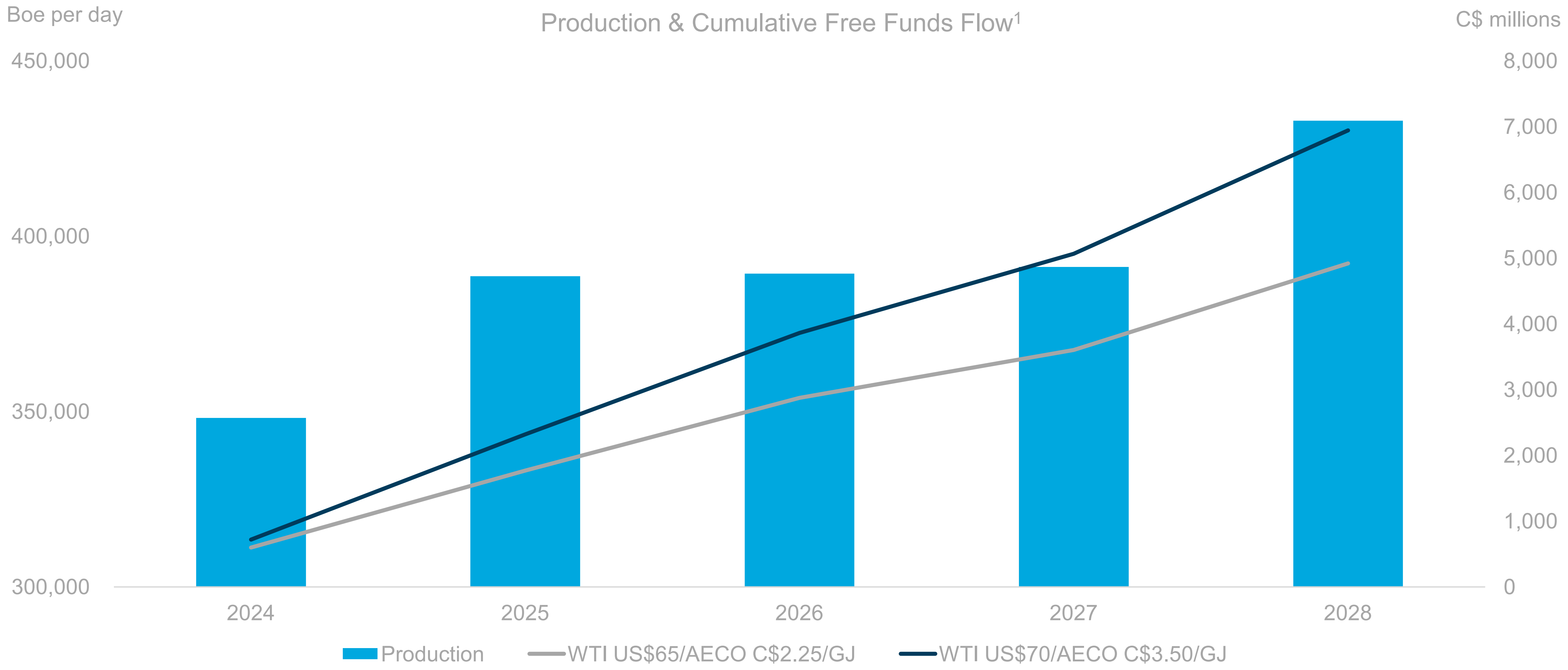

Pace of growth governed by corporate returns and a balance sheet first mentality



1) Refer to the section entitled "About ARC Resources Ltd." contained within the 2023 Annual MD&A for historical capital expenditures.
2) Non-GAAP Financial Measure — see "Non-GAAP and Other Financial Measures" in the Advisory Statements of this presentation.

# Long-term Outlook

## Attachie drives sustainable production and free funds flow growth

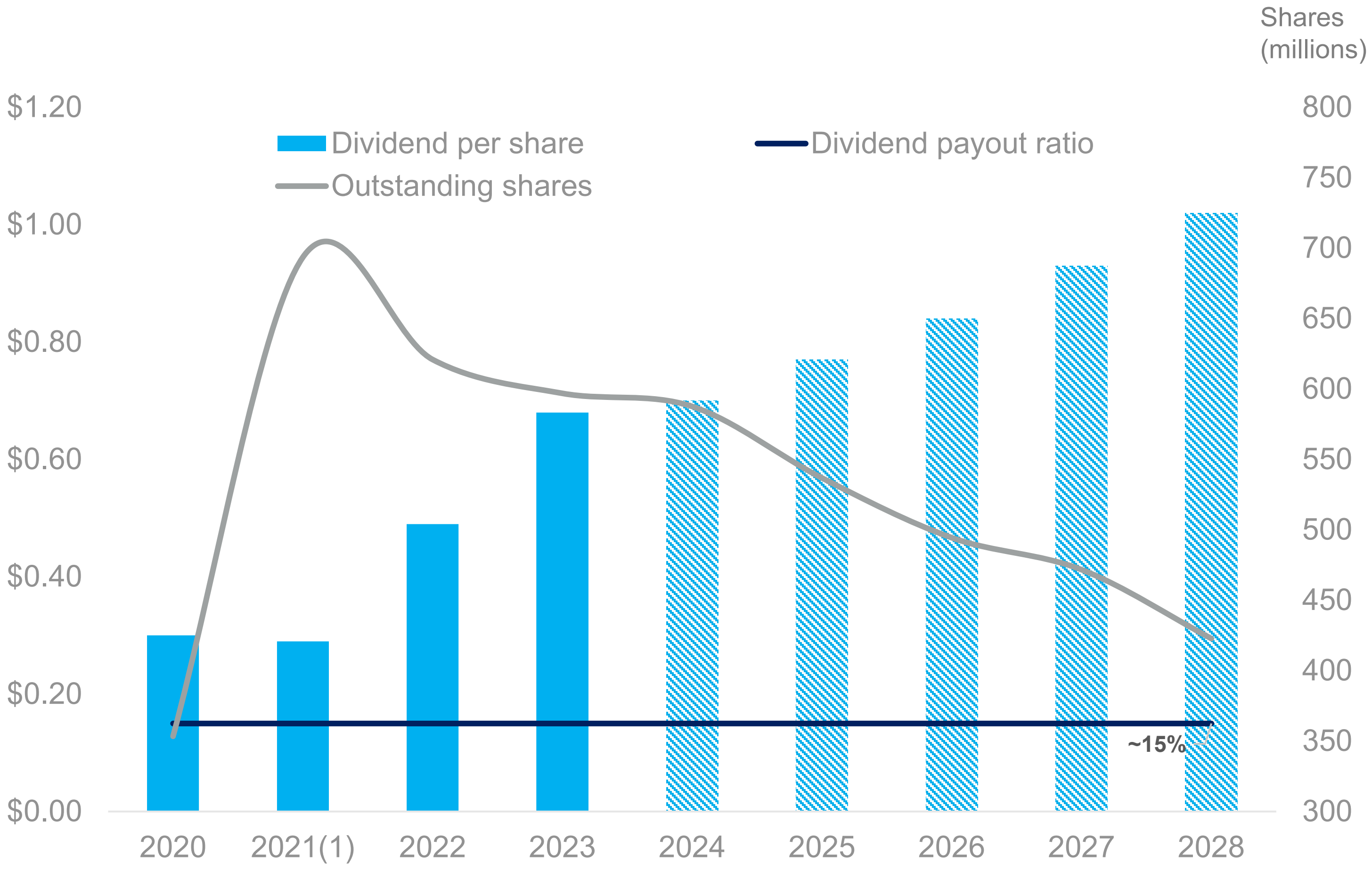





1) Non-GAAP Financial Measure — see "*Non-GAAP and Other Financial Measures*" in the *Advisory Statements* of this presentation.

# Return of Capital Strategy

## Balancing sustainable dividend growth with share repurchases




**>10%**
Dividend Per Share Growth CAGR[3]

**~15%**
Dividend Payout Ratio[3]
(% of FFO)

**Sustainable**
at Bottom-of-Cycle Commodity Prices

**Reduce Share Count**
To pre-Business Combination level

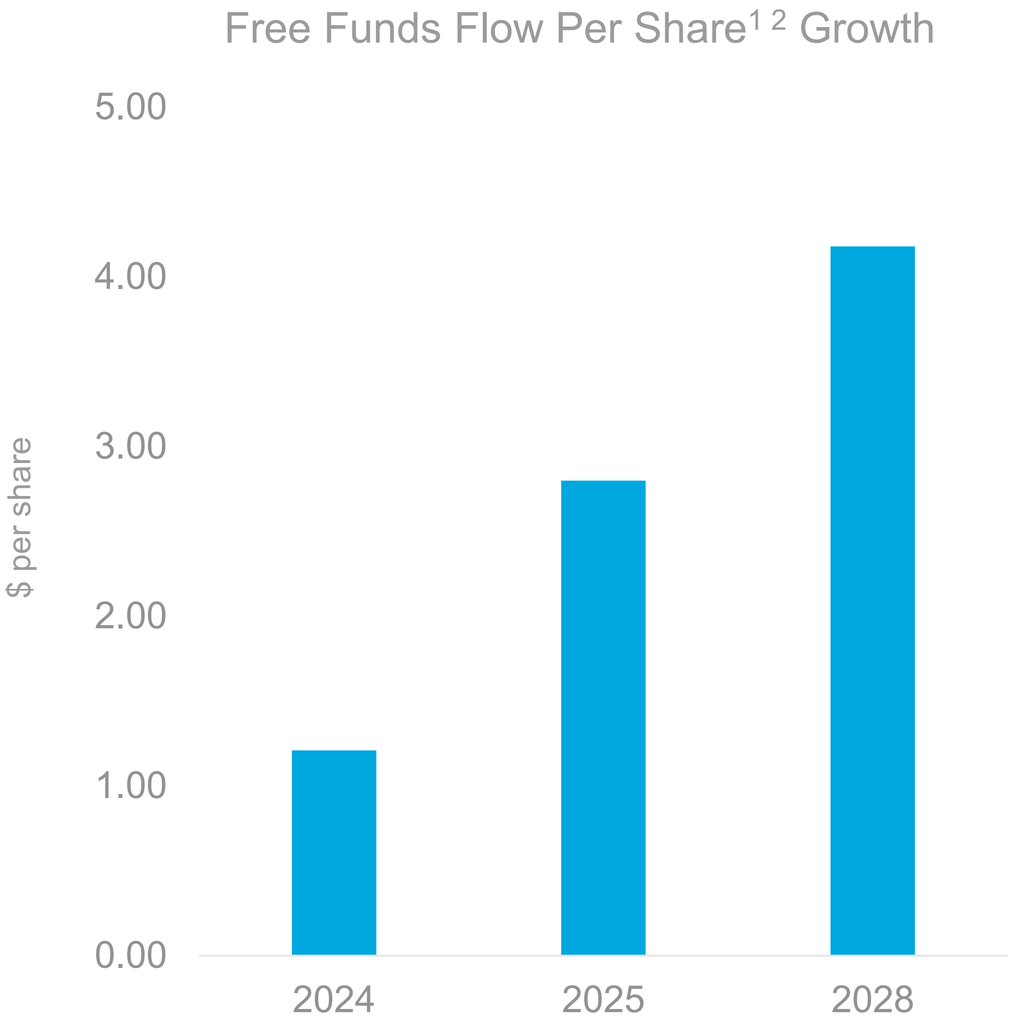


1) On April 6, 2021, ARC issued 369.4 million common shares to acquire Seven Generations . Following the business combination, ARC's outstanding common shares balance was 723.0 million.
2) Based on actual pricing in Q2 2024, and forward pricing thereafter of US$70 WTI; $3.50/GJ AECO.
3) Non-GAAP Financial Ratio— see *"Non-GAAP and Other Financial Measures"* in the *Advisory Statements* of this presentation.

Kakwa Field, AB

# Closing Remarks

# Key Takeaways




## World-class Assets

- Canada's largest Montney & condensate producer
- Capability to grow >500 mboe/d and sustain for greater than 10 years

## Commitment to Shareholder Returns

- Clear strategy to triple free funds flow per share by 2028
- Reduce share count to pre-merger levels, from 720 million to 350 million
- Increase the base dividend annually >10%

## Margin Expansion

- Expand margins through LNG agreements and organic growth in condensate rich assets



1) Non-GAAP Financial Ratio— see *"Non-GAAP and Other Financial Measures"* in the *Advisory Statements* of this presentation
2) Based on actual pricing in Q2 2024, and forward pricing thereafter of US$70 WTI; $3.50/GJ AECO.

# Advisory Statements

## Notes Regarding Forward-looking Information

This presentation 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 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 forward-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 balance dividend growth with share repurchases; ARC's plans to grow free funds flow per share and the anticipated timing and benefits therefrom; anticipated shareholder returns and the anticipated timing thereof; long-term resource optionality and production outlook; ARC's long-term outlook regarding capital expenditures, production and cumulative free funds flow; the completion of the remaining work in Attachie Phase I, including the 6 start-up pads; the anticipated return on average capital employed; anticipated capital allocation and reinvestment rates; estimated production volumes, commodity types for Attachie Phase I and anticipated timing thereof; anticipated capital allocation and reinvestment rates; ARC's five-year outlook regarding dividend growth; the development for Attachie Phase II and the anticipated timing and benefits therefrom; ARC's Sunrise Development Plan; the condensate market overview and outlook; the condensate demand outlook; the United States gas market outlook; the WCSB gas market outlook; ARC's natural gas marketing strategy, including its natural gas financial exposure; the ability of the Attachie asset to drive production and reserve growth; global LNG supply and demand outlook; and other statements. 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 presentation 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 normal course issuer bid; 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 2024 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 2024, 2025 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 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; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

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## Notes Regarding Forward-looking Information

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this presentation are made as of the date of this presentation 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.

The future acquisition of common shares pursuant to a share buyback (including through ARC's normal course issuer bid), if any, and the level thereof is uncertain. Any decision to acquire common shares pursuant to a share buyback will be subject to the discretion of the Board of Directors and may depend on a variety of factors, including, without limitation, ARC's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on ARC under applicable corporate law. There can be no assurance of the number of common shares that ARC will acquire pursuant to a share buyback, if any, in the future.

## 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 anticipated increase in free funds flow allocations to shareholders; 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 undertakes no obligation to update such financial outlook. The financial outlook contained in this presentation was made as of the date of this presentation and was provided for the purpose of providing further information about 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.

In this presentation, ARC has presented certain type curves and well economics for its Montney area. The type curves presented are internal management estimates based on ARC's historical production and $70/bbl WTI oil pricing. Such type curves and well economics are useful in understanding ARC's assumptions of well performance in making investment decisions in relation to development drilling in such areas and for determining the success of the performance of development wells; however, such type curves and well economics are not necessarily determinative of the production rates and performance of existing and future wells and such type curves do not reflect the type curves used by ARC's independent qualified reserves evaluator in estimating ARC's reserves volumes. The type curves differ as a result of varying horizontal well length, stage count and stage spacing. The type curves represent the average type curves expected.



ARC

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## 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 2023 Annual MD&A.

References to disclosure in Q2 2024 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 and six months ended June 30, 2024 ("Q2 2024 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 Q2 2024 MD&A for a quantitative reconciliation of free funds flow against cash flow from operating activities, its most directly comparable GAAP measure.

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***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 Q2 2024 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 Q2 2024 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 Q2 2024 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 average 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.

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## 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 Q2 2024 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 Q2 2024 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 primary financial 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.

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## 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 discloses 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 in the Reserves Report or any associated resources other than reserves. All drilling locations have been presented 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 do not have attributed reserves or resources and are therefore 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 all unbooked drilling locations will be drilled, and if drilled, 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 including, without limitation, availability of capital, regulatory approvals, crude oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained, and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells, where Management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled, there is more uncertainty that such wells will result in additional crude oil and natural gas reserves, resources, or production.

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## 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 ascertained the underlying economic and other assumptions relied upon by such sources. ARC believes that its market, industry and 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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