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EDITED TRANSCRIPT

ARX.TO - ARC Resources Ltd Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Alicia Chernuka

Darren Drake

David Kehrig

Harold N. Kvisle *ARC Resources Ltd. - Chairman of the Board*

Katherine Gomes

Michael Capon

Michael West

Myron M. Stadnyk *ARC Resources Ltd. - CEO, President & Director*

Sara Johnson

Sean Stuart

Trevor Luken

PRESENTATION

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Good afternoon, everyone, and welcome to the ARC Resources Annual General Meeting. My name is Harold Kvisle, and I'm the Chair of the Board of ARC Resources. I would like to welcome everyone in the room here certainly, but also those shareholders that are joining the meeting by webcast today.

And to start things off, I'd like to introduce the other directors and officers of ARC who are present today, starting with the Directors and I would ask that each Director stand as I call their name. First of all, Dave Collyer, John Dielwart, Fred Dymont, Jim Houck, Kathleen O'Neil, Herb Pinder, Bill Sembo and Nancy Smith. And of course, Myron Stadnyk, our President and CEO, who is seated with me here at the front.

I'd like now like to introduce the officers of ARC and I'd ask that they stand after I called their name . Terry Anderson, our Senior Vice President and Chief Operating Officer; Van Dafoe, our Senior Vice President and Chief Financial Officer; Bevin Wirzba , Senior VP of Business Development and Capital Markets; Chris Baldwin, Vice President, Geosciences; Ryan Berrett, Vice President, Marketing; Kris Bibby, Vice President, Finance; Sean Calder, Vice President, Production; Lara Conrad, Vice President, Engineering and planning; Armin Jahangiri, Vice President, Operations; Wayne Lentz, Vice President, Business Analysis; and Lisa Olsen, our Vice President of Human Resources. Thank you.

So the meeting will now come to order. I will act as Chair of the formal part of the meeting. Following the formal portion of our meeting today, Myron Standnyk, our CEO, will make a brief presentation on the business of ARC. In order that this meeting covers all of the business for which it was convened within a reasonable period of time, we pre-arranged with a number of persons attending this afternoon to move and second certain resolutions. This procedure is not an attempt to discourage participation, it's merely a way to expedite the proceedings.

The Chair, myself, will accept questions from registered shareholders and proxyholders on each formal resolution. In addition, after the presentation, there will be a general question-and-answer session.

I will ask Kelsey Clark, seated on my right, to act as Secretary of the meeting and Sonny Schmidt and Connor Doyle, representatives of Computershare Trust Company of Canada, to act as scrutineers.

Regarding the notice of the meeting, I've received a declaration from Computershare Trust Company of Canada as to the mailing of the meeting material to our shareholders. Business may be transacted at this meeting if 2 or more persons are present, we have that. Holding or representing by proxy not less than 25% of the shares entitled to vote at the meeting. So we've now received the scrutineers' report and it shows that there are



present at the meeting 17 persons holding or representing by proxy 257,298,270 common shares or 72.7% of the common shares which are entitled to be voted at this meeting. There is therefore a quorum of shareholders present today. I know accordingly declare that the meeting is regularly called and properly constituted for the transaction of business.

We are onto voting. We will conduct each vote by way of ballot other than vote to terminate the meeting. I understand that the scrutineers have collected all the balance. If you have a ballot -- if anyone has a ballot in hand that you'd like to submit, please provide it to the scrutineers now. I'm seeing none. Particulars of the votes cast on all matters may be obtained from the Secretary after the meeting. In addition, a news release will be issued following the meeting announcing the voting results.

The next item of businesses is the audited financial statements. I would like to formally place before the shareholders the financial statements of ARC for the year-end of December 31, 2017, and the auditors report thereon. These materials were previously distributed to shareholders and posted on our website. There are extra copies of the financial statements available here at the back of the room today.

The next item of our business is the election of Directors of ARC. I will now entertain nominations for 10 positions as Directors of ARC Resources. Could I have the first nomination?

Sara Johnson

My name is Sara Johnson, Manager of Mineral Land and Business Development at ARC. I'm a shareholder and I nominate David Collyer, John Dielwart, Fred Dymment, James Houck, Harold Kvisle, Kathleen O'Neill, Herb Pinder Jr., Bill Sembo, Nancy Smith and Myron Stadnyk as Directors of ARC, to hold the office until the next annual election of Directors or until their successors are elected or appointed, subject to the provisions of the Business Corporation Act of Alberta and ARC's bylaws.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Sarah. Is there a seconder?

David Kehrig

My name is David Kehrig, Manager of Facilities at ARC. I'm a shareholder and I second the nomination.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, David. Are there any further nominations? As there are no further nominations, I know declare nominations closed. The Board of Directors of ARC has agreed to conduct the election on an individual basis for each Director in accordance with our majority voting policy. Is there any discussion or question with respect to the election of Directors from any registered shareholder or proxyholder?

Unidentified Participant

(Inaudible) that we have, there seem to be -- you can hold it close please because I'm going to be turning pages. Thank you, young lady. I'd like to find out since the last meeting, why have there been fewer meetings that the share -- that the Directors have been attending than the previous time when we met, and yet, each shareholder seems to be paid the same. I will give you examples. Mr. Kvisle, last time, you were at least 16 meetings that we paid you for, we're paying you the same amount, yet you only did 12 meetings, according to the handout. I would also like to point out that we have -- I'm using repurpose paper here because I can't afford regular one-sided paper like you all can. Then we have -- I'd like a question about Mr. Dymment. It seems that he is on 2 other boards and I'm wondering how he is able to do that when he's mostly working full-time for us. Then I'd like to point out that Mr. Diamond, we paid him for 19 meetings last time, yet this time, it was only 15, and yet he's getting paid \$235,000 for those meetings, which is \$15,666 per meeting. I then like to point out and get an answer as too -- let me turn the pages. Ms. O'Neill, I would like

to find out whether -- what we have here on the brochure is actually accurate, because last year, it appeared that Ms. O'Neill was on 5 boards, spreading her time very thinly, yet we were paying her \$196,000, and yet this year, it looks like she's only on one other. So I'd like to get an answer to that.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

An answer to what?

Unidentified Participant

As to whether she has actually stepped down from these others or whether there is a mistake in what information that we were receiving.

Then I'd also like to point out that Mr. Pinder, last year, we paid him for 18 meetings, yet we are paying the same amount of \$235,000 for only 16 meetings this year. I'd also like to get an answer whether Mr. Sembo actually is now not on 4 other boards spreading his time, but whether we've got him full-time now, because it appears on the information that we're getting this time, it doesn't show that and yet that meant he stepped down from 4 other directorships. He also was paid 16 meetings last year and only 15 this year.

Then I'd also like to find out about Ms. Smith, and it looks like she was on 3 other boards last year, and yet it looks like she's only on this one this year. I'd like to find out if that's accurate, because last year, she did participate in 15 meetings and heaven forbid, she did 2 more at 17 this year. So that seems to be a bit of an improvement in that regard, yet we're paying her \$220,000.

The reason I'm so dismayed at all of this is because we have Directors that are not putting in as many times in meetings as we got last year, yet we're paying them the same amount. And yet, since last year when we met, our stock price was at \$17.91. This year, on April 30, it was \$14.39. That's a 20% decrease. That in my book is not satisfactory, and I don't care what the excuses are, but that's just not satisfactory, because the last time we had such low prices, in fact, even in December of 2008, our stock price was \$15.18. So you directors can't come forth and do a little better for us, I'm saying it's pretty disgusting. So I'd like some answers to the questions I posed.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

So, first of all, with regard to the compensation of Directors for the year and by meeting, I would refer you to the proxy circular disclosure where all of that is laid out in detail. As far as other boards that our Directors are on, I am 100% confident that the material in the proxy circular is correct and I would refer you to that. With respect to the share price, more than anything, it's driven by commodity prices in our business. And I think ARC's performance actually relative to its peer group would be positive relative to the peer group. We're all affected by the same macroeconomic factors in this business and I regret as much as you do that our share price is down, but the reality is it's a function of commodity prices and overall macro industry as well as our own performance. Our performance has been relatively good and I think that's the simplest way to address that question. Is there another question from the floor?

Getting none, we will move forward. And I'm advised by all -- I'm advised by the scrutineers that all Directors received a majority of votes in favor of election. I declare those nominated as duly elected directors of ARC and I would note at the percentages of support were over 90% for all of our directors. So our large shareholders and institutional shareholders are very supportive of the board, and I thank them for that.

The next item of business is the appointment of auditors of ARC. Is there a nomination?

Katherine Gomes

Katherine Gomes, Controller at ARC. I'm a shareholder and I move that PricewaterhouseCoopers LLP, Chartered Accountants, be appointed auditors of ARC until the next annual meeting or until their successor is appointed and that their compensation be fixed by the Board of Directors.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Is there a seconder?

Darren Drake

My name is Darren Drake, Manager of Financial Accounting at Arc. And I second -- I'm a shareholder and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Katherine and Darren. Is there any discussion or question from any registered shareholder or proxyholder with respect to the appointment of auditors of ARC. Hearing none, I'm advised by the scrutineers that PricewaterhouseCoopers LLP has been appointed as the auditor of ARC for the coming year.

The next side of our business is a nonbinding vote on our approach to executive compensation. Could I have a motion?

Sean Stuart

My name is Sean Stuart, Manager of Completions at ARC. I am a shareholder and I move that the nonbinding advisory resolution concerning ARC's approach to executive compensation as set forth in the information circular of ARC dated March 15, 2018, be approved.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Sean. Is there a seconder?

Alicia Chernuka

My name is Alicia Chernuka, Supervisor of Strategic Planning at ARC Resources. I am a shareholder and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Alicia. Is there any discussion or question from any registered shareholder or proxyholder with respect to the say on pay vote.

Yes. We have a question up here in the third row.

Unidentified Shareholder

Yes. Hello. I neglected to let the crowd know that my name is (inaudible), although I note that people upfront know me well by now. And I do hold all the proxies for my own company. I'd like to find out -- when we have the say on pay, I'd like to find out why is it that during this downturn? And we have a lot of people who are still having struggles in finding good employment or any employment. We have people in our executive who not only earn millions a year, but receive 100% bonuses from last year. Our CEO last year received a bonus of \$325,000, that is to say 2016, and this previous year 2017, we've given a 100%, up to \$650,000 he was given just as a bonus. That doesn't count his salary which most of us or 570,000 don't even get ever in our life, let alone all the stock options or whatever else you want to call them that get shoveled his way for \$4,496,000 in the year 2017, that being a 13.21%, so 13% increase from 2016 to 2017. Yet, as I indicated to you, our share value price has gone down 20%. There is

something wrong in that picture. And please, Mr. Kvisle, don't go telling me that you've got to follow everybody else of the railroad track and jump into the water because they're all doing it, because that is a non-acceptable answer.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Well, I am afraid, it is an acceptable answer, and it's actually the truth. We operate in a highly competitive industry here in Calgary and we pay very close attention to what other companies are paying in terms of compensation, not just at the CEO level, but for all of the officers of our company, for the vice presidents, at the management level and the rank on file. It's a remarkable thing in Calgary how transparent compensation levels are. We're able to access excellent information on all levels and all categories of employees, and our commitment of ARC is that we will pay our employees fairly at a competitive level and keeping with the marketplace. We have moved in recent years to reduce our targeted base salaries to the 50th percentile of what the industry data shows, and that applies from all of our employees right through to the executive level and the chief executive. In the 2 difficult years following the 2014 commodity price collapse, we've reduced the target bonuses for employees to 50% of what market data showed that they should be. And thanks to the commitment and, I think, loyalty of our employees, we had a very high engagement score among our team and a very high retention of key people, notwithstanding, but I think a lot of people recognized and felt that others in competitive companies might be getting paid more.

In terms of long-term incentives, there's a big difference between what is reported as the awarded value and what the ultimate value actually ends up out. And that's important. We feel that when we award stock units and stock options, they're only going to be valuable to the employee if the shareholder also benefits. So in tough times like we've experienced in the past 12 months, we are not driven by the performance of the company, but really driven by institutional investors moving out of the whole energy sector. We've seen our share price go down. That significantly reduces the value of compensation to our executives, and that's exactly the way the plan was supposed to work. So while I understand your concern about this, I think as a board, we're committed to paying our people at a competitive level. That is very much the reality in the Calgary marketplace today. We pay close attention to that and that will be the policy of this board going forward. Is there another question?

Unidentified Shareholder

Thank you for your lovely words, Mr. Kvisle, but you know, your lovely words are just like, and I should say with impunity, the pretty boy we have in Ottawa really doesn't do anything, except spout empty words. What you have told us may have sounded well and good, but the fact remains that there is a nosebleed section of very few people percentage-wise of the population in Calgary who are earning these nosebleed incomes. And it all comes off the bottom line for what the rest of us are getting as dividends. And I can assure you, when you take a look at the numbers and you see our share price is going down and yet you're increasing the pay of your executives. I mean, even your Senior Vice President, Mr. Dafoe, got an 87% bonus increase from last year. I'm sorry, that does not fit well. And like I say, if you want to be amongst that little-rarefied air of people, that's not reality, and maybe all of you in the industry should get together and start coming down to reality because that is not right. Stealing from the shareholders, the minority ones, that is what you're really doing. Thank you.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

I just observed that 90.85% of the votes were in favor of say-on-pay in that circumstance.

Next item is confirmation of amended bylaws. The next item being approving an ordinary resolution to confirm the amended bylaws in the form set forth in the information circular of ARC dated March 15, 2018, which incorporates advanced notice provisions with respect to director nominations. Could I have a motion please?

Trevor Luken

My name is Trevor Luken, Supervisor of Crude Oil Marketing here at ARC. I'm a shareholder and I move that the ordinary resolution confirming the amended bylaws as set forth in the information circular of ARC dated March 15, 2018, be approved.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Trevor. Is there a seconder please?

Michael West

My name is Michael West, Manager of Production South at ARC. I'm a shareholder and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Michael. Is there any discussion or question from any registered shareholder or proxyholder with respect to this motion? Hearing none, the scrutineers have advised me that an excess of 90% of the votes are in favor of the vote to confirm the amended bylaws. So those are approved.

Now on to other business. Unless there are any questions from the floor, I would entertain the motion that the formal part of this meeting be terminated, which will allow us to get on to Myron's presentation. Is there a motion?

Sorry, did you have a question with respect to the bylaws. Well, I think we can hand -- if you wish to proceed with that now, we can do that.

Unidentified Shareholder

In a simplest way, what it is that you are planning to do to increase the share price? My company has lost tens of tens of tens of thousands of dollars on the value. Some here may have only lost a couple of thousand, but these kinds of losses are not something that my company can really continue to sustain. And the only reason we're hanging in there is hoping for a better future. So I'd like to get an answer as to what you plan to do to increase the share price. Thank you.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

So I think that the right way to answer that question is with the presentation that Myron will make. The company has got some, I think, very attractive plans for development and value creation going forward. And always, of course, subject to commodity prices, those plants can go well or not so well. But I think the best answer to your question is in the presentation that Myron's going to give. And if you have more questions during or after that presentation, we'll be happy to take them on.

So I would entertain a motion that the formal part of the meeting be terminated.

Michael Capon

My name is Michael Capon, Manager of Information Technology at ARC. I'm a shareholder and I move this meeting be terminated.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Michael. Is there a seconder?

Unidentified Shareholder

My name is Jeff (inaudible), Manager of Production North at ARC. I'm a shareholder and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Jeff. Could I ask all in favor of terminating the formal part of the motion to raise the right hand. Any contrary? Seeing none, I declare this meeting terminated. And thank you all for participating in the formal part of the meeting.

I'd now like to turn it over to Myron Stadnyk. If you have any questions after Myron's presentation, please raise your hand and a microphone will be provided. Myron?

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

It's great. Let me start by welcoming everybody as we move into our 23rd year of operating ARC. It's again an honor and a privilege to speak on behalf of our entire company, our staff and our board, and I look forward to updating you on all the good things that are going on at ARC. So here is our plan. I would quickly go through and summarize for you what we're up to ARC and just give you a quick snapshot of the company, and I think probably important to step back and talk about the commodities from a global perspective, just for a few minutes, talk about our specific strategy, how we did in '17 and some of our look-ahead projects, and hopefully, that gives you context to the way we're steering the company and thinking about perpetuating the long-term success here at ARC.

So put this -- start with this, let's give you a snapshot of where we are at ARC. To me, I find it really interesting, it's a lot of hard work traveling around the world, but our business plan, despite the headwinds of being a Canadian energy producer, we're attracting investment around the world. So I think it's notable that our global reach is increasing, 35% U.S. owners in our stock now, 10% in Asia and Europe and 55% here at home. And I think, we ask ourselves why is our breadth increasing in the eyes of the investor. And I think it's doing what we say we're going to do. We really continue to do our best work and be very disciplined about our capital investments. I hopefully can emphasize the point today in this presentation, how our efficiencies continue to improve in a very competitive business, how we have respect for safety of our people, how we respect the environment and how putting that all together and running a high-quality company is welcome in the eyes of the shareholder.

So as we've move through our 22nd year, we've become one of Canada's top 10 conventional light oil producers and also one of Canada's top 10 low-cost gas producers. So that's where we've arrived at. And just spend -- have a couple slides on the global commodities because I think people are really interested in oil commodity prices and where the gas prices might be.

So the first chart on the left, the supply-demand balance chart. When the bars are going up, there is too much supply; when the bars are going below the X-axis, there is not enough supply, but what -- I think the punchline here is the world is now consuming 97 million barrels per day of oil. When I started in the industry, it was 57 million barrels. So it continues to move up at about a million barrels per year. So the world demand is increasing about 1% per year.

Interestingly, it's only 2 years ago that oil was \$26 and you can see as OpEx is cut and as the excess supply that was provided to the world when oil was \$80 and \$90, \$100 a barrel is used up and the inventories get back in line, the pricing is strengthening, brings us into our current world. So the price of oil has doubled in the past couple of years from a really dramatic low. Similarly, on gas, with the chart on the left, it illustrates that Canada and the U.S. is about 100 billion cubic feet a day market. That's about 30% of the entire global natural gas business. But I think what's really important, it's hard to see on these charts, but the demand of oil's going up 1%, but the demand for natural gas is going up 2% to 3% per year. And you can see the trajectory on the LNG chart here. LNG demand's actually outpacing that and going up 6% to 8% per year. So as we think about our business plans and the U.S. has a really strong start on getting LNG exported to the world, which is that light green wedge on the middle graph, they are already licensed to export 10 B's and about 1/3 of that is already happening. You'll see our ability to connect to these strong markets as I go through the presentation, allows us to go to the best demand centers and secure the best pricing for our gas product.

China is adopting gas much more rapidly than people anticipated. Lots of little coal conversion is going on, and that's really increasing the demand and globalizing natural gas. At the same time, our markets in North America have grown 40% in the past 10 years. So a lot of positives in gas, the price is lower, but the reason for that is really a technology revolution. So if you look back 10 years, you'll see those heady days of \$8 and \$12 in Mcf gas prices and that steady decline in the gas price really is a technology story, the Montney, the Marcellus, the associated gas from large plays



in the U.S. stabilizing that gas price and that line's pretty much a flat line now. We need to be able to be profitable and prosper in that \$3 environment. And as I go through the presentation, you'll see the steps we've taken to ensure that.

Now, this is a little bit of how-to graph on how to make money in natural gas, even though that -- those prices have come to a new stable point. So it starts with geology. So the finding and development cost, you can see here at Sunrise. This looks at the property called Sunrise. We're funding our gas now for \$0.45 in Mcf. That's the most recent number. We've built our own infrastructure. Dave, who gave one of the motions, looks after infrastructure development. Once we've build owner-owned facilities, we're operating and paying our royalties for \$0.40. So that gas is coming out of the ground and being processed and found for \$0.85.

Then we move to the AECO hub. We've had a very proactive approach to securing our firm contracts. So we've had no issues. We get to AECO for \$0.30. But one better than that, for many, many years, we've been sending our gas right through to the Chicago market. So because of very competitive pricing and things we negotiated a few years ago, we're able to get our gas to Chicago.

And then this NYMEX hub that I talk about where all the action is on LNG exports and Sabine Pass and exports to Mexico. We're actually getting to Henry Hub, which is associated with the NYMEX price for CAD 2.15. So, with the exchange rate, that's a dollar USD 1.60 or USD 1.70. Why that's so important to us is really chief competitors up, called, the Marcellus pool, which is Pennsylvania, Upstate New York. And when people develop gas there, they're finding it for a very similar cost. But in general, they structure their businesses to use midstreamers, they have to pay expensive pipe to get through urban areas, new pipe builds, and their cash costs are about USD 2. So we are finding our gas and getting all the way down to Henry Hub, and we have a study on the top 10 producers in the Marcellus and their cash costs are actually higher than ours. So it's very interesting when you look at the distance, but the efficiency of our business and the ability to compete with the best of the best. So there's more to it than transportation's critical, finding and developing is critical, but visioning where we are going on our capital efficiency to how we're maintaining the corporate profitability, even though the commodities are weaker than they were 10 years ago. In simple terms, our net used to cost us \$30,000 to \$50,000 to find a barrel of oil. This is graphing away, really speaks volumes to the efficiency of the money. And if you follow that graph to the end, you'll see we're now -- we're finding a BOE for \$10,000. So that interestingly mirrors those commodity price and we're able to flourish even though we're in those bandit lower prices. So the real story here is the integration of our team as we introduced my team, the integration of strong geology, strong project management, visioning how these projects happen a couple years from now, the marketing connection and building that business and stewarding the capital in a very efficient way. And there is external validation that these small pieces have fantastic deposits. We think it's one of the world's top 5 deposits. It's a gas deposit and is great in multiple ways. But if you look at the entire production, the Montney is illustrated in red. This is the entire production of Western Canada. It's kind of come out of nowhere in the past 5 years and now it's more or less 1/3 of the production wedge. So it's a real powerhouse for development, the most economic play as indicated by the outcome of how the gas is displacing the other gas plays in Western Canada.

You can also see with the declines, not just the Montney, but the other plays. There is a continued need for investment in Western Canada so that we can keep our gas volumes to supply the markets that need it. And we -- all these developments, we predicated on the principle of profitability. So if you go back 22 years at ARC, our average return on average capital employed is 10.5%. That focus on profitability and running a financially strong company, effectively stewarding capital, gives you the financial ability to pay a dividend, and it's a pretty exciting year '17 because we eclipsed the payment of \$6 billion and quite an accomplishment.

Our overall returns to the shareholders in the 22 years are 12% annualized. And our plans for the future, we want to maintain our strong returns. The other real important point about the Montney. As we develop the Montney, it takes less cash to sustain itself versus the assets that we used to have. That's very important as we look ahead on how to perpetuate the dividend and how to continue to grow our company. So these are some of the accomplishments in 2017.

And the balance sheet really is a hallmark of ARC. Our balance sheet stays strong. We accomplished a lot last year. Our cash flow per share, which is a question about share price. Share price often links to cash flow per share, it correlates. It was actually up 15% from '17 to '16, and unfortunately, our shares went down because of investor sentiment, but the underlying business was actually stronger than it was the year before. So I think that's a very important point.

We had record production. And for those of you that follow us closely, we had sold our Saskatchewan assets in December of '16. And the reason I put up the Q4 '17 numbers is we actually almost fully rebuilt back the liquids volumes of that sale within one calendar year. So very positive record production, record reserves.

We did the largest infrastructure project in the history of the company. We call it Dawson Phase III, 7,500 barrels of liquids capacity, 90 million connected to marketing solutions on the liquids and the natural gas and wonderful project completed early and safe.

So in summary, it was a great year operationally with a lot of accomplishments. One of the real important ones on this page is that we had over 4 years now of no lost time accidents for our staff, which makes us feel -- it's very rewarding for us as we manage the business to see our people be safe and have those good outcomes.

So talked about the strong balance sheet. So I think everybody who's followed ARC and been at AGMs before knows that we really focus on strong balance sheet. This is the ultimate protection for the company to keep our ability to plan and to invest countercyclically. And the story here, if you look at that gray band, that's debt to trailing, so the cash flow divided by the debt in the range of 1 to 1.5, which for most energy companies would be considered low debt or strong balance sheet. So you can see the green line where we were in 2015 and then in '16, we sold Saskatchewan. So you can see our balance sheet went from a strong balance sheet to a super-strong balance sheet. That green line dropping down to 0.5. And as we are building the projects that I just talked about, Dawson Phase III, Sunrise this year and another project in 2020, we're really building back our debt and using our cash flow from our company in excess of paying the dividend and sustaining the company. And in a way, we are pre-funded for our growth. So very strategically important, almost pre-funded to invest countercyclically and that allows us to fund the infrastructure during this downdraft.

I talked about the dividend. We are so happy about it, we put it in twice. We continue to pay our \$200 million out to our shareholders. And when you think that this company started as \$180 million IPO and it's now paid out over \$6 billion of dividends, it's truly remarkable, and it speaks to the CEOs before me and this is in our DNA as we run the company into the future.

So here's what's doing it for us. We need quality assets, profitable assets to generate these accomplishments. So I'll just quickly dive into the Montney a little bit. This is a map of our lands. We're the third largest landowner in the Montney, 770,000 acres. And on those lands now, part of the big news from '17 is there's over 10 billion barrels of oil in the Northeast BC, [puce] part, 9 billion barrels of that in Attachie. And so that's very important property that you can see at the northwest reaches of the map on the screen. So we have massive resource and that leads to decades of development opportunity for the company. What's really important, I think, is if you look at our lands on that 45-degree angle, you kind of see they are situated to the northwest of that intersection of the oil and gas. So we have a lot of strategic optionality on our lands. So in addition to the 100 trillion cubic feet of gas in place are the 10 billion barrels of oil.

And this next chart is a cross-section. So looking at the actual Montney. So the depth of this is about 2 kilometers down, so 6,500 feet and actually Montney is about a thousand feet thick, so the building we work in across the street is 518 feet tall. So it's 2 of those buildings thick and that allows us to drill these multiple zones into the Montney. Now last year, the sales of Saskatchewan allowed us to invest and derisk some exciting zones within this Montney. So, particular note is the gray one, when you're reading about the lower Montney. That's what we call the lower Montney. And we've had a couple of the best well results in the history of the company underneath Parkland, and this well was producing 600 barrels a day of condensate in addition to 4 million a day of gas. And beneath Dawson, we have some very strong wells, 7 million a day gas production, 300 barrels plus of sustained condensate production. So it's almost like we've discovered a new oilfield, gas field condensate play beneath our existing infrastructure that allows us to optimize the economics, and there's thousands of locations here. We also now interconnecting the infrastructure. So we have the geological strategic optionality and then we'll have the infrastructure optionality as we interconnect it. And this year, for example, we're drilling those grey wells those liquid rich wells instead of the dry gas wells, and we'll get more revenue from the condensate with the current oil price.

Now this the slide that our team has worked tremendously hard to achieve this outcome. And we're calling this the ARC of today. It's very telling and interesting and just helps give a little bit of insight into how competitive our industry is. So we had a very fine company from 1996 to 2008, and we had great returns. But as we saw those commodity prices getting into bounded areas, and we drilled our first Montney well in 2005, we looked at that and said, "wow, this Montney is the future, it's going to be lower finding cost, increased profitability, we need to transform our

business from yesterday's assets in Western Canada to tomorrow's assets." So fast forward to the completion of the Sunrise plant, which will start up in Q4 this year, our company will be 90% new, essentially 7 or 8 years -- within 7 or 8 years, so that's a 23-year-old company, but really it's 7 or 8 years old and we've completely transformed it and it's twice as big as it was in 2009.

So that's the infrastructure that's shown here. We own all of that, all our shareholders all of that. So you'll garner benefits for decades to come from that. So we talk a lot of one of our principles in ARC. We talked a lot about building a company that can last and one of the little taglines that comes along with some of these books we read about it is good enough, never is. And I thought it would be interesting how we exercise that discipline ourselves to build ARC to just kind of go through some of those diagnostics. So that chart on the top left that talks about production, basically, that said what I said ,already we're twice as big as we were in 2009. But what's really interesting is we're twice as big, but we have 80% last gas wells than we had in 2009. Our ability to hold the company flat actually takes 30% less money than 2009, even though we're twice as big. And our finding and development costs in 2009 were over \$14 a barrel, they are \$5.50 now, our 3-year F&D, so it's 60% less to find the product.

Our operating expenses. Sean and his team have worked really hard on this. We dropped 40%. So we used to be over \$10 a Boe, now -- last year, we were \$6.41. And our headcount's been reduced and our G&A is more efficient.

So that's the type of tough, tough slugging and work in every aspect of the business to continue so that we can continue to prosper in the future. And here's the profitability that I hinted out in the beginning of the presentation. So a lot of people are talking about profitability. We're in a very fortunate position to be able to show our 22-year history. And so in 2017, we had a 14% return on capital employed, which returns the cost of capital.

Now here is what we are up to going forward in this kind of interesting 3-year time frame when we're repatriating those funds that we garnered from the Saskatchewan sale. So if you kind of look at the dividend, the black box, that's \$200 million a year. We can sustain ARC \$350 million, \$400 million. We put \$400 million on here to be conservative. So last year, our cash flow was \$730 million, \$600 to stand still. So we paid \$130 million paid for the Dawson Phase III plant. It started up so nicely and then some of the money from the Saskatchewan divestiture helped pay that and the debt went up a little bit. And we still have that super-strong balance sheet I showed on the green line. That divestiture is big enough that it's going to help supplement the cash flow and allow us to finish Sunrise Phase III and Dawson Phase IV or Attachie depending on what property project competes for capital in 2020 timeframe and move our company, continue to move our per production per share because we won't have issue equity, and we've now achieved 3 years of not issuing equity of the company and our per share performance is improving.

So we have to think about where we sell our product. If you've been looking at AECO gas the past few days and you see the \$0.40 and those lower prices. So because of the good work of our marketing team, I'm able to stand up here and say well that really doesn't affect our business. This year, we're only 5% exposed to AECO pricing. So steps we took a couple years ago, 3, 4 years ago have diversified our gas that we're selling into Chicago into Dawn down to Henry Hub. Recently, we just started selling to Merlin, which is Northern California, Southern Oregon. And we also had financially hedged to get part of our portfolio. So last year, the average gas price AECO was \$2.17. So I think that's the punch line. And at ARC, we were able to derive \$3.34 per Mcf. So not only do we have the work going on the technical side to provide the product, the marketing, and those 2 dovetail together to generate our cash flows.

And we've done this safely. I already talked about our pride in the employees statistics. Unfortunately, we had 2 contractor LTIs last year. One was a sprained ankle in Drayton Valley and one fellow just slipped off a ladder about 2 feet. So neither one was grievous. But I think it's important that we do our best work to keep our contractor safe as well. And I'm happy that those were minor incidents. I think safety is really interesting. We're always looking at ways to improve continuously. At ARC, we're developing our own kind of system where we're able to take the information and the safety information and get it right to the handheld devices. So we're going to have people being able to access information on procedures right from their phones, kind of an interesting thing that Terry Anderson and Armin and Sean are are working on.

We also have technology on our vehicles now that helps us learn to drive better, and that's really helped a lot with driving. So we're using technology to help us with safety as well as focusing on a culture of preventing hurt and showing respect to our people.

As far as the environment, I've talked in years before about our commitment to doing our best work around managing air, water and land. A couple really nice examples this year. The photo of the electrical substation that we just finished building this a few weeks ago up in Parkland Tower. That

property was previously using natural gas to generate electricity and those emissions would go up into the air, and you'd have to pay the carbon tax of \$30 a ton, but you also had those emissions. So what's unique about where we operate in Northeast BC, there's a lot of hydro dams on the Peace River. We're able to buy hydroelectricity to feed our facilities. So we don't have any of those turbines running anymore in these facilities, and we also take the asset gas and sequester into the ground. So I would dare say that these are among the lowest carbon footprint developments for our industry anywhere in the world, and we're really proud of the way that technologies are all coming together to be very thoughtful about our approach to it.

Similarly on the water use. Water is a little bit of a scarcest resource in the fall in BC. But right now, same as Calgary. Those rivers are flowing right up to the top and so we've devised a scheme where we're able to move the water into these pits in the spring, have that last us for a year and then not require use of water when it's needed for agriculture and other industries. So really thinking about where we are in the queue and being cooperating with the bigger picture. We're also know the part of a community, really proud to support where we can, and these are some examples of some of the charities. These ones are a little bit Calgary-based, but we support the hospitals in Fort St. John, Dawson Creek, Art Center in Dawson Creek, Children's Hospital in Edmonton and Calgary, and we tried to reach where we know we can impact, do good things for people in our community. It's engaging and satisfying for our staff and for myself, and we'll continue to give back where we can with our funds and with our personal commitment.

So why invest in ARC and what's important about our company that's going to continue to perpetuate our success? So I think this is a little bit of a bragging slide, it's taken 20 years to amass this type of resource, to put up a slide and show that we have a competition between all of these projects to choose from, to develop for the future with our large resource in the Montney. I really think we have a special, special land base by being an early entrant in 2000 and Ante Creek was our first Montney. We had a very early understanding of it, and we dominate the best parts of the Montney and the sheer scale of the resource, I don't think people fully appreciate that here we are the eighth largest producer in Canada and that we're looking at projects that can continue to grow this company for many, many years, build strong businesses, build profitable businesses and in addition to the people that were introduced to you, our committed team of 470 people are there to continue to do our best work for ARC.

So with that, I'll close, and I'll echo my beginning where I really do feel it's a privilege to speak on behalf of the team that we get to work with every day. And I look forward to any questions.

Unidentified Participant

I think I saw, although my eyesight is so bad, that you are supporting the University of Calgary, a learning center. Is that correct?

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

Yes. The center of leadership.

Unidentified Participant

Thank you very much for that. I am a former Senator of University of Calgary, so I thank you for that. And I also see that you're supporting Junior Achievement and I've also been a mentor for Junior Achievement in my past. But what I would like to ask is in regard to the dividend. I don't recall off the top of my head when, but I know it was before 2016, that the dividend was cut in half. And I'd like to find out, even though you're saying things are great and wonderful, that translates that we should be getting as shareholders more money in our pocket. So when do you plan to increase that dividend because I'll tell you getting half the dividend that we used to is not good enough for me anymore.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

And I don't think we like it either. But the way to think about it, and thanks for the feedback on JA and University of Calgary. But the way to think about it is we were in a spot where we were -- our cash flow was about a \$1 billion a year. And when those prices dropped to \$26 and gas dropped,

basically, our unhedged cash flow dropped, it was about \$413 million that year, our dividend was \$400 million. So I think the math there tells you, you would have had to give away all of your cash to support the level at \$0.10 a month. So we spent a few months thinking about what's the best approach because in order to pay a dividend, and I think many people here probably have invested in companies where, I would say, they've dividend themselves to death, because if you overpay your dividend, you lose sight of your base business. So what I'm describing building the production base and the dividend, to me, they go hand in hand. So you need to build a profitable company and that profitable company allows you to pay the dividend. So that one chart where I showed the \$200 million of dividend and the \$400 million to sustain the company and when we get to a point where we can do all of our developments out of our cash flow, that would be a very special place in the energy industry. But we grow and if our cash flow gets above \$800 million, then you can start thinking, "okay, I'm going to raise the dividend as I invest in my growth projects in parallel" and then the 2 of them go in tandem. So we think about that all the time, how can we add value through the dividend in the production. But really, we got walloped with the big hammer there when the cash flow went from \$1 billion to \$400 million, getting hit from (inaudible) with the commodity prices going down. So hopefully, those numbers give clarity on that.

Unidentified Participant

If there is a problem with NAFTA, is it possible that United States can say, "we don't want any more Canadian oil and gas, we've got enough of our own." The other question I've got, what's the percentage of oil and gas in our company?

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

So, our company, you know, everyone uses the 6:1 conversion of gas to oil. So when you do that metric, we're about 70% gas and 30% oil. The cash flows is actually the flip. Our cash flow last quarter was actually 63% from oil and 37% from gas. So that's how that works. Within NAFTA, it's very complex to see the interconnection of the energy industry, which really is an interconnected industry through refining, through LNG that I talked about. If NAFTA had a negative ruling on energy, it would be very complex, but all we've heard about it so far is that a little bit outside of the current discussions.

Unidentified Participant

Payout ratios. Could you talk a little bit where that is and maintenance capital in the payout ratios maybe for this year and going forward here for?

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

So the payout ratio recently has been in that 25% to 30%. So the cash flow that we generate, about 30% of it's been going out as the dividends. So it was down to 27% last year. So that's an important part in this aspect of growing the business. So I think you asked about the sustaining capital and the dividend. So what you need is the least amount of money. The most efficient business where I'm showing how we're building all those new businesses and we can sustain that company for a much less capital than we used to, and then that allows -- ultimately, when you generate more cash, the payout ratio goes down, you have enough money left to perpetuate your business and grow your business. Then the cash flow comes in line of the 2 of them can move up together.

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

Yes. So in your investor presentation, which is on our website, we have a nice little slide that shows the inventory by area. I don't have it here, but we have over 3,000 locations that we show on that on these. To put that in context, we drilled 6 -- we're drilling 67 wells this year. So very robust inventory.



Unidentified Participant

How is the gas moving forward with Ridley, and I believe it's coming -- going to be sending liquids into Asia here in 2019, and we produce bunch of liquid. Is some of it going to be able to go through that facility, any marketing things without the gas?

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

I don't really want to comment on specific projects, but I think your question is really interesting because there is sort of all this gloom and doom around the low price of gas. But because of this reliable feedstock prices, a lot of people coming to our office with all kinds of different ideas for value chain development, whether they're propane or LNG or ethane to ethylene. So it seems to me in the background, there's lots of good things happening and that's a high-level thing that's happening across North America because of predictable and low-cost feedstock.

Unidentified Participant

Anyway, I'd like to ask you one other question. On one of your slides, you showed that there was some production that was going out to the West Coast, and I'd like to find out the if the ding-dongs to the province, to the rest of us who are holding up all the economy for the rest of Canada where those ding-dongs are giving you any trouble in now what we're putting out there?

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

So our -- my math was actually coming from BC into Alberta and then down into the U.S. So with respect to the TMX, that's not a project that ARC is involved in.

Unidentified Participant

Mr. Stadnyk, (inaudible) shareholder. You mentioned in your remarks that the U.S. was allowing a lot more takeaway capacity for LNG to go to export markets, Mexico, all over the world, and I believe some of that will be undertaken this year, which will leave a lot more room for the Canadian gas. And as I understand it, the Alliance pipeline, which takes away natural gas from Western Canada, is going to be expanding. So that will give hopefully ARC another avenue to export more gas in south. Have even approached by the owners of Alliance? And I don't know when the completion of this expansion is going to be, but maybe you could expand on that? Thank you.

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

Yes. So the first part of your question about LNG, I was describing that -- so a company called Cheniere has already developed multiple trains. I drove by it a few weeks ago when I was presenting at a conference in Houston, had a look at it, but there -- the U.S. is now exporting over 4 Bcf. So think of quarter of entire Canada's productions already going off the coast. When I said the 10 Bcf number, that's what's already approved for other plants to be built to then export further products. So it's not just Canadian producers wanting to get down into this growing market, all the U.S. producers in the Marcellus. So there's sort of a balance of the U.S. production going up and the Canadian production as well to supply all of these new projects. So that's how that's working. With respect to getting there, TransCanada is the main route there. We go out through Saskatchewan and then down turnout and head down a pipeline called Northern Border to Chicago and that gets into a big hub that can be consumed in Chicago or moved to supply all of these different projects. Alliance is looking at expanding and those opportunities exist, and each company will have to assess the financial terms that Alliance is putting forward for those tolls and make their own decisions.

So with that, I'd like to thank you again for being here and look forward to seeing you next year.

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