ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**June 30, 2017**	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**230.6**	222.2
Short-term investments	**277.0**	450.0
Accounts receivable	**111.4**	164.7
Prepaid expenses	**22.6**	12.1
Risk management contracts (Note 10)	**134.8**	59.0
Assets held for sale (Note 5)	**255.2**	242.3
	1,031.6	1,150.3
Reclamation fund	**35.1**	36.5
Risk management contracts (Note 10)	**140.1**	123.4
Exploration and evaluation assets (Note 4)	**332.6**	313.2
Property, plant and equipment (Note 5, 6)	**4,409.2**	4,118.9
Goodwill	**248.2**	248.2
Total assets	**6,196.8**	5,990.5
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**179.9**	161.8
Current portion of long-term debt (Note 7)	**88.8**	51.5
Current portion of asset retirement obligations (Note 8)	**20.0**	15.5
Dividends payable (Note 11)	**17.7**	17.7
Risk management contracts (Note 10)	**2.3**	28.9
Liabilities associated with assets held for sale (Note 5)	**183.4**	171.1
	492.1	446.5
Long-term debt (Note 7)	**882.6**	974.5
Long-term incentive compensation liability (Note 12)	**14.9**	24.6
Other deferred liabilities	**13.9**	12.4
Asset retirement obligations (Note 8)	**385.0**	363.4
Deferred taxes	**758.3**	684.3
Total liabilities	**2,546.8**	2,505.7
SHAREHOLDERS' EQUITY		
Shareholders' capital	**4,658.3**	4,654.9
Contributed surplus	**19.5**	17.6
Deficit	**(1,027.7)**	(1,188.0)
Accumulated other comprehensive income (loss)	**(0.1)**	0.3
Total shareholders' equity	**3,650.0**	3,484.8
Total liabilities and shareholders' equity	**6,196.8**	5,990.5

Commitments and contingencies (Note 13)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions, except per share amounts)	**2017**	2016	**2017**	2016
Sales of crude oil, natural gas, condensate, natural gas liquids and other income	**297.0**	234.9	**606.2**	466.1
Royalties	**(28.5)**	(21.1)	**(54.3)**	(39.4)
Revenue	**268.5**	213.8	**551.9**	426.7
Gain (loss) on risk management contracts (Note 10)	**38.5**	(84.1)	**173.0**	(23.0)
Revenue and risk management contracts	**307.0**	129.7	**724.9**	403.7
Transportation	**28.6**	23.4	**53.6**	48.2
Operating	**68.6**	68.6	**138.5**	137.6
Exploration and evaluation expenses	**—**	—	**—**	1.7
General and administrative	**21.6**	27.9	**33.3**	59.7
Interest and financing charges	**11.7**	12.3	**23.4**	25.4
Accretion of asset retirement obligations (Note 8)	**3.2**	3.0	**6.4**	6.1
Depletion, depreciation, amortization and reversal of impairment (Note 5, 6)	**33.0**	126.0	**146.5**	260.2
Loss (gain) on foreign exchange	**(19.9)**	2.1	**(28.4)**	(65.3)
Loss (gain) on short-term investments	**0.1**	(0.5)	**—**	(0.4)
Gain on business combinations	**—**	(40.2)	**—**	(40.2)
Total expenses	**146.9**	222.6	**373.3**	433.0
Net income (loss) before income taxes	**160.1**	(92.9)	**351.6**	(29.3)
Provision for (recovery of) income taxes				
Current	**(2.5)**	6.0	**11.0**	(1.0)
Deferred	**38.6**	(40.8)	**74.1**	(34.3)
Total income taxes (recoveries)	**36.1**	(34.8)	**85.1**	(35.3)
Net income (loss)	**124.0**	(58.1)	**266.5**	6.0
Net income (loss) per share (Note 11)				
Basic	**0.35**	(0.17)	**0.75**	0.02
Diluted	**0.35**	(0.17)	**0.75**	0.02

See accompanying notes to the unaudited condensed interim consolidated financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2017**	2016	**2017**	2016
Net income (loss)	**124.0**	(58.1)	**266.5**	6.0
Other comprehensive income (loss)				
Items that may be reclassified into earnings, net of tax:				
Net unrealized gain (loss) on reclamation fund	**(0.1)**	0.2	**(0.4)**	0.3
Other comprehensive income (loss)	**(0.1)**	0.2	**(0.4)**	0.3
Comprehensive income (loss)	**123.9**	(57.9)	**266.1**	6.3

See accompanying notes to the unaudited condensed interim consolidated financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

For the six months ended June 30

(Cdn$ millions)	Shareholders' Capital (Note 11)	Contributed Surplus	Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
December 31, 2015	4,536.9	12.6	(1,161.1)	0.1	3,388.5
Net income	—	—	6.0	—	6.0
Other comprehensive income	—	—	—	0.3	0.3
Total comprehensive income	—	—	6.0	0.3	6.3
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	69.2	—	—	—	69.2
Share issuance costs	(0.1)	—	—	—	(0.1)
Recognized under share-based compensation plans (Note 12)	0.3	2.3	—	—	2.6
Dividends declared	—	—	(122.4)	—	(122.4)
June 30, 2016	4,606.3	14.9	(1,277.5)	0.4	3,344.1
December 31, 2016	4,654.9	17.6	(1,188.0)	0.3	3,484.8
Net income	**—**	**—**	**266.5**	**—**	**266.5**
Other comprehensive income (loss)	**—**	**—**	**—**	**(0.4)**	**(0.4)**
Total comprehensive income (loss)	**—**	**—**	**266.5**	**(0.4)**	**266.1**
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	**3.0**	**—**	**—**	**—**	**3.0**
Recognized under share-based compensation plans (Note 12)	**0.4**	**1.9**	**—**	**—**	**2.3**
Dividends declared	**—**	**—**	**(106.2)**	**—**	**(106.2)**
June 30, 2017	**4,658.3**	**19.5**	**(1,027.7)**	**(0.1)**	**3,650.0**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2017**	2016	**2017**	2016
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**124.0**	(58.1)	**266.5**	6.0
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**(7.2)**	149.5	**(117.3)**	156.7
Accretion of asset retirement obligations (Note 8)	**3.2**	3.0	**6.4**	6.1
Depletion, depreciation, amortization and reversal of impairment (Note 5, 6)	**33.0**	126.0	**146.5**	260.2
Exploration and evaluation expenses	**—**	—	**—**	1.7
Unrealized loss (gain) on foreign exchange	**(24.7)**	2.1	**(32.4)**	(65.3)
Gain on business combinations	**—**	(40.2)	**—**	(40.2)
Deferred tax expense (recovery)	**38.6**	(40.8)	**74.1**	(34.3)
Other (Note 14)	**2.9**	0.2	**3.2**	0.9
Net change in other liabilities (Note 14)	**(1.1)**	7.8	**(22.1)**	6.7
Change in non-cash working capital (Note 14)	**(30.7)**	11.5	**4.6**	15.2
Cash flow from operating activities	**138.0**	161.0	**329.5**	313.7
CASH FLOW USED IN FINANCING ACTIVITIES				
Repayment of senior notes	**(9.3)**	(29.2)	**(22.7)**	(42.5)
Issuance of common shares	**0.3**	0.2	**0.4**	0.2
Share issuance costs	**—**	(0.1)	**—**	(0.1)
Cash dividends paid	**(53.1)**	(27.0)	**(103.1)**	(70.3)
Cash flow used in financing activities	**(62.1)**	(56.1)	**(125.4)**	(112.7)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of petroleum and natural gas properties (Note 5)	**(0.1)**	(111.6)	**(0.3)**	(126.7)
Disposal of petroleum and natural gas properties (Note 5)	**—**	3.0	**—**	3.0
Property, plant and equipment development expenditures (Note 5)	**(161.8)**	(103.5)	**(406.8)**	(147.0)
Exploration and evaluation asset expenditures (Note 4)	**(3.8)**	(9.0)	**(19.1)**	(24.5)
Net reclamation fund withdrawals (contributions)	**(1.0)**	(1.0)	**0.9**	(0.1)
Net withdrawal of short-term investments	**175.8**	—	**175.8**	—
Change in non-cash working capital (Note 14)	**(44.6)**	10.3	**53.8**	(14.4)
Cash flow used in investing activities	**(35.5)**	(211.8)	**(195.7)**	(309.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**40.4**	(106.9)	**8.4**	(108.7)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**190.2**	165.5	**222.2**	167.3
CASH AND CASH EQUIVALENTS, END OF PERIOD	**230.6**	58.6	**230.6**	58.6
The following are included in cash flow from operating activities:				
Income taxes paid in cash	**3.9**	—	**12.1**	—
Interest paid in cash	**8.4**	9.3	**23.8**	25.6

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. STRUCTURE OF THE BUSINESS

The principal undertakings of ARC Resources Ltd. and its subsidiaries (collectively, the "Company" or "ARC") are to carry on the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets.

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1200, 308 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0H7.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2016. All financial information is reported in millions of Canadian dollars ("Cdn$"), unless otherwise noted. References to "US$" are to United States dollars.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2016. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous financial year, except for income taxes. Income taxes on net income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss). There have been no significant changes to the use of estimates or judgments since December 31, 2016.

All inter-entity transactions have been eliminated upon consolidation between ARC and its subsidiaries in these financial statements. ARC's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance.

These financial statements were authorized for issue by the Board of Directors on August 3, 2017.

3. FUTURE ACCOUNTING POLICY CHANGES

IFRS 15 Revenue from Contracts with Customers
In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

ARC will retrospectively adopt IFRS 15 on January 1, 2018. The Company has completed reviewing its various revenue streams and underlying contracts with customers. It has been concluded that the adoption of IFRS 15 will not have a material impact on ARC's financial statements. However, ARC will expand the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Company's disaggregated revenue streams by product type and any impairment losses recognized on receivables arising from contracts with customers.

IFRS 9 Financial Instruments
In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where

the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in OCI rather than the statement of income, unless this creates an accounting mismatch. The Company has determined that adoption of IFRS 9 will result in changes to the classification of the Company's financial assets but will not change the classification of the Company's financial liabilities. At this time, the Company has determined there will not be any material changes in the carrying values of the Company's financial instruments as a result of the adoption of IFRS 9.

In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. ARC does not anticipate that the new impairment model will result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be applied for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by ARC on January 1, 2018.

IFRS 16 Leases
In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 *Revenue from Contracts with Customers*. The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will be applied by ARC on January 1, 2019 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

4. EXPLORATION AND EVALUATION ("E&E") ASSETS

Carrying Amount	
Balance, December 31, 2016	313.2
Additions	**19.1**
Change in asset retirement cost	**0.3**
Balance, June 30, 2017	**332.6**

At June 30, 2017, ARC evaluated its E&E assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no impairment was recorded on ARC's E&E assets.

5. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Cost	Development and Production Assets	Administrative Assets	Total
Balance, December 31, 2016	7,020.3	67.3	7,087.6
Additions	**403.5**	**3.5**	**407.0**
Acquisitions	**0.7**	**—**	**0.7**
Change in asset retirement cost	**42.3**	**—**	**42.3**
Assets reclassified as held for sale	**(13.3)**	**—**	**(13.3)**
Other	**0.5**	**—**	**0.5**
Balance, June 30, 2017	**7,454.0**	**70.8**	**7,524.8**
Accumulated Depletion, Depreciation and Amortization ("DD&A") and Impairment			
Balance, December 31, 2016	(2,929.1)	(39.6)	(2,968.7)
DD&A	**(218.9)**	**(2.6)**	**(221.5)**
Reversal of impairment (Note 6)	**75.0**	**—**	**75.0**
Other	**(0.4)**	**—**	**(0.4)**
Balance, June 30, 2017	**(3,073.4)**	**(42.2)**	**(3,115.6)**
Carrying Amounts			
Balance, December 31, 2016	4,091.2	27.7	4,118.9
Balance, June 30, 2017	**4,380.6**	**28.6**	**4,409.2**

For the three and six months ended June 30, 2017, $6.5 million and $13.8 million of direct and incremental general and administrative ("G&A") expenses were capitalized to PP&E ($5.7 million and $10.1 million for the three and six months ended June 30, 2016), respectively. At June 30, 2017, future development costs of $2.8 billion were included in the depletion calculation ($2.7 billion at June 30, 2016).

Assets held for sale	
Balance, December 31, 2016	242.3
Additions	**13.3**
Disposals	**(0.4)**
Balance, June 30, 2017	**255.2**

The assets held for sale had associated liabilities of $183.4 million at June 30, 2017, consisting of related asset retirement obligations ("ARO").

6. REVERSAL OF IMPAIRMENT

The timely preparation of financial statements in accordance with IFRS requires Management to use judgments, estimates and assumptions. These estimates and judgments are subject to change and actual results could differ from those estimated. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingencies are discussed below.

Crude Oil and Natural Gas Reserves and Resources

There are a number of inherent uncertainties associated with estimating reserves and resources. Reserve and resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing and amount of future expenditures, all of which are subject to many uncertainties, interpretations and judgments. Estimates reflect market and regulatory conditions existing at June 30, 2017, which could differ significantly from other points in time throughout the year, or future periods. Reserves and resources have been evaluated at December 31, 2016 by ARC's independent qualified reserves evaluators.

Determination of Cash Generating Units ("CGU")

Determination of what constitutes a CGU is subject to Management judgment. The recoverability of development and production asset carrying values are assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Recoverability of Asset Carrying Values

Management applies judgment in assessing the existence of indicators of impairment and impairment recovery based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as the greater of its fair value less costs of disposal and its value in use. The key estimates ARC applies in determining an acceptable range of recoverable amounts normally includes information on future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes.

At June 30, 2017, ARC evaluated its development and production assets for indicators of any potential impairment or related reversal. As a result of this assessment, ARC conducted tests of impairment on all of its CGUs as a result of decreases in the outlook of future commodity prices compared to the most recent period an impairment test on all of ARC's CGUs was conducted, as at December 31, 2015. The impairment tests did not result in any impairment charges on ARC's development and production assets. However, it was determined that the estimated recoverable amount of the Northern Alberta CGU exceeded its carrying amount as a result of increased drilling locations and capital expenditures in the CGU since the time of ARC's last asset impairment test, which led to an increase in proved plus probable oil and gas reserves that more than offset the decreases in future commodity prices. As a result, an impairment recovery of $75.0 million was recorded in DD&A and reversal of impairment in the statements of income.

The following table summarizes the primary product composition of ARC's Northern Alberta CGU, estimated recoverable amount, estimated discount rate assumed, and before and after-tax reversal of impairment recognized for the six months ended June 30, 2017:

CGU	Primary Type of Producing Assets	Recoverable Amount	Discount Rate (1)	Reversal of Impairment	Reversal of Impairment, Net of Tax
Northern Alberta	Crude oil and natural gas	574.0	10.0%	75.0	55.1

(1) After-tax discount rate based on an estimated industry weighted average cost of capital appropriate for the CGU.

Prior to the $75.0 million reversal of impairment recorded at June 30, 2017, $156.1 million of previously recorded impairment charges were eligible to recover in the Northern Alberta CGU. Subsequent to the reversal of impairment recorded at June 30, 2017, $81.1 million of previously recorded impairment charges remain eligible to recover.

In estimating the recoverable amount of each CGU at June 30, 2017, the following information was incorporated:

i) The net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by ARC's independent reserve evaluator at December 31, 2016, updated using forward commodity price estimates at July 1, 2017 provided by ARC's independent reserve evaluator and adjusted for the net present value of the after-tax abandonment and reclamation costs on properties without proved plus probable oil and gas reserves. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years.

ii) The fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2016.

iii) Recent transactions completed within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

Key input estimates used in the determination of cash flows from oil and gas reserves include the following:

a) Reserves and resources – Assumptions that are valid at the time of reserve and resource estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, required capital expenditures or recovery rates may change the economic status of reserves and resources and may ultimately result in reserves and resources being revised.

b) Crude oil and natural gas prices – Forward price estimates of the crude oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

c) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital as appropriate for each CGU being tested. Changes in the general economic environment could result in significant changes to this estimate.

The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates that are based on an estimated industry weighted average cost of capital ranging from 9.5 to 10.5 per cent, depending on the resource composition of the assets in the CGU, an inflation rate of two per cent, and the following forward commodity price estimates:

Year	Edmonton Light Crude Oil (Cdn$/bbl) (1,2)	WTI Oil (US$/bbl) (1,2)	AECO Gas (Cdn$/MMbtu) (1,2)	Cdn$/US$ Exchange Rates (1,2)
2017	61.33	49.00	2.83	0.75
2018	63.23	52.00	2.93	0.78
2019	66.88	57.00	3.05	0.80
2020	70.30	62.00	3.22	0.83
2021	72.94	66.00	3.39	0.85
2022	76.47	69.00	3.58	0.85
2023	80.00	72.00	3.76	0.85
2024	83.53	75.00	3.95	0.85
2025	87.06	78.00	4.03	0.85
2026	89.99	81.27	4.11	0.85
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	0.85

(1) Source: GLJ Petroleum Consultants price forecast, effective July 1, 2017.
(2) The forecast benchmark prices listed above are adjusted for quality differentials, heat content and distance to market in performing the Company's impairment tests.

The fair value less costs of disposal value used to determine the recoverable amounts of the Northern Alberta CGU is classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data but, rather, Management's best estimates. Refer to Note 10 for information on fair value hierarchy classifications.

The results of the impairment and impairment reversal tests conducted at June 30, 2017 are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development capital expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or recovery of impairment charges.

The following table demonstrates the effect of the assumed discount rate and the effect of forecast cash flow estimates on the after-tax reversal of impairment recorded at June 30, 2017 in the Northern Alberta CGU. The sensitivity is based on a one per cent increase and one per cent decrease in the assumed discount rate and a five per cent decrease and five per cent increase in the forecast cash flow estimates.

	Increase in Discount Rate of 1 per cent	Decrease in Discount Rate of 1 per cent	Decrease in Cash Flow Estimates of 5 per cent	Increase in Cash Flow Estimates of 5 per cent
Reversal of impairment increase (decrease) (net of tax)	(26.6)	31.2	(33.0)	33.0

7. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	June 30, 2017	December 31, 2016	**June 30, 2017**	December 31, 2016
Senior notes				
Master Shelf Agreement				
5.42% US$ note	**9.4**	9.4	**12.2**	12.6
4.98% US$ note	**20.0**	30.0	**26.0**	40.3
3.72% US$ note	**150.0**	150.0	**194.7**	201.4
2009 note issuance				
8.21% US$ note	**28.0**	35.0	**36.4**	47.0
2010 note issuance				
5.36% US$ note	**150.0**	150.0	**194.7**	201.4
2012 note issuance				
3.31% US$ note	**60.0**	60.0	**77.9**	80.6
3.81% US$ note	**300.0**	300.0	**389.5**	402.7
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**717.4**	734.4	**971.4**	1,026.0
Long-term debt due within one year			**88.8**	51.5
Long-term debt due beyond one year			**882.6**	974.5

At June 30, 2017, the fair value of all senior notes is $983.8 million ($1,032.7 million as at December 31, 2016), compared to a carrying value of $971.4 million ($1,026.0 million as at December 31, 2016). At June 30, 2017, ARC was in compliance with all of its debt covenants.

8. ASSET RETIREMENT OBLIGATIONS

ARC has estimated the net present value of its total ARO to be $405.0 million as at June 30, 2017 ($378.9 million at December 31, 2016) based on a total future undiscounted liability of $738.5 million ($725.9 million at December 31, 2016).

The following table reconciles ARC's provision for its ARO:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Balance, beginning of period	378.9	573.2
Development activities	**7.0**	5.3
Change in estimates [1]	**5.4**	27.0
Change in discount rate	**30.2**	(24.2)
Settlement of obligations	**(10.6)**	(13.0)
Accretion	**6.4**	12.1
Acquisitions and business combinations	**—**	16.4
Revaluation of obligations acquired in business combinations	**—**	42.1
Dispositions	**—**	(88.9)
Reclassified as liabilities associated with assets held for sale	**(12.3)**	(171.1)
Balance, end of period	**405.0**	378.9
Expected to be incurred within one year	**20.0**	15.5
Expected to be incurred beyond one year	**385.0**	363.4

(1) Relates to changes in anticipated settlement dates of ARO.

The Bank of Canada's long-term risk-free bond rate of 2.1 per cent (2.3 per cent at December 31, 2016) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2016) were used to calculate the present value of ARO at June 30, 2017.

9. CAPITAL MANAGEMENT

ARC manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. ARC is able to change its capital structure by issuing new shares, new debt or changing its dividend policy.

ARC's objective when managing its capital is to maintain a conservative structure that will allow it to:

- fund its development and exploration program;
- provide financial flexibility to execute on strategic opportunities; and
- maintain a dividend policy that, in normal times, in the opinion of Management and the Board of Directors, is sustainable.

ARC manages its capital through:

- common shares; and
- net debt.

When evaluating ARC's capital structure, Management's long-term strategy is to keep its net debt balance to a ratio of between one to 1.5 times annualized funds from operations and less than 20 per cent of total market capitalization. At June 30, 2017, ARC's net debt was 0.8 times its annualized funds from operations. Over time, ARC expects its net debt to annualized funds from operations ratio to return to the target levels of between one to 1.5 times annualized funds from operations as proceeds received from dispositions in 2016 currently held in short-term investment-grade assets will be reinvested to fund continued capital development in ARC's core operating areas.

Funds from Operations
ARC considers funds from operations to be a key measure of operating performance as it demonstrates ARC's ability to generate the necessary funds for sustaining capital and future growth through capital investment and to repay debt. 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 charges that are nonrecurring. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Funds from operations for the three and six months ended June 30, 2017 and 2016 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Cash flow from operating activities	**138.0**	161.0	**329.5**	313.7
Net change in other liabilities (Note 14)	**1.1**	(7.8)	**22.1**	(6.7)
Change in non-cash operating working capital (Note 14)	**30.7**	(11.5)	**(4.6)**	(15.2)
Funds from operations	**169.8**	141.7	**347.0**	291.8

Net Debt and Total Capitalization

Net debt is used by Management as a key measure to assess the Company's liquidity. Total capitalization is used by Management and ARC's investors in analyzing the Company's balance sheet strength and liquidity.

	June 30, 2017	June 30, 2016
Long-term debt (1)	**971.4**	1,007.5
Accounts payable and accrued liabilities	**179.9**	144.5
Dividends payable	**17.7**	17.6
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(641.6)**	(200.3)
Net debt	**527.4**	969.3
Shares outstanding (millions) (2)	**353.4**	351.1
Share price ($) (3)	**16.96**	22.11
Market capitalization	**5,993.7**	7,762.8
Net debt	**527.4**	969.3
Total capitalization	**6,521.1**	8,732.1
Net debt as a percentage of total capitalization (%)	**8.1**	11.1
Net debt to annualized funds from operations (ratio)	**0.8**	1.7

(1) Includes current portion of long-term debt at June 30, 2017 and 2016 of $88.8 million and $34.3 million, respectively.
(2) Basic shares outstanding as at June 30, 2017 and 2016, respectively.
(3) TSX closing price as at June 30, 2017 and 2016, respectively.

10. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments

ARC's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, risk management contracts, the reclamation fund, accounts payable and accrued liabilities, dividends payable, and long-term debt.

ARC’s financial instruments that are carried at fair value on the unaudited condensed interim consolidated balance sheets (the "balance sheets") include cash and cash equivalents, short-term investments, risk management contracts, and the reclamation fund. The fair value of long-term debt is disclosed in Note 7. To estimate the fair value of these instruments, ARC uses quoted market prices when available, or third-party models and valuation methodologies that use observable market data. Fair value is measured using the assumptions that market participants would use, including transaction-specific details and non-performance risk.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

All of ARC’s financial instruments carried at fair value are transacted in active markets. ARC’s cash and cash equivalents, short-term investments, and the reclamation fund are classified as Level 1 measurements and its risk management contracts and fair value disclosure for its long-term debt are classified as Level 2 measurements. ARC does not have any financial instruments classified as Level 3.

ARC determines whether transfers have occurred between levels in the hierarchy by reassessing its hierarchy classifications at each reporting date based on the lowest level input that is significant to the fair value measurement as a whole. There were no transfers between levels in the hierarchy in the six months ended June 30, 2017 or 2016.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their fair values.

Financial Assets and Financial Liabilities Subject to Offsetting

ARC's risk management contracts are subject to master netting agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's balance sheets in all circumstances. ARC manages these contracts on the basis of its net exposure to market risks and therefore measures their fair value consistently with how market participants would price the net risk exposure at the reporting date under current market conditions.

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at June 30, 2017 and December 31, 2016:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset in Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet
As at June 30, 2017					
Risk management contracts					
Current asset	**158.2**	**(22.6)**	**135.6**	**(0.8)**	**134.8**
Long-term asset	**149.5**	**(8.6)**	**140.9**	**(0.8)**	**140.1**
Current liability	**(24.9)**	**22.6**	**(2.3)**	**—**	**(2.3)**
Long-term liability	**(8.6)**	**8.6**	**—**	**—**	**—**
Net position	**274.2**	**—**	**274.2**	**(1.6)**	**272.6**
As at December 31, 2016					
Risk management contracts					
Current asset	100.1	(40.7)	59.4	(0.4)	59.0
Long-term asset	140.5	(16.2)	124.3	(0.9)	123.4
Current liability	(70.3)	40.7	(29.6)	0.7	(28.9)
Long-term liability	(16.2)	16.2	—	—	—
Net position	154.1	—	154.1	(0.6)	153.5

Risk Management Contracts

The following table summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at June 30, 2017. Risk management contract premiums are not included in the table below and have been disclosed as commitments in Note 13.

Risk Management Contracts Positions Summary (1)

As at June 30, 2017	**H2 2017**		**2018**		**2019**		**2020**		**2021**	
Crude Oil – WTI (2)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	56.22	14,000	65.39	4,000	65.63	2,000	—	—	—	—
Floor	45.71	14,000	50.00	4,000	50.00	2,000	—	—	—	—
Sold Floor	35.23	11,000	40.00	4,000	40.00	2,000	—	—	—	—
Crude Oil – Cdn$ WTI (3)	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day
Ceiling	—	—	76.25	2,000	—	—	—	—	—	—
Floor	—	—	65.00	2,000	—	—	—	—	—	—
Swap	—	—	72.52	6,000	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**14,000**		**12,000**		**2,000**		**—**		**—**
Crude Oil – MSW (Differential to WTI) (4)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Swap	(3.22)	10,000	(3.45)	5,000	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub (5)	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Ceiling	3.37	20,000	3.64	80,000	4.12	90,000	3.43	20,000	3.43	20,000
Floor	3.00	20,000	3.00	80,000	3.31	90,000	2.75	20,000	2.75	20,000
Sold Floor	—	—	2.50	80,000	2.25	50,000	2.25	20,000	2.25	20,000
Swap	4.00	145,000	4.00	90,000	—	—	—	—	—	—
Natural Gas – AECO (6)	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	—	—	—	—	3.30	10,000	3.60	30,000	—	—
Floor	—	—	—	—	3.00	10,000	3.08	30,000	—	—
Swap	2.78	86,630	2.99	44,932	3.16	20,000	3.35	30,000	—	—
Total Natural Gas Volumes (MMBtu/day)		**247,110**		**212,587**		**118,435**		**76,869**		**20,000**
Natural Gas – AECO Basis (Percentage of NYMEX)	AECO/NYMEX	MMBtu/day	AECO/NYMEX	MMBtu/day	AECO/NYMEX	MMBtu/day	AECO/NYMEX	MMBtu/day	AECO/NYMEX	MMBtu/day
Sold Swap	89.7	145,000	84.9	90,000	83.7	40,000	—	—	—	—
Natural Gas – AECO Basis (Differential to NYMEX)	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Sold Swap	(0.81)	70,000	(0.78)	80,000	(0.78)	100,000	(0.76)	90,000	(0.94)	30,000
Bought Swap	(1.19)	(50,000)	—	—	—	—	—	—	**—**	**—**
Total AECO Basis Volumes (MMBtu/day)		**165,000**		**170,000**		**140,000**		**90,000**		**30,000**
Natural Gas - Other Basis (Differential to NYMEX) (7)		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		—		—		20,000		20,000		20,000

(1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against benchmark prices.
(2) Crude oil prices referenced to WTI.
(3) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Spot Rate as of Noon EST.
(4) MSW differential refers to the discount between WTI and the mixed sweet crude stream price at Edmonton, calculated on a monthly weighted average basis in US$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) Natural gas prices referenced to AECO 7A Monthly Index.
(7) ARC has entered into basis swaps at locations other than AECO.

11. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Six Months Ended June 30, 2017**	Year Ended December 31, 2016
Common shares, beginning of period	353,287	347,084
Restricted shares issued pursuant to the LTRSA [1] Plan	**124**	99
Forfeited restricted shares pursuant to the LTRSA Plan	**(22)**	(3)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	**(102)**	(96)
Dividend Reinvestment Plan	**129**	4,756
Stock Dividend Program	**16**	1,398
Issued on exercise of share options	**15**	49
Common shares, end of period	**353,447**	353,287

(1) Long-term Restricted Share Award ("LTRSA"), includes restricted shares granted and associated stock dividends.

Net income (loss) per common share has been determined based on the following:

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of shares)	**2017**	2016	**2017**	2016
Weighted average common shares	**353,442**	350,459	**353,404**	349,570
Dilutive impact of share-based compensation [1]	**309**	—	**356**	254
Weighted average common shares, diluted	**353,751**	350,459	**353,760**	349,824

(1) For the three and six months ended June 30, 2017, 3.0 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (3.2 million for the three and six months ended June 30, 2016).

Dividends declared for the three and six months ended June 30, 2017 were $0.15 and $0.30 per common share, ($0.15 and $0.35 for the three and six months ended June 30, 2016).

On July 17, 2017, the Board of Directors declared a dividend of $0.05 per common share designated as an eligible dividend, payable in cash to shareholders of record on July 31, 2017. The dividend payment date is August 15, 2017.

On February 8, 2017, ARC's Board of Directors approved the cancellation of ARC's Dividend Reinvestment Plan and Stock Dividend Program beginning with the dividend payment on April 17, 2017 to shareholders of record on March 31, 2017. Shareholders that had been enrolled in either program will receive dividends in cash after the cancellation date.

12. SHARE-BASED COMPENSATION PLANS

Long-term Incentive Plans

The following table summarizes the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU") and Deferred Share Unit ("DSU") movement for the six months ended June 30, 2017:

(number of units, thousands)	**RSUs**	**PSUs** [1]	**DSUs**
Balance, December 31, 2016	690	1,708	412
Granted	**197**	**310**	**53**
Distributed	**(149)**	**(190)**	**—**
Forfeited	**(52)**	**(120)**	**—**
Balance, June 30, 2017	**686**	**1,708**	**465**

(1) Based on underlying units before any effect of the performance multiplier.

Compensation charges (recoveries) relating to the RSU and PSU Plan and DSU Plan are reconciled as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
G&A expenses (recoveries) (1)	**2.0**	11.5	**(3.5)**	21.6
Operating expenses	**0.4**	1.3	**0.3**	2.7
PP&E (recoveries)	**0.3**	1.3	**(0.4)**	2.1
Total compensation charges (recoveries)	**2.7**	14.1	**(3.6)**	26.4
Cash payments	**0.2**	—	**11.4**	11.7

(1) Within G&A expenses (recoveries), recoveries of $0.4 million and $1.6 million are related to the DSU Plan for the three and six months ended June 30, 2017 (expenses of $1.5 million and $2.8 million for the three and six months ended June 30, 2016), respectively.

At June 30, 2017, $19.4 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet ($25.0 million at December 31, 2016) and $14.9 million was included in the long-term incentive compensation liability ($24.6 million at December 31, 2016). A recoverable amount of $0.4 million was included in accounts receivable at June 30, 2017 ($0.5 million at December 31, 2016).

Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the six months ended June 30, 2017 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2016	3,972	21.22
Granted	**1,312**	**16.59**
Exercised	**(15)**	**15.71**
Forfeited	**(207)**	**22.00**
Balance, June 30, 2017	**5,062**	**19.77**
Exercisable, June 30, 2017	**1,286**	**17.90**

The following table summarizes information regarding share options outstanding at June 30, 2017:

Range of exercise price per common share ($)	**Number of share options outstanding (thousands)**	**Weighted average exercise price per share for options outstanding ($)**	**Weighted average remaining term (years)**	**Number of share options exercisable (thousands)**	**Weighted average exercise price per share for options exercisable ($)**
15.00 - 20.00	2,041	16.02	5.20	729	16.02
20.01 - 25.00	2,575	20.95	4.44	557	21.68
25.01 - 30.14	446	30.14	3.97	—	—
Total	5,062	19.77	4.70	1,286	17.90

ARC estimates the fair value of share options granted on the date of grant using a binomial-lattice option pricing model. The following assumptions were used to arrive at the estimated fair value of the share options at their grant date:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Grant date share price ($)	**16.59**	21.13
Exercise price ($) (1)	**16.59**	21.13
Expected annual dividends ($)	**0.60**	0.60
Expected volatility (%) (2)	**31.00**	33.00
Risk-free interest rate (%)	**1.26**	0.88
Expected life of share option (3)	**5.5 to 6 years**	5.5 to 6 years
Fair value per share option ($)	**4.31**	3.70

(1) Exercise price is reduced monthly by the amount of dividend declared.
(2) Expected volatility is determined by the average price volatility of the common shares/trust units over the past seven years.
(3) Expected life of the share option is calculated as the mid-point between vesting date and expiry.

ARC recorded compensation expense of $0.8 million and $1.5 million relating to the share option plan for the three and six months ended June 30, 2017 ($1.2 million and $2.1 million for the three and six months ended June 30, 2016), respectively. During the three and six months ended June 30, 2017, $0.1 million and $0.2 million of share option compensation charges were capitalized to PP&E ($0.1 million and $0.2 million for the three and six months ended June 30, 2016), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 2017 were as follows:

	LTRSA (number of units, thousands)	**Fair Value per Restricted Share ($)**
Balance, December 31, 2016	193	21.33
Granted	**124**	**16.63**
Forfeited	**(22)**	**21.42**
Balance, June 30, 2017	**295**	**19.29**

ARC recorded G&A expenses of $0.9 million and $1.0 million relating to the LTRSA Plan during the three and six months ended June 30, 2017 ($0.7 million and $0.8 million for the three and six months ended June 30, 2016), respectively.

13. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2017:

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments (1)	88.8	140.2	289.9	452.5	971.4
Interest payments (2)	41.2	69.8	49.2	33.1	193.3
Reclamation fund contributions (3)	3.1	5.9	5.5	41.5	56.0
Purchase commitments	59.4	7.2	0.2	—	66.8
Transportation commitments	103.3	196.5	219.4	663.0	1,182.2
Operating leases	16.0	29.5	28.0	24.5	98.0
Risk management contract premiums (4)	3.3	0.7	—	—	4.0
Total contractual obligations and commitments	**315.1**	**449.8**	**592.2**	**1,214.6**	**2,571.7**

(1) Long-term and current portion of long-term debt.
(2) Fixed interest payments on senior notes.
(3) Contribution commitments to a restricted reclamation fund associated with the Redwater property.
(4) Fixed premiums to be paid in future periods on certain commodity price risk management contracts.

As at June 30, 2017, ARC recorded a $2.4 million provision related to its office subleases, which have been determined to be onerous contracts. The provision is based on a total future undiscounted liability of $3.9 million and represents the present value of the difference between the minimum future lease payments for ARC's non-cancellable office lease and estimated sublease recoveries. These cash flows have been discounted using a risk-free rate of 2.1 per cent. The onerous contract provision is expected to be completely amortized by 2024.

14. SUPPLEMENTAL DISCLOSURES

Presentation in the Statements of Income
ARC's statements of income are prepared primarily by nature of item, with the exception of employee compensation expenses which are included in both operating and G&A expense line items.

The following table details the amount of total employee compensation expenses included in operating and G&A expense line items in the statements of income:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Operating	**7.1**	8.5	**17.3**	18.2
G&A	**15.5**	22.7	**27.6**	47.9
Total employee compensation expenses	**22.6**	31.2	**44.9**	66.1

Cash Flow Statement Presentation
The following tables provide a detailed breakdown of certain line items contained within cash flow from operating activities:

	Three Months Ended June 30		Six Months Ended June 30	
Change in Non-Cash Working Capital	**2017**	2016	**2017**	2016
Accounts receivable	**12.1**	(2.4)	**53.2**	(6.5)
Accounts payable and accrued liabilities	**(74.6)**	25.7	**18.5**	8.2
Prepaid expenses	**(11.8)**	(1.5)	**(10.5)**	(0.9)
Short-term investments	**(1.0)**	—	**(2.8)**	—
Total	**(75.3)**	21.8	**58.4**	0.8
Relating to:				
Operating activities	**(30.7)**	11.5	**4.6**	15.2
Investing activities	**(44.6)**	10.3	**53.8**	(14.4)
Total change in non-cash working capital	**(75.3)**	21.8	**58.4**	0.8

Other Non-Cash Items	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Other deferred liabilities	**1.9**	(0.5)	**1.5**	(0.9)
Loss (gain) on short-term investments	**0.1**	(0.5)	**—**	(0.4)
Share-based compensation expense	**0.9**	1.2	**1.7**	2.2
Total other non-cash items	**2.9**	0.2	**3.2**	0.9

Net Change in Other Liabilities	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Long-term incentive compensation liability	**1.4**	6.3	**(9.7)**	7.3
Risk management contracts	**(1.0)**	3.3	**(1.8)**	3.3
ARO settlements	**(1.5)**	(1.8)	**(10.6)**	(3.9)
Total net change in other liabilities	**(1.1)**	7.8	**(22.1)**	6.7