SECOND QUARTER REPORT 2017

FOCUSED

ARC RESOURCES LTD

CORPORATE PROFILE

ARC Resources Ltd. ("ARC") is a Canadian oil and gas producer committed to delivering strong operational and financial performance and upholding values of operational excellence and responsible development.

With operations in western Canada, ARC's portfolio is made up of resource-rich properties that provide near and long-term investment opportunities.

ARC pays a monthly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol ARX.

TABLE OF CONTENTS

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended		
	March 31, 2017	**June 30, 2017**	June 30, 2016
FINANCIAL			
(Cdn$ millions, except per share and boe amounts and shares outstanding)			
Net income (loss)	142.5	**124.0**	(58.1)
Per share [(1)]	0.40	**0.35**	(0.17)
Funds from operations [(2)]	177.2	**169.8**	141.7
Per share [(1)]	0.50	**0.48**	0.40
Dividends	53.1	**53.1**	52.5
Per share [(1)]	0.15	**0.15**	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	255.2	**151.0**	112.6
Total capital expenditures, including land and net property acquisitions (dispositions)	260.6	**165.8**	221.2
Net debt outstanding [(3)]	501.4	**527.4**	969.3
Shares outstanding, weighted average diluted	353.7	**353.8**	350.5
Shares outstanding, end of period	353.4	**353.4**	351.1
OPERATING			
Production			
Crude oil (bbl/d)	24,030	**23,813**	31,702
Condensate (bbl/d)	4,504	**4,253**	3,733
Natural gas (MMcf/d)	496.2	**483.9**	467.5
NGLs (bbl/d)	3,893	**4,691**	4,336
Total (boe/d) [(4)]	115,129	**113,410**	117,695
Average realized prices, prior to risk management contracts			
Crude oil ($/bbl)	61.62	**59.78**	52.80
Condensate ($/bbl)	64.44	**60.08**	51.20
Natural gas ($/Mcf)	3.10	**2.99**	1.39
NGLs ($/bbl)	25.91	**26.27**	13.60
Oil equivalent ($/boe) [(4)]	29.63	**28.63**	21.87
Operating netback ($/boe) [(4)(5)]			
Commodity sales	29.63	**28.63**	21.87
Royalties	(2.49)	**(2.76)**	(1.97)
Transportation expenses	(2.42)	**(2.78)**	(2.19)
Operating expenses	(6.74)	**(6.65)**	(6.41)
Netback prior to gain on risk management contracts	17.98	**16.44**	11.30
Realized gain on risk management contracts	2.36	**3.03**	6.10
Netback including gain on risk management contracts	20.34	**19.47**	17.40
TRADING STATISTICS [(6)]			
High price	23.70	**19.55**	23.35
Low price	18.26	**16.23**	17.43
Close price	19.00	**16.96**	22.11
Average daily volume (thousands)	1,104	**1,269**	1,029

(1) Per share amounts (with the exception of dividends) are based on diluted weighted average common shares.

(2) Refer to Note 9 "*Capital Management*" in ARC's financial statements and to the sections entitled, "*Funds from Operations*" and "*Capitalization, Financial Resources and Liquidity*" contained within ARC's MD&A.

(3) Refer to Note 9 "*Capital Management*" in ARC's financial statements and to the section entitled, "*Capitalization, Financial Resources and Liquidity*" contained within ARC's MD&A.

(4) ARC has adopted the standard 6 Mcf : 1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf : 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

(5) Operating netback does not have a standardized meaning under IFRS. See "*Non-GAAP Measures*" contained within ARC's MD&A.

(6) Trading prices are stated in Canadian dollars and are based on intra-day trading on the Toronto Stock Exchange.

"Across our portfolio, ARC's team continued to deliver strong operating results in the second quarter of 2017, punctuated by the early start-up of our Dawson Phase III facility. As our largest facility constructed to-date, it is a great accomplishment that our team efficiently completed the facility ahead of schedule, on budget and with an exceptional safety record," stated Myron Stadnyk, President and CEO. *"Looking ahead to the next major phases of growth for ARC, our Board of Directors has approved an increased 2017 capital budget of $830 million. The increased budget sets the stage for a new project sequence that will add approximately 50,000 boe per day of new production over the next two and a half years, take the next step towards development at Attachie West, and enhance the long-term optionality of our business plan to create value for our shareholders."*

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Results

ARC delivered strong financial performance in the second quarter of 2017, recording net income of $124.0 million ($0.35 per share) and funds from operations of $169.8 million ($0.48 per share). First half 2017 net income was $266.5 million ($0.75 per share) and first half 2017 funds from operations were $347.0 million ($0.98 per share). Profitability is a key measure of performance at ARC, and strong full-cycle economics across our portfolio of assets enable us to efficiently convert our resources into earnings for shareholders.

ARC closed the second quarter with a strong balance sheet with $527.4 million of net debt outstanding at June 30, 2017, and had additional cash and credit capacity of approximately $1.7 billion, taking into account ARC's working capital surplus. The net debt to annualized funds from operations ratio was 0.8 times and net debt was approximately eight per cent of ARC's total capitalization at the end of the second quarter of 2017. ARC expects to outspend its cash flows over the course of the next two to three years and return to target debt levels of between one and 1.5 times annualized funds from operations.

Operating Results

ARC achieved second quarter 2017 production of 113,410 boe per day, which was one per cent lower than the first quarter of 2017. The lower production, which was expected and noted in our first quarter 2017 results, was the result of planned maintenance activities and the anticipated impact of extensive weather-related road bans. ARC did not experience any volume impact as a result of broad-scale third-party infrastructure maintenance and outages in the period, as a result of proactively securing alternative marketing arrangements in impacted areas. Second quarter 2017 natural gas production was 484 MMcf per day and crude oil and liquids production was 32,757 barrels per day. In mid-June, ARC's Dawson Phase III gas processing and liquids-handling facility started up ahead of schedule with initial sales volumes processed through the facility. ARC expects production levels at Dawson to increase through the second half of the year as the facility ramps up production. First half 2017 production of 114,265 boe per day was made up of 490 MMcf per day of natural gas and 32,593 barrels per day of crude oil and liquids. First half 2017 production was six per cent lower than the first half of 2016 primarily due to the 8,800 boe per day of production that was divested in 2016 as part of ARC's portfolio rationalization efforts. With Dawson Phase III coming on-stream earlier than planned, ARC's full-year 2017 annual production guidance is now expected to be in the range of 120,000 to 124,000 boe per day. ARC anticipates its 2017 exit rate to be in excess of 130,000 boe per day.

Second quarter 2017 capital expenditures, before land and net property acquisitions and dispositions, of $151.0 million were focused on completing the construction of Dawson Phase III, as well as drilling and completion activities throughout the Montney. ARC drilled 20 operated wells (12 natural gas and liquids-rich natural gas wells, seven crude oil wells, and one disposal well) in the second quarter of 2017. First half 2017 capital expenditures, before land and net property acquisitions and dispositions, totaled $406.2 million, and included 66 wells drilled (36 crude oil wells, 29 natural gas and liquids-rich natural gas wells, and one disposal well).

Strategy and Mid-year Budget Update

ARC's strategy of risk-managed value creation and its deliberate pace of asset development allow for learnings to be applied throughout all stages of the development model, while remaining focused on per share growth and overall shareholder returns. Through the ongoing evaluation of ARC's long-term plans, we are able to apply these learnings and have recently identified opportunities to improve the overall base plan. The result is a new project sequence that will profitably increase production by approximately 50,000 boe per day from 2017 through early 2020, continue to improve capital and operating efficiencies, advance ARC's safety and environmental performance, and enhance ARC's future development optionality. The plan will allow ARC to execute on the following:

- Increase production levels through the second half of 2017 at the Dawson Phase III facility, where ARC has sales capacity of 90 MMcf per day of natural gas and up to 7,500 barrels per day of liquids-handling;

- Increase the Sunrise Phase II facility expansion to sales capacity of 180 MMcf per day of natural gas. The facility is expected to come on-stream in stages starting mid-year 2019, at which point ARC's owned and operated total processing and sales capacity in the area will be 240 MMcf per day of natural gas;
- Accelerate the Dawson Phase IV gas processing and liquids-handling facility, which will have sales capacity of 90 MMcf per day of natural gas and up to 7,500 barrels per day of liquids-handling, by leveraging pre-investment in ARC's newest facility at Dawson Phase III, and building on our confidence in well performance and predictability of results in the area. The facility expansion is expected to come on-stream in early 2020;
- Advance towards commercialization at Attachie by drilling our first multi-well pad at Attachie West; and
- Optimize liquids production at Parkland/Tower while applying fracture stimulation knowledge from ARC's Tower development to the identified liquids opportunity at Attachie.

ARC's proactive physical marketing strategy has secured takeaway capacity for the Sunrise Phase II, Dawson Phase IV, and Attachie West projects.

Given the re-sequencing of projects within ARC's long-term plan, the Board of Directors has approved an increase to its 2017 capital program to $830 million, from the $750 million previously announced. The increased budget will accelerate initial investments in the Sunrise Phase II and Dawson Phase IV facilities, enter the demonstration stage at Attachie West with the addition of a multi-well pad to the 2017 drilling program, continue to advance ARC's understanding of the Lower Montney, which includes increased investment at Sunrise, and load-level drilling and completion operations at Tower in order to maintain crude oil production near facility capacity. The increased budget will continue to focus on sustaining ARC's base businesses, improving capital and operating efficiencies, and will support the optionality and overall depth that exists within ARC's long-term plan.

With its strong financial position, ARC has the flexibility to fund the increased 2017 capital budget as well as ARC's long-term capital programs with cash on-hand, cash flow generated from ARC's existing businesses, the redeployment of divestment proceeds, and additional debt if necessary. ARC will continue to manage conservative debt levels as a priority.

The following economic, financial, and operational reviews provide further details to the above highlights. For additional commentary on ARC's second quarter 2017 financial and operating results, please view the following videos: *"Myron's Minute"* and *"ARC Resources Ltd. Q2 2017 Review"* available on ARC's website at www.arcresources.com.

ECONOMIC ENVIRONMENT

ARC’s second quarter and first half 2017 financial and operating results were impacted by commodity prices and foreign exchange rates which are outlined in the following table.

Selected Benchmark Prices	Three Months Ended			Six Months Ended		
and Exchange Rates (1)	**June 30, 2017**	March 31, 2017	% Change	**June 30, 2017**	June 30, 2016	% Change
WTI crude oil (US$/bbl)	**48.15**	51.78	(7)	**49.95**	39.78	26
Mixed sweet crude stream price at Edmonton (Cdn$/bbl)	**61.74**	63.64	(3)	**62.78**	47.84	31
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.18**	3.32	(4)	**3.25**	2.02	61
Chicago Citygate Monthly Index (US$/MMBtu)	**3.01**	3.40	(11)	**3.20**	2.10	52
AECO 7A Monthly Index (Cdn$/Mcf)	**2.77**	2.94	(6)	**2.86**	1.68	70
Cdn$/US$ exchange rate	**1.34**	1.32	2	**1.33**	1.33	—

(1) The benchmark prices do not reflect ARC's realized sales prices. For average realized sales prices, refer to the section entitled, *"Sales of Crude Oil, Natural Gas, Condensate, NGLs and Other Income"* contained within ARC's MD&A. Prices and exchange rates presented above represent averages for the respective periods.

Global crude oil prices remained range bound in the second quarter of 2017 as rising output from Libya and Nigeria and surging production from US shale producers served to offset the OPEC-led production cut extension that took place in the period. The WTI benchmark price averaged seven per cent lower than the first quarter of 2017. Global crude oil and product inventory levels remain elevated, which have caused weaker pricing to persist. ARC’s crude oil price is primarily referenced to the mixed sweet crude stream price at Edmonton, which decreased three per cent in the second quarter of 2017 relative to the first quarter of 2017. The differential between WTI and the mixed sweet crude stream price at

Edmonton narrowed to average a discount of US$2.24 per barrel in the second quarter of 2017, 37 per cent less than the first quarter of 2017.

US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, decreased four per cent relative to the first quarter of 2017. While the supply/demand balance was generally within norms in the period, prices were down as a result of small gains in US production and lower demand from the power generation sector. ARC's realized natural gas price is diversified to multiple sales points including AECO, Station 2 and Chicago hubs. The AECO hub price decreased six per cent in the second quarter of 2017 relative to the first quarter of 2017. Despite strong local demand, AECO basis differentials remain wide due to the high marginal transportation costs of shipping natural gas to downstream markets. Local production is expected to be constrained through the third quarter of 2017 as third-party maintenance and planned outages get underway, which may lead to significant price volatility in the near term.

The Canadian dollar weakened relative to the US dollar during the second quarter of 2017, averaging Cdn$/US$1.34 (US$/Cdn$0.75). Subsequent to period-end, the Canadian dollar has strengthened as a result of the Bank of Canada's announcement to increase interest rates.

FINANCIAL REVIEW

Net Income

ARC recorded net income of $124.0 million ($0.35 per share) in the second quarter of 2017 compared to net income of $142.5 million ($0.40 per share) in the first quarter of 2017. Decreased gains of $96.0 million recognized on ARC's risk management contracts and reduced operating netbacks of $17.2 million, caused primarily by lower commodity prices, served to decrease net income in the second quarter of 2017 relative to the first quarter of 2017. Increased general and administrative ("G&A") expenses of $9.9 million, driven by increased expenses recorded on ARC's share-based compensation plans resulting from ARC's improved total return performance relative to its peers, also contributed to the decrease in earnings. Partially offsetting these decreases to net income was a $75.0 million reversal of a previously-recognized impairment charge, reduced income taxes of $12.9 million, and increased foreign exchange gains of $11.4 million.

Net income of $266.5 million ($0.75 per share) for the six months ended June 30, 2017 was $260.5 million higher than net income for the six months ended June 30, 2016. Increased gains of $196.0 million on ARC's risk management contracts and improved operating netbacks of $118.9 million due to strengthened commodity prices were the most significant drivers in the year-over-year increase to net income. The reversal of a previously-recognized impairment charge of $75.0 million, reduced depletion, depreciation and amortization expenses of $38.7 million, and reduced G&A expenses of $26.4 million driven by decreased expenses recorded on ARC's share-based compensation plans due to a lower share price, also contributed to the increase. These increases to earnings were partially offset by increased income taxes of $120.4 million resulting primarily from improved commodity prices and reduced tax pools associated with the disposition of certain non-core assets in 2016, the recognition of a $40.2 million gain on business combinations in the prior year, and lower gains on foreign exchange of $36.9 million.

Funds from Operations

ARC's second quarter 2017 funds from operations of $169.8 million ($0.48 per share) decreased four per cent from first quarter 2017 funds from operations of $177.2 million ($0.50 per share). The most significant drivers in the quarter-over-quarter decrease in funds from operations were lower commodity prices and increased G&A expenses driven primarily by expenses recorded on ARC's share-based compensation plans. These factors were partially offset by lower current income taxes and increased realized gains on ARC's risk management contracts.

First half 2017 funds from operations of $347.0 million ($0.98 per share) were 19 per cent higher than first half 2016 funds from operations. Improved commodity prices and reduced G&A expenses increased funds from operations relative to the prior year. These items were partially offset by decreased crude oil production and lower realized gains on ARC's risk management contracts. Higher royalty expenses and increased current income taxes also served to partially decrease funds from operations in the first half of 2017 relative to the first half of 2016.

The following table details the change in funds from operations for the second quarter of 2017 relative to the first quarter of 2017 and for the first half of 2017 relative to the first half of 2016.

	Q1 2017 to Q2 2017		H1 2016 to H1 2017	
	$ millions	$/Share (2)	$ millions	$/Share (2)
Funds from operations for the first quarter of 2017 (1)	177.2	0.50		
Funds from operations for the first half of 2016 (1)			291.8	0.83
Volume variance				
Crude oil and liquids	**0.9**	**—**	**(72.0)**	**(0.21)**
Natural gas	**(2.2)**	**(0.01)**	**3.0**	**0.01**
Price variance				
Crude oil and liquids	**(5.5)**	**(0.01)**	**90.3**	**0.26**
Natural gas	**(4.8)**	**(0.01)**	**116.4**	**0.32**
Other income	**(0.6)**	**—**	**2.4**	**0.01**
Realized gain on risk management contracts	**6.9**	**0.02**	**(78.0)**	**(0.22)**
Royalties	**(2.7)**	**(0.01)**	**(14.9)**	**(0.04)**
Expenses				
Transportation	**(3.6)**	**(0.01)**	**(5.4)**	**(0.02)**
Operating	**1.3**	**—**	**(0.9)**	**—**
G&A	**(7.5)**	**(0.02)**	**28.3**	**0.08**
Interest	**—**	**—**	**2.0**	**0.01**
Current tax	**16.0**	**0.05**	**(12.0)**	**(0.03)**
Realized loss on foreign exchange	**(5.6)**	**(0.02)**	**(4.0)**	**(0.01)**
Weighted average shares, diluted	**—**	**—**	**—**	**(0.01)**
Funds from operations for the second quarter of 2017 (1)	**169.8**	**0.48**		
Funds from operations for the first half of 2017 (1)			**347.0**	**0.98**

(1) Refer to Note 9 *"Capital Management"* in ARC's financial statements and to the sections entitled, *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.
(2) Per share amounts are based on diluted weighted average common shares.

Operating Netbacks

ARC's second quarter 2017 operating netback, prior to gains on risk management contracts, of $16.44 per boe decreased nine per cent relative to the first quarter of 2017, and ARC's second quarter 2017 operating netback, including gains on risk management contracts, of $19.47 per boe decreased four per cent relative to the first quarter of 2017. Lower operating netbacks were predominantly due to weakened crude oil and natural gas prices.

ARC's first half 2017 operating netback, prior to gains on risk management contracts, of $17.21 per boe increased 58 per cent from the first half of 2016, and ARC's first half 2017 operating netback, including gains on risk management contracts, of $19.90 per boe increased 17 per cent relative to the first half of 2016. Higher operating netbacks were predominantly due to strengthened crude oil and natural gas prices.

ARC's second quarter 2017 total corporate royalty rate of 9.6 per cent ($2.76 per boe) increased from 8.4 per cent ($2.49 per boe) in the first quarter of 2017 as a result of certain wells completing their eligibility period for reduced royalty rates. ARC's first half 2017 total corporate royalty rate of 9.0 per cent ($2.62 per boe) increased from 8.5 per cent ($1.79 per boe) and reflects the effect of increased commodity prices on royalty rates. Second quarter and first half 2017 royalty expenses on an absolute basis were $28.5 million and $54.3 million, respectively.

Second quarter 2017 transportation expenses of $2.78 per boe increased 15 per cent from the first quarter of 2017 due to additional gas transportation charges incurred in order to mitigate the negative impact of third-party pipeline outages to ARC's production. In addition to the factors contributing to the increase in second quarter transportation expenses, first half 2017 transportation expenses of $2.60 per boe increased 19 per cent relative to the first half of 2016 primarily as a result of an aggregate increase in tolls for natural gas on third-party pipelines. Second quarter and first half 2017 transportation expenses on an absolute basis were $28.6 million and $53.6 million, respectively.

Second quarter 2017 operating expenses of $6.65 per boe were relatively unchanged from first quarter 2017 operating expenses of $6.74 per boe. First half 2017 operating expenses of $6.70 per boe increased seven per cent relative to the first half of 2016 and was the result of increased maintenance and workover activities in the first half of 2017. Second quarter and first half 2017 operating expenses on an absolute basis were $68.6 million and $138.5 million, respectively.

Risk Management

ARC realized cash gains on natural gas risk management contracts of $31.3 million and $56.7 million during the second quarter and first half of 2017, respectively. Approximately 30 per cent of natural gas production was hedged at NYMEX Henry Hub with an average floor price of US$4.00 per MMBtu during the first half of 2017, while market prices averaged US$3.25 per MMBtu. Approximately 10 per cent of natural gas production was hedged at AECO with an average swap price of Cdn$2.64 per GJ during the first half of 2017, while market prices averaged Cdn$2.71 per GJ. ARC has hedged approximately 247,000 MMBtu per day of natural gas production for the second half of 2017 and a portion of natural gas production is hedged for the period 2018 through 2021. ARC's natural gas risk management portfolio also includes AECO basis swap contracts which fix the AECO price received relative to the NYMEX Henry Hub price on a portion of its natural gas volumes for 2017 through 2021, and basis swap contracts which fix other regional sales prices received relative to the NYMEX Henry Hub price on a portion of its natural gas volumes for 2019 through 2021. ARC's natural gas risk management contract positions support long-term development economics for ARC's significant natural gas resource base. Details pertaining to ARC's natural gas hedged volumes and prices for the period 2017 through 2021 are outlined in the table that follows.

ARC realized cash gains of $0.8 million and $0.3 million on crude oil risk management contracts during the second quarter and first half of 2017, respectively. ARC currently has 14,000 barrels per day of crude oil production hedged with collars and swaps for the second half of 2017 and has additional crude oil production hedged for 2018 and 2019. ARC's crude oil risk management portfolio also includes MSW basis swap contracts for 2017 and 2018, fixing the discount between WTI and the mixed sweet crude stream price at Edmonton. Details pertaining to ARC's crude oil hedged volumes and prices for the period 2017 through 2019 are outlined in the table that follows.

ARC has risk management contracts in place, at levels that support ARC's long-term business plans, to protect prices on a portion of natural gas and crude oil volumes. ARC will continue to take positions in natural gas, crude oil, foreign exchange rates, power and interest rates, as appropriate, to provide greater certainty over future cash flows. For a summary of the average crude oil and natural gas volumes associated with ARC's risk management contracts as at June 30, 2017, see Note 10 *"Financial Instruments and Market Risk Management"* in ARC's financial statements for the three and six months ended June 30, 2017.

Risk Management Contracts Positions Summary [(1)]										
As at August 3, 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) (MMBtu/day) [(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 the benchmark prices disclosed in Note 10 *"Financial Instruments and Market Risk Management"* in ARC's financial statements for the three and six months ended June 30, 2017.
(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.

OPERATIONAL REVIEW

ARC invested $151.0 million of capital, before land and net property acquisitions and dispositions, in the second quarter of 2017, including drilling 20 operated wells (12 natural gas and liquids-rich natural gas wells, seven crude oil wells, and one disposal well). Capital expenditures in the period included completing construction of Dawson Phase III and drilling and completion activities throughout the Montney. First half 2017 capital expenditures, before land and net property acquisitions and dispositions, totaled $406.2 million and included 66 wells drilled (36 crude oil wells, 29 natural gas and liquids-rich natural gas wells, and one disposal well). Nearly 90 per cent of capital investment in the first half of 2017 was invested in ARC's low-cost, high-value Montney assets.

	Six Months Ended June 30, 2017	
Area	**Wells Drilled**	**Wells Completed**
Dawson	15	17
Sunrise	5	—
Parkland/Tower	21	23
Attachie	2	2
Pouce Coupe	1	3
Ante Creek	13	6
Pembina	9	12
Total	**66**	**63**

Second quarter 2017 production was 113,410 boe per day, with natural gas production of 484 MMcf per day (71 per cent of total production) and crude oil and liquids production of 32,757 barrels per day (29 per cent of total production). As expected, second quarter 2017 average daily production was one per cent lower relative to the first quarter of 2017 due to planned maintenance activities and the anticipated impact of extensive weather-related road bans. ARC did not experience any volume impact as a result of broad-scale third-party infrastructure maintenance and outages in the period, as a result of proactively securing alternative marketing arrangements in impacted areas. First half 2017 production of 114,265 boe per day was made up of 490 MMcf per day of natural gas and 32,593 barrels per day of crude oil and liquids. First half 2017 production was six per cent lower than the first half of 2016 primarily due to the 8,800 boe per day of production that was divested in 2016 as part of ARC's portfolio rationalization efforts.

ARC currently has a land position of approximately 1,200 net Montney sections, and Montney production represented approximately 85 per cent of corporate production in the second quarter of 2017. Excellent operating and capital efficiencies are supported by ARC owning and operating its own facilities, allowing for greater control over costs and pace of development. ARC continues to optimize well designs and maximize well value, pursue new technologies, and partner with service providers to preserve its low cost structure. ARC actively monitors market conditions and maintains a marketing strategy that proactively secures takeaway capacity for future development projects, diversifies ARC's sales portfolio, and ensures that production gets to market at optimal pricing.

Lower Montney

ARC's lands within the over-pressured Montney fairway have significant development potential in the Lower Montney horizon. This opportunity is currently being appraised across all of ARC's Montney assets as ARC progresses its technical understanding of the zone and works to better understand the economics associated with development.

At Dawson, the Lower Montney horizon has shown high liquids yields that are driving strong economics and indicating significant upside in the area of the field that will be developed to support production at the Dawson Phase III and the newly-sanctioned Dawson Phase IV facilities. At Pouce Coupe, two wells brought on production during the first half of 2017 have garnered strong initial production results. Encouraged by these results, ARC plans to tie in a third well in the third quarter of 2017. Parkland/Tower has been a focus of ARC's Lower Montney appraisal program, and two recently-drilled wells will be brought on production during the latter half of 2017. At Sunrise, a five-well development pad was drilled in the second quarter of 2017 with completion operations scheduled to commence during the fourth quarter of 2017. Significant Lower Montney development potential has also been identified at Attachie, where ARC will drill an appraisal well in the fourth quarter of 2017.

ARC's 2017 capital program includes the drilling of 20 Lower Montney wells across ARC's Montney acreage. Evaluation and monitoring of production results will be ongoing as ARC optimizes well designs. The long-term growth opportunities from the Lower Montney horizon will provide ARC with strategic optionality in the future, and increase the overall depth of ARC's portfolio.

Dawson

The Dawson Montney play is the foundation of ARC’s low-cost natural gas business, where ARC has a land position of 137 net Montney sections. Dawson production averaged 181 MMcf per day of natural gas and 1,400 barrels per day of condensate and liquids during the second quarter of 2017, an increase of two per cent from the first quarter of 2017.

The increased production was from initial sales recorded at the Dawson Phase III facility, which started up ahead of schedule in mid-June. Production levels at Dawson are expected to increase through the second half of 2017 as additional wells that were drilled and completed in the first half of 2017 are tied into the new facility. The Dawson play delivers strong economics and significant cash flow at current natural gas prices, due to excellent capital efficiencies, exceptional well results, and low operating expenses.

ARC invested $128 million at Dawson in the first half of 2017. Capital investment was directed at completing construction of the Dawson Phase III facility, which was started up ahead of schedule and had an exceptional safety record through construction and start-up. The first phase of Dawson Phase III was designed to process 90 MMcf per day of natural gas and handle up to 7,500 barrels per day of liquids (approximately 50 per cent condensate-handling), and has dual-connectivity to third-party pipeline infrastructure in order to provide increased takeaway optionality. Liquids production through Dawson Phase III is expected to stabilize at approximately 3,000 barrels per day. ARC drilled 15 natural gas wells and completed 17 wells in the first half of 2017; the majority of these wells targeted the liquids-rich areas of the Montney.

Given the high confidence in well performance, predictability of results, and overall well inventory, ARC is proceeding with the Phase IV expansion of the Dawson gas processing and liquids-handling facility. The facility expansion, which has received regulatory approval, will add natural gas sales of approximately 90 MMcf per day and will have the ability to handle up to 7,500 barrels per day of liquids (approximately 50 per cent condensate-handling). The plant design is consistent with the Dawson Phase III facility, taking advantage of the Phase III investments and design, making Dawson Phase IV one of our most attractive investment opportunities. The Phase IV facility has been designed to handle free liquids and a richer gas production from the Lower Montney. The facility expansion is expected to come on-stream in early 2020, and long-term takeaway capacity for production associated with the facility expansion has been secured.

Sunrise

ARC has a land position of 32 net Montney sections at Sunrise, a dry natural gas Montney play in northeast British Columbia with potential for up to six layers of development. With a significant natural gas resource base, high well deliverability, low capital requirements, and low operating expenses, Sunrise continues to create significant value and superior full-cycle economics. Second quarter 2017 Sunrise production was approximately 136 MMcf per day of natural gas, unchanged from the first quarter of 2017, as ARC continues to see strong performance and longer stabilized production from our wells in this area.

ARC invested $13 million on capital activities at Sunrise in the first half of 2017, including drilling five natural gas wells targeting the Lower Montney zone, and front-end engineering and design work for the second phase of the existing Sunrise gas processing facility. Through the front-end engineering and design work, ARC determined that the capacity of the second phase could be increased by 50 per cent for minimal incremental infrastructure investment. The facility expansion will now add incremental natural gas sales of 120 MMcf per day at Sunrise in addition to 60 MMcf per day of repatriated production that is currently flowing through a third-party facility. The Sunrise facility expansion of 180 MMcf per day is expected to come on-stream in stages mid-year 2019, at which point ARC's owned and operated total processing and sales capacity in the area will be 240 MMcf per day of natural gas. With increased control of ARC's Sunrise production volumes, operating costs in the area will be reduced once the facility comes on-stream. Long-term takeaway capacity for production associated with the facility expansion has been secured.

With strong well performance, ARC expects to maintain production at current facility capacity at Sunrise throughout 2017 and has increased the investment planned for the second half of 2017 to include the completion of the five Lower Montney wells drilled in the second quarter of 2017. The learnings from these wells will be integrated into ARC's broader strategic Lower Montney program.

Parkland/Tower

ARC's Parkland/Tower property, located in the Montney play in northeast British Columbia, consists of 57 net Montney sections at Tower, which produce predominantly light crude oil and condensate with liquids-rich associated gas; and 37 net Montney sections at Parkland, which produce liquids-rich natural gas and dry gas. With contiguous lands, these areas share ARC-operated infrastructure and processing capacity.

Parkland/Tower second quarter 2017 production averaged 23,600 boe per day (40 per cent crude oil and liquids and 60 per cent natural gas), six per cent lower than the first quarter of 2017 due to the planned shut-in of offset pads for nearby completion activities. Capital investment at Parkland/Tower was $129 million in the first half of 2017 and included the drilling of 15 crude oil wells, five liquids-rich natural gas wells and one natural gas well, and completion of 23 wells. Application of learnings to the most recent development activities within the Tower core is delivering strong production results. By load-leveling drilling and completion operations in the area, ARC expects second half 2017 production to increase as production at the Tower oil battery is maintained at sales of over 10,000 barrels per day of crude oil and wellhead condensate.

ARC continues to evaluate and progress its understanding of the Parkland/Tower area, with a focus on improving capital efficiencies, refining well designs for optimized efficiency, and ensuring that the optimal exploitation strategy is achieved. As such, the Phase III expansion of the Parkland/Tower gas processing and liquids-handling facility has been deferred while ARC seeks to achieve further improvements to well and completion designs outside of the Tower core. ARC will continue to manage the overall pace of development by integrating learnings, preserving ARC's strong capital efficiencies, and sustaining production in the area.

Attachie

ARC's Attachie property is a highly prospective, Montney crude oil and liquids-rich natural gas exploration play located in northeast British Columbia, where ARC has a land position of 286 net Montney sections. ARC invested $19 million on pilot activities on the west side of Attachie in the first half of 2017, including the drilling and completion of two liquids-rich natural gas wells, both of which were brought on-stream in the second quarter of 2017. ARC now has six pilot wells on production at Attachie West, with the two most recent wells showing strong initial production results of average cumulative wellhead condensate volumes of approximately 50,000 barrels in less than 70 days on production.

Building on the success of these existing pilot wells, ARC will be increasing its investment at Attachie West in the second half of 2017 with the drilling of a multi-well demonstration pad. ARC is currently producing through third-party infrastructure while long-term infrastructure requirements are being assessed, and will continue to optimize and monitor production results in the area.

Ante Creek

ARC has a land position of 381 net sections at Ante Creek, a Montney crude oil play in northern Alberta that provides significant cash flow and has substantial future development potential. Second quarter 2017 Ante Creek production averaged 15,300 boe per day (approximately 45 per cent crude oil and liquids), a 12 per cent decrease from the first quarter of 2017. The decrease in production at Ante Creek was largely due to unfavourable weather conditions in the area, which limited ARC's ability to access well sites and to bring new wells on-stream. ARC invested $48 million in the first half of 2017, including drilling 12 crude oil wells and one vertical disposal well, and completing six wells. Recent optimization of well designs at Ante Creek has resulted in improved capital efficiencies, including a greater than 50 per cent reduction in drilling days and a corresponding 25 per cent reduction in drilling costs. New wells brought on production over the past year have confirmed our improved type curve expectations.

Base production continues to perform well at Ante Creek, demonstrating the effectiveness of ARC's ongoing optimization activities and the overall strength of the asset base. Together with revised well designs, which has extended the overall development area, ARC has initiated studies for the next phase of development at Ante Creek and is evaluating the scale of its infrastructure expansion options.

Pembina

ARC's Pembina Cardium assets provide high-quality light oil production and generate strong operating netbacks, with favourable half-cycle economics with major infrastructure already in place. ARC has a land position of 218 net Cardium sections in Pembina, where production averaged approximately 10,800 boe per day (approximately 80 per cent light oil and liquids) in the second quarter of 2017, relatively unchanged from the first quarter of 2017.

ARC invested $37 million in capital activities in the first half of 2017, including drilling nine crude oil wells and completing 12 wells. ARC continues to focus on capital and operating efficiencies with its drilling and completion designs in Pembina, driving an increase in overall profitability and free cash flow growth. Optimizing production, converting horizontal injectors, and waterflood management continue to be core components of operations at Pembina.

Redwater

ARC's Redwater region in Alberta produces high-quality crude oil. Second quarter 2017 production averaged approximately 3,200 boe per day of light oil, unchanged from the first quarter of 2017. Capital investment for the first half of 2017 at Redwater was $2 million.

DIVIDENDS

As a dividend-paying corporation, ARC declares monthly dividends to its shareholders. ARC continually assesses dividend levels in light of commodity prices, capital expenditure programs, and production volumes to ensure that dividends are in line with ARC's long-term strategy and objectives.

ARC declared dividends totaling $53.1 million ($0.15 per share) for the second quarter of 2017, and $106.2 million ($0.30 per share) for the first half of 2017. The Board of Directors previously confirmed a dividend of $0.05 per share for July 2017, payable on August 15, 2017, and has conditionally declared a monthly dividend of $0.05 per share for August 2017 through October 2017, payable as follows:

Record Date	Ex-dividend Date	Payment Date	Per Share Amount
July 31, 2017	July 27, 2017	August 15, 2017	$0.05 (1)
August 31, 2017	August 29, 2017	September 15, 2017	$0.05 (2)
September 29, 2017	September 27, 2017	October 16, 2017	$0.05 (2)
October 31, 2017	October 27, 2017	November 15, 2017	$0.05 (2)

(1) Confirmed on July 17, 2017.
(2) Conditionally declared, subject to confirmation by news release and further resolution by the Board of Directors.

The dividends have been designated as eligible dividends under the *Income Tax Act* (Canada). The declaration of the dividends is conditional upon confirmation by news release and is subject to any further resolution of the Board of Directors. Dividends are subject to change in accordance with ARC's dividend policy depending on a variety of factors and conditions existing from time-to-time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating expenses, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends. Shareholders, wherever resident, are encouraged to consult their own tax advisors regarding the tax consequences to them of receiving cash dividends.

OUTLOOK

The foundation of ARC's business strategy is risk-managed value creation. High-quality assets, operational excellence, financial strength, and top talent are the key principles underpinning ARC's business strategy. ARC's goal is to create shareholder value in the form of regular dividends and anticipated capital appreciation relating to profitable future growth.

ARC's deliberate pace of asset development allows for learnings to be applied throughout all stages of the development model. Through the ongoing evaluation of ARC's long-term plans, we are able to apply these learnings and have recently identified opportunities to improve the overall base plan. The result is a new project sequence that increases the size of the Sunrise Phase II facility, accelerates the liquids-rich Dawson Phase IV facility, and advances key strategic initiatives at Attachie and in the Lower Montney. Through the execution of this plan, ARC expects to profitably increase production by approximately 50,000 boe per day from 2017 through early 2020, continue to improve capital and operating efficiencies, advance ARC's safety and environmental performance, and enhance ARC's future development optionality.

Given the re-sequencing of projects within ARC's long-term plan, the Board of Directors has approved an increase to its 2017 capital program to $830 million, from the $750 million previously announced. The increased budget will accelerate initial investments in the Sunrise Phase II and Dawson Phase IV facilities, enter the demonstration stage at West Attachie with the addition of a multi-well pad to the 2017 drilling program, continue to advance ARC's understanding of the Lower Montney, which includes increased investment at Sunrise, and load-level drilling and completion operations at Tower in order to maintain crude oil production near facility capacity. The increased budget will continue to focus on sustaining ARC's base businesses, improving capital and operating efficiencies, and will support the optionality and overall depth that exists within ARC's long-term plan.

Ongoing commodity price volatility may affect ARC's funds from operations and over the long term, profitability of capital programs. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including managing an active risk management program, focusing on capital and operating efficiencies, and protecting its strong financial position, with a targeted net debt to annualized funds from operations ratio of between one and 1.5 times. ARC will screen projects for profitability in a disciplined manner and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected. The 2017 capital budget excludes land purchases and property acquisitions or dispositions. ARC will continue to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions. ARC evaluates its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that would impact the expected production for the year.

As part of ARC's mid-year budget update, the following revisions have been made to ARC's full-year 2017 guidance estimates:

- With Dawson Phase III coming on-stream earlier than planned and production levels in the area expected to increase through the second half of the year, ARC's full-year 2017 annual production guidance is now expected to be in the range of 120,000 to 124,000 boe per day. ARC anticipates its 2017 exit rate to be in excess of 130,000 boe per day;
- Transportation expenses have been increased to a range of $2.45 to $2.65 per boe, as ARC continues to mitigate the impact of third-party pipeline outages and optimize its operating netbacks by securing additional downstream transportation arrangements;
- G&A expenses before share-based compensation plans have been revised upward to a range of $1.25 to $1.45 per boe to reflect the non-routine expenses incurred in the first half of 2017;
- G&A expenses relating to share-based compensation plans have been revised downward to a range of $0.10 to $0.40 per boe to reflect the impact that ARC's lower share price had on share-based compensation expenses in the first half of 2017;
- Interest expenses have been revised downward to a range of $1.00 to $1.10 per boe due to lower expected interest expenses in 2017; and
- Current income taxes have been lowered to a range of zero to five per cent of funds from operations due primarily to decreased commodity prices.

ARC's full-year 2017 guidance estimates and a review of 2017 year-to-date actual results are outlined in the following table.

	2017 Guidance	2017 Revised Guidance	**2017 YTD**	% Variance from Revised Guidance
Production				
Crude oil (bbl/d)	25,000 - 28,000	25,000 - 27,000	**23,921**	(4)
Condensate (bbl/d)	5,000 - 5,500	5,000 - 5,500	**4,378**	(12)
Natural gas (MMcf/d)	505 - 515	510 - 520	**490.0**	(4)
NGLs (bbl/d)	4,000 - 4,500	4,500 - 5,000	**4,294**	(5)
Total (boe/d)	118,000 - 124,000	120,000 - 124,000	**114,265**	(5)
Expenses ($/boe)				
Operating	6.30 - 6.70	6.30 - 6.70	**6.70**	—
Transportation	2.25 - 2.45	2.45 - 2.65	**2.60**	—
G&A expenses before share-based compensation plans	1.15 - 1.35	1.25 - 1.45	**1.59**	10
G&A - share-based compensation plans (1)	0.65 - 0.75	0.10 - 0.40	**0.02**	(80)
Interest	1.00 - 1.20	1.00 - 1.10	**1.13**	3
Current income tax (per cent of funds from operations) (2)	5 - 10	0 - 5	**3**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	750	830	**406.2**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	N/A	**20.2**	N/A
Weighted average shares (millions)	353	353	**353**	N/A

(1) Comprises expenses recognized under the RSU and PSU Plan, Share Option Plan and LTRSA Plan, and excludes compensation charges under the DSU Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(2) The current income tax estimates vary depending on the level of commodity prices.

ARC's 2017 guidance is based on full-year 2017 estimates; certain variances exist between 2017 year-to-date actual results and 2017 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2017 actual results to closely approximate guidance.

- ARC's first half 2017 production was below the 2017 guidance range. Production levels are expected to increase through the second half of the year as the Dawson Phase III facility, which was started up in mid-June, ramps up production.
- On a per boe basis, ARC's first half 2017 operating expenses were at the high end of the 2017 guidance range due to accelerated maintenance and workover activities that took place in advance of spring break-up. ARC expects full-year operating expenses to trend towards guidance as additional volumes with lower relative costs to operate are brought on-stream in the second half of the year.
- ARC's first half 2017 G&A expenses before share-based compensation plans were above the 2017 guidance range due primarily to an increase in compensation expenses associated with reducing the size of ARC's workforce and a provision recorded on ARC's tenant subleases, which have been determined to be onerous contracts. ARC expects full-year 2017 G&A expenses before share-based compensation plans to trend towards guidance as the year progresses.
- G&A expenses relating to share-based compensation plans were below the 2017 guidance range due to the decrease in ARC's share price.

Forward-looking Information and Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: guidance as to the capital expenditure plans of ARC in 2017and beyond and its production in 2017 and beyond, and operating expenses under the heading “Financial and Operating Highlights”, as to its views on future commodity prices under the heading “Economic Environment”, as to its risk management plans for 2017 and beyond under the heading “Risk Management”, as to its production, exploration and development plans, and capital expenditures for 2017 and beyond under the heading “Operational Review”, as to its plans in relation to future dividend levels under the heading "Dividends", and all matters in respect of 2017 guidance under the heading “Outlook”.

The forward-looking information and statements contained in this news release reflect material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing, and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results, or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the risk that the United States Securities and Exchange Commission will object to ARC's termination of its Exchange Act reporting obligations; and certain other risks detailed from time-to-time in ARC's public disclosure documents (including, without limitation, those risks identified in this news release and in ARC's Annual Information Form).

The internal projections, expectations or beliefs are based on the 2017 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

ARC has adopted the standard 6 Mcf : 1 barrel when converting natural gas to boe. Boe may misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf : 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

ARC Resources Ltd. is one of Canada's largest conventional oil and gas companies with an enterprise value (1) of approximately $6.2 billion. ARC's common shares trade on the TSX under the symbol ARX.

(1) Enterprise value is also referred to as total capitalization. Refer to Note 9 *"Capital Management"* in ARC's financial statements for the three and six months ended June 30, 2017 and to the section entitled *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.

Q2 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated August 3, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and six months ended June 30, 2017, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2016, as well as ARC's Annual Information Form ("AIF"), each of which is filed on SEDAR at www.sedar.com. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

This MD&A contains non-GAAP measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with ARC's disclosure under the headings "Non-GAAP Measures," "Forward-looking Information and Statements," and "Glossary" included at the end of this MD&A.

ABOUT ARC RESOURCES LTD.

ARC is a dividend-paying Canadian crude oil and natural gas company headquartered in Calgary, Alberta. ARC's activities focus on the exploration, development and production of conventional crude oil and natural gas in Canada with an emphasis on the development of properties with a large volume of hydrocarbons in place commonly referred to as "resource plays."

ARC's vision is to be a leading energy producer, focused on delivering results through its strategy of **risk-managed value creation**. ARC is committed to providing superior long-term financial returns for its shareholders, realized by its culture where respect for the individual is paramount and action and passion are rewarded. ARC runs its business in a manner that protects the safety of employees, communities and the environment. ARC's vision is realized through the four pillars of its strategy:

(1) **High-quality, long-life assets** – ARC's unique suite of assets includes primarily Montney and Cardium assets. ARC's Montney assets consist of world-class resource play properties, concentrated in northeast British Columbia and northern Alberta. The Montney assets provide substantial growth opportunities, which ARC will pursue to create value through long-term profitable development. Other assets are located in Alberta and include core assets in the Cardium formation in the Pembina area of Alberta. These assets deliver stable production and contribute cash to fund future development and support ARC's dividend.

(2) **Operational excellence** – In the current competitive environment, achieving top-tier capital efficiency and low cost operations while operating in a safe and environmentally responsible manner are critical to realizing profitability. ARC is committed, where it makes sense, to own and operate its own infrastructure and is deliberate in securing takeaway for its products at optimal pricing.

(3) **Financial flexibility** – ARC provides returns to shareholders through a combination of a monthly dividend, currently $0.05 per share per month, and the potential for capital appreciation. ARC's long-term goal is to fund dividend payments and capital expenditures necessary for the replacement of production declines using funds from operations(1). ARC will finance value-creating growth activities through a combination of sources including funds from operations, proceeds from property dispositions, debt capacity, and when appropriate, equity issuance. ARC chooses to maintain prudent debt levels, targeting its net debt to be between one to 1.5 times annualized funds from operations and less than 20 per cent of total capitalization over the long term(1).

(4) **Top talent and strong leadership culture** – ARC is committed to the attraction, retention and development of the best and brightest people in the industry. ARC's employees conduct business every day in a culture of trust, respect, integrity and accountability. Building leadership talent at all levels of the organization is a key focus. ARC is also committed to corporate leadership through community investment, environmental reporting practices and open communication with all stakeholders. As of August 3, 2017, ARC had 469 permanent employees with 252 professional, technical and support staff in the Calgary office, and 217 individuals located across ARC's operating areas in Alberta and British Columbia, Canada.

(1) Refer to Note 9 "Capital Management" in the financial statements and to the sections entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

Total Return to Shareholders

ARC's business plan has resulted in significant operational success and helped mitigate the headwinds of a challenging commodity price environment, resulting in a trailing five year annualized total return that exceeds the Standard & Poor's ("S&P")/Toronto Stock Exchange ("TSX") Exploration & Producers Index (Table 1). Total return includes both capital appreciation (depreciation) and dividend payments and represents the sum of the change in the market price of the common shares or the index in the period assuming dividends are reinvested in the security or the index. Total return is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities. This measure is used to assist Management and investors in evaluating the Company's performance and rate of return on a per share basis, to facilitate comparison over time and to its peers.

Table 1

Total Returns (1)	**Trailing One Year**	Trailing Three Year	Trailing Five Year
Dividends per share outstanding ($)	**0.60**	2.75	5.15
Capital (depreciation) per share outstanding ($)	**(5.15)**	(15.53)	(5.94)
Total return per share outstanding (%)	**(21.0)**	(40.7)	(8.1)
Annualized total return per share outstanding (%)	**(21.0)**	(16.0)	(1.7)
S&P/TSX Exploration & Producers Index annualized total return (%)	**(10.1)**	(20.1)	(4.9)

(1) Calculated as at June 30, 2017.

Since 2013, ARC's production has grown by 18,178 boe per day, or 19 per cent, while its proved plus probable reserves have grown by 102.8 MMboe, or 16 per cent. Table 2 highlights ARC's production and reserves for the first six months of 2017 and over the past four years:

Table 2

	2017 YTD	2016	2015	2014	2013
Production (boe/d) (1)	**114,265**	118,671	114,167	112,387	96,087
Daily production per thousand shares (2)	**0.32**	0.34	0.34	0.35	0.31
Proved plus probable reserves (MMboe) (3)(4)	**n/a**	736.7	686.9	672.7	633.9
Proved plus probable reserves per share (boe)	**n/a**	2.1	2.0	2.1	2.0

(1) Reported production amount is based on Company interest before royalty burdens. In December 2016, ARC divested of non-core Saskatchewan assets that had been producing approximately 7,500 barrels per day prior to disposal.

(2) Daily production per thousand shares represents average daily production divided by the diluted weighted average common shares for the six months ended June 30, 2017 and for the annual periods ended December 31, 2016, 2015, 2014 and 2013.

(3) As determined by ARC's independent reserve evaluator with an effective date of December 31 for the years shown in accordance with the COGE Handbook.

(4) Company gross reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF as filed on SEDAR at www.sedar.com and the news release entitled *"ARC Resources Ltd. Replaces 260 Per Cent of Produced Reserves Through Development Activities in 2016"* dated February 8, 2017.

Exhibit 1

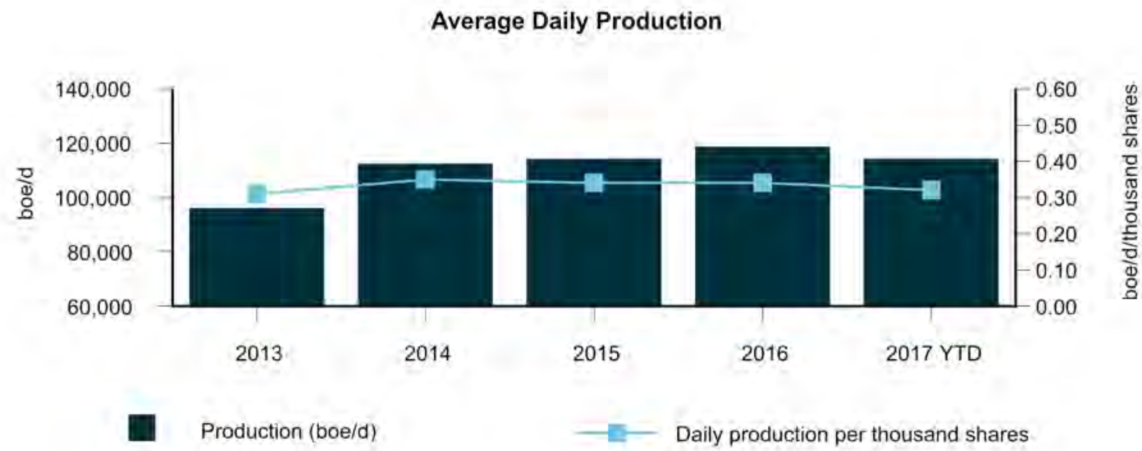
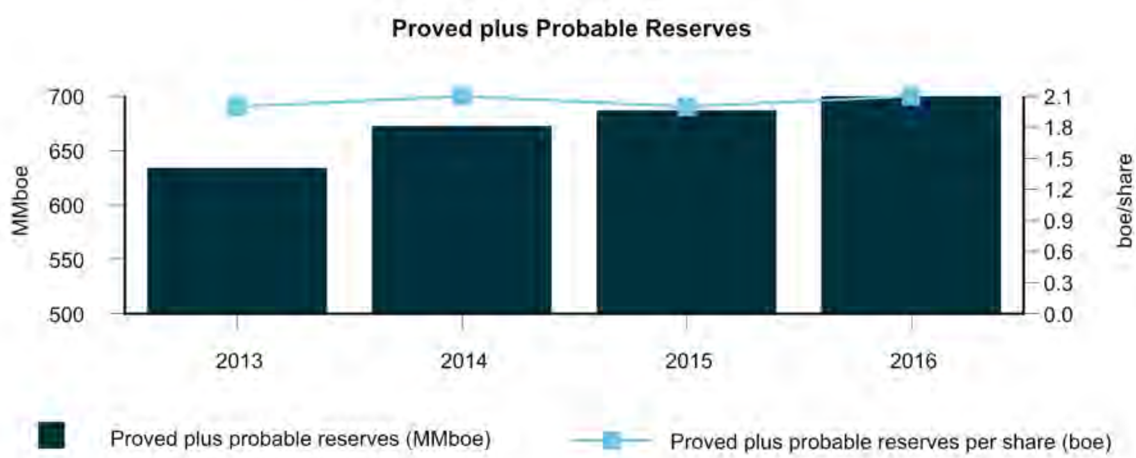


Exhibit 1a



ECONOMIC ENVIRONMENT

ARC's second quarter and year-to-date 2017 financial and operating results were impacted by commodity prices and foreign exchange rates which are outlined in Table 3 below:

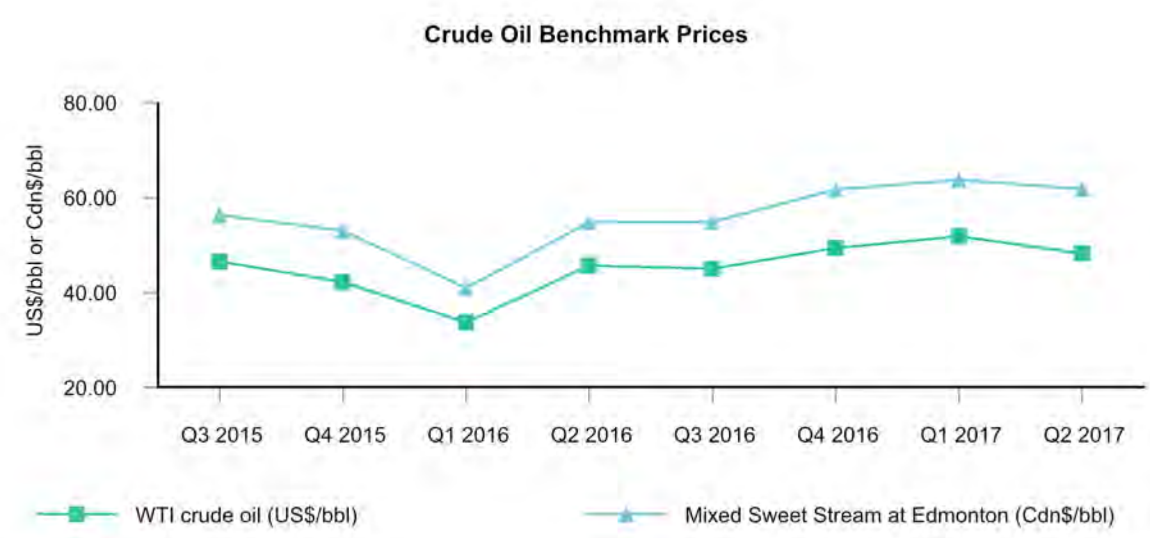
Table 3

	Three Months Ended June 30			Six Months Ended June 30		
Selected Benchmark Prices and Exchange Rates (1)	**2017**	2016	% Change	**2017**	2016	% Change
WTI crude oil (US$/bbl)	**48.15**	45.64	5	**49.95**	39.78	26
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	**61.74**	54.78	13	**62.78**	47.84	31
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.18**	1.95	63	**3.25**	2.02	61
Chicago Citygate Monthly Index (US$/MMBtu)	**3.01**	1.95	54	**3.20**	2.10	52
AECO 7A Monthly Index (Cdn$/Mcf)	**2.77**	1.25	122	**2.86**	1.68	70
Cdn$/US$ exchange rate	**1.34**	1.29	4	**1.33**	1.33	—

(1) The benchmark prices do not reflect ARC's realized sales prices. For average realized sales prices, refer to Table 14 in this MD&A. Prices and exchange rates presented above represent averages for the respective periods.

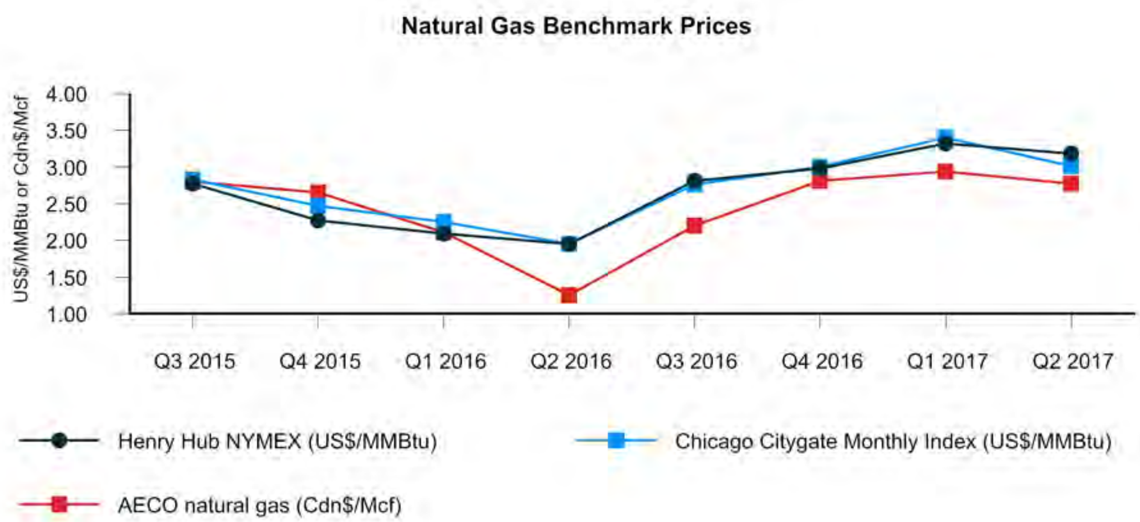
Global crude oil prices remained range bound in the second quarter of 2017 as rising output from Libya and Nigeria and surging production from US shale producers served to offset the OPEC-led production cut extension that took place in the period. The WTI benchmark price averaged seven per cent lower than the first quarter of 2017 and five per cent higher than the second quarter of 2016. Global crude oil and product inventory levels remain elevated, which have caused weaker pricing to persist. ARC's crude oil price is primarily referenced to the mixed sweet crude stream price at Edmonton, which decreased three per cent in the second quarter of 2017 relative to the first quarter of 2017 and increased 13 per cent relative to the second quarter of 2016, when prices were driven down by unexpected disruptions due to Canadian wildfires. The differential between WTI and the mixed sweet crude stream price at Edmonton narrowed to average a discount of US$2.24 per barrel in the second quarter of 2017, 37 per cent less than the first quarter of 2017 and 28 per cent less than the second quarter of 2016.

Exhibit 2



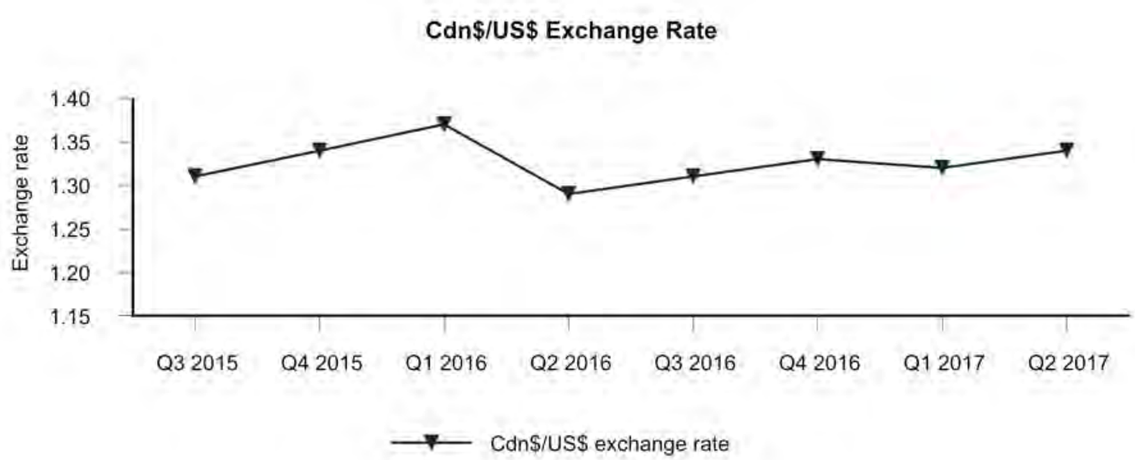
US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, decreased four per cent relative to the first quarter of 2017, and increased 63 per cent relative to the second quarter of 2016. While the supply/demand balance was generally within norms in the period, prices were down as a result of small gains in US production and lower demand from the power generation sector. ARC's realized natural gas price is diversified to multiple sales points including AECO, Station 2 and Chicago hubs. The AECO hub price decreased six per cent in the second quarter of 2017 relative to the first quarter of 2017, and increased 122 per cent relative to the second quarter of 2016 when inventories were at extremely elevated levels. Despite strong local demand, AECO basis differentials remain wide due to the high marginal transportation costs of shipping natural gas to downstream markets. Local production is expected to be constrained through the third quarter of 2017 as third-party maintenance and planned outages get underway, which may lead to significant price volatility in the near term.

Exhibit 2a



The Canadian dollar weakened relative to the US dollar during the second quarter of 2017, averaging Cdn$/US$1.34 (US$/Cdn$0.75). Subsequent to period-end, the Canadian dollar has strengthened as a result of the Bank of Canada's announcement to increase interest rates.

Exhibit 2b



QUARTERLY RESULTS (1)

Global crude oil and North American natural gas markets have undergone continued volatility over the past eight quarters. In addition, the structure of ARC's business has transformed during this period as the Company has focused its asset base to adapt to the challenging economic environment and position the Company for long-term success.

Exhibit 3

(1) The details contained in the following graphs are included in the Quarterly Historical Review section of this MD&A.
(2) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Trends in earnings and funds from operations are primarily associated with fluctuations in revenues which reflect changes in production levels and commodity prices. Realized risk management gains and losses serve to partially offset the impact of volatile commodity prices and impact quarterly funds from operations, while changes in the Canadian value of ARC's US dollar denominated long-term debt and unrealized risk management gains and losses impact earnings. In addition to these factors, the following significant events impacted the Company's financial and operating results over the past eight quarters:

- In the third and fourth quarters of 2015, ARC recognized impairment charges of $320.0 million and $80.0 million, respectively, due to declines in expected future commodity prices.
- In the fourth quarter of 2015, ARC recognized an impairment charge of $51.3 million in relation to the disposition of non-core assets located in its Southeast Saskatchewan & Manitoba CGU. In the fourth quarter of 2016, ARC recorded a $68.4 million reversal of impairment and a $196.0 million gain associated with dispositions of ARC's remaining non-core Saskatchewan assets and certain non-core assets in Alberta.
- In 2016, ARC completed multiple acquisitions in the Pembina area of Alberta. ARC recognized associated gains on business combinations of $40.2 million and $13.7 million in the second and third quarters of 2016, respectively.

- In the second quarter of 2017, ARC recognized a reversal of previously recognized impairment on its assets in its Northern Alberta CGU of $75.0 million.
- ARC recorded a $48.1 million deferred income tax recovery in the third quarter of 2015, primarily associated with impairment charges recognized in the same period. In the second quarter of 2016, a deferred income tax recovery of $40.8 million was recorded, mainly as a result of a $149.5 million unrealized loss on risk management contracts recorded during the period, as well as an increase in ARC's ARO balance. In the fourth quarter of 2016, ARC recognized a current income tax expense of $24.4 million, reflecting the reduction of income tax pools associated with the divestment of its non-core Saskatchewan assets. Also in the fourth quarter of 2016, ARC recorded a deferred income tax expense of $43.5 million primarily due to impairment recoveries recognized on divested assets and a decrease in ARC's ARO balance. In the second quarter of 2017, a $38.6 million deferred income tax recovery was recorded, primarily as a result of a $7.2 million unrealized gain on risk management contracts recognized during the period compared to a $149.5 million unrealized loss in the same period of the prior year and a $75.0 million reversal of impairment recorded in ARC's Northern Alberta CGU.
- Net debt decreased significantly in the fourth quarter of 2016 upon receipt of net proceeds of $683.8 million from the divestment of ARC's non-core Saskatchewan assets. Net debt has increased throughout the first half of 2017 with the acceleration of ARC's capital spending program funded by the redeployment of the Saskatchewan sale proceeds. Spending on drilling and infrastructure had slowed with depressed commodity prices throughout 2015 and into 2016.
- Production increased at the end of 2015 following the commissioning of the Sunrise gas plant in the third quarter of 2015 and the crude oil battery expansion in the fourth quarter of 2015 at ARC's Tower property, both in northeast British Columbia. Since that time, crude oil production has decreased following dispositions in 2015 and 2016, partially offset by the Pembina acquisitions completed in 2016 and the Company's drilling program.

ANNUAL GUIDANCE AND FINANCIAL HIGHLIGHTS

The foundation of ARC's business strategy is risk-managed value creation. High-quality assets, operational excellence, financial strength, and top talent are the key principles underpinning ARC's business strategy. ARC's goal is to create shareholder value in the form of regular dividends and anticipated capital appreciation relating to profitable future growth.

ARC's deliberate pace of asset development allows for learnings to be applied throughout all stages of the development model. Through the ongoing evaluation of ARC's long-term plans, we are able to apply these learnings and have recently identified opportunities to improve the overall base plan. The result is a new project sequence that increases the size of the Sunrise Phase II facility, accelerates the liquids-rich Dawson Phase IV facility, and advances key strategic initiatives at Attachie and in the Lower Montney. Through the execution of this plan, ARC expects to profitably increase production by approximately 50,000 boe per day from 2017 through early 2020, continue to improve capital and operating efficiencies, advance ARC's safety and environmental performance, and enhance ARC's future development optionality.

Given the re-sequencing of projects within ARC's long-term plan, the Board of Directors has approved an increase to its 2017 capital program to $830 million, from the $750 million previously announced. The increased budget will accelerate initial investments in the Sunrise Phase II and Dawson Phase IV facilities, enter the demonstration stage at West Attachie with the addition of a multi-well pad to the 2017 drilling program, continue to advance ARC's understanding of the Lower Montney, which includes increased investment at Sunrise, and load-level drilling and completion operations at Tower in order to maintain crude oil production near facility capacity. The increased budget will continue to focus on sustaining ARC's base businesses, improving capital and operating efficiencies, and will support the optionality and overall depth that exists within ARC's long-term plan.

Ongoing commodity price volatility may affect ARC's funds from operations and over the long term, profitability of capital programs. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including managing an active risk management program, focusing on capital and operating efficiencies, and protecting its strong financial position, with a targeted net debt to annualized funds from operations ratio of between one and 1.5 times. ARC will screen projects for profitability in a disciplined manner and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected. The 2017 capital budget excludes land purchases and property acquisitions or dispositions. ARC will continue to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions. ARC evaluates its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that would impact the expected production for the year.

As part of ARC's mid-year budget update, the following revisions have been made to ARC's full-year 2017 guidance estimates:

- With Dawson Phase III coming on-stream earlier than planned and production levels in the area expected to increase through the second half of the year, ARC's full-year 2017 annual production guidance is now expected to be in the range of 120,000 to 124,000 boe per day. ARC anticipates its 2017 exit rate to be in excess of 130,000 boe per day;
- Transportation expenses have been increased to a range of $2.45 to $2.65 per boe, as ARC continues to mitigate the impact of third-party pipeline outages and optimize its operating netbacks by securing additional downstream transportation arrangements;
- G&A expenses before share-based compensation plans have been revised upward to a range of $1.25 to $1.45 per boe to reflect the non-routine expenses incurred in the first half of 2017;
- G&A expenses relating to share-based compensation plans have been revised downward to a range of $0.10 to $0.40 per boe to reflect the impact that ARC's lower share price had on share-based compensation expenses in the first half of 2017;
- Interest expenses have been revised downward to a range of $1.00 to $1.10 per boe due to lower expected interest expenses in 2017; and
- Current income taxes have been lowered to a range of zero to five per cent of funds from operations due primarily to decreased commodity prices.

Table 5 is a summary of ARC's 2017 annual guidance and a review of 2017 year-to-date results.

Table 5

	2017 Guidance	2017 Revised Guidance	**2017 YTD**	% Variance from Revised Guidance
Production				
Crude oil (bbl/d)	25,000 - 28,000	25,000 - 27,000	**23,921**	(4)
Condensate (bbl/d)	5,000 - 5,500	5,000 - 5,500	**4,378**	(12)
Natural gas (MMcf/d)	505 - 515	510 - 520	**490**	(4)
NGLs (bbl/d)	4,000 - 4,500	4,500 - 5,000	**4,294**	(5)
Total (boe/d)	118,000 - 124,000	120,000 - 124,000	**114,265**	(5)
Expenses ($/boe)				
Operating	6.30 - 6.70	6.30 - 6.70	**6.70**	—
Transportation	2.25 - 2.45	2.45 - 2.65	**2.60**	—
G&A expenses before share-based compensation plans	1.15 - 1.35	1.25 - 1.45	**1.59**	10
G&A - share-based compensation plans (1)	0.65 - 0.75	0.10 - 0.40	**0.02**	(80)
Interest	1.00 - 1.20	1.00 - 1.10	**1.13**	3
Current income tax (per cent of funds from operations) (2)	5 - 10	0 - 5	**3**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	750	830	**406.2**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	N/A	**20.2**	N/A
Weighted average shares (millions)	353	353	**353**	N/A

(1) Comprises expenses recognized under the RSU and PSU Plan, Share Option Plan and LTRSA Plan, and excludes compensation charges under the DSU Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(2) The current income tax estimates vary depending on the level of commodity prices.

ARC's 2017 guidance is based on full-year 2017 estimates; certain variances exist between 2017 year-to-date actual results and 2017 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2017 actual results to closely approximate guidance.

ARC's first half 2017 production was below the 2017 guidance range. Production levels are expected to increase through the second half of the year as the Dawson Phase III facility, which was started up in mid-June, ramps up production.

Exhibit 4

2017 Revised Production Guidance

On a per boe basis, ARC's first half 2017 operating expenses were at the high end of the 2017 guidance range due to accelerated maintenance and workover activities that took place in advance of spring break-up. ARC expects full-year operating expenses to trend towards guidance as additional volumes with lower relative costs to operate are brought on-stream in the second half of the year.

ARC's first half 2017 G&A expenses before share-based compensation plans were above the 2017 guidance range due primarily to an increase in compensation expenses associated with reducing the size of ARC's workforce and a provision recorded on ARC's tenant subleases, which have been determined to be onerous contracts. ARC expects full-year 2017 G&A expenses before share-based compensation plans to trend towards guidance as the year progresses.

G&A expenses relating to share-based compensation plans were below the 2017 guidance range due to the decrease in ARC's share price.

Exhibit 4a

2017 Revised Expenses Guidance

The guidance information presented is intended to provide shareholders with information on Management's expectations for results from operations. Readers are cautioned that the guidance may not be appropriate for other purposes.

2017 SECOND QUARTER FINANCIAL AND OPERATING RESULTS

Financial Highlights

Table 6

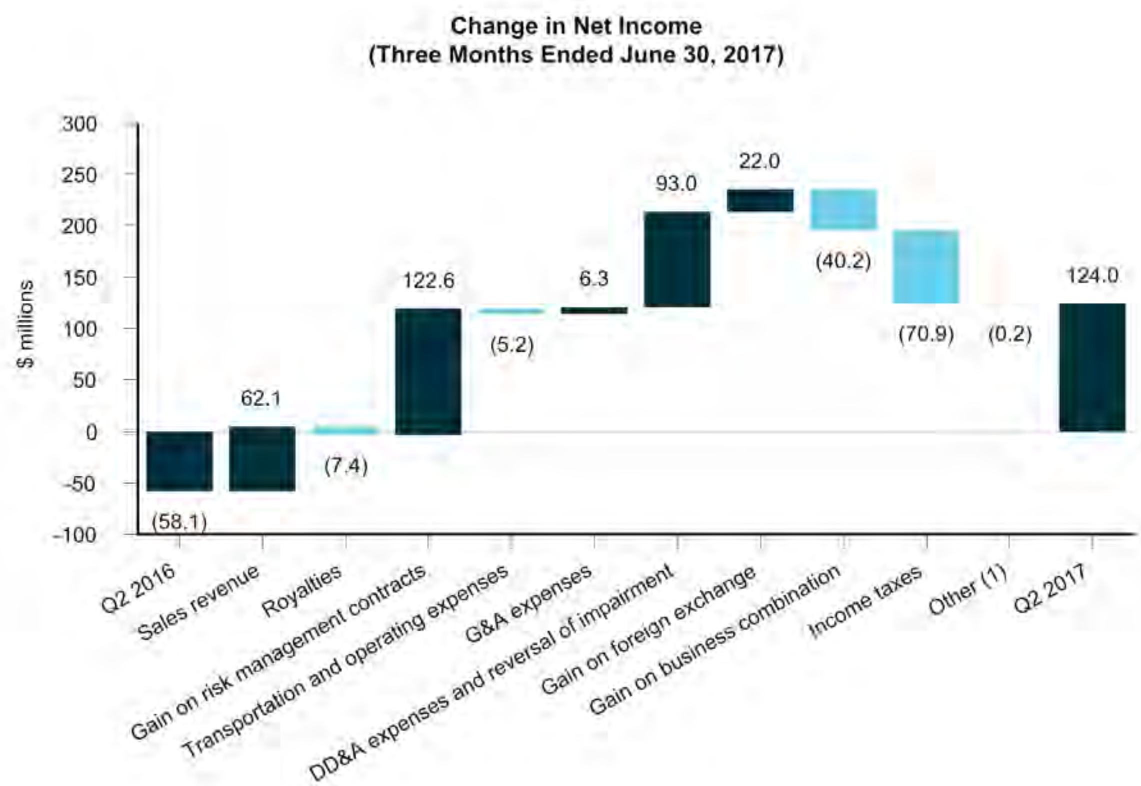
	Three Months Ended June 30			Six Months Ended June 30		
($ millions, except per share and volume data)	**2017**	2016	% Change	**2017**	2016	% Change
Net income (loss)	**124.0**	(58.1)	(313)	**266.5**	6.0	100
Net income (loss) per share	**0.35**	(0.17)	(306)	**0.75**	0.02	100
Funds from operations (1)	**169.8**	141.7	20	**347.0**	291.8	19
Funds from operations per share (1)	**0.48**	0.40	20	**0.98**	0.83	18
Dividends per share (2)	**0.15**	0.15	—	**0.30**	0.35	(14)
Average daily production (boe/d)	**113,410**	117,695	(4)	**114,265**	120,959	(6)

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends per share are based on the number of shares outstanding at each dividend record date.

Net Income

In the second quarter of 2017, ARC recognized net income of $124.0 million ($0.35 per share), $182.1 million higher than ARC's second quarter of 2016 net loss of $58.1 million ($0.17 loss per share). Compared to the second quarter of 2016, netbacks in the second quarter of 2017 were $49.5 million higher, primarily as a result of improved commodity prices. Additionally, ARC recognized higher gains on risk management contracts and foreign exchange in the second quarter of 2017 compared to the same period of the prior year, as well as lower G&A and DD&A expenses, including a $75.0 million reversal of previously recognized impairment charges ($55.1 million net of deferred taxes). The increases in net income were partially offset by higher income tax expenses and a gain on business combination in the prior year when no such gain was recorded in 2017.

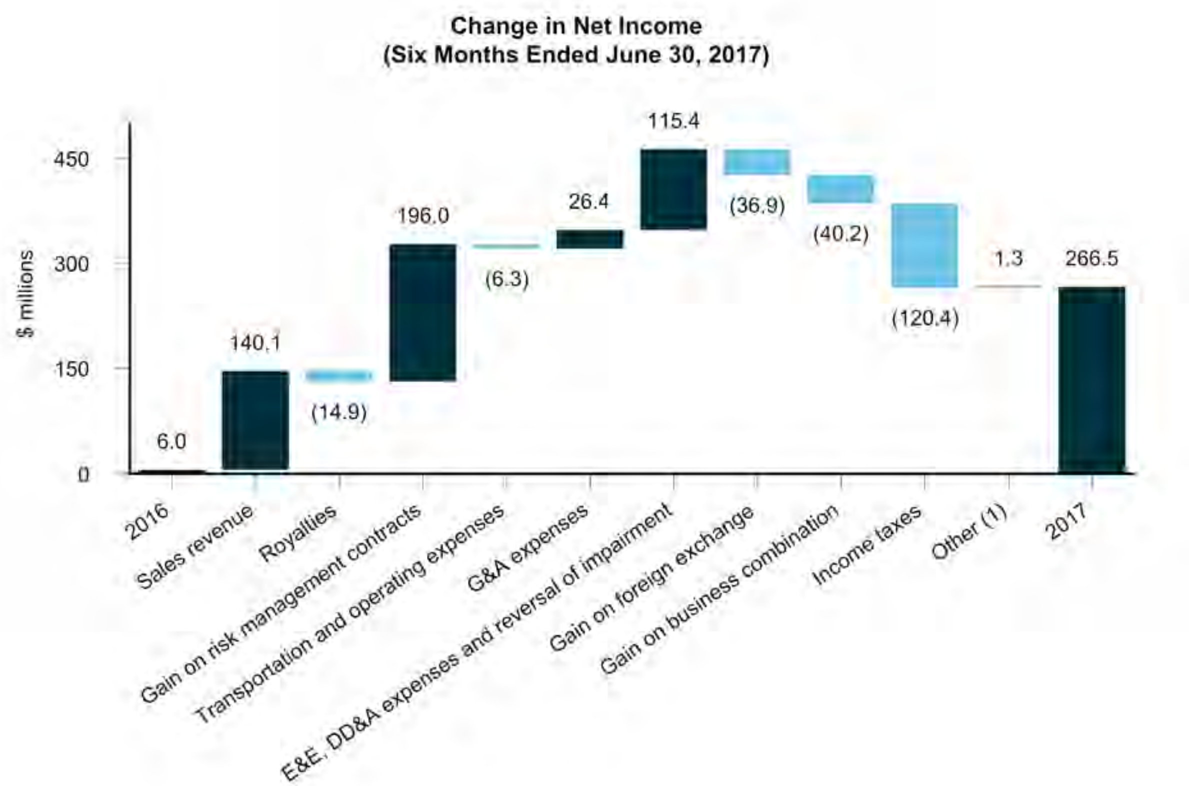
Exhibit 5



(1) Includes gain or loss on short-term investments, accretion of ARO, and interest and financing charges.

In the six months ended June 30, 2017, ARC recognized net income of $266.5 million ($0.75 per share), $260.5 million higher than net income of $6.0 million ($0.02 per share) in the same period of the prior year. ARC's netbacks in the six months ended June 30, 2017 were higher than the first half of the prior year by $118.9 million, primarily as a result of improved commodity prices. ARC also recognized a higher gain on risk management contracts compared to the same period of the prior year, as well as lower DD&A and G&A expenses. In addition, a reversal of a impairment of $75.0 million ($55.1 million net of deferred taxes) was recorded in the second quarter of 2017. The increases in net income were partially offset by higher income tax expenses and lower gains on foreign exchange, as well as a gain on business combination in the prior year when no such gain was recorded in 2017.

Exhibit 5a



(1) Includes gain or loss on short-term investments, accretion of ARO, and interest and financing charges.

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.

ARC reports funds from operations in total and on a per share basis. Refer to Note 9 "Capital Management" in the financial statements. Table 7 is a reconciliation of ARC's net income to funds from operations and cash flow from operating activities:

Table 7

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2017**	2016	**2017**	2016
Net income (loss)	**124.0**	(58.1)	**266.5**	6.0
Adjusted for the following non-cash items:				
DD&A and reversal of impairment	**33.0**	126.0	**146.5**	260.2
Accretion of ARO	**3.2**	3.0	**6.4**	6.1
E&E expenses	**—**	—	**—**	1.7
Deferred tax expense (recovery)	**38.6**	(40.8)	**74.1**	(34.3)
Unrealized loss (gain) on risk management contracts	**(7.2)**	149.5	**(117.3)**	156.7
Unrealized loss (gain) on foreign exchange	**(24.7)**	2.1	**(32.4)**	(65.3)
Gain on business combinations	**—**	(40.2)	**—**	(40.2)
Other	**2.9**	0.2	**3.2**	0.9
Funds from operations	**169.8**	141.7	**347.0**	291.8
Net change in other liabilities	**(1.1)**	7.8	**(22.1)**	6.7
Change in non-cash operating working capital	**(30.7)**	11.5	**4.6**	15.2
Cash flow from operating activities	**138.0**	161.0	**329.5**	313.7

Details of the change in funds from operations from the three and six months ended June 30, 2016 to the three and six months ended June 30, 2017 are included in Table 8 below:

Table 8

	Three Months Ended June 30		Six Months Ended June 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2016	141.7	0.40	291.8	0.83
Volume variance				
Crude oil and liquids	**(35.1)**	**(0.11)**	**(72.0)**	**(0.21)**
Natural gas	**2.0**	**0.01**	**3.0**	**0.01**
Price variance				
Crude oil and liquids	**23.9**	**0.08**	**90.3**	**0.26**
Natural gas	**70.4**	**0.20**	**116.4**	**0.32**
Other income	**0.9**	**—**	**2.4**	**0.01**
Realized gain on risk management contracts	**(34.1)**	**(0.10)**	**(78.0)**	**(0.22)**
Royalties	**(7.4)**	**(0.02)**	**(14.9)**	**(0.04)**
Expenses				
Transportation	**(5.2)**	**(0.01)**	**(5.4)**	**(0.02)**
Operating	**—**	**—**	**(0.9)**	**—**
G&A	**8.4**	**0.02**	**28.3**	**0.08**
Interest	**0.6**	**—**	**2.0**	**0.01**
Current income taxes	**8.5**	**0.02**	**(12.0)**	**(0.03)**
Realized loss on foreign exchange	**(4.8)**	**(0.01)**	**(4.0)**	**(0.01)**
Weighted average shares, diluted	**—**	**—**	**—**	**(0.01)**
Funds from operations – 2017	**169.8**	**0.48**	**347.0**	**0.98**

Funds from operations increased by 20 per cent in the second quarter of 2017 to $169.8 million from $141.7 million generated in the second quarter of 2016. The increase primarily reflects improved commodity prices and lower G&A and current income tax expenses. Decreased crude oil production, a lower realized gain on risk management contracts, and higher royalties, transportation and realized loss on foreign exchange partially offset the increase.

For the six months ended June 30, 2017, funds from operations increased by $55.2 million to $347.0 million from $291.8 million in the same period of 2016. This increase primarily reflects improved commodity prices and lower G&A. A lower realized gain on risk management contracts, decreased crude oil production, and higher royalties, current income taxes, transportation and realized loss on foreign exchange partially offset the increase.

Exhibit 6

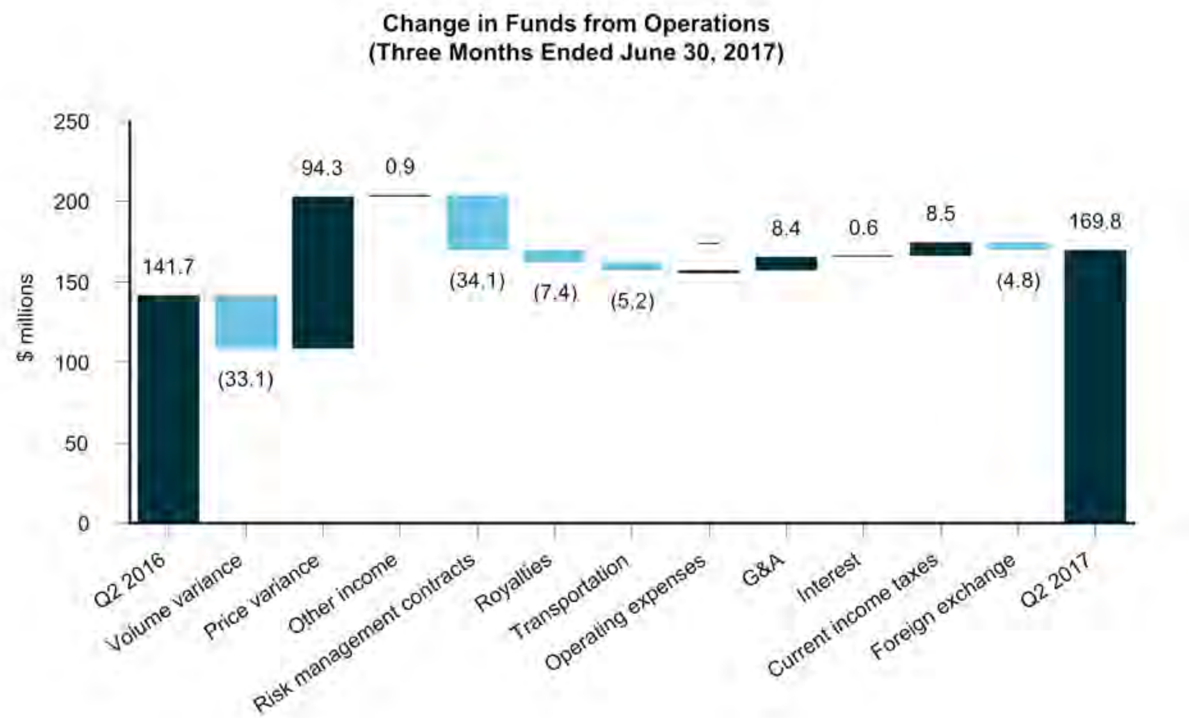
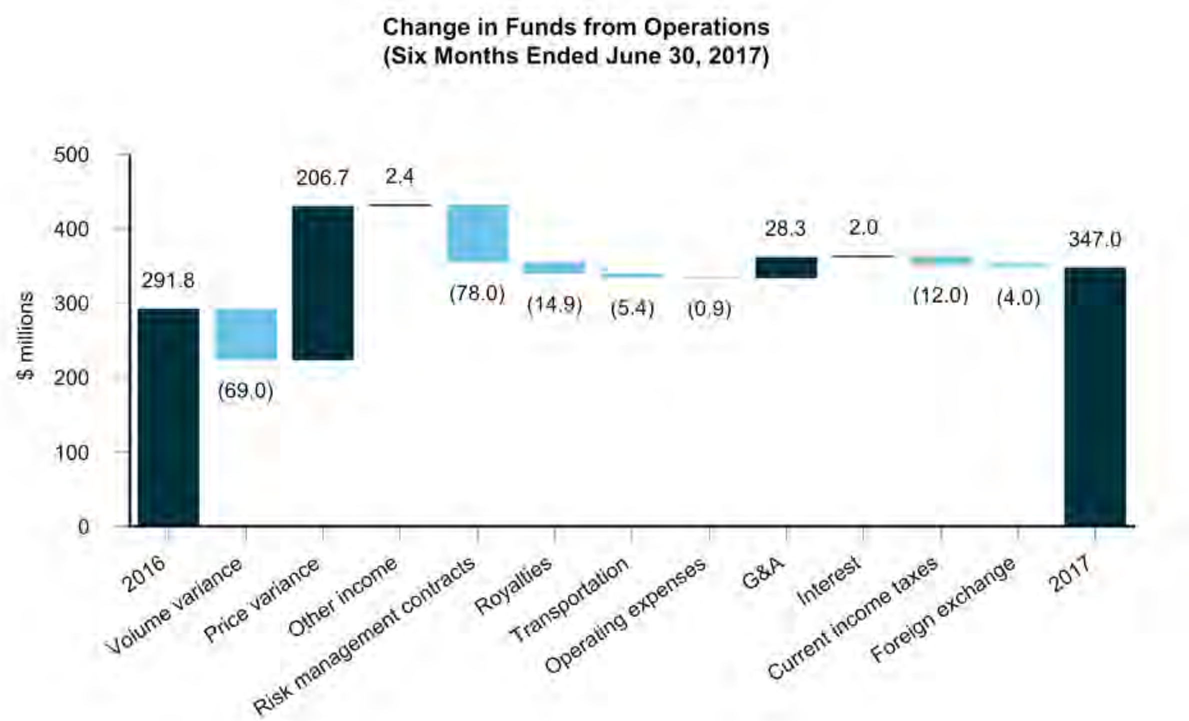


Exhibit 6a



2017 Net Income and Funds from Operations Sensitivity

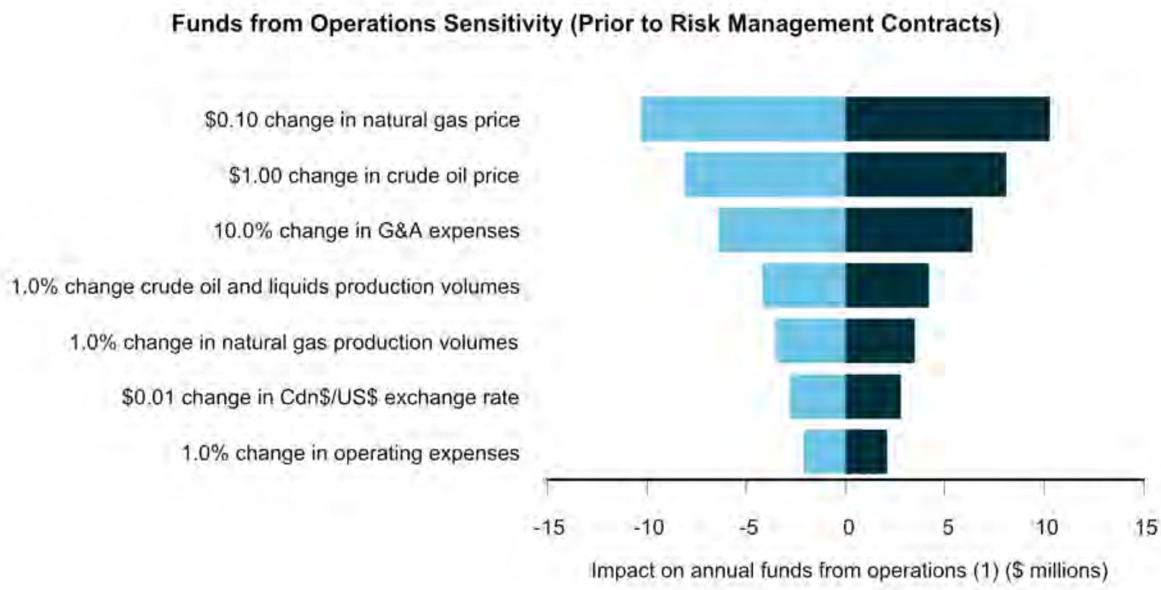
Table 9 illustrates sensitivities of operating items (prior to the impact of gains or losses on risk management contracts) to operational and business environment changes and the resulting impact on net income and funds from operations per share:

Table 9

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Income	
	Assumption	Change	Notional amount ($ millions)	$/Share	Notional amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price (US$ WTI/bbl) (2)(3)	49.95	1.00	8.1	0.023	8.1	0.023
Natural gas price (Cdn$ AECO/Mcf) (2)(3)	2.86	0.10	10.3	0.029	10.3	0.029
Cdn$/US$ exchange rate (2)(3)(4)	1.33	0.01	2.8	0.008	2.8	0.008
Operational (5)						
Crude oil and liquids production volumes (bbl/d)	32,593	1.0%	4.2	0.012	2.8	0.008
Natural gas production volumes (MMcf/d)	490.0	1.0%	3.5	0.010	1.8	0.005
Operating expenses ($/boe)	6.70	1.0%	2.1	0.006	2.1	0.006
G&A expenses ($/boe)	1.61	10.0%	6.4	0.018	6.4	0.018

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time.
(2) Prices and rates are indicative of published prices for the first six months of 2017. See Table 14 of this MD&A for additional details. The calculated impact on funds from operations would only be applicable within a limited range of these amounts.
(3) Analysis does not include the effect of risk management contracts.
(4) Includes impact of foreign exchange on crude oil, condensate, and NGLs prices that are presented in US dollars.
(5) Operational assumptions are based upon results for the six months ended June 30, 2017.
(6) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 7



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

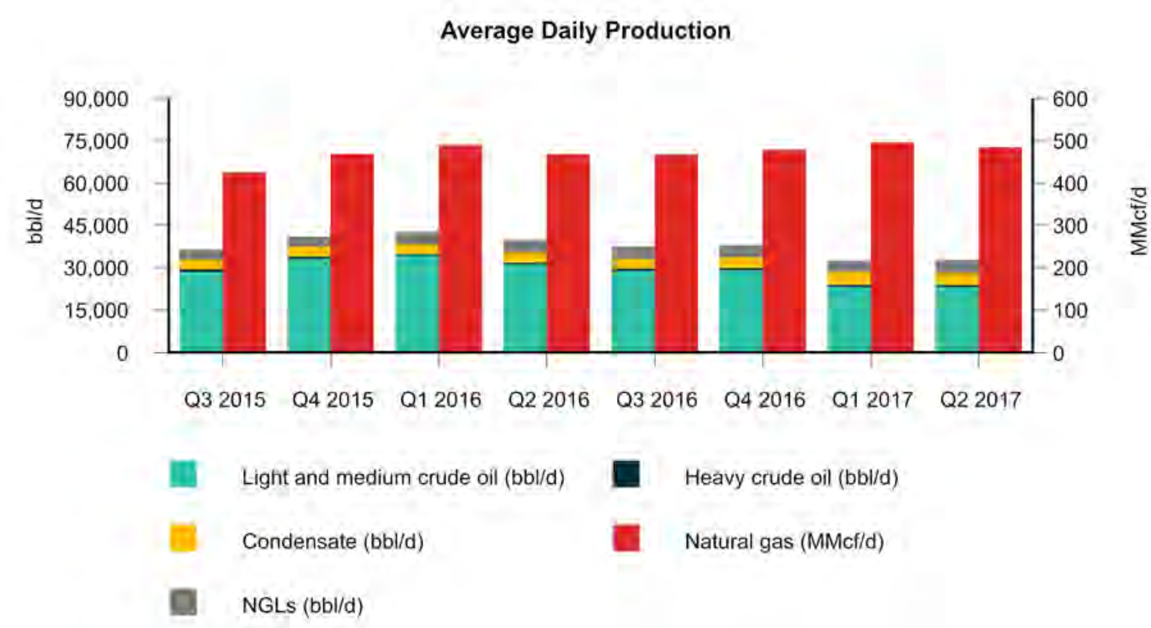
Table 10

	Three Months Ended June 30			Six Months Ended June 30		
Production	**2017**	2016	% Change	**2017**	2016	% Change
Light and medium crude oil (bbl/d)	**23,155**	31,217	(26)	**23,180**	32,787	(29)
Heavy crude oil (bbl/d)	**658**	485	36	**741**	490	51
Condensate (bbl/d)	**4,253**	3,733	14	**4,378**	3,587	22
Natural gas (MMcf/d)	**483.9**	467.5	4	**490.0**	478.6	2
NGLs (bbl/d)	**4,691**	4,336	8	**4,294**	4,327	(1)
Total production (boe/d)	**113,410**	117,695	(4)	**114,265**	120,959	(6)
% Natural gas production	**71**	66	8	**71**	66	8
% Crude oil and liquids production	**29**	34	(15)	**29**	34	(15)

During the three and six months ended June 30, 2017, crude oil and liquids production decreased 18 per cent and 21 per cent, respectively, as compared to the same periods of the prior year. The decrease in both periods reflects the disposition of ARC's non-core Saskatchewan assets at the end of the fourth quarter of 2016 that had been producing approximately 7,500 barrels per day prior to disposal, as well as natural declines associated with reduced drilling activity in other non-core areas. Partially offsetting these decreases is the acquisition of certain properties throughout 2016 in the Pembina area of Alberta, producing approximately 3,100 barrels per day.

For the three and six months ended June 30, 2017, natural gas production increased four per cent and two per cent, respectively, as compared to the same periods of the prior year. The increase in both periods reflects increased drilling and completions activity in northeast British Columbia and is partially offset by the disposition of certain non-core assets in south central Alberta throughout 2016 which had been producing approximately 7.8 MMcf per day prior to disposal, as well as production volumes at Parkland/Tower that were lower by 15 per cent in the second quarter of 2017 compared to the same period in the prior year due to poor weather conditions delaying operational activities.

Exhibit 8



Average Daily Production
bbl/d
90,000
75,000
60,000
45,000
30,000
15,000
0
MMcf/d
600
500
400
300
200
100
0
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Light and medium crude oil (bbl/d)
Heavy crude oil (bbl/d)
Condensate (bbl/d)
Natural gas (MMcf/d)
NGLs (bbl/d)

Table 11 summarizes ARC's production by core area for the second quarters of 2017 and 2016:

Table 11

	Three Months Ended June 30, 2017				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**31,564**	—	967	181.3	385
Parkland/Tower	**23,643**	6,226	1,340	83.2	2,207
Sunrise	**22,710**	—	57	135.7	34
Ante Creek	**15,273**	5,450	422	48.9	1,253
Pembina (1)	**10,763**	8,124	172	12.0	470
All other (2)	**9,457**	4,013	1,295	22.8	342
Total	**113,410**	**23,813**	**4,253**	**483.9**	**4,691**

	Three Months Ended June 30, 2016				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	28,856	—	892	166.6	209
Parkland/Tower	27,701	7,939	1,183	99.3	2,027
Sunrise	18,859	—	92	112.4	29
Ante Creek	15,401	5,264	450	51.2	1,146
Pembina (1)	8,905	6,365	161	11.7	424
All other (2)	17,973	12,134	955	26.3	501
Total	117,695	31,702	3,733	467.5	4,336

(1) Throughout 2016, ARC acquired certain assets in this core area producing approximately 3,100 boe per day.

(2) During the fourth quarter of 2016, ARC disposed of its remaining non-core assets in Saskatchewan, which had been producing approximately 7,500 boe per day prior to disposal. An additional 1,300 boe per day of non-core assets were disposed throughout 2016.

Exhibit 9

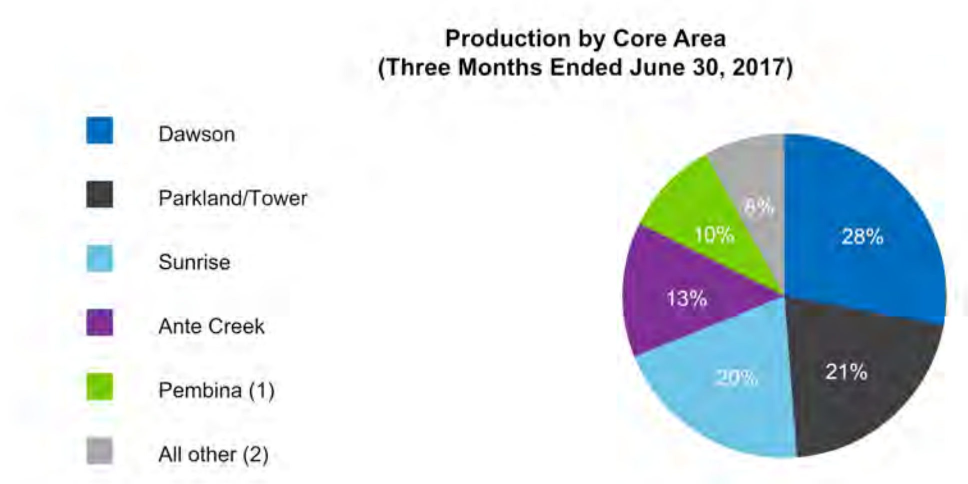


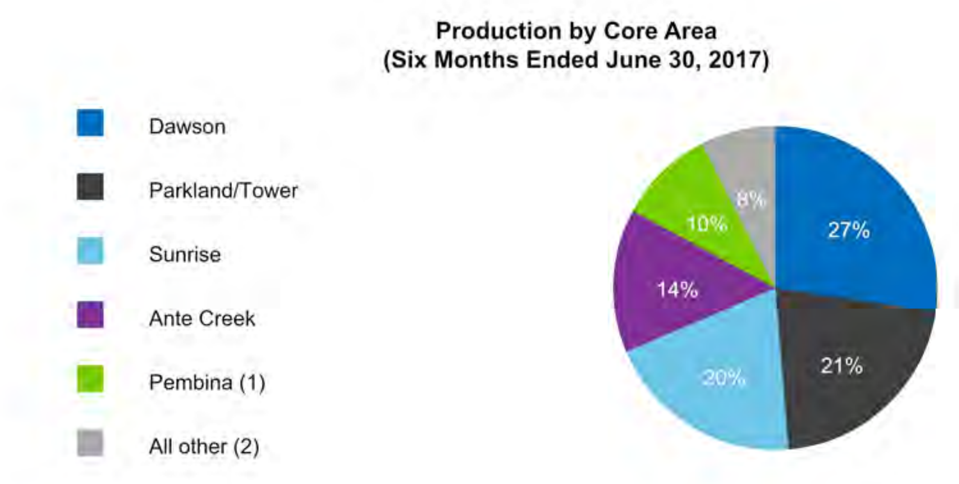
Table 11a

	Six Months Ended June 30, 2017				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**31,234**	—	1,010	179.4	322
Parkland/Tower	**24,401**	5,707	1,657	91.0	1,869
Sunrise	**22,732**	—	67	135.8	37
Ante Creek	**16,346**	5,857	437	52.5	1,296
Pembina [(1)]	**10,901**	8,275	172	12.0	456
All other [(2)]	**8,651**	4,082	1,035	19.3	314
Total	**114,265**	**23,921**	**4,378**	**490.0**	**4,294**

	Six Months Ended June 30, 2016				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	29,108	—	899	168.0	202
Parkland/Tower	28,525	8,571	1,253	100.1	2,017
Sunrise	20,172	—	108	120.3	23
Ante Creek	15,858	5,564	461	52.1	1,155
Pembina [(1)]	9,470	6,744	176	12.6	450
All other [(2)]	17,826	12,398	690	25.5	480
Total	120,959	33,277	3,587	478.6	4,327

(1) Throughout 2016, ARC acquired certain assets in this core area producing approximately 3,100 boe per day.
(2) During the fourth quarter of 2016, ARC disposed of its remaining non-core assets in Saskatchewan, which had been producing approximately 7,500 boe per day prior to disposal. An additional 1,300 boe per day of non-core assets were disposed throughout 2016.

Exhibit 9a



Sales of Crude Oil, Natural Gas, Condensate, NGLs and Other Income

Sales revenue from crude oil, natural gas, condensate, NGLs and other income increased by 26 per cent and 30 per cent for the three and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increase in both periods primarily reflects higher average realized commodity prices and is partially offset by decreased crude oil production volumes.

A breakdown of sales revenue by product is outlined in Table 12:

Table 12

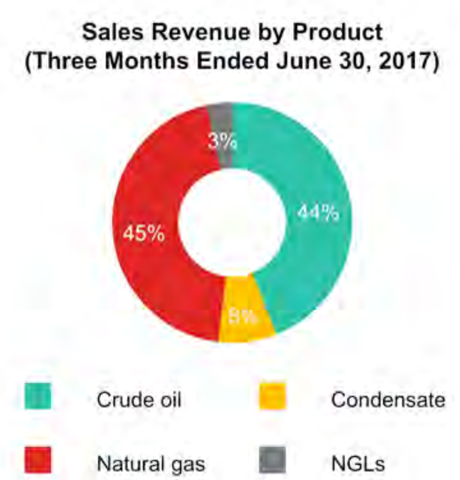
	Three Months Ended June 30			Six Months Ended June 30		
Sales Revenue by Product ($ millions)	**2017**	2016	% Change	**2017**	2016	% Change
Crude oil	**129.4**	152.4	(15)	**262.7**	274.9	(4)
Condensate	**23.3**	17.3	35	**49.4**	30.5	62
Natural gas	**131.5**	59.1	123	**270.0**	150.6	79
NGLs	**11.2**	5.4	107	**20.3**	8.7	133
Total sales revenue from crude oil, natural gas, condensate and NGLs	**295.4**	234.2	26	**602.4**	464.7	30
Other income	**1.6**	0.7	129	**3.8**	1.4	171
Total sales revenue	**297.0**	234.9	26	**606.2**	466.1	30

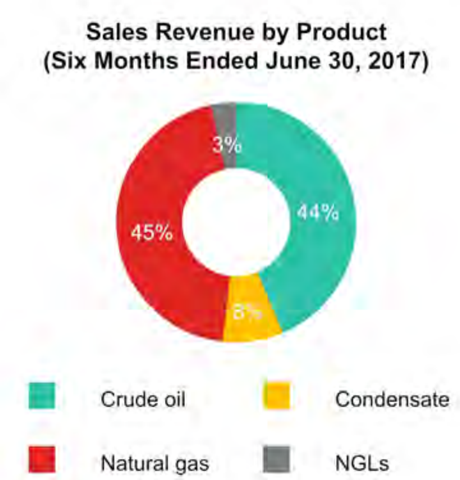
While ARC's production mix on a per boe basis is weighted more heavily to natural gas than to crude oil and liquids, ARC's sales revenue contribution is more heavily weighted to crude oil and liquids production as shown by the table below:

Table 13

	Three Months Ended June 30		Six Months Ended June 30	
Sales Revenue by Product Type	**2017**	2016	**2017**	2016
	% of Total Sales Revenue	% of Total Sales Revenue	% of Total Sales Revenue	% of Total Sales Revenue
Crude oil and liquids	**55**	75	**55**	68
Natural gas	**45**	25	**45**	32
Total sales revenue from crude oil, natural gas, condensate and NGLs	**100**	100	**100**	100

Exhibit 10





Commodity Prices Prior to Gains or Losses on Risk Management Contracts

Table 14

	Three Months Ended June 30			Six Months Ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Average Benchmark Prices						
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.18**	1.95	63	**3.25**	2.02	61
Chicago Citygate Monthly Index (US$/MMBtu)	**3.01**	1.95	54	**3.20**	2.10	52
AECO 7A Monthly Index (Cdn$/Mcf)	**2.77**	1.25	122	**2.86**	1.68	70
WTI crude oil (US$/bbl)	**48.15**	45.64	5	**49.95**	39.78	26
Cdn$/US$ exchange rate	**1.34**	1.29	4	**1.33**	1.33	—
WTI crude oil (Cdn$/bbl)	**64.75**	58.88	10	**66.65**	52.91	26
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	**61.74**	54.78	13	**62.78**	47.84	31
ARC Average Realized Prices Prior to Gains or Losses on Risk Management Contracts						
Crude oil ($/bbl)	**59.78**	52.80	13	**60.70**	45.39	34
Condensate ($/bbl)	**60.08**	51.20	17	**62.31**	46.82	33
Natural gas ($/Mcf)	**2.99**	1.39	115	**3.04**	1.73	76
NGLs ($/bbl)	**26.27**	13.60	93	**26.11**	11.01	137
Total average realized commodity price prior to other income and gains or losses on risk management contracts ($/boe)	**28.63**	21.87	31	**29.13**	21.11	38
Other income ($/boe)	**0.15**	0.07	114	**0.18**	0.06	200
Total average realized price prior to gains or losses on risk management contracts ($/boe)	**28.78**	21.94	31	**29.31**	21.17	38

During the three and six months ended June 30, 2017, WTI increased five per cent and 26 per cent, respectively, as compared to the same periods in 2016. ARC’s realized crude oil price increased 13 per cent and 34 per cent, respectively, over the same time periods as compared to the prior year. For the three and six months ended June 30, 2017, the differential between WTI and the Mixed Sweet Stream Price at Edmonton for crude oil narrowed to an average discount of US$2.24 per barrel and US$2.90 per barrel compared to US$3.13 per barrel and US$3.81 per barrel in the same periods in 2016, respectively. In the second quarter of 2017, the average exchange rate for the Canadian dollar as compared to the US dollar increased four per cent to $1.34 from $1.29 at the same time last year while there was no change in average foreign exchange rates in the six months ended June 30, 2017. All of these factors had a positive impact on ARC's average realized crude oil prices in the three and six months ended June 30, 2017.

ARC's realized natural gas price increased by 115 per cent and 76 per cent during the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. ARC's realized natural gas price is primarily benchmarked against the AECO monthly index, which was 122 per cent and 70 per cent higher for the three and six months ended June 30, 2017, respectively, as compared to the same periods in the prior year. ARC's realized natural gas price was higher than the AECO monthly index price for the three and six months ended June 30, 2017 as a portion of ARC's production is sold at US Midwest pricing points which settled on average above the AECO monthly index.

Risk Management

ARC maintains a risk management program to reduce the volatility of sales revenues, increase the certainty of funds from operations, and to protect acquisition and development economics. ARC’s risk management program is governed by certain guidelines approved by ARC's Board of Directors (the "Board").

Gains and losses on risk management contracts are composed of both realized gains and losses, representing the portion of risk management contracts that have settled in cash during the period, and unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period. ARC does not employ hedge accounting for any of its risk management contracts currently in place. ARC considers all of its risk management contracts to be effective economic hedges of its underlying business transactions.

Table 15 summarizes the total gain or loss on risk management contracts for the second quarter of 2017 compared to the same period in 2016:

Table 15

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Power**	**Q2 2017 Total**	Q2 2016 Total
Realized gain (loss) on contracts (1)	0.8	31.3	(0.8)	**31.3**	65.4
Unrealized gain (loss) on contracts (2)	36.4	(30.4)	1.2	**7.2**	(149.5)
Gain (loss) on risk management contracts	**37.2**	**0.9**	**0.4**	**38.5**	(84.1)

(1) Represents actual cash settlements under the respective contracts.
(2) Represents the change in fair value of the contracts during the period.

Table 15a summarizes the total gain or loss on risk management contracts for the six months ended June 30, 2017 compared to the same period in 2016:

Table 15a

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Power**	**2017 YTD Total**	2016 YTD Total
Realized gain (loss) on contracts (1)	0.3	56.7	(1.3)	**55.7**	133.7
Unrealized gain (loss) on contracts (2)	70.9	44.5	1.9	**117.3**	(156.7)
Gain (loss) on risk management contracts	**71.2**	**101.2**	**0.6**	**173.0**	(23.0)

(1) Represents actual cash settlements under the respective contracts.
(2) Represents the change in fair value of the contracts during the period.

During the three and six months ended June 30, 2017, ARC recorded gains of $38.5 million and $173.0 million, respectively, on its risk management contracts. These gains comprised realized gains of $31.3 million and unrealized gains of $7.2 million for the second quarter and realized gains of $55.7 million and unrealized gains of $117.3 million for the six months ended June 30, 2017. The realized gains primarily reflect positive cash settlements received on NYMEX Henry Hub natural gas contracts with an average floor price of US$4.00/MMBtu and on AECO basis swaps at an average ratio of 89.7 per cent, as well as AECO basis swaps at a fixed price of $(0.81)/MMBtu.

ARC's unrealized crude oil gains for the three and six months ended June 30, 2017 reflect lower forward curves for WTI. The unrealized losses incurred on natural gas contracts for the three months ended June 30, 2017 were due mainly to a narrowing of the forward AECO basis differential curve. Year-to-date unrealized gains on natural gas contracts reflect lower forward curves for NYMEX Henry Hub and AECO. The positive settlement of expired positions slightly offset the gains.

Table 16 summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at the date of this MD&A. For a complete listing and terms of ARC’s risk management contracts at June 30, 2017, see Note 10 “Financial Instruments and Market Risk Management” in the financial statements.

Table 16

Risk Management Contracts Positions Summary [1]										
As at August 3, 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 the 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.

The fair value of ARC's risk management contracts at June 30, 2017 was a net asset of $272.6 million, representing the expected market price to settle ARC's contracts at the balance sheet date after any adjustments for credit risk. This may differ from what will eventually be settled in future periods.

Exhibit 11

Operating Netbacks

ARC's 2017 second quarter and year-to-date operating netbacks prior to realized gains on risk management were $16.44 per boe and $17.21 per boe, representing increases of 45 per cent and 58 per cent as compared to the same period in 2016, respectively.

ARC's 2017 second quarter and year-to-date operating netbacks including realized gains on risk management were $19.47 per boe and $19.90 per boe, representing increases of 12 per cent and 17 per cent as compared to the same period in 2016, respectively.

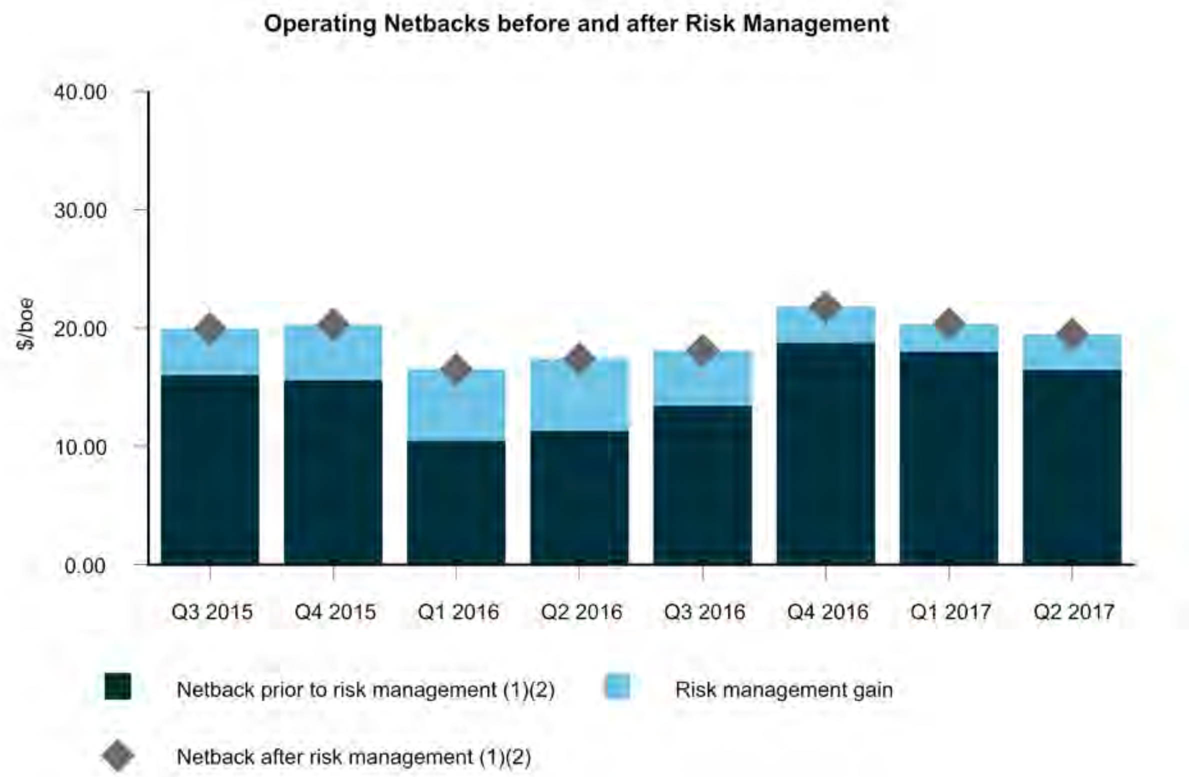
The components of operating netbacks for the three and six months ended June 30, 2017 compared to the same periods in 2016 are summarized in Table 17:

Table 17

	Three Months Ended June 30			Six Months Ended June 30		
Netbacks ($ per boe) (1)	**2017**	2016	% Change	**2017**	2016	% Change
Total sales (2)	**28.63**	21.87	31	**29.13**	21.11	38
Royalties	**(2.76)**	(1.97)	40	**(2.62)**	(1.79)	46
Transportation	**(2.78)**	(2.19)	27	**(2.60)**	(2.19)	19
Operating expenses (3)	**(6.65)**	(6.41)	4	**(6.70)**	(6.25)	7
Netback prior to gain on risk management contracts	**16.44**	11.30	45	**17.21**	10.88	58
Realized gain on risk management contracts	**3.03**	6.10	(50)	**2.69**	6.07	(56)
Netback after gain on risk management contracts	**19.47**	17.40	12	**19.90**	16.95	17

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.
(2) Total sales revenue excludes other income of $1.6 million and $3.8 million, respectively, for the three and six months ended June 30, 2017 ($0.7 million and $1.4 million, respectively, for the three and six months ended June 30, 2016).
(3) Composed of direct costs incurred to operate crude oil and natural gas wells.

Exhibit 12



(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.
(2) Netbacks have been calculated excluding other income.
(3) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Royalties

Total royalties as a percentage of commodity sales revenue increased from 9.0 per cent ($1.97 per boe) in the second quarter of 2016 to 9.6 per cent ($2.76 per boe) in the second quarter of 2017. For the six months ended June 30, 2017, total royalties represented 9.0 per cent of commodity sales revenue ($2.62 per boe) as compared to 8.5 per cent ($1.79 per boe) for the same period in 2016. The increase for the three and six months ended June 30, 2017 reflects several wells in Alberta completing their eligibility period for reduced royalty rates, as well as the sliding scale effect of increased commodity prices on royalty rates compared to the same period of the prior year.

Exhibit 13

Operating and Transportation Expenses

Operating expenses were unchanged in the second quarter of 2017 as compared to the second quarter of 2016, as increased levels of maintenance activities and workovers offset previous reductions from the disposition of certain non-core properties throughout 2016. On a per boe basis, operating expenses increased $0.24 per boe to $6.65 per boe in the second quarter of 2017 compared to $6.41 per boe in the second quarter of 2016, reflecting lower average production in 2017.

For the six months ended June 30, 2017, operating expenses increased by $0.9 million or $0.45 per boe to $6.70 per boe compared to the prior year. The increase in operating costs for the six months ended June 30, 2017 is mainly a result of increased field expenses, maintenance and workovers and was partially offset by reductions from the disposition of certain non-core assets in 2016 that had higher average operating costs, as well as increased production volumes from new natural gas wells with relatively lower average operating costs.

Exhibit 14

Transportation expenses increased by $5.2 million or 22 per cent in the second quarter of 2017 as compared to the second quarter of 2016. On a per boe basis, transportation costs have also increased $0.59 per boe or 27 per cent to $2.78 per boe during the second quarter of 2017 compared to $2.19 per boe in the second quarter of 2016.

For the six months ended June 30, 2017, transportation expenses increased by $5.4 million or $0.41 per boe to $2.60 per boe compared to the prior year. Transportation per boe was 19 per cent higher for the six months ended June 30, 2017 compared to the same period in 2016. The increase in transportation expenses for both the three and six months ended June 30, 2017 is primarily due to increases in natural gas tolls throughout 2017 as well as additional transportation costs incurred in the second quarter of 2017 to mitigate the effect of third-party pipeline disruptions. These increases are partially offset by the decrease in crude oil transportation expenses as a result of the disposition of certain non-core properties at the end of 2016.

Exhibit 15

G&A Expenses and Share-Based Compensation

G&A expenses before share-based compensation expenses increased by nine per cent to $17.6 million in the second quarter of 2017 from $16.2 million in the second quarter of 2016. G&A before share-based compensation increased primarily as a result of a $2.4 million provision recognized for onerous contracts related to ARC's tenant subleases at ARC's corporate office. This was partially offset by lower director's compensation accrued under the DSU Plan as a result of the revaluation of awards to ARC's share price at June 30, 2017.

For the six months ended June 30, 2017, ARC's G&A prior to share-based compensation expense was $32.8 million, a $5.3 million decrease from the same period in 2016. G&A before share-based compensation expense decreased as ARC had lower corporate and administrative spending and the amount of G&A attributed to capital spending rose as a result of increased capital development activity for the six months ended June 30, 2017 compared to the same period of the prior year.

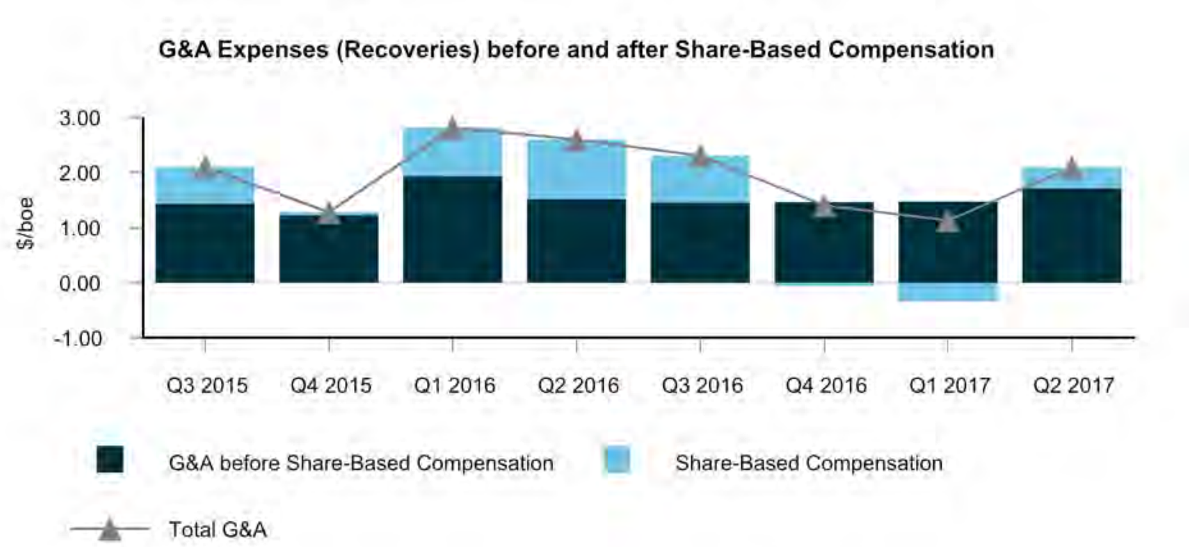
Table 18 is a breakdown of G&A and share-based compensation expenses:

Table 18

	Three Months Ended June 30			Six Months Ended June 30		
G&A and Share-Based Compensation ($ millions, except per boe)	**2017**	2016	% Change	**2017**	2016	% Change
G&A expenses before share-based compensation expenses (1)	**17.6**	16.2	9	**32.8**	38.1	(14)
G&A – share-based compensation expenses (2)	**4.0**	11.7	(66)	**0.5**	21.6	(98)
Total G&A	**21.6**	27.9	(23)	**33.3**	59.7	(44)
G&A expenses before share-based compensation expenses per boe	**1.71**	1.51	13	**1.59**	1.73	(8)
G&A – share-based compensation expenses per boe	**0.38**	1.09	(65)	**0.02**	0.98	(98)
Total G&A expenses per boe	**2.09**	2.60	(20)	**1.61**	2.71	(41)

(1) Includes expenses recognized under the DSU Plan.
(2) Comprises expenses recognized under the RSU and PSU, Share Option and LTRSA Plans.

Exhibit 16



Share-Based Compensation Plans

Restricted Share Unit and Performance Share Unit Plan

For a description of ARC's various share-based compensation plans and related accounting policies, refer to Note 3 "Summary of Accounting Policies" and Note 19 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2016.

During the three and six months ended June 30, 2017, ARC recorded a G&A expense of $2.3 million and a recovery of $2.0 million in accordance with the RSU and PSU Plan, as compared to an expense of $9.8 million and $18.7 million during the same periods of the prior year, respectively. ARC recognized a lower expense for the three and six months ended June 30, 2017 as compared to the same periods in 2016 primarily due to the valuation of awards at June 30, 2017 as ARC's TSX share price decreased from $19.00 per share outstanding at March 31, 2017 to $16.96 per share at June 30, 2017. This decrease was partially offset by an increase in the valuation of its PSU awards at June 30, 2017 as ARC's total return performance increased slightly when compared with the total return performance of its peers.

During the six months ended June 30, 2017, ARC made cash payments of $11.4 million in respect of the RSU and PSU Plan ($11.7 million for the six months ended June 30, 2016). Of these payments, $9.3 million were in respect of amounts recorded to G&A expenses ($9.1 million for the six months ended June 30, 2016) and $2.1 million were in respect of amounts recorded to operating expenses and capitalized as PP&E and E&E assets ($2.6 million for the six months ended June 30, 2016). These amounts were accrued in prior periods.

Table 19 shows the changes to the RSU and PSU Plan during 2017:

Table 19

RSU and PSU Plan (number of units, thousands)	RSUs	PSUs (1)	Total RSUs and PSUs
Balance, December 31, 2016	690	1,708	2,398
Granted	197	310	507
Distributed	(149)	(190)	(339)
Forfeited	(52)	(120)	(172)
Balance, June 30, 2017	**686**	**1,708**	**2,394**

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

Due to the variability in the future payments under the plan, ARC estimates that between $11.9 million and $72.3 million will be paid out in 2017 through 2020 based on the current share price, accrued dividends, and ARC's market performance relative to its peers. Table 20 is a summary of the range of future expected payments under the RSU and PSU Plan based on variability of the performance multiplier and units outstanding under the RSU and PSU Plan as at June 30, 2017:

Table 20

Value of RSU and PSU Plan as at June 30, 2017	**Performance multiplier**		
(units thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated units to vest			
RSUs	702	702	702
PSUs	—	1,780	3,560
Total units (1)	**702**	**2,482**	**4,262**
Share price (2)	16.96	16.96	16.96
Value of RSU and PSU Plan upon vesting	**11.9**	**42.1**	**72.3**
2017	2.7	6.6	10.4
2018	5.1	15.3	25.6
2019	3.0	13.8	24.7
2020	1.1	6.4	11.6

(1) Includes additional estimated units to be issued under the RSU and PSU Plan for dividends accrued to date.
(2) Per share outstanding. Values will fluctuate over the vesting period based on the volatility of the underlying share price. Assumes a future share price of $16.96, which is based on the TSX closing share price at June 30, 2017.

Deferred Share Unit Plan

At June 30, 2017, ARC had 0.5 million DSUs outstanding under this plan. For the three and six months ended June 30, 2017, G&A recoveries of $0.4 million and $1.6 million were recorded in relation to the DSU Plan (G&A expense of $1.5 million and $2.8 million for the same periods in 2016), respectively.

Share Option Plan

At June 30, 2017, ARC had 5.1 million share options outstanding, representing 1.4 per cent of outstanding shares, with a weighted average exercise price of $19.77 per share. At June 30, 2017, approximately 1.3 million share options were exercisable with a weighted average exercise price of $17.90 per share. 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. On June 21, 2017, ARC granted 1.3 million options to officers and certain employees at ARC under the Share Option Plan.

Long-term Restricted Share Award Plan

At June 30, 2017, ARC had 0.3 million restricted shares outstanding under this plan. 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. On June 21, 2017, ARC granted 0.1 million restricted shares to officers and certain employees at ARC under the LTRSA Plan.

Interest and Financing Charges

Interest and financing charges decreased five per cent to $11.7 million in the second quarter of 2017 from $12.3 million in the second quarter of 2016. For the six months ended June 30, 2017, interest and financing charges were $23.4 million as compared to $25.4 million for the same period in 2016, a decrease of eight per cent. The decrease for the three and six months ended June 30, 2017 compared to the same period of the prior year is due to principal repayments that were made throughout 2016 and the first half of 2017.

At June 30, 2017, ARC had $1.0 billion of long-term debt outstanding, including a current portion of $88.8 million that is due for repayment within the next 12 months. ARC's long-term debt has a fixed weighted average interest rate of 4.31 per cent. 96 per cent (US$717.4 million) of ARC’s debt outstanding is denominated in US dollars.

Foreign Exchange Gains

ARC recorded a foreign exchange gain of $19.9 million in the second quarter of 2017 compared to a loss of $2.1 million in the second quarter of 2016. During the three months ended June 30, 2016, the value of the US dollar relative to the Canadian dollar remained relatively flat at $1.30 at March 31, 2016 and June 30, 2016. During the three months ended June 30, 2017, the value of the US dollar relative to the Canadian dollar decreased to $1.30 from $1.33 at March 31, 2017, resulting in an unrealized gain on the revaluation of ARC's US dollar denominated debt.

For the six months ended June 30, 2017, ARC recorded a foreign exchange gain of $28.4 million compared to a gain of $65.3 million for the same period in the prior year. During the six months ended June 30, 2016, the value of the US dollar relative to the Canadian dollar decreased from $1.38 at December 31, 2015 to $1.30 at June 30, 2016, resulting in an unrealized gain on the revaluation of ARC's US dollar denominated debt. During the six months ended June 30, 2017, the value of the US dollar relative to the Canadian dollar only decreased from $1.34 at December 31, 2016 to $1.30 at June 30, 2017, resulting in a smaller unrealized gain on the revaluation of ARC's US dollar denominated debt.

Table 21 shows the various components of foreign exchange gains and losses:

Table 21

	Three Months Ended June 30			Six Months Ended June 30		
Foreign Exchange Gains and Losses ($ millions)	**2017**	2016	% Change	**2017**	2016	% Change
Unrealized gain (loss) on US denominated debt	**24.7**	(2.1)	(1,276)	**32.4**	65.3	(50)
Realized loss on US denominated transactions	**(4.8)**	—	100	**(4.0)**	—	100
Total foreign exchange gain (loss)	**19.9**	(2.1)	(1,048)	**28.4**	65.3	(57)

Taxes

ARC recorded a current income tax recovery of $2.5 million in the second quarter of 2017 ($11.0 million expense for the six months ended June 30, 2017) compared to an expense of $6.0 million during the second quarter of 2016 ($1.0 million recovery for the six months ended June 30, 2016). This decrease in current tax expense for the second quarter of 2017 relates to a decrease in estimated taxes owing for 2017 as a result of decreasing commodity prices, as compared to the same period of 2016 which reflected an increase in the expected taxes owing for 2016 as a result of a recovery of commodity prices in that period. The increase in current tax expense for the six months ended June 30, 2017 from the same period of 2016 is primarily the result of the reduction to income tax pools related to the divestment of ARC's Saskatchewan assets at the end of 2016.

During the second quarter of June 30, 2017, a deferred income tax expense of $38.6 million was recorded ($74.1 million expense for the six months ended June 30, 2017) compared to a recovery of $40.8 million in the second quarter of 2016 ($34.3 million recovery for the six months ended June 30, 2016). For the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016, ARC’s increase in deferred tax expense primarily relates to unrealized gains recorded on risk management contracts in 2017 compared to unrealized losses for the same period in 2016, as well as a reversal of impairment recorded in the second quarter of 2017 which increased the book basis of ARC’s assets relative to their tax basis, and a lower net increase to ARO from the comparable 2016 period.

The income tax pools (detailed in Table 22) are deductible at various rates and annual deductions associated with the initial tax pools will decline over time.

Table 22

Income Tax Pool Type ($ millions)	**June 30, 2017**	**Annual Deductibility**
Canadian oil and gas property expense	182.4	10% declining balance
Canadian development expense	817.8	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	775.0	Primarily 25% declining balance
Other	11.0	Various rates, 7% declining balance to 20%
Total federal tax pools	1,786.2	
Additional Alberta tax pools	5.0	Various rates, 25% declining balance to 100%

DD&A Expenses and Reversal of Impairment

For the three and six months ended June 30, 2017, ARC recorded DD&A expenses and reversal of impairment of $33.0 million and $146.5 million, respectively, as compared to $126.0 million and $260.2 million for the three and six months ended June 30, 2016. The decrease in DD&A for both the three and six months ended June 30, 2017 as compared to the same periods in the prior year reflects the effect of an increase in proved plus probable reserves year over year as well as a lower depletable base resulting from non-core asset dispositions throughout 2016 having a higher than average DD&A rate.

Impairment is recognized when the carrying value of an asset or group of assets exceeds its recoverable amount, defined as the higher of its value in use of fair value less cost of disposal. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment. Immediately before non-current assets are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their historical carrying amount and fair value less costs of disposal, with any impairment loss or reversal of impairment recognized in the statements of income.

At June 30, 2017, ARC conducted tests of impairment on all of its CGUs as a result of a decrease in the outlook of future commodity prices compared to those at December 31, 2015, the time of its last test of impairment. Although no impairment was identified, ARC recognized a reversal of impairment in its Northern Alberta CGU of $75.0 million ($55.1 million net of deferred tax expense) for the three and six months ended June 30, 2017 (nil for the three and six months ended June 30, 2016). The reversal of impairment is mainly attributed to increased drilling locations and capital investment 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.

The results of the impairment tests conducted during the three and six months ended June 30, 2017 are sensitive to changes in any of the key Management judgments and estimates inherent in the calculations, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development expenditures or expected future production costs which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or reversal of impairment charges. For further information regarding the reversal of impairment for the three and six months ended June 30, 2017, refer to Note 6 "Reversal of Impairment" in the financial statements.

A breakdown of DD&A expenses and reversal of impairment is summarized in Table 23:

Table 23

	Three Months Ended June 30			Six Months Ended June 30		
DD&A Expenses ($ millions, except per boe amounts)	**2017**	2016	% Change	**2017**	2016	% Change
Depletion of crude oil and natural gas assets	**106.7**	124.3	(14)	**218.9**	257.1	(15)
Depreciation of administrative assets	**1.3**	1.7	(24)	**2.6**	3.1	(16)
Reversal of impairment	**(75.0)**	—	(100)	**(75.0)**	—	(100)
Total DD&A expenses and reversal of impairment	**33.0**	126.0	(74)	**146.5**	260.2	(44)
DD&A expenses per boe (excluding reversal of impairment)	**10.46**	11.73	(11)	**10.71**	11.80	(9)

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures before acquisitions, dispositions or purchases of undeveloped land totaled $151.0 million in the second quarter of 2017 as compared to $112.6 million during the second quarter of 2016. This total includes development and production additions to PP&E of $147.2 million and additions to E&E assets of $3.8 million. PP&E expenditures include additions to crude oil and natural gas development and production assets and administrative assets. E&E expenditures include asset additions in areas that have been determined by Management to be in the E&E stage.

A breakdown of capital expenditures, acquisitions and dispositions is shown in Table 24:

Table 24

	Three Months Ended June 30						
	2017			2016			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.1**	**1.9**	**2.0**	0.1	4.2	4.3	(53)
Drilling and completions	**2.1**	**103.8**	**105.9**	4.8	50.9	55.7	90
Plant and facilities	**1.6**	**40.0**	**41.6**	4.1	48.1	52.2	(20)
Administrative assets	**—**	**1.5**	**1.5**	—	0.4	0.4	275
Total capital expenditures	**3.8**	**147.2**	**151.0**	9.0	103.6	112.6	34
Undeveloped land	**—**	**14.7**	**14.7**	—	—	—	100
Total capital expenditures including undeveloped land purchases	**3.8**	**161.9**	**165.7**	9.0	103.6	112.6	47
Acquisitions	**—**	**0.1**	**0.1**	—	111.6	111.6	(100)
Dispositions	**—**	**—**	**—**	—	(3.0)	(3.0)	(100)
Total capital expenditures, land purchases and acquisitions	**3.8**	**162.0**	**165.8**	9.0	212.2	221.2	(25)

For the six months ended June 30, 2017, capital expenditures before property acquisitions, dispositions or purchases of undeveloped land totaled $406.2 million as compared to $171.7 million during the same period of 2016. This total includes development and production additions to PP&E of $387.1 million and additions to E&E assets of $19.1 million.

Table 24a

	Six Months Ended June 30						
	2017			2016			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.1**	**5.1**	**5.2**	0.3	6.8	7.1	(27)
Drilling and completions	**16.2**	**261.3**	**277.5**	15.8	63.1	78.9	252
Plant and facilities	**2.8**	**117.2**	**120.0**	8.4	76.5	84.9	41
Administrative assets	**—**	**3.5**	**3.5**	—	0.8	0.8	338
Total capital expenditures	**19.1**	**387.1**	**406.2**	24.5	147.2	171.7	137
Undeveloped land	**—**	**19.9**	**19.9**	—	—	—	100
Total capital expenditures including undeveloped land purchases	**19.1**	**407.0**	**426.1**	24.5	147.2	171.7	148
Acquisitions (1)	**—**	**0.3**	**0.3**	—	126.7	126.7	(100)
Dispositions	**—**	**—**	**—**	—	(3.0)	(3.0)	(100)
Total capital expenditures, land purchases and net acquisitions and dispositions	**19.1**	**407.3**	**426.4**	24.5	270.9	295.4	44

(1) Excludes $0.5 million and $nil of non-cash petroleum and natural gas property transactions in the six months ended June 30, 2017 and 2016, respectively.

During the three months ended June 30, 2017, ARC drilled 20 operated wells consisting of 12 natural gas and liquids-rich natural gas wells, seven crude oil wells, and one disposal well. For the six months ended June 30, 2017 ARC drilled 66 gross (65 net) operated wells consisting of 36 (35 net) crude oil wells, 29 natural gas and liquids-rich natural gas wells, and one disposal well.

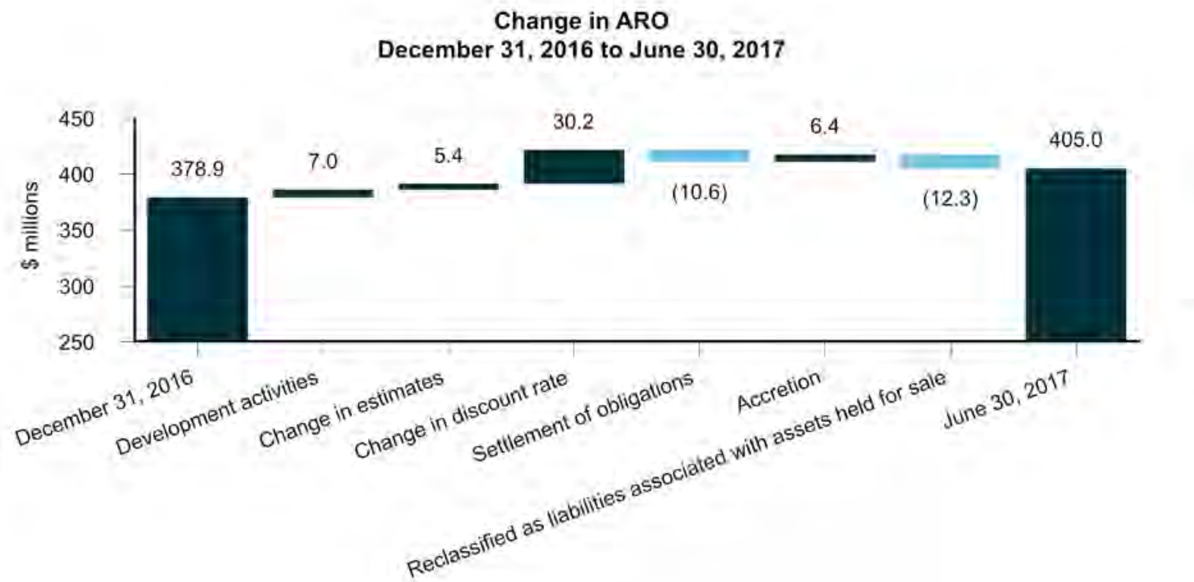
Asset Retirement Obligations

At June 30, 2017, ARC has recorded ARO of $405.0 million ($378.9 million at December 31, 2016) for the future abandonment and reclamation of ARC's properties. The estimated ARO includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred, as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability has been discounted at a liability-specific risk-free interest rate of 2.1 per cent (2.3 per cent at December 31, 2016).

Accretion charges of $3.2 million and $6.4 million for the three and six months ended June 30, 2017 ($3.0 million and $6.1 million for the same periods in 2016), respectively, have been recognized in the statements of income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's abandonment and reclamation program for the three and six months ended June 30, 2017 was $1.5 million and $10.6 million ($1.8 million and $3.9 million for the same periods in 2016), respectively. At June 30, 2017, $183.4 million of ARO associated with certain non-core assets in Alberta is classified as held for sale.

Environmental stewardship is a core value at ARC and abandonment and reclamation activities continue to be made in a prudent, responsible manner with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of ARC's assets are funded entirely out of cash flow from operating activities. ARC's Liability Management Rating is well within both the British Columbia Oil and Gas Commission's and the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required at June 30, 2017 and at the date of this MD&A.

Exhibit 17



Capitalization, Financial Resources and Liquidity

ARC's long-term goal is to fund current period reclamation expenditures, dividend payments and capital expenditures necessary for the replacement of production declines using only funds from operations. Value-creating activities will be financed with a combination of funds from operations and other sources of capital.

ARC typically uses three markets to raise capital: equity, bank debt and long-term notes. Long-term notes are issued to large institutional investors normally with an average term of five to 12 years. The cost of this debt is based upon two factors: the current rate of long-term government bonds and ARC's credit spread. ARC's weighted average interest rate on its outstanding long-term notes is currently 4.31 per cent.

A breakdown of ARC's capital structure as at June 30, 2017 and December 31, 2016 is outlined in Table 25:

Table 25

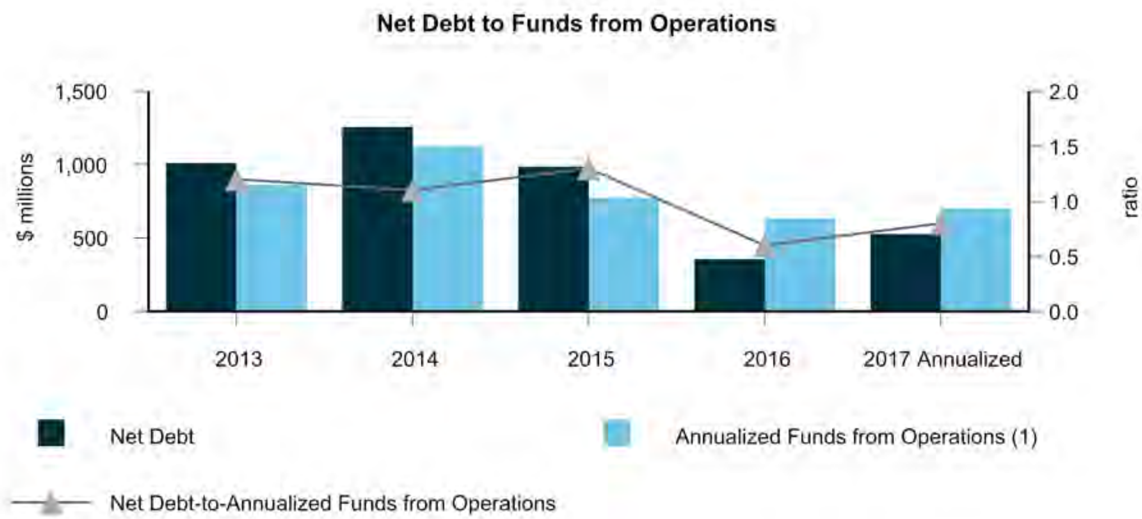
Capital Structure and Liquidity ($ millions, except per cent and ratio amounts)	**June 30, 2017**	December 31, 2016
Long-term debt (1)	**971.4**	1,026.0
Accounts payable and accrued liabilities	**179.9**	161.8
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(641.6)**	(849.0)
Net debt	**527.4**	356.5
Market capitalization (2)	**5,993.7**	8,164.8
Total capitalization	**6,521.1**	8,521.3
Net debt as a percentage of total capitalization (%)	**8.1**	4.2
Net debt to annualized funds from operations (ratio)	**0.8**	0.6

(1) Includes a current portion of long-term debt of $88.8 million at June 30, 2017 and $51.5 million at December 31, 2016.
(2) Calculated using the total common shares outstanding at June 30, 2017 multiplied by the TSX closing share price of $16.96 at June 30, 2017 (TSX closing share price of $23.11 at December 31, 2016).

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. This strategy has resulted in manageable debt levels to date and has positioned ARC to remain well within its debt covenants. Refer to Note 9 "Capital Management" in the financial statements.

ARC closed the quarter with a strong balance sheet with $527.4 million of net debt outstanding, which was approximately eight per cent of ARC's total capitalization. At June 30, 2017, ARC's net debt to 2017 annualized funds from operations ratio was 0.8 times. 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.

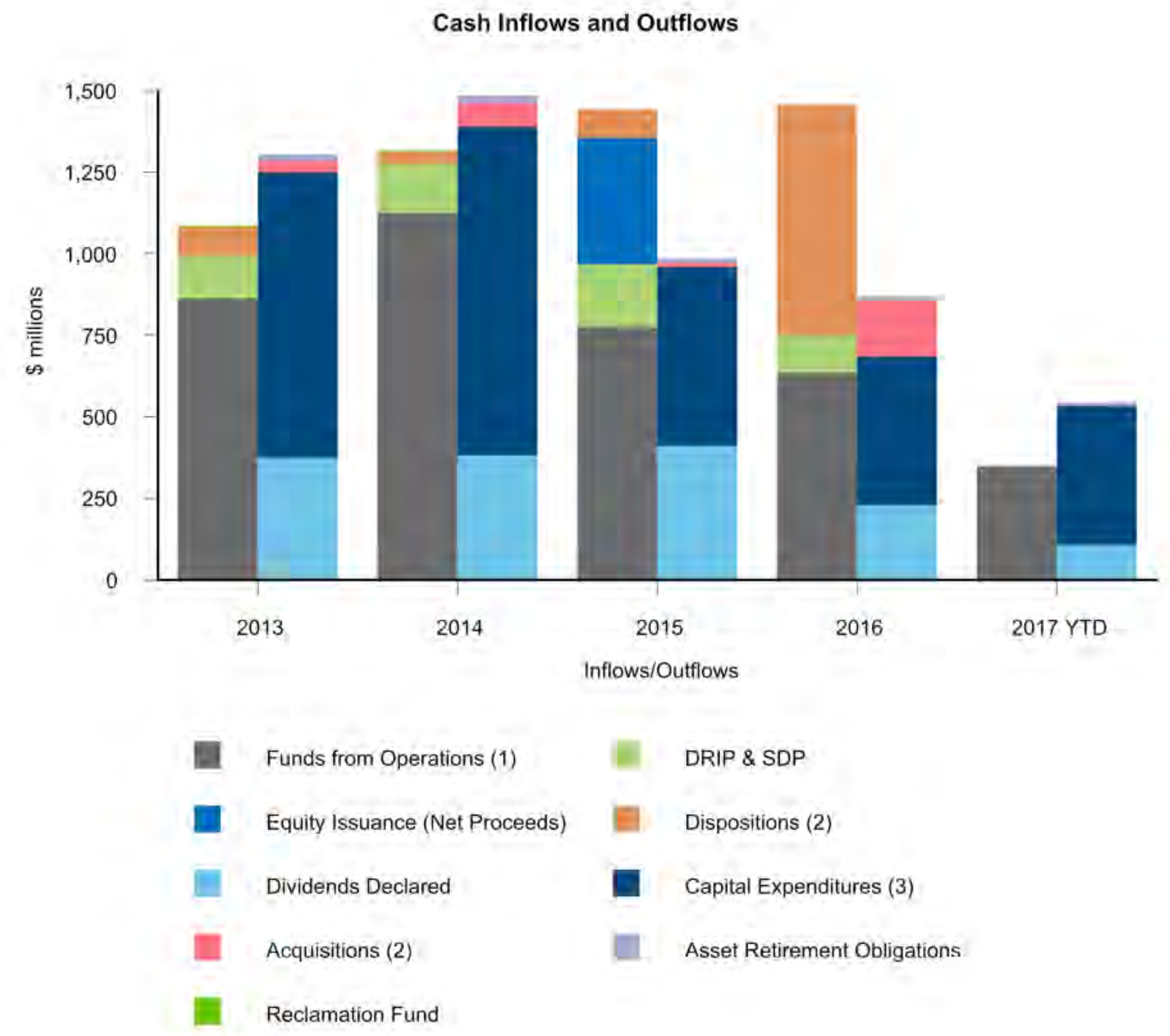
Exhibit 18



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

The following exhibits the balance of cash inflows and outflows over the past four years and for the year-to-date. In any period when cash outflows exceed inflows, ARC's net debt balance will increase to cover the shortfall and will decrease in any period when inflows exceed outflows.

Exhibit 19



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Excludes non-cash property transactions.
(3) Excludes capital expenditures attributable to non-cash share options and asset retirement expenditures.

Table 26

($ millions)	**2017 YTD**	2016	2015	2014	2013
Cash Inflows					
Funds from operations (1)	**347.0**	633.3	773.4	1,124.0	861.8
DRIP & SDP	**3.0**	117.1	195.5	151.0	130.1
Equity issuance (net proceeds)	**—**	—	386.1	—	—
Dispositions (2)	**—**	705.4	88.8	39.3	89.8
Reclamation fund withdrawals	**0.9**	—	0.9	—	—
Total	**350.9**	1,455.8	1,444.7	1,314.3	1,081.7
Cash Outflows					
Dividends declared	**106.2**	228.2	410.5	380.2	374.0
Capital expenditures (3)	**425.9**	455.6	547.9	1,007.6	874.2
Acquisitions (2)	**0.3**	172.9	14.4	73.5	36.4
Asset retirement obligations	**10.6**	13.0	12.3	23.0	18.5
Reclamation fund contributions	**—**	2.0	—	2.6	2.8
Total	**543.0**	871.7	985.1	1,486.9	1,305.9

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Excludes non-cash property transactions.
(3) Excludes capital expenditures attributable to non-cash share options and asset retirement expenditures.

At June 30, 2017, ARC had total available credit capacity of approximately $2.2 billion with debt of $1.0 billion currently outstanding. ARC's long-term debt balance includes a current portion of $88.8 million at June 30, 2017 ($51.5 million at December 31, 2016), reflecting principal payments that are due to be paid within the next 12 months. ARC intends to finance these obligations by using cash on hand or drawing on its syndicated credit facility at the time the payments are due.

On February 8, 2017, ARC's Board of Directors approved the elimination of the DRIP and SDP. By eliminating these programs, ARC will be able to maximize shareholder value over the long term and eliminate the dilutive effect of the DRIP and SDP to ARC's existing shareholder base. Elimination of the DRIP and SDP was effective for the March dividend which was paid on April 17, 2017 to shareholders of record on March 31, 2017. Shareholders that were enrolled in either the DRIP or SDP will now automatically receive dividend payments in the form of cash.

ARC's debt agreements contain a number of covenants, all of which were met as at June 30, 2017. These agreements are available at www.sedar.com. ARC calculates its covenants quarterly. The major financial covenants of the syndicated credit facility are described below:

Table 27

Covenant Description	**Estimated Position at June 30, 2017 (1)**
Long-term debt and letters of credit not to exceed three and a quarter times trailing 12 month net income before non-cash items, income taxes and interest expense	1.3
Long-term debt, letters of credit, and subordinated debt not to exceed four times trailing 12 month net income before non-cash items, income taxes and interest expense	1.3
Long-term debt and letters of credit not to exceed 50 per cent of the book value of shareholders' equity and long-term debt, letters of credit and subordinated debt	20%

(1) Estimated position, subject to final approval of the syndicate.

Shareholders' Equity

At June 30, 2017, there were 353.4 million shares outstanding and 5.1 million share options outstanding under ARC's Share Option Plan. For more information on the Share Option Plan, refer to the section entitled "Share Option Plan" contained within this MD&A.

At June 30, 2017, ARC had 0.3 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

Dividends

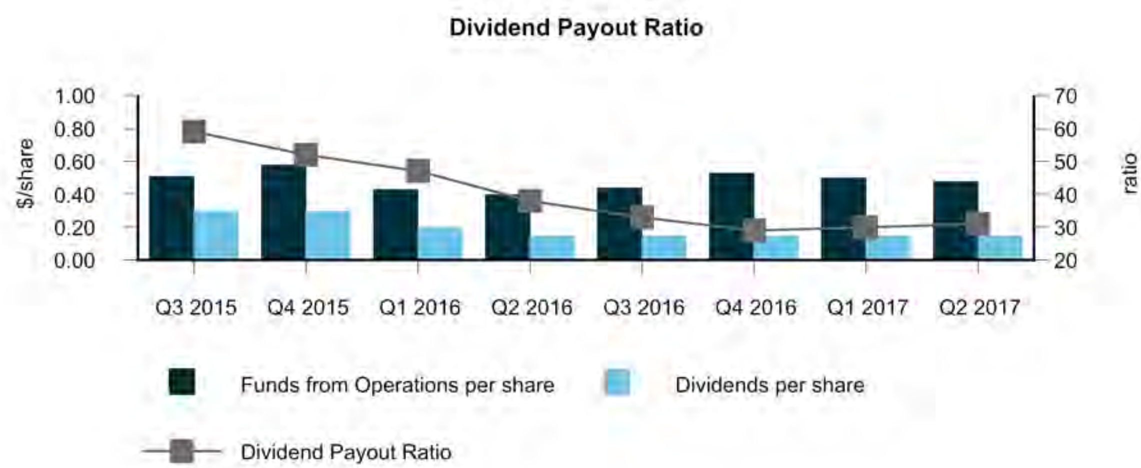
In the second quarter of 2017, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding) compared to $52.5 million ($0.15 per share outstanding) during the second quarter of 2016. ARC reduced its monthly dividend to $0.05 per share outstanding commencing with the February 2016 dividend payable March 15, 2016.

As a dividend-paying corporation, ARC declares monthly dividends to its shareholders. ARC continually assesses dividend levels in light of commodity prices, capital expenditure programs, and production volumes to ensure that dividends are in line with the long-term strategy and objectives of ARC as per the following guidelines:

- To maintain a dividend policy that, in normal times, in the opinion of Management and the Board, is sustainable after factoring in the impact of current commodity prices on funds from operations. ARC's objective is to normalize the effect of volatility of commodity prices rather than to pass that volatility onto shareholders in the form of fluctuating monthly dividends.
- To maintain ARC's financial flexibility, by reviewing ARC's level of debt to equity and debt to funds from operations. The use of funds from operations and proceeds from equity offerings to fund capital development activities reduces the need to use debt to finance these expenditures.

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. As a result of the increase in funds from operations in the second quarter of 2017 compared to the same period of the prior year, ARC's dividend as a percent of funds from operations has decreased from an average of 37 per cent in the second quarter of 2016 to an average of 31 per cent in the second quarter of 2017. ARC believes that it is currently positioned to sustain current dividend levels despite the volatile commodity price environment.

Exhibit 20



The actual amount of future monthly dividends is proposed by Management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results. On July 17, 2017, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on August 15, 2017 to shareholders of record on July 31, 2017 with an ex-dividend date of July 27, 2017.

Please refer to ARC's website at www.arcresources.com for details of the estimated monthly dividend amounts and dividend dates for 2017.

Environmental Initiatives Impacting ARC

ARC operates in jurisdictions that have regulated or have proposed to regulate greenhouse gas ("GHG") emissions and other air pollutants. While some regulations are in effect, others are at various stages of review, discussion and implementation. There is uncertainty around how any future federal legislation will harmonize with provincial regulation, as well as the timing and effects of regulations. Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. Such regulations impose certain costs and risks on the industry. In general, there is some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

Additional information is available in ARC's AIF that is filed on SEDAR at www.sedar.com and ARC's Sustainability Report available at www.arcresponsibility.com.

Contractual Obligations and Commitments

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

Table 28

	Payments Due by Period				
($ millions)	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.

In the second quarter of 2017, ARC increased its transportation commitments as it continued to pursue natural gas takeaway capacity and price diversification for future projects.

In addition to the above risk management contract premiums, ARC has commitments related to its risk management program (see Note 10 of the financial statements). As the premiums are related to the underlying risk management contract, they have been recorded at fair market value at June 30, 2017 in ARC's consolidated balance sheets as part of risk management contracts.

ARC enters into commitments for capital expenditures in advance of the expenditures being made. At a given point in time, it is estimated that ARC has committed to capital expenditures equal to approximately one quarter of its capital budget by means of giving the necessary authorizations to incur the capital expenditures in a future period.

ARC is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on ARC's financial position or results of operations and therefore Table 28 does not include any commitments for outstanding litigation and claims.

Off-Balance Sheet Arrangements

ARC's lease agreements, which are reflected in the Contractual Obligations and Commitments table (Table 28), were entered into in the normal course of operations. All of these leases have been treated as operating leases whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on ARC's consolidated balance sheet as of June 30, 2017.

Critical Accounting Estimates

ARC has continuously refined and documented its management and internal reporting systems to ensure that accurate, timely, internal and external information is gathered and disseminated.

ARC's financial and operating results incorporate certain estimates including:

- estimated sales revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- estimated capital expenditures on projects that are in progress;

- estimated DD&A charges that are based on estimates of crude oil and natural gas reserves that ARC expects to recover in the future;
- estimated fair values of financial instruments that are subject to fluctuation depending upon the underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated fair value of business combinations;
- estimated future recoverable value of PP&E, E&E and goodwill and any associated impairment charges or recoveries; and
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the RSU and PSU Plan that is based on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier, the Share Option Plan and the LTRSA Plan.

ARC has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements, refer to Note 5 "Management Judgments and Estimation Uncertainty" in the financial statements as at and for the year ended December 31, 2016 and Note 6 "Reversal of Impairment" in the financial statements as at and for the three and six months ended June 30, 2017.

ARC's leadership team's mandate includes ongoing development of procedures, standards and systems to allow ARC staff to make the best decisions possible and ensuring those decisions are in compliance with ARC's environmental, health and safety policies.

ASSESSMENT OF BUSINESS RISKS

The ARC management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with ARC's business that can impact the financial results. They include, but are not limited to:

- volatility of crude oil, natural gas, condensate and NGLs prices;
- refinancing and debt service;
- access to capital markets;
- retention of key personnel;
- operational matters;
- availability of third-party pipeline and processing infrastructure;
- reserves and resources estimates;
- depletion of reserves and maintenance of dividend;
- counterparty risk;
- variations in interest rates and foreign exchange rates;
- changes in income tax legislation;
- changes in government royalty legislation;
- environmental concerns and changes in environmental legislation;
- acquisitions; and
- information technology systems

Additional information is available in ARC's AIF that is filed on SEDAR at www.sedar.com.

PROJECT RISKS

ARC manages a variety of small and large projects and plans to continue with the development of several capital projects throughout 2017. Project delays may impact expected revenues from operations. Significant project cost overruns could make a project uneconomic. ARC's ability to execute projects and market crude oil and natural gas depends upon numerous factors beyond its control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- supply of and demand for crude oil and natural gas;
- availability of alternative fuel sources;
- effects of inclement weather;
- availability of drilling-related equipment and resources;
- unexpected cost increases;
- accidental events;
- changes in regulations; and
- availability and productivity of skilled labour.

Because of these factors, ARC could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the crude oil and natural gas that ARC produces.

CONTROL ENVIRONMENT

Internal Controls over Financial Reporting

ARC is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings.” The certification of interim filings for the interim period ended June 30, 2017 requires that ARC disclose in the interim MD&A any changes in ARC’s internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC’s internal controls over financial reporting. ARC confirms that no such changes were made to its internal controls over financial reporting during the three months ended June 30, 2017.

United States Securities and Exchange Commission Deregistration

On May 15, 2017, ARC filed a Form 15F with the United States Securities and Exchange Commission (the “Commission” or “SEC”) to voluntarily terminate the registration of its securities and its reporting obligations under Section 13(a) and Section 15(d) of the United States Securities Exchange Act of 1934, as amended (“Exchange Act”). ARC’s Exchange Act reporting obligations were immediately suspended upon filing the Form 15F. The termination of ARC's registration and of its reporting obligations under Section 13(a) and Section 15(d) of the Exchange Act is expected to be effective 90 days after filing. ARC is current with all of its reporting requirements under the Exchange Act and is not listed on any US exchange. In making the determination to deregister, ARC’s Board of Directors considered the administrative burden and costs associated with being a US reporting company and believe that the costs outweigh the benefits. ARC will continue to comply with its Canadian continuous disclosure obligations and its common shares will continue to trade on the TSX.

FINANCIAL REPORTING UPDATE

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.

Non-GAAP Measures

Throughout this MD&A, the company uses the term operating netback ("netback") to analyze operating performance. This non-GAAP measure does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. ARC calculates netback on a per boe basis as sales revenue less royalties, operating and transportation expenses. ARC discloses netback both before and after the impacts of realized gains or losses on risk management contracts are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period and disclosing this impact provides Management and investors with transparent measures that reflect how ARC's risk management program can impact netback metrics. Management feels that netback is a key industry benchmark and a measure of performance for ARC that provides investors with information that is commonly used by other crude oil and natural gas companies. This measurement assists Management and investors in evaluating operating results on a per boe basis to better analyze performance on a comparable basis. ARC's netback is disclosed in Table 17 within this MD&A.

Forward-looking Information and Statements

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: ARC's financial goals under the heading "About ARC Resources Ltd.," ARC's view of future commodity prices under the heading "Economic Environment," ARC's guidance for 2017 under the heading "Annual Guidance and Financial Highlights," ARC's risk management plans for 2017 and beyond under the heading "Risk Management," ARC's view as to the estimated future payments under the RSU and PSU Plan under the heading "Share-Based Compensation Plans," the financing information relating to raising capital under the heading "Capitalization, Financial Resources and Liquidity," ARC's plans in relation to future dividend levels under the heading "Dividends," ARC's estimates of normal course obligations under the heading "Contractual Obligations and Commitments," and a number of other matters, including the amount of future asset retirement obligations, future liquidity and financial capacity, future results from operations and operating metrics, future costs, expenses and royalty rates, future interest costs, and future development, exploration, acquisition and development activities (including drilling plans) and related capital expenditures.

The forward-looking information and statements contained in this MD&A reflect material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures, and that the United States Securities and Exchange Commission will not object to ARC's termination of its Exchange Act reporting obligations. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's crude oil and natural gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the risk that the United States Securities and Exchange Commission will object to ARC's termination of its Exchange Act reporting obligations; and certain other risks detailed from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in this MD&A and in ARC's AIF).

The internal projections, expectations or beliefs are based on the 2017 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

QUARTERLY HISTORICAL REVIEW

($ millions, except per share amounts)	2017		2016				2015	
FINANCIAL	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales of crude oil, natural gas, condensate, NGLs and other income	**297.0**	309.2	331.8	265.6	234.9	231.2	285.9	279.5
Per share, basic	**0.84**	0.87	0.94	0.76	0.67	0.66	0.83	0.82
Per share, diluted	**0.84**	0.87	0.94	0.75	0.67	0.66	0.83	0.82
Net income (loss)	**124.0**	142.5	167.0	28.3	(58.1)	64.1	(55.0)	(235.0)
Per share, basic	**0.35**	0.40	0.47	0.08	(0.17)	0.18	(0.16)	(0.69)
Per share, diluted	**0.35**	0.40	0.47	0.08	(0.17)	0.18	(0.16)	(0.69)
Funds from operations (1)	**169.8**	177.2	188.5	153.0	141.7	150.1	200.7	174.9
Per share, basic	**0.48**	0.50	0.53	0.44	0.40	0.43	0.58	0.51
Per share, diluted	**0.48**	0.50	0.53	0.44	0.40	0.43	0.58	0.51
Dividends declared	**53.1**	53.1	52.9	52.9	52.5	69.9	103.8	103.0
Per share (2)	**0.15**	0.15	0.15	0.15	0.15	0.20	0.30	0.30
Total assets	**6,196.8**	6,169.3	5,990.5	5,968.4	5,891.1	5,893.7	5,932.2	6,072.4
Total liabilities	**2,546.8**	2,591.4	2,505.7	2,622.3	2,547.0	2,466.1	2,543.7	2,578.3
Net debt outstanding (3)	**527.4**	501.4	356.5	1,009.4	969.3	868.4	985.1	981.1
Weighted average shares, basic	**353.4**	353.4	352.8	351.7	350.5	348.7	345.6	342.8
Weighted average shares, diluted	**353.8**	353.7	353.5	352.3	350.5	348.9	345.6	342.8
Shares outstanding, end of period	**353.4**	353.4	353.3	352.2	351.1	349.8	347.1	344.2
CAPITAL EXPENDITURES								
Geological and geophysical	**2.0**	3.2	1.8	3.5	4.3	2.8	2.5	8.0
Drilling and completions	**105.9**	171.6	89.1	59.0	55.7	23.2	108.5	117.9
Plant and facilities	**41.6**	78.4	65.9	59.8	52.2	32.7	37.3	37.8
Administrative assets	**1.5**	2.0	2.4	0.2	0.4	0.4	1.2	0.5
Total capital expenditures	**151.0**	255.2	159.2	122.5	112.6	59.1	149.5	164.2
Undeveloped land	**14.7**	5.2	2.7	—	—	—	4.6	0.6
Total capital expenditures, including undeveloped land purchases	**165.7**	260.4	161.9	122.5	112.6	59.1	154.1	164.8
Acquisitions	**0.1**	0.2	14.6	31.6	111.6	15.1	0.3	—
Dispositions	**—**	—	(702.1)	(0.3)	(3.0)	—	(42.2)	(20.7)
Total capital expenditures, land purchases and net acquisitions and dispositions	**165.8**	260.6	(525.6)	153.8	221.2	74.2	112.2	144.1
OPERATING								
Production								
Crude oil (bbl/d)	**23,813**	24,030	29,885	29,642	31,702	34,852	33,899	29,397
Condensate (bbl/d)	**4,253**	4,504	3,767	3,562	3,733	3,442	3,631	3,361
Natural gas (MMcf/d)	**483.9**	496.2	478.4	466.7	467.5	489.7	469.1	425.1
NGLs (bbl/d)	**4,691**	3,893	4,220	4,221	4,336	4,319	3,523	3,653
Total (boe/d)	**113,410**	115,129	117,611	115,205	117,695	124,224	119,243	107,261
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**59.78**	61.62	59.20	52.43	52.80	38.64	49.24	52.43
Condensate ($/bbl)	**60.08**	64.44	58.97	50.81	51.20	42.07	49.80	53.00
Natural gas ($/Mcf)	**2.99**	3.10	3.10	2.35	1.39	2.05	2.59	3.03
NGLs ($/bbl)	**26.27**	25.91	20.77	12.67	13.60	8.42	10.73	5.68
Oil equivalent ($/boe)	**28.63**	29.63	30.29	25.03	21.87	20.39	26.01	28.22
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**19.55**	23.70	24.94	24.08	23.35	20.15	22.49	21.97
Low	**16.23**	18.26	21.55	20.88	17.43	14.43	15.39	15.57
Close	**16.96**	19.00	23.11	23.73	22.11	18.89	16.70	17.64
Average daily volume (thousands)	**1,269**	1,104	837	691	1,029	1,388	1,302	1,085

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends per share are based on the number of shares outstanding at each dividend record date.
(3) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(4) Trading statistics denote trading activity on the Toronto Stock Exchange only.

GLOSSARY

The following is a list of abbreviations that may be used in this MD&A:

Measurement

bbl	barrel
bbl/d	barrels per day
Mbbls	thousand barrels
MMbbls	million barrels
boe (1)	barrels of oil equivalent
boe/d (1)	barrels of oil equivalent per day
Mboe (1)	thousands of barrels of oil equivalent
MMboe (1)	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
Bcf	billion cubic feet
MMBtu	million British Thermal Units
GJ	gigajoule

(1) ARC has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

Financial and Business Environment

ARO	asset retirement obligations
CGU	cash-generating unit
COGE Handbook	The Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum
DD&A	depletion, depreciation and amortization
DRIP	Dividend Reinvestment Plan
DSU	Deferred Share Unit
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LTRSA	Long-term Restricted Share Award
MSW	Mixed Sweet Blend
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
PP&E	property, plant and equipment
PSU	Performance Share Unit
RSU	Restricted Share Unit
SDP	Stock Dividend Program
TSX	Toronto Stock Exchange
WTI	West Texas Intermediate

Q2 2017

FINANCIAL STATEMENTS

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

	Three Months Ended June 30		Six Months Ended June 30	
Other Non-Cash Items	**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

	Three Months Ended June 30		Six Months Ended June 30	
Net Change in Other Liabilities	**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

CORPORATE & SHAREHOLDER INFORMATION

DIRECTORS

Harold N. Kvisle (1)
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

David R. Collyer (2) (3)

John P. Dielwart (2) (4)

Fred J. Dyment (1) (3)

Timothy J. Hearn (1) (5)

James C. Houck (4) (6)

Kathleen O'Neill (4) (6)

Herbert C. Pinder Jr. (1) (5)

William G. Sembo (2) (5)

Nancy L. Smith (3) (6)

(1) Member of Policy and Board Governance Committee
(2) Member of Health, Safety and Environment Committee
(3) Member of Risk Committee
(4) Member of Reserves Committee
(5) Member of Human Resources and Compensation Committee
(6) Member of Audit Committee

OFFICERS

Myron M. Stadnyk
President and Chief Executive Officer

Terry M. Anderson
Senior Vice President and Chief Operating Officer

P. Van R. Dafoe
Senior Vice President and Chief Financial Officer

Bevin M. Wirzba
Senior Vice President, Business Development and Capital Markets

Chris D. Baldwin
Vice President, Geosciences

Ryan V. Berrett
Vice President, Marketing

Kris J. Bibby
Vice President, Finance

Sean R. A. Calder
Vice President, Production

Lara M. Conrad
Vice President, Engineering and Planning

Armin Jahangiri
Vice President, Operations

Wayne D. Lentz
Vice President, Business Analysis

Lisa A. Olsen
Vice President, Human Resources

Grant A. Zawalsky
Corporate Secretary

EXECUTIVE OFFICE

ARC Resources Ltd.
1200, 308 - 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900
F 403.503.8609
W www.arcresources.com
E ir@arcresources.com

TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
T 403.267.6800

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

ENGINEERING CONSULTANTS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Burnet Duckworth & Palmer LLP
Calgary, Alberta

PRINTED WITH SOY INK™

SOLAR POWERED PRINTING

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
FSC
www.fsc.org Cert no. SW-COC-002550
© 1996 Forest Stewardship Council

CORPORATE CALENDAR 2017

November 9, 2017
Q3 2017 Results

November 13, 2017
2017 Investor Day

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: **ARX**

INVESTOR INFORMATION

Visit our website at
www.arcresources.com
or contact:
Investor Relations
T 403.503.8600 or
TOLL FREE 1.888.272.4900

ARC Resources Ltd.
1200, 308 – 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900

WWW.ARCRESOURCES.COM

arcresources
@arcresources
arc-resources-ltd
arcresources