FIRST QUARTER REPORT 2018

ARC RESOURCES LTD

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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.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended		
	December 31, 2017	**March 31, 2018**	March 31, 2017
FINANCIAL			
(Cdn$ millions, except per share and boe amounts and shares outstanding)			
Net income	73.9	**54.9**	142.5
Per share (1)	0.21	**0.16**	0.40
Funds from operations (2)	221.1	**201.0**	177.2
Per share (1)	0.63	**0.57**	0.50
Dividends	53.1	**53.1**	53.1
Per share (1)	0.15	**0.15**	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	245.1	**213.7**	255.2
Total capital expenditures, including land and net property acquisitions (dispositions)	247.7	**116.3**	260.6
Net debt outstanding (2)	728.0	**728.0**	501.4
Shares outstanding, weighted average diluted	353.8	**353.8**	353.7
Shares outstanding, end of period	353.5	**353.5**	353.4
OPERATING			
Production			
Crude oil (bbl/d)	24,641	**25,037**	24,030
Condensate (bbl/d) (3)	6,989	**5,505**	4,504
Natural gas (MMcf/d)	572.4	**564.9**	496.2
NGLs (bbl/d)	6,380	**6,332**	3,893
Total (boe/d) (4)	133,409	**131,016**	115,129
Average realized prices, prior to risk management contracts (5)			
Crude oil ($/bbl)	67.29	**69.50**	61.42
Condensate ($/bbl)	69.04	**77.42**	64.31
Natural gas ($/Mcf)	2.27	**2.50**	3.10
NGLs ($/bbl)	35.31	**31.39**	25.91
Oil equivalent ($/boe) (4)	27.48	**28.85**	29.58
Operating netback ($/boe) (4)(5)(6)			
Commodity sales from production	27.48	**28.85**	29.58
Royalties	(2.15)	**(2.45)**	(2.49)
Transportation expenses	(2.44)	**(2.61)**	(2.42)
Operating expenses	(6.11)	**(6.31)**	(6.86)
Operating netback prior to gain on risk management contracts	16.78	**17.48**	17.81
Realized gain on risk management contracts	3.58	**2.43**	2.36
Operating netback including gain on risk management contracts	20.36	**19.91**	20.17
TRADING STATISTICS (7)			
High price	18.34	**15.90**	23.70
Low price	13.64	**11.88**	18.26
Close price	14.75	**14.04**	19.00
Average daily volume (thousands)	1,114	**1,406**	1,104

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

(2) Refer to Note 10 "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) Condensate production was deliberately shut-in during the first quarter of 2018 for nearby completion activities on ARC's first multi-well pad at Attachie West.

(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) Refer to Note 3 "Changes in Accounting Policies" in ARC's financial statements for details on revised presentation of certain items in the unaudited condensed interim consolidated statements of income for the three months ended March 31, 2017.

(6) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP Measures" contained within ARC's MD&A.

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

"A key focus of ARC's 2018 capital program is to sustain our Montney businesses while investing in the accretive liquids opportunities that we have identified at Attachie West and in the Lower Montney at Dawson and Parkland. We are pleased with the progress that we made in the first quarter of 2018, successfully sustaining production across our Montney asset base, executing completion activities on the seven-well pad at our liquids-rich Attachie West asset, and expediting construction of our Sunrise Phase II gas processing facility expansion," explains Myron Stadnyk, President and CEO. *"We continue to execute a comprehensive physical and financial natural gas diversification program that manages risk and enhances price realizations, and we have divested non-core assets to optimize our portfolio and bolster our already-strong balance sheet. We are confident that our long-term approach in all aspects of our business is setting ARC up to deliver strong corporate-level returns to our shareholders over the long term."*

STRATEGY OVERVIEW

ARC’s strategy of risk-managed value creation and its enduring focus on profitability and sustainability have been paramount since inception, and those traits have become increasingly important to investors in the face of volatile commodities markets and competitive pressures. In 2016, ARC's decision to set the monthly dividend at $0.05 per share, divest non-core assets, and eliminate the Dividend Reinvestment Plan and Stock Dividend Program, further advanced our deliberate shift to investing in our Montney assets, which are both continentally and globally competitive. ARC is increasing its overall liquids exposure with development activities at Attachie West and the Lower Montney in the Dawson and Parkland fields. The 2016 divestments, as well as additional divestments in the first quarter of 2018, have given ARC the ability to counter-cyclically fund infrastructure and capital programs in our core Montney properties, enabling the transformation of our business and allowing us to temporarily outspend our cash flows while maintaining our balance sheet strength within our target ratio of 1.0 to 1.5 times net debt to annualized funds from operations. Building upon ARC's strong performance in 2017, we are confident that we will continue to improve capital and operating efficiencies, advance our excellent safety and environmental performance, and enhance the long-term optionality of our business plan.

ARC has coupled its asset development strategy with a deliberate physical marketing and financial diversification strategy, which proactively secures market access for future development projects and takes a portfolio management approach to downstream market diversification. When combined with ARC's financial risk management activities, ARC is able to effectively execute on its long-term plans in the current commodity price environment.

ARC's Board of Directors has designed management's compensation to encourage long-term thinking, long-term performance and to ensure alignment with the interests of ARC and its shareholders. The long-term incentive programs are directly aligned with the interests of the shareholders and include a mix of relative and absolute share performance with vesting occurring over a 10-year period. This long-term approach is distinctly unique when compared to ARC's North American peers.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Results

ARC delivered strong financial performance in the first quarter of 2018, recording net income of $54.9 million ($0.16 per share) and funds from operations of $201.0 million ($0.57 per share). First quarter 2018 funds from operations decreased 10 per cent, on a per share basis, relative to the fourth quarter of 2017 as strengthened commodity prices in the period were offset by slightly lower production levels and reduced gains on ARC's risk management contracts. First quarter 2018 funds from operations increased 14 per cent, on a per share basis, relative to the first quarter of 2017, driven primarily by higher production levels and improved crude oil and liquids pricing. Allocating capital profitably, strategically managing our portfolio of assets, and positioning the company to deliver strong returns to our shareholders remains a key priority for ARC. ARC has delivered corporate-level returns on average capital employed (1) of approximately 10 per cent since inception.

With the continued strengthening of crude oil prices, 63 per cent of ARC's commodity sales came from its crude oil and liquids production in the first quarter of 2018. To manage natural gas price risk exposure, ARC's physical natural gas diversification and financial risk management activities have helped to significantly reduce our exposure to ongoing weakness in western Canadian natural gas prices and enhance our commodity price realizations. Through ARC's physical diversification activities, an incremental $0.32 per Mcf was realized in ARC's natural gas price in the first quarter of 2018. ARC's financial risk management program provided additional cash flow protection with realized cash gains of $0.74 per Mcf on ARC's natural gas risk management contracts in the first quarter of 2018, which is not included in ARC's realized natural gas price.

In 2018, ARC's natural gas sales portfolio is physically and financially diversified to multiple downstream markets including US Midwest, Eastern Canada and Henry Hub markets, and early in the second quarter of 2018, ARC increased its exposure to the US Pacific Northwest market. Less than five per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the remainder of 2018.

ARC also continues to execute on its risk management strategy for crude oil. The majority of ARC's crude oil production is made up of conventional light oil and condensate, which has much narrower differentials than the discounted pricing that has recently been experienced by Canadian heavy oil producers.

Total realized gains on risk management contracts for the first quarter of 2018 were $28.6 million, and the fair value of ARC's risk management contracts at March 31, 2018 was $248.7 million. Risk management contracts are in place for natural gas through 2023 and for crude oil through 2019.

ARC preserves its financial flexibility by maintaining a strong balance sheet. At March 31, 2018, ARC had $728.0 million of net debt outstanding, unchanged from December 31, 2017, and an additional $1.2 billion of cash and credit capacity available after taking into account ARC's working capital surplus. The net debt to annualized funds from operations ratio was 0.9 times at the end of the first quarter of 2018, at the low end of ARC's targeted net debt levels of 1.0 to 1.5 times annualized funds from operations. Net debt was approximately 13 per cent of ARC's total capitalization. ARC has the flexibility to fund its 2018 sustaining capital requirements and the dividend with cash flow generated from ARC's existing businesses, and growth capital with the redeployment of proceeds from divestments and additional debt if necessary. ARC will continue to manage conservative debt levels as a priority.

Operating Results

ARC achieved average daily production of 131,016 boe per day in the first quarter of 2018 with an excellent safety record. Production was comprised of crude oil and liquids production of 36,874 barrels per day and natural gas production of 565 MMcf per day. As planned, ARC's first quarter 2018 average daily production was two per cent lower than the fourth quarter of 2017, driven largely by the planned shut-in of offset wells for completion activities on ARC's first multi-well pad at Attachie West. ARC kept gas plants in its core Montney areas, including Ante Creek, Dawson, Parkland/Tower and Sunrise, operating at capacity during the period. First quarter 2018 average daily production increased 14 per cent relative to the first quarter of 2017, which was primarily the result of new production flowing through the Dawson Phase III facility. ARC plans to keep its operated facilities at gas capacity throughout 2018, however expects that second quarter 2018 production will be lower than the first quarter by approximately five per cent due to significant turnarounds, planned maintenance activities, and anticipated spring break-up impacts to production and field operations. Due to excellent progress made to-date on the construction of the Sunrise Phase II facility, ARC expects to have an initial 60 MMcf per day of processing capacity in place by the end of the fourth quarter of 2018 subject to BC Hydro's completion of electrification, with some initial sales volumes being recorded in the period. Full-year 2018 average daily production is expected to be within the guidance range of 130,000 to 134,000 boe per day.

ARC's first quarter 2018 capital program was executed in a safe and environmentally responsible manner, with capital expenditures, before land and net property acquisitions and dispositions, totaling $213.7 million. Capital expenditures in the period included the drilling of 20 operated wells (11 crude oil wells and nine natural gas and liquids-rich natural gas wells) and completion of 20 operated wells, including ARC's seven-well demonstration pad at Attachie West. Significant infrastructure investment in the period was directed at the Sunrise Phase II gas processing facility expansion, electrification activities at the Parkland/Tower gas processing and liquids-handling facility, and initial work on ARC's northeast British Columbia water handling and recycling facility. As part of its ongoing portfolio rationalization efforts and overall liability management program, ARC recorded net dispositions of $98.1 million in the first quarter of 2018, including the divestment of 1,300 gross well bores (approximately 350 net well bores) and over 500 kilometers of pipeline. Full-year 2018 capital investment levels are expected to be $690 million.

ARC actively identifies opportunities to reduce operating expenses to improve our cost structure. First quarter 2018 operating expenses of $6.31 per boe were three per cent higher than the fourth quarter of 2017. On a full-dollar basis, operating expenses of $74.4 million were relatively unchanged quarter-over-quarter. ARC is focused on cost management and achieving sustainable reductions to its cost structure through further growth in low-cost Montney production and efficiencies realized from owning and operating our facilities. As ARC continues to divest non-core assets and bring on new Montney production with lower relative costs to operate, it is expected that operating expenses will be increasingly more efficient.

The following economic, financial, and operational reviews provide further details to the above highlights. For additional commentary on ARC's first quarter 2018 financial and operating results, please view the following videos: *"Myron's Minute"*, *"ARC Resources Q1 2018 Finance Review"* and *"ARC Resources Q1 2018 Operations Review"* available on ARC's website at www.arcresources.com.

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See *"Non-GAAP Measures"* contained within ARC's MD&A.

ORGANIZATIONAL UPDATE

Effective May 3, 2018, Mr. Tim Hearn will be retiring from ARC's Board of Directors after seven years of service. ARC would like to extend its sincere gratitude to Mr. Hearn for the guidance, wisdom and motivation that he provided to the ARC board and management teams over this period. With Mr. Hearn's retirement, ARC announces the following changes to its board committee structure:

- Mr. David Collyer will chair the Human Resources and Compensation Committee.
- Ms. Nancy Smith will chair the Risk Committee.
- Mr. John Dielwart will chair the Safety, Reserves and Operational Excellence Committee, which is a combination of the Health, Safety and Environment Committee and the Reserves Committee, with Operational Excellence added to the Committee's mandate.

These changes will take effect following ARC's Annual and Special Meeting on May 3, 2018.

ECONOMIC ENVIRONMENT

ARC's financial and operating results for the three months ended March 31, 2018 were impacted by commodity prices and foreign exchange rates which are outlined in the following table.

Selected Benchmark Prices and Exchange Rates (1)	Three Months Ended March 31, 2018	December 31, 2017	% Change	March 31, 2017	% Change
WTI crude oil (US$/bbl)	**62.89**	55.30	14	51.78	21
Mixed sweet crude stream price at Edmonton (Cdn$/bbl)	**72.15**	68.85	5	63.64	13
Condensate stream price at Edmonton (Cdn$/bbl)	**78.93**	73.73	7	69.07	14
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.00**	2.93	2	3.32	(10)
Chicago Citygate Monthly Index (US$/MMBtu)	**3.27**	2.93	12	3.40	(4)
AECO 7A Monthly Index (Cdn$/Mcf)	**1.85**	1.96	(6)	2.94	(37)
Cdn$/US$ exchange rate	**1.27**	1.27	—	1.32	(4)

(1) The benchmark prices do not reflect ARC's realized sales prices. For average realized sales prices, refer to the section entitled, *"Commodity Prices Prior to Gains or Losses on Risk Management Contracts"* contained within ARC's MD&A. Prices and exchange rates presented above represent averages for the respective periods.

Global crude oil prices continued to strengthen in the first quarter of 2018, with robust demand and ongoing compliance to production cuts by OPEC members supporting a reduction in global inventories. The first quarter 2018 WTI benchmark price averaged 14 per cent higher than the fourth quarter of 2017 and 21 per cent higher than the first quarter of 2017.

ARC's crude oil production is primarily referenced to the mixed sweet crude stream price at Edmonton, which increased five per cent in the first quarter of 2018 relative to the fourth quarter of 2017 and increased 13 per cent relative to the first quarter of 2017. The differential between WTI and the mixed sweet crude stream price at Edmonton widened significantly in the first quarter of 2018, averaging US$5.85 per barrel, which was four times wider than the fourth quarter of 2017 and 64 per cent wider than the first quarter of 2017. The combination of unplanned pipeline outages and apportionment and strong oil sands production has caused concerns regarding takeaway options for western Canadian crude oil production.

US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, were stable in the first quarter of 2018 compared to the fourth quarter of 2017, increasing two per cent, however decreased 10 per cent from the first quarter of 2017. US natural gas supply growth has been absorbed by the continued strength in demand growth.

Western Canadian natural gas prices continued to experience weakness in the first quarter of 2018 with the AECO hub price decreasing six per cent relative to the fourth quarter of 2017 and 37 per cent relative to the first quarter of 2017. Despite demand within the Western Canadian Sedimentary Basin reaching record-high levels, concerns regarding oversupply and egress constraints in the basin are ongoing. The downward pressure that upcoming third-party pipeline maintenance is expected to have on seasonal pricing has also amplified the bearish outlook on near-term forward AECO differentials. The NYMEX Henry Hub Last Day Settlement price to AECO basis was US$1.52 per MMBtu in the first quarter of 2018, nine per cent wider relative to the fourth quarter of 2017 and 38 per cent wider relative to the first quarter of 2017. ARC's realized natural gas price is diversified physically and financially to multiple sales points including the US Midwest and Pacific Northwest, Dawn, AECO, and Station 2 hubs. Less than five per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the remainder of 2018.

The Canadian dollar was largely unchanged relative to the US dollar in the first quarter of 2018, averaging Cdn$/US $1.27 (US$/Cdn$0.79). Strong Canadian economic data supported the Bank of Canada’s decision to increase interest rates at the beginning of the first quarter of 2018, however, uncertainty surrounding US trade policy caused volatility in the Canadian dollar through the latter part of the period.

FINANCIAL REVIEW

Net Income

ARC recorded net income of $54.9 million ($0.16 per share) in the first quarter of 2018, which was $19.0 million ($0.05 per share) lower than net income of $73.9 million ($0.21 per share) recorded in the fourth quarter of 2017. A reduction in gains on ARC's risk management contracts amounting to $97.3 million and a $25.9 million increase in losses on foreign exchange were the primary drivers in the decrease to earnings in the first quarter of 2018 relative to the fourth quarter of 2017. Partially offsetting these items was an $80.1 million gain recorded on the disposal of non-core assets in the first quarter of 2018, reduced income taxes of $15.1 million, and a $9.0 million reduction in charges to ARC's exploration and evaluation assets.

Net income in the first quarter of 2018 was $87.6 million ($0.24 per share) lower than net income of $142.5 million ($0.40 per share) recorded in the first quarter of 2017. A reduction in gains on ARC's risk management contracts amounting to $152.0 million and increased losses on foreign exchange of $33.7 million were the most significant drivers in the decrease to net income. Higher depletion expenses of $12.1 million associated with higher production volumes also contributed to the decrease in earnings. These decreases were partially offset by an $80.1 million gain recorded on the disposal of non-core assets in the first quarter of 2018, improved commodity sales of $33.8 million, and lower income taxes of $18.6 million.

Funds from Operations

ARC's first quarter 2018 funds from operations of $201.0 million ($0.57 per share) decreased $20.1 million ($0.06 per share) relative to fourth quarter 2017 funds from operations of $221.1 million ($0.63 per share), with lower production levels and reduced realized gains on risk management contracts being the biggest drivers in the decrease. Slight increases in royalty expenses, general and administrative ("G&A") expenses, and current taxes also served to decrease funds from operations in the period. These contributors were partially offset by the positive impact that improved pricing had on commodity sales from production.

First quarter 2018 funds from operations increased $23.8 million ($0.07 per share) relative to first quarter 2017 funds from operations of $177.2 million ($0.50 per share), with increased production levels and improved crude oil and liquids pricing contributing to higher funds from operations. These items were partially offset by weakened natural gas prices and increased G&A expenses, driven primarily by higher expenses recorded on ARC's share-based compensation plans, and increased transportation expenses.

The following table details the change in funds from operations for the first quarter of 2018 relative to the fourth quarter of 2017 and to the first quarter of 2017.

Funds from Operations Reconciliation [1][2]	Q4 2017 to Q1 2018		Q1 2017 to Q1 2018	
	$ millions	$/Share [3]	$ millions	$/Share [3]
Funds from operations for the three months ended December 31, 2017	221.1	0.63		
Funds from operations for the three months ended March 31, 2017			177.2	0.50
Volume variance				
Crude oil and liquids	**(11.7)**	**(0.03)**	**17.1**	**0.06**
Natural gas	**(4.1)**	**(0.01)**	**19.3**	**0.05**
Price variance				
Crude oil and liquids	**7.0**	**0.01**	**27.8**	**0.08**
Natural gas	**11.7**	**0.03**	**(30.4)**	**(0.08)**
Sales of commodities purchased from third parties	**15.2**	**0.05**	**1.9**	**0.01**
Interest income	**0.5**	**—**	**(0.5)**	**—**
Other income	**(0.4)**	**—**	**0.4**	**—**
Realized gain on risk management contracts	**(15.2)**	**(0.04)**	**4.2**	**0.01**
Royalties	**(2.5)**	**(0.01)**	**(3.1)**	**(0.01)**
Expenses				
Transportation	**(0.8)**	**—**	**(5.8)**	**(0.02)**
Commodities purchased from third parties	**(16.3)**	**(0.04)**	**(2.6)**	**(0.01)**
Operating	**0.6**	**—**	**(3.4)**	**(0.01)**
G&A	**(2.3)**	**(0.01)**	**(8.2)**	**(0.02)**
Interest	**0.2**	**—**	**1.0**	**—**
Current tax	**(2.2)**	**(0.01)**	**5.2**	**0.01**
Realized gain (loss) on foreign exchange	**0.2**	**—**	**0.9**	**—**
Funds from operations for the three months ended March 31, 2018	**201.0**	**0.57**	**201.0**	**0.57**

(1) Refer to Note 10 *"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) Refer to Note 3 *"Changes in Accounting Policies"* in ARC's financial statements for details on revised presentation of certain items in the unaudited condensed interim consolidated statement of income for the three months ended March 31, 2017.
(3) Per share amounts are based on diluted weighted average common shares.

Operating Netbacks

ARC's first quarter 2018 operating netback, prior to gains on risk management contracts, of $17.48 per boe, increased four per cent relative to the fourth quarter of 2017, primarily as a result of strengthened commodity prices. ARC's first quarter 2018 operating netback, including gains on risk management contracts, of $19.91 per boe, decreased two per cent relative to the fourth quarter of 2017, as a result of decreased realized gains on risk management contracts.

ARC's first quarter 2018 operating netback, prior to gains on risk management contracts, of $17.48 per boe, decreased two per cent from the first quarter of 2017, and ARC's first quarter 2018 operating netback, including gains on risk management contracts, of $19.91 per boe, decreased one per cent relative to the first quarter of 2017. Lower operating netbacks were due to the weakening of natural gas prices in the first quarter of 2018 relative to the first quarter of 2017.

ARC's first quarter 2018 royalty expenses of $2.45 per boe (8.5 per cent total corporate royalty rate) increased 14 per cent from fourth quarter 2017 royalty expenses of $2.15 per boe (7.8 per cent total corporate royalty rate), and decreased two per cent relative to first quarter 2017 royalty expenses of $2.49 per boe (8.4 per cent of total corporate royalty rate). The movement in royalty expenses reflects the sliding scale effect that commodity prices have on royalties. Royalty expenses for the three months ended March 31, 2018 were $28.9 million.

First quarter 2018 transportation expenses of $2.61 per boe increased seven per cent from fourth quarter 2017 transportation expenses of $2.44 per boe, and increased eight per cent relative to first quarter 2017 transportation expenses of $2.42 per boe. The increase in transportation expenses is the result of new transportation agreements coming into effect on third-party pipelines as part of ARC's ongoing strategy to secure additional transportation to ensure

ARC's production moves to market. Transportation expenses for the three months ended March 31, 2018 were $30.8 million.

First quarter 2018 operating expenses of $6.31 per boe increased three per cent from fourth quarter 2017 operating expenses of $6.11 per boe, and was largely volume-driven. First quarter 2018 operating expenses decreased eight per cent relative to first quarter 2017 operating expenses of $6.86 per boe and was the result of bringing on new production at Dawson with lower relative costs to operate. Operating expenses for the three months ended March 31, 2018 were $74.4 million.

Risk Management

ARC recorded total realized cash gains of $28.6 million on its risk management contracts for the three months ended March 31, 2018.

ARC's natural gas risk management contracts realized cash gains of $37.4 million for the three months ended March 31, 2018. Approximately 30 per cent of ARC's natural gas production was hedged at NYMEX Henry Hub with an average floor price of US$3.53 per MMBtu in the first quarter of 2018, while market prices averaged US$3.00 per MMBtu. Approximately 10 per cent of natural gas production was hedged at AECO with an average swap price of Cdn$3.05 per GJ in the first quarter of 2018, while market prices averaged Cdn$1.95 per GJ. ARC has hedged approximately 208,000 MMBtu per day of natural gas production for the remainder of 2018, and a portion of natural gas production is hedged for the period 2019 through 2023. 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 2018 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 2023. Details pertaining to ARC's natural gas hedged volumes and prices for the period 2018 through 2023 are outlined in the table below.

ARC's crude oil risk management contracts realized cash losses of $8.8 million for the three months ended March 31, 2018. ARC currently has 20,000 barrels per day of crude oil production hedged with WTI collars and swaps for the remainder of 2018 and has an additional 14,000 barrels per day of crude oil hedged for 2019. ARC's crude oil risk management portfolio also includes MSW basis swap contracts for 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 2018 through 2019 are outlined in the table below.

ARC has risk management contracts in place, on a portion of natural gas and crude oil volumes, that are at price levels that support ARC's long-term business plans. The fair value of ARC's risk management contracts at March 31, 2018 was $248.7 million. 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 March 31, 2018, see Note 11 *"Financial Instruments and Market Risk Management"* in ARC's financial statements as at and for the three months ended March 31, 2018.

Risk Management Contracts Positions Summary (1)

As at May 2, 2018	Q2 to Q4 2018		2019		2020		2021		2022		2023	
Crude Oil – WTI (2)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	65.39	4,000	65.63	2,000	—	—	—	—	—	—	—	—
Floor	50.00	4,000	50.00	2,000	—	—	—	—	—	—	—	—
Sold Floor	40.00	4,000	40.00	2,000	—	—	—	—	—	—	—	—
Swap	54.00	2,000	57.20	4,000	—	—	—	—	—	—	—	—
Crude Oil – Cdn$ WTI (3)	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day
Ceiling	76.25	2,000	—	—	—	—	—	—	—	—	—	—
Floor	65.00	2,000	—	—	—	—	—	—	—	—	—	—
Swap	72.10	12,000	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**20,000**		**14,000**		**—**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) (4)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Swap	(3.38)	7,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub (5)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	3.64	80,000	3.35	80,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—
Floor	3.00	80,000	2.75	80,000	2.75	50,000	2.75	50,000	2.50	25,000	—	—
Sold Floor	2.50	80,000	2.25	80,000	2.25	50,000	2.25	50,000	—	—	—	—
Swap	4.00	90,000	4.00	40,000	—	—	—	—	—	—	—	—
Natural Gas – AECO (6)	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	—	—	3.30	10,000	3.60	30,000	—	—	—	—	—	—
Floor	—	—	3.00	10,000	3.08	30,000	—	—	—	—	—	—
Swap	2.96	40,000	3.16	20,000	3.35	30,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**207,913**		**148,435**		**106,869**		**50,000**		**25,000**		**—**
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	AECO/ NYMEX	MMBtu/ day
Sold Swap	84.7	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$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.87)	91,127	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		**181,127**		**160,959**		**98,361**		**34,192**		**—**		**—**
Natural Gas – Other Basis (Differential to NYMEX) (MMBtu/day) (7)		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day
Sold Swap		**7,782**		**50,000**		**70,000**		**70,000**		**50,000**		**9,918**
Foreign Exchange (8)	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total
Average Rate Forward	**—**	**—**	**1.2907**	**21**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(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 Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.
(4) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis in US$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) Natural gas prices referenced to AECO 7A Monthly Index.
(7) ARC has entered into basis swaps at locations other than AECO.
(8) Cdn$/US$ referenced to WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

OPERATIONAL REVIEW

ARC invested $213.7 million of capital, before land and net property acquisitions and dispositions, in the first quarter of 2018, which included drilling 20 operated wells (11 crude oil wells and nine natural gas and liquids-rich natural gas wells) and completing 20 operated wells, including ARC's first multi-well pad at Attachie West. Capital expenditures in the period were also focused on various infrastructure initiatives in northeast British Columbia, including construction of the Sunrise Phase II facility expansion, electrification activities at ARC's Parkland/Tower facility, and continued activity on ARC's water handling and recycling infrastructure. Approximately 95 per cent of capital invested in the first quarter of 2018 was directed towards ARC's Montney assets.

As part of its ongoing commitment to responsible water management and reducing its overall freshwater dependency, ARC has initiated the development of strategic water infrastructure in northeast British Columbia. At Sunrise, construction of a large freshwater storage facility is underway. This facility, when combined with recently-obtained long-term water licenses, will help de-risk completion operations at Sunrise and generate strong economic returns through the reduction of costs related to frac water access and handling. At Dawson and Parkland/Tower, final engineering and design work on ARC's water handling and recycling facility was successfully completed in the first quarter of 2018, and the equipment required for the project has been ordered. Construction of the produced water storage pit and water recycling facility is scheduled to resume after spring break-up, with the project anticipated to be in service by year-end 2018. With pipelines connecting the three assets, the water hub facility will be used to service frac operations, and will not only reduce ARC's dependency on freshwater for hydraulic fracturing operations in the area and mitigate the risk of potential water supply restrictions, but will also generate strong economic returns with a short payout period through the reduction of frac water access and transfer costs.

The following table outlines first quarter 2018 activity by ARC's key operating areas.

	Three Months Ended March 31, 2018	
Area	**Wells Drilled**	**Wells Completed**
Attachie	1	7
Sunrise	3	—
Dawson	4	10
Parkland/Tower	8	—
Ante Creek	3	3
Other	1	—
Total	**20**	**20**

ARC achieved average daily production of 131,016 boe per day in the first quarter of 2018, comprised of 36,874 barrels per day of crude oil and liquids and 565 MMcf per day of natural gas. As planned, ARC's first quarter 2018 average daily production was two per cent lower than the fourth quarter of 2017, and was driven largely by the planned shut-in of offset wells at Attachie West for completion activities. First quarter 2018 average daily production increased 14 per cent relative to the first quarter of 2017 and was primarily the result of new production flowing through the Dawson Phase III facility.

ARC's position in the Montney is made up of approximately 1,200 net sections of land (approximately 770,000 net acres), with production from ARC's Montney assets representing nearly 90 per cent of total corporate production. ARC's excellent operating and capital efficiencies are supported by ARC owning and operating its own facilities, allowing for greater control over costs, safety performance, and pace of development. ARC continues to optimize well designs and maximize well value, pursue new technologies, and work with service providers to preserve its competitive cost structure. ARC actively monitors market conditions and executes a marketing strategy that proactively secures takeaway capacity for future development projects, diversifies ARC's sales portfolio, mitigates the impact of third-party infrastructure maintenance and outages, and ensures that production gets to market at optimal pricing.

Lower Montney

ARC's lands within the Montney fairway have significant development potential in the liquids-rich Lower Montney horizon. The Lower Montney is being appraised across all of ARC's Montney lands; 2017 appraisal activities resulted in the delineation of a significant portion of ARC's Montney lands moving inventory into the development stage. Based on encouraging results, ARC has plans to selectively pursue opportunities in the Lower Montney in 2018 by reallocating a portion of its 2018 capital budget to drill incremental Lower Montney liquids-rich wells. ARC will continue to expand Lower Montney production across its asset base, optimize existing production, and will pilot the Lower Montney horizon in Attachie.

At Sunrise, a five-well pad piloting dual-layer development in the Lower Montney horizon was drilled and completed in 2017. Three of the five wells began producing in the first quarter of 2018 with the remaining wells scheduled to come on production as facility capacity becomes available. The wells are currently producing at an average restricted rate of 7 MMcf per day of natural gas through downhole chokes at high flowing pressure. Early analysis indicates strong productivity from these wells.

Encouraged by the significant success of the Lower Montney appraisal activities conducted at Parkland in 2017, ARC is planning a pipeline to connect ARC's Parkland and Dawson assets in 2018. Interconnecting these assets gives ARC the optionality to invest in crude oil and liquids-rich natural gas opportunities across Parkland/Tower and Dawson on the basis of highest profitability, gives ARC the ability to accelerate its development of the Lower Montney at Parkland, and take advantage of unutilized liquids processing capacity at Dawson Phase III. The interconnection is planned to be in service by late 2018.

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 306 net sections (approximately 201,000 net acres). ARC invested $45 million in the first quarter of 2018, directed primarily at completion activities on a seven-well pad at Attachie West. Development of these wells is focused on capital efficiency improvements, and allows ARC to appraise Attachie West's multi-layer development potential with one of the seven wells targeting the Lower Montney horizon. ARC plans to tie-in and bring the wells on production through the second half of 2018 through third-party processing infrastructure. In addition to completion activities, ARC drilled a liquids-rich natural gas well in the first quarter of 2018 and invested in upgrades to the area's oil battery. The battery will increase Attachie's liquids processing capacity from 2,500 barrels per day to 3,000 barrels per day.

ARC currently has six pilot wells on production at Attachie West, all of which have demonstrated strong wellhead condensate rates. The wells are producing through third-party infrastructure while long-term infrastructure requirements are being assessed. First quarter 2018 production at Attachie was approximately 600 boe per day, a decrease of 1,300 boe per day relative to the fourth quarter of 2017, due to the planned shut-in of offset wells at Attachie West for completion activities on ARC's seven-well pad.

ARC has initiated a front-end engineering evaluation of commercial development of Attachie West. ARC will continue to optimize and monitor production results in the area, including upcoming results from the seven-well pad, and will incorporate the learnings into future development plans at Attachie.

Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres), 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 strong full-cycle economic returns in the current commodity price environment. First quarter 2018 Sunrise production was approximately 131 MMcf per day of natural gas, unchanged from the fourth quarter of 2017.

ARC invested approximately $38 million on capital activities at Sunrise in the first quarter of 2018, including drilling the first three wells of a 14-well pad that is intended to supply gas to the Sunrise Phase II facility. The remaining wells on the pad will be drilled through the second quarter of 2018 and all 14 wells will be completed in the second half of 2018 before being tied-in to the facility to coincide with commissioning activities.

Progress on the Sunrise Phase II gas processing facility expansion has been excellent since the project was initially sanctioned in the second quarter of 2017. With construction activities ahead of schedule, it is expected that the facility will be operational by the fourth quarter of 2018, with an initial 60 MMcf per day of gas processing capacity in place by year-end 2018 subject to BC Hydro's completion of electrification. ARC expects to tie the wells from the first multi-well pad into the facility in the fourth quarter of 2018, with production from these wells increasing through the quarter and into early 2019. Production is expected to further ramp up to the facility's maximum processing and sales capacity of 180 MMcf per day by June 2019, once final transportation arrangements have come into effect, and 60 MMcf per day of natural gas is moved from a third-party facility to the new Sunrise Phase II facility.

Upon completion of the facility expansion, ARC's total owned and operated processing and sales capacity at Sunrise will be 240 MMcf per day of natural gas. With increased control of ARC's Sunrise production volumes and the elimination of third-party processing fees, operating expenses in the area will be significantly reduced once the facility comes on-stream. Long-term takeaway capacity for production associated with the facility expansion has been secured.

Dawson

ARC's Dawson Montney is a low-cost natural gas play where ARC has a land position of 137 net sections (approximately 89,000 net acres). The Dawson play delivers strong economics and cash flow at current natural gas prices. Dawson production averaged 240 MMcf per day of natural gas and 3,700 barrels per day of condensate and NGLs during the first quarter of 2018, relatively unchanged from the fourth quarter of 2017. While the Dawson Phase III facility has reached its gas processing capacity, ARC plans to grow the area's liquids production with the continued development of the liquids-rich Lower Montney horizon, and will continue to examine opportunities to optimize existing liquids production. ARC invested approximately $41 million at Dawson in the first quarter of 2018 to drill four wells and complete 10 wells.

ARC is evaluating the Phase IV expansion of the Dawson gas processing and liquids-handling facility, which has received regulatory approval. By taking advantage of Phase III investments and the recent success of ARC's Lower Montney development activities, Dawson Phase IV is an attractive infrastructure investment opportunity. Similar to Phase III, the facility has been designed to handle free liquids and richer gas production from the Lower Montney.

Parkland/Tower

ARC's Parkland/Tower property, a Montney play in northeast British Columbia, consists of 57 net sections at Tower (approximately 37,000 net acres), which produce predominantly light crude oil and condensate with liquids-rich associated gas; and 37 net sections at Parkland (approximately 24,000 net acres), which produce liquids-rich natural gas and dry gas. With contiguous lands, these areas share ARC-operated infrastructure and processing capacity. First quarter 2018 production at Parkland/Tower averaged 29,500 boe per day (approximately 40 per cent crude oil and liquids and 60 per cent natural gas), a slight increase from the fourth quarter of 2017. ARC plans to sustain production at similar levels throughout 2018, with crude oil and liquids production expected to be maintained at sales of over 10,000 barrels per day.

Capital investment at Parkland/Tower was approximately $47 million in the first quarter of 2018, and included the drilling of eight crude oil wells and ongoing completion activities in the Tower field. Capital investment was also directed at progressing the electrification of ARC's owned-and-operated Parkland/Tower gas processing and liquids-handling facility, with the construction of transmission lines and the required substation. The facility is expected to be fully connected to the grid early in the second quarter of 2018, allowing the facility, as well as the area's water hub and a number of ARC's Tower well pads, to be fully run on hydro-electricity. The electrification project will reduce the Parkland/Tower facility's greenhouse gas emissions by 85 per cent and will generate strong economic returns through improved run-times, reduced carbon taxes, and increased carbon offset incentives. ARC also initiated upgrades to the refrigeration capacity at the Parkland/Tower facility in the first quarter of 2018, and once completed, will be able to enhance its liquids production by running the facility at cooler temperatures.

Ante Creek

ARC has a land position of 379 net sections at Ante Creek (approximately 243,000 net acres), a Montney crude oil play in northern Alberta that generates strong free cash flow and has significant future development potential. Production in the first quarter of 2018 was 15,500 boe per day (approximately 50 per cent crude oil and liquids), relatively unchanged from the fourth quarter of 2017. ARC invested approximately $26 million at Ante Creek to drill three crude oil wells and to complete three wells in the first quarter of 2018. Optimization of base production remains a key objective for the area and the ongoing success from these activities, as well as strong results from the recent optimization of well designs, have reaffirmed the overall strength of the asset base. ARC has initiated studies for the next phase of development at Ante Creek.

Pembina

ARC's Pembina Cardium assets deliver high-quality, light oil production, generating strong operating netbacks and free cash flow with major infrastructure already in place. ARC has a land position of 219 net sections in Pembina (approximately 140,000 net acres), where first quarter 2018 production averaged approximately 11,300 boe per day (approximately 85 per cent light oil and liquids). Production was four per cent higher than the fourth quarter of 2017 and was the result of new wells being brought on-stream during the period.

ARC invested approximately $7 million at Pembina in the first quarter of 2018, focused primarily on maintenance and optimization activities and ongoing upgrades to aging infrastructure in the area. Optimizing production and waterflood management continue to be key components of ARC's operations at Pembina.

Redwater

ARC's Redwater region in Alberta produces high-quality, light crude oil. Production averaged approximately 3,200 boe per day in the first quarter of 2018, unchanged from the fourth quarter of 2017. 2018 capital investment at Redwater is focused on maintenance and optimization activities.

DIVIDENDS

As a dividend-paying corporation, ARC declares monthly dividends to its shareholders. ARC continually assesses dividend levels in light of commodity prices and economic conditions, 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 three months ended March 31, 2018. The Board of Directors has confirmed a dividend of $0.05 per share for April 2018, payable on May 15, 2018, and has conditionally declared a monthly dividend of $0.05 per share for May 2018 through July 2018, payable as follows:

Ex-dividend Date	Record Date	Payment Date	Per Share Amount
April 27, 2018	April 30, 2018	May 15, 2018	$0.05 (1)
May 30, 2018	May 31, 2018	June 15, 2018	$0.05 (2)
June 28, 2018	June 29, 2018	July 16, 2018	$0.05 (2)
July 30, 2018	July 31, 2018	August 15, 2018	$0.05 (2)

(1) Confirmed on April 16, 2018.
(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 by 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 and transportation 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, health, safety, environmental and operational excellence, financial flexibility and strength, top talent and a strong leadership culture are the key principles underpinning ARC's business strategy. ARC's goal is to create shareholder value in the form of regular dividends and returns through anticipated capital appreciation relating to profitable future growth.

ARC's 2018 capital program of $690 million is focused on long-term profitability and balance sheet strength through the continued development of ARC's Montney crude oil, liquids-rich natural gas, and natural gas assets. The 2018 capital program will sustain ARC's base Montney businesses and will fund strategic infrastructure at the Sunrise Phase II gas processing facility, ARC's next major phase of growth, expected to come on-stream in stages starting in the fourth quarter of 2018 and to be at full capacity by mid-year 2019. The capital program will allow ARC to continue to develop the Lower Montney and advance the liquids-rich Attachie asset towards commercialization with the completion and tie-in of a seven-well pad at Attachie West, and invest in strategic water handling and recycling infrastructure to service ARC's northeast British Columbia assets. ARC plans to keep its Montney facilities at or near capacity throughout 2018, however expects that second quarter 2018 production will be lower than the first quarter by approximately five per cent due to significant turnarounds, planned maintenance activities, and anticipated spring break-up impacts to production and field operations. Due to excellent progress made to-date on the construction of Sunrise Phase II, ARC expects to have an initial 60 MMcf per day of processing capacity in place by the end of the fourth quarter of 2018 subject to BC Hydro's completion of electrification, with some initial sales volumes being recorded in the period. ARC expects 2018 annual average production to be in the range of 130,000 to 134,000 boe per day. Additional details on ARC's 2018 capital program and 2018 guidance can be found in the November 9, 2017 news release entitled, *"ARC Resources Ltd. Announces $690 Million Capital Program for 2018"* available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Ongoing commodity price volatility may affect ARC's funds from operations, profitability and economic returns of its capital program over the long term. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including executing risk management and physical marketing diversification programs, 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 1.0 and 1.5 times. ARC will continue to 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 2018 capital budget excludes land purchases and property acquisitions or dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions, and evaluate 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 could impact the expected production for the year.

ARC's full-year 2018 guidance estimates and a review of 2018 year-to-date actual results are outlined in the following table.

	2018 Guidance	**2018 YTD**	% Variance from Guidance
Production			
Crude oil (bbl/day)	25,000 - 27,000	**25,037**	—
Condensate (bbl/day) (1)	6,500 - 7,000	**5,505**	(15)
Natural gas (MMcf/day)	555 - 565	**564.9**	—
NGLs (bbl/day)	6,000 - 6,500	**6,332**	—
Total (boe/day)	130,000 - 134,000	**131,016**	—
Expenses ($/boe)			
Operating	6.50 - 6.90	**6.31**	(3)
Transportation	2.80 - 3.00	**2.61**	(7)
G&A expenses before share-based compensation plans	1.25 - 1.45	**1.30**	—
G&A - share-based compensation plans (2)	0.40 - 0.55	**0.43**	—
Interest	0.80 - 1.00	**0.91**	—
Current income tax (per cent of funds from operations) (3)	0 - 5	**4**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	690	**213.7**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	**(97.4)**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Condensate production was deliberately shut-in during the first quarter of 2018 for nearby completion activities on ARC's first multi-well pad at Attachie West.

(2) Comprises expenses recognized under the Restricted Share Unit and Performance Share Unit Plan, Share Option Plan and Long-term Restricted Share Award Plan, and excludes compensation charges under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(3) The current income tax estimate varies depending on the level of commodity prices.

ARC's 2018 guidance is based on full-year 2018 estimates; certain variances exist between 2018 year-to-date actual results and 2018 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2018 actual results to closely approximate guidance. ARC's 2018 year-to-date condensate production is below the 2018 guidance range due to the planned shut-in of offset wells at Attachie West for completion activities. ARC expects to bring the shut-in wells back on production in the second quarter of 2018, and to bring the new wells on production in the second half of 2018 through third-party processing infrastructure. 2018 year-to-date operating expenses are below the 2018 guidance range, however, with a significant maintenance program planned, ARC expects operating expenses to increase in the second quarter of 2018 and trend towards guidance as the year progresses. Transportation expenses are also below the 2018 guidance range, however, ARC expects transportation expenses to trend towards guidance as additional transportation arrangements come into effect through the remainder of the year. On a per boe basis, all other expense items were within their respective guidance ranges.

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 2018 and beyond and its production in 2018 and beyond, and its compensation structure under the heading *"Strategy Overview"*, guidance as to the capital expenditure plans of ARC in 2018 and beyond and its production in 2018 and beyond, as well as its risk management plans for 2018 and beyond, and as to future processing capacity and future 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 2018 and beyond under the heading *"Risk Management"*, as to its production, exploration and development plans, and capital expenditures for 2018 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 2018 guidance under the heading *"Outlook"*.

The forward-looking information and statements contained in this news release reflect several material factors, expectations and assumptions of ARC, including, without limitation: the production performance of ARC's crude oil and natural gas assets; the cost and competition for services throughout the oil and gas industry in 2018; the results of exploration and development activities during 2018; 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 for 2018; the retention of ARC's key properties; 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; 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 2018 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 Resources Ltd. is one of Canada's largest conventional oil and gas companies with an enterprise value (1) of approximately $5.8 billion. ARC's common shares trade on the TSX under the symbol ARX.

ARC RESOURCES LTD.

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President and Chief Executive Officer

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(1) Enterprise value is also referred to as total capitalization. Refer to Note 10 *"Capital Management"* in ARC's financial statements as at and for the three months ended March 31, 2018 and to the section entitled *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.

MANAGEMENT'S DISCUSSION & ANALYSIS

2018 Q1

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 May 2, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three months ended March 31, 2018 , and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2017, as well as ARC’s Annual Information Form ("AIF"), each of which is filed on SEDAR at www.sedar.com. The Company has revised the presentation of certain prior period items in the unaudited condensed interim consolidated statement of income; for additional information, refer to Note 3 "Changes in Accounting Policies" of the financial statements as at and for the period ended March 31, 2018. Any figures presented for periods prior to 2017 have not been restated. 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 profits through its strategy of **risk-managed value creation**. ARC is committed to providing superior long-term financial returns for its shareholders; this commitment is supported 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 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) **Health, safety, environmental and 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 profitable growth activities through a combination of sources including funds from operations, proceeds from property dispositions, debt capacity, and when appropriate, equity issuances. 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). ARC maintains a risk management program to reduce the volatility of sales revenues and increase the certainty of funds from operations.

(4) **Top talent and strong leadership culture** – ARC is committed to the attraction, retention and development of talented and committed 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 May 2, 2018, ARC had 468 permanent employees with 255 professional, technical and support staff in the Calgary office, and 213 individuals located across ARC’s operating areas in Alberta and British Columbia, Canada.

(1) Refer to Note 10 "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 operational success and helped mitigate the headwinds of a challenging commodity price environment. 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 ($)	**0.60**	2.30	4.70
Capital depreciation per share outstanding ($)	**(4.96)**	(7.72)	(12.80)
Total return per share outstanding (%)	**(23.4)**	(27.1)	(35.5)
Annualized total return per share outstanding (%)	**(23.4)**	(10.0)	(8.4)
S&P/TSX Exploration & Producers Index annualized total return (%) (2)	**(14.7)**	(6.4)	(7.2)

(1) Calculated as at March 31, 2018.
(2) Standard & Poor's/Toronto Stock Exchange Explorers and Producers Index.

Return on Average Capital Employed ("ROACE")

ARC calculates ROACE, expressed as a percentage, as net income plus interest and total income taxes (recovery) divided by the average of the opening and closing capital employed for the twelve months preceding the period end. Capital employed is the total of net debt plus shareholders' equity. Refer to Note 10 "Capital Management" in the financial statements for additional discussion on net debt.

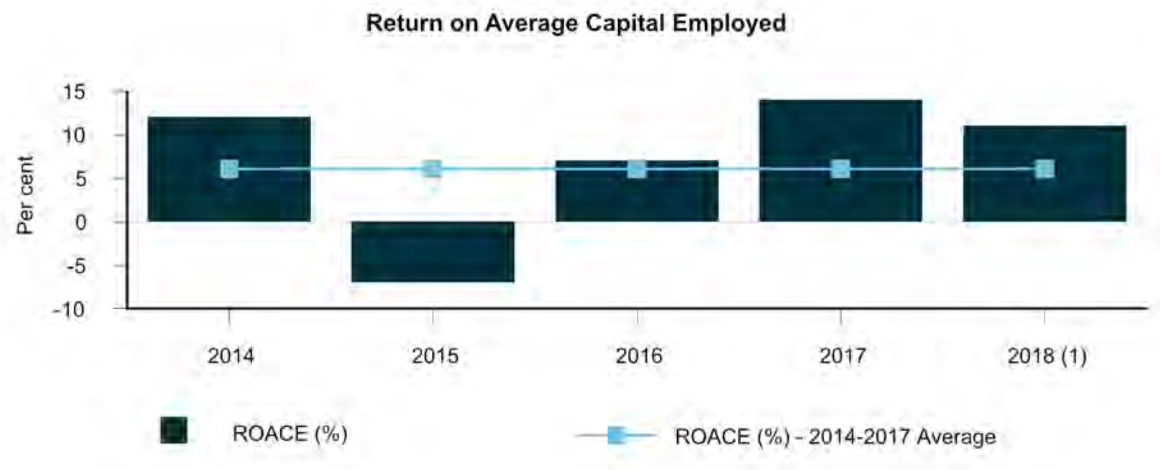
ARC uses ROACE as a measure of operating performance, to measure how efficiently Management utilizes the capital it has been provided and to demonstrate to shareholders the sustainability of our business model and that capital has been used wisely over the long term. ROACE is presented by ARC for the twelve months preceding the period end, and four prior annual periods in Table 2 of this MD&A.

Table 2

Return on Average Capital Employed (1)	**Twelve Months Ended March 31, 2018**	Twelve Months Ended December 31				2014-2017 Average (2)
		2017	2016	2015	2014	
ROACE (%)	**11**	14	7	(7)	12	6

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.
(2) Average ROACE for years ended December 31, 2014-2017.

Exhibit 1



(1) Twelve months ended March 31, 2018.

Since 2014, ARC's production has grown by 18,629 boe per day, or 17 per cent, while its proved plus probable reserves have grown by 163.4 MMboe, or 24 per cent. Table 3 highlights ARC's production and reserves for the first three months of 2018 and over the past four years:

Table 3

	2018 YTD	2017	2016	2015	2014
Production					
Crude oil (bbl/d)	**25,037**	24,380	31,510	32,762	36,525
Condensate (bbl/d)	**5,505**	5,650	3,626	3,430	3,667
Natural gas (MMcf/d)	**564.9**	525.8	475.6	444.9	406.1
NGLs (bbl/d)	**6,332**	5,273	4,274	3,819	4,518
Total production (boe/d) (1)	**131,016**	122,937	118,671	114,167	112,387
Daily production per thousand shares (2)	**0.37**	0.35	0.34	0.34	0.35
Proved plus probable reserves (MMboe) (3)(4)	**n/a**	836.1	736.7	686.9	672.7
Proved plus probable reserves per share (boe)	**n/a**	2.4	2.1	2.0	2.0

(1) Reported production amount is based on Company interest before royalty burdens.
(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the three months ended March 31, 2018 and for the respective annual periods ended December 31, 2017, 2016, 2015 and 2014.
(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. Announces Record 320 Per Cent Replacement of Produced Reserves Through Development Activities in 2017"* dated February 8, 2018.

Exhibit 1a

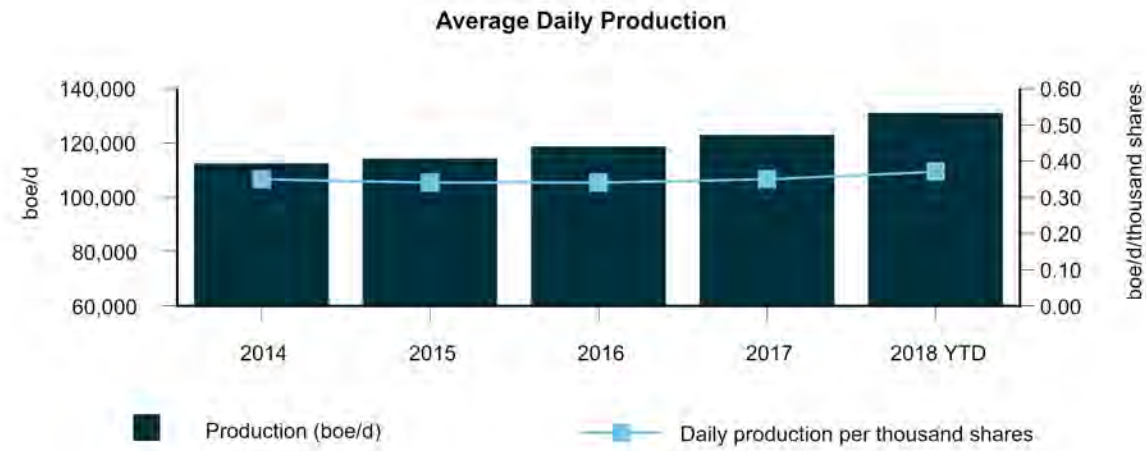


Exhibit 1b

ECONOMIC ENVIRONMENT

ARC's 2018 financial and operating results were impacted by commodity prices and foreign exchange rates which are outlined in Table 4 below:

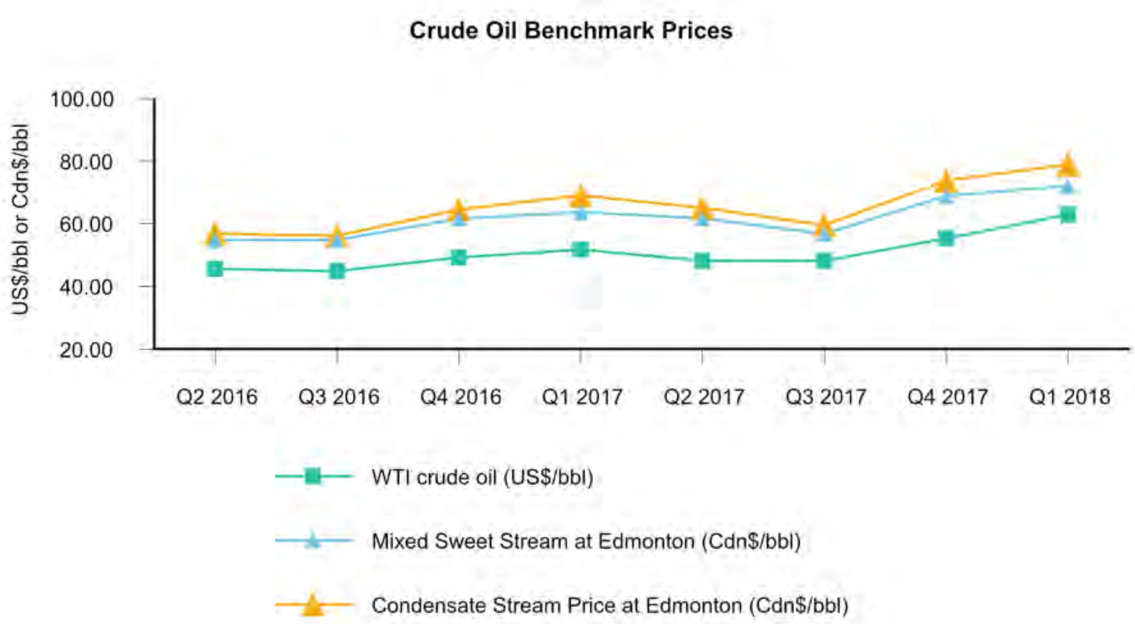
Table 4

	Three Months Ended March 31		
Selected Benchmark Prices and Exchange Rates [(1)]	**2018**	2017	% Change
WTI crude oil (US$/bbl)	**62.89**	51.78	21
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	**72.15**	63.64	13
Condensate Stream Price at Edmonton (Cdn$/bbl)	**78.93**	69.07	14
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.00**	3.32	(10)
Chicago Citygate Monthly Index (US$/MMBtu)	**3.27**	3.40	(4)
AECO 7A Monthly Index (Cdn$/Mcf)	**1.85**	2.94	(37)
Cdn$/US$ exchange rate	**1.27**	1.32	(4)

(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.

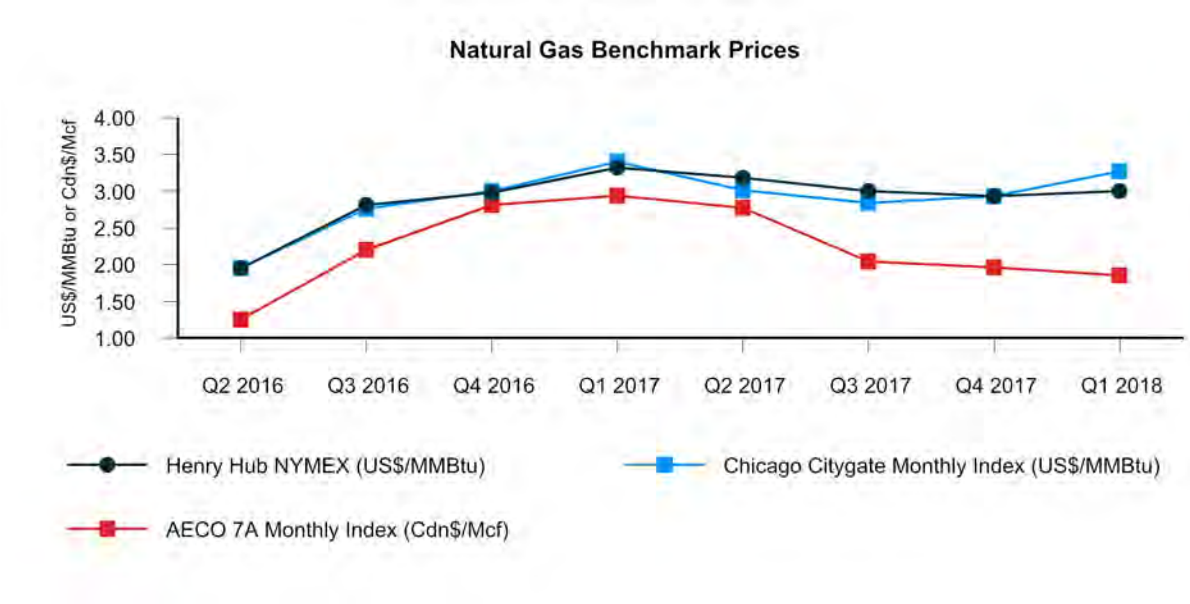
Global crude oil prices continued to strengthen in the first quarter of 2018, with robust demand and ongoing compliance to production cuts by OPEC members supporting a reduction in global inventories. The first quarter 2018 WTI benchmark price averaged 14 per cent higher than the fourth quarter of 2017 and 21 per cent higher than the first quarter of 2017. ARC's crude oil production is primarily referenced to the mixed sweet crude stream price at Edmonton, which increased five per cent in the first quarter of 2018 relative to the fourth quarter of 2017 and increased 13 per cent relative to the first quarter of 2017. The differential between WTI and the mixed sweet crude stream price at Edmonton widened significantly in the first quarter of 2018, averaging US$5.85 per barrel, which was four times wider than the fourth quarter of 2017 and 64 per cent wider than the first quarter of 2017. The combination of unplanned pipeline outages and apportionment and strong oil sands production has caused concerns regarding takeaway options for western Canadian crude oil production.

Exhibit 2



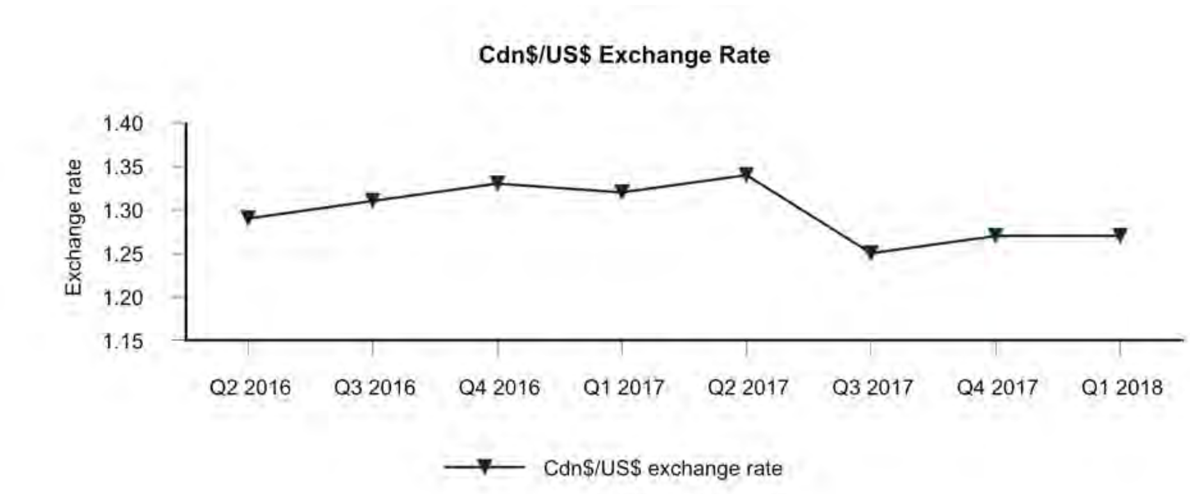
US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, were stable in the first quarter of 2018 compared to the fourth quarter of 2017, increasing two per cent, however decreased 10 per cent from the first quarter of 2017. US natural gas supply growth has been absorbed by the continued strength in demand growth. Western Canadian natural gas prices continued to experience weakness in the first quarter of 2018 with the AECO hub price decreasing six per cent relative to the fourth quarter of 2017 and 37 per cent relative to the first quarter of 2017. Despite demand within the Western Canadian Sedimentary Basin reaching record-high levels, concerns regarding oversupply and egress constraints in the basin are ongoing. The downward pressure that upcoming third-party pipeline maintenance is expected to have on seasonal pricing has also amplified the bearish outlook on near-term forward AECO differentials. The NYMEX Henry Hub Last Day Settlement price to AECO basis was US$1.52 per MMBtu in the first quarter of 2018, nine per cent wider relative to the fourth quarter of 2017 and 38 per cent wider relative to the first quarter of 2017. ARC's realized natural gas price is diversified physically and financially to multiple sales points including the US Midwest and Pacific Northwest, Dawn, AECO, and Station 2 hubs. Less than five per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the remainder of 2018.

Exhibit 2a



The Canadian dollar was largely unchanged relative to the US dollar in the first quarter of 2018, averaging Cdn$/US $1.27 (US$/Cdn$0.79). Strong Canadian economic data supported the Bank of Canada's decision to increase interest rates at the beginning of the first quarter of 2018, however, uncertainty surrounding US trade policy caused volatility in the Canadian dollar through the latter part of the period.

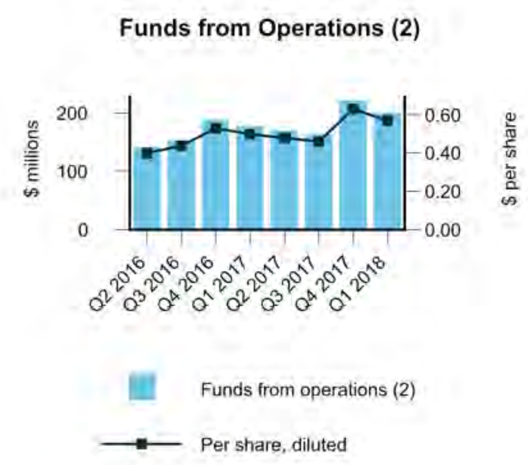
Exhibit 2b

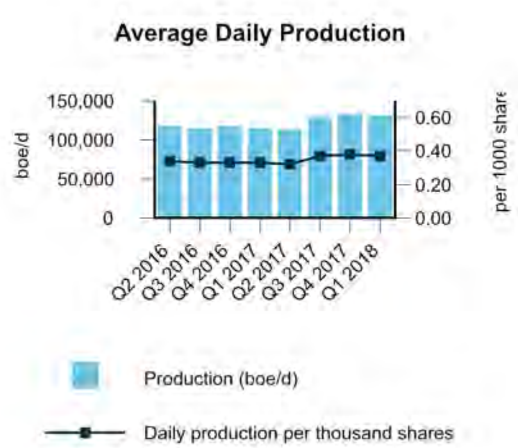


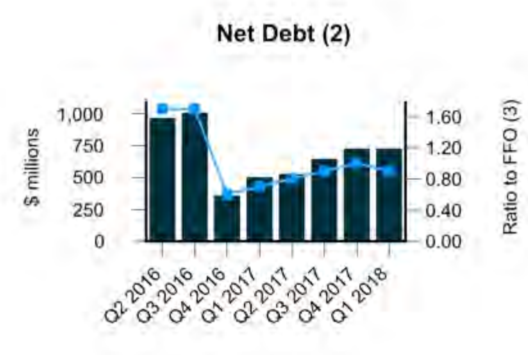
QUARTERLY RESULTS [1]

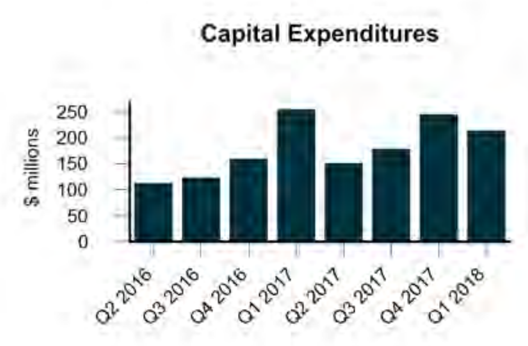
Global crude oil and North American natural gas markets have undergone continued volatility over the past eight quarters. In addition, the structure of ARC's business has transformed during this period as the Company has focused its asset base to adapt to the challenging economic environment and position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

Exhibit 3









(1) The details contained in the graphs above are included in the Quarterly Historical Review section of this MD&A.
(2) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(3) Net debt to annualized funds from operations. Refer to the section entitled "Capitalization, Financial Resources and Liquidity" 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 serve to partially mitigate the impact of volatile commodity prices and impact on quarterly funds from operations, while changes in the Canadian value of ARC's US dollar denominated long-term debt and unrealized risk management gains 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 first quarter of 2018, ARC had property dispositions for proceeds of $98.3 million, and recorded a gain on sale of $80.1 million.
- In the fourth quarter of 2017, ARC reclassified certain Exploration and Evaluation ("E&E") assets in Alberta as held for sale and an associated impairment charge of $9.7 million was recorded in E&E expenses.
- 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.
- 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.
- ARC recorded a $40.8 million deferred income tax recovery in the second quarter of 2016, mainly as a result of an 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 an unrealized gain on risk management contracts and a reversal of impairment recorded in ARC's Northern Alberta CGU. In the fourth quarter of 2017, a $39.4 million deferred income tax expense was recorded primarily as a result of a higher future income tax rate due to the increase in the BC corporate income tax rate to 12 per cent as well as an unrealized gain on risk management contracts recognized during the period.

ANNUAL GUIDANCE AND FINANCIAL HIGHLIGHTS

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

ARC's 2018 capital program of $690 million is focused on long-term profitability and balance sheet strength through the continued development of ARC's Montney crude oil, liquids-rich natural gas, and natural gas assets. The 2018 capital program will sustain ARC's base Montney businesses and will fund strategic infrastructure at the Sunrise Phase II gas processing facility, ARC's next major phase of growth, expected to come on-stream in stages starting in the fourth quarter of 2018 and to be at full capacity by mid-year 2019. The capital program will allow ARC to continue to develop the Lower Montney and advance the liquids-rich Attachie asset towards commercialization with the completion and tie-in of a seven-well pad at Attachie West, and invest in strategic water handling and recycling infrastructure to service ARC's northeast British Columbia assets. ARC plans to keep its Montney facilities at or near capacity throughout 2018, however expects that second quarter 2018 production will be lower than the first quarter by approximately five per cent due to significant turnarounds, planned maintenance activities, and anticipated spring break-up impacts to production and field operations. Due to excellent progress made to-date on the construction of Sunrise Phase II, ARC expects to have an initial 60 MMcf per day of processing capacity in place by the end of the fourth quarter of 2018 subject to BC Hydro's completion of electrification, with some initial sales volumes being recorded in the period. ARC expects 2018 annual average production to be in the range of 130,000 to 134,000 boe per day. Additional details on ARC's 2018 capital program and 2018 guidance can be found in the November 9, 2017 news release entitled, *"ARC Resources Ltd. Announces $690 Million Capital Program for 2018"* available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Ongoing commodity price volatility may affect ARC's funds from operations, profitability and economic returns of its capital program over the long term. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including executing risk management and physical marketing diversification programs, 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 1.0 and 1.5 times. ARC will continue to 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 2018 capital budget excludes land purchases and property acquisitions or dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions, and evaluate 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 could impact the expected production for the year. Table 5 is a summary of ARC's 2018 annual guidance and a review of 2018 year-to-date results.

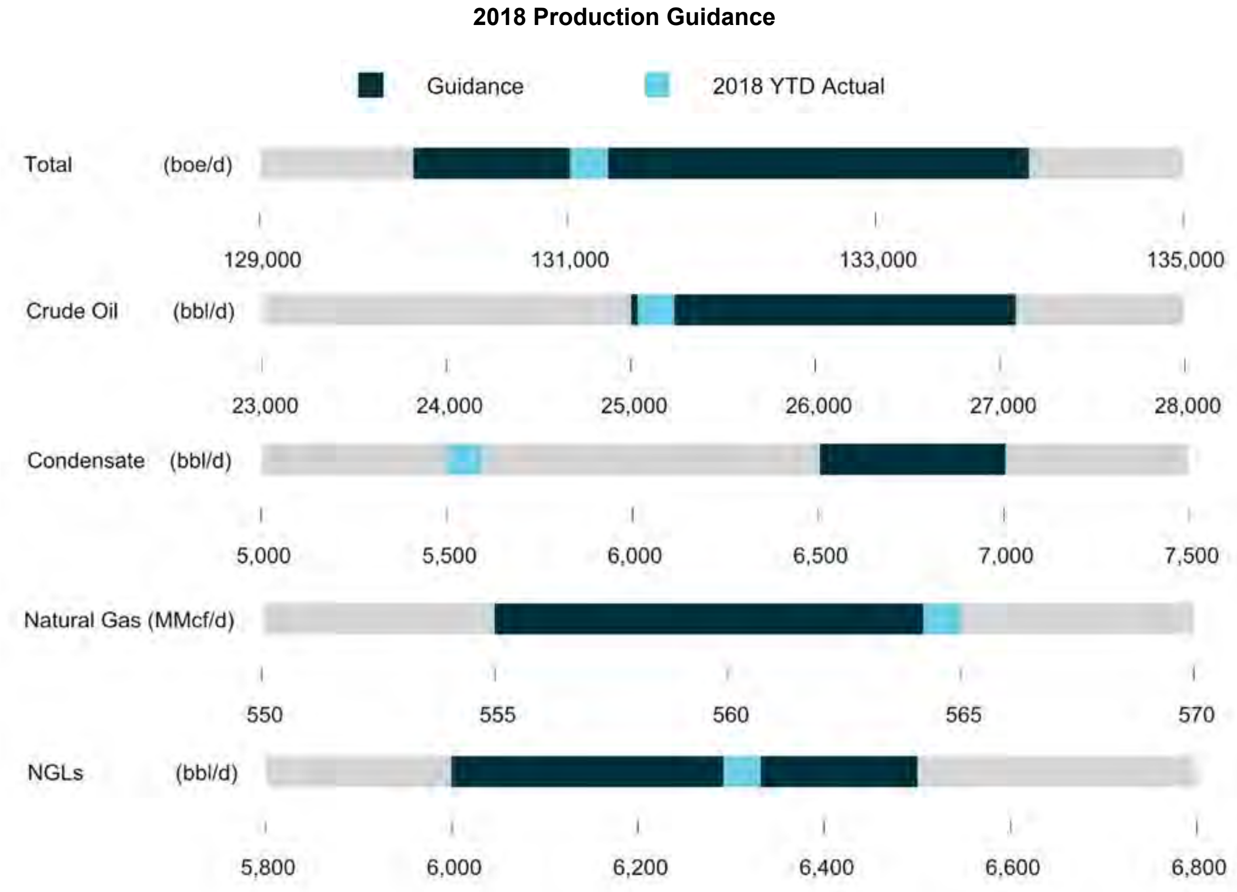
Table 5

	2018 Guidance	**2018 YTD**	% Variance from Guidance
Production			
Crude oil (bbl/d)	25,000 - 27,000	**25,037**	—
Condensate (bbl/d) (1)	6,500 - 7,000	**5,505**	(15)
Natural gas (MMcf/d)	555 - 565	**564.9**	—
NGLs (bbl/d)	6,000 - 6,500	**6,332**	—
Total (boe/d)	130,000 - 134,000	**131,016**	—
Expenses ($/boe)			
Operating	6.50 - 6.90	**6.31**	(3)
Transportation	2.80 - 3.00	**2.61**	(7)
G&A expenses before share-based compensation plans	1.25 - 1.45	**1.30**	—
G&A - share-based compensation plans (2)	0.40 - 0.55	**0.43**	—
Interest	0.80 - 1.00	**0.91**	—
Current income tax (per cent of funds from operations) (3)	0 - 5	**4**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	690	**213.7**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	**(97.4)**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Condensate production was deliberately shut-in during the first quarter of 2018 for nearby completion activities on ARC's first multi-well pad at Attachie West.
(2) 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.
(3) The current income tax estimate varies depending on the level of commodity prices.

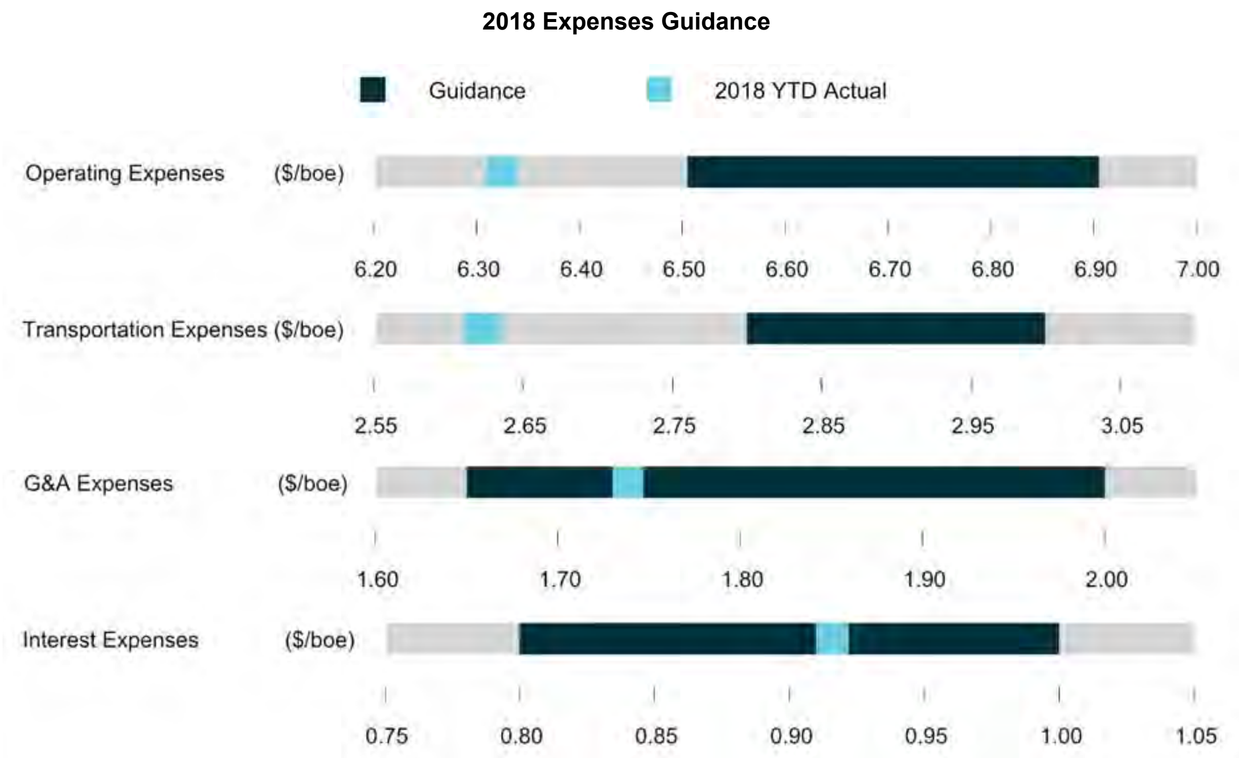
ARC's 2018 year-to-date condensate production is below the 2018 guidance range due to the planned shut-in of offset wells at Attachie West for completion activities. ARC expects to bring the shut-in wells back on production in the second quarter of 2018, and to bring the new wells on production in the second half of 2018 through third-party processing infrastructure.

Exhibit 4



2018 year-to-date operating expenses are below the 2018 guidance range, however, with a significant maintenance program planned, ARC expects operating expenses to increase in the second quarter of 2018 and trend towards guidance as the year progresses. Transportation expenses are also below the 2018 guidance range, however, ARC expects transportation expenses to trend towards guidance as additional transportation arrangements come into effect through the remainder of the year. On a per boe basis, all other expense items were within their respective guidance ranges.

Exhibit 4a



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.

2018 FIRST QUARTER FINANCIAL AND OPERATING RESULTS

Financial Highlights

Table 6

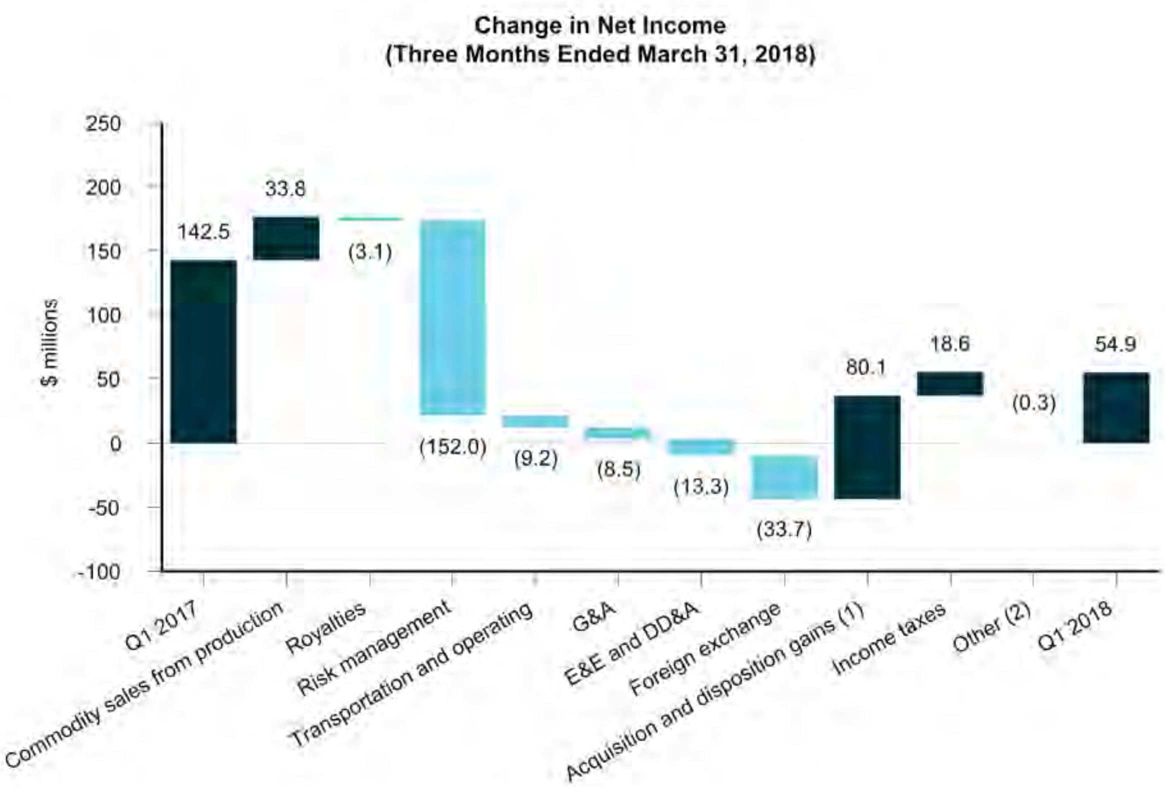
	Three Months Ended March 31		
($ millions, except per share and volume data)	**2018**	2017	% Change
Net income	**54.9**	142.5	(61)
Net income per share	**0.16**	0.40	(60)
Funds from operations (1)	**201.0**	177.2	13
Funds from operations per share (1)	**0.57**	0.50	14
Dividends per share (2)	**0.15**	0.15	—
Average daily production (boe/d)	**131,016**	115,129	14

(1) Refer to Note 10 "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 first quarter of 2018, ARC recognized net income of $54.9 million ($0.16 per share), $87.6 million lower than ARC's first quarter of 2017 net income of $142.5 million ($0.40 per share). The decrease in net income is due to unrealized losses on risk management contracts of $46.1 million where there were gains of $110.1 million recorded in the first quarter of 2017, as well as an increase in transportation, operating, G&A and DD&A expenses, and a foreign exchange loss of $25.2 million compared to a gain of $8.5 million in 2017. These decreases were partially offset by higher commodity sales from production of $33.8 million and a gain on disposal of petroleum and natural gas properties of $80.1 million, where there was no such gain recorded in the first quarter of 2017.

Exhibit 5



(1) Includes gains related to disposals of Property, Plant and Equipment ("PP&E").
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, 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, 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 actual settlements of ARO, the extent and timing of which, in the opinion of Management, is discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

ARC reports funds from operations in total and on a per share basis. Refer to Note 10 "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 March 31	
($ millions)	**2018**	2017
Net income	**54.9**	142.5
Adjusted for the following non-cash items:		
DD&A	**126.1**	113.5
Accretion of ARO	**3.6**	3.2
E&E expenses	**0.7**	—
Deferred tax expense	**22.1**	35.5
Unrealized loss (gain) on risk management contracts	**46.1**	(110.1)
Unrealized loss (gain) on foreign exchange	**26.9**	(7.7)
Gain on disposal of petroleum and natural gas properties	**(80.1)**	—
Other	**0.7**	0.3
Funds from operations	**201.0**	177.2
Net change in other liabilities	**(6.0)**	(21.0)
Change in non-cash operating working capital	**4.6**	35.3
Cash flow from operating activities	**199.6**	191.5

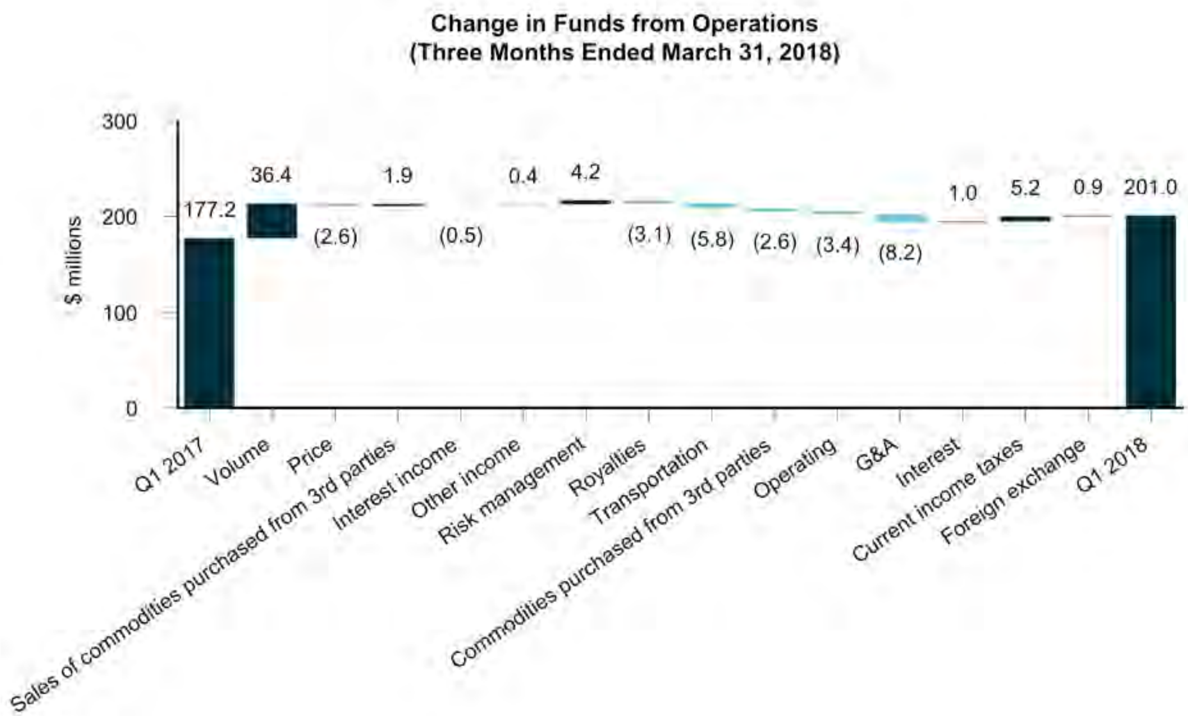
Details of the change in funds from operations from the three months ended March 31, 2017 to the three months ended March 31, 2018 are included in Table 8 below:

Table 8

	Three Months Ended March 31	
	$ millions	$/Share
Funds from operations – 2017	177.2	0.50
Volume variance		
Crude oil and liquids	**17.1**	**0.06**
Natural gas	**19.3**	**0.05**
Price variance		
Crude oil and liquids	**27.8**	**0.08**
Natural gas	**(30.4)**	**(0.08)**
Sales of commodities purchased from third parties	**1.9**	**0.01**
Interest income	**(0.5)**	**—**
Other income	**0.4**	**—**
Realized gain on risk management contracts	**4.2**	**0.01**
Royalties	**(3.1)**	**(0.01)**
Expenses		
Transportation	**(5.8)**	**(0.02)**
Commodities purchased from third parties	**(2.6)**	**(0.01)**
Operating	**(3.4)**	**(0.01)**
G&A	**(8.2)**	**(0.02)**
Interest	**1.0**	**—**
Current income taxes	**5.2**	**0.01**
Realized loss on foreign exchange	**0.9**	**—**
Funds from operations – 2018	**201.0**	**0.57**

Funds from operations increased by 13 per cent in the first quarter of 2018 to $201.0 million from $177.2 million generated in the first quarter of 2017. The increase primarily reflects increased production, higher crude oil and liquids prices, higher realized gains on risk management contracts and foreign exchange and lower interest and current income tax expenses. Decreased natural gas prices, higher operating, transportation and G&A expenses partially offset the increase.

Exhibit 6



Change in Funds from Operations
(Three Months Ended March 31, 2018)
300
200
100
0
$ millions
177.2
36.4
(2.6)
1.9
(0.5)
0.4
4.2
(3.1)
(5.8)
(2.6)
(3.4)
(8.2)
1.0
5.2
0.9
201.0
Q1 2017
Volume
Price
Sales of commodities purchased from 3rd parties
Interest income
Other income
Risk management
Royalties
Transportation
Commodities purchased from 3rd parties
Operating
G&A
Interest
Current income taxes
Foreign exchange
Q1 2018

2018 Net Income and Funds from Operations Sensitivity

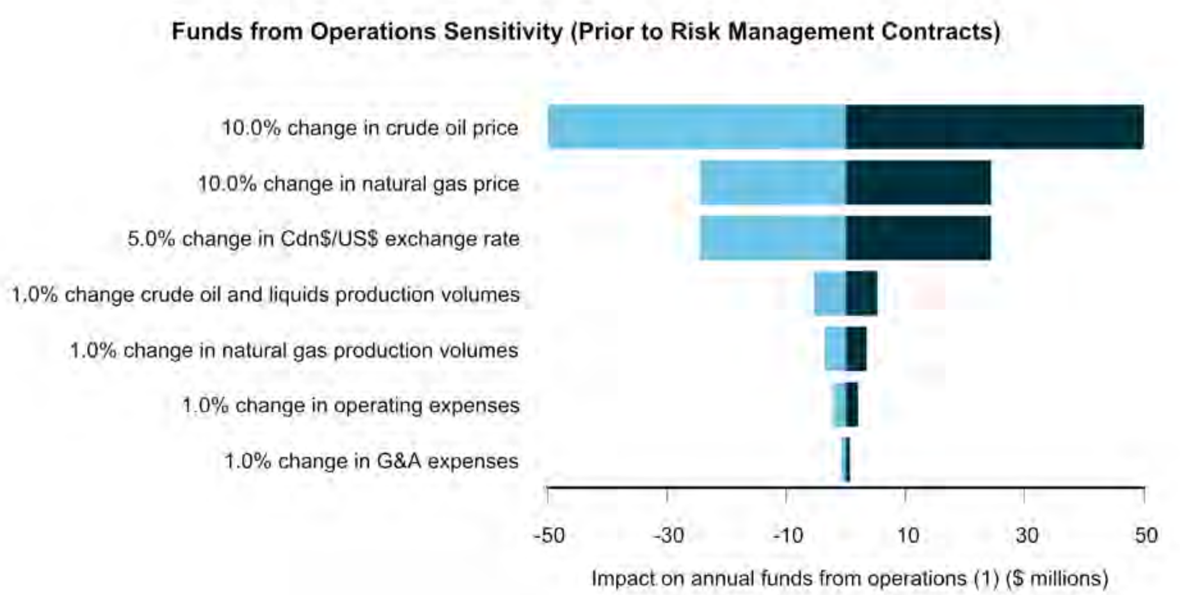
Table 9 illustrates sensitivities of operating items (prior to the impact of gains or losses on risk management contracts) to operational and business environment changes and the resulting impact on net income and funds from operations:

Table 9

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Income	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price (2)(3)	69.50	10.0%	52.4	0.148	52.4	0.148
Natural gas price (2)(3)	2.50	10.0%	24.4	0.069	24.4	0.069
Cdn$/US$ exchange rate (2)(3)(4)	1.27	5.0%	24.4	0.069	24.4	0.069
Operational (5)						
Crude oil and liquids production volumes (bbl/d)	36,874	1.0%	5.3	0.015	3.9	0.011
Natural gas production volumes (MMcf/d)	564.9	1.0%	3.5	0.010	1.4	0.004
Operating expenses ($/boe)	6.31	1.0%	2.1	0.006	2.1	0.006
G&A expenses ($/boe)	1.73	1.0%	0.7	0.002	0.7	0.002

(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 ARC's average realized prices for the first three months of 2018. See Table 14 of this MD&A for additional details. The calculated impact on funds from operations and net income 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 three months ended March 31, 2018.
(6) Refer to Note 10 "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 10 "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 March 31		
Production	**2018**	2017	% Change
Light and medium crude oil (bbl/d)	**24,283**	23,205	5
Heavy crude oil (bbl/d)	**754**	825	(9)
Condensate (bbl/d)	**5,505**	4,504	22
Natural gas (MMcf/d)	**564.9**	496.2	14
NGLs (bbl/d)	**6,332**	3,893	63
Total production (boe/d)	**131,016**	115,129	14
Natural gas production (%)	**72**	72	—
Crude oil and liquids production (%)	**28**	28	—

During the three months ended March 31, 2018, crude oil and liquids production increased 14 per cent as compared to the same period of the prior year, due in part to increased liquids production from the Dawson Phase III facility following the early start-up of the facility in mid-June 2017 as well as increased oil and liquids production from Parkland/Tower following drilling and completions activity throughout 2017 and early 2018.

Natural gas production for the three months ended March 31, 2018 increased 14 per cent as compared to the first quarter of 2017, also reflecting the new production from the Dawson Phase III facility, as well as increased drilling and completions activity in northeast British Columbia.

Exhibit 8

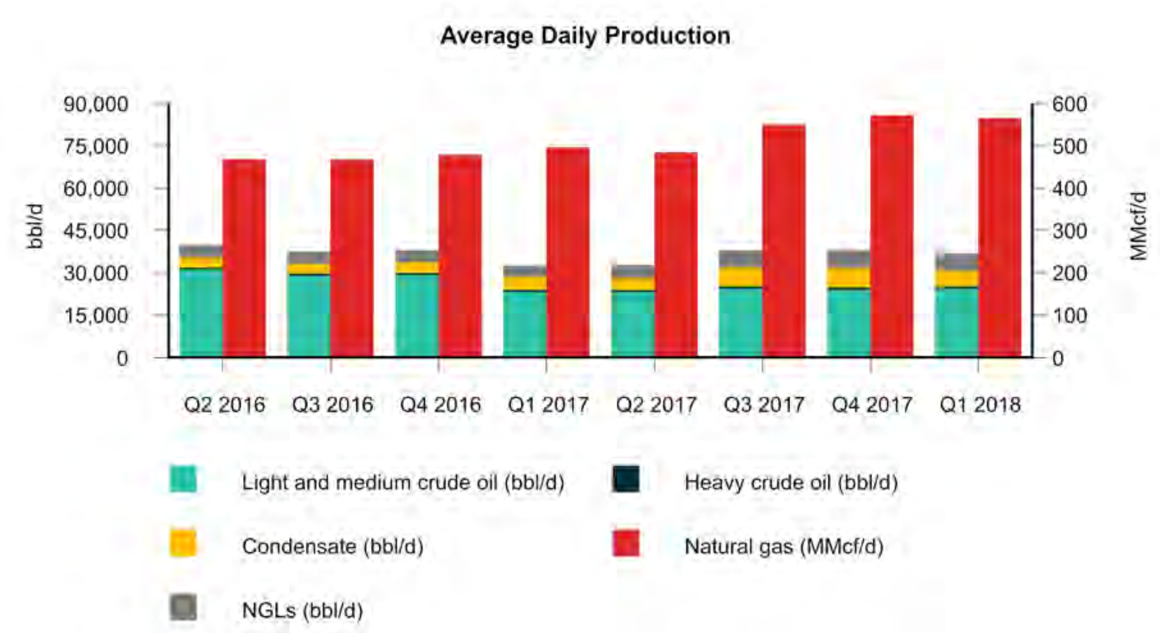


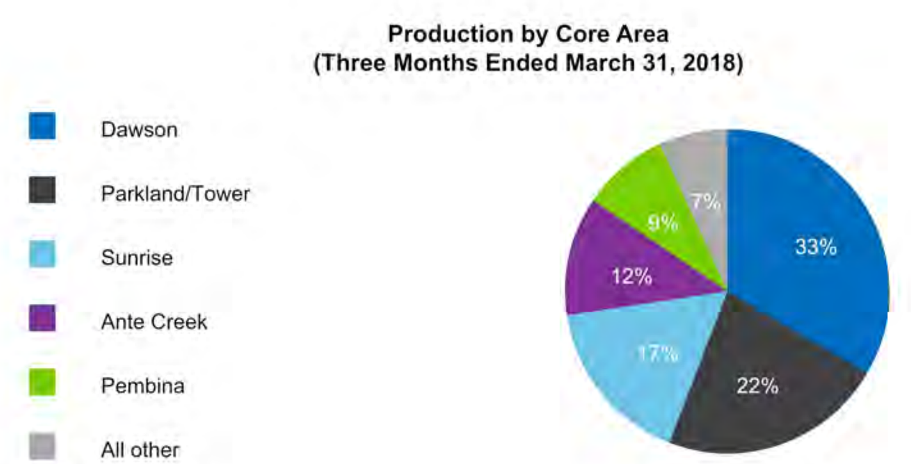
Table 11 summarizes ARC's production by core area for the first quarter of 2018 and 2017:

Table 11

	Three Months Ended March 31, 2018				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**43,740**	—	2,266	240.3	1,430
Parkland/Tower	**29,533**	6,441	1,945	109.9	2,833
Sunrise	**21,963**	—	48	131.3	29
Ante Creek	**15,467**	5,726	421	48.5	1,236
Pembina	**11,340**	8,819	159	11.4	464
All other	**8,973**	4,051	666	23.5	340
Total	**131,016**	**25,037**	**5,505**	**564.9**	**6,332**

	Three Months Ended March 31, 2017				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	30,900	—	1,054	177.5	258
Parkland/Tower	25,168	5,183	1,976	99.0	1,526
Sunrise	22,753	—	76	135.8	40
Ante Creek	17,430	6,269	452	56.2	1,340
Pembina	11,041	8,426	172	12.0	443
All other	7,837	4,152	774	15.7	286
Total	115,129	24,030	4,504	496.2	3,893

Exhibit 9



Commodity Sales from Production

Commodity sales from production increased by 11 per cent for the first quarter of 2018 compared to the same period in 2017. The increase reflects higher crude oil, liquids and natural gas volumes as well as higher average realized crude oil and liquids prices, partially offset by lower average natural gas prices.

A breakdown of commodity sales from production by product is outlined in Table 12:

Table 12

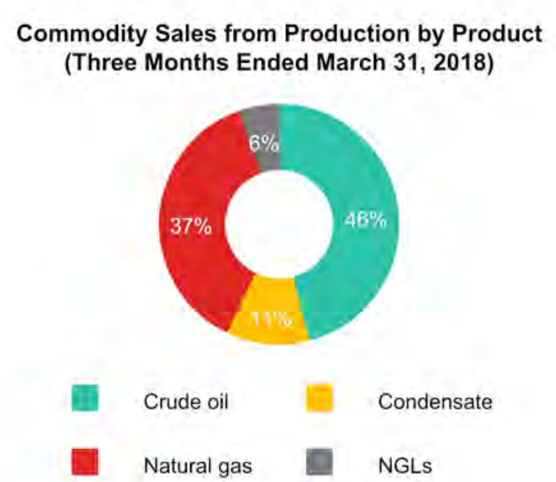
	Three Months Ended March 31		
Commodity Sales from Production ($ millions)	**2018**	2017	% Change
Crude oil	**156.6**	132.8	18
Condensate	**38.4**	26.1	47
Natural gas	**127.3**	138.4	(8)
NGLs	**17.9**	9.1	97
Total commodity sales from production	**340.2**	306.4	11

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 commodity sales contribution is more heavily weighted to crude oil and liquids production as shown by the table below:

Table 13

	Three Months Ended March 31	
% of Commodity Sales from Production by Product Type	**2018**	2017
Crude oil and liquids	**63**	55
Natural gas	**37**	45
Total commodity sales from production	**100**	100

Exhibit 10



Commodity Prices Prior to Gains or Losses on Risk Management Contracts

Table 14

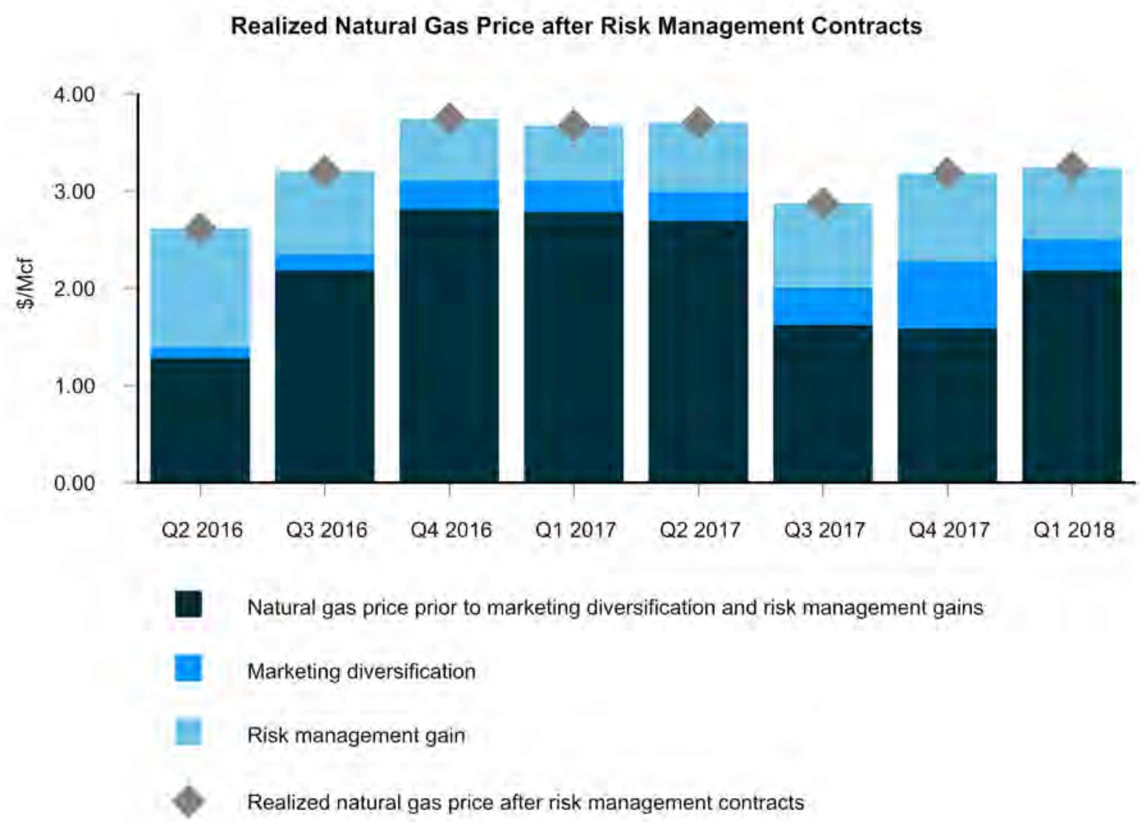
	Three Months Ended March 31		
	2018	2017	% Change
Average Benchmark Prices			
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	**3.00**	3.32	(10)
Chicago Citygate Monthly Index (US$/MMBtu)	**3.27**	3.40	(4)
AECO 7A Monthly Index (Cdn$/Mcf)	**1.85**	2.94	(37)
WTI crude oil (US$/bbl)	**62.89**	51.78	21
Cdn$/US$ exchange rate	**1.27**	1.32	(4)
WTI crude oil (Cdn$/bbl)	**79.87**	68.35	17
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	**72.15**	63.64	13
Condensate Stream Price at Edmonton (Cdn$/bbl)	**78.93**	69.07	14
ARC Average Realized Prices Prior to Gains or Losses on Risk Management Contracts			
Crude oil ($/bbl)	**69.50**	61.42	13
Condensate ($/bbl)	**77.42**	64.31	20
Natural gas ($/Mcf)	**2.50**	3.10	(19)
NGLs ($/bbl)	**31.39**	25.91	21
Total average realized commodity price prior to gains or losses on risk management contracts ($/boe)	**28.85**	29.58	(2)

During the first quarter of 2018, WTI increased 21 per cent, as compared to the first quarter of 2017, while ARC’s realized crude oil price increased 13 per cent over the same time period. Partially offsetting the impact of improved WTI prices for the three months ended March 31, 2018, the differential between WTI and the Mixed Sweet Stream Price at Edmonton for crude oil widened to an average discount of US$5.85 per barrel compared to US$3.56 per barrel in the same period in 2017. Also, the average exchange rate for the Canadian dollar strengthened as compared to the US dollar by four per cent during the same time period further offsetting the impact of higher WTI prices on ARC's average realized crude oil price.

ARC's natural gas sales are physically and financially diversified to multiple sales points including AECO, Station 2, Sumas, Dawn, Malin and US Midwest hubs. ARC's realized natural gas price decreased by 19 per cent during the first quarter of 2018 as compared to the same period in 2017. The price that ARC receives for its natural gas is primarily benchmarked against the AECO monthly index, which was 37 per cent lower in the first quarter of 2018 as compared to the same period of the prior year. ARC's price exposure in other markets partially offset significant weakness in the AECO and Station 2 cash markets in the first quarter of 2018. In the first quarter of 2018, physical sales diversification activities added $0.32 per Mcf to ARC's natural gas price ($0.32 per Mcf for the same period in 2017). Additionally, realized gains on natural gas risk management contracts added a further $0.74 per Mcf ($0.57 per Mcf for the same period in 2017), which is not included in ARC's realized natural gas price.

Less than five per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the remainder of 2018.

Exhibit 11



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 first quarter of 2018 compared to the same period in 2017:

Table 15

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q1 2018 Total**	Q1 2017 Total
Realized gain (loss) on contracts (1)	(8.8)	37.4	—	**28.6**	24.4
Unrealized gain (loss) on contracts (2)	(44.7)	(1.7)	0.3	**(46.1)**	110.1
Gain (loss) on risk management contracts	**(53.5)**	**35.7**	**0.3**	**(17.5)**	134.5

(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 months ended March 31, 2018, ARC recorded net losses of $17.5 million on its risk management contracts. These losses included realized gains of $28.6 million, offset by unrealized losses of $46.1 million. The realized gains primarily reflect positive cash settlements received on NYMEX Henry Hub natural gas contracts with an average price of US$3.53 per MMBtu and on AECO basis swaps at an average ratio of 85.4 per cent, as well as AECO basis swaps at a fixed price of $(0.78) per MMBtu.

ARC's unrealized crude oil losses for the three months ended March 31, 2018 reflect a higher WTI forward curve and a higher Cdn$/US$ forward curve at March 31, 2018 relative to the beginning of the quarter. Unrealized losses on natural gas contracts for three months ended March 31, 2018 reflect the positive settlement of expired positions. Lower forward curves for NYMEX Henry Hub and AECO, as well as a widening of the AECO basis differential forward curve largely offset the losses.

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 March 31, 2018, see Note 11 “Financial Instruments and Market Risk Management” in the financial statements.

Table 16

Risk Management Contracts Positions Summary (1)												
As at May 2, 2018	**Apr-Dec 2018**		**2019**		**2020**		**2021**		**2022**		**2023**	
Crude Oil – WTI (2)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	65.39	4,000	65.63	2,000	—	—	—	—	—	—	—	—
Floor	50.00	4,000	50.00	2,000	—	—	—	—	—	—	—	—
Sold Floor	40.00	4,000	40.00	2,000	—	—	—	—	—	—	—	—
Swap	54.00	2,000	57.20	4,000	—	—	—	—	—	—	—	—
Crude Oil – Cdn$ WTI (3)	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day
Ceiling	76.25	2,000	—	—	—	—	—	—	—	—	—	—
Floor	65.00	2,000	—	—	—	—	—	—	—	—	—	—
Swap	72.10	12,000	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**20,000**		**14,000**		**—**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) (4)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Swap	(3.38)	7,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub (5)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	3.64	80,000	3.35	80,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—
Floor	3.00	80,000	2.75	80,000	2.75	50,000	2.75	50,000	2.50	25,000	—	—
Sold Floor	2.50	80,000	2.25	80,000	2.25	50,000	2.25	50,000	—	—	—	—
Swap	4.00	90,000	4.00	40,000	—	—	—	—	—	—	—	—
Natural Gas – AECO (6)	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	—	—	3.30	10,000	3.60	30,000	—	—	—	—	—	—
Floor	—	—	3.00	10,000	3.08	30,000	—	—	—	—	—	—
Swap	2.96	40,000	3.16	20,000	3.35	30,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/ day)		**207,913**		**148,435**		**106,869**		**50,000**		**25,000**		**—**
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	AECO/ NYMEX	MMBtu/ day
Sold Swap	84.7	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$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.87)	91,127	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Total AECO Basis Volumes (MMBtu/ day)		**181,127**		**160,959**		**98,361**		**34,192**		**—**		**—**
Natural Gas - Other Basis (Differential to NYMEX) (7)		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day
Sold Swap		7,782		50,000		70,000		70,000		50,000		9,918
Foreign Exchange (8)	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total
Average Rate Forward	—	—	1.2907	21	—	—	—	—	—	—	—	—

(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 Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.
(4) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis in US$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) Natural gas prices referenced to AECO 7A Monthly Index.
(7) ARC has entered into basis swaps at locations other than AECO.
(8) Cdn$/US$ referenced to WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

The fair value of ARC's risk management contracts at March 31, 2018 was a net asset of $248.7 million, representing the expected value of settlement of 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 12

Operating Netbacks

The components of operating netbacks for the three months ended March 31, 2018 compared to the same periods in 2017 are summarized in Table 17:

Table 17

	Three Months Ended March 31		
Netbacks ($ per boe) (1)	**2018**	2017	% Change
Commodity sales from production	**28.85**	29.58	(2)
Royalties	**(2.45)**	(2.49)	(2)
Transportation	**(2.61)**	(2.42)	8
Operating expenses (2)	**(6.31)**	(6.86)	(8)
Netback prior to gain on risk management contracts	**17.48**	17.81	(2)
Realized gain on risk management contracts	**2.43**	2.36	3
Netback after gain on risk management contracts	**19.91**	20.17	(1)

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.
(2) Composed of direct costs incurred to operate crude oil and natural gas wells.

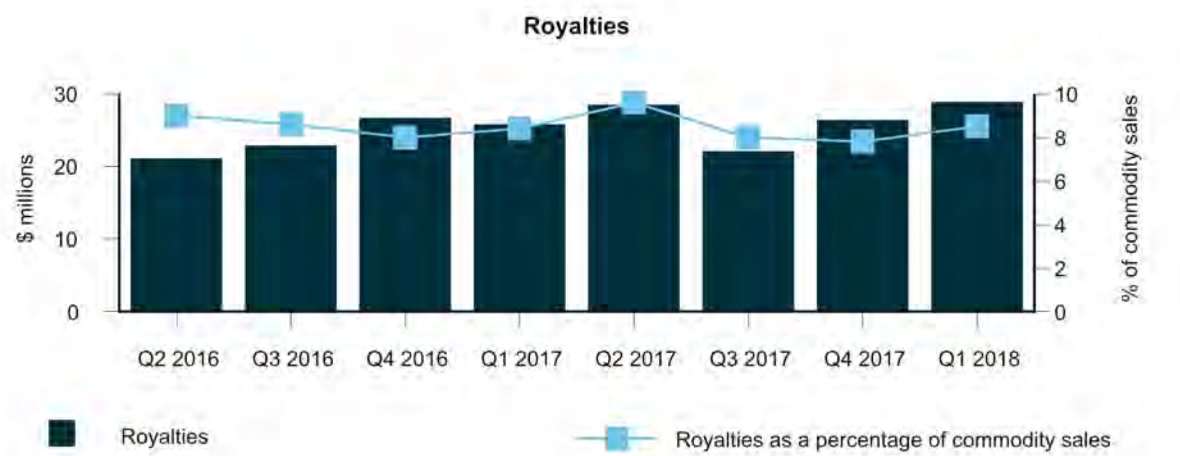
Exhibit 13

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties as a percentage of commodity sales revenue increased from 8.4 per cent ($2.49 per boe) in the first quarter of 2017 to 8.5 per cent ($2.45 per boe) in the first quarter of 2018. The slight increase in royalties as a percentage of commodity sales revenue is reflective of a higher royalty rate for crude oil and liquids due to increased commodity prices in the first quarter of 2018 compared to the same period in 2017, offset by a lower royalty rate for natural gas due to a decline in the natural gas price in the first quarter of 2018 compared to the same period in 2017. Royalties per boe decreased in Q1 2018 as compared to Q1 2017 due to a 14 per cent increase in production, primarily in natural gas production which has lower average royalty rates.

Exhibit 14



Operating and Transportation Expenses

Operating expenses increased by $3.4 million in the first quarter of 2018 as compared to the first quarter of 2017, primarily as a result of increased production in the period. On a per boe basis, operating expenses decreased $0.55 per boe to $6.31 per boe in the first quarter of 2018 compared to $6.86 per boe in the first quarter of 2017 as ARC continues to grow production in areas with lower average operating costs.

Exhibit 15

Transportation expenses increased by $5.8 million or 23 per cent in the first quarter of 2018 as compared to the first quarter of 2017. On a per boe basis, transportation costs have also increased $0.19 per boe or eight per cent to $2.61 per boe during the first quarter of 2018 compared to $2.42 per boe in the first quarter of 2017. The increase was primarily due to transportation related to increased gas and liquids production at Dawson Phase III, and the addition of new transportation agreements for greater market access beyond AECO.

Exhibit 16

G&A Expenses and Share-Based Compensation

G&A expenses before share-based compensation expenses decreased by one per cent to $15.3 million in the first quarter of 2018 from $15.4 million in the first quarter of 2017. Lower capitalized G&A resulting from reduced capital spending in the first quarter of 2018 compared to the same period of the prior year served to offset this reduction.

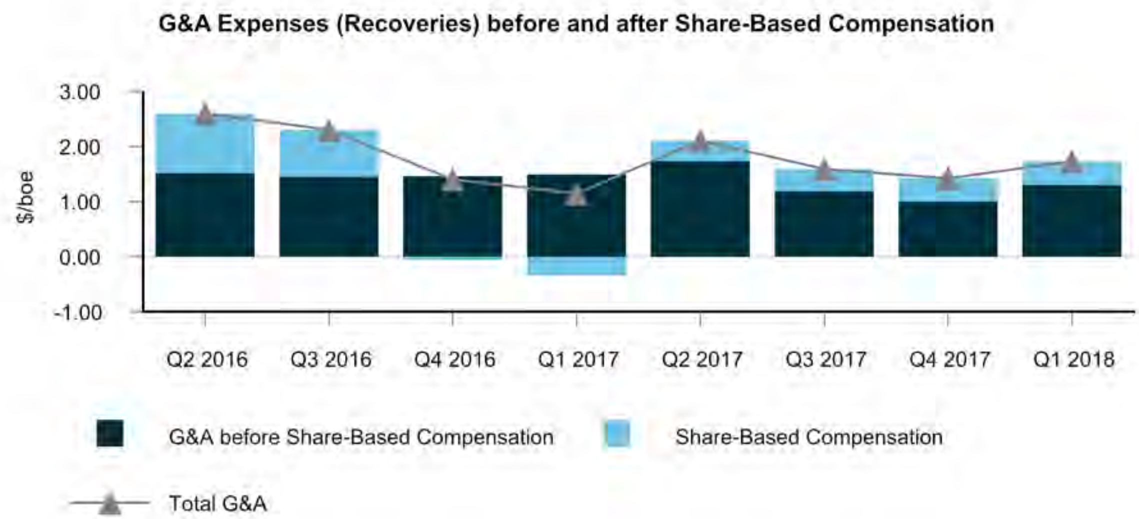
Table 18 is a breakdown of G&A and share-based compensation expenses:

Table 18

	Three Months Ended March 31		
G&A and Share-Based Compensation			
($ millions, except per boe)	**2018**	2017	% Change
G&A expenses before share-based compensation expenses (1)	**15.3**	15.4	(1)
G&A – share-based compensation expenses (recoveries) (2)	**5.1**	(3.5)	246
Total G&A expenses	**20.4**	11.9	71
G&A expenses before share-based compensation expenses per boe	**1.30**	1.49	(13)
G&A – share-based compensation expenses (recoveries) per boe	**0.43**	(0.34)	226
Total G&A expenses per boe	**1.73**	1.15	50

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

Exhibit 17



Share-Based Compensation Plans

Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans

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 20 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2017.

During the three months ended March 31, 2018, ARC's share price fell $0.71 per share from $14.75 at December 31, 2017 to $14.04 at period end. During the same period in the prior year, ARC's share price fell $4.11, triggering a reversal of previously recognized compensation expense for outstanding awards. In the first quarter of 2018, the average performance multiplier for PSU awards increased, increasing the compensation expense recognized during the period.

During the three months ended March 31, 2018, ARC made cash payments of $8.1 million in respect of the RSU and PSU Plan ($11.2 million for the three months ended March 31, 2017). These amounts were accrued in prior periods.

Table 19 shows the changes to the RSU and PSU Plan during 2018:

Table 19

RSU and PSU Plan (number of units, thousands)	RSUs	PSUs (1)	Total RSUs and PSUs
Balance, December 31, 2017	780	1,912	2,692
Granted	323	683	1,006
Distributed	(182)	(461)	(643)
Forfeited	(25)	(20)	(45)
Balance, March 31, 2018	**896**	**2,114**	**3,010**

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

Due to the variability in the expected future payments under the plan, ARC estimates that between $12.5 million and $71.1 million will be paid out in 2018 through 2021 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 March 31, 2018:

Table 20

Value of RSU and PSU Plan as at March 31, 2018	**Performance Multiplier**		
(units thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated units to vest			
RSUs	890	890	890
PSUs	—	2,094	4,188
Total units (1)	**890**	**2,984**	**5,078**
Share price (2)	14.04	14.04	14.04
Value of RSU and PSU Plan upon vesting	**12.5**	**41.9**	**71.1**
2018	2.7	7.3	11.9
2019	4.9	13.9	22.8
2020	3.4	12.5	21.5
2021	1.5	8.2	14.9

(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 $14.04, which is based on the TSX closing share price at March 31, 2018.

Deferred Share Unit Plan

At March 31, 2018, ARC had 0.5 million DSUs outstanding under this plan. For the three months ended March 31, 2018, G&A expenses of $1.1 million were recorded in relation to the DSU Plan (G&A recoveries of $1.1 million for the same period in 2017).

Share Option Plan

At March 31, 2018, ARC had 4.6 million share options outstanding, representing 1.3 per cent of outstanding shares, with a weighted average exercise price of $19.28 per share. At March 31, 2018, approximately 1.0 million share options were exercisable with a weighted average exercise price of $16.70 per share. ARC recorded compensation expense of $1.0 million relating to the Share Option Plan for the three months ended March 31, 2018 ($0.7 million for the three months ended March 31, 2017).

Long-term Restricted Share Award Plan

At March 31, 2018, ARC had 0.3 million restricted shares outstanding under this plan. ARC recorded G&A expenses of $0.2 million relating to the LTRSA Plan during the three months ended March 31, 2018 ($0.1 million for the three months ended March 31, 2017).

Interest and Financing Charges

Interest and financing charges decreased nine per cent to $10.7 million in the first quarter of 2018 from $11.7 million in the first quarter of 2017. The decrease is due to principal repayments that were made throughout 2017 and the first quarter of 2018.

At March 31, 2018, ARC had $925.0 million of long-term debt outstanding, including a current portion of $76.1 million that is due for repayment within the next 12 months. ARC's long-term debt has a fixed weighted average interest rate of 4.3 per cent. 96 per cent (US$686.0 million) of ARC's long-term debt outstanding is denominated in US dollars.

Foreign Exchange Gains and Losses

ARC recorded a foreign exchange loss of $25.2 million in the first quarter of 2018 compared to a gain of $8.5 million in the first quarter of 2017. During the three months ended March 31, 2018, the value of the US dollar relative to the Canadian dollar increased to $1.29 from $1.25 at December 31, 2017, resulting in an unrealized loss on the revaluation of ARC's US dollar denominated debt. During the three months ended March 31, 2017, the value of the US dollar relative to the Canadian dollar decreased to $1.33 from $1.34 at December 31, 2016, resulting in an 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 March 31		
Foreign Exchange Gains and Losses ($ millions)	**2018**	2017	% Change
Unrealized gain (loss) on US denominated debt	**(26.9)**	7.7	(449)
Realized gain on US denominated transactions	**1.7**	0.8	113
Total foreign exchange gain (loss)	**(25.2)**	8.5	(396)

Taxes

ARC recorded a current income tax expense of $8.3 million in the first quarter of 2018 as compared to $13.5 million during the first quarter of 2017. This decrease in current tax expense for the first quarter of 2018 is a function of higher estimated current taxes owing for 2017 based on higher forecasted commodity prices at the time as compared to the current commodity prices forecasted for 2018.

During the first quarter of 2018, a deferred income tax expense of $22.1 million was recorded compared to a $35.5 million expense recognized in the first quarter of 2017. This decrease in deferred tax expense for the three months ended March 31, 2018 is primarily related to unrealized losses recorded on risk management contracts in 2018 as compared to unrealized gains for the same period in 2017, offset by a net decrease in the ARO Liability in the quarter, and a larger decrease in the tax basis of ARC’s assets relative to their book basis as compared to the same period of 2017.

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)	**March 31, 2018**	**Annual Deductibility**
Canadian oil and gas property expense	148.0	10% declining balance
Canadian development expense	868.6	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	854.9	Primarily 25% declining balance
Other	10.8	Various rates, 7% declining balance to 20%
Total federal tax pools	1,882.3	
Additional Alberta tax pools	5.0	Various rates, 25% declining balance to 100%

DD&A Expenses and Impairment

For the three months ended March 31, 2018, ARC recorded DD&A expense of $125.7 million as compared to $113.5 million for the three months ended March 31, 2017. The increase in DD&A in the first quarter of 2018 as compared to the first quarter of 2017 reflects increased production in 2018.

For the three months ended March 31, 2018, ARC recognized impairment of $0.4 million on the disposition of non-core assets.

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

Table 23

DD&A Expenses ($ millions, except per boe amounts)	Three Months Ended March 31 2018	2017	% Change
Depletion of crude oil and natural gas assets	**124.3**	112.2	11
Depreciation of corporate assets	**1.4**	1.3	8
Impairment	**0.4**	—	—
Total DD&A expenses and impairment	**126.1**	113.5	11
DD&A expenses per boe, excluding impairment	**10.66**	10.95	(3)

ARC recognized depletion expense of $0.7 million related to production of wells from its E&E properties This expense has been recognized as exploration and evaluation expense (nil for the three months ended March 31, 2017).

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures before acquisitions, dispositions or purchases of undeveloped land totaled $213.7 million in the first quarter of 2018 as compared to $255.2 million during the first quarter of 2017. PP&E refers to property, plant and equipment in the development and production phase, while E&E expenditures include asset additions in areas that have been determined by Management to be in the exploration and evaluation stage.

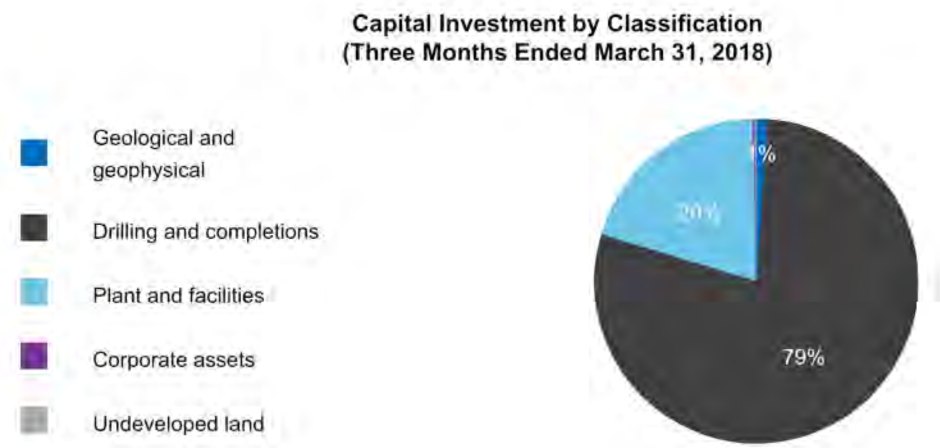
In the first quarter of 2018, ARC had property dispositions for proceeds of $98.3 million, and recorded a gain on sale of $80.1 million.

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

Table 24

	Three Months Ended March 31						
	2018			2017			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**1.3**	**2.7**	**4.0**	—	3.2	3.2	25
Drilling and completions	**37.3**	**101.8**	**139.1**	14.1	157.5	171.6	(19)
Plant and facilities	**6.2**	**63.8**	**70.0**	1.2	77.2	78.4	(11)
Corporate assets	**—**	**0.6**	**0.6**	—	2.0	2.0	(70)
Total capital expenditures	**44.8**	**168.9**	**213.7**	15.3	239.9	255.2	(16)
Undeveloped land	**0.4**	**0.3**	**0.7**	—	5.2	5.2	(87)
Total capital expenditures including undeveloped land purchases	**45.2**	**169.2**	**214.4**	15.3	245.1	260.4	(18)
Acquisitions	**—**	**0.2**	**0.2**	—	0.2	0.2	—
Dispositions	**—**	**(98.3)**	**(98.3)**	—	—	—	(100)
Total capital expenditures, land purchases and acquisitions	**45.2**	**71.1**	**116.3**	15.3	245.3	260.6	(55)

Exhibit 18



During the three months ended March 31, 2018, ARC drilled 20 operated wells, consisting of 11 crude oil wells and nine natural gas and liquids-rich natural gas wells. All wells drilled during the three months ended March 31, 2018, were 100 per cent ARC wells.

Asset Retirement Obligations

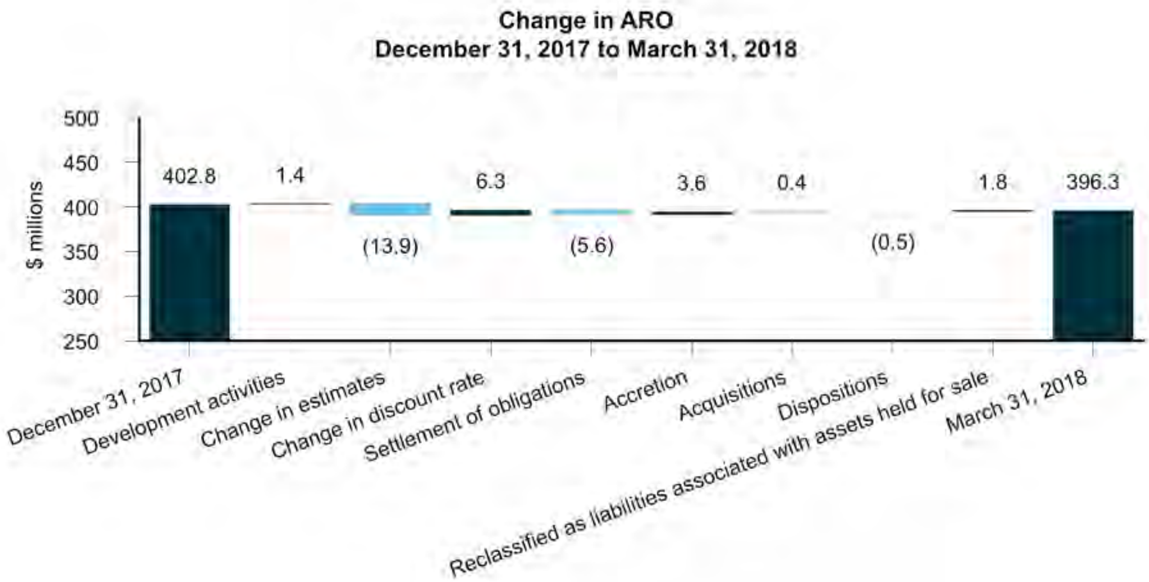
At March 31, 2018, ARC has recorded ARO of $396.3 million ($402.8 million at December 31, 2017) for the future abandonment and reclamation of ARC's properties. The estimated ARO includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred, and annual inflation factors. The future liability has been discounted at a liability-specific risk-free interest rate of 2.2 per cent (2.3 per cent at December 31, 2017).

During the three months ended March 31, 2018, ARC added $13.9 million to its ARO in respect of revisions to estimates of costs of future obligations and anticipated settlement dates.

Accretion charges of $3.6 million for the three months ended March 31, 2018 ($3.2 million for the same period in 2017), 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 months ended March 31, 2018 was $5.6 million ($9.1 million for the same period in 2017). At March 31, 2018, $183.2 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 Safety, Reserves and Operational Excellence 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 March 31, 2018 and at the date of this MD&A.

Exhibit 19



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. Profitable growth activities will be financed with a combination of funds from operations and other sources of capital.

ARC typically uses three sources 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 4.3 per cent.

A breakdown of ARC's capital structure as at March 31, 2018 and December 31, 2017 is outlined in Table 25:

Table 25

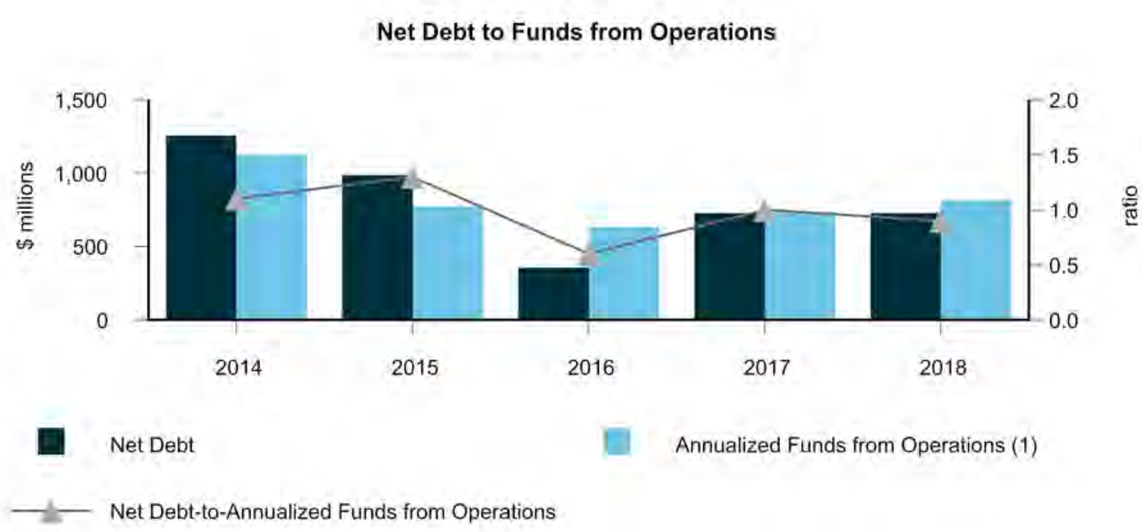
Capital Structure and Liquidity ($ millions, except per cent and ratio amounts)	**March 31, 2018**	December 31, 2017
Long-term debt [(1)]	**925.0**	911.3
Accounts payable and accrued liabilities	**186.0**	170.0
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(400.7)**	(371.0)
Net debt	**728.0**	728.0
Market capitalization [(2)]	**4,963.1**	5,214.1
Total capitalization	**5,691.1**	5,942.1
Net debt as a percentage of total capitalization (%)	**12.8**	12.3
Net debt to annualized funds from operations (ratio) [(3)]	**0.9**	1.0

(1) Includes a current portion of long-term debt of $76.1 million at March 31, 2018 and $73.9 million at December 31, 2017.
(2) Calculated using the total common shares outstanding at March 31, 2018 multiplied by the TSX closing share price of $14.04 at March 31, 2018 (TSX closing share price of $23.11 at December 31, 2017).
(3) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

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 10 "Capital Management" in the financial statements.

ARC closed the quarter with a strong balance sheet with $728.0 million of net debt outstanding, which was approximately 13 per cent of ARC's total capitalization. At March 31, 2018, ARC's net debt to 2018 annualized funds from operations ratio was 0.9 times.

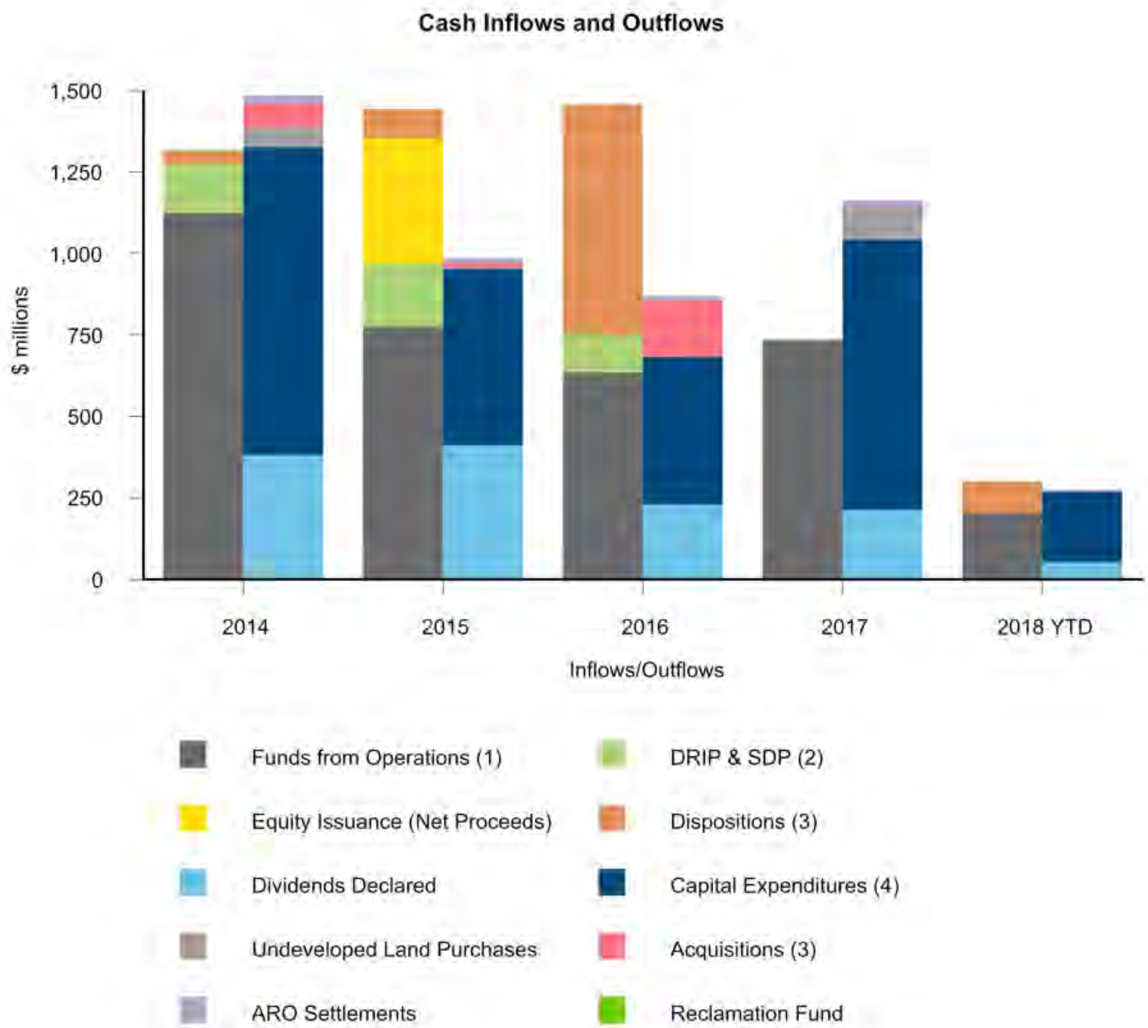
Exhibit 20



(1) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

The following illustrates the balance of cash inflows and outflows over the past five years. 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 21



(1) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, ARC's Board of Directors approved the elimination of the DRIP and SDP, effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.
(3) Excludes non-cash property transactions.
(4) Excludes capital expenditures attributable to non-cash share options and asset retirement expenditures.

Table 26

($ millions)	**2018 YTD**	2017	2016	2015	2014
Cash Inflows					
Funds from operations [(1)]	**201.0**	731.9	633.3	773.4	1,124.0
DRIP & SDP [(2)]	**—**	3.0	117.1	195.5	151.0
Equity issuance (net proceeds)	**—**	—	—	386.1	—
Dispositions [(3)]	**98.3**	—	705.4	88.8	39.3
Reclamation fund withdrawals	**1.2**	—	—	0.9	—
Total	**300.5**	734.9	1,455.8	1,444.7	1,314.3
Cash Outflows					
Dividends declared	**53.1**	212.3	228.2	410.5	380.2
Capital expenditures [(4)]	**213.6**	829.4	452.9	541.2	945.3
Undeveloped land purchases	**0.7**	97.6	2.7	6.7	62.3
Acquisitions [(3)]	**0.2**	2.5	172.9	14.4	73.5
ARO settlements	**5.6**	19.8	13.0	12.3	23.0
Reclamation fund contributions	**—**	0.6	2.0	—	2.6
Total	**273.2**	1,162.2	871.7	985.1	1,486.9

(1) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, ARC's Board of Directors approved the elimination of the DRIP and SDP, effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.
(3) Excludes non-cash property transactions.
(4) Excludes capital additions in respect of to non-cash share options and asset retirement cost additions.

At March 31, 2018, ARC had total available credit capacity of approximately $1.9 billion with debt of $925.0 million currently outstanding. ARC’s long-term debt balance includes a current portion of $76.1 million at March 31, 2018 ($73.9 million at December 31, 2017), 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.

ARC’s debt agreements contain a number of covenants, all of which were met as at March 31, 2018. 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 March 31, 2018** [(1)]
Long-term debt and letters of credit not to exceed three-and-a-half times trailing 12-month net income before non-cash items, income taxes and interest expense	1.2
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	1.2
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 March 31, 2018 and May 2, 2018, there were 353.5 million shares outstanding and 4.6 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 March 31, 2018, 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 first quarters of 2018 and 2017, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding)

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 first quarter of 2018 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 30 per cent in the first quarter of 2017 to an average of 26 per cent in the first quarter of 2018. ARC believes that it is currently positioned to sustain current dividend levels despite the volatile commodity price environment.

Exhibit 22

(1) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

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 April 16, 2018, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on May 15, 2018 to shareholders of record on April 30, 2018 with an ex-dividend date of April 27, 2018.

Please refer to ARC's website at www.arcresources.com for details of the estimated monthly dividend amounts and dividend dates for 2018.

Environmental Initiatives Impacting ARC

ARC operates in jurisdictions that have regulated greenhouse gas emissions and other air pollutants. While some regulations are in effect, further changes and amendments 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, and there remains some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as ARC is unable to predict additional legislation or amendments that governments may enact in the future. 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.

Contractual Obligations and Commitments

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2018:

Table 28

	Payments Due by Period				
($ millions)	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	76.1	211.8	311.5	325.6	925.0
Interest payments (2)	38.1	63.3	38.3	18.1	157.8
Reclamation fund contributions (3)	3.0	5.7	5.3	39.6	53.6
Purchase commitments	28.0	3.8	—	—	31.8
Transportation commitments	104.2	217.4	229.9	602.9	1,154.4
Operating leases	16.0	29.1	27.5	13.7	86.3
Risk management contract premiums (4)	0.4	0.4	—	—	0.8
Total contractual obligations and commitments	**265.8**	**531.5**	**612.5**	**999.9**	**2,409.7**

(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 addition to the above risk management contract premiums, ARC has commitments related to its risk management program (see Note 11 "Financial Instruments and Market Risk Management" of the financial statements). As the premiums are related to the underlying risk management contract, they have been recorded at fair market value at March 31, 2018 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 March 31, 2018.

Critical Accounting Estimates

ARC continuously refines and documents 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 forward curves for commodity prices, foreign exchange rates and interest rates, as well as 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, 2017.

The mandate of ARC's leadership team 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;
- transportation constraints and market access;
- acquisitions; and
- cyber-security

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 2018. 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 Control 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 March 31, 2018 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 March 31, 2018.

FINANCIAL REPORTING UPDATE

New Accounting Policies

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

Effective January 1, 2018, ARC retrospectively adopted IFRS 15 *Revenue from Contracts with Customers.* The standard supersedes 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. The adoption of this standard did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017. For additional information on the effect of ARC's adoption of IFRS 15, refer to Note 3 "Changes in Accounting Policies" in the financial statements.

In conjunction with the Company’s adoption of IFRS 15, the Company completed a review of the financial statement presentation of its marketing and revenue transactions and it was determined that it was more appropriate to change the presentation of certain transactions. Prior period comparative figures have been reclassified in the condensed interim consolidated statements of income for comparability with the current period presentation for these items.

There is no resultant impact on the net income, comprehensive income, cash flow, or financial position of the Company from the changes. For additional information on the change in presentation and the effect of the reclassification on the prior period, refer to Note 3 "Changes in Accounting Policies" in the financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, ARC retrospectively adopted IFRS 9 *Financial Instruments*, as well as consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017. 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. In addition, IFRS 9 introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9. For additional information on the effect of ARC's adoption of IFRS 9, refer to Note 3 "Changes in Accounting Policies" in the financial statements.

E&E Assets

Effective January 1, 2018, ARC made a change, on a retrospective basis, to its accounting policy for E&E assets. ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. Following its accounting policy change, ARC recognizes a depletion charge as an E&E expense on these wells using a unit-of-production method. There is no impact on the net income, comprehensive income, cash flow or financial position of the Company in prior periods as a result of this change. For additional information, refer to Note 3, "Changes in Accounting Policies" in the financial statements.

Future Accounting Policies

IFRS 16 *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. IFRS 16 requires the recognition of lease assets and liabilities on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets can be exempt from the balance sheet recognition requirements, and may continue to be treated as operating leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases with the resultant accounting remaining essentially unchanged from IAS 17.

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 adopting IFRS 15. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. IFRS 16 will be applied by ARC on January 1, 2019. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on ARC's financial statements.

ARC's IFRS 16 transition project consists of three key phases:

- Project scoping and engagement phase - this phase involves the assembly and organization of a transition project team, engagement and education of stakeholders, the implementation of corporate processes to collect and organize contracts, the scoping of potential lease situations, and the development of a project plan.
- Impact analysis and evaluation phase - this phase involves the detailed assessment of contracts and measurement of leases, as well as an analysis of transition approaches and accounting policy choices. This phase also involves the assessment of necessary changes to internal controls, information systems and accounting and business processes. In addition, the impact of IFRS 16 is further investigated to assess whether there may be a broader impact to ARC, which may include ARC's debt agreements, key performance measures, management reporting, and budget process.

- Implementation phase - this phase involves implementation of the changes required for compliance with IFRS 16, including education of all staff and stakeholders impacted by the transition to IFRS 16. The focus of this phase is the approval and implementation of any new accounting policies, processes, information systems and internal controls, as required, as well as the preparation of financial statements and related disclosures under IFRS 16.

ARC has assembled a transition team and developed its project plan. The Company has also engaged advisory services in respect of its transition and has educated stakeholders and implemented corporate processes to collect contracts in order to identify potential leases. ARC is in the process of performing detailed evaluations of its contracts that are potentially leases for accounting requirements under IFRS 16. This phase, along with the assessment and implementation of changes to policies, internal controls, information systems, and business and accounting processes, will continue throughout 2018.

Non-GAAP Measures

Throughout this MD&A, the Company uses the certain measures to analyze operational and financial performance. These non-GAAP measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities.

Operating Netback ("netback")

ARC calculates netback on a total and per boe basis as sales less royalties, operating and transportation expenses. ARC discloses netbacks both before and after the effect of realized gains on losses on risk management contracts. 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 its netback. 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 producers. The measurement on a boe basis assists Management and investors with evaluating operating performance on a comparable basis. ARC's netback is disclosed in Table 17 within this MD&A.

Return on Average Capital Employed ("ROACE")

ARC calculates ROACE, expressed as a percentage, as net income plus interest and total income taxes (recovery) divided by the average of the opening and closing capital employed for the twelve months preceding the period end. Capital employed is the total of net debt plus shareholders' equity. Refer to Note 10 "Capital Management" in the financial statements for additional discussion on net debt.

ARC uses ROACE as a measure of operating performance, to measure how effectively Management utilizes the capital it has been provided and to demonstrate to shareholders that capital has been used wisely over the long term. ROACE is calculated by ARC on a year-to-date, annual and a five-year basis in Table 29 of this MD&A.

Table 29

ROACE	Twelve Months Ended March 31, 2018	Twelve Months Ended December 31				2014-2017 Average (1)
		2017	2016	2015	2014	
Net income (loss)	**301.3**	388.9	201.3	(342.7)	380.8	157.1
Add: Interest	**44.3**	45.3	50.5	51.0	47.3	48.5
Add: Total income taxes (recovery)	**117.3**	135.9	41.4	(15.8)	129.4	72.7
Earnings before interest and taxes	**462.9**	570.1	293.2	(307.5)	557.5	278.3
Net Debt - beginning of period	**501.4**	356.5	985.1	1,255.9	1,011.5	1,011.5
Shareholders' Equity - beginning of period	**3,577.9**	3,484.8	3,388.5	3,551.8	3,396.1	3,396.1
Opening Capital Employed (A)	**4,079.3**	3,841.3	4,373.6	4,807.7	4,407.6	4,407.6
Net Debt - end of period	**728.0**	728.0	356.5	985.1	1,255.9	728.0
Shareholders' Equity - end of period	**3,671.9**	3,668.9	3,484.8	3,388.5	3,551.8	3,668.9
Closing Capital Employed (B)	**4,399.9**	4,396.9	3,841.3	4,373.6	4,807.7	4,396.9
Average Capital Employed (A+B)/2	**4,239.6**	4,119.1	4,107.5	4,590.7	4,607.7	4,402.3
ROACE (%)	**11**	14	7	(7)	12	6

(1) Average ROACE for years ended December 31, 2014-2017.

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 and planned operations for 2018 under the heading "Annual Guidance and Financial Highlights," ARC's risk management plans for 2018 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 (including sources of capital), future results from operations and operating metrics, timing of production coming on stream, 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. 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 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; 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 2018 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 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.

GLOSSARY

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

Measurement

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe [1]	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
MMboe	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

QUARTERLY HISTORICAL REVIEW

($ millions, except per share amounts)	2018	2017				2016		
FINANCIAL	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales of crude oil, natural gas, condensate, NGLs and other income (1)	**340.2**	337.3	276.5	295.0	306.4	331.8	265.6	234.9
Per share, basic (1)	**0.96**	0.95	0.78	0.83	0.87	0.94	0.76	0.67
Per share, diluted (1)	**0.96**	0.95	0.78	0.83	0.87	0.94	0.75	0.67
Net income (loss)	**54.9**	73.9	48.5	124.0	142.5	167.0	28.3	(58.1)
Per share, basic	**0.16**	0.21	0.14	0.35	0.40	0.47	0.08	(0.17)
Per share, diluted	**0.16**	0.21	0.14	0.35	0.40	0.47	0.08	(0.17)
Funds from operations (2)	**201.0**	221.1	163.8	169.8	177.2	188.5	153.0	141.7
Per share, basic	**0.57**	0.63	0.46	0.48	0.50	0.53	0.44	0.40
Per share, diluted	**0.57**	0.63	0.46	0.48	0.50	0.53	0.44	0.40
Dividends declared	**53.1**	53.1	53.0	53.1	53.1	52.9	52.9	52.5
Per share (3)	**0.15**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**6,235.7**	6,224.0	6,115.0	6,196.8	6,169.3	5,990.5	5,968.4	5,891.1
Total liabilities	**2,563.8**	2,555.1	2,468.2	2,546.8	2,591.4	2,505.7	2,622.3	2,547.0
Net debt outstanding (4)	**728.0**	728.0	645.1	527.4	501.4	356.5	1,009.4	969.3
Weighted average shares, basic	**353.5**	353.5	353.5	353.4	353.4	352.8	351.7	350.5
Weighted average shares, diluted	**353.8**	353.8	353.9	353.8	353.7	353.5	352.3	350.5
Shares outstanding, end of period	**353.5**	353.5	353.5	353.4	353.4	353.3	352.2	351.1
CAPITAL EXPENDITURES								
Geological and geophysical	**4.0**	2.5	1.8	2.0	3.2	1.8	3.5	4.3
Drilling and completions	**139.1**	154.8	119.3	105.9	171.6	89.1	59.0	55.7
Plant and facilities	**70.0**	87.2	55.5	41.6	78.4	65.9	59.8	52.2
Administrative assets	**0.6**	0.6	1.8	1.5	2.0	2.4	0.2	0.4
Total capital expenditures	**213.7**	245.1	178.4	151.0	255.2	159.2	122.5	112.6
Undeveloped land	**0.7**	0.4	77.3	14.7	5.2	2.7	—	—
Total capital expenditures, including undeveloped land purchases	**214.4**	245.5	255.7	165.7	260.4	161.9	122.5	112.6
Acquisitions	**0.2**	2.2	—	0.1	0.2	14.6	31.6	111.6
Dispositions	**(98.3)**	—	—	—	—	(702.1)	(0.3)	(3.0)
Total capital expenditures, land purchases and net acquisitions and dispositions	**116.3**	247.7	255.7	165.8	260.6	(525.6)	153.8	221.2
OPERATING								
Production								
Crude oil (bbl/d)	**25,037**	24,641	25,020	23,813	24,030	29,885	29,642	31,702
Condensate (bbl/d)	**5,505**	6,989	6,815	4,253	4,504	3,767	3,562	3,733
Natural gas (MMcf/d)	**564.9**	572.4	549.6	483.9	496.2	478.4	466.7	467.5
NGLs (bbl/d)	**6,332**	6,380	6,091	4,691	3,893	4,220	4,221	4,336
Total (boe/d)	**131,016**	133,409	129,526	113,410	115,129	117,611	115,205	117,695
Average realized prices, prior to risk management contracts (1)								
Crude oil ($/bbl)	**69.50**	67.29	54.50	59.53	61.42	59.20	52.43	52.80
Condensate ($/bbl)	**77.42**	69.04	54.35	60.38	64.31	58.97	50.81	51.20
Natural gas ($/Mcf)	**2.50**	2.27	2.00	2.99	3.10	3.10	2.35	1.39
NGLs ($/bbl)	**31.39**	35.31	28.37	26.27	25.91	20.77	12.67	13.60
Oil equivalent ($/boe)	**28.85**	27.48	23.20	28.59	29.58	30.29	25.03	21.87
TRADING STATISTICS (5)								
($, based on intra-day trading)								
High	**15.90**	18.34	18.31	19.55	23.70	24.94	24.08	23.35
Low	**11.88**	13.64	15.61	16.23	18.26	21.55	20.88	17.43
Close	**14.04**	14.75	17.19	16.96	19.00	23.11	23.73	22.11
Average daily volume (thousands)	**1,406**	1,114	1,008	1,269	1,104	837	691	1,029

(1) Comparatives prior to 2017 have not been restated for IFRS 15 Revenue from Contracts with Customers. Refer to Note 3 "Changes in Accounting Policies" in the financial statements
(2) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(3) Dividends per share are based on the number of shares outstanding at each dividend record date.
(4) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(5) Trading statistics denote trading activity on the TSX only.

FINANCIAL STATEMENTS 2018 Q1

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**March 31, 2018**	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	**257.9**	220.2
Accounts receivable (Note 5)	**125.3**	132.7
Prepaid expenses	**17.5**	18.1
Risk management contracts (Note 11)	**108.2**	146.6
Assets held for sale (Note 7)	**254.6**	301.1
	763.5	818.7
Reclamation fund	**35.4**	36.7
Risk management contracts (Note 11)	**141.5**	148.4
Exploration and evaluation assets (Notes 3 and 6)	**463.7**	418.9
Property, plant and equipment (Note 7)	**4,583.4**	4,553.1
Goodwill	**248.2**	248.2
Total assets	**6,235.7**	6,224.0
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**186.0**	170.0
Current portion of long-term debt (Note 8)	**76.1**	73.9
Current portion of asset retirement obligations (Note 9)	**16.0**	16.0
Dividends payable (Note 12)	**17.7**	17.7
Risk management contracts (Note 11)	**1.0**	—
Liabilities associated with assets held for sale (Note 9)	**183.2**	219.7
	480.0	497.3
Risk management contracts (Note 11)	**—**	0.2
Long-term debt (Note 8)	**848.9**	837.4
Long-term incentive compensation liability (Note 14)	**17.1**	17.5
Other deferred liabilities	**11.8**	12.3
Asset retirement obligations (Note 9)	**380.3**	386.8
Deferred taxes	**825.7**	803.6
Total liabilities	**2,563.8**	2,555.1
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 12)	**4,658.5**	4,658.5
Contributed surplus	**23.2**	21.9
Deficit	**(1,009.6)**	(1,011.4)
Accumulated other comprehensive income (loss)	**(0.2)**	(0.1)
Total shareholders' equity	**3,671.9**	3,668.9
Total liabilities and shareholders' equity	**6,235.7**	6,224.0
Commitments and contingencies (Note 15)		

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions, except per share amounts)	2018	2017 (1)
Commodity sales from production (Notes 3 and 13)	**340.2**	306.4
Royalties	**(28.9)**	(25.8)
Sales of commodities purchased from third parties (Note 3)	**29.9**	28.0
Revenue from commodity sales	**341.2**	308.6
Interest income	**1.6**	2.1
Other income (Note 3)	**1.8**	1.4
Gain (loss) on risk management contracts (Note 11)	**(17.5)**	134.5
Total revenue, interest and other income and gain (loss) on risk management contracts	**327.1**	446.6
Transportation	**30.8**	25.0
Commodities purchased from third parties (Note 3)	**30.0**	27.4
Operating (Note 3)	**74.4**	71.0
Exploration and evaluation (Notes 3 and 6)	**0.7**	—
General and administrative (Note 3)	**20.4**	11.9
Interest and financing charges	**10.7**	11.7
Accretion of asset retirement obligations (Note 9)	**3.6**	3.2
Depletion, depreciation, amortization and impairment (Note 7)	**126.1**	113.5
Loss (gain) on foreign exchange	**25.2**	(8.5)
Gain on short-term investments	**—**	(0.1)
Gain on disposal of petroleum and natural gas properties	**(80.1)**	—
Total expenses	**241.8**	255.1
Net income before income taxes	**85.3**	191.5
Provision for income taxes		
Current	**8.3**	13.5
Deferred	**22.1**	35.5
Total income taxes	**30.4**	49.0
Net income	**54.9**	142.5
Net income per share (Note 12)		
Basic	**0.16**	0.40
Diluted	**0.16**	0.40

(1) Refer to accompanying Note 3 for details on revised presentation of certain items in the unaudited condensed interim consolidated statement of income for the three months ended March 31, 2017.

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2018**	2017
Net income	**54.9**	142.5
Other comprehensive income (loss)		
Items that may be reclassified into earnings, net of tax:		
Net unrealized gain (loss) on reclamation fund assets	**(0.1)**	(0.3)
Other comprehensive income (loss)	**(0.1)**	(0.3)
Comprehensive income	**54.8**	142.2

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 three months ended March 31

(Cdn$ millions)	Shareholders' Capital (Note 12)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
December 31, 2016	4,654.9	17.6	(1,188.0)	0.3	3,484.8
Net income	—	—	142.5	—	142.5
Other comprehensive income (loss)	—	—	—	(0.3)	(0.3)
Total comprehensive income (loss)	—	—	142.5	(0.3)	142.2
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	3.0	—	—	—	3.0
Recognized under share-based compensation plans (Note 14)	0.1	0.9	—	—	1.0
Dividends declared	—	—	(53.1)	—	(53.1)
March 31, 2017	4,658.0	18.5	(1,098.6)	—	3,577.9
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
Net income	**—**	**—**	**54.9**	**—**	**54.9**
Other comprehensive income (loss)	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Total comprehensive income (loss)	**—**	**—**	**54.9**	**(0.1)**	**54.8**
Recognized under share-based compensation plans (Note 14)	**—**	**1.3**	**—**	**—**	**1.3**
Dividends declared	**—**	**—**	**(53.1)**	**—**	**(53.1)**
March 31, 2018	**4,658.5**	**23.2**	**(1,009.6)**	**(0.2)**	**3,671.9**

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 months ended March 31

(Cdn$ millions)	**2018**	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**54.9**	142.5
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	**46.1**	(110.1)
Accretion of asset retirement obligations (Note 9)	**3.6**	3.2
Depletion, depreciation, amortization and impairment (Note 7)	**126.1**	113.5
Exploration and evaluation (Notes 3 and 6)	**0.7**	—
Unrealized loss (gain) on foreign exchange	**26.9**	(7.7)
Gain on disposal of petroleum and natural gas properties	**(80.1)**	—
Deferred tax	**22.1**	35.5
Other (Note 16)	**0.7**	0.3
Net change in other liabilities (Note 16)	**(6.0)**	(21.0)
Change in non-cash working capital (Note 16)	**4.6**	35.3
Cash flow from operating activities	**199.6**	191.5
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of senior notes	**(13.0)**	(13.4)
Issuance of common shares	**—**	0.1
Cash dividends paid	**(53.1)**	(50.0)
Cash flow used in financing activities	**(66.1)**	(63.3)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of petroleum and natural gas properties (Note 7)	**(0.2)**	(0.2)
Disposal of petroleum and natural gas properties (Note 7)	**98.3**	—
Property, plant and equipment development expenditures (Note 7)	**(169.1)**	(245.0)
Exploration and evaluation asset expenditures (Note 6)	**(45.2)**	(15.3)
Net reclamation fund withdrawals	**1.2**	1.9
Change in non-cash working capital (Note 16)	**19.2**	98.4
Cash flow used in investing activities	**(95.8)**	(160.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**37.7**	(32.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**220.2**	222.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	**257.9**	190.2
The following are included in cash flow from operating activities:		
Income taxes paid in cash	**9.2**	8.2
Interest paid in cash	**14.8**	15.4

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, 2017. 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, 2017. 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 as noted in Note 3 "Changes in Accounting Policies", and 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, 2017, except as noted in Note 4 "Management Judgments and Estimation Uncertainty".

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 May 2, 2018.

3. CHANGES IN ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

Effective January 1, 2018, ARC retrospectively adopted IFRS 15. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

ARC principally generates revenue from the sale of commodities, which include crude oil, natural gas, condensate and natural gas liquids ("NGLs"). Revenue associated with the sale of commodities is recognized when control is transferred from ARC to its customers. ARC's commodity sale contracts represent a series of distinct transactions. ARC considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- ARC has transferred title and physical possession of the commodity to the buyer;
- ARC has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- ARC has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for ARC's commodity sales contracts are on the 25th of the month following delivery. ARC does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, ARC does not adjust its revenue transactions for the time value of money.

Revenue represents ARC's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

ARC enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

Contract modifications with ARC's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

At times, ARC may exchange like commodities with other entities to facilitate ARC's sales to its customers. These non-monetary exchanges lack commercial substance and do not give rise to separate recognition of revenue and expense items in the statements of income.

In its retrospective adoption of IFRS 15, ARC applied a practical expedient that allows ARC to avoid re-considering the accounting for any sales contracts that were completed prior to January 1, 2017 and were previously accounted for under IAS 18.

The adoption of IFRS 15 did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017. Additional disclosures regarding ARC's reported revenue from contracts with customers as required by IFRS 15 for the periods ended March 31, 2018 and 2017 are included in Note 13 "Commodity Sales from Production".

In conjunction with the Company's adoption of IFRS 15, the Company completed a review of the financial statement presentation of its marketing and revenue transactions. At times, ARC purchases commodity products from third parties to fulfill sales commitments and to utilize in blending activities; ARC subsequently sells these products to its customers. It was determined that the margins derived from these transactions which have previously been presented on a net basis within revenue are more appropriately presented as separate revenue and expense items. Prior period comparative figures have been reclassified in these condensed interim consolidated statements of income ("the statements of income") for comparability with the current period presentation for these items. There is no resultant impact on the net income, comprehensive income, cash flow, or financial position of the Company from this change. The effect of the reclassification on the prior period is presented below:

	Three Months Ended March 31, 2017
Decrease in Sales of crude oil, natural gas, condensate, NGLs and other income [1]	(0.6)
Increase in Sales of commodities purchased from third parties	28.0
Increase in Commodities purchased from third parties	27.4
Net income (loss)	—

((1) Refers to previous presentation in the consolidated statements of income.

In its review, ARC also determined that certain income-generating transactions had been presented within operating expense and general and administrative ("G&A") expense and are more appropriately presented as other income. Prior period comparative figures have been reclassified in the statements of income for comparability with the current period presentation for these items. There is no resultant impact on the net income, comprehensive income, cash flow or financial position of the Company from this change. The effect of the reclassification on the prior period is presented below:

	Three Months Ended March 31, 2017
Increase in Other income [1]	1.3
Increase in Operating expense	1.1
Increase in G&A	0.2
Net income (loss)	—

(1) Other income was previously presented as Sales of crude oil, natural gas, condensate, NGLs and other income in the consolidated statements of income.

IFRS 9 *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, ARC retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017.

Classification and Measurement of FInancial Instruments
ARC measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets is determined by the context of ARC's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into three categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). ARC does not employ hedge accounting for its risk management contracts currently in place.

Amortized Cost
ARC classifies its cash and cash equivalents, short-term investments, accounts receivable and accrued liabilities, dividends payable, and long-term debt as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying values of ARC's cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and dividends payable approximate their fair values.

FVTOCI
ARC classifies its reclamation fund assets as measured at FVTOCI as the contractual cash flows received from the debt instruments are solely payments of principal and interest and are held within a business model whose objective is both to hold the financial assets to collect the contractual cash flows as well as to sell the financial assets. Financial assets measured at FVTOCI are subsequently measured at fair value with changes in fair value recognized in OCI, net of tax. Transaction costs related to the purchase of financial assets measured at FVTOCI, as well as interest, impairment and foreign currency gains or losses are recognized in the statements of income and all other gains or losses are recognized in OCI. Upon derecognition of the financial asset, amounts in OCI are reclassified to the statements of income.

FVTPL
ARC classifies its risk management contracts as measured at FVTPL. All of ARC's risk management contracts currently in place are derivatives and are therefore measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statements of income. ARC does not have any financial assets or financial liabilities designated as measured at FVTPL.

The adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. The classification of cash and cash equivalents and short-term investments were the only instruments with changes in their classification. There is no difference in the measurement of these instruments under IFRS 9 due to the short-term and liquid nature of these financial assets. The following table summarizes the classification categories for ARC's financial assets and liabilities by financial statement line item under the superseded IAS 39 standard and the newly adopted IFRS 9.

Financial Assets	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Held-for-trading (FVTPL)	Amortized cost
Short-term investments	Held-for-trading (FVTPL)	Amortized cost
Accounts receivable	Loans and receivables (Amortized cost)	Amortized cost
Risk management contracts	Held-for-trading (FVTPL)	FVTPL
Reclamation fund	Available-for-sale (FVTOCI)	FVTOCI
Financial Liabilities	**IAS 39**	**IFRS 9**
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)	Amortized cost
Dividends payable	Other financial liabilities (Amortized cost)	Amortized cost
Risk management contracts	Held-for-trading (FVTPL)	FVTPL
Long-term debt	Other financial liabilities (Amortized cost)	Amortized cost

Impairment of Financial Assets

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, ARC's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable. The assets in ARC's reclamation fund are considered to have low credit risk and 12 months of ECLs is recognized against these instruments upon initial recognition. ARC's cash and cash equivalents and short-term investments consist of cash and guaranteed investment certificates. ECL allowances have not been recognized for these financial assets due to the virtual certainty associated with their collectability.

Within ARC's accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. Lifetime ECLs are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to ARC and the cash flows the Company expects to receive. In making an assessment as to whether ARC's financial assets are credit-impaired, the Company considers bad debts that ARC has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within G&A expense in the statements of income.

Based on industry experience, the Company considered financial assets to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of collection pursuits outweigh the benefits of collection, ARC derecognizes the gross carrying amount of the asset and the associated allowance from the balance sheet.

There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9. Additional disclosure related to ARC's financial assets required by IFRS is included in Note 5 "Financial Assets and Credit Risk".

Exploration and Evaluation (“E&E") Assets:

On January 1, 2018, ARC made a change, on a retrospective basis, to its accounting policies for E&E assets to reflect the following:

E&E costs are capitalized until the technical feasibility and commercial viability, or otherwise, of the relevant projects have been determined. Technical feasibility and commercial viability of E&E assets is dependent upon the assignment of a sufficient amount of economically recoverable reserves relative to the estimated potential resources available and available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals. E&E costs may include costs of seismic and land acquisitions, technical services and studies, exploratory drilling and testing, and the estimate of any asset retirement costs. Costs incurred prior to obtaining the legal right to explore are expensed as incurred. ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. These operating results are recognized in the consolidated statements of income (the "statements of income”). A depletion charge, recognized as E&E expenses, is recognized on these wells using a unit-of-production method based on:

(a) Total estimated proved and probable reserves calculated in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities;
(b) Total capitalized cost plus estimated future development costs of proved and probable reserves, including future estimated asset retirement costs, excluding costs of any associated undeveloped land; and
(c) Relative volumes of petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Non-producing assets classified as E&E are not depleted.

When a project classified as E&E is determined to be technically feasible and commercially viable, the relevant cost is transferred from E&E to development and production assets which are classified as PP&E on the consolidated balance sheets (the “balance sheets”). The relevant assets are assessed for impairment prior to any such transfer. If a decision not to continue an E&E project is made by Management, all associated costs are charged to the statements of income in E&E expenses at that time.

There is no impact on the net income, comprehensive income, cash flow or financial position of the Company in prior periods as a result of this change.

FUTURE ACCOUNTING POLICIES

IFRS 16 *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. IFRS 16 requires the recognition of lease assets and liabilities on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets can be exempt from the balance sheet recognition requirements, and may continue to be treated as operating leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases with the resultant accounting remaining essentially unchanged from IAS 17.

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 adopting IFRS 15. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. IFRS 16 will be applied by ARC on January 1, 2019. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on ARC's financial statements.

4. MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

On January 1, 2018, ARC conducted an analysis of its cash generating units ("CGUs") to determine if their composition was still reflective of ARC's core asset base and internal asset management. Following the analysis, it was determined that the original CGUs that were created on transition to IFRS no longer appropriately reflect ARC's current asset base for purposes of determining impairment. The divestment of several non-core properties and continued growth and development in concentrated areas has resulted in ARC’s asset base primarily comprising Montney assets in British Columbia and Cardium assets in Alberta. ARC's marketing and infrastructure strategy demonstrates significant interdependence of ARC's properties and effective January 1, 2018 ARC's CGUs were realigned into three CGUs: Northeast British Columbia ("NEBC"), Northern Alberta ("NAB" which includes Pembina) and Redwater. At the time of realignment, ARC estimated the recoverable amounts of its new CGUs and compared them to the recoverable amounts of its previous CGUs and the respective carrying amounts and noted that no asset impairment or reversal of impairment would arise as a result of the realignment.

ARC performed an evaluation of indicators of potential impairment or reversal of impairment at March 31, 2018 as a result of decreases in the outlook of future natural gas prices since the time of the last impairment test on ARC's CGUs was conducted at June 30, 2017. ARC conducted tests of impairment on ARC's NAB and NEBC CGUs. The impairment test did not result in any impairment charges or recoveries being recognized on ARC's development and production assets.

The estimated recoverable amounts incorporated 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, 2017, updated using forward commodity price estimates at April 1, 2018 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, as well as the fair value of undeveloped land based on estimates provided by ARC’s independent land evaluator at December 31, 2017. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years. 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 10.0 per cent, depending on the resource composition of the assets in the CGU and an inflation rate of two per cent.

	Edmonton Light Crude Oil	WTI Oil	AECO Gas	NYMEX HH Gas	Cdn$/US$
Year	**(Cdn$/bbl)** (1,2)	**(US$/bbl)** (1,2)	**(Cdn$/MMbtu)** (1,2)	**(US$/MMBtu)** (1,2)	**Exchange Rates** (1,2)
2018	75.31	63.67	2.17	2.81	0.78
2019	75.95	64.00	2.39	2.90	0.79
2020	76.25	65.00	2.72	3.20	0.80
2021	77.16	66.50	3.07	3.50	0.81
2022	79.27	69.00	3.34	3.70	0.82
2023	81.33	71.50	3.44	3.86	0.83
2024	84.34	74.00	3.51	3.94	0.83
2025	87.35	76.50	3.58	4.02	0.83
2026	90.47	79.09	3.66	4.10	0.83
2027	92.37	80.67	3.73	4.18	0.83
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.83

(1) Source: GLJ Petroleum Consultants price forecast, effective April 1, 2018.
(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 11 for information on fair value hierarchy classifications.

The results of the impairment and impairment reversal tests performed 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.

Although no impairment or reversal of impairment was recognized on ARC's development and production assets for the three months ended March 31, 2018, 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 calculated 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. There would be no impairment or reversal of impairment for the remaining CGUs.

	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 (impairment) (net of tax)	(58.4)	59.9	(57.7)	51.1

5. FINANCIAL ASSETS AND CREDIT RISK

Credit risk is the risk of financial loss to ARC if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. ARC is exposed to credit risk with respect to its short-term investments, accounts receivable, reclamation fund assets and risk management contracts. However, default risk is considered very low for all of the Company's financial instruments due to the external credit ratings of its counterparties and ARC's processes for selecting and monitoring credit-worthy counterparties. Most of ARC's accounts receivable relate to crude oil and liquids and natural gas sales and are subject to typical industry credit risks. At March 31, 2018, 87 per cent of ARC's accounts receivable were for commodity sales (78 per cent at December 31, 2017), of which approximately 80 per cent (approximately 82 percent at December 31, 2017) were with customers who were considered to be investment-grade. (Refer to Note 10 "Capital Management" which discusses ARC's capital management objectives and policies.) ARC manages its credit risk as follows:

- by entering into sales contracts with only established, credit-worthy counterparties as verified by a third-party rating agency, through internal evaluation or by requiring security such as letters of credit or parental guarantees;
- by limiting exposure to any one counterparty in accordance with ARC's credit policy;
- by restricting cash equivalent investments, reclamation fund investments, and risk management transactions to counterparties that are not less than investment grade; and
- by subjecting all counterparties to regular credit reviews.

The majority of the credit exposure on accounts receivable at March 31, 2018 pertains to accrued sales revenue for March 2018 production volumes. ARC transacts with a number of crude oil and natural gas marketing companies and commodity end users ("commodity purchasers"), substantially all of which have investment-grade credit ratings. Commodity purchasers and marketing companies typically remit amounts to ARC by the 25th day of the month following production. Joint interest receivables are typically collected within one to three months following production.

At March 31, 2018, ARC had one external customer that constituted more than 10 percent of commodity sales from production. Sales to this customer were $39.7 million for the three months ended March 31, 2018.

ARC's allowance for doubtful accounts was $0.1 million as at March 31, 2018 ($0.1 million as at December 31, 2017). During the three months ended March 31, 2018, ARC recognized $0.1 million of expected credit loss in the statements of income ($nil for the three months ended March 31, 2017).

When determining whether amounts that are past due are collectible, Management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. ARC considers all amounts greater than 90 days to be past due, at which point significant increase in credit risk exists. At March 31, 2018, $0.7 million of accounts receivable are past due, the balance of which are considered to be collectible ($5.7 million at December 31, 2017). The lifetime ECL allowances related to ARC's commodity product sales receivables and joint venture receivables recognized in accounts receivable, as well as the 12-month expected credit loss allowance for reclamation fund assets were nominal as at and for the periods ended March 31, 2018 and 2017.

ARC's accounts receivable were aged as follows at March 31, 2018:

Accounts Receivable Aging	March 31, 2018	December 31, 2017
Current (less than 30 days)	**124.1**	125.9
31 - 60 days	**0.5**	1.1
61 - 90 days	**—**	—
Past due (more than 90 days)	**0.7**	5.7
December 31, 2017	**125.3**	132.7

Maximum credit risk is calculated as the total recorded value of accounts receivable, short-term investments, reclamation fund assets, and risk management contracts at the balance sheet date.

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

Carrying Amount	
Balance, December 31, 2017	418.9
Additions	**45.2**
Exploration and evaluation expenses	**(0.7)**
Change in asset retirement cost	**0.3**
Balance, March 31, 2018	**463.7**

At March 31, 2018, 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.

Depletion of $0.7 million on certain producing E&E assets has been recognized in E&E expenses for the three months ended March 31, 2018 (nil for the three months ended March 31, 2017).

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

Cost	Development and Production Assets	Administrative Assets	Total
Balance, December 31, 2017	7,719.1	73.2	7,792.3
Additions	**168.6**	**0.6**	**169.2**
Acquisitions	**0.2**	**—**	**0.2**
Change in asset retirement cost	**(6.1)**	**—**	**(6.1)**
Assets reclassified as held for sale	**(3.5)**	**—**	**(3.5)**
Other	**0.1**	**—**	**0.1**
Balance, March 31, 2018	**7,878.4**	**73.8**	**7,952.2**
Accumulated Depletion, Depreciation and Amortization ("DD&A") and Impairment			
Balance, December 31, 2017	(3,193.9)	(45.3)	(3,239.2)
DD&A	**(124.3)**	**(1.4)**	**(125.7)**
Accumulated DD&A and impairment reclassified as held for sale and disposed in period	**(3.8)**	**—**	**(3.8)**
Other	**(0.1)**	**—**	**(0.1)**
Balance, March 31, 2018	**(3,322.1)**	**(46.7)**	**(3,368.8)**
Carrying Amounts			
Balance, December 31, 2017	4,525.2	27.9	4,553.1
Balance, March 31, 2018	**4,556.3**	**27.1**	**4,583.4**

For the three months ended March 31, 2018, $7.9 million of direct and incremental G&A expenses were capitalized to PP&E ($7.3 million for the three months ended March 31, 2017). At March 31, 2018, future development costs of $3.2 billion were included in the determination of DD&A for the three months ended March 31, 2018 ($2.8 billion at March 31, 2017).

Assets held for sale	
Balance, December 31, 2017	301.1
Additions	**7.3**
Impairment	**(0.4)**
Disposals	**(53.4)**
Balance, March 31, 2018	**254.6**

The assets held for sale had associated liabilities of $183.2 million at March 31, 2018 ($219.7 million at December 31, 2017), consisting of related asset retirement obligations ("ARO"). The assets held for sale are expected to be divested in 2018.

During the three months ended March 31, 2018, ARC disposed of certain non-core assets located in Alberta for net proceeds of $8.9 million, subject to post-closing adjustments. These assets were classified as held for sale at December 31, 2017. Immediately prior to classifying the assets as held for sale, ARC conducted a review of the assets' recoverable amounts and recognized an impairment charge of $2.8 million in DD&A and impairment in the statements of income for the year ended December 31, 2017. A further impairment charge of $0.4 million was recognized in DD&A and impairment in the statements of income for the three months ended March 31, 2018.

Also during the three months ended March 31, 2018, ARC disposed of certain non-core assets located in British Columbia for net proceeds of $90.9 million. A gain on disposition of $79.2 million was recorded in the statements of income for the three months ended March 31, 2018.

8. LONG-TERM DEBT

	US $ Denominated		**Canadian $ Amount**	
	March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
Senior notes				
Master Shelf Agreement				
4.98% US$ note	**10.0**	20.0	**12.9**	25.0
3.72% US$ note	**150.0**	150.0	**193.5**	187.8
2009 note issuance				
8.21% US$ note	**28.0**	28.0	**36.1**	35.1
2010 note issuance				
5.36% US$ note	**150.0**	150.0	**193.5**	187.8
2012 note issuance				
3.31% US$ note	**48.0**	48.0	**62.0**	60.1
3.81% US$ note	**300.0**	300.0	**387.0**	375.5
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**686.0**	696.0	**925.0**	911.3
Long-term debt due within one year			**76.1**	73.9
Long-term debt due beyond one year			**848.9**	837.4

At March 31, 2018, the fair value of all senior notes is $916.6 million ($922.1 million as at December 31, 2017), compared to a carrying value of $925.0 million ($911.3 million as at December 31, 2017). At March 31, 2018, ARC was in compliance with all of its debt covenants.

9. ASSET RETIREMENT OBLIGATIONS

ARC has estimated the net present value of its total ARO to be $396.3 million as at March 31, 2018 ($402.8 million at December 31, 2017) based on a total future undiscounted liability of $963.6 million ($1,075.8 million at December 31, 2017). Management estimates that these payments are expected to be made over the next 60 years with the majority of payments being made in years 2067 to 2078. The Bank of Canada's long-term risk-free bond rate of 2.2 per cent (2.3 per cent at December 31, 2017) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2017) were used to calculate the present value of ARO at March 31, 2018.

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

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Balance, beginning of period	402.8	378.9
Development activities	**1.4**	10.5
Change in estimates [(1)]	**(13.9)**	50.6
Change in discount rate	**6.3**	19.5
Settlement of obligations	**(5.6)**	(19.8)
Accretion	**3.6**	13.1
Acquisitions and business combinations	**0.4**	—
Dispositions	**(0.5)**	(1.4)
Reclassified as liabilities associated with assets held for sale	**1.8**	(48.6)
Balance, end of period	**396.3**	402.8
Expected to be incurred within one year	**16.0**	16.0
Expected to be incurred beyond one year	**380.3**	386.8

(1) Relates to changes in costs of future obligations and anticipated settlement dates of ARO.

10. 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 March 31, 2018, ARC's net debt was 0.9 times its annualized funds from operations.

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, 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 actual settlements of ARO, the extent and timing of which, in the opinion of Management, is discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Funds from operations for the three months ended March 31, 2018 and 2017 is calculated as follows:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Funds from operations	**201.0**	177.2
Net change in other liabilities (Note 16)	**(6.0)**	(21.0)
Change in non-cash operating working capital (Note 16)	**4.6**	35.3
Cash flow from operating activities	**199.6**	191.5

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.

	March 31, 2018	March 31, 2017
Long-term debt (1)	**925.0**	1,005.0
Accounts payable and accrued liabilities	**186.0**	254.9
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(400.7)**	(776.2)
Net debt	**728.0**	501.4
Shares outstanding (millions) (2)	**353.5**	353.4
Share price ($) (3)	**14.04**	19.00
Market capitalization	**4,963.1**	6,714.6
Net debt	**728.0**	501.4
Total capitalization	**5,691.1**	7,216.0
Net debt as a percentage of total capitalization (%)	**12.8**	6.9
Net debt to funds from operations (ratio)	**0.9**	0.7

(1) Includes current portion of long-term debt at March 31, 2018 and 2017 of $76.1 million and $51.1 million, respectively.
(2) Basic shares outstanding as at March 31, 2018 and 2017, respectively.
(3) TSX closing price as at March 31, 2018 and 2017, respectively.

11. 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 8 "Long-Term Debt". 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. Adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. The classification of cash and cash equivalents and short-term investments were the only instruments with changes in their financial asset measurement categories under the new standard. See Note 3 "Changes in Accounting Policies" for details of the impact of the adoption of these accounting policies on the financial statements.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their fair values due to the short-term nature of these instruments.

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 includes an assessment of the associated credit risk based on counterparty risk and own credit risk for the net amounts payable or receivable. Therefore, the fair value is measured 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 March 31, 2018 and December 31, 2017:

	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 March 31, 2018					
Risk management contracts					
Current asset	**169.6**	**(60.8)**	**108.8**	**(0.6)**	**108.2**
Long-term asset	**155.0**	**(12.7)**	**142.3**	**(0.8)**	**141.5**
Current liability	**(61.8)**	**60.8**	**(1.0)**	**—**	**(1.0)**
Long-term liability	**(12.7)**	**12.7**	**—**	**—**	**—**
Net position	**250.1**	**—**	**250.1**	**(1.4)**	**248.7**
As at December 31, 2017					
Risk management contracts					
Current asset	178.1	(30.8)	147.3	(0.7)	146.6
Long-term asset	156.9	(7.7)	149.2	(0.8)	148.4
Current liability	(30.8)	30.8	—	—	—
Long-term liability	(7.9)	7.7	(0.2)	—	(0.2)
Net position	296.3	—	296.3	(1.5)	294.8

Risk Management Contracts

The following table summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at March 31, 2018. Risk management contract premiums are not included in the table below and have been disclosed as commitments in Note 15 "Commitments and Contingencies".

Risk Management Contracts Positions Summary [(1)]

As at March 31, 2018	Apr-Dec 2018		2019		2020		2021		2022		2023	
Crude Oil – WTI [(2)]	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	65.39	4,000	65.63	2,000	—	—	—	—	—	—	—	—
Floor	50.00	4,000	50.00	2,000	—	—	—	—	—	—	—	—
Sold Floor	40.00	4,000	40.00	2,000	—	—	—	—	—	—	—	—
Swap	54.00	2,000	57.20	4,000	—	—	—	—	—	—	—	—
Crude Oil – Cdn$ WTI [(3)]	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day
Ceiling	76.25	2,000	—	—	—	—	—	—	—	—	—	—
Floor	65.00	2,000	—	—	—	—	—	—	—	—	—	—
Swap	72.10	12,000	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/ day)		**20,000**		**14,000**		**—**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) [(4)]	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Swap	(3.38)	7,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub [(5)]	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	3.64	80,000	3.35	80,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—
Floor	3.00	80,000	2.75	80,000	2.75	50,000	2.75	50,000	2.50	25,000	—	—
Sold Floor	2.50	80,000	2.25	80,000	2.25	50,000	2.25	50,000	—	—	—	—
Swap	4.00	90,000	4.00	40,000	—	—	—	—	—	—	—	—
Natural Gas – AECO [(6)]	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	—	—	3.30	10,000	3.60	30,000	—	—	—	—	—	—
Floor	—	—	3.00	10,000	3.08	30,000	—	—	—	—	—	—
Swap	2.96	40,000	3.16	20,000	3.35	30,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**207,913**		**148,435**		**106,869**		**50,000**		**25,000**		**—**
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	AECO/ NYMEX	MMBtu/ day
Sold Swap	84.7	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$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.87)	91,127	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Total AECO Basis Volumes(MMBtu/day)		**181,127**		**160,959**		**98,361**		**34,192**		**—**		**—**
Natural Gas - Other Basis (Differential to NYMEX) [(7)]		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day
Sold Swap		—		40,000		60,000		60,000		50,000		9,918
Foreign Exchange [(8)]	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total	Cdn$/ US$	US$ Millions Total
Average Rate Forward	—	—	1.2907	21	—	—	—	—	—	—	—	—

(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 Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.
(4) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis in US$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) Natural gas prices referenced to AECO 7A Monthly Index.
(7) ARC has entered into basis swaps at locations other than AECO.
(8) Cdn$/US$ referenced to WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.

12. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Three Months Ended March 31, 2018**	Year Ended December 31, 2017
Common shares, beginning of period	**353,462**	353,287
Restricted shares issued pursuant to the LTRSA (1) Plan	**—**	128
Forfeited restricted shares pursuant to the LTRSA Plan	**—**	(22)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	**—**	(106)
Dividend Reinvestment Plan	**—**	129
Stock Dividend Program	**—**	16
Issued on exercise of share options	**—**	30
Common shares, end of period	**353,462**	353,462

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

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

(thousands of shares)	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Weighted average common shares	**353,462**	353,364
Dilutive impact of share-based compensation (1)	**300**	374
Weighted average common shares, diluted	**353,762**	353,738

(1) For the three months ended March 31, 2018, 4.6 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (3.1 million for the three months ended March 31, 2017).

Dividends declared for the three months ended March 31, 2018 were $0.15 per common share, ($0.15 for the three months ended March 31, 2017).

On April 16, 2018, 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 April 30, 2018. The dividend payment date is May 15, 2018.

13. COMMODITY SALES FROM PRODUCTION

ARC derives its revenue from contracts with customers primarily through the transfer of commodities at a point in time representing the following major product types:

	Three Months Ended March 31	
Commodity sales from production, by product	**2018**	2017
Crude oil	**156.6**	132.8
Condensate	**38.4**	26.1
Natural gas	**127.3**	138.4
NGLs	**17.9**	9.1
Total commodity sales from production	**340.2**	306.4

At March 31, 2018, receivables from contracts with customers, which are included in accounts receivable, were $108.7 million ($78.1 million at March 31, 2017).

14. 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 three months ended March 31, 2018:

(number of units, thousands)	RSUs	PSUs (1)	DSUs
Balance, December 31, 2017	780	1,912	481
Granted	**323**	**683**	**42**
Distributed	**(182)**	**(461)**	**—**
Forfeited	**(25)**	**(20)**	**—**
Balance, March 31, 2018	**896**	**2,114**	**523**

(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 March 31, 2018	Three Months Ended March 31, 2017
G&A (recoveries) (1)	**5.0**	(5.5)
Operating (recoveries)	**0.5**	(0.1)
PP&E (recoveries)	**0.2**	(0.7)
Total compensation charges	**5.7**	(6.3)
Cash payments	**8.1**	11.2

(1) Within G&A, a recovery of $1.1 million is related to the DSU Plan for the three months ended March 31, 2018 (expenses of $1.1 million for the three months ended March 31, 2017).

At March 31, 2018, $11.4 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet ($13.5 million at December 31, 2017) and $17.1 million was included in the long-term incentive compensation liability ($17.5 million at December 31, 2017). A recoverable amount of $0.3 million was included in accounts receivable at March 31, 2018 ($0.3 million at December 31, 2017).

Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2018 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2017	4,893	19.47
Forfeited	**(40)**	**19.35**
Expired	**(293)**	**19.96**
Balance, March 31, 2018	**4,560**	**19.28**
Exercisable, March 31, 2018	**954**	**16.70**

The following table summarizes information regarding share options outstanding at March 31, 2018:

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 ($)**
14.55 - 20.00	2,778	16.81	4.38	701	14.55
20.01 - 25.00	1,356	21.05	4.12	253	21.23
25.01 - 29.99	426	29.69	3.22	—	—
Total	4,560	19.28	4.19	954	16.70

ARC recorded compensation expense of $1.0 million relating to the share option plan for the three months ended March 31, 2018 ($0.7 million for the three months ended March 31, 2017). During the three months ended March 31, 2018, $0.1 million of share option compensation charges were capitalized to PP&E ($0.1 million for the three months ended March 31, 2017).

LTRSA Plan
The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2018 were as follows:

	LTRSA (number of units, thousands)	**Fair Value per Restricted Share ($)**
Balance, December 31, 2017	299	19.23
Granted	**2**	**13.17**
Balance, March 31, 2018	**301**	**19.19**

ARC recorded G&A expenses of $0.2 million relating to the LTRSA Plan during the three months ended March 31, 2018 ($0.1 million for the three months ended March 31, 2017).

15. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2018:

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments (1)	76.1	211.8	311.5	325.6	925.0
Interest payments (2)	38.1	63.3	38.3	18.1	157.8
Reclamation fund contributions (3)	3.0	5.7	5.3	39.6	53.6
Purchase commitments	28.0	3.8	—	—	31.8
Transportation commitments	104.2	217.4	229.9	602.9	1,154.4
Operating leases	16.0	29.1	27.5	13.7	86.3
Risk management contract premiums (4)	0.4	0.4	—	—	0.8
Total contractual obligations and commitments	**265.8**	**531.5**	**612.5**	**999.9**	**2,409.7**

(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.

16. 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 March 31, 2018	Three Months Ended March 31, 2017
Operating	**9.3**	10.2
G&A	**17.4**	12.1
Total employee compensation expenses	**26.7**	22.3

Cash Flow Statement Presentation

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

Change in Non-Cash Working Capital	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Accounts receivable	**7.4**	41.1
Accounts payable and accrued liabilities	**15.8**	93.1
Prepaid expenses	**0.6**	1.3
Short-term investments	**—**	(1.8)
Total	**23.8**	133.7
Relating to:		
Operating activities	**4.6**	35.3
Investing activities	**19.2**	98.4
Total change in non-cash working capital	**23.8**	133.7

Other Non-Cash Items	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Other deferred liabilities	**(0.5)**	(0.4)
Gain on short-term investments	**—**	(0.1)
Share-based compensation expense	**1.2**	0.8
Total other non-cash items	**0.7**	0.3

Net Change in Other Liabilities	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Long-term incentive compensation liability	**(0.4)**	(11.1)
Risk management contracts	**—**	(0.8)
ARO settlements	**(5.6)**	(9.1)
Total net change in other liabilities	**(6.0)**	(21.0)

Reconciliation of Financing Liabilities Arising from Financing Activities

The following table provides a detailed breakdown of the cash and non-cash changes in financing liabilities arising from financing activities:

Financing Liabilities	December 31, 2017	**Cash Flows**	**Reclassified to Current**	**Unrealized Foreign Exchange Gain**	**March 31, 2018**
Current portion of long-term debt	73.9	**(13.0)**	**13.0**	**2.2**	**76.1**
Long-term debt	837.4	**—**	**(13.0)**	**24.5**	**848.9**
Total financial liabilities from financing activities	911.3	**(13.0)**	**—**	**26.7**	**925.0**

	December 31, 2016	Cash Flows	Reclassified to Current	Unrealized Foreign Exchange Loss	March 31, 2017
Current portion of long-term debt	51.5	(13.4)	13.4	(0.4)	51.1
Long-term debt	974.5	—	(13.4)	(7.2)	953.9
Total financial liabilities from financing activities	1,026.0	(13.4)	—	(7.6)	1,005.0

Corporate & Shareholder Information

DIRECTORS

Harold N. Kvisle
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

David R. Collyer (1) (2)

John P. Dielwart (2) (3)

Fred J. Dyment (3) (4)

James C. Houck (2) (3)

Kathleen O'Neill (4) (5)

Herbert C. Pinder Jr. (1) (4)

William G. Sembo (1) (5)

Nancy L. Smith (3) (5)

(1) Member of Human Resources and Compensation Committee
(2) Member of Safety, Reserves and Operational Excellence Committee
(3) Member of Risk Committee
(4) Member of Policy and Board Governance Committee
(5) 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
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November 8, 2018
Q3 2018 Results

November 12, 2018
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