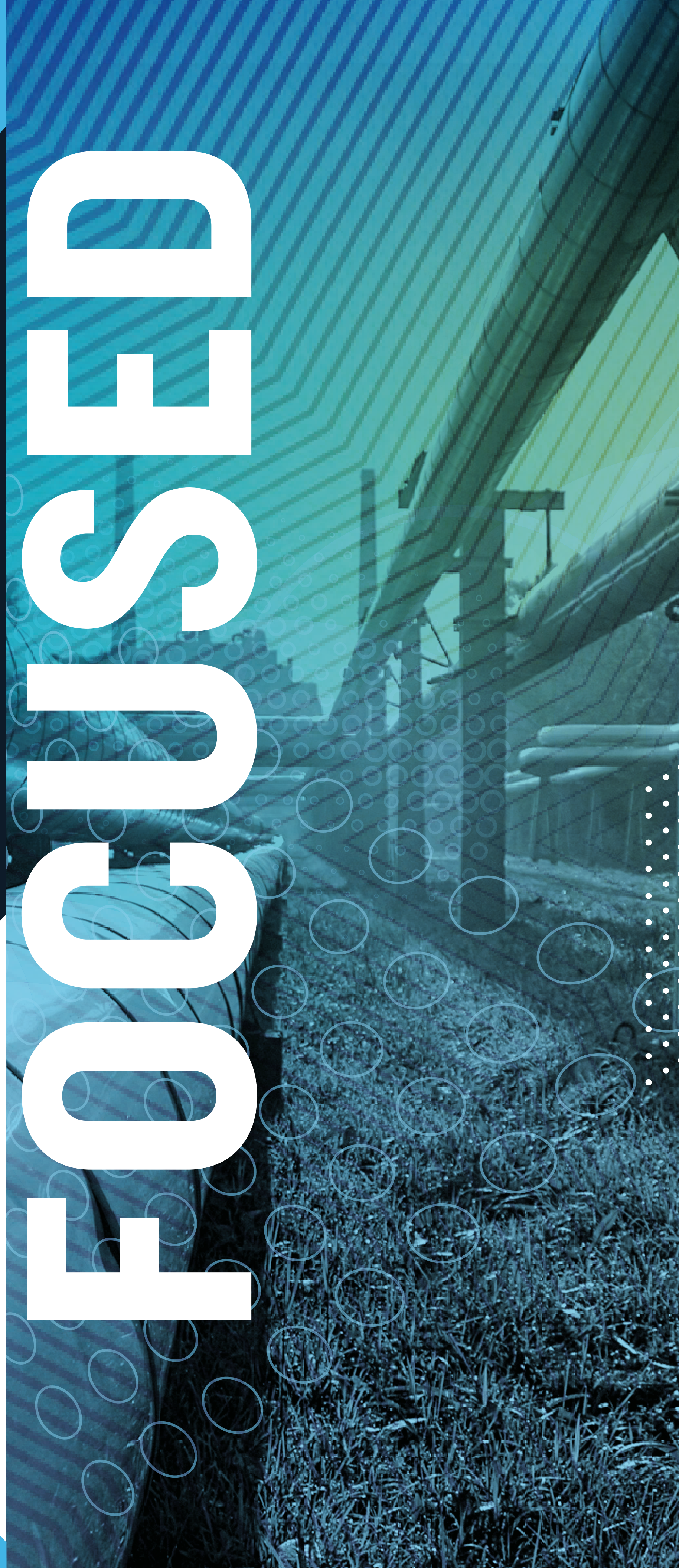
SECOND
QUARTER
REPORT
2018



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			Six Months Ended	
	March 31, 2018	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
FINANCIAL					
(Cdn$ millions, except per share and boe amounts and shares outstanding)					
Net income (loss)	54.9	**(45.9)**	124.0	**9.0**	266.5
Per share (1)	0.16	**(0.13)**	0.35	**0.03**	0.75
Funds from operations (2)	201.0	**204.4**	169.8	**405.4**	347.0
Per share (1)	0.57	**0.58**	0.48	**1.15**	0.98
Dividends	53.1	**53.1**	53.1	**106.2**	106.2
Per share (1)	0.15	**0.15**	0.15	**0.30**	0.30
Capital expenditures, before land and net property acquisitions (dispositions)	213.7	**164.8**	151.0	**378.5**	406.2
Total capital expenditures, including land and net property acquisitions (dispositions)	116.3	**164.1**	165.8	**280.4**	426.4
Net debt outstanding (2)	728.0	**757.0**	527.4	**757.0**	527.4
Shares outstanding, weighted average diluted	353.8	**353.5**	353.8	**353.8**	353.8
Shares outstanding, end of period	353.5	**353.5**	353.4	**353.5**	353.4
OPERATING					
Production					
Crude oil (bbl/d)	25,037	**24,893**	23,813	**24,965**	23,921
Condensate (bbl/d)	5,505	**6,960**	4,253	**6,236**	4,378
Natural gas (MMcf/d)	564.9	**537.9**	483.9	**551.3**	490.0
NGLs (bbl/d)	6,332	**6,380**	4,691	**6,356**	4,294
Total (boe/d) (3)	131,016	**127,879**	113,410	**129,439**	114,265
Average realized prices, prior to gains or losses on risk management contracts (4)					
Crude oil ($/bbl)	69.50	**78.57**	59.53	**74.05**	60.47
Condensate ($/bbl)	77.42	**85.10**	60.38	**81.73**	62.39
Natural gas ($/Mcf)	2.50	**1.91**	2.99	**2.21**	3.04
NGLs ($/bbl)	31.39	**32.98**	26.27	**32.20**	26.11
Oil equivalent ($/boe) (3)	28.85	**29.59**	28.59	**29.22**	29.08
Operating netback ($/boe) (3)(4)(5)					
Commodity sales from production	28.85	**29.59**	28.59	**29.22**	29.08
Royalties	(2.45)	**(2.55)**	(2.76)	**(2.50)**	(2.62)
Transportation expenses	(2.61)	**(2.61)**	(2.78)	**(2.61)**	(2.60)
Operating expenses	(6.31)	**(6.50)**	(6.85)	**(6.40)**	(6.86)
Operating netback prior to gain on risk management contracts	17.48	**17.93**	16.20	**17.71**	17.00
Realized gain on risk management contracts	2.43	**2.55**	3.03	**2.49**	2.69
Operating netback including gain on risk management contracts	19.91	**20.48**	19.23	**20.20**	19.69
TRADING STATISTICS (6)					
High price	15.90	**15.25**	19.55	**15.90**	23.70
Low price	11.88	**12.71**	16.23	**11.88**	16.23
Close price	14.04	**13.58**	16.96	**13.58**	16.96
Average daily volume (thousands)	1,406	**1,150**	1,269	**1,276**	1,187

(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) 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.

(4) 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 (loss) for the three and six months ended June 30, 2017.

(5) 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 ARC's MD&A.

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

"ARC's financial and operational performance were excellent in the second quarter of 2018, as we completed major planned facility maintenance while generating strong cash flow. We are executing our capital programs in an exceptional manner as we bring on meaningful projects on schedule and on budget," said Myron Stadnyk, President and CEO. *"ARC has successfully, counter-cyclically added oil-prone lands during the downturn and is aggressively pursuing these development opportunities as we continue our deliberate strategy of creating value per share through profitable growth and dividend payments."*

Highlights of ARC's second quarter 2018 financial and operational results include:

- First half 2018 funds from operations of $1.15 per share has increased 17 per cent from the first half of 2017.
- Delivering second quarter 2018 average daily production of 127,879 boe per day, comprised of 31,853 barrels per day of light oil and condensate, 6,380 barrels per day of NGLs, and 538 MMcf per day of natural gas.
- ARC's average realized price for crude oil was $78.57 per barrel in the second quarter of 2018 with the majority of ARC's liquids production made up of premium light oil and condensate. ARC's physical natural gas diversification activities have increased our exposure to more attractive North American markets and resulted in an average realized price for natural gas of $1.91 per Mcf in the second quarter of 2018. ARC's realized prices do not include the impact of risk management contracts.
- Completing the Attachie battery upgrade, which has increased Attachie's liquids processing capacity to 3,000 barrels per day of condensate. Attachie West is viewed as a leading development opportunity within ARC's portfolio, and commercial development plans are underway in preparation for an upcoming sanctioning decision in the third quarter of 2018.
- Achieving strong light oil and condensate production results at Ante Creek, Attachie, and Tower, and strong liquids-rich natural gas production results in the Lower Montney at Dawson and Parkland. The exceptional well performance in the Lower Montney has created the opportunity to add liquids recovery capabilities at the original Dawson Phase I and II gas processing facility, and strongly supports the Dawson Phase IV gas processing and liquids-handling expansion project which is currently underway.
- With strong initial production results from ARC's commercial demonstration pad at Attachie West and continued success from the Lower Montney, ARC is increasing the high end of its 2018 guidance range for condensate production to 6,500 to 7,500 barrels per day from 6,500 to 7,000 barrels per day.
- Preparing for upcoming commissioning activities at the Sunrise Phase II gas processing facility expansion, which will move volumes from a third-party processing facility to our ARC-owned facility.
- Balance sheet remains very strong, with a net debt to annualized funds from operations ratio of 0.9 times.

ARC is committed to managing a sustainable business and is viewed as a leader in its strong environmental, social, and governance practices. As a means to measure and report on our performance, ARC will be releasing its biennial 2018 Corporate Sustainability Report in August 2018.

STRATEGY OVERVIEW

ARC's strategy of "risk-managed value creation" and its continued focus on profitability and sustainability are at the forefront of ARC's decision-making processes. ARC's strategy revolves around long-term thinking and the pursuit of strong financial returns, technical excellence, and creating strategic control and optionality while managing risk. Safety, environmental, and sustainability leadership are also key to ARC's success.

As ARC moves into its 23^{rd} year of business operations, we have undergone a massive corporate transformation that has successfully set the Company up for continued long-term success. Over 90 per cent of ARC's assets are new since 2010, and these businesses have been built with owned-and-operated infrastructure to serve the Company for many years to come. These new Montney businesses are the result of ARC's technical excellence and have been organically developed with industry-leading low cost structures. The strategic optionality and large, world-class scale of ARC's resource base will allow ARC to commercially develop projects for light oil, condensate, NGLs, and natural gas for the foreseeable future.

At the core of ARC's long-term strategy is the preservation of a strong balance sheet throughout all commodity price cycles. ARC's balance sheet strength has enabled ARC to pursue increased liquids production across its asset portfolio, through the development activities at Attachie West and in the Lower Montney horizon at our Dawson and Parkland fields. Our team's technical excellence has been demonstrated through the ability to execute large-scale projects and improve our capital and operating efficiencies, while advancing our excellent safety and environmental performance.

ARC's depth of projects, leading cost structure, and physical and financial diversification strategies underpin our ability to continuously optimize our capital allocation decisions. ARC is determining specific time lines and funding requirements for our next major development projects, and details will be provided with ARC's 2019 budget release along with our third quarter 2018 results. The successful results of our Attachie pilot project and Lower Montney investments will see capital advance in Attachie West, Dawson, and Parkland. ARC will also invest in our large, Alberta-based light oil opportunities at Ante Creek and Pembina. 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.

(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 ARC's MD&A.

The following economic, financial, and operational reviews provide further details to the above highlights. For additional commentary on ARC's second quarter 2018 financial and operational results, please view the following videos: *"Myron's Minute"*, *"ARC Resources Q2 2018 Financial Review"*, and *"ARC Resources Q2 2018 Operations Review"* available on ARC's website at www.arcresources.com.

ECONOMIC ENVIRONMENT

ARC manages an integrated approach to its physical marketing and financial risk management programs, which is underpinned by a strong understanding of market fundamentals. ARC's senior management team, along with key members of our Financial Risk Management and Physical Marketing teams, meet weekly to monitor, evaluate, and leverage market fundamental analysis to set a view on the outlook for commodity prices to drive decisions across the business. This detailed analysis not only informs ARC's financial hedging and physical marketing strategies, which helps to reduce cash flow volatility and diversify price risk, but also supports ARC's strategic planning and budgeting processes.

In anticipation of weak natural gas fundamentals in western Canada, ARC has physically and financially diversified its realized natural gas price 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.

ARC’s financial and operational results for the three and six months ended June 30, 2018 were impacted by commodity prices and foreign exchange rates. Refer to the sections entitled, *"Economic Environment"* and *"Realized Commodity Prices"* contained within ARC's MD&A.

FINANCIAL REVIEW

Net Income (Loss)

ARC recorded a net loss of \$45.9 million (\$0.13 per share loss) in the second quarter of 2018, and net income of \$9.0 million (\$0.03 per share) in the first half of 2018. Lower earnings in the second quarter of 2018 relative to the first quarter of 2018 and lower earnings in the first half of 2018 relative to the first half of 2017 are primarily attributed to the mark-to-market on ARC's risk management contracts and foreign exchange on the revaluation of ARC's US dollar-denominated debt, which resulted in the recognition of unrealized losses in the period. ARC also recorded gains on the disposal of non-core assets in the first quarter of 2018, whereas no such gains were recorded in the second quarter of 2018. Refer to ARC's statements of income (loss) for the three and six months ended June 30, 2018 and the section entitled, *"Net Income (Loss)"* contained within ARC's MD&A.

Funds from Operations

ARC's second quarter 2018 funds from operations of \$204.4 million (\$0.58 per share) increased \$3.4 million (\$0.01 per share) from first quarter 2018 funds from operations of \$201.0 million (\$0.57 per share). First half 2018 funds from operations of \$405.4 million (\$1.15 per share) increased 17 per cent, on a per share basis, relative to first half 2017 funds from operations of \$347.0 million (\$0.98 per share), with improved oil and liquids pricing and increased production levels contributing to higher funds from operations. 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.

The following table details the change in funds from operations for the three months ended June 30, 2018 relative to the three months ended March 31, 2018 and the change in funds from operations for the six months ended June 30, 2018 relative to the six months ended June 30, 2017.

Funds from Operations Reconciliation (1)(2)	**Q1 2018 to Q2 2018**		**2017 YTD to 2018 YTD**	
	$ millions	$/Share (3)	$ millions	$/Share (3)
Funds from operations for the three months ended March 31, 2018	201.0	0.57		
Funds from operations for the six months ended June 30, 2017			347.0	0.98
Volume variance				
Crude oil and liquids	**11.7**	**0.03**	**42.1**	**0.12**
Natural gas	**(4.9)**	**(0.01)**	**33.7**	**0.10**
Price variance				
Crude oil and liquids	**26.4**	**0.07**	**90.3**	**0.25**
Natural gas	**(29.0)**	**(0.08)**	**(82.9)**	**(0.24)**
Sales of commodities purchased from third parties	**(1.6)**	**—**	**0.9**	**—**
Interest income	**(0.5)**	**—**	**(0.9)**	**—**
Other income	**(0.1)**	**—**	**(0.4)**	**—**
Realized gain on risk management contracts	**1.1**	**—**	**2.6**	**0.01**
Royalties	**(0.8)**	**—**	**(4.3)**	**(0.01)**
Expenses				
Transportation	**0.4**	**—**	**(7.6)**	**(0.02)**
Commodities purchased from third parties	**1.1**	**—**	**(2.6)**	**(0.01)**
Operating	**(1.2)**	**—**	**(8.3)**	**(0.02)**
General and administrative ("G&A")	**4.8**	**0.01**	**(4.0)**	**(0.01)**
Interest	**0.3**	**—**	**2.3**	**0.01**
Current tax	**(4.4)**	**(0.01)**	**(10.0)**	**(0.03)**
Realized gain on foreign exchange	**0.1**	**—**	**7.5**	**0.02**
Funds from operations for the three months ended June 30, 2018	**204.4**	**0.58**		
Funds from operations for the six months ended June 30, 2018			**405.4**	**1.15**

(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 statements of income (loss) for the three and six months ended June 30, 2017.
(3) Per share amounts are based on diluted weighted average common shares.

Physical Marketing and Financial Risk Management

ARC's commodity sales revenue is supported predominantly by liquids revenue, with crude oil and liquids production comprising 73 per cent of ARC's second quarter 2018 commodity sales revenue, and 68 per cent of first half 2018 commodity sales revenue. The majority of ARC's crude oil production is made up of conventional light oil and condensate, which has narrower differentials than the discounted pricing that has recently been experienced by Canadian heavy oil producers. ARC's average realized price for crude oil was $78.57 per barrel in the second quarter of 2018 and $74.05 per barrel in the first half of 2018. ARC continues to execute on its risk management strategy for oil.

To manage natural gas price risk exposure, ARC's physical natural gas diversification and financial risk management activities have helped to significantly increase our exposure to more attractive North American markets and enhance our commodity price realizations. Through ARC's physical diversification activities, an incremental $0.63 per Mcf and $0.48 per Mcf were realized in ARC's second quarter and first half 2018 natural gas prices, respectively. ARC's average realized price for natural gas was $1.91 per Mcf in the second quarter of 2018 and $2.21 per Mcf in the first half of 2018. ARC's financial risk management program provided additional cash flow protection with realized cash gains of $1.05 per Mcf and $0.89 per Mcf in the second quarter and first half of 2018, respectively. Realized cash gains on risk management contracts are not included in ARC's realized natural gas price.

Total realized gains on risk management contracts for the second quarter and first half of 2018 were $29.7 million and $58.3 million, respectively, and the fair value of ARC’s risk management contracts at June 30, 2018 was $126.6 million. For details pertaining to ARC's risk management program and for a summary of the average oil and natural gas volumes associated with ARC's risk management contracts as at August 1, 2018, refer to the section entitled, *"Risk Management"* contained within ARC's MD&A.

Operating Netback

Summarized in the following table are the components of ARC's operating netback for the three months ended June 30, 2018 relative to the three months ended March 31, 2018, and for the six months ended June 30, 2018 relative to the six months ended June 30, 2017.

	Three Months Ended			Six Months Ended		
Operating Netback ($ per boe) (1)	**June 30, 2018**	March 31, 2018	% Change	**June 30, 2018**	June 30, 2017	% Change
Commodity sales from production	**29.59**	28.85	3	**29.22**	29.08	—
Royalties	**(2.55)**	(2.45)	4	**(2.50)**	(2.62)	(5)
Transportation expenses	**(2.61)**	(2.61)	—	**(2.61)**	(2.60)	—
Operating expenses (2)	**(6.50)**	(6.31)	3	**(6.40)**	(6.86)	(7)
Operating netback prior to gain on risk management contracts	**17.93**	17.48	3	**17.71**	17.00	4
Realized gain on risk management contracts	**2.55**	2.43	5	**2.49**	2.69	(7)
Operating netback including gain on risk management contracts	**20.48**	19.91	3	**20.20**	19.69	3

(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 ARC's MD&A.
(2) Composed of direct costs incurred to operate oil, natural gas, and liquids-rich natural gas wells.

ARC's second quarter 2018 operating netback, prior to gains on risk management contracts, of $17.93 per boe, and ARC's second quarter 2018 operating netback, including gains on risk management contracts, of $20.48 per boe, both increased three per cent relative to the first quarter of 2018. Improved operating netbacks were primarily the result of strengthened oil and liquids pricing.

ARC's first half 2018 operating netback, prior to gains on risk management contracts, of $17.71 per boe, and ARC's first half 2018 operating netback, including gains on risk management contracts, of $20.20 per boe, increased four per cent and three per cent, respectively, relative to the first half of 2017. Improved operating netbacks were primarily due to a reduction in operating expenses.

ARC's second quarter 2018 royalty expenses of $2.55 per boe (8.6 per cent total corporate royalty rate) increased four per cent from first quarter 2018 royalty expenses, and first half 2018 royalty expenses of $2.50 per boe (8.6 per cent total corporate royalty rate) decreased five per cent from first half 2017 royalty expenses. The movement in royalty expenses reflects the sliding scale effect that commodity prices have on royalties. Royalty expenses for the three and six months ended June 30, 2018 were $29.7 million and $58.6 million, respectively.

Second quarter 2018 transportation expenses of $2.61 per boe were unchanged from the first quarter of 2018, and first half 2018 transportation expenses of $2.61 per boe were unchanged from the first half of 2017. Transportation expenses for the three and six months ended June 30, 2018 were $30.4 million and $61.2 million, respectively. The increase in full-dollar transportation expenses for the first half of 2018 relative to the first half of 2017 primarily reflects increased expenses associated with new production, increased natural gas tolls throughout 2017, and the addition of new transportation agreements for greater market access beyond AECO.

Second quarter 2018 operating expenses of $6.50 per boe increased three per cent from first quarter 2018 operating expenses due to increased maintenance and turnaround activities conducted in the second quarter of 2018. First half 2018 operating expenses of $6.40 per boe decreased seven per cent relative to first half 2017 operating expenses, and was the result of bringing on new production at Dawson with lower relative costs to operate. Operating expenses for the three and six months ended June 30, 2018 were $75.6 million and $150.0 million, respectively.

Balance Sheet

ARC manages conservative debt levels as a priority. At June 30, 2018, ARC had $757.0 million of net debt outstanding, and an additional $1.1 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 second quarter of 2018, and net debt was approximately 14 per cent of ARC's total capitalization. With the ability to fund its 2018 sustaining capital requirements and dividend obligations with cash flow generated from ARC's existing businesses, and growth capital from both cash flow and the redeployment of proceeds from non-core divestments, our capital program is financially supported.

OPERATIONAL REVIEW

ARC's position in the Montney is made up of approximately 1,160 net sections of land (approximately 754,000 net acres), with production from ARC's Montney assets representing approximately 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 and the production mix of its liquids recovery, safety and environmental 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, mitigates the impact of third-party infrastructure outages, and diversifies ARC's sales portfolio to ensure that production gets to market at optimal pricing.

ARC invested $164.8 million of capital, before land and net property acquisitions and dispositions, in the second quarter of 2018, bringing the total to $378.5 million invested in the first half of 2018. Second quarter 2018 capital activity included drilling 11 natural gas wells at Sunrise, completion activities at Ante Creek, Dawson, Sunrise, and Tower, and finishing completion activities on 13 wells in the Dawson and Tower fields. Capital investment in the period was also focused on various infrastructure initiatives in northeast British Columbia, including progressing construction of the Sunrise Phase II gas processing facility expansion, completing electrification activities at ARC's Parkland/Tower gas processing and liquids-handling facility, and continued activity on ARC's water handling and recycling infrastructure at Dawson, Parkland/Tower, and Sunrise. Approximately 95 per cent of capital invested in the first half of 2018 was directed towards ARC's Montney assets.

The following table outlines the number of wells drilled and completed in each of ARC's core operating areas for the six months ended June 30, 2018.

	Six Months Ended June 30, 2018	
Area	**Wells Drilled**	**Wells Completed**
Attachie	1	7
Sunrise	14	—
Dawson	4	16
Parkland/Tower	8	7
Ante Creek	3	3
Other	1	—
Total	**31**	**33**

ARC delivered average daily production of 127,879 boe per day in the second quarter of 2018, comprised of 31,853 barrels per day of light oil and condensate, 6,380 barrels per day of NGLs, and 538 MMcf per day of natural gas. As previously indicated, ARC's second quarter 2018 average daily production was lower than the first quarter of 2018, which was driven by planned downtime associated with maintenance and turnaround activities at ARC's Dawson and Parkland/Tower facilities. The two per cent decrease in production was less than the expected five per cent indicated in ARC's first quarter 2018 release due to initial production from the multi-well pad at Attachie West being brought on-stream earlier than scheduled. ARC anticipates that production in the third and fourth quarters of 2018 will increase from first half 2018 average daily production of 129,439 boe per day, allowing full-year 2018 average daily production to come within the 2018 production guidance range of 130,000 to 134,000 boe per day, inclusive of first quarter 2018 non-core dispositions.

As part of its ongoing commitment to responsible water management and reducing its overall freshwater dependency, ARC is investing in strategic water infrastructure in northeast British Columbia. ARC has invested approximately $15 million on these projects to-date. At Sunrise, ARC has completed the construction of a 200,000 m^3 freshwater storage reservoir ahead of completion operations for the first multi-well pad that will supply gas to the expanded Sunrise Phase II gas processing facility. This project will generate strong economic returns with an expected 80 per cent reduction in water handling costs in the Sunrise area. At Dawson and Parkland/Tower, construction of the water recycling and re-use facility continued in the second quarter of 2018. With pipelines connecting the three assets, the water hub facility will reduce ARC's dependency on freshwater used for hydraulic fracturing operations and will result in significant completion cost savings. ARC anticipates that the project will be in service by year-end 2018.

Lower Montney

ARC's lands within the Montney fairway have significant development potential in the liquids-rich Lower Montney horizon, including incremental reserves booking potential. Successful 2017 appraisal activities resulted in the delineation of a significant portion of ARC's Montney lands and moved a substantial amount of ARC's drilling inventory into the development stage. Based on encouraging results, ARC is pursuing opportunities in the Lower Montney by reallocating a portion of its 2018 capital budget to drill incremental Lower Montney liquids-rich wells. ARC will continue to expand production from the Lower Montney to increase our liquids volumes across ARC's lands at Attachie, Dawson, and Parkland/Tower.

Encouraged by the successful Lower Montney appraisal activities conducted at Parkland in 2017, ARC is piloting dual-layer Lower Montney development at Parkland and has commenced the construction of a pipeline that will connect ARC's Parkland and Dawson assets. Interconnecting these assets gives ARC the ability to invest in light oil and liquids-rich natural gas opportunities across the Parkland/Tower and Dawson fields on the basis of highest profitability, gives ARC the ability to accelerate its development of the Lower Montney at Parkland, and takes advantage of unutilized liquids processing capacity at the Dawson Phase III gas processing and liquids-handling facility. The project will also allow for the transfer of produced water from Parkland to Dawson for completion operations. The interconnection is planned to be in service by late 2018.

Attachie

ARC's Attachie property is a highly prospective, Montney light 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 $53 million in the first half of 2018, directed primarily at completion activities on a commercial demonstration pad at Attachie West, which saw initial production in the second quarter of 2018. Positive results at this seven-well pad further validates the enormous Upper Montney condensate development opportunity at Attachie West and extends the prolific Lower Montney liquids-rich resource play into Attachie.

ARC is highly encouraged by early wellhead condensate rates and indications of the wells' overall productivity from the commercial development pad. Second quarter 2018 production at Attachie averaged approximately 2,500 boe per day, with ARC exiting the quarter producing approximately 3,000 barrels per day of condensate and 9 MMcf per day of natural gas. The wells from the multi-well pad were producing at restricted rates in the second quarter of 2018 due to infrastructure constraints.

In addition to completion activities on the multi-well pad, ARC drilled a liquids-rich natural gas well and invested in upgrades to the area's battery in the first half of 2018. The upgraded battery has increased Attachie's liquids processing capacity to 3,000 barrels per day.

The combination of a condensate-rich production profile, a significantly over-pressured reservoir, and an extensive, multi-layered contiguous land position makes Attachie West a leading development opportunity within ARC's portfolio. As such, ARC has initiated a front-end engineering evaluation of commercial development, including determining specific time lines, funding requirements, and takeaway capacity needed to make an upcoming sanctioning decision in the third quarter of 2018. ARC will continue to optimize and monitor production results from existing pilot wells in the area, as well as results from the new wells on the seven-well pad, and will incorporate these 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 value in the current commodity price environment. Second quarter 2018 Sunrise production was approximately 134 MMcf per day of natural gas, two per cent higher than the first quarter of 2018.

ARC invested approximately $87 million on capital activities at Sunrise in the first half of 2018, directed primarily at progressing the Sunrise Phase II gas processing facility expansion. Construction of power-related infrastructure to connect the facility to BC Hydro's grid progressed on schedule in the second quarter of 2018; it is anticipated that the plant will be fully connected to the grid by year-end 2018, at which point the facility will be fully run on hydro-electricity. With construction of the plant proceeding ahead of schedule, ARC expects to initiate commissioning activities in the third quarter of 2018 and to have the facility operational by the fourth quarter of 2018.

Capital investment in the first half of 2018 also included the drilling of a 14-well pad, the first of two pads that will provide the initial supply of gas to the Sunrise Phase II gas processing facility. The 14 wells will be completed in the second half of 2018 before being tied-in to the facility to coincide with commissioning activities. Drilling activities for the second, nine-well pad, commenced in the second quarter of 2018; ARC plans to complete and tie-in these wells to the facility in the first half of 2019.

The second phase of the Sunrise facility is designed for 180 MMcf per day of gas processing and sales capacity. Natural gas production is planned to be processed through the facility according to the following, approximate timeline:

- Upon completion of plant commissioning activities late in the third quarter of 2018 or early in the fourth quarter of 2018, an initial 60 MMcf per day of new production will be available to be processed through the facility.
- In the first half of 2019, an additional 60 MMcf per day of incremental production will be processed through the facility once final transportation arrangements have come into effect. The exact timing of the production being brought on-stream will be commodity price-dependent.
- By May 2019, 60 MMcf per day of existing natural gas production that is currently being processed through a third-party facility will be redirected to ARC's operated Sunrise Phase II facility. With increased control of ARC's Sunrise production volumes, operating expenses will be significantly reduced with the elimination of third-party processing fees.

Upon completion of the facility expansion by mid-year 2019, ARC's total owned-and-operated processing and sales capacity for the entire Sunrise area will be 240 MMcf per day of natural gas. Long-term takeaway capacity for production associated with the facility expansion has been secured. ARC's low cost structure in Sunrise, notably our finding and development costs, operating expenses, and processing fees, will be top-decile for the area, given that many of ARC's peers utilize more costly third-party midstream companies to process their production.

Dawson

ARC's Dawson property is a low-cost Montney 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, and is further enhanced by the growing liquids-rich production being developed in the Lower Montney horizon. Dawson production averaged 42,800 boe per day in the second quarter of 2018, comprised of approximately 231 MMcf per day of natural gas, 2,700 barrels per day of condensate, and 1,700 barrels per day of NGLs. Second quarter 2018 production was two per cent lower than the first quarter of 2018 and was the result of a planned turnaround conducted at ARC's Dawson Phase I and II gas processing facility. While the Dawson Phase III gas processing and liquids-handling facility has reached its gas processing and sales capacity, ARC plans to continue growing the area's liquids production into available liquids-handling capacity with the ongoing development of the liquids-rich Lower Montney horizon. ARC invested approximately $64 million in the first half of 2018 to drill four wells and complete 16 wells across the Dawson field.

Excellent production results from ARC's Lower Montney appraisal activities in 2017 and subsequent investments in 2018 have unlocked significant liquids growth opportunities in the Lower Montney. As such, ARC is moving forward with enhancements to ARC's existing Dawson Phase I and II gas processing facility to allow for enhanced liquids-handling capabilities. The addition of refrigeration and dehydration capabilities will allow ARC to accelerate the exploitation of the Lower Montney horizon in the core of ARC's Dawson lands and enhance its liquids growth profile in a short time frame, adding approximately 3,000 barrels per day of liquids (of which approximately 2,000 barrels per day is condensate), over time, as production in the Dawson core becomes more heavily-weighted towards the Lower Montney.

The Phase IV expansion of the Dawson gas processing and liquids-handling facility, which, once constructed, will add natural gas sales of approximately 90 MMcf per day and have the ability to handle up to 7,500 barrels per day of liquids (approximately 50 per cent condensate-handling), 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 within ARC's portfolio to grow liquids-rich production. ARC is currently determining specific time lines for this project.

Parkland/Tower

ARC's Parkland/Tower property, an oil and liquids-rich Montney play in northeast British Columbia, consists of 57 net sections at Tower (approximately 37,000 net acres), which produce predominantly light 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. Second quarter 2018 production at Parkland/Tower averaged 26,600 boe per day, made up of 7,900 barrels per day of light oil and condensate, 2,600 barrels per day of NGLs, and 97 MMcf per day of natural gas (approximately 40 per cent light oil and liquids and 60 per cent natural gas). Production decreased 10 per cent relative to the first quarter of 2018 due to a planned turnaround that was conducted to coincide with the electrification of the Parkland/Tower gas processing and liquids-handling facility.

Capital investment at Parkland/Tower was approximately $115 million in the first half of 2018, and included the drilling of eight and completion of seven oil wells at Tower, as well as ongoing completion activities in the Tower field. Capital investment was also directed at the electrification of ARC's owned-and-operated Parkland/Tower gas processing and liquids-handling facility, which was completed in the second quarter of 2018, as budgeted. By connecting the facility to the BC Hydro grid, ARC will reduce its overall corporate emissions by 60,000 tonnes of CO_2 equivalent per year. ARC also completed upgrades to the refrigeration capacity at the Parkland/Tower facility in the second quarter of 2018, and will now be able to enhance its liquids production in the area by running the facility at cooler temperatures.

Ante Creek

ARC has a land position of 364 net sections at Ante Creek (approximately 233,000 net acres), a Montney light oil play in northern Alberta that generates strong free cash flow and has significant future development potential. Production in the second quarter of 2018 was 16,200 boe per day (approximately 55 per cent light oil and liquids), an increase of five per cent relative to the first quarter of 2018 resulting from new wells being brought on-stream during the period. Notably, one of the wells that was brought on-stream late in the first quarter of 2018 has been ranked as a top-producing oil well in Alberta for May 2018 production.

ARC invested approximately $36 million at Ante Creek to drill three oil wells and to complete three wells in the first half of 2018. Optimization of base production remains a key objective for the area and the ongoing success from these activities, as well as strong production results from the recent optimization of well designs, continue to affirm the overall strength of this asset. ARC has initiated studies for the next phase of development at Ante Creek.

Pembina

ARC's Cardium assets in Pembina deliver high-quality, light oil production, and generate 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 second quarter 2018 production averaged 11,100 boe per day (approximately 85 per cent light oil and liquids), relatively unchanged from the first quarter of 2018. ARC invested $11 million at Pembina in the first half of 2018, focused primarily on maintenance and optimization activities and ongoing upgrades to aging infrastructure.

With the recent improvement in oil prices, and given the favourable half-cycle economics and free cash flow that development opportunities in the Pembina area provide, ARC plans to drill and complete a five-well pad in the second half of 2018. ARC expects to bring the wells on production in the fourth quarter of 2018. ARC's inventory of top-tier wells in the Pembina area allows ARC to selectively and opportunistically allocate capital to these types of projects due to their ability to bring on high-value, light oil production with a short payout period. 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 oil. Production averaged 2,900 boe per day in the second quarter of 2018, relatively unchanged from the first quarter of 2018. 2018 capital investment at Redwater is focused on maintenance and optimization activities.

OUTLOOK

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 light oil, liquids-rich natural gas, and natural gas assets. 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.

With strong initial production results from ARC's multi-well demonstration pad at Attachie West and continued success from the Lower Montney, ARC is increasing the high end of its 2018 guidance range for condensate production to 6,500 to 7,500 barrels per day from 6,500 to 7,000 barrels per day, and with the disposition of non-core assets in the first quarter of 2018, ARC is reducing the high end of its 2018 guidance range for crude oil production to 25,000 to 26,500 barrels per day from 25,000 to 27,000 barrels per day. The combined total 2018 revised guidance for liquids production remains unchanged from ARC's original guidance.

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 Revised Guidance	**2018 YTD**	% Variance from Revised Guidance
Production				
Crude oil (bbl/day)	25,000 - 27,000	25,000 - 26,500	**24,965**	—
Condensate (bbl/day)	6,500 - 7,000	6,500 - 7,500	**6,236**	(4)
Crude oil and condensate (bbl/day)	31,500 - 34,000	31,500 - 34,000	**31,201**	(1)
Natural gas (MMcf/day)	555 - 565	555 - 565	**551.3**	(1)
NGLs (bbl/day)	6,000 - 6,500	6,000 - 6,500	**6,356**	—
Total (boe/day)	130,000 - 134,000	130,000 - 134,000	**129,439**	—
Expenses ($/boe)				
Operating	6.50 - 6.90	6.50 - 6.90	**6.40**	(2)
Transportation	2.80 - 3.00	2.80 - 3.00	**2.61**	(7)
G&A expenses before share-based compensation plans	1.25 - 1.45	1.25 - 1.45	**1.29**	—
G&A - share-based compensation plans (1)	0.40 - 0.55	0.40 - 0.55	**0.25**	(38)
Interest	0.80 - 1.00	0.80 - 1.00	**0.90**	—
Current income tax (per cent of funds from operations) (2)	0 - 5	0 - 5	**5**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	690	690	**378.5**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	N/A	**(98.1)**	N/A
Weighted average shares (millions)	353	353	**353**	—

(1) Comprises expenses recognized under the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans, 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.
(2) 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.

- 2018 year-to-date condensate production is below the 2018 guidance range, as condensate production from the new seven-well Attachie West pad will increase through the second half of the year. ARC expects that condensate production will trend towards the high end of the guidance range as the year progresses.
- 2018 year-to-date natural gas production is below the 2018 guidance range due to planned maintenance and turnaround activities conducted in the second quarter of 2018. With Sunrise Phase II expected to be operational by the fourth quarter of 2018, ARC expects that natural gas production will trend towards the high end of the guidance range as the year progresses.

- 2018 year-to-date operating expenses are below the 2018 guidance range due to the optimization of ARC's maintenance schedules. With scheduled maintenance and turnaround activities planned for the third quarter of 2018 and higher anticipated electrical costs in Alberta, ARC expects operating expenses to trend towards guidance as the year progresses.
- 2018 year-to-date transportation expenses are 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.
- 2018 year-to-date G&A expenses relating to ARC's share-based compensation plans are below the 2018 guidance range due to negative revaluations of payment obligations under the RSU and PSU Plans associated with lower performance multipliers and reduced share price.

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: the transition and execution of its business plan, and guidance as to the capital expenditure plans of ARC in 2018 and beyond and its production in 2018 and beyond under the heading *"Strategy Overview"*, 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 *“Physical Marketing and Financial Risk Management”*, as to its production, exploration and development plans, and capital expenditures for 2018 and beyond under the heading *“Operational Review”*, 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 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 reserve 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 $6.2 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

Myron M. Stadnyk
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 and six months ended June 30, 2018 and to the section entitled, *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.

MANAGEMENT'S DISCUSSION & ANALYSIS

2018 Q2

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated August 1, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and six months June 30, 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 (loss); for additional information, refer to Note 3 "Changes in Accounting Policies" of the financial statements as at and for the period ended June 30, 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, condensate, natural gas liquids ("NGLs") 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 and 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 August 1, 2018, ARC had 471 permanent employees with 251 professional, technical and support staff in the Calgary office, and 220 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

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 ($)	**0.60**	2.15	4.55
Capital depreciation per share outstanding ($)	**(3.38)**	(7.82)	(13.95)
Total return per share outstanding (%)	**(16.6)**	(28.3)	(39.1)
Annualized total return per share outstanding (%)	**(16.6)**	(10.5)	(9.4)
S&P/TSX Exploration & Producers Index annualized total return (%) (2)	**14.9**	(0.3)	(3.6)

(1) Calculated as at June 30, 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 the business model and that capital has been invested 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

	Twelve Months Ended	Twelve Months Ended December 31				
Return on Average Capital Employed (1)	**June 30, 2018**	2017	2016	2015	2014	2014-2017 Average (2)
ROACE (%)	**6**	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 to 2017.

Exhibit 1

(1) Twelve months ended June 30, 2018.

Since 2014, ARC's production has grown by 17,052 boe per day, or 15 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 six months of 2018 and over the past four years:

Table 3

	2018 YTD	2017	2016	2015	2014
Production					
Crude oil (bbl/d)	**24,965**	24,380	31,510	32,762	36,525
Condensate (bbl/d)	**6,236**	5,650	3,626	3,430	3,667
Natural gas (MMcf/d)	**551.3**	525.8	475.6	444.9	406.1
NGLs (bbl/d)	**6,356**	5,273	4,274	3,819	4,518
Total production (boe/d) (1)	**129,439**	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 six months ended June 30, 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

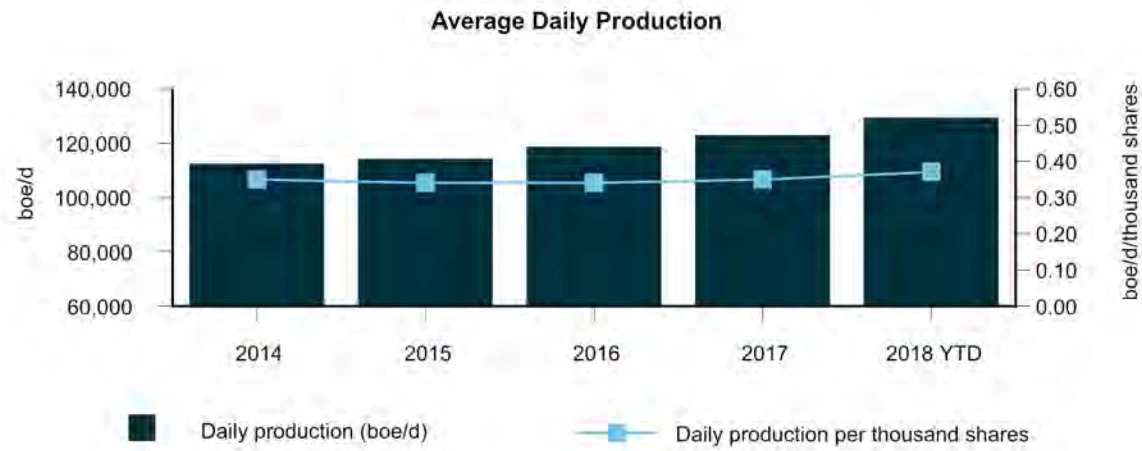


Exhibit 1b

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:

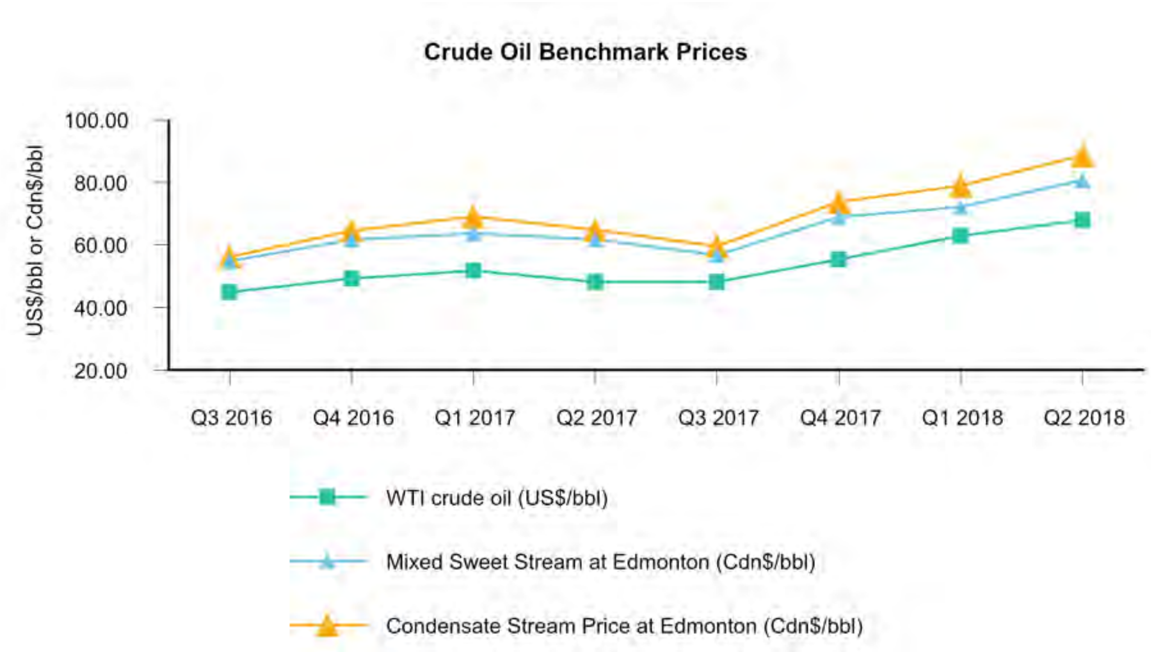
Table 4

		Three Months Ended				Six Months Ended		
Selected Benchmark Prices and Exchange Rates (1)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change		**June 30, 2018**	June 30, 2017	% Change
WTI crude oil (US$/bbl)	62.89	**67.91**	48.15	41		**65.46**	49.95	31
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	72.15	**80.63**	61.74	31		**76.45**	62.78	22
Condensate Stream Price at Edmonton (Cdn$/bbl)	78.93	**88.54**	64.86	37		**83.88**	66.83	26
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	3.00	**2.80**	3.18	(12)		**2.90**	3.25	(11)
Chicago Citygate Monthly Index (US$/MMBtu)	3.27	**2.58**	3.01	(14)		**2.93**	3.20	(8)
Malin Monthly Index (US$/MMBtu)	2.51	**1.98**	2.78	(29)		**2.24**	2.95	(24)
AECO 7A Monthly Index (Cdn$/Mcf)	1.85	**1.03**	2.77	(63)		**1.44**	2.86	(50)
Cdn$/US$ exchange rate	1.27	**1.29**	1.34	(4)		**1.28**	1.33	(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.

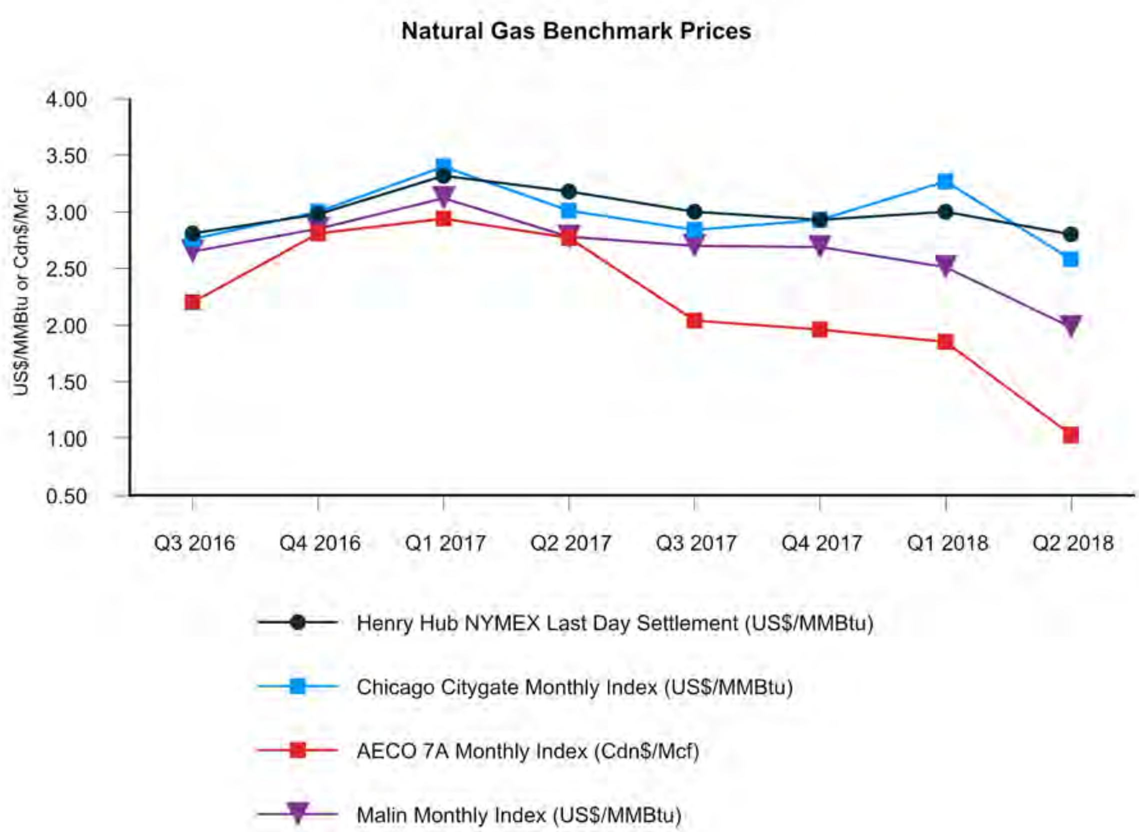
Global crude oil prices continued to strengthen in the second quarter of 2018, with the WTI benchmark price averaging eight per cent higher than the first quarter of 2018 and 41 per cent higher than the second quarter of 2017. With global demand growing and supply-demand levels rebalanced, OPEC members decided to increase production levels through the second half of 2018, earlier than had originally been agreed upon. While it is expected that global inventory levels should remain at historical norms, certain factors have contributed to the continued rise in crude oil prices following the announcement. Particularly, OPEC's spare productive capacity is very low and leaves little room to protect global markets from factors like US-imposed sanctions on Iran, falling Venezuelan output, and any unplanned disruptions. ARC's crude oil production is primarily referenced to the mixed sweet crude stream price ("MSW") at Edmonton, which increased 12 per cent in the second quarter of 2018 relative to the first quarter of 2018 and increased 31 per cent relative to the second quarter of 2017. The differential between WTI and MSW narrowed slightly in the second quarter of 2018, averaging US $5.46 per barrel, seven per cent tighter than the first quarter of 2018, however widened 144 per cent relative to the second quarter of 2017. Despite increased exports of crude-on-rail volumes, Canadian crude oil differentials remain under pressure. The combination of unplanned pipeline outages and apportionment along with high western Canadian inventories has caused concerns regarding takeaway options for western Canadian crude oil production.

Exhibit 2



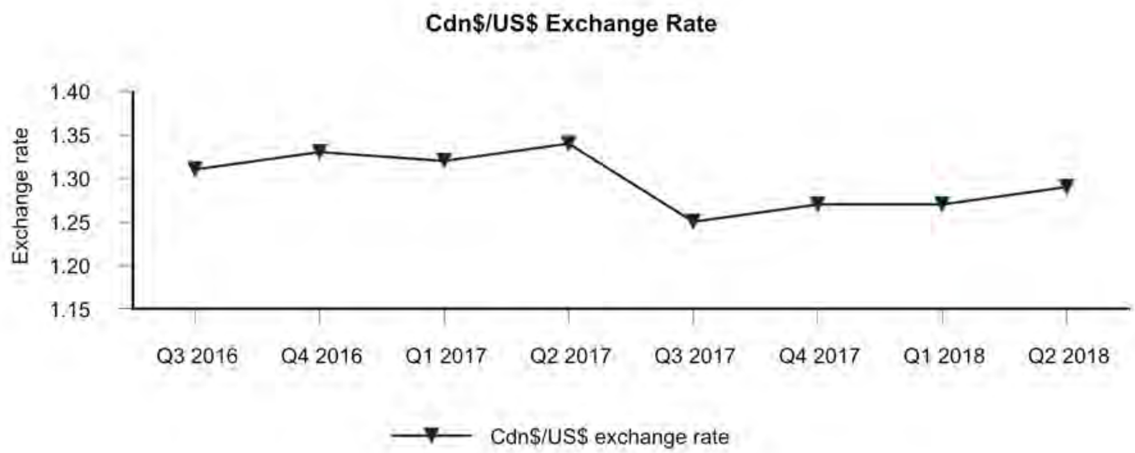
US natural gas prices, referenced by the average NYMEX Henry Hub Last Day Settlement price, were down seven per cent in the second quarter of 2018 compared to the first quarter of 2018, and were down 12 per cent compared to the second quarter of 2017. Strong base load demand has been largely met by growing supply from major US natural gas plays and most notably, increased Permian-associated natural gas production. Western Canadian natural gas prices experienced considerable weakness in the second quarter of 2018 with the AECO hub price decreasing 44 per cent relative to the first quarter of 2018 and decreasing 63 per cent relative to the second quarter of 2017. While local demand levels within the Western Canadian Sedimentary Basin remain high, excess supply and egress constraints in the basin are ongoing. Third-party maintenance activities restricted flows to export markets and storage, and put additional downward pressure on natural gas prices in the second quarter of 2018. The NYMEX Henry Hub Last Day Settlement price to AECO basis was US$2.00 per MMBtu in the second quarter of 2018, 32 per cent wider relative to the first quarter of 2018 and 77 per cent wider relative to the second 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 experienced volatility in the second quarter of 2018 and weakened relative to the US dollar, averaging Cdn$/US$1.29 (US$/Cdn$0.77). Subsequent to June 30, 2018, the Bank of Canada announced a 0.25 per cent increase to interest rates, citing rising inflation and growing labour income as the main contributors for the decision.

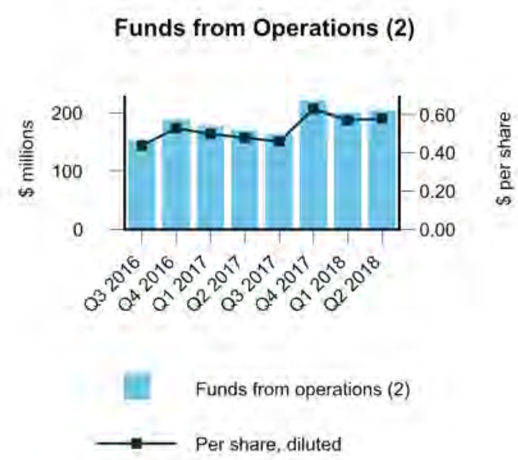
Exhibit 2b

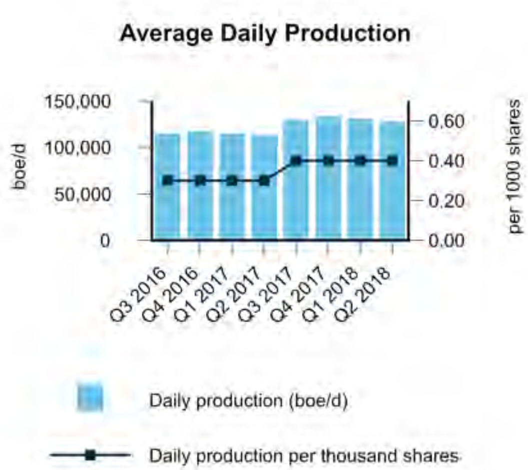

Cdn$/US$ Exchange Rate
1.40
1.35
1.30
1.25
1.20
1.15
Exchange rate
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Cdn$/US$ exchange rate

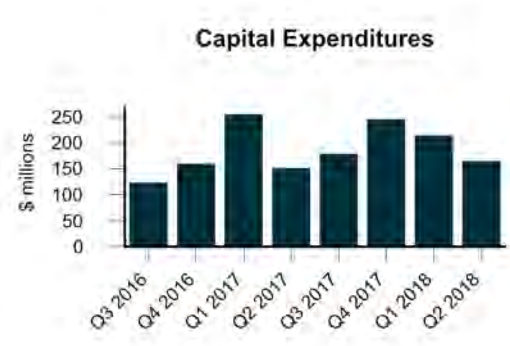
QUARTERLY RESULTS (1)

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 changing 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 and losses 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 or losses impact earnings. In addition to these factors, the following significant events impacted the Company's financial and operating results over the past eight quarters:

- In the first quarter of 2018, ARC had property dispositions for proceeds of $98.3 million, and recorded gains 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.
- 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. In the second quarter of 2018, ARC recognized a deferred tax recovery of $23.0 million, primarily related to unrealized losses recorded on risk management contracts.

ANNUAL GUIDANCE AND FINANCIAL HIGHLIGHTS

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 light oil, liquids-rich natural gas, and natural gas assets. 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.

With strong initial production results from ARC's multi-well demonstration pad at Attachie West and continued success from the Lower Montney, ARC is increasing the high end of its 2018 guidance range for condensate production to 6,500 to 7,500 barrels per day from 6,500 to 7,000 barrels per day, and with the disposition of non-core assets in the first quarter of 2018, ARC is reducing the high end of its 2018 guidance range for crude oil production to 25,000 to 26,500 barrels per day from 25,000 to 27,000 barrels per day. The combined total 2018 revised guidance for liquids production remains unchanged from ARC's original guidance.

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 Revised Guidance	**2018 YTD**	% Variance from Revised Guidance
Production				
Crude oil (bbl/d)	25,000 - 27,000	25,000 - 26,500	**24,965**	—
Condensate (bbl/d)	6,500 - 7,000	6,500 - 7,500	**6,236**	(4)
Crude oil and condensate (bbl/d)	31,500 - 34,000	31,500 - 34,000	**31,201**	(1)
Natural gas (MMcf/d)	555 - 565	555 - 565	**551.3**	(1)
NGLs (bbl/d)	6,000 - 6,500	6,000 - 6,500	**6,356**	—
Total (boe/d)	130,000 - 134,000	130,000 - 134,000	**129,439**	—
Expenses ($/boe)				
Operating	6.50 - 6.90	6.50 - 6.90	**6.40**	(2)
Transportation	2.80 - 3.00	2.80 - 3.00	**2.61**	(7)
G&A expenses before share-based compensation plans	1.25 - 1.45	1.25 - 1.45	**1.29**	—
G&A - share-based compensation plans (1)	0.40 - 0.55	0.40 - 0.55	**0.25**	(38)
Interest	0.80 - 1.00	0.80 - 1.00	**0.90**	—
Current income tax (per cent of funds from operations) (2)	0 - 5	0 - 5	**5**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	690	690	**378.5**	N/A
Land purchases and net property acquisitions (dispositions) ($ millions)	N/A	N/A	**(98.1)**	N/A
Weighted average shares (millions)	353	353	**353**	—

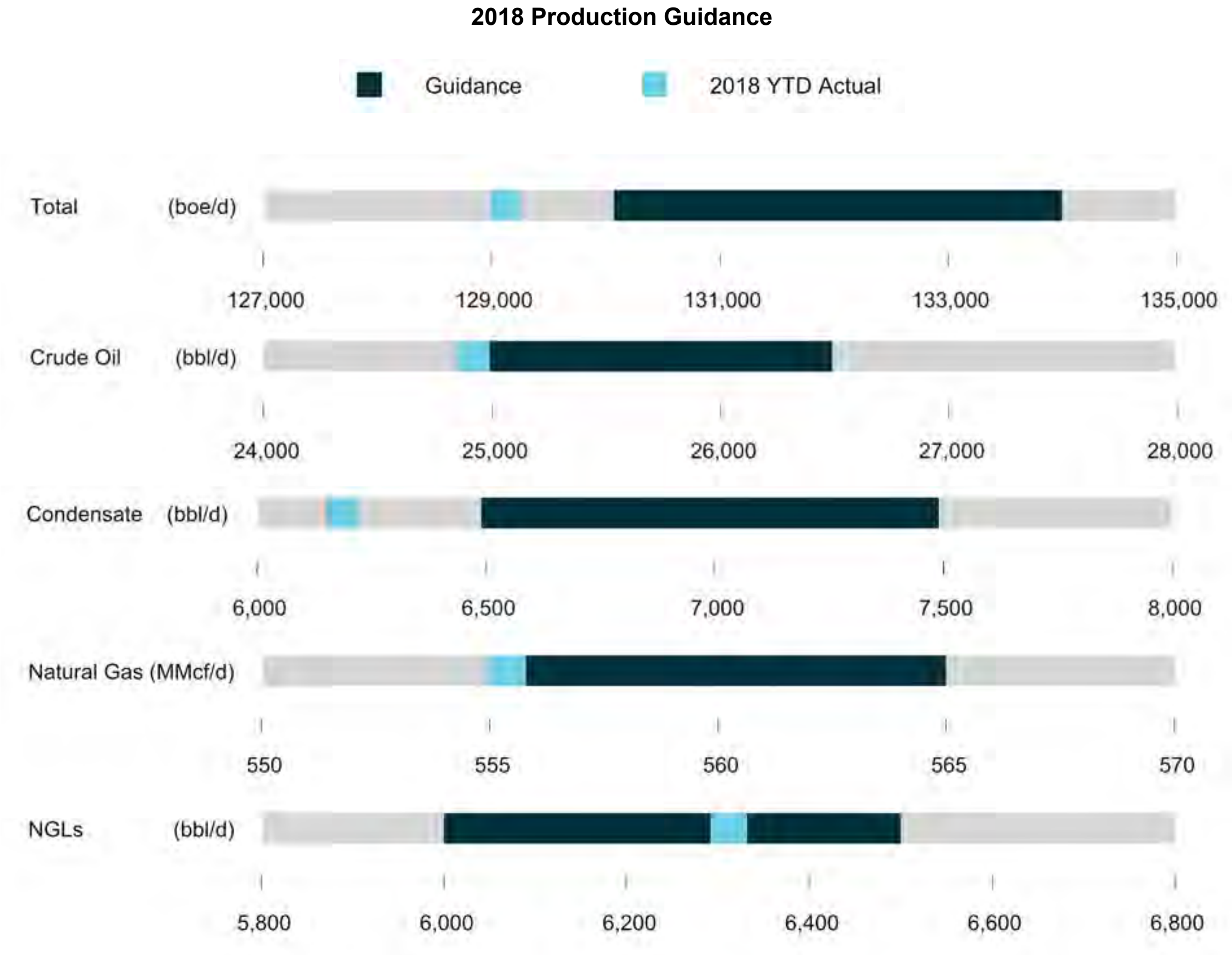
(1) Comprises expenses recognized under the RSU and PSU Plan, Share Option Plan and LTRSA Plan, and excludes compensation charges under the DSU Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

(2) The current income tax 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.

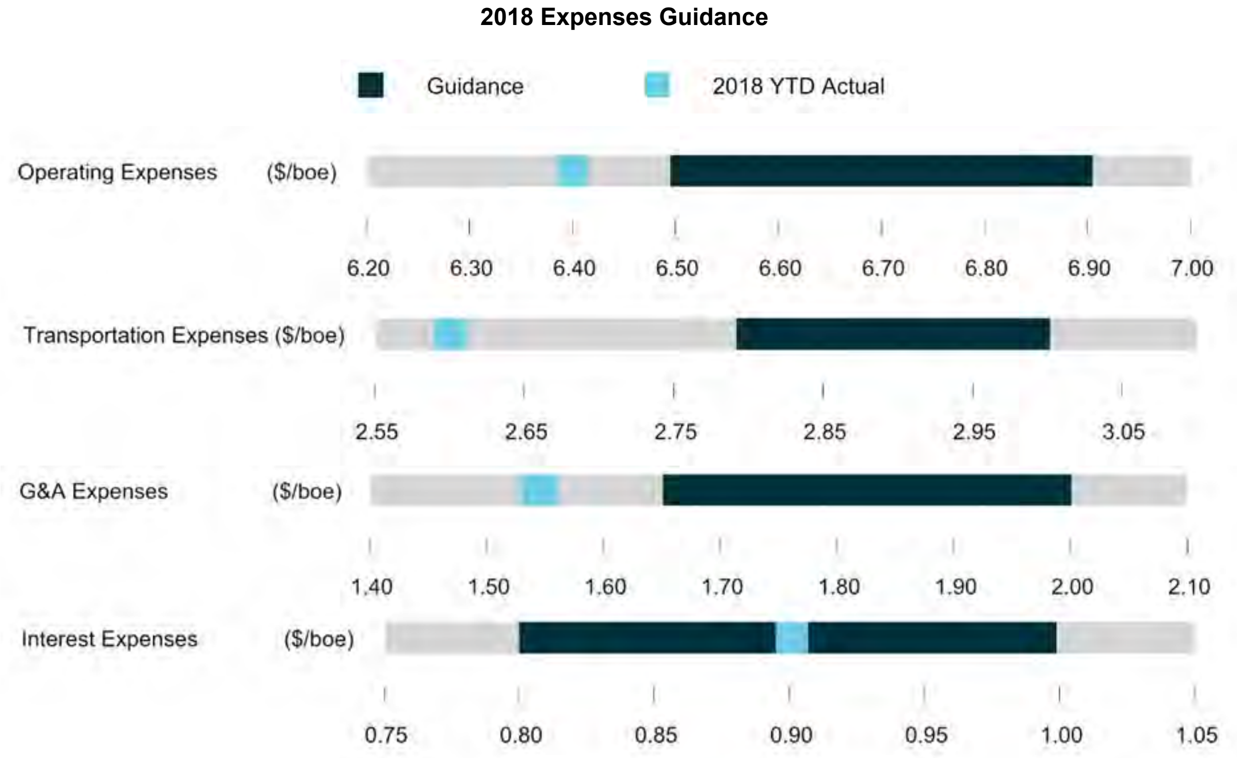
- 2018 year-to-date condensate production is below the 2018 guidance range, as condensate production from the new seven-well Attachie West pad will increase through the second half of the year. ARC expects that condensate production will trend towards the high end of the guidance range as the year progresses.
- 2018 year-to-date natural gas production is below the 2018 guidance range due to planned maintenance and turnaround activities conducted in the second quarter of 2018. With Sunrise Phase II expected to be operational by the fourth quarter of 2018, ARC expects that natural gas production will trend towards the high end of the guidance range as the year progresses.

Exhibit 4



- 2018 year-to-date operating expenses are below the 2018 guidance range due to the optimization of ARC's maintenance schedules. With scheduled maintenance and turnaround activities planned for the third quarter of 2018 and higher anticipated electrical costs in Alberta, ARC expects operating expenses to trend towards guidance as the year progresses.
- 2018 year-to-date transportation expenses are 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.
- 2018 year-to-date G&A expenses relating to ARC's share-based compensation plans are below the 2018 guidance range due to negative revaluations of payment obligations under the RSU and PSU Plans associated with lower performance multipliers and reduced share price.
- 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 SECOND QUARTER FINANCIAL AND OPERATING RESULTS

Financial Highlights

Table 6

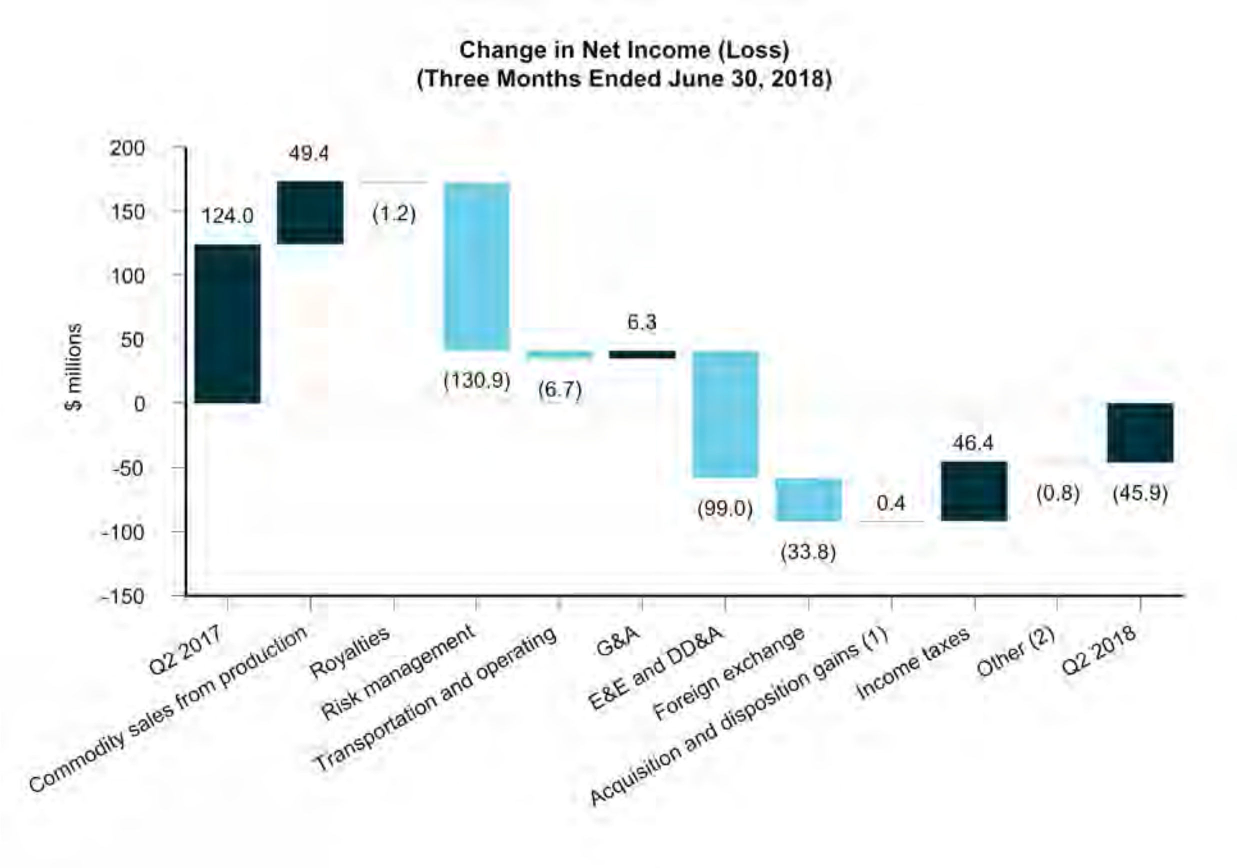
	Three Months Ended				Six Months Ended		
($ millions, except per share and volume data)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Net income (loss)	54.9	**(45.9)**	124.0	(137)	**9.0**	266.5	(97)
Net income (loss) per share	0.16	**(0.13)**	0.35	(137)	**0.03**	0.75	(96)
Funds from operations (1)	201.0	**204.4**	169.8	20	**405.4**	347.0	17
Funds from operations per share (1)	0.57	**0.58**	0.48	21	**1.15**	0.98	17
Dividends per share (2)	0.15	**0.15**	0.15	—	**0.30**	0.30	—
Average daily production (boe/d)	131,016	**127,879**	113,410	13	**129,439**	114,265	13

(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 (Loss)

In the second quarter of 2018, ARC recognized a net loss of $45.9 million ($0.13 per share), $169.9 million less than ARC's second quarter 2017 net income of $124.0 million ($0.35 per share). The decrease in net income is due to losses on risk management contracts of $92.4 million compared to gains of $38.5 million recorded in the second quarter of 2017, impairment charges recognized of $7.9 million compared to recoveries of previously recorded impairment charges of $75.0 million in the second quarter of 2017, a foreign exchange loss of $13.9 million compared to a gain of $19.9 million in the same period of 2017 as well as increases in transportation and operating expenses. These items were partially offset by higher commodity sales from production of $49.4 million and a recovery of deferred income taxes of $23.0 million compared to an expense of $38.6 million in the second quarter of 2017.

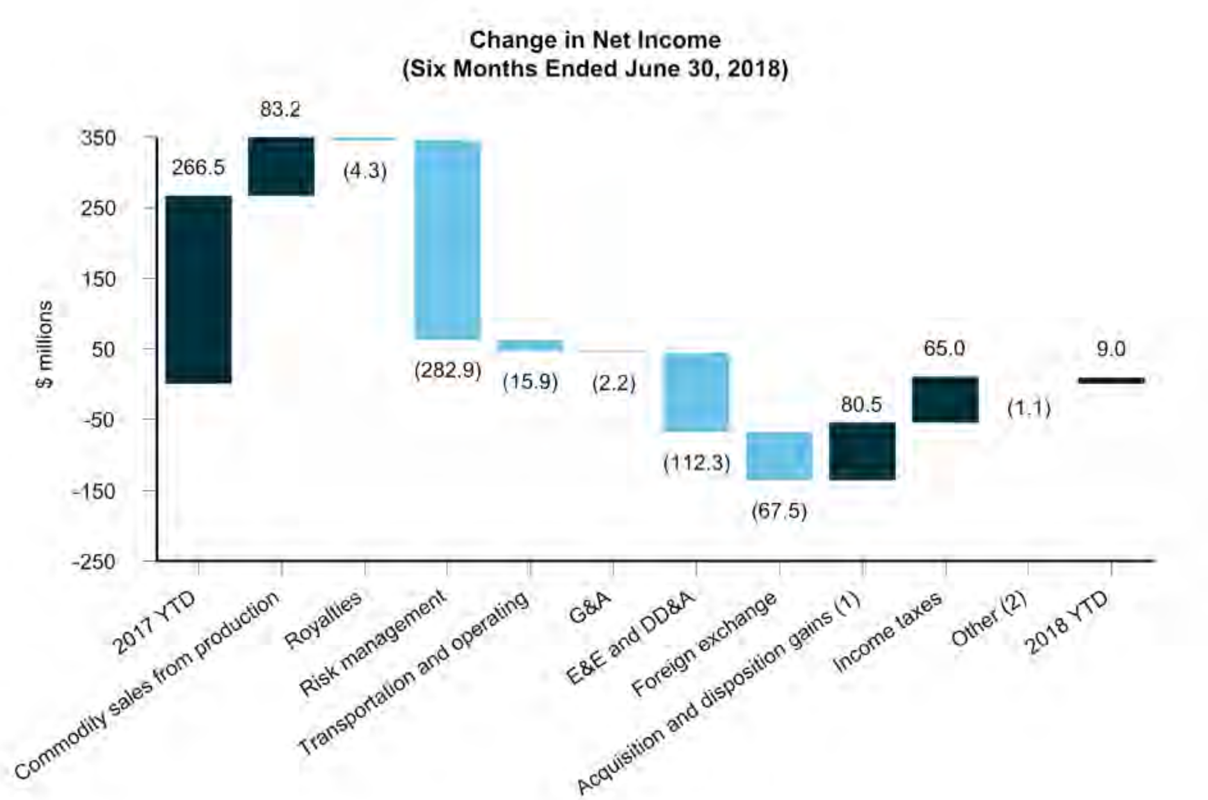
Exhibit 5



(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.

Net income for the six months ended June 30, 2018 was $9.0 million compared to $266.5 million during the first half of the prior year. The $257.5 million decrease is primarily attributed to increased losses on risk management contracts of $282.9 million, increased DD&A and impairment recognized of $108.1 million, of which $75.0 million comprises impairment recovery recorded in the prior year, increased foreign exchange losses of $67.5 million as well as higher operating, transportation and G&A expenses. Partially offsetting these items are higher revenue from commodity sales of $78.9 million, higher gains on disposals of petroleum and natural gas properties of $80.5 million and lower income taxes recognized of $65.0 million.

Exhibit 5a



(1) Includes gains related to business combinations and disposals of PP&E.
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, 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 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			Six Months Ended	
($ millions)	March 31, 2018	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Net income	54.9	**(45.9)**	124.0	**9.0**	266.5
Adjusted for the following non-cash items:					
DD&A	126.1	**128.5**	33.0	**254.6**	146.5
Accretion of ARO	3.6	**3.2**	3.2	**6.8**	6.4
E&E expenses	0.7	**3.5**	—	**4.2**	—
Deferred tax expense	22.1	**(23.0)**	38.6	**(0.9)**	74.1
Unrealized loss (gain) on risk management contracts	46.1	**122.1**	(7.2)	**168.2**	(117.3)
Unrealized loss (gain) on foreign exchange	26.9	**15.7**	(24.7)	**42.6**	(32.4)
Gain on disposal of petroleum and natural gas properties	(80.1)	**(0.4)**	—	**(80.5)**	—
Other	0.7	**0.7**	2.9	**1.4**	3.2
Funds from operations	201.0	**204.4**	169.8	**405.4**	347.0
Net change in other liabilities	(6.0)	**(0.4)**	(1.1)	**(6.4)**	(22.1)
Change in non-cash operating working capital	4.6	**4.6**	(30.7)	**9.2**	4.6
Cash flow from operating activities	199.6	**208.6**	138.0	**408.2**	329.5

Details of the change in funds from operations from the three and six months ended June 30, 2017 to the three and six months ended June 30, 2018 are included in Table 8 below:

Table 8

	Three Months Ended June 30		Six Months Ended June 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2017	169.8	0.48	347.0	0.98
Volume variance				
Crude oil and liquids	**24.8**	**0.07**	**42.1**	**0.12**
Natural gas	**14.7**	**0.04**	**33.7**	**0.10**
Price variance				
Crude oil and liquids	**62.7**	**0.17**	**90.3**	**0.25**
Natural gas	**(52.8)**	**(0.15)**	**(82.9)**	**(0.24)**
Sales of commodities purchased from third parties	**(1.0)**	**—**	**0.9**	**—**
Interest income	**(0.4)**	**—**	**(0.9)**	**—**
Other income	**(0.8)**	**—**	**(0.4)**	**—**
Realized gain on risk management contracts	**(1.6)**	**—**	**2.6**	**0.01**
Royalties	**(1.2)**	**—**	**(4.3)**	**(0.01)**
Expenses				
Transportation	**(1.8)**	**(0.01)**	**(7.6)**	**(0.02)**
Commodities purchased from third parties	**—**	**—**	**(2.6)**	**(0.01)**
Operating	**(4.9)**	**(0.01)**	**(8.3)**	**(0.02)**
G&A	**4.2**	**0.01**	**(4.0)**	**(0.01)**
Interest	**1.3**	**—**	**2.3**	**0.01**
Current income taxes	**(15.2)**	**(0.04)**	**(10.0)**	**(0.03)**
Realized loss on foreign exchange	**6.6**	**0.02**	**7.5**	**0.02**
Funds from operations – 2018	**204.4**	**0.58**	**405.4**	**1.15**

Funds from operations increased by 20 per cent in the second quarter of 2018 to $204.4 million ($0.58 per share) from $169.8 million ($0.48 per share) generated in the second quarter of 2017. The increase primarily reflects increased production, stronger crude oil and liquids prices, lower G&A and interest expenses and higher realized gains on foreign exchange compared to losses recorded in the second quarter of 2017. Decreased natural gas prices, lower realized gains on risk management contracts, higher operating, transportation and current tax expenses partially offset the increase.

For the six months ended June 30, 2018, funds from operations increased by $58.4 million to $405.4 million ($1.15 per share) from $347.0 million ($0.98 per share) in the same period of 2017. This increase primarily reflects increased production, improved crude oil and liquids prices, higher realized gains on risk management contracts, lower interest expense and realized foreign exchange gains. Lower natural gas prices, higher royalties, transportation, operating, G&A and current tax expenses partially offset the increase.

Exhibit 6

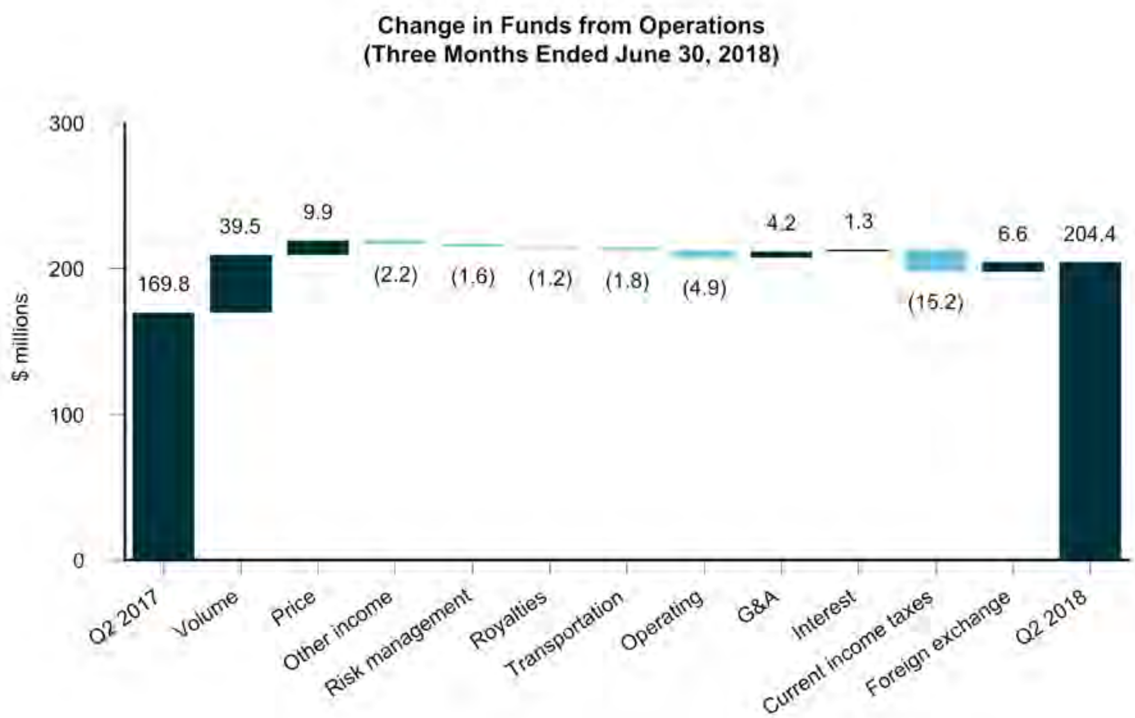
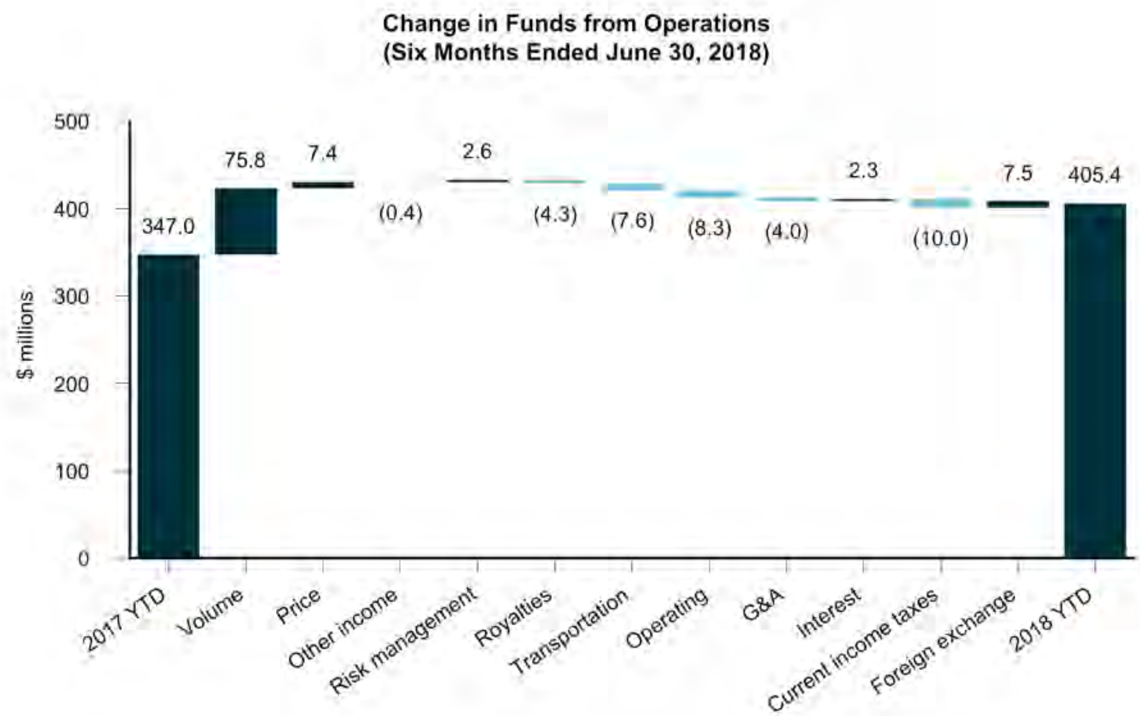


Exhibit 6a



Change in Funds from Operations
(Six Months Ended June 30, 2018)
500
400
300
200
100
0
$ millions
347.0
75.8
7.4
(0.4)
2.6
(4.3)
(7.6)
(8.3)
(4.0)
2.3
(10.0)
7.5
405.4
2017 YTD
Volume
Price
Other income
Risk management
Royalties
Transportation
Operating
G&A
Interest
Current income taxes
Foreign exchange
2018 YTD

2018 Net Income and Funds from Operations Sensitivity

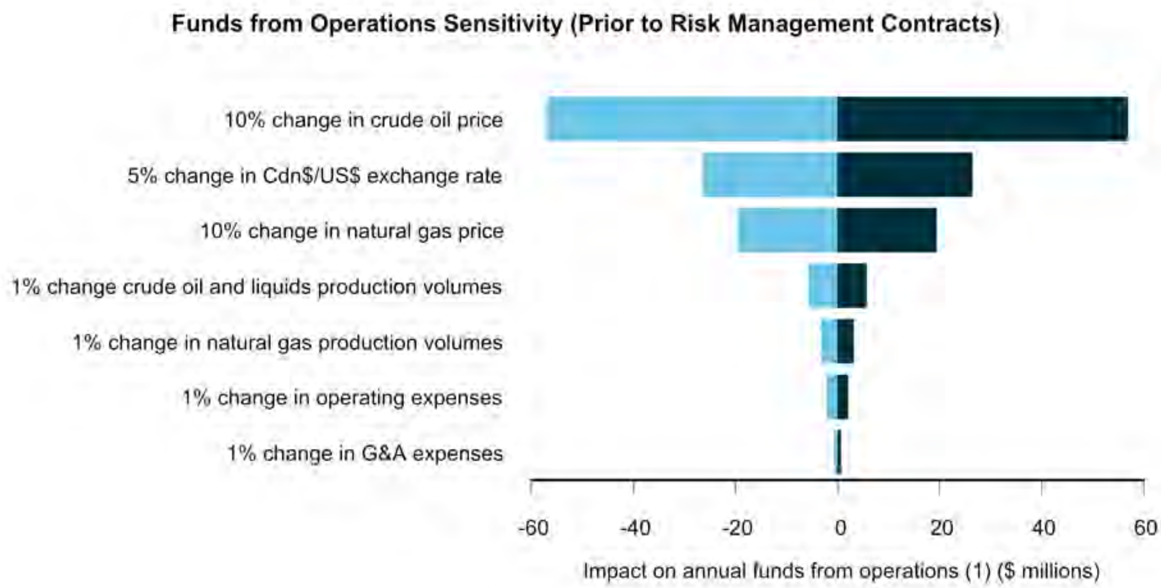
Table 9 illustrates sensitivities of operating items (prior to the impact of gains or losses on risk management contracts) to operational and business environment changes and the resulting impact on net income and funds from operations:

Table 9

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Income	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price (2)(3)	74.05	10%	57.0	0.161	57.0	0.161
Natural gas price (2)(3)	2.21	10%	19.5	0.055	19.5	0.055
Cdn$/US$ exchange rate (2)(3)(4)	1.28	5%	26.5	0.075	26.5	0.075
Operational (5)						
Crude oil and liquids production volumes (bbl/d)	37,557	1%	5.7	0.016	4.2	0.012
Natural gas production volumes (MMcf/d)	551.3	1%	3.2	0.009	1.1	0.003
Operating expenses ($/boe)	6.40	1%	2.1	0.006	2.1	0.006
G&A expenses ($/boe)	1.54	1%	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 six months ended June 30, 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 natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.
(5) Operational assumptions are based upon results for the six months ended June 30, 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

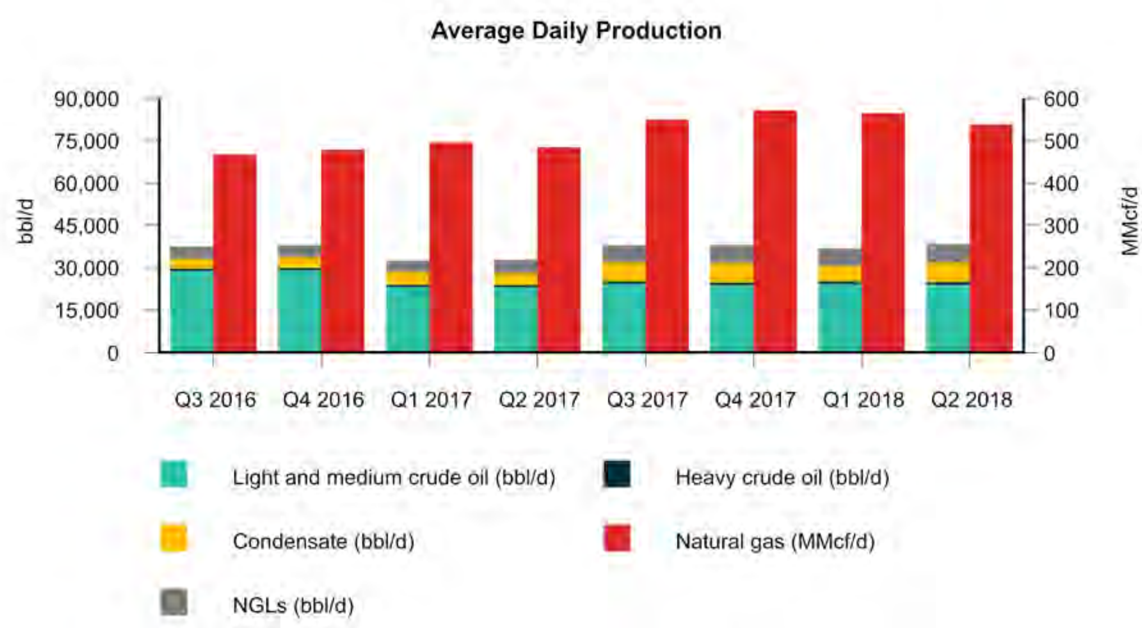
Table 10

Production	Three Months Ended March 31, 2018	June 30, 2018	June 30, 2017	% Change	Six Months Ended June 30, 2018	June 30, 2017	% Change
Light and medium crude oil (bbl/d)	24,283	**24,017**	23,155	4	**24,137**	23,180	4
Heavy crude oil (bbl/d)	754	**876**	658	33	**828**	741	12
Condensate (bbl/d)	5,505	**6,960**	4,253	64	**6,236**	4,378	42
Natural gas (MMcf/d)	564.9	**537.9**	483.9	11	**551.3**	490.0	13
NGLs (bbl/d)	6,332	**6,380**	4,691	36	**6,356**	4,294	48
Total production (boe/d)	131,016	**127,879**	113,410	13	**129,439**	114,265	13
Natural gas production (%)	72	**70**	71	(1)	**71**	71	—
Crude oil and liquids production (%)	28	**30**	29	3	**29**	29	—

During the three and six months ended June 30, 2018, crude oil and liquids production increased 17 per cent and 15 per cent respectively, as compared to the same periods in the prior year. This is due in part to increased liquids production from the Dawson Phase III facility started in June 2017 as well as increased oil and liquids production from Parkland/Tower following drilling and completions activity throughout 2017 and early 2018.

For the three and six months ended June 30, 2018, natural gas production increased 11 per cent and 13 per cent, respectively, as compared to the same periods of the prior year. The increase in both periods reflects the ramp up of production at the Dawson Phase III facility, as well as increased production from continued drilling and completions activity in northeast British Columbia.

Exhibit 8



Average Daily Production
90,000
75,000
60,000
45,000
30,000
15,000
0
bbl/d
600
500
400
300
200
100
0
MMcf/d
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Light and medium crude oil (bbl/d)
Heavy crude oil (bbl/d)
Condensate (bbl/d)
Natural gas (MMcf/d)
NGLs (bbl/d)

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

Table 11

	Three Months Ended June 30, 2018				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**42,848**	—	2,707	230.6	1,709
Parkland/Tower	**26,631**	6,184	1,718	96.7	2,613
Sunrise	**22,519**	—	102	134.3	34
Ante Creek	**16,189**	6,961	408	45.2	1,293
Pembina	**11,122**	8,575	165	11.3	491
All other	**8,570**	3,173	1,860	19.8	240
Total	**127,879**	**24,893**	**6,960**	**537.9**	**6,380**

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

Exhibit 9

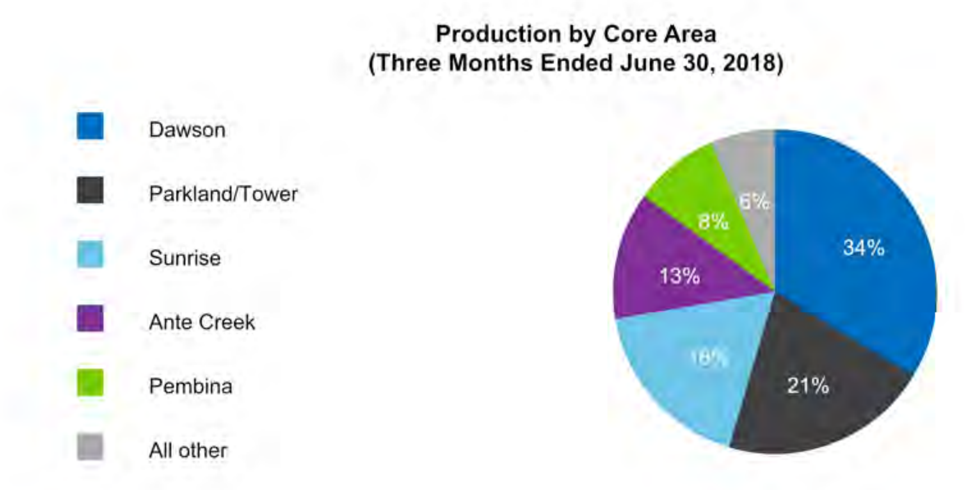
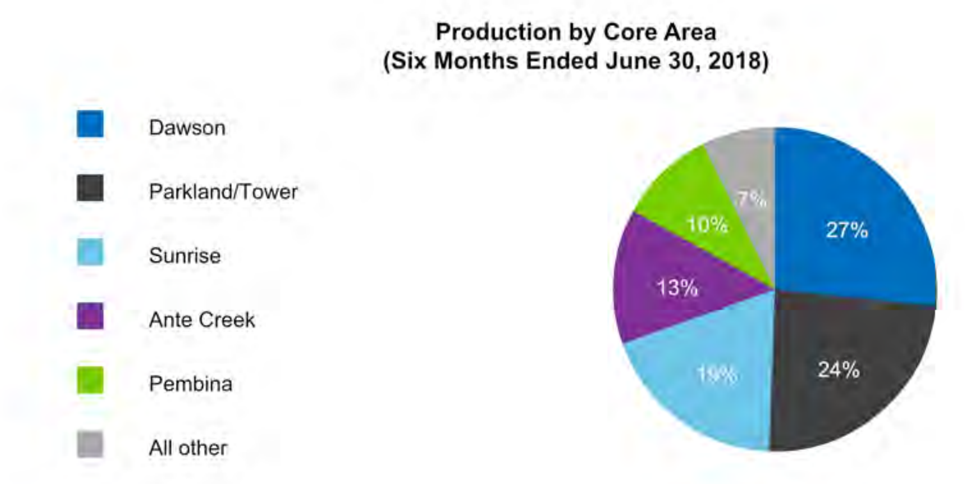


Table 11a

	Six Months Ended June 30, 2018				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**43,292**	—	2,488	235.4	1,570
Parkland/Tower	**28,074**	6,312	1,831	103.3	2,722
Sunrise	**22,242**	—	75	132.8	31
Ante Creek	**15,830**	6,347	415	46.8	1,264
Pembina	**11,230**	8,696	162	11.4	477
All other	**8,771**	3,610	1,265	21.6	292
Total	**129,439**	**24,965**	**6,236**	**551.3**	**6,356**

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

Exhibit 9a



Commodity Sales from Production

Commodity sales from production increased by 17 per cent for the second 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

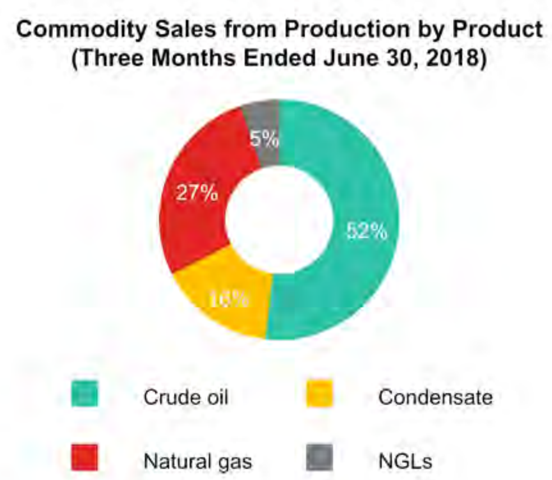
		Three Months Ended			Six Months Ended		
Commodity Sales from Production ($ millions)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Crude oil	156.6	**178.0**	129.0	38	**334.6**	261.8	28
Condensate	38.4	**53.9**	23.3	131	**92.3**	49.4	87
Natural gas	127.3	**93.4**	131.5	(29)	**220.7**	269.9	(18)
NGLs	17.9	**19.1**	11.2	71	**37.0**	20.3	82
Total commodity sales from production	340.2	**344.4**	295.0	17	**684.6**	601.4	14

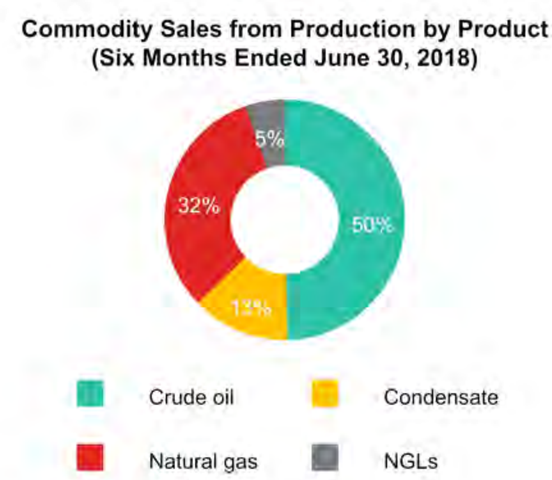
While ARC's production mix on a per boe basis is weighted more heavily to natural gas than to crude oil and liquids, ARC's commodity sales contribution is more heavily weighted to crude oil and liquids production as shown by the table below:

Table 13

		Three Months Ended		Six Months Ended	
% of Commodity Sales from Production by Product Type	March 31, 2018	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Crude oil and liquids	63	**73**	55	**68**	55
Natural gas	37	**27**	45	**32**	45
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 10





Realized Commodity Prices

Table 14

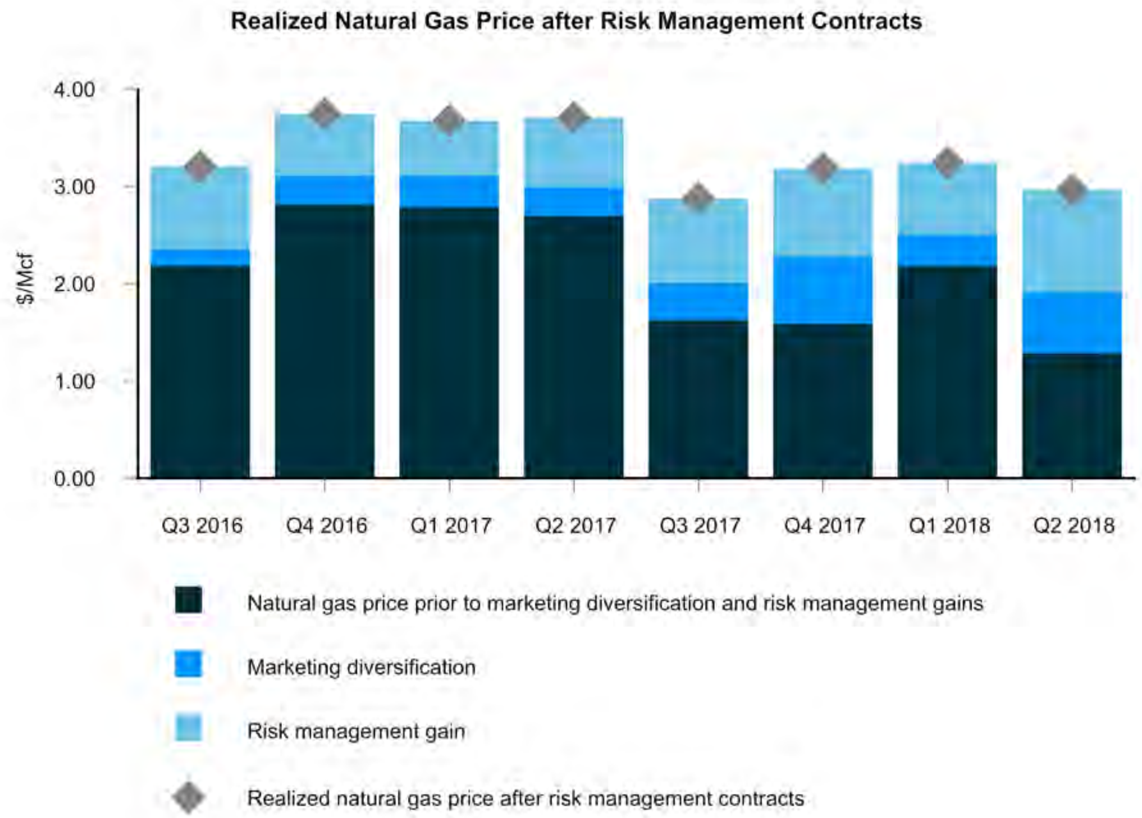
	Three Months Ended				Six Months Ended		
	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	3.00	**2.80**	3.18	(12)	**2.90**	3.25	(11)
Chicago Citygate Monthly Index (US$/MMBtu)	3.27	**2.58**	3.01	(14)	**2.93**	3.20	(8)
Malin Monthly Index (US$/MMBtu)	2.51	**1.98**	2.78	(29)	**2.24**	2.95	(24)
AECO 7A Monthly Index (Cdn$/Mcf)	1.85	**1.03**	2.77	(63)	**1.44**	2.86	(50)
WTI crude oil (US$/bbl)	62.89	**67.91**	48.15	41	**65.46**	49.95	31
Cdn$/US$ exchange rate	1.27	**1.29**	1.34	(4)	**1.28**	1.33	(4)
WTI crude oil (Cdn$/bbl)	79.87	**87.60**	64.52	36	**83.79**	66.43	26
Mixed Sweet Stream Price at Edmonton (Cdn$/bbl)	72.15	**80.63**	61.74	31	**76.45**	62.78	22
Condensate Stream Price at Edmonton (Cdn$/bbl)	78.93	**88.54**	64.86	37	**83.88**	66.83	26
ARC Average Realized Prices Prior to Gains or Losses on Risk Management Contracts							
Crude oil ($/bbl)	69.50	**78.57**	59.53	32	**74.05**	60.47	22
Condensate ($/bbl)	77.42	**85.10**	60.38	41	**81.73**	62.39	31
Natural gas ($/Mcf)	2.50	**1.91**	2.99	(36)	**2.21**	3.04	(27)
NGLs ($/bbl)	31.39	**32.98**	26.27	26	**32.20**	26.11	23
Total average realized commodity price prior to gains or losses on risk management contracts ($/boe)	28.85	**29.59**	28.59	3	**29.22**	29.08	—

During the three and six months ended June 30, 2018, while WTI increased 41 per cent and 31 per cent, respectively, during this period, ARC’s realized crude oil price increased 32 per cent and 22 per cent, respectively, over the same time periods in the prior year. The impact of improved WTI prices was partially offset by the widening differential between WTI and MSW to an average discount of US$5.46 per barrel and US$5.65 per barrel compared to US$2.24 per barrel and US$2.90 per barrel, in the same periods in 2017, respectively. Also, the average exchange rate for the Canadian dollar strengthened as compared to the US dollar by four per cent during each of the same time periods 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, US Midwest, Dawn and Pacific Northwest hubs. ARC's realized natural gas price decreased by 36 per cent and 27 per cent during the three and six months ended June 30, 2018, respectively, as compared to the same periods in 2017. The price that ARC receives for its natural gas is primarily benchmarked against the AECO monthly index, which was 63 per cent and 50 per cent lower in the second quarter and first six months of 2018, respectively, as compared to the same periods in the prior year. ARC's price exposure to other markets served to mitigate the impact of the weakness in the AECO and Station 2 cash markets during 2018. In the three and six months ended June 30, 2018, physical sales diversification activities added $0.63 per Mcf and $0.48 per Mcf to ARC's natural gas price ($0.30 per Mcf and $0.31 per Mcf for the same periods in 2017), respectively. Additionally, realized gains on natural gas risk management contracts added a further $1.05 per Mcf and $0.89 per Mcf for the three and six months ended June 30, 2018 ($0.71 per Mcf and $0.64 per Mcf for the same periods 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 second quarter of 2018 compared to the same period in 2017:

Table 15

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q2 2018 Total**	Q2 2017 Total
Realized gain (loss) on contracts [1]	(21.8)	51.5	—	**29.7**	31.3
Unrealized gain (loss) on contracts [2]	(68.5)	(52.9)	(0.7)	**(122.1)**	7.2
Gain (loss) on risk management contracts	**(90.3)**	**(1.4)**	**(0.7)**	**(92.4)**	38.5

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

Table 15a summarizes the total gain or loss on risk management contracts for the six months ended June 30, 2018 compared to the same period in 2017:

Table 15a

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**2018 Total**	2017 Total
Realized gain (loss) on contracts (1)	(30.6)	88.9	—	**58.3**	55.7
Unrealized gain (loss) on contracts (2)	(113.2)	(54.6)	(0.4)	**(168.2)**	117.3
Gain (loss) on risk management contracts	**(143.8)**	**34.3**	**(0.4)**	**(109.9)**	173.0

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

During the three and six months ended June 30, 2018, ARC recorded net losses of $92.4 million and $109.9 million, respectively, on its risk management contracts. These losses included realized gains of $29.7 million, offset by unrealized losses of $122.1 million for the second quarter and realized gains of $58.3 million and unrealized losses of $168.2 million for the six months ended June 30, 2018.

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 differential of $(0.81) per MMBtu. This is partially offset by cash payments made on WTI crude oil contracts related to higher WTI realized pricing during the period. These contracts consisted of WTI crude oil swaps with an average price of US$54.00/bbl, WTI crude oil calls with an average price of US$65.39/bbl, CAD-denominated WTI swaps with an average price of CAD$72.10/bbl and CAD-denominated WTI calls with an average price of CAD$76.25/bbl.

ARC's unrealized losses for the three and six months ended June 30, 2018 reflect higher spot prices and WTI forward curve prices, as well as a higher Cdn$/US$ forward curve at June 30, 2018 relative to the beginning of the quarter and the year. Unrealized losses on natural gas contracts for three and six months ended June 30, 2018 reflect the positive settlement of expired positions. Lower forward curves for NYMEX Henry Hub and a widening of the AECO basis differential forward curve partially offset the losses for the six months ended June 30, 2018.

Table 16 summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at the date of this MD&A. For a complete listing and terms of ARC's risk management contracts at June 30, 2018, see Note 11 "Financial Instruments and Market Risk Management" in the financial statements.

Table 16

Risk Management Contracts Positions Summary (1)

As at August 1, 2018	Jul-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	88.00	1,000	85.59	5,000	—	—	—	—	—	—
Floor	65.00	2,000	80.00	1,000	75.00	5,000	—	—	—	—	—	—
Sold Floor	—	—	65.00	1,000	60.00	5,000	—	—	—	—	—	—
Swap	72.10	12,000	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**20,000**		**15,000**		**5,000**		**—**		**—**		**—**
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	84.4	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	(0.88)	93,370	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		**183,370**		**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		20,000		60,000		90,000		110,000		80,000		34,877
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 June 30, 2018 was a net asset of $126.6 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after any adjustments for credit risk. This is comprised of a net asset of $248.7 million for natural gas contracts, and a net liability of $122.1 million for crude oil and foreign exchange contracts. This may differ from what will eventually be settled in future periods.

Exhibit 12

Operating Netbacks

The components of operating netbacks for the three and six months ended June 30, 2018 compared to the same periods in 2017 are summarized in Table 17:

Table 17

	Three Months Ended				Six Months Ended		
Netbacks ($ per boe) (1)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Commodity sales from production	28.85	**29.59**	28.59	3	**29.22**	29.08	0
Royalties	(2.45)	**(2.55)**	(2.76)	(8)	**(2.50)**	(2.62)	(5)
Transportation	(2.61)	**(2.61)**	(2.78)	(6)	**(2.61)**	(2.60)	0
Operating expenses (2)	(6.31)	**(6.50)**	(6.85)	(5)	**(6.40)**	(6.86)	(7)
Netback prior to gain on risk management contracts	17.48	**17.93**	16.20	11	**17.71**	17.00	4
Realized gain on risk management contracts	2.43	**2.55**	3.03	(16)	**2.49**	2.69	(7)
Netback after gain on risk management contracts	19.91	**20.48**	19.23	7	**20.20**	19.69	3

(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.

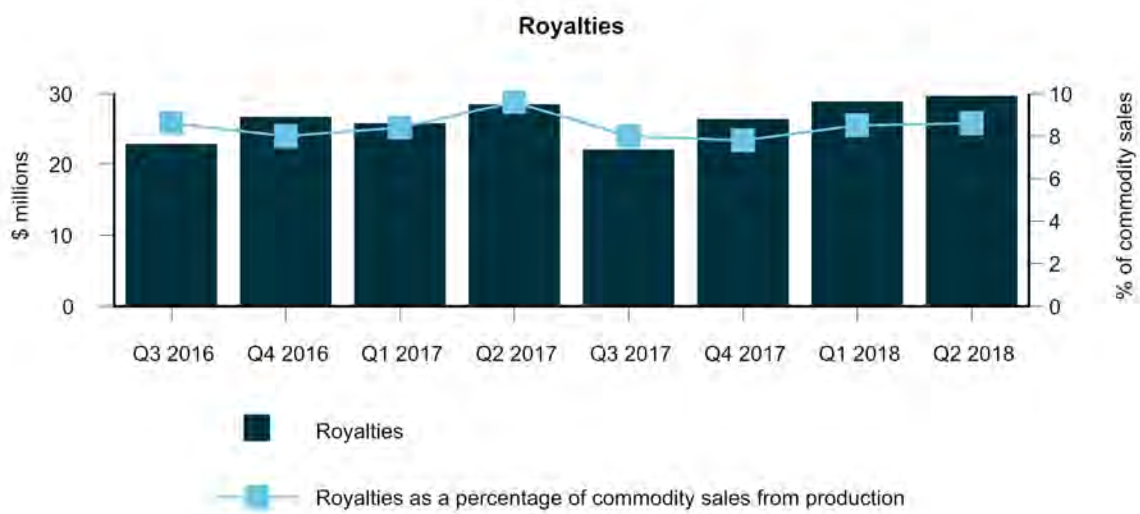
Exhibit 13

(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 for the three and six months ended June 30, 2018 were $29.7 million and $58.6 million ($28.5 million and $54.3 million for the same periods in 2017), respectively. Total royalties as a percentage of commodity sales from production decreased from 9.7 per cent ($2.76 per boe) in the second quarter of 2017 to 8.6 per cent ($2.55 per boe) in the second quarter of 2018. For the six months ended June 30, 2018, total royalties represented 8.6 per cent of commodity sales from production ($2.50 per boe) as compared to 9.0 per cent ($2.62 per boe) in the same period in 2017. The decrease in royalties as a percentage of commodity sales from production for the three and six months ended June 30, 2018, is reflective of a lower royalty rate for natural gas due to a decline in the natural gas price in the second quarter of 2018 compared to the same period in 2017, partially offset by a higher royalty rate for crude oil and liquids due to increased commodity prices in the second quarter of 2018 compared to the same period in 2017. Royalties per boe decreased in the second quarter of 2018 as compared to the second quarter of 2017 due to an increase in production.

Exhibit 14



Operating and Transportation Expenses

Operating expenses increased by $4.9 million in the second quarter of 2018 to $75.6 million as compared to the second quarter of 2017, primarily as a result of increased production in the period. On a per boe basis, operating expenses decreased $0.35 per boe to $6.50 per boe in the second quarter of 2018 compared to $6.85 per boe in the second quarter of 2017 as ARC continues to grow production in areas with lower average operating costs.

For the six months ended June 30, 2018, operating expenses increased by $8.3 million to $150.0 million compared to the same period in the prior year. The increase in operating expenses for the six months ended June 30, 2018 is mainly a result of increased production at Dawson Phase III and higher electricity pricing. These increases were partially offset by reductions from the disposition in March 2018 of non-core assets that had higher average operating costs. On a per boe basis, operating expenses decreased by $0.46 per boe to $6.40 per boe compared to the six months ended June 30, 2017.

Exhibit 15

ARC's second quarter 2018 transportation expenses of $2.61 per boe were unchanged from the first quarter of 2018. Transportation expenses for the three and six months ended June 30, 2018 were $30.4 million and $61.2 million ($28.6

million and $53.6 million for the three and six months ended June 30, 2017), respectively. The increase on a full-dollar basis relative to 2017 primarily reflects increased volumes associated with new production, increased natural gas tolls throughout 2017 and the addition of new transportation agreements for greater market access beyond AECO.

A breakdown of transportation expense by product and per boe is shown in Table 18:

Table 18

	Three Months Ended				Six Months Ended		
Transportation ($ millions, except per boe amounts)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Crude oil	6.4	**5.7**	5.7	—	**12.1**	11.3	7
Condensate	2.5	**3.9**	1.1	255	**6.4**	2.4	167
Natural gas	18.8	**18.5**	18.7	(1)	**37.3**	33.9	10
NGLs	3.1	**2.3**	3.1	(26)	**5.4**	6.0	(10)
Total transportation	30.8	**30.4**	28.6	6	**61.2**	53.6	14
Crude oil ($ per bbl)	2.84	**2.51**	2.63	(5)	**2.67**	2.62	2
Condensate ($ per bbl)	5.00	**6.27**	2.93	114	**5.71**	3.08	85
Natural gas ($ per mcf)	0.37	**0.38**	0.43	(12)	**0.37**	0.38	(3)
NGLs ($ per bbl)	5.48	**3.87**	7.21	(46)	**4.66**	7.68	(39)
Total transportation ($ per boe)	2.61	**2.61**	2.78	(6)	**2.61**	2.60	—

Exhibit 16

G&A Expenses and Share-Based Compensation

G&A expenses before share-based compensation expenses decreased by 17 per cent to $14.9 million in the second quarter of 2018 from $17.9 million in the second quarter of 2017. For the six months ended June 30, 2018, ARC's G&A before share-based compensation expense was $30.2 million, a $3.1 million decrease from the same period in 2017. The decrease for both periods is due to a $2.4 million provision recognized in the second quarter of 2017 for onerous contracts related to ARC’s tenant subleases at ARC’s corporate office. This was partially offset by director's compensation under the DSU plan.

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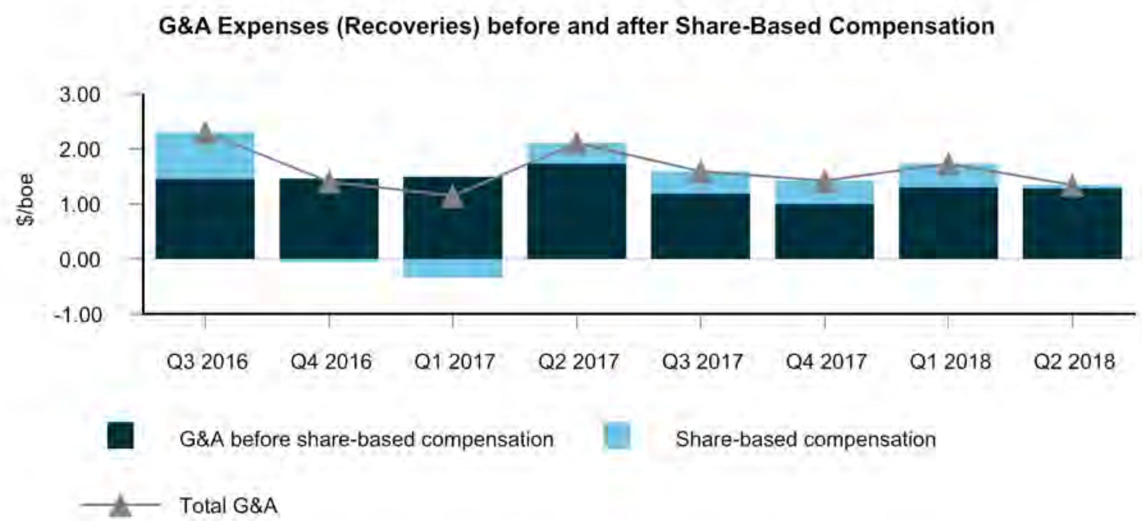
Table 19 is a breakdown of G&A and share-based compensation expenses:

Table 19

G&A and Share-Based Compensation ($ millions, except per boe)	Three Months Ended March 31, 2018	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Change	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Change
G&A expenses before share-based compensation expenses (1)	15.3	**14.9**	17.9	(17)	**30.2**	33.3	(9)
G&A – share-based compensation expenses (2)	5.1	**0.7**	4.0	(83)	**5.8**	0.5	100
Total G&A expenses	20.4	**15.6**	21.9	(29)	**36.0**	33.8	7
G&A expenses before share-based compensation expenses per boe	1.30	**1.28**	1.73	(26)	**1.29**	1.61	(20)
G&A – share-based compensation expenses per boe	0.43	**0.06**	0.39	(85)	**0.25**	0.02	100
Total G&A expenses per boe	1.73	**1.34**	2.12	(37)	**1.54**	1.63	(6)

(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

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

During the three and six months ended June 30, 2018, ARC recorded G&A expense of $0.7 million and $5.8 million in respect of its share-based compensation plans, respectively, compared to $4.0 million and $0.5 million during the three and six months ended June 30, 2017.

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

At June 30, 2018, ARC had 0.9 million RSUs and 2.1 million PSUs outstanding under this plan. For the three months ended June 30, 2018, a G&A recovery of $1.3 million was recorded in relation to the RSU and PSU Plan (G&A expense of $2.3 million for the same period in 2017). ARC recognized a recovery during the second quarter of 2018 as ARC's share price decreased from $14.04 per share at March 31, 2018 to $13.58 per share at June 30, 2018. The valuation of the PSU awards also decreased at June 30, 2018 as ARC's total return performance was outpaced when compared with the total return performance of its peers.

During the six months ended June 30, 2018, ARC recognized an expense of $2.6 million in relation to its RSU and PSU Plan (recovery of $2.0 million for the six months ended June 30, 2017). An expense was recognized in the current period due to continued vesting of the awards with only moderate decreases in valuation of outstanding awards at period end.

In the first six months of the prior year, ARC recognized a recovery of share-based compensation expense related to RSU and PSU awards as average performance multipliers and share price both experienced more significant decreases than in 2018.

During the six months ended June 30, 2018, ARC made cash payments of $8.1 million in respect of the RSU and PSU Plan ($11.4 million for the six months ended June 30, 2017). Of these payments, $6.4 million were in respect of amounts recorded to G&A expense ($9.3 million for the six months ended June 30, 2017) and $1.7 million were in respect of amounts recorded to operating expenses and capitalized as PP&E and E&E ($2.1 million for the six months ended June 30, 2017). These amounts were accrued in prior periods.

Table 20 shows the changes to the RSU and PSU Plan during 2018:

Table 20

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	337	708	1,045
Distributed	(182)	(462)	(644)
Forfeited	(36)	(22)	(58)
Balance, June 30, 2018	**899**	**2,136**	**3,035**

(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 $12.1 million and $69.3 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 21 is a summary of the range of future expected payments under the RSU and PSU Plan based on variability of the performance multiplier and units outstanding under the RSU and PSU Plan as at June 30, 2018:

Table 21

Value of RSU and PSU Plan as at June 30, 2018		Performance Multiplier	
(units thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated units to vest			
RSUs	888	888	888
PSUs	—	2,109	4,218
Total units (1)	**888**	**2,997**	**5,106**
Share price (2)	13.58	13.58	13.58
Value of RSU and PSU Plan upon vesting	**12.1**	**40.7**	**69.3**
2018	2.6	7.1	11.7
2019	4.8	13.5	22.3
2020	3.3	12.1	21.0
2021	1.4	8.0	14.3

(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 $13.58, which is based on the TSX closing share price at June 30, 2018.

Deferred Share Unit Plan

At June 30, 2018, ARC had 0.6 million DSUs outstanding under this plan. For the three and six months ended June 30, 2018, G&A expenses of $0.4 million and $1.3 million were recorded in relation to the DSU Plan (G&A recoveries of $0.4 million and $1.6 million for the same period in 2017), respectively.

Share Option Plan

At June 30, 2018, ARC had 6.0 million share options outstanding, representing 1.7 per cent of outstanding shares, with a weighted average exercise price of $17.67 per share. At June 30, 2018, approximately 1.4 million share options were exercisable with a weighted average exercise price of $19.57 per share. ARC recorded compensation expense of $1.1 million and $2.1 million relating to the Share Option Plan for the three and six months ended June 30, 2018 ($0.8 million and $1.5 million for the three and six months ended June 30, 2017).

Long-term Restricted Share Award Plan

At June 30, 2018, ARC had 0.5 million restricted shares outstanding under this plan. ARC recorded G&A expenses of $0.9 million and $1.1 million relating to the LTRSA Plan during the three and six months ended June 30, 2018 ($0.9 million and $1.0 million for the three and six months ended June 30, 2017).

Interest and Financing Charges

Interest and financing charges decreased 11 per cent to $10.4 million in the second quarter of 2018 from $11.7 million in the second quarter of 2017. For the six months ended June 30, 2018, interest and financing charges were $21.1 million as compared to $23.4 million in 2017, a decrease of 10 percent. The decrease for the three and six months ended June 30, 2018 compared to the same period of the prior year is due to principal repayments that were made throughout 2017 and the second quarter of 2018.

At June 30, 2018, ARC had $892.9 million of long-term debt outstanding, including a current portion of $77.5 million that is due for repayment within the next 12 months. ARC's long-term debt has a fixed weighted average interest rate of 4.2 per cent. 96 per cent (US$649.0 million) of ARC’s long-term debt outstanding at June 30, 2018 is denominated in US dollars.

Foreign Exchange Gains and Losses

ARC recorded a foreign exchange loss of $13.9 million in the second quarter of 2018 compared to a gain of $19.9 million in the second quarter of 2017. During the three months ended June 30, 2018, the value of the US dollar relative to the Canadian dollar increased to $1.31 from $1.29 at March 31, 2018, resulting in an unrealized loss on the revaluation of ARC's US dollar denominated debt. During the three months ended June 30, 2017, the value of the US dollar relative to the Canadian dollar decreased to $1.30 from $1.33 at March 31, 2017, resulting in an unrealized gain on the revaluation of ARC's US dollar denominated debt.

During the six months ended June 30, 2018 the value of the US dollar relative to the Canadian dollar increased to $1.31 at June 30, 2018 from $1.25 at December 31, 2017. During the six months ended June 30, 2017 the value of the US dollar relative to the Canadian dollar decreased to $1.30 at June 30, 2017 from $1.34 at December 31, 2016. This resulted in an unrealized loss on the revaluation of ARC's US dollar denominated debt in 2018, as compared to an unrealized gain for the same period in 2017.

Partially offsetting the unrealized foreign exchange loss for the six months ended June 30, 2018 were realized foreign exchange gains on US denominated cash held by the Company throughout the period.

Table 22 shows the various components of foreign exchange gains and losses:

Table 22

	Three Months Ended				Six Months Ended		
Foreign Exchange Gains and Losses ($ millions)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Unrealized gain (loss) on US dollar denominated debt	(26.9)	**(15.4)**	24.7	(162)	**(42.3)**	32.4	(231)
Unrealized loss on US dollar denominated receivables	—	**(0.3)**	—	—	**(0.3)**	—	—
Realized gain (loss) on US denominated transactions	1.7	**1.8**	(4.8)	138	**3.5**	(4.0)	188
Total foreign exchange gain (loss)	(25.2)	**(13.9)**	19.9	(170)	**(39.1)**	28.4	(238)

Taxes

ARC recorded a current income tax expense of $12.7 million in the second quarter of 2018 ($21.0 million expense for the six months ended June 30, 2018) compared to a recovery of $2.5 million during the second quarter of 2017 ($11.0 million expense for the six months ended June 30, 2017). This increase in current tax expense for both the three and six months ended June 30, 2018 is a function of higher commodity prices realized in the year and forecasted for the remainder of 2018 resulting in a higher expected taxable income as compared to the same period in 2017.

During the second quarter of 2018, a deferred income tax recovery of $23.0 million was recorded ($0.9 million recovery for the six months ended June 30, 2018) compared to an expense of $38.6 million in the second quarter of 2017 ($74.1 million expense for the six months ended June 30, 2017).This decrease in deferred tax expense for both the three and six months ended June 30, 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.

The income tax pools (detailed in Table 23) are deductible at various rates and annual deductions associated with the initial tax pools will decline over time.

Table 23

Income Tax Pool Type ($ millions)	**June 30, 2018**	**Annual Deductibility**
Canadian oil and gas property expense	144.0	10% declining balance
Canadian development expense	866.6	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	856.7	Primarily 25% declining balance
Other	14.2	Various rates, 7% declining balance to 20%
Total federal tax pools	1,881.5	
Additional Alberta tax pools	3.8	Various rates, 25% declining balance to 100%

DD&A Expenses and Impairment

For the three and six months ended June 30, 2018, ARC recorded DD&A expense of $120.6 million and $246.3 million as compared to $108.0 million and $221.5 million for the three and six months ended June 30, 2017. The increase in DD&A for the three and six months ended June 30, 2018 compared to the same periods in the prior year reflects increased production in 2018 compared to the same periods in 2017, despite a lower average depletion rate reflecting increased proved plus probable reserves in 2018 from 2017.

For the three and six months ended June 30, 2018, ARC recognized impairment of $7.9 million and $8.3 million, respectively, compared to a recovery of impairment of $75.0 million for the same periods in 2017. Impairment charges recognized during the second quarter of 2018 were related to non-core dispositions completed in 2018.

A breakdown of DD&A expenses and impairment charges (recovery) is summarized in Table 24:

Table 24

	Three Months Ended				**Six Months Ended**		
DD&A Expenses ($ millions, except per boe amounts)	March 31, 2018	**June 30, 2018**	June 30, 2017	% Change	**June 30, 2018**	June 30, 2017	% Change
Depletion of crude oil and natural gas assets	124.3	**119.3**	106.7	12	**243.6**	218.9	11
Depreciation of corporate assets	1.4	**1.3**	1.3	—	**2.7**	2.6	4
Impairment (recovery)	0.4	**7.9**	(75.0)	(111)	**8.3**	(75.0)	(111)
Total DD&A expenses and impairment	126.1	**128.5**	33.0	289	**254.6**	146.5	74
DD&A expenses per boe, excluding impairment	10.66	**10.36**	10.46	(1)	**10.51**	10.71	(2)

ARC recognized depletion expense of $3.5 million and $4.2 million related to production of wells from its E&E properties for the three and six months June 30, 2018. This expense has been recognized as exploration and evaluation expense ($nil for the three and six months ended June 30, 2017).

Capital Expenditures, Acquisitions and Dispositions

Capital expenditures before acquisitions, dispositions or purchases of undeveloped land totaled $164.8 million in the second quarter of 2018 as compared to $151.0 million during the second quarter of 2017.

In the second quarter of 2018, ARC had property dispositions for proceeds of $0.7 million, and recorded a gain on sale of $0.4 million. 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.

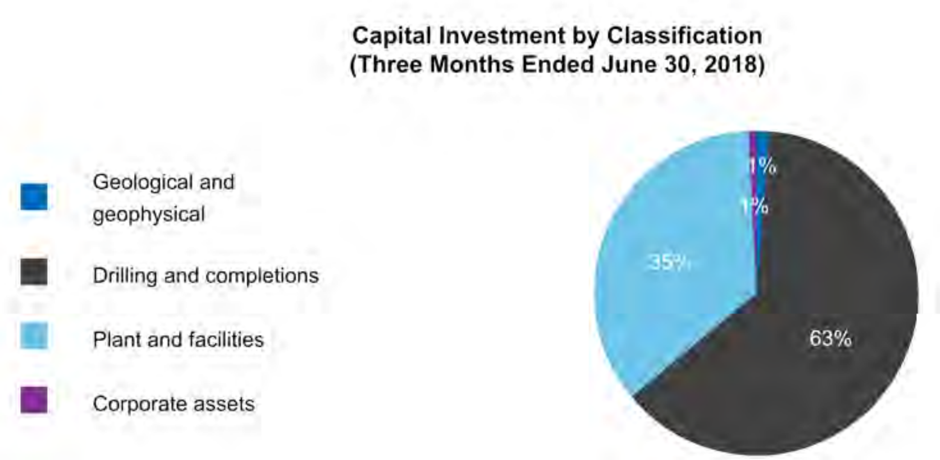
A breakdown of capital expenditures, acquisitions and dispositions is shown in Table 25:

Table 25

	Three Months Ended June 30						
	2018			2017			
Capital Expenditures (1) ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.4**	**1.7**	**2.1**	0.1	1.9	2.0	5
Drilling and completions	**4.0**	**98.6**	**102.6**	2.1	103.8	105.9	(3)
Plant and facilities	**4.2**	**54.6**	**58.8**	1.6	40.0	41.6	41
Corporate assets	**—**	**1.3**	**1.3**	—	1.5	1.5	(13)
Total capital expenditures	**8.6**	**156.2**	**164.8**	3.8	147.2	151.0	9
Undeveloped land	**—**	**—**	**—**	—	14.7	14.7	(100)
Total capital expenditures including undeveloped land purchases	**8.6**	**156.2**	**164.8**	3.8	161.9	165.7	(1)
Acquisitions	**—**	**—**	**—**	—	0.1	0.1	(100)
Dispositions	**—**	**(0.7)**	**(0.7)**	—	—	—	(100)
Total capital expenditures, land purchases and acquisitions	**8.6**	**155.5**	**164.1**	3.8	162.0	165.8	(1)

(1) PP&E refers to property, plant and equipment in the development and production phase, while E&E expenditures include capital expenditure on assets in areas that have been determined by Management to be in the exploration and evaluation stage.

Exhibit 18



For the six months ended June 30, 2018, capital expenditures before property acquisitions, dispositions or purchases of undeveloped land totaled $378.5 million as compared to $406.2 million during the same period of 2017. This total includes development and production additions to PP&E of $325.1 million and additions to E&E assets of $53.4 million.

Table 25a

	Six Months Ended June 30						
	2018			2017			
Capital Expenditures [1] ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**1.7**	**4.4**	**6.1**	0.1	5.1	5.2	17
Drilling and completions	**41.3**	**200.4**	**241.7**	16.2	261.3	277.5	(13)
Plant and facilities	**10.4**	**118.4**	**128.8**	2.8	117.2	120.0	7
Corporate assets	**—**	**1.9**	**1.9**	—	3.5	3.5	(46)
Total capital expenditures	**53.4**	**325.1**	**378.5**	19.1	387.1	406.2	(7)
Undeveloped land	**0.4**	**0.3**	**0.7**	—	19.9	19.9	(96)
Total capital expenditures including undeveloped land purchases	**53.8**	**325.4**	**379.2**	19.1	407.0	426.1	(11)
Acquisitions [2]	**—**	**0.2**	**0.2**	—	0.3	0.3	(33)
Dispositions	**—**	**(99.0)**	**(99.0)**	—	—	—	100
Total capital expenditures, land purchases and net acquisitions and dispositions	**53.8**	**226.6**	**280.4**	19.1	407.3	426.4	(34)

(1) PP&E refers to property, plant and equipment in the development and production phase, while E&E expenditures include capital expenditure on assets in areas that have been determined by Management to be in the exploration and evaluation stage.

(2) Excludes $nil and $0.5 million of non-cash petroleum and natural gas property transactions in the six months ended June 30, 2018 and 2017, respectively.

Exhibit 19

ARC invested $378.5 million of capital, before land and net property acquisitions and dispositions, in the first half of 2018. Year-to-date 2018 capital activity included drilling and completion activities at Ante Creek, Attachie, Dawson, Sunrise, and Tower. Capital investment in the period was also focused on various infrastructure initiatives in northeast British Columbia. Approximately 95 per cent of capital invested in the first half of 2018 was directed towards ARC's Montney assets.

Asset Retirement Obligations

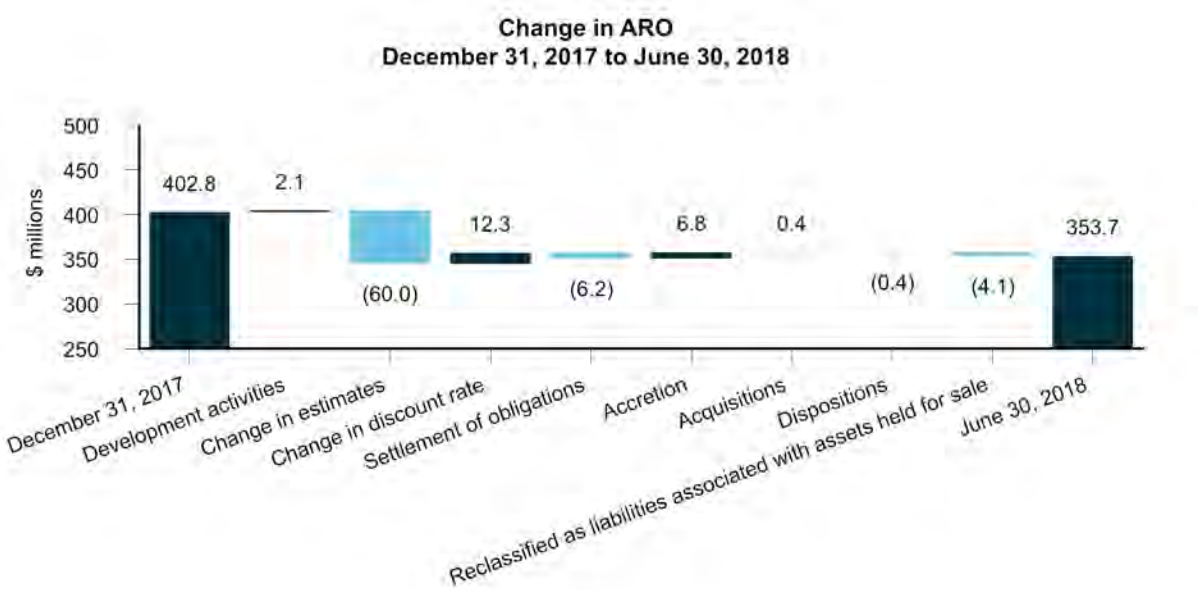
At June 30, 2018, ARC has recorded ARO of $353.7 million ($402.8 million at December 31, 2017) for the future abandonment and reclamation of ARC's properties. The estimated ARO includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs 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 six months ended June 30, 2018, ARC reduced its ARO by $60.0 million in respect of revisions to estimates of costs of future obligations.

Accretion charges of $3.2 million and $6.8 million for the three and six months ended June 30, 2018 ($3.2 million and $6.4 million for the same period in 2017), have been recognized in the statements of income (loss) to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's abandonment and reclamation program for the three and six months ended June 30, 2018 was $0.6 million and $6.2 million ($1.5 million and $10.6 million for the same period in 2017). At June 30, 2018, $189.2 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 June 30, 2018 and at the date of this MD&A.

Exhibit 20



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 4.2 per cent.

A breakdown of ARC's capital structure as at June 30, 2018 and December 31, 2017 is outlined in Table 26:

Table 26

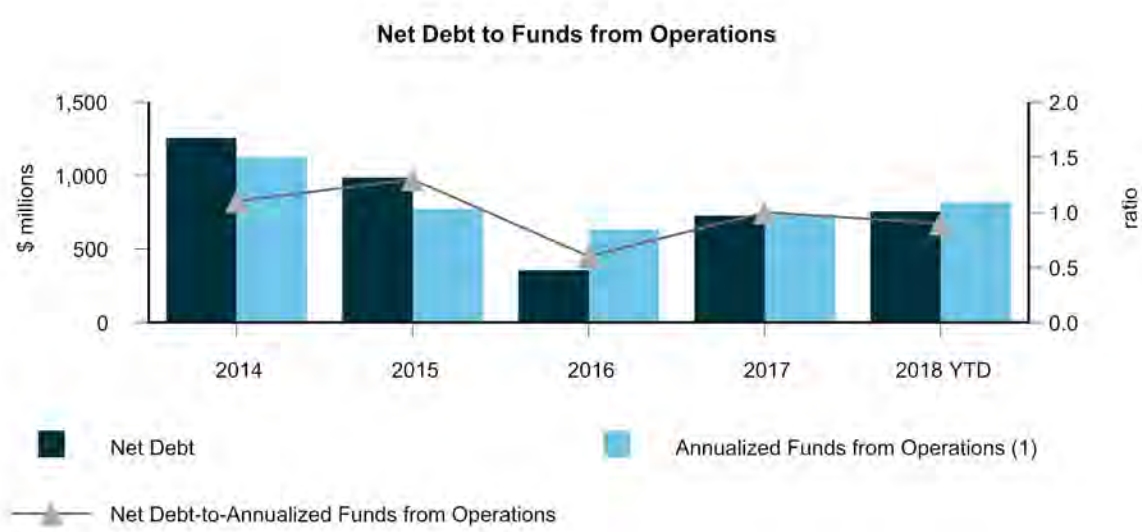
Capital Structure and Liquidity ($ millions, except per cent and ratio amounts)	**June 30, 2018**	December 31, 2017
Long-term debt [1]	**892.9**	911.3
Accounts payable and accrued liabilities	**186.3**	170.0
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(339.9)**	(371.0)
Net debt	**757.0**	728.0
Market capitalization [2]	**4,800.5**	5,214.1
Total capitalization	**5,557.5**	5,942.1
Net debt as a percentage of total capitalization (%)	**13.6**	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 $77.5 million at June 30, 2018 and $73.9 million at December 31, 2017.
(2) Calculated using the total common shares outstanding at June 30, 2018 multiplied by the TSX closing share price of $13.58 at June 30, 2018 (TSX closing share price of $14.75 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 and 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 $757.0 million of net debt outstanding, which was approximately 14 per cent of ARC's total capitalization. At June 30, 2018, ARC's net debt to 2018 annualized funds from operations ratio was 0.9 times.

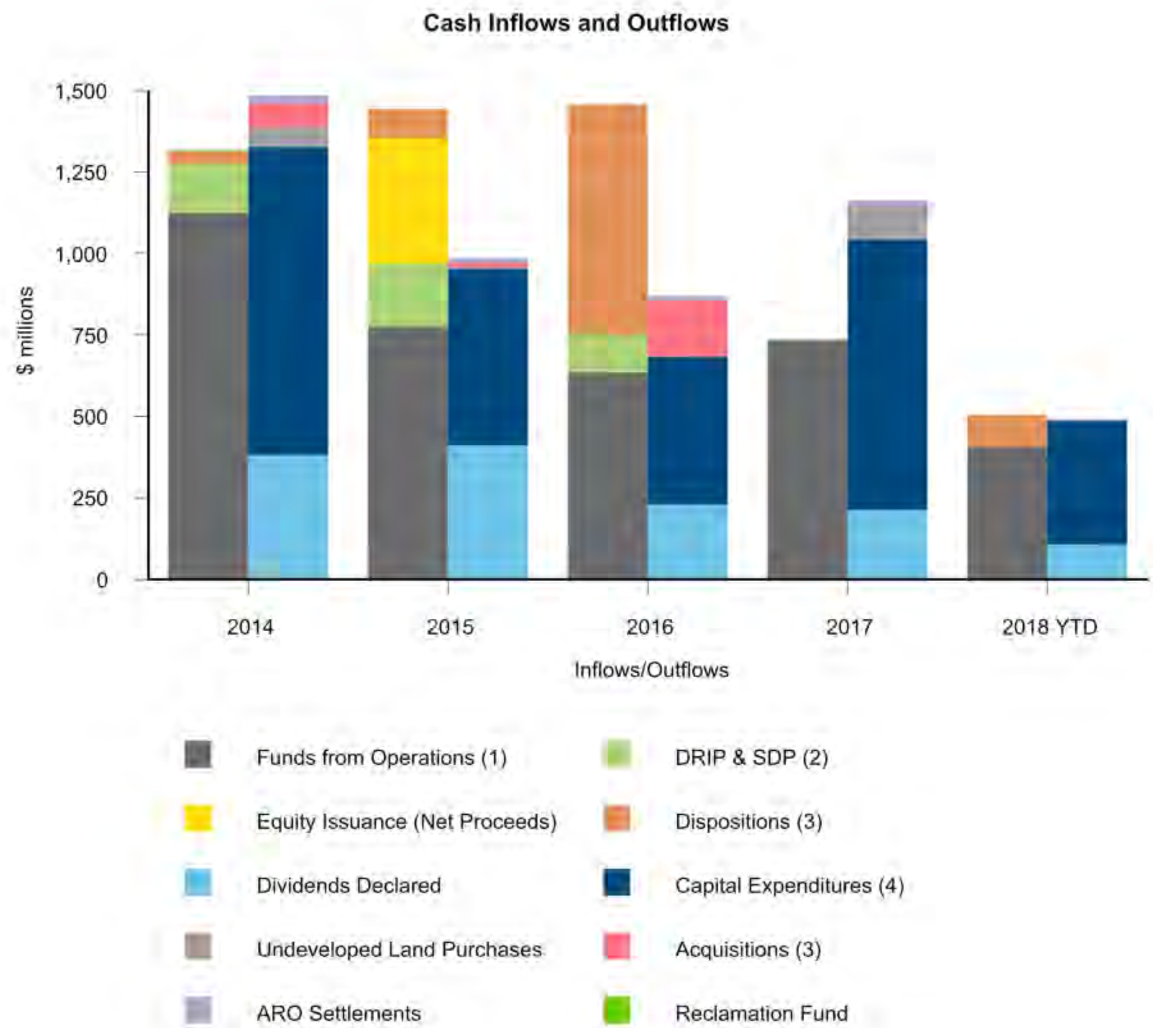
Exhibit 21



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

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 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.
(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 27

($ millions)	**2018 YTD**	2017	2016	2015	2014
Cash Inflows					
Funds from operations (1)	**405.4**	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)	**99.0**	—	705.4	88.8	39.3
Reclamation fund withdrawals	**1.0**	—	—	0.9	—
Total	**505.4**	734.9	1,455.8	1,444.7	1,314.3
Cash Outflows					
Dividends declared	**106.2**	212.3	228.2	410.5	380.2
Capital expenditures (4)	**378.3**	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	**6.2**	19.8	13.0	12.3	23.0
Reclamation fund contributions	**—**	0.6	2.0	—	2.6
Total	**491.6**	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 non-cash share options and asset retirement cost additions.

At June 30, 2018, ARC had total available credit capacity of approximately $1.9 billion with debt of $892.9 million currently outstanding. ARC's long-term debt balance includes a current portion of $77.5 million at June 30, 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 June 30, 2018. These agreements are available on SEDAR at www.sedar.com. ARC calculates its covenants quarterly. The major financial covenants of the syndicated credit facility are described below:

Table 28

Covenant Description	**Estimated Position at June 30, 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	1.1
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	1.1
Long-term debt and letters of credit not to exceed 50 per cent of the book value of shareholders' equity and long-term debt, letters of credit and subordinated debt	20%

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

Shareholders' Equity

At June 30, 2018 and August 1, 2018, there were 353.5 million shares outstanding and 6.0 million share options outstanding under ARC's Share Option Plan. For more information on the Share Option Plan, refer to the section entitled "Share Option Plan" contained within this MD&A.

At June 30, 2018, ARC had 0.5 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

Dividends

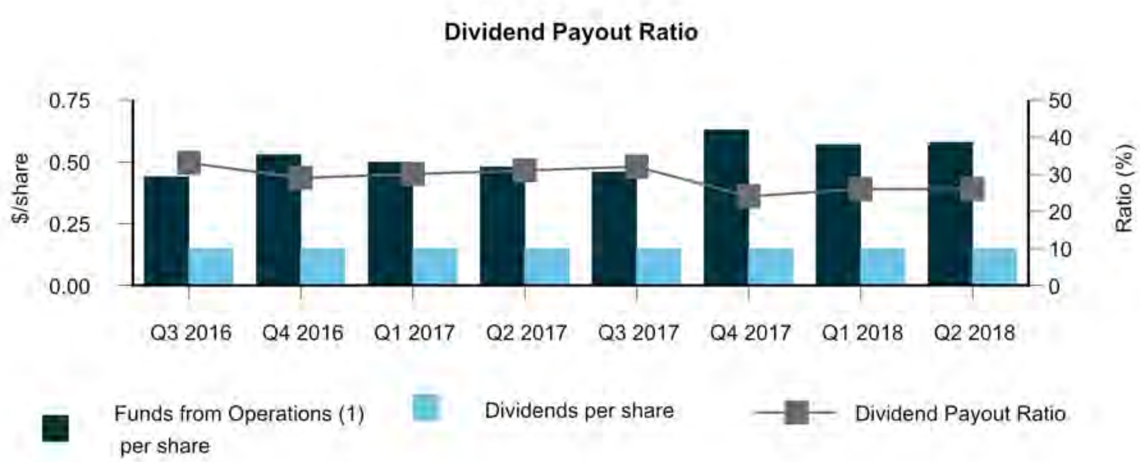
In the second quarters of 2018 and 2017, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding).

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 second 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 31 per cent in the second quarter of 2017 to an average of 26 per cent in the second 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 July 16, 2018, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on August 15, 2018 to shareholders of record on July 31, 2018 with an ex-dividend date of July 30, 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 regulate 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 June 30, 2018:

Table 29

	Payments Due by Period				
($ millions)	**1 Year**	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments (1)	77.5	215.7	268.3	331.4	892.9
Interest payments (2)	37.4	61.5	36.5	18.4	153.8
Reclamation fund contributions (3)	3.1	5.7	5.4	40.2	54.4
Purchase commitments	22.9	5.8	—	—	28.7
Transportation commitments	111.2	242.7	248.7	692.7	1,295.3
Operating leases	15.6	29.4	27.5	10.2	82.7
Risk management contract premiums (4)	0.2	0.5	—	—	0.7
Total contractual obligations and commitments	**267.9**	**561.3**	**586.4**	**1,092.9**	**2,508.5**

(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.

At June 30, 2018, ARC's total contractual obligations and commitments were $2.5 billion, of which $1.3 billion relate to transportation commitments. During the second quarter of 2018, ARC executed new transportation agreements for growth areas as well as to secure greater market access beyond AECO.

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 June 30, 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 29 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 29), were entered into in the normal course of operations. All of these leases have been treated as operating leases whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on ARC's consolidated balance sheet as of June 30, 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, transportation 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 June 30, 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 and six months ended June 30, 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 (loss) for comparability with the current period presentation for these items. There is no resultant impact on the net income (loss), comprehensive income (loss), 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 (loss), comprehensive income (loss), 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, using the modified retrospective transition approach. 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 currently in the "impact analysis and evaluation phase" and is continuing to perform detailed evaluations of potential lease contracts and measurement of leases under IFRS 16. The transition team has analyzed transition approaches and accounting policy choices and has begun planning necessary changes to accounting processes. ARC will continue these activities into the third quarter of 2018, along with the assessment and implementation of changes to policies, internal controls, information systems, and business and accounting processes.

Non-GAAP Measures

Throughout this MD&A, the Company uses 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 or 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 per 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 12 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 four-year basis in Table 30 of this MD&A.

Table 30

	Twelve Months Ended	Twelve Months Ended December 31				
ROACE	**June 30, 2018**	2017	2016	2015	2014	2014-2017 Average (1)
Net income (loss)	**131.4**	388.9	201.3	(342.7)	380.8	157.1
Add: Interest	**43.0**	45.3	50.5	51.0	47.3	48.5
Add: Total income taxes (recovery)	**70.9**	135.9	41.4	(15.8)	129.4	72.7
Earnings before interest and taxes	**245.3**	570.1	293.2	(307.5)	557.5	278.3
Net Debt - beginning of period	**527.4**	356.5	985.1	1,255.9	1,011.5	1,011.5
Shareholders' Equity - beginning of period	**3,650.0**	3,484.8	3,388.5	3,551.8	3,396.1	3,396.1
Opening Capital Employed (A)	**4,177.4**	3,841.3	4,373.6	4,807.7	4,407.6	4,407.6
Net Debt - end of period	**757.0**	728.0	356.5	985.1	1,255.9	728.0
Shareholders' Equity - end of period	**3,574.0**	3,668.9	3,484.8	3,388.5	3,551.8	3,668.9
Closing Capital Employed (B)	**4,331.0**	4,396.9	3,841.3	4,373.6	4,807.7	4,396.9
Average Capital Employed (A+B)/2	**4,254.2**	4,119.1	4,107.5	4,590.7	4,607.7	4,402.3
ROACE (%)	**6**	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 and inventory levels 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	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales of crude oil, natural gas, condensate, NGLs and other income (1)	**344.4**	340.2	337.3	276.5	295.0	306.4	331.8	265.6
Per share, basic (1)	**0.97**	0.96	0.95	0.78	0.83	0.87	0.94	0.76
Per share, diluted (1)	**0.97**	0.96	0.95	0.78	0.83	0.87	0.94	0.75
Net income (loss)	**(45.9)**	54.9	73.9	48.5	124.0	142.5	167.0	28.3
Per share, basic	**(0.13)**	0.16	0.21	0.14	0.35	0.40	0.47	0.08
Per share, diluted	**(0.13)**	0.16	0.21	0.14	0.35	0.40	0.47	0.08
Funds from operations (2)	**204.4**	201.0	221.1	163.8	169.8	177.2	188.5	153.0
Per share, basic	**0.58**	0.57	0.63	0.46	0.48	0.50	0.53	0.44
Per share, diluted	**0.58**	0.57	0.63	0.46	0.48	0.50	0.53	0.44
Dividends declared	**53.1**	53.1	53.1	53.0	53.1	53.1	52.9	52.9
Per share (3)	**0.15**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**6,059.8**	6,235.7	6,224.0	6,115.0	6,196.8	6,169.3	5,990.5	5,968.4
Total liabilities	**2,485.8**	2,563.8	2,555.1	2,468.2	2,546.8	2,591.4	2,505.7	2,622.3
Net debt outstanding (4)	**757.0**	728.0	728.0	645.1	527.4	501.4	356.5	1,009.4
Weighted average shares, basic	**353.5**	353.5	353.5	353.5	353.4	353.4	352.8	351.7
Weighted average shares, diluted	**353.5**	353.8	353.8	353.9	353.8	353.7	353.5	352.3
Shares outstanding, end of period	**353.5**	353.5	353.5	353.5	353.4	353.4	353.3	352.2
CAPITAL EXPENDITURES								
Geological and geophysical	**2.1**	4.0	2.5	1.8	2.0	3.2	1.8	3.5
Drilling and completions	**102.6**	139.1	154.8	119.3	105.9	171.6	89.1	59.0
Plant and facilities	**58.8**	70.0	87.2	55.5	41.6	78.4	65.9	59.8
Administrative assets	**1.3**	0.6	0.6	1.8	1.5	2.0	2.4	0.2
Total capital expenditures	**164.8**	213.7	245.1	178.4	151.0	255.2	159.2	122.5
Undeveloped land	**—**	0.7	0.4	77.3	14.7	5.2	2.7	—
Total capital expenditures, including undeveloped land purchases	**164.8**	214.4	245.5	255.7	165.7	260.4	161.9	122.5
Acquisitions	**—**	0.2	2.2	—	0.1	0.2	14.6	31.6
Dispositions	**(0.7)**	(98.3)	—	—	—	—	(702.1)	(0.3)
Total capital expenditures, land purchases and net acquisitions and dispositions	**164.1**	116.3	247.7	255.7	165.8	260.6	(525.6)	153.8
OPERATING								
Production								
Crude oil (bbl/d)	**24,893**	25,037	24,641	25,020	23,813	24,030	29,885	29,642
Condensate (bbl/d)	**6,960**	5,505	6,989	6,815	4,253	4,504	3,767	3,562
Natural gas (MMcf/d)	**537.9**	564.9	572.4	549.6	483.9	496.2	478.4	466.7
NGLs (bbl/d)	**6,380**	6,332	6,380	6,091	4,691	3,893	4,220	4,221
Total (boe/d)	**127,879**	131,016	133,409	129,526	113,410	115,129	117,611	115,205
Average realized prices, prior to risk management contracts (1)								
Crude oil ($/bbl)	**78.57**	69.50	67.29	54.50	59.53	61.42	59.20	52.43
Condensate ($/bbl)	**85.10**	77.42	69.04	54.35	60.38	64.31	58.97	50.81
Natural gas ($/Mcf)	**1.91**	2.50	2.27	2.00	2.99	3.10	3.10	2.35
NGLs ($/bbl)	**32.98**	31.39	35.31	28.37	26.27	25.91	20.77	12.67
Oil equivalent ($/boe)	**29.59**	28.85	27.48	23.20	28.59	29.58	30.29	25.03
TRADING STATISTICS (5)								
($, based on intra-day trading)								
High	**15.25**	15.90	18.34	18.31	19.55	23.70	24.94	24.08
Low	**12.71**	11.88	13.64	15.61	16.23	18.26	21.55	20.88
Close	**13.58**	14.04	14.75	17.19	16.96	19.00	23.11	23.73
Average daily volume (thousands)	**1,150**	1,406	1,114	1,008	1,269	1,104	837	691

(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

Q2

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**June 30, 2018**	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	**168.1**	220.2
Accounts receivable (Note 5)	**148.2**	132.7
Prepaid expenses	**23.6**	18.1
Risk management contracts (Note 11)	**44.3**	146.6
Assets held for sale (Note 7)	**262.9**	301.1
	647.1	818.7
Reclamation fund	**35.2**	36.7
Risk management contracts (Note 11)	**97.1**	148.4
Exploration and evaluation assets (Notes 3 and 6)	**468.9**	418.9
Property, plant and equipment (Note 7)	**4,563.3**	4,553.1
Goodwill	**248.2**	248.2
Total assets	**6,059.8**	6,224.0
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**186.3**	170.0
Current portion of long-term debt (Note 8)	**77.5**	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)	**12.0**	—
Liabilities associated with assets held for sale	**189.2**	219.7
	498.7	497.3
Risk management contracts (Note 11)	**2.8**	0.2
Long-term debt (Note 8)	**815.4**	837.4
Long-term incentive compensation liability (Note 14)	**17.3**	17.5
Other deferred liabilities	**11.3**	12.3
Asset retirement obligations (Note 9)	**337.7**	386.8
Deferred taxes	**802.6**	803.6
Total liabilities	**2,485.8**	2,555.1
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 12)	**4,658.5**	4,658.5
Contributed surplus	**24.5**	21.9
Deficit	**(1,108.6)**	(1,011.4)
Accumulated other comprehensive loss	**(0.4)**	(0.1)
Total shareholders' equity	**3,574.0**	3,668.9
Total liabilities and shareholders' equity	**6,059.8**	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 (LOSS) (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions, except per share amounts)	**2018**	2017 (1)	**2018**	2017 (1)
Commodity sales from production (Notes 3 and 13)	**344.4**	295.0	**684.6**	601.4
Royalties	**(29.7)**	(28.5)	**(58.6)**	(54.3)
Sales of commodities purchased from third parties (Note 3)	**28.3**	29.3	**58.2**	57.3
Revenue from commodity sales	**343.0**	295.8	**684.2**	604.4
Interest income	**1.1**	1.5	**2.7**	3.6
Other income (Note 3)	**1.7**	2.5	**3.5**	3.9
Gain (loss) on risk management contracts (Note 11)	**(92.4)**	38.5	**(109.9)**	173.0
Total revenue, interest and other income and gain (loss) on risk management contracts	**253.4**	338.3	**580.5**	784.9
Transportation	**30.4**	28.6	**61.2**	53.6
Commodities purchased from third parties (Note 3)	**28.9**	28.9	**58.9**	56.3
Operating (Note 3)	**75.6**	70.7	**150.0**	141.7
Exploration and evaluation (Notes 3 and 6)	**3.5**	—	**4.2**	—
General and administrative (Note 3)	**15.6**	21.9	**36.0**	33.8
Interest and financing charges	**10.4**	11.7	**21.1**	23.4
Accretion of asset retirement obligations (Note 9)	**3.2**	3.2	**6.8**	6.4
Depletion, depreciation, amortization and impairment (Note 7)	**128.5**	33.0	**254.6**	146.5
Loss (gain) on foreign exchange	**13.9**	(19.9)	**39.1**	(28.4)
Loss on short-term investments	**—**	0.1	**—**	—
Gain on disposal of petroleum and natural gas properties	**(0.4)**	—	**(80.5)**	—
Total expenses	**309.6**	178.2	**551.4**	433.3
Net income (loss) before income taxes	**(56.2)**	160.1	**29.1**	351.6
Provision for (recovery of) income taxes				
Current	**12.7**	(2.5)	**21.0**	11.0
Deferred	**(23.0)**	38.6	**(0.9)**	74.1
Total income taxes (recovery)	**(10.3)**	36.1	**20.1**	85.1
Net income (loss)	**(45.9)**	124.0	**9.0**	266.5
Net income (loss) per share (Note 12)				
Basic	**(0.13)**	0.35	**0.03**	0.75
Diluted	**(0.13)**	0.35	**0.03**	0.75

(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 and six months ended June 30, 2017.

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

ARC RESOURCES LTD.

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

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2018**	2017	**2018**	2017
Net income (loss)	**(45.9)**	124.0	**9.0**	266.5
Other comprehensive loss				
Items that may be reclassified into earnings, net of tax:				
Net unrealized gain (loss) on reclamation fund assets	**(0.2)**	(0.1)	**(0.3)**	(0.4)
Other comprehensive loss	**(0.2)**	(0.1)	**(0.3)**	(0.4)
Comprehensive income (loss)	**(46.1)**	123.9	**8.7**	266.1

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

ARC RESOURCES LTD.

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

For the six months ended June 30

(Cdn$ millions)	Shareholders' Capital (Note 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	—	—	266.5	—	266.5
Other comprehensive loss	—	—	—	(0.4)	(0.4)
Total comprehensive income (loss)	—	—	266.5	(0.4)	266.1
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	3.0	—	—	—	3.0
Recognized under share-based compensation plans (Note 14)	0.4	1.9	—	—	2.3
Dividends declared	—	—	(106.2)	—	(106.2)
June 30, 2017	4,658.3	19.5	(1,027.7)	(0.1)	3,650.0
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
Net income	**—**	**—**	**9.0**	**—**	**9.0**
Other comprehensive loss	**—**	**—**	**—**	**(0.3)**	**(0.3)**
Total comprehensive income (loss)	**—**	**—**	**9.0**	**(0.3)**	**8.7**
Recognized under share-based compensation plans (Note 14)	**—**	**2.6**	**—**	**—**	**2.6**
Dividends declared	**—**	**—**	**(106.2)**	**—**	**(106.2)**
June 30, 2018	**4,658.5**	**24.5**	**(1,108.6)**	**(0.4)**	**3,574.0**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2018**	2017	**2018**	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**(45.9)**	124.0	**9.0**	266.5
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**122.1**	(7.2)	**168.2**	(117.3)
Accretion of asset retirement obligations (Note 9)	**3.2**	3.2	**6.8**	6.4
Depletion, depreciation, amortization and impairment (Note 7)	**128.5**	33.0	**254.6**	146.5
Exploration and evaluation (Notes 3 and 6)	**3.5**	—	**4.2**	—
Unrealized loss (gain) on foreign exchange	**15.7**	(24.7)	**42.6**	(32.4)
Gain on disposal of petroleum and natural gas properties	**(0.4)**	—	**(80.5)**	—
Deferred tax	**(23.0)**	38.6	**(0.9)**	74.1
Other (Note 16)	**0.7**	2.9	**1.4**	3.2
Net change in other liabilities (Note 16)	**(0.4)**	(1.1)	**(6.4)**	(22.1)
Change in non-cash working capital (Note 16)	**4.6**	(30.7)	**9.2**	4.6
Cash flow from operating activities	**208.6**	138.0	**408.2**	329.5
CASH FLOW USED IN FINANCING ACTIVITIES				
Repayment of senior notes	**(47.7)**	(9.3)	**(60.7)**	(22.7)
Issuance of common shares	**—**	0.3	**—**	0.4
Cash dividends paid	**(53.1)**	(53.1)	**(106.2)**	(103.1)
Cash flow used in financing activities	**(100.8)**	(62.1)	**(166.9)**	(125.4)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of petroleum and natural gas properties (Note 7)	**—**	(0.1)	**(0.2)**	(0.3)
Disposal of petroleum and natural gas properties (Note 7)	**0.7**	—	**99.0**	—
Property, plant and equipment development expenditures (Note 7)	**(156.1)**	(161.8)	**(325.2)**	(406.8)
Exploration and evaluation asset expenditures (Note 6)	**(8.6)**	(3.8)	**(53.8)**	(19.1)
Net reclamation fund withdrawals (contributions)	**(0.2)**	(1.0)	**1.0**	0.9
Net withdrawal of short-term investments	**—**	175.8	**—**	175.8
Change in non-cash working capital (Note 16)	**(33.4)**	(44.6)	**(14.2)**	53.8
Cash flow used in investing activities	**(197.6)**	(35.5)	**(293.4)**	(195.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(89.8)**	40.4	**(52.1)**	8.4
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**257.9**	190.2	**220.2**	222.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	**168.1**	230.6	**168.1**	230.6
The following are included in cash flow from operating activities:				
Income taxes paid in cash	**3.7**	3.9	**12.9**	12.1
Interest paid in cash	**8.0**	8.4	**22.8**	23.8

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 August 1, 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 represents ARC's share of commodity sales net of royalty obligations to governments and other mineral interest owners. ARC sells its production pursuant to fixed and variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under these contracts, the Company is required to deliver a fixed volume of crude oil, NGLs or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of ARC's variable revenue is considered to be constrained.

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 and therefore ARC does not adjust its revenue transactions for the time value of money.

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 June 30, 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 (loss) ("the statements of income (loss)") for comparability with the current period presentation for these items. There is no resultant impact on the net income (loss), comprehensive income (loss), cash flow, or financial position of the Company from this change. The effect of the reclassification on the prior period amount is presented below:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Decrease in Sales of crude oil, natural gas, condensate, NGLs and other income (1)	(0.4)	(1.0)
Increase in Sales of commodities purchased from third parties	29.3	57.3
Increase in Commodities purchased from third parties	28.9	56.3
Net income	—	—

(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 (loss), comprehensive income (loss), cash flow or financial position of the Company from this change. The effect of the reclassification on the prior period amount is presented below:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Increase in Other income (1)	2.4	3.7
Increase in Operating expense	2.1	3.2
Increase in G&A	0.3	0.5
Net income	—	—

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

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 (loss) 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 (loss). 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 (loss).

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 (loss). A depletion charge, recognized as E&E expense, 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 Property, Plant and Equipment ("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 (loss), comprehensive income (loss), 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, using the modified retrospective transition approach. 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.

During the six months ended June 30, 2018, ARC conducted tests of impairment on ARC's NAB and NEBC CGUs following 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. The impairment test was conducted at March 31, 2018 and did not result in any impairment charges or recoveries being recognized on ARC's development and production assets. At June 30, 2018, ARC evaluated its development and production assets for indicators of any potential impairment or related reversal and no such indicators existed.

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 "Financial Instruments and Market Risk Management" 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 six months ended June 30, 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	(29.2)	89.1	(28.5)	80.3

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 June 30, 2018, 82 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 per cent 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 June 30, 2018 pertains to accrued sales revenue for June 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 June 30, 2018, ARC had one external customer that constituted more than 10 per cent of commodity sales from production. Sales to this customer were $38.0 million and $78.0 million for the three and six months ended June 30, 2018.

ARC's allowance for doubtful accounts was $0.1 million at June 30, 2018 ($0.1 million at December 31, 2017). During the three and six months ended June 30, 2018, ARC recognized $nil and $0.1 million of expected credit loss in the statements of income (loss) ($nil for the three and six months ended June 30, 2017), respectively.

At June 30, 2018, there are no accounts receivable that are past due and therefore the total balance is considered to be collectible ($5.7 million at December 31, 2017 were past due). 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 June 30, 2018 and 2017.

ARC's accounts receivable were aged as follows at June 30, 2018:

Accounts Receivable Aging	June 30, 2018	December 31, 2017
Current (less than 30 days)	**145.4**	125.9
31 - 60 days	**2.7**	1.1
61 - 90 days	**0.1**	—
Past due (more than 90 days)	**—**	5.7
Balance	**148.2**	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 ASSETS

Carrying Amount	
Balance, December 31, 2017	418.9
Additions	**53.8**
E&E expenses	**(4.2)**
Change in asset retirement cost	**0.4**
Balance, June 30, 2018	**468.9**

At June 30, 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 $4.2 million on certain producing E&E assets has been recognized in E&E expenses for the six months ended June 30, 2018 ($nil for the six months ended June 30, 2017).

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Development and Production Assets	Administrative Assets	Total
Balance, December 31, 2017	7,719.1	73.2	7,792.3
Additions	**323.5**	**1.9**	**325.4**
Acquisitions	**0.2**	**—**	**0.2**
Change in asset retirement cost	**(45.6)**	**—**	**(45.6)**
Assets reclassified as held for sale	**(85.4)**	**—**	**(85.4)**
Other	**(0.2)**	**—**	**(0.2)**
Balance, June 30, 2018	**7,911.6**	**75.1**	**7,986.7**
Accumulated Depletion, Depreciation and Amortization ("DD&A") and Impairment			
Balance, December 31, 2017	(3,193.9)	(45.3)	(3,239.2)
DD&A	**(244.4)**	**(2.7)**	**(247.1)**
Accumulated DD&A and impairment reclassified as held for sale	**62.9**	**—**	**62.9**
Balance, June 30, 2018	**(3,375.4)**	**(48.0)**	**(3,423.4)**
Carrying Amounts			
Balance, December 31, 2017	4,525.2	27.9	4,553.1
Balance, June 30, 2018	**4,536.2**	**27.1**	**4,563.3**

For the three and six months ended June 30, 2018, $7.2 million and $15.1 million of direct and incremental G&A expenses were capitalized to PP&E ($6.5 million and $13.8 million for the three and six months ended June 30, 2017), respectively. For the six months ended June 30, 2018, future development costs of $3.2 billion were included in the determination of DD&A ($2.8 billion for the six months ended June 30, 2017).

Assets held for sale	
Balance, December 31, 2017	301.1
Additions	**22.5**
Impairment	**(7.5)**
Disposals	**(53.2)**
Balance, June 30, 2018	**262.9**

The assets held for sale had associated liabilities of $189.2 million at June 30, 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 six months ended June 30, 2018, ARC disposed of certain non-core assets located in Alberta for proceeds of $9.3 million, subject to post-closing adjustments. The majority of these assets were classified as held for sale at December 31, 2017. An impairment charge of $7.5 million was recognized on these assets in DD&A and impairment in the statements of income (loss) for the six months ended June 30, 2018.

Also during the six months ended June 30, 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 (loss) for the six months ended June 30, 2018.

At June 30, 2018, ARC determined that certain non-core assets in Alberta met the classification requirements for assets held for sale. 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 $0.8 million in DD&A and impairment in the statements of income (loss) for the six months ended June 30, 2018. The recoverable amount was determined based on the assets' fair value less costs of disposal and was primarily based on a bid received from a prospective buyer of these assets.

8. LONG-TERM DEBT

	US $ Denominated		**Canadian $ Amount**	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017
Senior notes				
Master Shelf Agreement				
4.98% US$ note	**10.0**	20.0	**13.1**	25.0
3.72% US$ note	**150.0**	150.0	**197.1**	187.8
2009 note issuance				
8.21% US$ note	**21.0**	28.0	**27.6**	35.1
2010 note issuance				
5.36% US$ note	**120.0**	150.0	**157.7**	187.8
2012 note issuance				
3.31% US$ note	**48.0**	48.0	**63.1**	60.1
3.81% US$ note	**300.0**	300.0	**394.3**	375.5
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**649.0**	696.0	**892.9**	911.3
Long-term debt due within one year			**77.5**	73.9
Long-term debt due beyond one year			**815.4**	837.4

At June 30, 2018, the fair value of all senior notes is $873.3 million ($922.1 million as at December 31, 2017), compared to a carrying value of $892.9 million ($911.3 million as at December 31, 2017). At June 30, 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 $353.7 million as at June 30, 2018 ($402.8 million at December 31, 2017) based on a total future undiscounted liability of $875.7 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 June 30, 2018.

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

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Balance, beginning of period	402.8	378.9
Development activities	**2.1**	10.5
Change in estimates [1]	**(60.0)**	50.6
Change in discount rate	**12.3**	19.5
Settlement of obligations	**(6.2)**	(19.8)
Accretion	**6.8**	13.1
Acquisitions and business combinations	**0.4**	—
Dispositions	**(0.4)**	(1.4)
Reclassified as liabilities associated with assets held for sale	**(4.1)**	(48.6)
Balance, end of period	**353.7**	402.8
Expected to be incurred within one year	**16.0**	16.0
Expected to be incurred beyond one year	**337.7**	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 and 1.5 times annualized funds from operations and less than 20 per cent of total market capitalization. At June 30, 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 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 and six months ended June 30, 2018 and 2017 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Funds from operations	**204.4**	169.8	**405.4**	347.0
Net change in other liabilities (Note 16)	**(0.4)**	(1.1)	**(6.4)**	(22.1)
Change in non-cash operating working capital (Note 16)	**4.6**	(30.7)	**9.2**	4.6
Cash flow from operating activities	**208.6**	138.0	**408.2**	329.5

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.

	June 30, 2018	June 30, 2017
Long-term debt (1)	**892.9**	971.4
Accounts payable and accrued liabilities	**186.3**	179.9
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(339.9)**	(641.6)
Net debt	**757.0**	527.4
Shares outstanding (millions) (2)	**353.5**	353.4
Share price ($) (3)	**13.58**	16.96
Market capitalization	**4,800.5**	5,993.7
Net debt	**757.0**	527.4
Total capitalization	**5,557.5**	6,521.1
Net debt as a percentage of total capitalization (%)	**13.6**	8.1
Net debt to funds from operations (ratio)	**0.9**	0.8

(1) Includes current portion of long-term debt at June 30, 2018 and 2017 of $77.5 million and $88.8 million, respectively.
(2) Basic shares outstanding as at June 30, 2018 and 2017, respectively.
(3) Toronto Stock Exchange ("TSX") closing price as at June 30, 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 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 June 30, 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 June 30, 2018					
Risk management contracts					
Current asset	**143.3**	**(98.7)**	**44.6**	**(0.3)**	**44.3**
Long-term asset	**128.6**	**(30.9)**	**97.7**	**(0.6)**	**97.1**
Current liability	**(111.1)**	**98.7**	**(12.4)**	**0.4**	**(12.0)**
Long-term liability	**(33.8)**	**30.9**	**(2.9)**	**0.1**	**(2.8)**
Net position	**127.0**	**—**	**127.0**	**(0.4)**	**126.6**
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 June 30, 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 June 30, 2018	Jul-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	88.00	1,000	83.58	3,000	—	—	—	—	—	—
Floor	65.00	2,000	80.00	1,000	75.00	3,000	—	—	—	—	—	—
Sold Floor	—	—	65.00	1,000	60.00	3,000	—	—	—	—	—	—
Swap	72.10	12,000	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**20,000**		**15,000**		**3,000**		**—**		**—**		**—**
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	84.4	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	(0.88)	93,370	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		**183,370**		**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		20,000		60,000		90,000		95,000		65,000		19,877
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)	**Six Months Ended June 30, 2018**	Year Ended December 31, 2017
Common shares, beginning of period	**353,457**	353,287
Restricted shares issued pursuant to the LTRSA (1) Plan	**154**	123
Forfeited restricted shares pursuant to the LTRSA Plan	**—**	(22)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	**(159)**	(106)
Dividend Reinvestment Plan	**—**	129
Stock Dividend Program	**—**	16
Issued on exercise of share options	**—**	30
Common shares, end of period	**353,452**	353,457

(1) Long-term Restricted Share Award ("LTRSA") includes restricted shares granted and associated stock dividends until the elimination of the Stock Dividend Program beginning with the March 2017 dividend.

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

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of shares)	**2018**	2017	**2018**	2017
Weighted average common shares	**353,454**	353,442	**353,456**	353,404
Dilutive impact of share-based compensation (1)	**—**	309	**309**	356
Weighted average common shares, diluted	**353,454**	353,751	**353,765**	353,760

(1) For the three and six months ended June 30, 2018, 4.9 million and 4.6 million share options were excluded from the diluted weighted average shares calculation, respectively, as they were anti-dilutive (3.0 million for the three and six months ended June 30, 2017).

Dividends declared for the three and six months ended June 30, 2018 were $0.15 and $0.30 per common share, ($0.15 and $0.30 for the three and six months ended June 30, 2017), respectively.

On July 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 July 31, 2018. The dividend payment date is August 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 June 30		Six Months Ended June 30	
Commodity Sales from Production, by Product	**2018**	2017	**2018**	2017
Crude oil	**178.0**	129.0	**334.6**	261.8
Condensate	**53.9**	23.3	**92.3**	49.4
Natural gas	**93.4**	131.5	**220.7**	269.9
NGLs	**19.1**	11.2	**37.0**	20.3
Total commodity sales from production	**344.4**	295.0	**684.6**	601.4

At June 30, 2018, receivables from contracts with customers, which are included in accounts receivable, were $121.8 million ($75.4 million at June 30, 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 six months ended June 30, 2018:

(number of units, thousands)	RSUs	PSUs (1)	DSUs
Balance, December 31, 2017	780	1,912	481
Granted	**337**	**708**	**73**
Distributed	**(182)**	**(462)**	**10**
Forfeited	**(36)**	**(22)**	**—**
Balance, June 30, 2018	**899**	**2,136**	**564**

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
G&A (recoveries)	**(0.9)**	2.0	**4.1**	(3.5)
Operating	**0.3**	0.4	**0.8**	0.3
PP&E (recoveries)	**(0.2)**	0.3	**—**	(0.4)
Total compensation charges (recoveries)	**(0.8)**	2.7	**4.9**	(3.6)
Cash payments	**—**	0.2	**8.1**	11.4

At June 30, 2018, $9.7 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 $10.3 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 June 30, 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 six months ended June 30, 2018 were as follows:

	Share Options (number of units, thousands)	Weighted Average Exercise Price ($)
Balance, December 31, 2017	4,893	19.47
Granted	**1,483**	**13.21**
Forfeited	**(40)**	**19.35**
Expired	**(293)**	**19.96**
Balance, June 30, 2018	**6,043**	**17.67**
Exercisable, June 30, 2018	**1,419**	**19.57**

The following table summarizes information regarding share options outstanding at June 30, 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 ($)
13.21 - 20.00	5,113	16.21	5.09	701	14.40
20.01 - 25.00	504	22.55	1.98	504	22.55
25.01 - 29.99	426	29.54	2.97	214	29.54
Total	6,043	17.67	4.68	1,419	19.57

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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Grant date share price ($)	**13.21**	16.59
Exercise price ($) (1)	**13.21**	16.59
Expected annual dividends ($)	**0.00**	0.00
Expected volatility (%) (2)	**31.00**	31.00
Risk-free interest rate (%)	**1.26**	1.26
Expected life of share option (3)	**5.5 to 6 years**	5.5 to 6 years
Fair value per share option ($)	**3.50**	4.31

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

ARC recorded compensation expense of $1.1 million and $2.1 million relating to the share option plan for the three and six months ended June 30, 2018 ($0.8 million and $1.5 million for the three and six months ended June 30, 2017), respectively. During the three and six months ended June 30, 2018, $0.1 million and $0.2 million of share option compensation charges were capitalized to PP&E ($0.1 million and $0.2 million for the three and six months ended June 30, 2017), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 2018 were as follows:

	LTRSA (number of units, thousands)	**Fair Value per Restricted Share ($)**
Balance, December 31, 2017	299	19.23
Restricted shares granted and purchased	**159**	**13.21**
Balance, June 30, 2018	**458**	**17.15**

ARC recorded G&A expenses of $0.9 million and $1.1 million relating to the LTRSA Plan during the three and six months ended June 30, 2018 ($0.9 million and $1.0 million for the three and six months ended June 30, 2017), respectively.

15. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2018:

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments (1)	77.5	215.7	268.3	331.4	892.9
Interest payments (2)	37.4	61.5	36.5	18.4	153.8
Reclamation fund contributions (3)	3.1	5.7	5.4	40.2	54.4
Purchase commitments	22.9	5.8	—	—	28.7
Transportation commitments	111.2	242.7	248.7	692.7	1,295.3
Operating leases	15.6	29.4	27.5	10.2	82.7
Risk management contract premiums (4)	0.2	0.5	—	—	0.7
Total contractual obligations and commitments	**267.9**	**561.3**	**586.4**	**1,092.9**	**2,508.5**

(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 (Loss)

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 (loss):

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Operating	**8.5**	7.1	**17.8**	17.3
G&A	**12.7**	15.5	**30.1**	27.6
Total employee compensation expenses	**21.2**	22.6	**47.9**	44.9

Cash Flow Statement Presentation

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

	Three Months Ended June 30		Six Months Ended June 30	
Change in Non-Cash Working Capital	**2018**	2017	**2018**	2017
Accounts receivable	**(23.1)**	12.1	**(15.7)**	53.2
Accounts payable and accrued liabilities	**0.4**	(74.6)	**16.2**	18.5
Prepaid expenses	**(6.1)**	(11.8)	**(5.5)**	(10.5)
Short-term investments	**—**	(1.0)	**—**	(2.8)
Total	**(28.8)**	(75.3)	**(5.0)**	58.4
Relating to:				
Operating activities	**4.6**	(30.7)	**9.2**	4.6
Investing activities	**(33.4)**	(44.6)	**(14.2)**	53.8
Total change in non-cash working capital	**(28.8)**	(75.3)	**(5.0)**	58.4

	Three Months Ended June 30		Six Months Ended June 30	
Other Non-Cash Items	**2018**	2017	**2018**	2017
Other deferred liabilities	**(0.5)**	1.9	**(1.0)**	1.5
Loss on short-term investments	**—**	0.1	**—**	—
Share-based compensation expense	**1.2**	0.9	**2.4**	1.7
Total other non-cash items	**0.7**	2.9	**1.4**	3.2

	Three Months Ended June 30		Six Months Ended June 30	
Net Change in Other Liabilities	**2018**	2017	**2018**	2017
Long-term incentive compensation liability	**0.2**	1.4	**(0.2)**	(9.7)
Risk management contracts	**—**	(1.0)	**—**	(1.8)
ARO settlements	**(0.6)**	(1.5)	**(6.2)**	(10.6)
Total net change in other liabilities	**(0.4)**	(1.1)	**(6.4)**	(22.1)

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**	**June 30, 2018**
Current portion of long-term debt	73.9	**(60.7)**	**60.7**	**3.6**	**77.5**
Long-term debt	837.4	**—**	**(60.7)**	**38.7**	**815.4**
Total financial liabilities from financing activities	911.3	**(60.7)**	**—**	**42.3**	**892.9**

	December 31, 2016	Cash Flows	Reclassified to Current	Unrealized Foreign Exchange Loss	June 30, 2017
Current portion of long-term debt	51.5	(22.7)	61.6	(1.6)	88.8
Long-term debt	974.5	—	(61.6)	(30.3)	882.6
Total financial liabilities from financing activities	1,026.0	(22.7)	—	(31.9)	971.4

Corporate & Shareholder Information

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Harold N. Kvisle
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

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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

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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
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