OUR FOCUS OUR FUTURE

2019 FIRST QUARTER REPORT

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 both near-term 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 OPERATIONAL HIGHLIGHTS

(Cdn$ millions, except per share amounts, boe amounts, and shares outstanding)	Three Months Ended December 31, 2018	**March 31, 2019**	March 31, 2018
FINANCIAL RESULTS			
Net income (loss)	159.7	**(54.6)**	54.9
Per share [(1)]	0.45	**(0.15)**	0.16
Funds from operations [(2)]	208.6	**186.2**	201.0
Per share [(1)]	0.59	**0.53**	0.57
Dividends	53.1	**53.1**	53.1
Per share [(1)]	0.15	**0.15**	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	131.6	**213.7**	213.7
Total capital expenditures, including land and net property acquisitions (dispositions)	130.9	**213.7**	116.3
Net debt outstanding [(2)]	702.7	**796.3**	728.0
Common shares outstanding, weighted average diluted (millions)	353.9	**353.4**	353.8
Shares outstanding, end of period (millions)	353.4	**353.4**	353.5
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day) [(3)]	20,092	**18,251**	25,037
Condensate (bbl/day)	8,458	**8,210**	5,505
Crude oil and condensate (bbl/day)	28,550	**26,461**	30,542
Natural gas (MMcf/day)	603.3	**632.5**	564.9
Natural gas liquids (“NGLs”) (bbl/day)	7,402	**7,183**	6,332
Total (boe/day) [(4)]	136,502	**139,054**	131,016
Average realized prices, prior to gain or loss on risk management contracts			
Crude oil ($/bbl)	43.30	**63.72**	69.50
Condensate ($/bbl)	57.25	**64.81**	77.42
Natural gas ($/Mcf)	2.85	**2.79**	2.50
NGLs ($/bbl)	29.12	**25.43**	31.39
Oil equivalent ($/boe) [(4)]	24.09	**26.20**	28.85
Operating netback ($/boe) [(4)(5)]			
Commodity sales from production	24.09	**26.20**	28.85
Royalties	(1.67)	**(1.52)**	(2.45)
Operating expense	(5.04)	**(5.24)**	(6.31)
Transportation expense	(2.66)	**(2.96)**	(2.61)
Operating netback prior to gain on risk management contracts	14.72	**16.48**	17.48
Realized gain on risk management contracts	3.62	**1.62**	2.43
Operating netback including gain on risk management contracts	18.34	**18.10**	19.91
TRADING STATISTICS [(6)]			
High price	14.84	**10.49**	15.90
Low price	7.38	**7.82**	11.88
Close price	8.10	**9.12**	14.04
Average daily volume (thousands)	2,117	**2,291**	1,406

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

(2) Refer to Note 11 *"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) Approximately 3,700 barrels per day of non-core crude oil production was divested in 2018.

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

(5) 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 on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

NEWS RELEASE
April 30, 2019

ARC RESOURCES LTD. REPORTS FIRST QUARTER 2019 FINANCIAL AND OPERATIONAL RESULTS

Calgary, April 30, 2019 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") is pleased to report its first quarter 2019 financial and operational results. *ARC's unaudited condensed interim consolidated financial statements and notes ("financial statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2019 are available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.*

"ARC advanced several key projects in the first quarter of 2019, including obtaining regulatory approval for multiple phases of development at Attachie West, an area that will provide our company with liquids-rich opportunities for many years to come," explained Myron Stadnyk, ARC's President and Chief Executive Officer. *"We are executing on a strategy that is founded on full-cycle returns and overall profitability of the business. With a compelling asset base, coupled with a clean balance sheet and a current attractive yield, ARC is positioned to create shareholder value."*

ARC delivered excellent operational results in the first quarter of 2019, achieving record quarterly production of 139,054 barrels of oil equivalent ("boe") per day, managing the Company's operating expense of $5.24 per boe, and recording zero lost-time incidents for employees and contractors. ARC's 2019 capital program of $775 million is focused on investing in multi-year development projects to grow the Company's liquids production at Attachie West and Dawson in northeast British Columbia, and at Ante Creek in northern Alberta. Approximately $295 million of the planned $775 million capital budget will be invested in facilities, pipelines, and water infrastructure, with the majority of the production associated with these infrastructure projects expected to be added in 2020 and 2021. ARC has made significant progress in its 2019 plan to-date. Capital expenditures totaled $213.7 million in the first quarter of 2019, approximately $53 million of which was invested in major infrastructure projects. An active drilling and completions program in the first quarter will deliver oil and liquids-rich production through the remainder of the year, and ARC's plan to redirect 60 MMcf per day of natural gas currently flowing through a third-party facility to ARC's Sunrise Phase II facility in the second quarter of 2019 will eliminate third-party processing fees and improve the Company's operating expense.

In 2019, ARC expects to generate funds from operations in excess of its anticipated 2019 dividends of approximately $210 million and sustaining capital (1) requirements of approximately $400 million. Discretionary funds from operations in excess of dividend and sustaining capital requirements, and the redeployment of cash proceeds from previously completed non-core dispositions, are being invested in key multi-year development projects that will grow the Company's liquids production.

Looking ahead to the second quarter of 2019, ARC's operations will be affected by third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. As such, production is expected to be approximately five per cent lower and ARC's operating expense per boe is expected to be approximately 10 per cent higher than the first quarter of 2019. ARC expects that production will ramp up through the second half of 2019 as final transportation arrangements come into effect at Sunrise and initial production from a multi-well pad currently being drilled at the liquids-rich Attachie West area is brought on-stream in the fourth quarter of 2019. ARC's full-year 2019 operating expense is expected to be within the guidance range of $5.30 to $5.70 per boe, and full-year 2019 average daily production is expected to be within the guidance range of 135,000 to 142,000 boe per day.

(1) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at current production levels. Sustaining capital does not have any standardized meaning and therefore may not be comparable to similar measures presented by other entities.

Key takeaways from ARC's financial and operational results for the first quarter of 2019 include:

Production	Delivered average daily production of 139,054 boe per day, a two per cent increase from the fourth quarter of 2018 with increased natural gas production at Sunrise Phase II partially offset by lower production in Alberta due to cold weather.
Funds from Operations	Funds from operations totaled $186.2 million ($0.53 per share). Lower realized gain on risk management contracts and foreign exchange, and higher general and administrative ("G&A") expense due to increases in the valuation of ARC's share-based compensation awards, were the primary drivers in the decrease from the fourth quarter of 2018.
Capital Program	Advanced key infrastructure projects at Dawson, Ante Creek, and Attachie West in order to build out future processing capacity. ARC also executed on its drilling and completions program to maintain production at existing infrastructure at or near capacity.
Attachie West Regulatory Approval	Obtained regulatory approval for the construction of the Attachie West Phase I facility, along with the approval for multiple future phases of expansion.
Low Cost Structure	Continued to manage ARC's low cost structure with a first quarter 2019 operating expense of $5.24 per boe.
Crude Oil and Liquids Pricing	Benefited from the tightening of Canadian oil differentials, with the average realized price for crude oil increasing 47 per cent and the average realized price for condensate increasing 13 per cent compared to the fourth quarter of 2018.
Natural Gas Sales Diversification Strategy	Continued to realize the benefits of ARC's physical and financial diversification program for natural gas, protecting commodity sales from single price hub exposure. ARC realized $0.57 per Mcf from diversification activities and recorded a realized gain on risk management contracts of $0.36 per Mcf for natural gas in the first quarter of 2019.
Balance Sheet	Maintained a strong balance sheet to maximize financial flexibility, with a net debt balance of $796.3 million and a net debt to annualized funds from operations ratio of 1.1 times at March 31, 2019.
Returns to Shareholders	Distributed a monthly dividend of $0.05 per share and continued investing in ARC's profitable business to create shareholder value.

The following strategic, financial, and operational reviews provide further details to the above takeaways. For additional commentary on ARC's financial and operational results for the first quarter of 2019, please view the following videos: *"Myron's Minute"*, *"ARC Resources Q1 2019 Financial Review"*, and *"ARC Resources Q1 2019 Operations Review"* available on ARC's website at www.arcresources.com.

COMMODITY PRICE ENVIRONMENT

ARC employs an integrated approach to its physical marketing and financial risk management programs, which is underpinned by a strong understanding of market fundamentals. ARC uses market fundamental analysis to set a view on the outlook for commodity prices to drive decisions across the business. This detailed analysis provides the basis for ARC's financial hedging and physical marketing strategies, which help to reduce cash flow volatility, diversify price risk, and also supports ARC's strategic planning and budgeting processes. ARC regularly monitors commodity prices and market conditions and has the flexibility to adjust the investment levels and pace of development of its capital plans accordingly.

Crude Oil and Liquids

The outlook on global crude oil prices improved considerably in the first quarter of 2019, reflecting the impact that OPEC members' compliance with output cuts and US-imposed sanctions on Iran have had on the global supply-demand balance. Locally, the Alberta Government's mandatory oil production curtailment, which came into effect in January 2019, had a significant tightening effect on Canadian oil differentials. While ARC's physical oil production was not impacted by the mandated production curtailment in the first quarter of 2019, its corporate crude oil and condensate realizations did benefit from the tighter differentials, with average crude oil realizations increasing 47 per cent and average condensate realizations increasing 13 per cent relative to the fourth quarter of 2018. The majority of ARC's crude oil production is made up of conventional light oil and condensate, which continue to realize premium pricing relative to heavier crude oil grades.

Natural Gas

Cold weather conditions and strong winter demand in western Canada resulted in relatively strong local natural gas prices in the first quarter of 2019. Despite withdrawal season ending with storage levels below the five-year average, local egress is expected to be constrained through the summer months as third-party maintenance and planned outages get underway, which may lead to pricing volatility. In the US, natural gas prices moderated after a strong fourth quarter of 2018, when higher prices were driven by cold weather and declining inventories. The near-term outlook for US natural gas prices is expected to be range bound given that growing production is expected to be largely met with strong domestic and export demand.

ARC maintains a strategy to physically and financially diversify its realized natural gas price to multiple North American downstream sales points in order to mitigate the impact of pricing volatility and to increase exposure to more attractive markets. Approximately 48 per cent of ARC's corporate natural gas volumes are exposed to a combination of US Midwest, Henry Hub, Malin, and Dawn pricing hubs in 2019, and 23 per cent of corporate natural gas volumes are exposed to AECO and Station 2 prices. The remaining 29 per cent is financially hedged. As a result of this diversification strategy, less than 10 per cent of ARC's expected commodity sales revenue is exposed to the AECO and Station 2 markets in 2019.

2019 CAPITAL BUDGET AND NEAR-TERM PLAN

ARC's 2019 capital budget was designed to create value through the development of a compelling suite of multi-year projects to increase ARC's productive capacity and pay a meaningful dividend to shareholders. ARC's near-term plan to 2021 includes the development of five infrastructure projects, with a continued commitment to maintain ARC's monthly dividend of $0.05 per share and the overall profitability of the business. The plan's pace of development supports ARC's enduring principle of strong balance sheet performance and controlling ARC's corporate decline rate to achieve leading capital efficiencies and grow ARC's liquids production. The development plan for 2019 to 2021 includes the following projects, which to varying degrees, are all currently underway:

> **Sunrise Phase II**: Bringing the newly constructed 180 MMcf per day Sunrise gas processing facility to full capacity in 2019. The initial 60 MMcf per day of processing and sales capacity is currently in use, and the remaining balance will be available in June 2019 once final transportation arrangements are in place. The exact timing and pace at which the production is brought on-stream will be commodity price-dependent.

Dawson Phase I & II: Upgrading the Dawson Phase I & II gas processing facility with liquids-handling capabilities by year-end 2019.

Dawson Phase IV: Constructing and bringing the liquids-rich Dawson Phase IV gas processing and liquids-handling facility on production in the second quarter of 2020.

Ante Creek 10-36: Expanding the Ante Creek 10-36 facility to grow the area's light oil production, scheduled for completion in the second quarter of 2020.

Attachie West Phase I: Advancing infrastructure development at Attachie West to commission and bring to capacity the first phase of gas processing and liquids-handling in 2021. ARC obtained regulatory approval for the first phase of development, along with approval for multiple future phases of expansion, in the first quarter of 2019.

ARC's disciplined capital plan was designed to deliver profitable growth through investing funds from operations generated from existing businesses and the remaining proceeds from previously completed non-core asset dispositions. ARC regularly monitors commodity prices and market conditions to ensure that, first and foremost, its balance sheet and dividend are protected.

ARC's plan is expected to generate strong economic returns and deliver meaningful production and cash flow per share growth with balanced cash inflows and outflows over the long term. ARC will continue to manage conservative debt levels as a priority, targeting a net debt to annualized funds from operations ratio of between 1.0 and 1.5 times, and will continue to monitor prevailing commodity prices and market conditions. Should conditions change such that they adversely impact ARC's ability to effectively and profitably deliver on its strategic plans, ARC will adjust its investment levels and pace of development accordingly.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

ARC maintains financial flexibility through its strong balance sheet, with $796.3 million of net debt outstanding at March 31, 2019, and a net debt to annualized funds from operations ratio of 1.1 times. ARC had an additional $1.4 billion of cash and credit capacity available at the end of the first quarter of 2019, taking into account the Company's working capital surplus. ARC's credit facility is currently undrawn.

In 2019, ARC expects to generate funds from operations in excess of its anticipated 2019 dividends of approximately $210 million and sustaining capital (1) requirements of approximately $400 million. Discretionary funds from operations in excess of dividend and sustaining capital requirements, and the redeployment of cash proceeds from previously completed non-core dispositions, are being invested in key development projects.

ARC's outlook is that once the productive capacity at Dawson Phase IV is brought on-line in 2020, the Company will be able to fund its dividends and sustain and grow its business entirely out of funds from operations at moderate commodity price levels. At that time, ARC will have the option to pursue one, or a combination, of the following with the Company's unallocated funds from operations: debt reduction, future development opportunities, initiating a share buyback program, and increasing its dividend.

(1) Sustaining capital refers to estimated capital expenditures to maintain production from existing facilities at current production levels. Sustaining capital does not have any standardized meaning and therefore may not be comparable to similar measures presented by other entities.

Net Income (Loss)

ARC recognized a net loss of $54.6 million ($0.15 per share) in the first quarter of 2019 compared to net income of $159.7 million ($0.45 per share) in the fourth quarter of 2018 and net income of $54.9 million ($0.16 per share) in the first quarter of 2018. The decrease in earnings is primarily attributed to an unrealized loss recorded on the mark-to-market of ARC's risk management contracts and no gain recognized from the disposal of non-core assets in the first quarter of 2019 compared to a gain recorded in the first quarter of 2018. The impact of these items was partially offset by reduced deferred income taxes and an increase in unrealized gain on foreign exchange resulting from the revaluation of ARC's US dollar-denominated debt.

Funds from Operations

ARC's first quarter 2019 funds from operations of $186.2 million ($0.53 per share) decreased by $22.4 million ($0.06 per share) relative to fourth quarter 2018 funds from operations of $208.6 million ($0.59 per share). Commodity sales revenue from crude oil and liquids increased $24.5 million ($0.07 per share) relative to the prior quarter, however, a reduced realized gain on risk management contracts of $25.1 million ($0.07 per share) and a reduced realized gain on foreign exchange of $13.1 million ($0.04 per share) were the most significant contributors to the lower funds from operations in the period. Also serving to decrease funds from operations was increased G&A expense of $11.8 million ($0.03 per share), reflecting the increase in the fair value of ARC's share-based compensation plans due to the appreciation in ARC's common share price during the first quarter of 2019.

Funds from operations for the first quarter of 2019 decreased $14.8 million ($0.04 per share) from first quarter 2018 funds from operations of $201.0 million ($0.57 per share). Lower commodity sales from crude oil and liquids due to both a decrease in volumes and pricing, reduced realized gain on risk management contracts, and increased transportation expense were the primary drivers in lower funds from operations year-over-year. Partially offsetting these items were higher commodity sales from natural gas due to higher volumes and improved pricing, and lower royalties and operating expense.

The following table details the change in funds from operations for the first quarter of 2019 relative to the fourth quarter of 2018 and the first quarter of 2018.

Funds from Operations Reconciliation (1)	**Q4 2018 to Q1 2019**		**Q1 2018 to Q1 2019**	
	$ millions	$/share (2)	$ millions	$/share (2)
Funds from operations for the three months ended December 31, 2018	208.6	0.59		
Funds from operations for the three months ended March 31, 2018			201.0	0.57
Volume variance				
Crude oil and liquids	**(12.2)**	**(0.04)**	**(21.2)**	**(0.06)**
Natural gas	**4.2**	**0.01**	**15.0**	**0.04**
Price variance				
Crude oil and liquids	**36.7**	**0.11**	**(22.7)**	**(0.06)**
Natural gas	**(3.4)**	**(0.01)**	**16.5**	**0.05**
Sales of commodities purchased from third parties	**(8.4)**	**(0.02)**	**(9.4)**	**(0.02)**
Interest income	**0.3**	**—**	**0.6**	**—**
Other income	**0.4**	**—**	**0.1**	**—**
Realized gain on risk management contracts	**(25.1)**	**(0.07)**	**(8.3)**	**(0.02)**
Royalties	**2.0**	**0.01**	**9.9**	**0.03**
Expenses				
Commodities purchased from third parties	**7.5**	**0.02**	**8.4**	**0.02**
Operating	**(2.3)**	**(0.01)**	**8.8**	**0.02**
Transportation	**(3.6)**	**(0.01)**	**(6.2)**	**(0.02)**
G&A	**(11.8)**	**(0.03)**	**(2.3)**	**(0.01)**
Interest and financing (3)	**—**	**—**	**—**	**—**
Current tax	**6.4**	**0.02**	**1.8**	**0.01**
Realized gain (loss) on foreign exchange	**(13.1)**	**(0.04)**	**(5.8)**	**(0.02)**
Funds from operations for the three months ended March 31, 2019	**186.2**	**0.53**	**186.2**	**0.53**

(1) Refer to Note 11 *"Capital Management"* in ARC's financial statements and to the sections entitled, *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.
(2) Per share amounts are based on weighted average diluted common shares.
(3) Excludes accretion of asset retirement obligations.

Physical Marketing and Financial Risk Management

ARC's crude oil and liquids production comprised 52 per cent of total commodity sales revenue in the first quarter of 2019. The majority of ARC's liquids production is made up of conventional light oil and condensate, which had average realized prices of $63.72 per barrel and $64.81 per barrel, respectively, in the first quarter of 2019.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have helped to increase ARC's exposure to more attractive North American markets and enhance corporate natural gas realizations. ARC's financial risk management program provides additional cash flow protection. Summarized in the following table are the positive impacts that ARC's physical natural gas diversification and financial risk management activities had on the Company's realized natural gas price in the first quarter of 2019.

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts ($/Mcf)	**Three Months Ended March 31, 2019**
Average price before diversification activities	**2.22**
Diversification activities	**0.57**
Realized gain on risk management contracts (1)	**0.36**
Realized natural gas price including realized gain on risk management contracts	**3.15**

(1) Realized gain on risk management contracts is not included in ARC's realized natural gas price.

Total realized gain on risk management contracts for the first quarter of 2019 was $20.3 million, and the fair value of ARC's risk management contracts at March 31, 2019 was $119.7 million. ARC will continue to monitor commodity prices and execute on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital program. 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 March 31, 2019, refer to Note 12 *"Financial Instruments and Market Risk Management"* in ARC's financial statements.

Operating Netback

Summarized in the following table are the components of ARC's operating netback for the first quarter of 2019 relative to the fourth quarter of 2018 and the first quarter of 2018.

	Three Months Ended			**Three Months Ended**		
Operating Netback (1) ($/boe)	**March 31, 2019**	December 31, 2018	% Change	**March 31, 2019**	March 31, 2018	% Change
Commodity sales from production	**26.20**	24.09	9	**26.20**	28.85	(9)
Royalties	**(1.52)**	(1.67)	(9)	**(1.52)**	(2.45)	(38)
Operating expense	**(5.24)**	(5.04)	4	**(5.24)**	(6.31)	(17)
Transportation expense	**(2.96)**	(2.66)	11	**(2.96)**	(2.61)	13
Operating netback prior to gain on risk management contracts	**16.48**	14.72	12	**16.48**	17.48	(6)
Realized gain on risk management contracts	**1.62**	3.62	(55)	**1.62**	2.43	(33)
Operating netback including gain on risk management contracts	**18.10**	18.34	(1)	**18.10**	19.91	(9)

(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.

ARC's operating netback, prior to gain on risk management contracts, for the first quarter of 2019 increased 12 per cent from the fourth quarter of 2018. This was primarily due to strengthened crude oil and condensate pricing. ARC's operating netback, including gain on risk management contracts, decreased one per cent in the first quarter of 2019 with a reduced realized gain on risk management contracts offsetting the positive impact that stronger crude oil and condensate pricing had on ARC's operating netback.

ARC's first quarter 2019 royalties decreased nine per cent from the fourth quarter of 2018, and decreased 38 per cent from the first quarter of 2018. Lower royalties reflect the sliding scale effect that commodity prices have on royalty rates, as well as the increase in ARC's natural gas production, which is subject to lower relative royalty rates compared to crude oil and liquids. Royalties for the three months ended March 31, 2019 were $19.0 million.

ARC's operating expense for the first quarter of 2019 increased four per cent from the fourth quarter of 2018 and was largely driven by higher electrical expenses and increased labour expenses related to ARC's share-based compensation plans. ARC's first quarter 2019 operating expense decreased 17 per cent relative to the first quarter of 2018 and is the combination of bringing on new Montney production with lower relative costs to operate and disposing of non-core assets with higher relative costs to operate throughout 2018. Operating expense for the three months ended March 31, 2019 was $65.6 million.

ARC expects that its operating expense per boe in the second quarter of 2019 will be higher than the first quarter by approximately 10 per cent due to third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. ARC's full-year 2019 operating expense is expected to be within the guidance range of $5.30 to $5.70 per boe.

ARC's transportation expense for the first quarter of 2019 increased 11 per cent relative to the fourth quarter of 2018 and increased 13 per cent relative to the first quarter of 2018. The increase in transportation expense is primarily due to additional transportation agreements which have been assigned temporarily to a third party as part of ARC's physical marketing diversification efforts, and is directly offset by an increase to revenue. There is no impact to ARC's operating netback or funds from operations as a result of these agreements. Transportation expense for the three months ended March 31, 2019 was $37.0 million.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,100 net sections of land (approximately 714,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. ARC's history of disciplined execution in the Montney has positioned the Company to deliver excellent capital and operating efficiencies and generate strong rates of return on its projects. Owned-and-operated infrastructure affords ARC greater control over costs and the production mix of its liquids recovery, strong safety and environmental performance, and the ability to manage a flexible pace of development. ARC looks to optimize well designs and maximize well value, pursue technological advancements, and work with service providers to preserve its competitively low cost structure. ARC is a leader in sustainability practices and is committed to reducing its greenhouse gas emissions intensity and freshwater usage through responsible development activities. ARC actively monitors market conditions and executes a 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.

Capital Expenditures

ARC's first quarter 2019 capital expenditures, before land and net property acquisitions and dispositions, totaled $213.7 million. Capital investment was focused on ARC's Montney assets, with 21 wells drilled (12 oil wells and nine liquids-rich wells) and 28 wells completed, and the advancement of several infrastructure projects including, the Dawson Phase I and II liquids-handling facility upgrade, the Dawson Phase IV facility, the Ante Creek 10-36 facility expansion project, and initial investments for the first phase of development at Attachie West. ARC's 2019 capital program of $775 million is focused on drilling to maintain production at existing infrastructure at or near capacity while investing in building out future processing capacity.

The following table outlines the number of wells drilled and completed in each of ARC's core operating areas.

	Three Months Ended March 31, 2019	
Area	**Wells Drilled**	**Wells Completed**
Dawson	7	5
Parkland/Tower	8	7
Sunrise	—	9
Ante Creek	6	7
Total	**21**	**28**

Production

Average daily production of 139,054 boe per day in the first quarter of 2019 was comprised of 26,461 barrels per day of light oil and condensate, 7,183 barrels per day of NGLs, and 633 MMcf per day of natural gas. ARC's first quarter 2019 average daily production was two per cent higher than the fourth quarter of 2018, with increased natural gas production at the Sunrise Phase II facility partially offset by lower production in Alberta due to cold weather.

Average daily production in the first quarter of 2019 increased six per cent relative to the first quarter of 2018 and was predominantly the result of ARC's continued focus on the liquids-rich lower Montney at Dawson, and new natural gas production at the Sunrise Phase II facility. Partially offsetting these increases to production was the disposal of approximately 4,700 boe per day of non-core production throughout 2018.

ARC expects that production during the second quarter of 2019 will be lower than the first quarter by approximately five per cent due to third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations. ARC expects that production will ramp up through the second half of 2019 as final transportation arrangements come into effect at Sunrise and initial production from a multi-well pad currently being drilled at the liquids-rich Attachie West area is brought on-stream in the fourth quarter of 2019.

Full-year 2019 average daily production is expected to be within the guidance range of 135,000 to 142,000 boe per day.

Attachie

ARC's Attachie property is a highly prospective Montney condensate and liquids-rich natural gas play located in northeast British Columbia where ARC has a land position of 308 net sections (approximately 202,000 net acres).

With its condensate-rich production profile, significantly over-pressured reservoir, a large contiguous land position, and proven multi-layer development potential, Attachie West is a leading development opportunity within ARC's portfolio. Production at Attachie West averaged 3,300 boe per day in the first quarter of 2019, comprised of 1,800 barrels per day of condensate and 9 MMcf per day of natural gas. ARC expects current production levels to continue to decrease moderately through the second and third quarters of 2019 as existing wells on production naturally decline and are shut-in for offset frac operations. Production is expected to increase in the fourth quarter of 2019 when initial production from the multi-well pad that is currently being drilled is brought on-stream. The liquids processing capacity at Attachie West's battery is 3,500 barrels per day.

ARC invested $16 million at Attachie West during the first quarter of 2019, primarily directed at initial drilling and lease construction costs for a 10-well pad. The multi-well pad is focused on well design optimization to maximize well productivity and improve capital efficiencies, and will provide data to finalize the technical design for commercial development at Attachie West. There are currently two active rigs on site and completion activities are scheduled for the second half of the year, with initial production expected in the fourth quarter of 2019.

In the first quarter of 2019, ARC obtained regulatory approval for the construction of its Attachie West Phase I facility, along with the approval for multiple future phases of expansion. Attachie West Phase I is being designed to process 60 MMcf per day of natural gas, 10,000 barrels per day of condensate, and 4,000 barrels per day of NGLs. The facility is expected to be brought on-stream in 2021, and initial egress and long-term takeaway capacity for production has been secured on TransCanada Corporation's North Montney Mainline. As part of the first phase of development at Attachie West, ARC invested in the construction of a major access road for the area during the first quarter of 2019. The ARC owned-and-operated access road extends over 20 kilometres and will help reduce the area's operating expense and improve capital efficiencies.

Dawson

ARC's flagship Dawson property is a low-cost Montney natural gas and liquids-rich 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 prevailing natural gas prices, and is further enhanced by the growing liquids-rich production being developed in the lower Montney horizon. Dawson production averaged 47,400 boe per day in the first quarter of 2019, comprised of 257 MMcf per day of natural gas, 2,800 barrels per day of condensate, and 1,800 barrels per day of NGLs.

ARC invested $64 million during the first quarter of 2019 to drill seven wells and complete five wells, and to advance work on two key infrastructure projects in the area. The Dawson Phase I & II liquids-handling upgrade is being developed to support ARC's broad shift to liquids-rich lower Montney development. All major equipment required for the upgrade was delivered to the Phase I & II site during the first quarter of 2019, and a 10-day outage is planned at the facility during the third quarter of 2019 to allow for the completion of the upgrade. The project is expected to be operational by year-end 2019. At Dawson Phase IV, shop fabrication of major equipment commenced in the first quarter of 2019, and the power-generation turbines required for the facility have been installed at the site. Dawson Phase IV remains on schedule to be brought on-stream in the second quarter of 2020.

Parkland/Tower

ARC's Parkland/Tower property, a light oil and liquids-rich natural gas 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. With contiguous lands, these areas share ARC owned-and-operated infrastructure and processing capacity. Production at Parkland/Tower averaged 30,300 boe per day in the first quarter of 2019, comprised of 7,400 barrels per day of light oil and condensate, 3,500 barrels per day of NGLs, and 116 MMcf per day of natural gas. Of the 30,300 boe per day produced, 3,500 boe per day (approximately 40 per cent condensate and NGLs) was directed to the Dawson Phase III facility for processing and sales via the Parkland-Dawson interconnect pipeline. ARC will continue to focus investment on the high condensate-to-gas ratios these liquids-rich Parkland wells produce.

Capital investment at Parkland/Tower in 2019 is focused on driving strong cash flow generation. ARC invested $78 million during the first quarter of 2019 to drill six wells and complete seven wells at Tower, and to drill two lower Montney wells at Parkland.

Sunrise

ARC has a land position of 32 net sections at Sunrise (approximately 21,000 net acres), a highly prolific dry natural gas Montney play in northeast British Columbia. Production at Sunrise Phase II continued to grow during the first quarter of 2019, with production for the Sunrise area averaging 183 MMcf per day of natural gas, and representing a 20 per cent increase from the fourth quarter of 2018.

ARC invested $14 million at Sunrise during the first quarter of 2019 to complete nine natural gas wells that were drilled in the third quarter of 2018. ARC plans to tie these wells in to Sunrise Phase II in the second quarter of 2019.

The Sunrise Phase II facility was designed for 180 MMcf per day of gas processing and sales capacity, and brings ARC's total owned-and-operated processing and sales capacity for the entire Sunrise area to 240 MMcf per day of natural gas. Production is planned to be processed through Sunrise Phase II according to the following, approximate timeline:

- 60 MMcf per day of processing and sales capacity is currently in use.
- By June 2019, 60 MMcf per day of existing natural gas production that is currently being processed through a third-party facility is expected to be redirected to ARC's operated Sunrise Phase II facility. With complete control of ARC's Sunrise production volumes, the Company expects its operating expense to be significantly reduced with the elimination of third-party processing fees.
- In June 2019, an additional 60 MMcf per day of incremental processing capacity will be available once final transportation arrangements have come into effect. The exact timing and pace at which the production is brought on-stream will be commodity price-dependent.

Ante Creek

ARC has a land position of 325 net sections at Ante Creek (approximately 208,000 net acres), a Montney light oil play in northern Alberta that generates strong cash flows and profitable returns, and has significant future development potential. Cold weather impacted operations at Ante Creek in the first quarter of 2019, with production decreasing nine per cent from the fourth quarter of 2018 to average 14,800 boe per day (approximately 50 per cent light oil and liquids).

Capital investment of $32 million during first quarter of 2019 included drilling six oil wells, completing seven wells, and advancing fabrication of major equipment for the Ante Creek 10-36 facility expansion project. The facility expansion is expected to be on-stream in the second quarter of 2020.

Pembina

ARC's Cardium assets in Pembina deliver high-quality, light oil production, and generate an attractive operating netback and cash flows with major infrastructure already in place. ARC has a land position of 217 net Cardium sections in Pembina (approximately 139,000 net acres), where first quarter 2019 production averaged 10,600 boe per day, of which over 80 per cent was light oil and liquids production. Approximately $3 million of capital was invested during the first quarter of 2019. ARC's current focus at Pembina is to manage cash flow generation from the asset base with modest drilling programs being conducted to manage production declines.

OUTLOOK

ARC's 2019 capital program of $775 million focuses on liquids growth to deliver a meaningful cash flow per share increase over the long term, while maintaining ARC's strong financial position and dividend. The 2019 budget includes investment in multi-year infrastructure development projects that will add facility capacity at Attachie West and Dawson in northeast British Columbia, and Ante Creek in northern Alberta. The majority of the production associated with these infrastructure projects is expected to be added in 2020 and 2021. Annual average production is expected to be in the range of 135,000 to 142,000 boe per day in 2019. Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, *"ARC Resources Ltd. Announces $775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek"* available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

As continued commodity price volatility is expected, ARC will continue to take steps to mitigate this risk, including managing its pace of development, focusing on capital and operating efficiencies, executing financial and physical marketing diversification programs, 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 and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected.

ARC's capital budgets exclude land purchases and property acquisitions and dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key operating areas through land purchases and property acquisitions, and evaluates its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that could impact the expected production for the year.

ARC's full-year 2019 guidance estimates and a review of 2019 year-to-date actual results are outlined in the following table.

	2019 Guidance	**2019 YTD Actuals**	% Variance from Guidance
Production			
Crude oil (bbl/day)	18,000 - 22,000	**18,251**	—
Condensate (bbl/day)	7,500 - 8,500	**8,210**	—
Crude oil and condensate (bbl/day)	25,500 - 30,500	**26,461**	—
Natural gas (MMcf/day)	620 - 630	**632.5**	—
NGLs (bbl/day)	6,000 - 6,500	**7,183**	11
Total (boe/day)	135,000 - 142,000	**139,054**	—
Expenses ($/boe)			
Operating	5.30 - 5.70	**5.24**	(1)
Transportation	2.60 - 2.90	**2.96**	2
G&A expense before share-based compensation plans	1.10 - 1.30	**1.24**	—
G&A - share-based compensation plans (1)	0.35 - 0.50	**0.62**	24
Interest and financing (2)	0.70 - 0.90	**0.85**	—
Current income tax (per cent of funds from operations) (3)	2 - 7	**3**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	775	**213.7**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Comprises expenses recognized under the Restricted Share Unit and Performance Share Unit Plans, Share Option Plan, and Long-term Restricted Share Award Plan, and excludes compensation expense under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expense is subject to greater volatility.
(2) Excludes accretion of asset retirement obligations.
(3) The current income tax estimate varies depending on the level of commodity prices.

ARC's 2019 guidance is based on full-year 2019 estimates; certain variances exist between 2019 year-to-date actual results and 2019 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2019 actual results to closely approximate guidance.

- NGLs production is above the guidance range due to strong results from lower Montney development across ARC's Montney asset base.

- Operating expense is below the guidance range, however is expected to trend towards guidance as the year progresses with third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations expected in the second quarter of 2019. Additional maintenance activities are also planned for the third quarter of 2019.
- Transportation expense is above the guidance range due to additional transportation agreements which have been assigned temporarily to a third party as part of ARC's physical marketing diversification efforts, and is directly offset by an increase to revenue. There is no impact to ARC's operating netback or funds from operations as a result of these agreements. ARC expects that transportation expense will increase slightly in the second half of the year as new transportation arrangements for Sunrise Phase II and Attachie West come into effect.
- G&A expense is above the guidance range due to an increase in the fair value of ARC's share-based compensation plans as a result of the appreciation of ARC's common share price during the first quarter of 2019.

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: as to ARC's views on future commodity prices and planned natural gas diversification activities under the heading *"Commodity Price Environment"*; as to the execution of its business plan, and guidance as to the capital expenditure plans of ARC in 2019 and beyond and its production expectations, and net debt to annualized funds from operations ratio for 2019 and beyond, as to plans to internally fund growth capital with funds from operations generated from ARC's existing businesses and proceeds from non-core dispositions, as to expectations that the 2019 budget will generate strong returns, meaningful production, and cash flow per share growth over the long term under the heading *"2019 Capital Budget and Near-term Plan"*; as to plans to internally fund dividends and sustaining capital with funds from operations generated from ARC's existing businesses, as to plans to fund key development projects from both unallocated funds from operations and proceeds from non-core dispositions, as to reducing debt, pursuing future development opportunities, initiating a share buyback program, increasing its dividend, or a combination of the four, with unallocated funds from operations, as to ARC's ability to satisfy its dividend and sustaining and growth capital once productive capacity at Dawson Phase IV is brought on-line, and as to its risk management and planned natural gas diversification activities for 2019 and beyond under the heading *"Financial Review"*; as to its production, exploration and development and infrastructure plans, and capital expenditures for 2019 and beyond, and as to the timing and regulatory approvals and as to future operational and capital expenditure plans by area (including planned capital expenditures, timing for completion of infrastructure and processing capacities), and as to planned production processing timelines under the heading *"Operational Review"*; and all matters in respect of 2019 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 2019 and beyond; the results of exploration and development activities during 2019; the general continuance of current industry conditions including commodity and forward strip pricing; 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 2019 and beyond; the retention of ARC's key properties; ARC's knowledge and past experience with developing major infrastructure projects will be applicable to similar projects in the future; 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 underlying the 2019 capital budget and corporate outlook from 2019 to 2021 are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. ARC's financial outlook for 2019 and beyond provides shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for 2019 and beyond. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2019 guidance may not be appropriate for other purposes. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and ARC assumes no obligation to publicly update or revise such information or statements 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 of approximately $3.8 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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MANAGEMENT'S DISCUSSION & ANALYSIS

2019 Q1

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated April 30, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three months ended March 31, 2019, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2018, as well as ARC's Annual Information Form ("AIF"), each of which is filed on SEDAR at www.sedar.com. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

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

ABOUT ARC RESOURCES LTD.

ARC is a dividend-paying Canadian energy 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 western Canada with an emphasis on the development of properties with a large volume of hydrocarbons in place commonly referred to as "resource plays".

ARC has maintained its strategy of **risk-managed value creation** since inception which has delivered value to shareholders, including payment of a regular dividend. ARC's low-cost structure, disciplined capital allocation decisions, marketing strategies, portfolio management, low debt, and strategic optionality have all contributed to ARC's success.

Highlights

Table 1

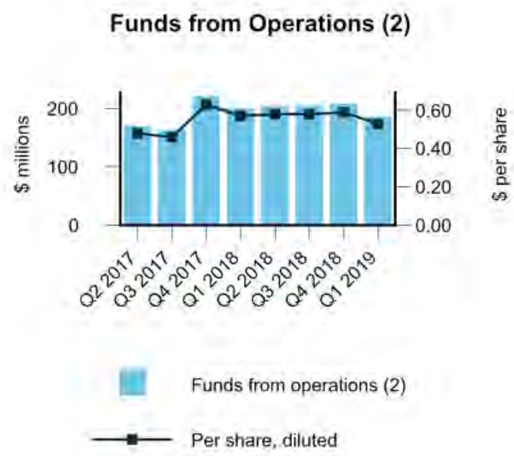
	2019 YTD	2018	2017	2016	2015
Production (1)					
Crude oil and condensate (bbl/d)	**26,461**	30,741	30,030	35,136	36,192
Natural gas (MMcf/d)	**632.5**	570.2	525.8	475.6	444.9
NGLs (bbl/d)	**7,183**	6,955	5,273	4,274	3,819
Total production (boe/d)	**139,054**	132,724	122,937	118,671	114,167
Daily production per thousand shares (2)	**0.39**	0.38	0.35	0.34	0.34
Net income (loss)	**(54.6)**	213.8	388.9	201.3	(342.7)
Net income (loss) per share	**(0.15)**	0.60	1.10	0.57	(1.01)
Funds from operations (3)	**186.2**	819.0	731.9	633.3	773.4
Funds from operations per share (3)	**0.53**	2.31	2.07	1.80	2.27
Capital expenditures (4)	**213.7**	679.4	829.7	453.4	541.6
Net debt (3)	**796.3**	702.7	728.0	356.5	985.1
Net debt to annualized funds from operations (ratio) (3)	**1.1**	0.9	1.0	0.6	1.3
Return on average capital employed (%) (5)(6)	**5**	8	14	7	(7)
Proved plus probable reserves (MMboe) (7)(8)	**n/a**	878.9	836.1	736.7	686.9
Proved plus probable reserves per share (boe)	**n/a**	2.5	2.4	2.1	2.0

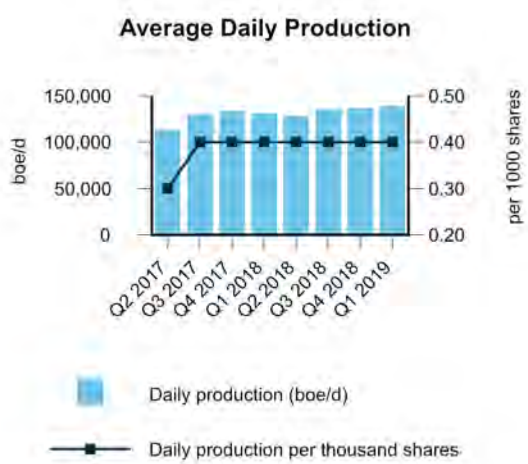
(1) Reported production amount is based on Company interest before royalty burdens.
(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the respective three months ended March 31, 2019 and for the respective annual periods ended December 31, 2018, 2017, 2016 and 2015.
(3) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(4) Prior to expenditures for land purchases and property acquisitions and dispositions.
(5) Non-GAAP measure that does not have any standardized meaning under International Financial Reporting Standards ("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.
(6) For the 2019 YTD period, Return on average capital employed ("ROACE") is calculated for the 12 months ended March 31, 2019.
(7) As determined by ARC's independent reserves evaluator with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation ("COGE") Handbook.
(8) 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 118 MMboe of Total Proved Plus Probable Reserve Additions in 2018, Replacing 245 Per Cent of Production, and Delivers Record Proved Producing Reserve Additions of 82 MMboe"* dated February 7, 2019.

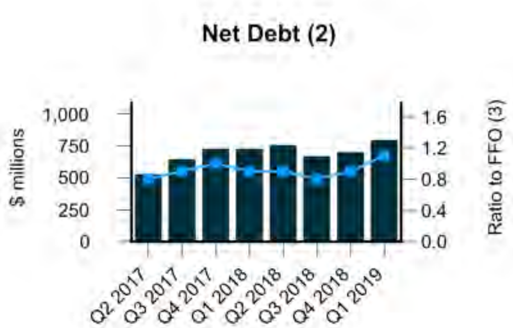
QUARTERLY RESULTS [1]

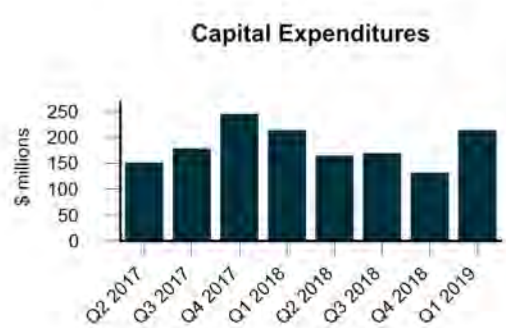
Global crude oil and North American natural gas markets have experienced continued volatility over the past eight quarters. In addition, the structure of ARC's business has transformed during this period as the Company has focused its asset base through strategic dispositions and organic growth in core areas to position itself for long-term success.

Exhibit 1









(1) The details contained in the graphs above are included in the "Quarterly Historical Review" section of this MD&A.
(2) Refer to Note 11 "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 effect 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 and losses also impact earnings. The following significant items impacted the Company's financial and operating results over the past eight quarters:

- In the first quarter of 2019, ARC recognized an unrealized loss on risk management contracts of $146.5 million.
- In the fourth quarter of 2018, ARC recognized an unrealized gain on risk management contracts of $194.9 million.
- In the third quarter of 2018, ARC disposed of its non-core Redwater assets for proceeds of $130.3 million, and recognized a $22.8 million reversal of impairment.
- In the second quarter of 2018, ARC recognized an unrealized loss on risk management contracts of $122.1 million.
- In the first quarter of 2018, ARC completed asset dispositions for proceeds of $98.3 million, and recognized a gain on disposal 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 recognized in E&E expense.
- In the third quarter of 2017, ARC recognized an unrealized gain on foreign exchange of $33.6 million.
- In the second quarter of 2017, ARC recognized a reversal of previously recognized impairment on its assets in its Northern Alberta cash generating unit ("CGU") of $75.0 million.

ANNUAL GUIDANCE

ARC's 2019 capital program of $775 million focuses on liquids growth to deliver a meaningful cash flow per share increase over the long term, while maintaining ARC's strong financial position and dividend. The 2019 budget includes investment in multi-year infrastructure development projects that will add facility capacity at Attachie West and Dawson in northeast British Columbia, and Ante Creek in northern Alberta. The majority of the production associated with these infrastructure projects is expected to be added in 2020 and 2021. Annual average production is expected to be in the range of 135,000 to 142,000 boe per day in 2019. Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, *"ARC Resources Ltd. Announces $775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek"* available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

Table 2 is a summary of ARC's 2019 annual guidance and a review of 2019 year-to-date results.

Table 2

	2019 Guidance	**2019 YTD Actual**	% Variance from Guidance
Production			
Crude oil (bbl/d)	18,000 - 22,000	**18,251**	—
Condensate (bbl/d)	7,500 - 8,500	**8,210**	—
Crude oil and condensate (bbl/d)	25,500 - 30,500	**26,461**	—
Natural gas (MMcf/d)	620 - 630	**632.5**	—
NGLs (bbl/d)	6,000 - 6,500	**7,183**	11
Total (boe/d)	135,000 - 142,000	**139,054**	—
Expenses ($/boe)			
Operating	5.30 - 5.70	**5.24**	(1)
Transportation	2.60 - 2.90	**2.96**	2
G&A expense before share-based compensation plans	1.10 - 1.30	**1.24**	—
G&A - share-based compensation plans (1)	0.35 - 0.50	**0.62**	24
Interest and financing (2)	0.70 - 0.90	**0.85**	—
Current income tax (per cent of funds from operations)	2 - 7	**3**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	775	**213.7**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Comprises expenses recognized under the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plan, Share Option Plan and Long-term Restricted Share Award ("LTRSA") Plan, and excludes compensation expense under the Deferred Share Unit ("DSU") Plan. In periods where substantial share price fluctuation occurs, ARC's general and administrative ("G&A") expense is subject to greater volatility.
(2) Excludes accretion of asset retirement obligations ("ARO").

ARC's 2019 guidance is based on full-year 2019 estimates; certain variances exist between 2019 year-to-date actual results and 2019 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2019 actual results to closely approximate guidance.

Production variances from guidance at March 31, 2019 include:

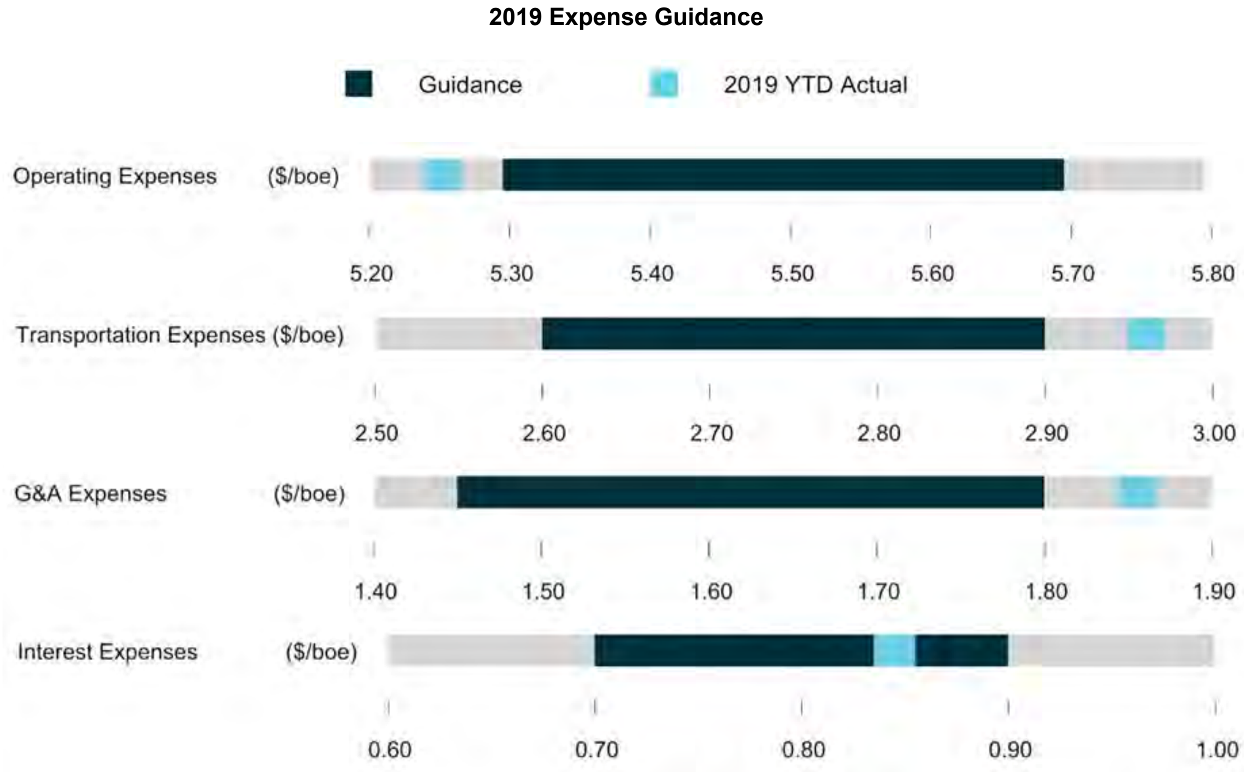
- NGLs production is above the guidance range due to strong results from lower Montney development across ARC's Montney asset base.

Exhibit 2

Expense variances from guidance at March 31, 2019 include:

- Operating expense is below the guidance range, however is expected to trend towards guidance as the year progresses with third-party pipeline maintenance, significant turnarounds, and anticipated spring break-up impacts to production and field operations expected in the second quarter of 2019. Additional maintenance activities are also planned for the third quarter of 2019.
- Transportation expense is above the guidance range due to additional transportation agreements which have been assigned temporarily to a third party as part of ARC's physical marketing diversification efforts, and is directly offset by an increase to revenue. There is no impact to ARC's operating netback or funds from operations as a result of these agreements. ARC expects that transportation expense will increase slightly in the second half of the year as new transportation arrangements for Sunrise Phase II and Attachie West come into effect.
- G&A expense is above the guidance range due to an increase in the fair value of ARC's share-based compensation plans as a result of the appreciation of ARC's common share price during the first quarter of 2019.

Exhibit 2a



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.

2019 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

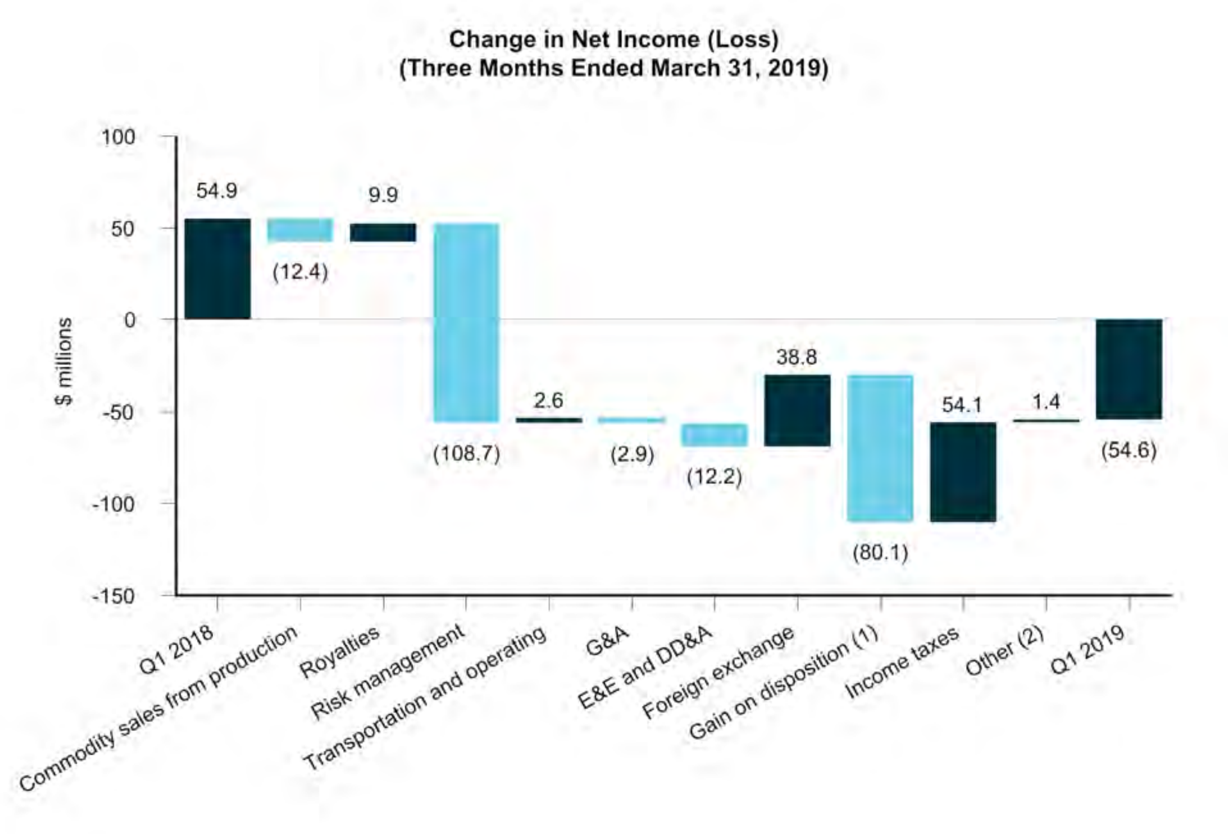
	Three Months Ended			
($ millions, except per share and volume data)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Net income (loss)	159.7	**(54.6)**	54.9	(199)
Net income (loss) per share	0.45	**(0.15)**	0.16	(194)
Funds from operations [1]	208.6	**186.2**	201.0	(7)
Funds from operations per share [1]	0.59	**0.53**	0.57	(7)
Dividends per share [2]	0.15	**0.15**	0.15	—
Average daily production (boe/d)	136,502	**139,054**	131,016	6

(1) Refer to Note 11 "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 first quarter of 2019, ARC recognized a net loss of $54.6 million ($0.15 per share), $109.5 million less than ARC's first quarter 2018 net income of $54.9 million ($0.16 per share). The decrease in net income is primarily due to a loss on risk management contracts of $126.2 million compared to a loss of $17.5 million in the prior period and no recorded gain on disposition in the first quarter of 2019 compared to $80.1 million recognized in the first quarter of 2018. This was partially offset by a gain on foreign exchange of $13.6 million compared to a loss on foreign exchange of $25.2 million and decreased income taxes of $54.1 million from the first quarter of 2018.

Exhibit 3



(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 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 to maintain production at current levels, fund 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 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 11 "Capital Management" in the financial statements. Table 4 is a reconciliation of ARC's net income (loss) to funds from operations and cash flow from operating activities:

Table 4

	Three Months Ended		
($ millions)	December 31, 2018	**March 31, 2019**	March 31, 2018
Net income (loss)	159.7	**(54.6)**	54.9
Adjusted for the following non-cash items:			
Depletion, depreciation and amortization ("DD&A") and impairment	125.6	**139.0**	126.1
Accretion of ARO	2.0	**1.9**	3.6
E&E expense	4.4	**—**	0.7
Deferred tax expense (recovery)	64.1	**(30.2)**	22.1
Unrealized loss (gain) on risk management contracts	(194.9)	**146.5**	46.1
Unrealized loss (gain) on foreign exchange	47.2	**(17.7)**	26.9
Gain on disposal of petroleum and natural gas properties	—	**—**	(80.1)
Other	0.5	**1.3**	0.7
Funds from operations	208.6	**186.2**	201.0
Net change in other liabilities	(12.1)	**0.8**	(6.0)
Change in non-cash working capital	28.1	**(58.7)**	4.6
Cash flow from operating activities	224.6	**128.3**	199.6

Details of the change in funds from operations from the three months ended March 31, 2018 to the three months ended March 31, 2019 are included in Table 5 below:

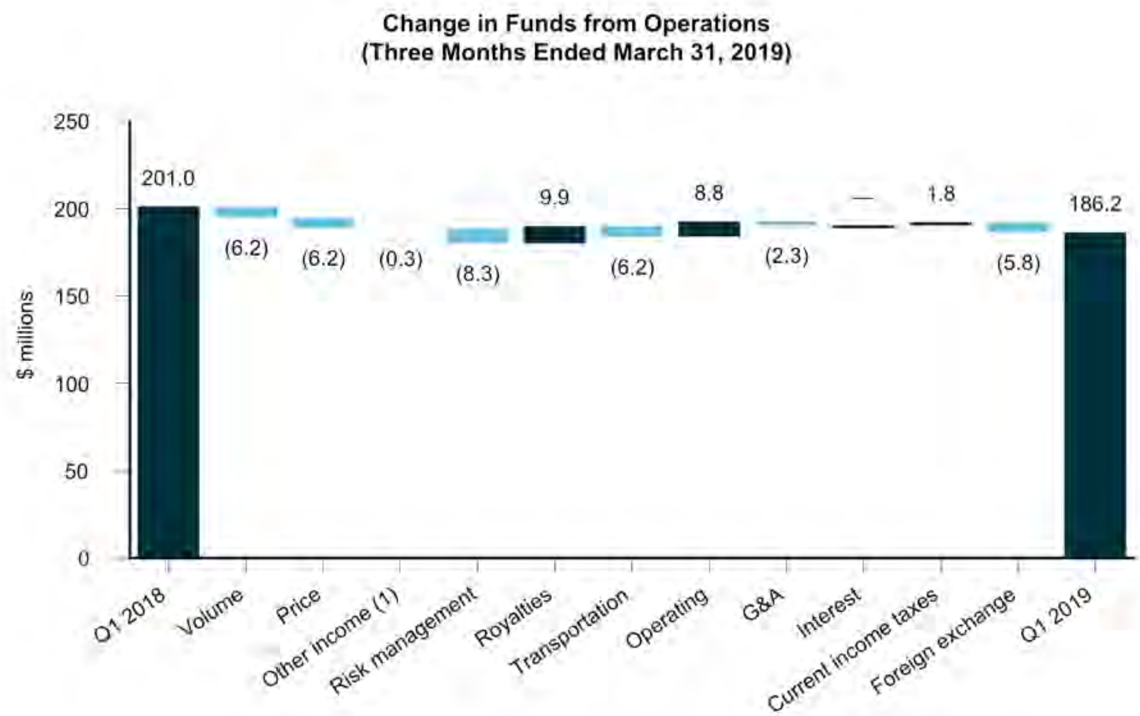
Table 5

	Three Months Ended March 31	
	$ millions	$/Share
Funds from operations – 2018	201.0	0.57
Volume variance		
Crude oil and liquids	**(21.2)**	**(0.06)**
Natural gas	**15.0**	**0.04**
Price variance		
Crude oil and liquids	**(22.7)**	**(0.06)**
Natural gas	**16.5**	**0.05**
Sales of commodities purchased from third parties	**(9.4)**	**(0.02)**
Interest income	**0.6**	**—**
Other income	**0.1**	**—**
Realized gain on risk management contracts	**(8.3)**	**(0.02)**
Royalties	**9.9**	**0.03**
Expenses		
Commodities purchased from third parties	**8.4**	**0.02**
Operating	**8.8**	**0.02**
Transportation	**(6.2)**	**(0.02)**
G&A	**(2.3)**	**(0.01)**
Interest and financing (1)	**—**	**—**
Current income taxes	**1.8**	**0.01**
Realized gain on foreign exchange	**(5.8)**	**(0.02)**
Funds from operations – 2019	**186.2**	**0.53**

(1) Excludes accretion of ARO

Funds from operations decreased by seven per cent in the first quarter of 2019 to $186.2 million ($0.53 per share) from $201.0 million ($0.57 per share) generated in the first quarter of 2018. The decrease primarily reflects weaker crude oil and liquids prices, lower crude oil and liquids production, lower realized gain on risk management contracts, higher transportation expense, and lower realized gain from foreign exchange. Higher natural gas prices, increased natural gas production, lower royalties and operating expense partially offset the decrease.

Exhibit 4



(1) Includes sales of commodities purchased from third parties, interest income, other income, and commodities purchased from third parties.

2019 Net Income (Loss) and Funds from Operations Sensitivity

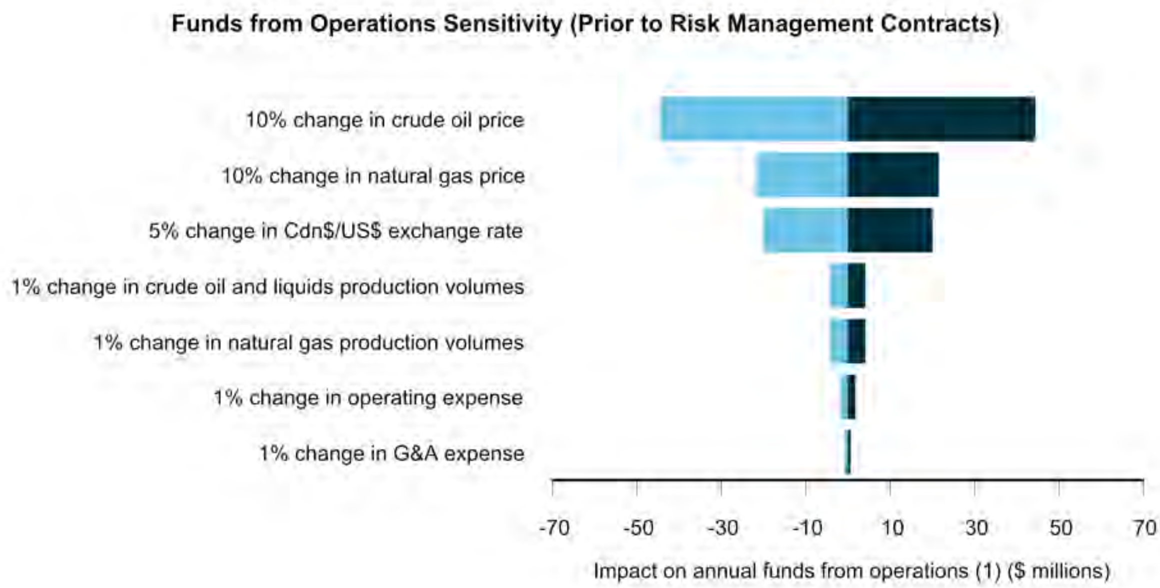
Table 6 illustrates sensitivities of operating items (prior to the impact of gains or losses on risk management contracts) to operational and business environment changes and the resulting impact on net income (loss) and funds from operations:

Table 6

			Impact on Annual Funds from Operations (5)		**Impact on Annual Net Income**	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price (2)	63.72	10%	44.5	0.126	44.5	0.126
Natural gas price (2)	2.79	10%	21.6	0.061	21.6	0.061
Cdn$/US$ exchange rate (2)(3)	1.33	5%	20.1	0.057	20.1	0.057
Operational (4)						
Crude oil and liquids production volumes (bbl/d)	33,644	1%	4.2	0.012	2.8	0.008
Natural gas production volumes (MMcf/d)	632.5	1%	4.2	0.012	1.8	0.005
Operating expense ($/boe)	5.24	1%	1.8	0.005	1.8	0.005
G&A expense ($/boe)	1.86	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 three months ended March 31, 2019. See Table 11 of this MD&A for additional details. The calculated impact on funds from operations and net income (loss) would only be applicable within a limited range of these amounts.
(3) Includes impact of foreign exchange on natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.
(4) Operational assumptions are based upon results for the three months ended March 31, 2019.
(5) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 5



(1) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

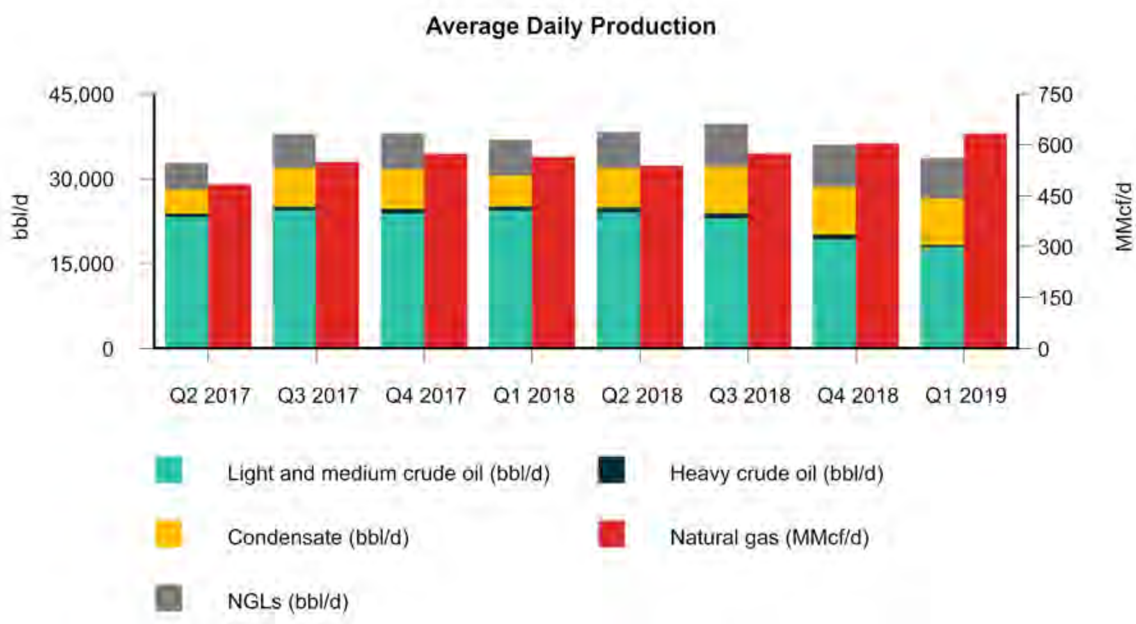
Table 7

	Three Months Ended			
Production	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Light and medium crude oil (bbl/d)	19,229	**17,866**	24,283	(26)
Heavy crude oil (bbl/d)	863	**385**	754	(49)
Condensate (bbl/d)	8,458	**8,210**	5,505	49
Natural gas (MMcf/d)	603.3	**632.5**	564.9	12
NGLs (bbl/d)	7,402	**7,183**	6,332	13
Total production (boe/d)	136,502	**139,054**	131,016	6
Natural gas production (%)	74	**76**	72	4
Crude oil and liquids production (%)	26	**24**	28	(4)

During the three months ended March 31, 2019, crude oil and liquids production decreased nine per cent as compared to the same period in the prior year. Increases in condensate and NGLs production were more than offset by the drop in crude oil production due primarily to the sale of non-core assets throughout 2018. Additionally, production from certain areas was impacted at times during the first quarter of 2019 with wells being shut-in to accommodate completions of offsetting wells.

During the three months ended March 31, 2019, natural gas production increased 12 per cent as compared to the prior year. The increase was largely driven by the start-up of the Sunrise Phase II gas processing facility during the third quarter of 2018, as well as continued drilling and completions activity in northeast British Columbia.

Exhibit 6



Average Daily Production
45,000
30,000
15,000
0
bbl/d
750
600
450
300
150
0
MMcf/d
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Light and medium crude oil (bbl/d)
Heavy crude oil (bbl/d)
Condensate (bbl/d)
Natural gas (MMcf/d)
NGLs (bbl/d)

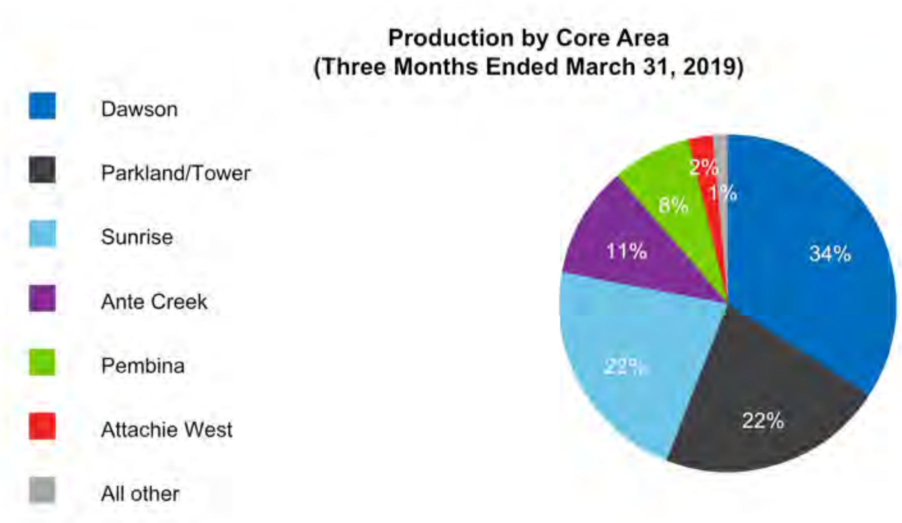
Table 8 summarizes ARC's production by core area for the first quarter of 2019 and 2018:

Table 8

	Three Months Ended March 31, 2019				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**47,447**	—	2,794	257.2	1,794
Parkland/Tower	**30,272**	4,515	2,860	116.3	3,513
Sunrise	**30,578**	—	44	183.0	28
Ante Creek	**14,817**	5,309	394	46.9	1,293
Pembina	**10,550**	8,061	153	11.1	489
Attachie West	**3,272**	—	1,773	8.9	22
All other	**2,118**	366	192	9.1	44
Total	**139,054**	**18,251**	**8,210**	**632.5**	**7,183**

	Three Months Ended March 31, 2018				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	43,740	—	2,266	240.3	1,430
Parkland/Tower	29,533	6,441	1,945	109.9	2,833
Sunrise	21,963	—	48	131.3	29
Ante Creek	15,467	5,726	421	48.5	1,236
Pembina	11,340	8,819	159	11.4	464
Attachie West	576	—	286	1.7	8
All other	8,397	4,051	380	21.8	332
Total	131,016	25,037	5,505	564.9	6,332

Exhibit 7



Commodity Sales from Production

Commodity sales from production decreased by four per cent for the first quarter of 2019 compared to the same period in 2018. The decrease primarily reflects lower crude oil production and weaker crude oil realized pricing offset by increased production of condensate and natural gas, as well as a higher average realized natural gas price.

A breakdown of commodity sales from production by product is outlined in Table 9:

Table 9

	Three Months Ended			
Commodity Sales from Production ($ millions)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Crude oil	80.1	**104.7**	156.6	(33)
Condensate	44.5	**47.9**	38.4	25
Natural gas (1)	158.0	**158.8**	127.3	25
NGLs	19.9	**16.4**	17.9	(8)
Total commodity sales from production	302.5	**327.8**	340.2	(4)

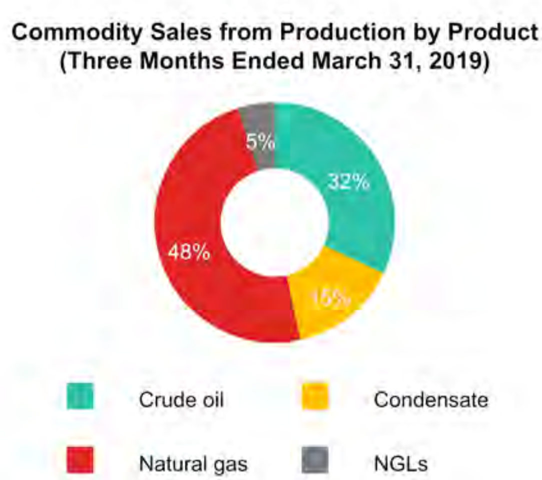
(1) Includes $4.6 million of natural gas transportation revenue from contracts assigned temporarily to third parties for the three months ended March 31, 2019 ($nil for the three months ended March 31, 2018).

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 typically more heavily weighted to its crude oil and liquids production as seen in Table 10:

Table 10

	Three Months Ended		
% of Commodity Sales from Production by Product Type	December 31, 2018	**March 31, 2019**	March 31, 2018
Crude oil and liquids	48	**52**	63
Natural gas	52	**48**	37
Total commodity sales from production	100	**100**	100

Exhibit 8



Commodity Prices

A listing of benchmark commodity prices and ARC's realized commodity prices are outlined in Table 11:

Table 11

	Three Months Ended			
	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Average Benchmark Prices				
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	3.64	3.15	3.00	5
Chicago Citygate Monthly Index (US$/MMBtu)	3.63	3.32	3.27	2
AECO 7A Monthly Index (Cdn$/Mcf)	1.90	1.94	1.85	5
WTI crude oil (US$/bbl)	59.34	54.90	62.89	(13)
Cdn$/US$ exchange rate	1.32	1.33	1.27	5
WTI crude oil (Cdn$/bbl)	78.33	73.02	79.87	(9)
Mixed Sweet Stream ("MSW") Price at Edmonton (Cdn$/bbl)	43.63	66.46	72.15	(8)
Condensate Stream Price at Edmonton (Cdn$/bbl)	60.45	67.14	78.93	(15)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts				
Crude oil ($/bbl)	43.30	**63.72**	69.50	(8)
Condensate ($/bbl)	57.25	**64.81**	77.42	(16)
Natural gas ($/Mcf)	2.85	**2.79**	2.50	12
NGLs ($/bbl)	29.12	**25.43**	31.39	(19)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	24.09	**26.20**	28.85	(9)

Benchmark Commodity Prices

Global crude oil prices, on average, were weaker in the first quarter of 2019 compared to both the prior quarter and the first quarter of 2018. Concerns of lower demand due to the ongoing trade war between China and the US, coupled with the supply impact of the waivers granted by the US for Iranian imports resulted in lower crude oil prices at the end of 2018. Subsequently, crude oil prices recovered during the first quarter of 2019. Expected and unexpected crude oil supply disruptions resulted in an undersupplied global market. OPEC and Canada mandated supply cuts that began in January 2019, while Venezuela experienced further degradation of its energy industry due to mass power outages and additional sanctions imposed by the US.

Canadian stream prices improved significantly throughout the first quarter of 2019 as compared to the previous quarter due to the Alberta government mandated, province-wide crude oil production curtailments that took effect in January 2019. MSW pricing relative to the first quarter of 2018 was down, mainly due to a lower global benchmark price.

Henry Hub natural gas prices were weaker in the first quarter of 2019 compared to the prior quarter, but stronger as compared to the period ending March 31, 2018. In the fourth quarter of 2018, prices strengthened significantly due to growing concerns over very low seasonal US inventory levels, along with a colder-than-average start to winter. During the first quarter of 2019, Henry Hub prices weakened as temperatures moderated and inventory concerns abated. Over the medium-term, record increases in US natural gas production have been largely offset by rising US domestic and export demand, keeping the market relatively balanced.

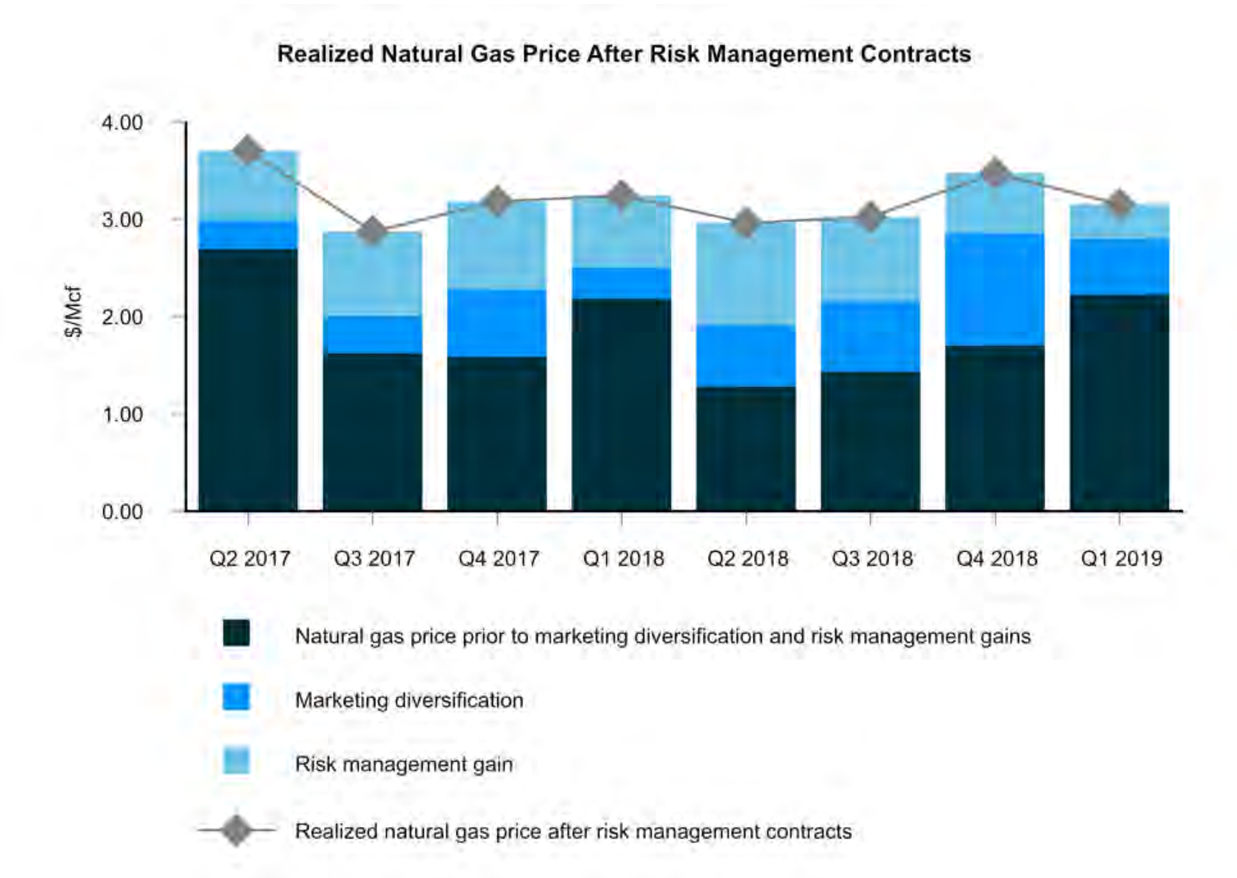
Western Canadian natural gas prices were relatively flat as compared to the fourth quarter of 2018 and slightly stronger than the first quarter of 2018. Local weather demand and low inventory levels helped buoy pricing despite continued egress constraints.

ARC's Realized Commodity Prices
During the three months ended March 31, 2019, ARC's realized crude oil price decreased eight per cent compared to the same period in 2018, reflecting lower WTI benchmark prices. ARC's realized condensate price decreased 16 per cent compared to the first quarter 2018 due to lower benchmark prices as well as wider condensate differentials.

ARC's natural gas sales are physically and financially diversified to multiple sales points including AECO, Station 2, US Midwest, Dawn and Malin hubs. ARC's realized natural gas price for the first quarter of 2019 increased by 12 per cent as compared to the first quarter of 2018. The AECO monthly index was five per cent higher in the first quarter of 2019 as compared to the same period in the prior year. Additionally, pricing at downstream markets outside of AECO was stronger as compared to the first quarter of 2018.

In the three months ended March 31, 2019, physical sales diversification activities added $0.57 per Mcf as compared to $0.32 per Mcf in the first quarter of 2018. Additionally, a realized gain on natural gas risk management contracts added a further $0.36 per Mcf for the three months ended March 31, 2019 ($0.74 per Mcf for the same period in 2018), which is not included in ARC's realized natural gas price. Including financial risk management contracts, less than 10 per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for the balance of 2019.

Exhibit 9



Risk Management Contracts

Table 12 summarizes the total gain or loss on risk management contracts for the first quarter of 2019 compared to the same period in 2018:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q1 2019 Total**	Q1 2018 Total
Realized gain on contracts (1)	—	20.3	—	**20.3**	28.6
Unrealized gain (loss) on contracts (2)	(76.8)	(72.3)	2.6	**(146.5)**	(46.1)
Gain (loss) on risk management contracts	**(76.8)**	**(52.0)**	**2.6**	**(126.2)**	(17.5)

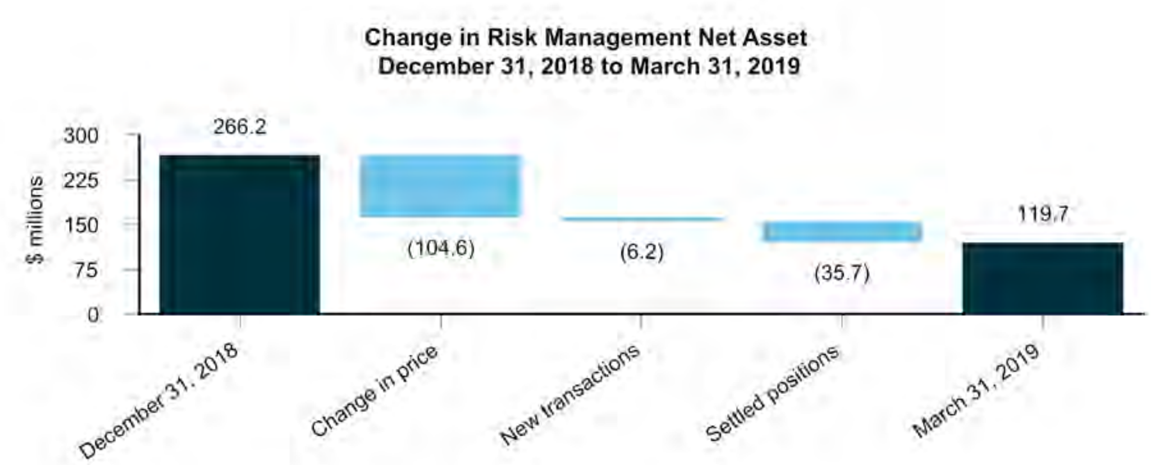
(1) Represents actual cash settlements under the respective contracts.
(2) Represents the change in fair value of the contracts during the period.

For the three months ended March 31, 2019, a realized gain reflects positive cash settlements received on AECO basis swaps with an average differential of US$(0.78) per MMBtu, AECO basis swaps at an average ratio of 86 per cent of NYMEX Henry Hub pricing, NYMEX Henry Hub natural gas contracts with an average price of US$3.11 per MMBtu, and AECO 7A natural gas contracts with an average price of Cdn$3.00 per GJ. This is partially offset by cash payments made on Malin basis swaps with an average differential of US$(0.73). The realized value of crude positions netted to zero despite significant price volatility during the quarter.

ARC's unrealized loss on crude oil contracts for the three months ended March 31, 2019 reflects higher WTI forward curve prices, as well as a higher Cdn$/US$ forward curve at March 31, 2019 relative to December 31, 2018. ARC's unrealized loss on natural gas contracts for the three months ended March 31, 2019 reflects higher forward curves for NYMEX Henry Hub and AECO as well as a narrowing of the AECO, Chicago, and Malin basis curves. For more information refer to Note 12 "Financial Instruments and Market Risk Management" in the financial statements.

The fair value of ARC's risk management contracts at March 31, 2019 was a net asset of $119.7 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after any adjustments for credit risk. This comprises a net asset of $145.9 million for natural gas contracts, a net liability of $25.6 million for crude oil contracts, and a net liability of $0.6 million for foreign exchange contracts.

Exhibit 10



Operating Netback ("Netback")

The components of netback for the three months ended March 31, 2019 compared to the previous quarter and the same period in 2018 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended			
Netback ($ millions) [1]	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Commodity sales from production	302.5	**327.8**	340.2	(4)
Royalties	(21.0)	**(19.0)**	(28.9)	(34)
Operating	(63.3)	**(65.6)**	(74.4)	(12)
Transportation	(33.4)	**(37.0)**	(30.8)	20
Netback prior to gain on risk management contracts	184.8	**206.2**	206.1	—
Realized gain on risk management contracts	45.4	**20.3**	28.6	(29)
Netback after gain on risk management contracts	230.2	**226.5**	234.7	(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.

Table 13a

	Three Months Ended			
Netback ($ per boe) [1]	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Commodity sales from production	24.09	**26.20**	28.85	(9)
Royalties	(1.67)	**(1.52)**	(2.45)	(38)
Operating	(5.04)	**(5.24)**	(6.31)	(17)
Transportation	(2.66)	**(2.96)**	(2.61)	13
Netback prior to gain on risk management contracts	14.72	**16.48**	17.48	(6)
Realized gain on risk management contracts	3.62	**1.62**	2.43	(33)
Netback after gain on risk management contracts	18.34	**18.10**	19.91	(9)

(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.

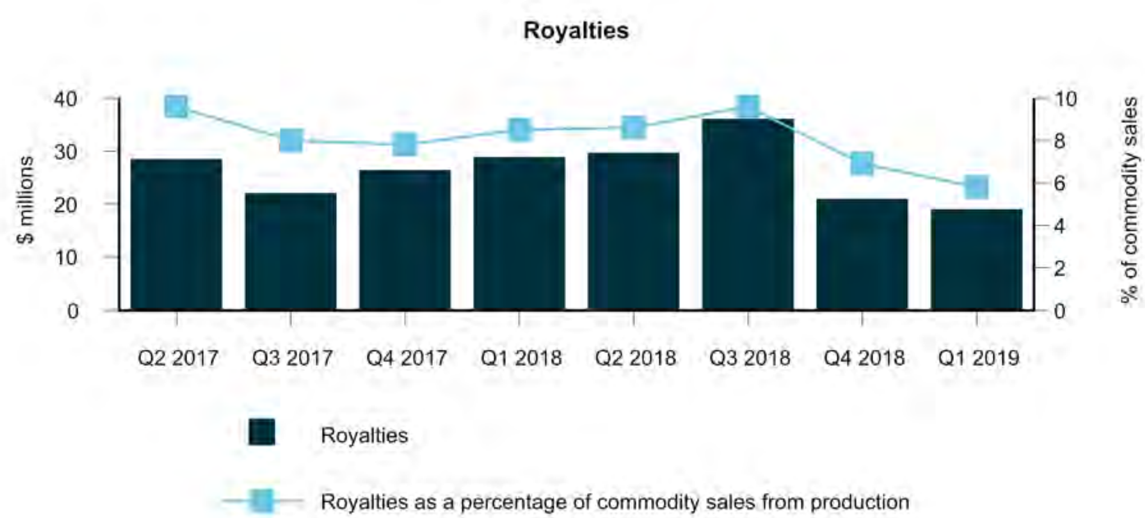
Exhibit 11

(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 months ended March 31, 2019 were $19.0 million ($28.9 million for the same period in 2018). For the three months ended March 31, 2019, total royalties represented 5.8 per cent of commodity sales from production ($1.52 per boe) as compared to 8.5 per cent ($2.45 per boe) in the same period in 2018. The decrease in royalties as a percentage of commodity sales from production for the three months ended March 31, 2019, is reflective of a lower royalty rate for crude oil due to decreased commodity prices compared to the same period in 2018. The increase in ARC's natural gas production is also a contributing factor, as natural gas is subject to lower royalty rates compared to crude oil and liquids.

Exhibit 12



Operating

Operating expense decreased by $8.8 million in the first quarter of 2019 to $65.6 million as compared to $74.4 million in the first quarter of 2018, primarily due to various dispositions of non-core assets throughout 2018, including the divestment of ARC's Redwater assets in the third quarter of 2018. Additionally, $0.4 million of lease payments which have previously been recognized as operating expense, are now classified as repayment of lease obligations following the Company's adoption of IFRS 16 *Leases* ("IFRS 16"). Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

On a per boe basis, operating expense decreased $1.07 per boe to $5.24 per boe in the first quarter of 2019 compared to $6.31 per boe in the first quarter of 2018 as ARC continues to grow production in areas with lower average operating expense and dispose of non-core properties with higher average operating expense.

Exhibit 13

Transportation

Transportation expense for the three months ended March 31, 2019 was $37.0 million ($30.8 million for the three months ended March 31, 2018). On a per boe basis, transportation expense for the three months ended March 31, 2019 was

$2.96 per boe ($2.61 per boe for the three months ended March 31, 2018). The increase in the first quarter of 2019 relative to the same period in 2018 primarily reflects higher trucking charges and pipeline tariffs related to increased condensate and natural gas volumes associated with new production in northeast BC. Additionally, tariffs for transportation agreements, which have been assigned temporarily to a third party as part of ARC's physical marketing diversification efforts, increase transportation expense, but these costs are directly offset by increases to commodity sales from production. There is no impact to ARC's operating netback or funds from operations as a result of these agreements.

ARC enters into firm transportation commitments in order to secure market access for its current production as well as anticipated production from planned facility infrastructure to be operational in the future. For information regarding ARC's payment obligations under its current transportation commitments refer to Note 16 "Commitments and Contingencies" in the financial statements.

Exhibit 14

G&A Expense and Share-Based Compensation

G&A expense before share-based compensation expense increased by two per cent to $15.6 million in the first quarter of 2019 from $15.3 million in the first quarter of 2018. The increase was primarily due to a reduction in capitalized G&A, combined with higher director's compensation due to the increased value of the DSU Plan. This was partially offset by $1.9 million of office lease payments which have previously been recognized in G&A and which are now classified as repayments of lease obligations following the Company's adoption of IFRS 16. Refer to the section entitled "Financial Reporting Update" in the MD&A.

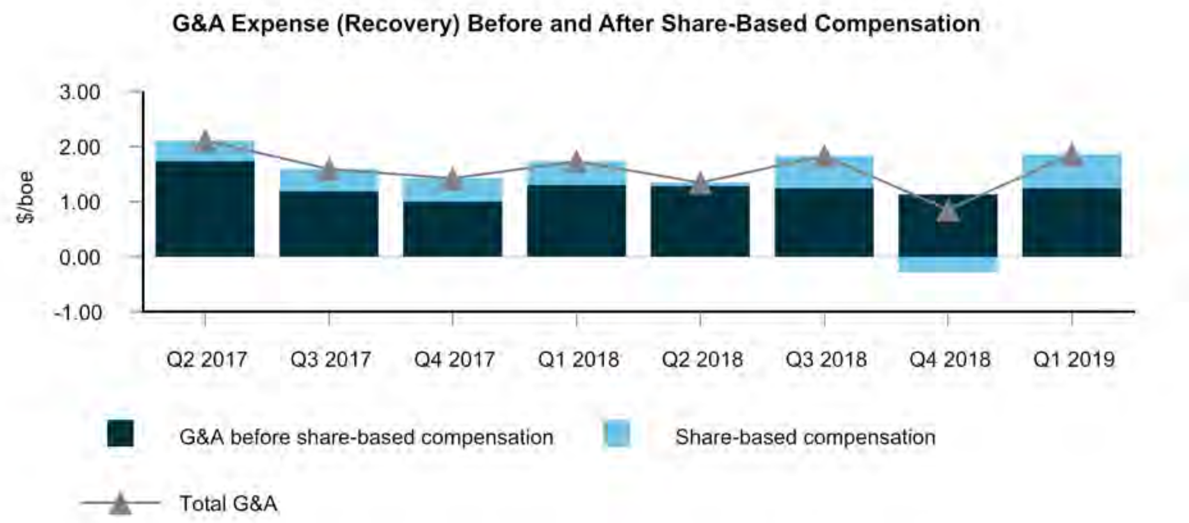
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

	Three Months Ended			
G&A and Share-Based Compensation ($ millions, except per boe)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
G&A expense before share-based compensation expense (1)	14.2	**15.6**	15.3	2
G&A – share-based compensation expense (2)	(3.5)	**7.7**	5.1	51
Total G&A expense	10.7	**23.3**	20.4	14
G&A expense before share-based compensation expense per boe	1.13	**1.24**	1.30	(5)
G&A – share-based compensation expense per boe	(0.28)	**0.62**	0.43	44
Total G&A expense per boe	0.85	**1.86**	1.73	8

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

Exhibit 15



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 21 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2018.

Changes to Share-Based Compensation Plans

In 2018, the Human Resources and Compensation Committee of ARC's Board of Directors ("the Board") engaged a third party to conduct an independent review of ARC's compensation philosophy, design and programs. Following this review, certain changes were made to ARC's PSU Plan. Following the implementation of the changes and effective commencing with PSU awards granted during the three months ended March 31, 2019, performance multipliers associated with PSUs will be determined using two criteria. 50 per cent will be awarded based on relative total shareholder return performance compared to a defined peer group and 50 per cent will be awarded dependent on an overall assessment of achievements based on a predetermined corporate scorecard. Performance multipliers associated with PSU awards that were granted prior to March 7, 2019 will not be affected by this change.

In conjunction with the independent third-party review, ARC has suspended its Share Option program. No additional grants will be made under the Share Option Plan in 2019. Outstanding share option grants will continue to vest on schedule.

During the three months ended March 31, 2019, ARC recognized G&A expense of $7.7 million in respect of its share-based compensation plans, compared to $5.1 million during the same period of the prior year.

Restricted Share Unit and Performance Share Unit Plans

At March 31, 2019, ARC had 1.6 million RSUs and 2.7 million PSUs outstanding under these plans. For the three months ended March 31, 2019, ARC recognized G&A expense of $6.5 million in relation to the RSU and PSU Plans ($3.9 million for the three months ended March 31, 2018). The increase in expense recognized for the three months ended March 31, 2019 as compared to the same period in 2018 is due to the change in valuation of awards outstanding throughout the respective periods. At March 31, 2019, ARC's share price on the Toronto Stock Exchange ("TSX") was $9.12, a 13 per cent increase from the share price of $8.10 at December 31, 2018. This compares to a five per cent decrease in share price from $14.75 at December 31, 2017 to $14.04 at March 31, 2018. The value of ARC's performance multiplier, applicable to its PSU awards, also increased for the three months ended March 31, 2019 compared to the first quarter of the prior year, primarily from the improvement of ARC's total return performance relative to the total return performance of its peers.

During the three months ended March 31, 2019, ARC made cash payments of $4.5 million in respect of the RSU and PSU Plans ($8.1 million for the three months ended March 31, 2018). Of these payments, $3.5 million were in respect of amounts recorded to G&A ($6.4 million for the three months ended March 31, 2018) and $1.0 million were in respect of amounts recorded to Operating and capitalized as PP&E and E&E ($1.7 million for the three months ended March 31, 2018). These amounts were accrued in prior periods.

Table 15 shows the changes to the RSU and PSU Plans during 2019:

Table 15

RSU and PSU Plans (number of units, thousands)	**RSUs**	**PSUs Granted Prior to March 7, 2019** (1)	**PSUs Granted Subsequent to March 6, 2019** (1)	**Total RSUs and PSUs**
Balance, December 31, 2018	942	2,270	—	3,212
Granted	884	—	777	1,661
Distributed	(218)	(273)	—	(491)
Forfeited	(17)	(110)	—	(127)
Balance, March 31, 2019	**1,591**	**1,887**	**777**	**4,255**

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

Due to the variability in the expected future payments under the plans, ARC estimates that between $14.5 million and $63.1 million will be paid out in 2019 through 2022 based on the current share price, accrued dividends, and ARC's market performance relative to its peers. Table 16 is a summary of the range of future expected payments under the RSU and PSU Plans based on variability of the performance multiplier and units outstanding under the RSU and PSU Plans as at March 31, 2019:

Table 16

Value of RSU and PSU Plans as at March 31, 2019	**Performance Multiplier**		
(units thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated units to vest			
RSUs	1,591	1,591	1,591
PSUs (1)	—	2,664	5,328
Total units (2)	**1,591**	**4,255**	**6,919**
Share price (3)	9.12	9.12	9.12
Value of RSU and PSU Plans upon vesting	**14.5**	**38.8**	**63.1**
2019	1.9	4.6	7.2
2020	5.6	11.7	17.8
2021	4.4	13.1	22.0
2022	2.6	9.4	16.1

(1) Includes all PSU awards.
(2) Includes additional estimated units to be issued under the RSU and PSU Plans for dividends accrued to-date.
(3) 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 $9.12, which is based on the TSX closing share price at March 31, 2019.

Deferred Share Unit Plan

At March 31, 2019, ARC had 0.7 million DSUs outstanding under this plan. For the first quarter of 2019, G&A expense of $1.3 million was recognized in relation to the DSU Plan ($1.1 million for the same period in 2018).

During the three months ended March 31, 2019, ARC made cash payments of $0.1 million in respect of the DSU plan ($nil for the three months ended March 31, 2018).

Share Option Plan

At March 31, 2019, ARC had 6.0 million share options outstanding, representing 1.7 per cent of outstanding shares, with a weighted average exercise price of $17.21 per share. At March 31, 2019, approximately 1.4 million share options were exercisable with a weighted average exercise price of $19.11 per share. ARC recognized compensation expense of $1.1 million relating to the Share Option Plan for the three months ended March 31, 2019 ($1.0 million for the three months ended March 31, 2018).

Long-term Restricted Share Award Plan

At March 31, 2019, ARC had 0.5 million restricted shares outstanding under this plan. ARC recognized G&A expense of $0.2 million relating to the LTRSA Plan during the three months ended March 31, 2019 ($0.2 million for the three months ended March 31, 2018).

Interest and Financing

A breakdown of interest and financing expense is shown in Table 17:

Table 17

	Three Months Ended			
Interest and Financing ($ millions)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Bank debt and long-term notes	10.7	**10.2**	10.7	(5)
Lease obligations	—	**0.5**	—	100
Accretion on ARO	2.0	**1.9**	3.6	(47)
Total interest and financing	12.7	**12.6**	14.3	(12)

Interest and financing expense decreased 12 per cent to $12.6 million in the first quarter of 2019 from $14.3 million in the first quarter of 2018. The decrease for the three months ended March 31, 2019 compared to the same period of the prior year is primarily due to a decrease in accretion on ARO, stemming from the disposal of non-core properties in 2018. Beginning in the first quarter of 2019, ARC recognized interest on its lease obligations as part of Interest and financing following its adoption of IFRS 16. Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

At March 31, 2019, ARC had $877.6 million of long-term debt outstanding, including a current portion of $65.4 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. 95 per cent (US$627.0 million) of ARC’s long-term debt outstanding at March 31, 2019 is denominated in US dollars.

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange gain of $13.6 million in the first quarter of 2019 compared to a loss of $25.2 million in the first quarter of 2018. During the three months ended March 31, 2019, the value of the US dollar relative to the Canadian dollar decreased to $1.34 from $1.36 at December 31, 2018. During the three months ended March 31, 2018, the value of the US dollar relative to the Canadian dollar increased to $1.29 from $1.25 at December 31, 2017. This resulted in an unrealized gain on the revaluation of ARC's US dollar-denominated debt in the first quarter of 2019 compared to a loss during the same period in 2018.

Partially offsetting the unrealized foreign exchange gain for the three months ended March 31, 2019 was $4.1 million of realized foreign exchange loss on US dollar-denominated transactions.

Table 18 shows the various components of ARC's foreign exchange gain and loss:

Table 18

	Three Months Ended			
Foreign Exchange Gain and Loss ($ millions)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Unrealized gain (loss) on US dollar-denominated debt	(45.9)	**18.2**	(26.9)	(168)
Unrealized loss on US dollar-denominated receivables	(1.3)	**(0.5)**	—	—
Realized gain (loss) on US dollar-denominated transactions	9.0	**(4.1)**	1.7	(341)
Total foreign exchange gain (loss)	(38.2)	**13.6**	(25.2)	(154)

Taxes

ARC recognized a current income tax expense of $6.5 million in the first quarter of 2019 compared to an expense of $8.3 million during the first quarter of 2018. The small decrease in current tax expense for the three months ended March 31, 2019 is primarily related to lower taxable income reflecting lower funds from operations as compared to the same period in 2018. Current tax expense recognized in the first quarter of 2019 does not reflect any impact of the Accelerated Investment Incentive as proposed in the 2018 Federal Fall Economic Statement on November 21, 2018, as the legislation that includes the proposed incentives was considered substantively enacted subsequent to March 31, 2019. Current taxes in subsequent quarters will be determined reflecting the benefit of the Accelerated Investment Incentive deductions.

During the first quarter of 2019, a deferred income tax recovery of $30.2 million was recognized compared to an expense of $22.1 million in the first quarter of 2018. This decrease in deferred tax expense for the three months ended March 31, 2019 is primarily related to a higher unrealized loss recognized on risk management contracts in the first quarter of 2019 as compared to the same period in 2018.

The income tax pools, which are detailed in Table 19, are deductible at various rates and annual deductions associated with the initial tax pools will decline over time.

Table 19

Income Tax Pool Type ($ millions)	**March 31, 2019**	**Annual Deductibility**
Canadian oil and gas property expense	68.8	10% declining balance
Canadian development expense	853.3	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	883.0	Primarily 25% declining balance
Other	13.4	Various rates, 7% declining balance to 20%
Total federal tax pools	1,818.5	
Additional Alberta tax pools	3.8	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment

For the three months ended March 31, 2019, ARC recognized DD&A expense related to its PP&E assets before any impairment charges or related reversals of $137.5 million, as compared to $125.7 million for the three months ended March 31, 2018. The increase in DD&A for the first quarter of 2019 as compared to the first quarter of 2018 primarily reflects increased production in 2019. In conjunction with the adoption of IFRS 16, ARC recognized DD&A expense related to its right-of-use assets ("ROU assets") under lease of $1.6 million for the three months ended March 31, 2019. Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

A breakdown of DD&A expense and impairment charges (reversal) is summarized in Table 20:

Table 20

		Three Months Ended		
DD&A Expense ($ millions, except per boe amounts)	December 31, 2018	**March 31, 2019**	March 31, 2018	% Change
Depletion of crude oil and natural gas assets	124.8	**136.0**	124.3	9
Depreciation of corporate assets	1.5	**1.5**	1.4	7
Depreciation of ROU assets under lease	—	**1.6**	—	100
Impairment (reversal)	(0.7)	**(0.1)**	0.4	(125)
Total DD&A expense and impairment (reversal)	125.6	**139.0**	126.1	10
DD&A expense per boe, excluding impairment (reversal)	10.06	**11.11**	10.66	4

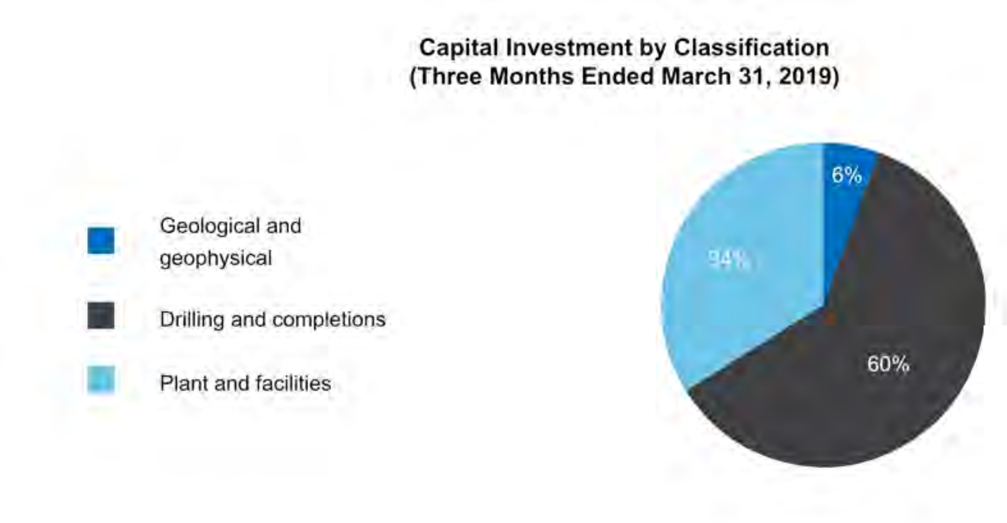
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the first quarter of 2019 is shown in Table 21:

Table 21

	Three Months Ended March 31						
	2019			2018			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.2**	**11.7**	**11.9**	1.3	2.7	4.0	198
Drilling and completions	**0.3**	**128.9**	**129.2**	37.3	101.8	139.1	(7)
Plant and facilities	**(0.7)**	**73.0**	**72.3**	6.2	63.8	70.0	3
Corporate assets	**—**	**0.3**	**0.3**	—	0.6	0.6	(50)
Total capital expenditures	**(0.2)**	**213.9**	**213.7**	44.8	168.9	213.7	—
Undeveloped land	**—**	**—**	**—**	0.4	0.3	0.7	(100)
Total capital expenditures including undeveloped land purchases	**(0.2)**	**213.9**	**213.7**	45.2	169.2	214.4	—
Acquisitions	**0.2**	**—**	**0.2**	—	0.2	0.2	—
Dispositions	**—**	**(0.2)**	**(0.2)**	—	(98.3)	(98.3)	(100)
Total capital expenditures, land purchases and net acquisitions and dispositions	**—**	**213.7**	**213.7**	45.2	71.1	116.3	84

Exhibit 16



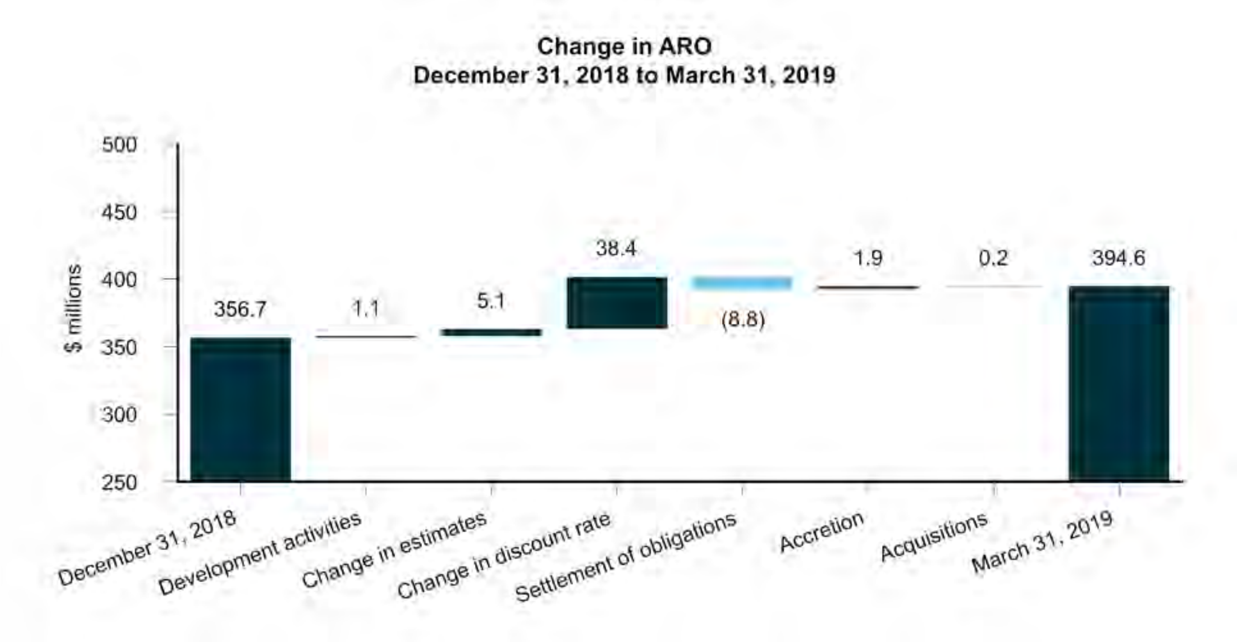
In the first quarter of 2019 capital investment was focused in the areas of Parkland/Tower, Ante Creek, Dawson, Sunrise, and Attachie West, with the drilling of 21 wells and the completion of 28 wells. Several significant infrastructure projects were advanced during the quarter, including the Dawson Phase I and II liquids-handling facility upgrade, the Dawson Phase IV gas processing and liquids-handling facility, the Ante Creek 10-36 facility expansion project and initial investments for the first phase of development at Attachie West.

Asset Retirement Obligations

At March 31, 2019, ARC has recognized ARO of $394.6 million ($356.7 million at December 31, 2018) 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 rate of 1.9 per cent (2.2 per cent at December 31, 2018).

Accretion charges of $1.9 million for the three months ended March 31, 2019 ($3.6 million for the same period in 2018), have been recognized in Interest and financing in the statements of income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's abandonment and reclamation program for the three months ended March 31, 2019 was $8.8 million ($5.6 million for the same period in 2018).

Exhibit 17



Capitalization, Financial Resources and Liquidity

ARC's capital management objective 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's long-term goal is to finance both its capital expenditures necessary to sustain its business and those intended for growth.

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.

Following the adoption of IFRS 16, ARC now recognizes lease obligations in its determination of net debt. Lease obligations are affected by the amount of future lease payments, anticipated lease terms, and ARC's estimated incremental borrowing rate. Changes in ARC's lease obligations could have a significant impact on ARC's net debt to annualized funds from operations ratio in future periods. Refer to the section entitled "Financial Reporting Update" contained within this MD&A and to Note 3 "Changes in Accounting Policies" in the financial statements.

A breakdown of ARC's capital structure as at March 31, 2019 and December 31, 2018 is outlined in Table 22:

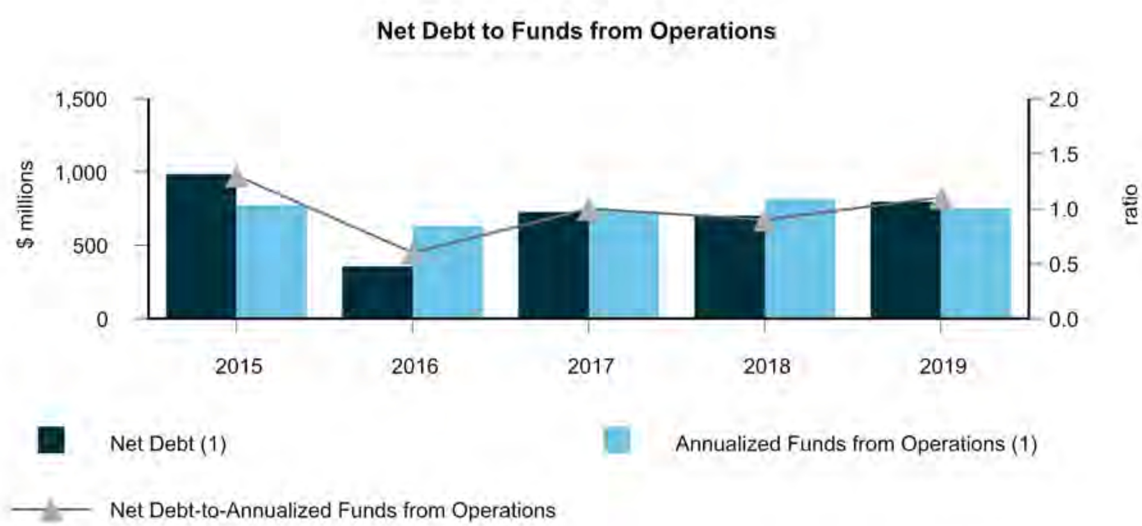
Table 22

Capital Structure and Liquidity ($ millions, except ratio amounts)	**March 31, 2019**	December 31, 2018
Long-term debt [(1)]	**877.6**	909.2
Lease obligations [(2)]	**53.8**	—
Accounts payable and accrued liabilities	**176.3**	166.5
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, current deferred consideration, and prepaid expense	**(329.1)**	(390.7)
Net debt [(3)]	**796.3**	702.7
Net debt to annualized funds from operations (ratio) [(3)]	**1.1**	0.9

(1) Includes a current portion of long-term debt of $65.4 million at March 31, 2019 and $80.5 million at December 31, 2018.
(2) Includes a current portion of lease obligations of $11.2 million at March 31, 2019.
(3) Refer to Note 11 "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 1.0 and 1.5 times annualized funds from operations. This strategy has resulted in manageable debt levels to-date and has positioned ARC to remain well within its debt covenants. Following the adoption of IFRS 16, ARC's net debt balance has increased with the inclusion of ARC's lease obligations though compliance with ARC's credit facility covenants are not expected to be impacted by this change. At March 31, 2019, ARC had $796.3 million of net debt outstanding and net debt to 2019 annualized funds from operations ratio was 1.1 times.

Exhibit 18



(1) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

At March 31, 2019, ARC had total available credit capacity of approximately $2.2 billion with debt of $877.6 million currently outstanding. ARC's long-term debt balance includes a current portion of $65.4 million at March 31, 2019 ($80.5 million at December 31, 2018), reflecting principal payments that are due to be paid within the next 12 months. ARC intends to finance these obligations by using cash on hand or drawing on its syndicated credit facility at the time the payments are due.

ARC's debt agreements contain a number of covenants, all of which were met as at March 31, 2019. No significant financial covenants were impacted by the adoption of IFRS 16. These agreements are available on SEDAR at www.sedar.com. ARC calculates its covenants quarterly. The significant financial covenants of the syndicated credit facility are described below:

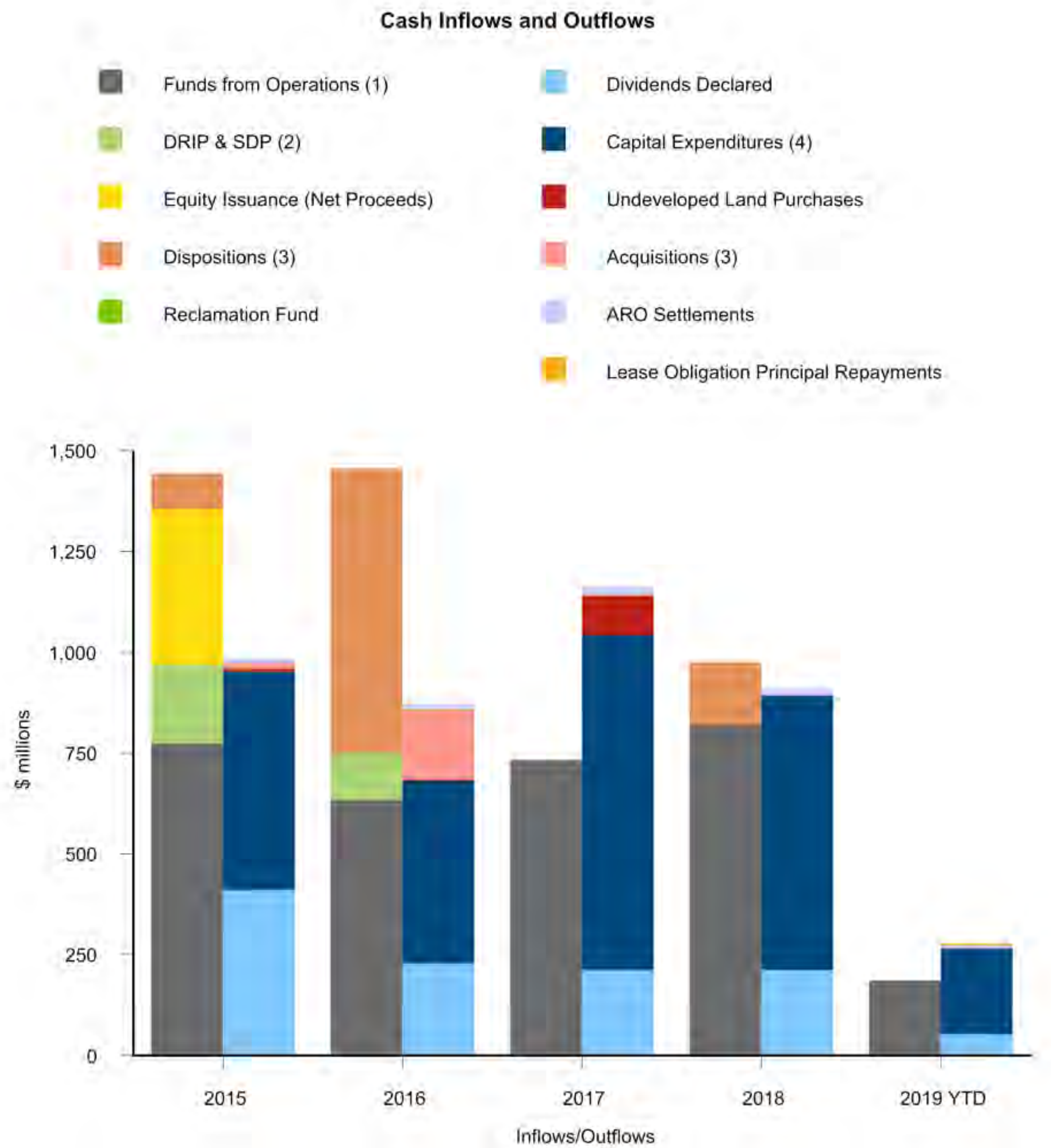
Table 23

Covenant Description	Estimated Position at March 31, 2019 [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	1.0
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	1.0
Long-term debt and letters of credit not to exceed 55 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.

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

Exhibit 19



(1) Refer to Note 11 "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 Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("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, lease depreciation, and asset retirement cost.

Table 24

($ millions)	**2019 YTD**	2018	2017	2016	2015
Cash Inflows					
Funds from operations (1)	**186.2**	819.0	731.9	633.3	773.4
DRIP & SDP (2)	**—**	—	3.0	117.1	195.5
Equity issuance (net proceeds)	**—**	—	—	—	386.1
Dispositions (3)	**0.2**	156.1	—	705.4	88.8
Disposition of reclamation fund	**—**	36.5	—	—	—
Reclamation fund withdrawals	**—**	1.1	—	—	0.9
Total	**186.4**	1,012.7	734.9	1,455.8	1,444.7
Cash Outflows					
Dividends declared	**53.1**	212.3	212.3	228.2	410.5
Capital expenditures (4)	**212.0**	679.3	829.4	452.9	541.2
Undeveloped land purchases	**—**	0.7	97.6	2.7	6.7
Acquisitions (3)	**0.2**	0.2	2.5	172.9	14.4
ARO settlements	**8.8**	15.8	19.8	13.0	12.3
Lease obligation principal repayments	**4.4**	—	—	—	—
Reclamation fund contributions	**—**	—	0.6	2.0	—
Total	**278.5**	908.3	1,162.2	871.7	985.1

(1) Refer to Note 11 "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, lease depreciation, and asset retirement cost.

Shareholders’ Equity

At March 31, 2019 and April 30, 2019, there were 353.4 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 March 31, 2019, 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

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In both of the first quarters of 2019 and 2018, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding). At this time, ARC plans to sustain current dividend levels.

As a result of a decrease in funds from operations in the first quarter of 2019 compared to the same period of the prior year, ARC’s dividend as a per cent of funds from operations has increased from an average of 26 per cent in the first quarter of 2018 to an average of 29 per cent in the first quarter of 2019.

Exhibit 20

(1) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

The actual amount of future monthly dividends is proposed by Management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results. On April 15, 2019, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on May 15, 2019 to shareholders of record on April 30, 2019 with an ex-dividend date of April 29, 2019.

Please refer to ARC's website at www.arcresources.com for details of the estimated monthly dividend amounts and dividend dates for 2019.

Environmental Regulation Impacting ARC

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 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. In addition, the Supreme Court's decision in *Orphan Well Association v Grant Thornton Limited* may impact the manner in which provincial regulators seek to regulate their liability management and end-of-life asset retirement regimes. Such climate change and other environmental 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.

ARC's Liability Management Rating is well within both the British Columbia Oil and Gas Commission's ("BCOGC") and the Alberta Energy Regulator's ("AER") requirements, such that no deposits were required at March 31, 2019 or at the date of this MD&A.

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

Contractual Obligations and Commitments

At March 31, 2019, ARC's total contractual obligations and commitments were $2.5 billion. These include obligations and commitments in place at December 31, 2018, less debt and interest payments made in the three months ended March 31, 2019. Operating leases previously included in ARC's contractual obligations and commitments are now disclosed on the balance sheet with the adoption of IFRS 16. For more information, refer to Note 16 "Commitments and Contingencies" in the financial statements.

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 commodity sales, royalties, transportation and operating expense 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, liquids 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 value of ROU assets and lease obligations that are dependent upon estimates of discount rates and timing of lease payments;
- estimated future recoverable value of PP&E, E&E and goodwill and any associated impairment charges or reversals; 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 audited consolidated financial statements as at and for the year ended December 31, 2018 as well as Note 4 "Management Judgments and Estimation Uncertainty" in the financial statements as at and for the three months ended March 31, 2019.

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 regulation;
- 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 2019. 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, condensate, NGLs 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, condensate, NGLs and natural gas that ARC produces.

CONTROL ENVIRONMENT

Internal Control over Financial Reporting

ARC is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”. The certification of interim filings for the interim period ended March 31, 2019 requires that ARC disclose in the interim MD&A any changes in ARC’s internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC’s internal controls over financial reporting. ARC confirms that no such changes were made to its internal controls over financial reporting during the three months ended March 31, 2019.

FINANCIAL REPORTING UPDATE

New Accounting Policies

IFRS 16 *Leases*

Effective January 1, 2019, ARC adopted IFRS 16 which requires the recognition of an ROU asset and associated lease obligation for most leasing arrangements entered into by ARC. Prior to the adoption of this standard, identified leases were categorized as either operating or finance leases, and operating leases were not subject to balance sheet recognition.

ARC adopted IFRS 16 on a modified retrospective basis whereby an adjustment is made to the opening deficit at January 1, 2019 to reflect the cumulative earnings impact of the standard up to the date of adoption. No restatement of prior periods has been made. In conjunction with the adoption of IFRS 16, ARC has completed the implementation of necessary changes to accounting processes, internal controls, information systems and business reporting that has been affected.

Table 25 details the impact of the adoption of IFRS 16 on the Company’s balance sheet, as at January 1, 2019:

Table 25

	Impact on Balance Sheet Item	$ millions
ROU assets	Increase	43.1
Current portion of lease obligations	Increase	(13.5)
Long-term portion of lease obligations	Increase	(44.5)
Other deferred liabilities	Decrease	10.2
Deferred taxes	Decrease	4.0
Deficit	Increase	0.7

The Company's leases recognized on its balance sheet at January 1, 2019 include leases of buildings, land use rights, equipment and vehicles. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the balance sheet recognition requirements. For full information regarding the effects of the adoption of IFRS 16 on ARC's financial statements, see Note 3 "Changes in Accounting Policies" in the financial statements.

Certain of ARC's performance measures including funds from operations, net debt, ROACE and operating netbacks are impacted by the adoption of IFRS 16. Where lease payments made for certain operating items were previously included in operating expense and G&A, these payments are now reflected as payments of interest and lease obligations, which increases total funds from operations and operating netbacks. Lease obligations have been included to increase net debt. As IFRS 16 was adopted using a modified retrospective approach, prior period comparatives have not been restated and may not be comparable. For more information on funds from operations and net debt, refer to Note 11 "Capital Management" in the financial statements. For more information on ROACE and operating netbacks refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

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

ARC calculates netback on a total and per boe basis as commodity sales from production less royalties, operating and transportation expense. ARC discloses netbacks both before and after the effect of realized gain or loss on risk management contracts. Realized gain or loss represents 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 believes 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 with evaluating operating performance on a comparable basis. ARC's netback is disclosed in Tables 13 and 13a within this MD&A.

Return on Average Capital Employed

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 11 "Capital Management" in the financial statements for additional discussion on net debt.

ARC uses ROACE as a measure of long-term 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 for the 12 months preceding the period end, on an annual basis and a four year basis in Table 26 of this MD&A.

Table 26

	Twelve Months Ended	Twelve Months Ended December 31				
ROACE	**March 31, 2019**	2018	2017	2016	2015	2015-2018 Average (1)
Net income (loss)	**104.3**	213.8	388.9	201.3	(342.7)	115.3
Add: Interest	**42.6**	42.6	45.3	50.5	51.0	47.4
Add: Total income taxes (recovery)	**53.9**	108.0	135.9	41.4	(15.8)	67.4
Earnings before interest and taxes	**200.8**	364.4	570.1	293.2	(307.5)	230.1
Net debt - beginning of period	**702.7**	728.0	356.5	985.1	1,255.9	1,255.9
Shareholders' equity - beginning of period	**3,675.8**	3,668.9	3,484.8	3,388.5	3,551.8	3,551.8
Opening capital employed (A)	**4,378.5**	4,396.9	3,841.3	4,373.6	4,807.7	4,807.7
Net debt - end of period	**796.3**	702.7	728.0	356.5	985.1	702.7
Shareholders' equity - end of period	**3,568.8**	3,675.8	3,668.9	3,484.8	3,388.5	3,675.8
Closing capital employed (B)	**4,365.1**	4,378.5	4,396.9	3,841.3	4,373.6	4,378.5
Average capital employed (A+B)/2	**4,371.8**	4,387.7	4,119.1	4,107.5	4,590.7	4,593.1
ROACE (%)	**5**	8	14	7	(7)	5

(1) Average ROACE for years ended December 31, 2015, 2016, 2017, and 2018.

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 guidance and planned operations for 2019 as well as expected trends during the course of the year with respect to expenses under the heading "Annual Guidance," ARC's view as to the estimated future payments under the RSU and PSU Plans under the heading "Share-Based Compensation Plans," anticipated debt repayments in the next 12 months under the heading "Interest and Financing," ARC's plans in relation to future dividend levels under the heading "Dividends," changes to environmental legislation and regulation under the heading "Environmental Regulation Impacting ARC," 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 2019 capital budget and year to date results which are 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 any 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 [1]	barrels of oil equivalent per day
Mboe [1]	thousands of barrels of oil equivalent
MMboe [1]	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
Bcf	billion cubic feet
MMBtu	million British thermal units
GJ	gigajoule

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

Financial and Business Environment

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

QUARTERLY HISTORICAL REVIEW

($ millions, except per share amounts)	2019	2018				2017		
FINANCIAL	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Commodity sales from production	**327.8**	302.5	375.1	344.4	340.2	337.3	276.5	295.0
Per share, basic	**0.93**	0.86	1.06	0.97	0.96	0.95	0.78	0.83
Per share, diluted	**0.93**	0.86	1.06	0.97	0.96	0.95	0.78	0.83
Net income (loss)	**(54.6)**	159.7	45.1	(45.9)	54.9	73.9	48.5	124.0
Per share, basic	**(0.15)**	0.45	0.13	(0.13)	0.16	0.21	0.14	0.35
Per share, diluted	**(0.15)**	0.45	0.13	(0.13)	0.16	0.21	0.14	0.35
Funds from operations (1)	**186.2**	208.6	205.0	204.4	201.0	221.1	163.8	169.8
Per share, basic	**0.53**	0.59	0.58	0.58	0.57	0.63	0.46	0.48
Per share, diluted	**0.53**	0.59	0.58	0.58	0.57	0.63	0.46	0.48
Dividends declared	**53.1**	53.1	53.0	53.1	53.1	53.1	53.0	53.1
Per share (2)	**0.15**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**5,952.4**	6,016.2	5,846.3	6,059.8	6,235.7	6,224.0	6,115.0	6,196.8
Total liabilities	**2,383.6**	2,340.4	2,278.3	2,485.8	2,563.8	2,555.1	2,468.2	2,546.8
Net debt outstanding (3)	**796.3**	702.7	667.8	757.0	728.0	728.0	645.1	527.4
Weighted average shares, basic	**353.4**	353.4	353.5	353.5	353.5	353.5	353.5	353.4
Weighted average shares, diluted	**353.4**	353.9	354.0	353.5	353.8	353.8	353.9	353.8
Shares outstanding, end of period	**353.4**	353.4	353.4	353.5	353.5	353.5	353.5	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**11.9**	1.3	3.4	2.1	4.0	2.5	1.8	2.0
Drilling and completions	**129.2**	60.5	114.2	102.6	139.1	154.8	119.3	105.9
Plant and facilities	**72.3**	69.6	51.2	58.8	70.0	87.2	55.5	41.6
Administrative assets	**0.3**	0.2	0.5	1.3	0.6	0.6	1.8	1.5
Total capital expenditures	**213.7**	131.6	169.3	164.8	213.7	245.1	178.4	151.0
Undeveloped land	**—**	0.2	—	—	0.7	0.4	77.3	14.7
Total capital expenditures, including undeveloped land purchases	**213.7**	131.8	169.3	164.8	214.4	245.5	255.7	165.7
Acquisitions	**0.2**	—	—	—	0.2	2.2	—	0.1
Dispositions	**(0.2)**	(0.9)	(96.2)	(0.7)	(98.3)	—	—	—
Total capital expenditures, land purchases and net acquisitions and dispositions	**213.7**	130.9	73.1	164.1	116.3	247.7	255.7	165.8
OPERATING								
Production								
Crude oil (bbl/d)	**18,251**	20,092	23,867	24,893	25,037	24,641	25,020	23,813
Condensate (bbl/d)	**8,210**	8,458	8,158	6,960	5,505	6,989	6,815	4,253
Natural gas (MMcf/d)	**632.5**	603.3	574.2	537.9	564.9	572.4	549.6	483.9
NGLs (bbl/d)	**7,183**	7,402	7,687	6,380	6,332	6,380	6,091	4,691
Total (boe/d)	**139,054**	136,502	135,410	127,879	131,016	133,409	129,526	113,410
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**63.72**	43.30	78.62	78.57	69.50	67.29	54.50	59.53
Condensate ($/bbl)	**64.81**	57.25	85.28	85.10	77.42	69.04	54.35	60.38
Natural gas ($/Mcf)	**2.79**	2.85	2.15	1.91	2.50	2.27	2.00	2.99
NGLs ($/bbl)	**25.43**	29.12	35.26	32.98	31.39	35.31	28.37	26.27
Oil equivalent ($/boe)	**26.20**	24.09	30.12	29.59	28.85	27.48	23.20	28.59
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**10.49**	14.84	15.90	15.25	15.90	18.34	18.31	19.55
Low	**7.82**	7.38	12.70	12.71	11.88	13.64	15.61	16.23
Close	**9.12**	8.10	14.40	13.58	14.04	14.75	17.19	16.96
Average daily volume (thousands)	**2,291**	2,117	1,246	1,150	1,406	1,114	1,008	1,269

(1) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends per share are based on the number of shares outstanding at each dividend record date.
(3) Refer to Note 11 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(4) Trading statistics denote trading activity on the TSX only.

FINANCIAL STATEMENTS 2019 Q1

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**March 31, 2019**	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**147.9**	259.6
Accounts receivable	**132.1**	114.1
Deferred consideration	**41.4**	—
Prepaid expense	**7.7**	17.0
Risk management contracts (Note 12)	**78.3**	168.7
	407.4	559.4
Deferred consideration	**—**	40.0
Risk management contracts (Note 12)	**54.4**	102.1
Exploration and evaluation assets (Note 5)	**217.4**	217.1
Property, plant and equipment (Note 6)	**4,977.2**	4,849.4
Right-of-use assets (Notes 3 and 7)	**47.8**	—
Goodwill	**248.2**	248.2
Total assets	**5,952.4**	6,016.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**176.3**	166.5
Current portion of lease obligations (Notes 3 and 8)	**11.2**	—
Current portion of long-term debt (Note 9)	**65.4**	80.5
Current portion of asset retirement obligations (Note 10)	**19.5**	19.5
Dividends payable (Note 13)	**17.7**	17.7
Risk management contracts (Note 12)	**5.1**	0.3
	295.2	284.5
Risk management contracts (Note 12)	**7.9**	4.3
Long-term portion of lease obligations (Notes 3 and 8)	**42.6**	—
Long-term debt (Note 9)	**812.2**	828.7
Long-term incentive compensation liability (Note 15)	**16.1**	12.4
Other deferred liabilities	**5.5**	10.1
Asset retirement obligations (Note 10)	**375.1**	337.2
Deferred taxes	**829.0**	863.2
Total liabilities	**2,383.6**	2,340.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 13)	**4,658.5**	4,658.5
Contributed surplus	**28.6**	27.2
Deficit	**(1,118.3)**	(1,009.9)
Total shareholders' equity	**3,568.8**	3,675.8
Total liabilities and shareholders' equity	**5,952.4**	6,016.2
Commitments and contingencies (Note 16)		

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions, except per share amounts)	**2019**	2018
Commodity sales from production (Note 14)	**327.8**	340.2
Royalties	**(19.0)**	(28.9)
Sales of commodities purchased from third parties	**20.5**	29.9
Revenue from commodity sales	**329.3**	341.2
Interest income	**2.2**	1.6
Other income	**1.9**	1.8
Loss on risk management contracts (Note 12)	**(126.2)**	(17.5)
Total revenue, interest and other income and loss on risk management contracts	**207.2**	327.1
Commodities purchased from third parties	**21.6**	30.0
Operating	**65.6**	74.4
Transportation	**37.0**	30.8
Exploration and evaluation (Note 5)	**—**	0.7
General and administrative	**23.3**	20.4
Interest and financing (1)	**12.6**	14.3
Depletion, depreciation, amortization and impairment (Notes 6 and 7)	**139.0**	126.1
Loss (gain) on foreign exchange	**(13.6)**	25.2
Gain on disposal of petroleum and natural gas properties	**—**	(80.1)
Total expenses	**285.5**	241.8
Net income (loss) before income taxes	**(78.3)**	85.3
Provision for (recovery of) income taxes		
Current	**6.5**	8.3
Deferred	**(30.2)**	22.1
Total income taxes (recovery)	**(23.7)**	30.4
Net income (loss)	**(54.6)**	54.9
Net income (loss) per share (Note 13)		
Basic	**(0.15)**	0.16
Diluted	**(0.15)**	0.16

(1) Interest and financing was previously presented separately as Interest and financing charges and Accretion of asset retirement obligations in the audited consolidated statements of income for the year ended December 31, 2018.

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2019**	2018
Net income (loss)	**(54.6)**	54.9
Other comprehensive loss		
Net unrealized loss on reclamation fund assets, net of tax	**—**	(0.1)
Other comprehensive loss	**—**	(0.1)
Comprehensive income (loss)	**(54.6)**	54.8

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

ARC RESOURCES LTD.

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

For the three months ended March 31

(Cdn$ millions)	**Shareholders' Capital (Note 13)**	**Contributed Surplus**	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders' Equity**
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
Total comprehensive income (loss)	—	—	54.9	(0.1)	54.8
Recognized under share-based compensation plans (Note 15)	—	1.3	—	—	1.3
Dividends declared (Note 13)	—	—	(53.1)	—	(53.1)
March 31, 2018	4,658.5	23.2	(1,009.6)	(0.2)	3,671.9
December 31, 2018	4,658.5	27.2	(1,009.9)	—	3,675.8
Impact of change in accounting policy (Note 3)	—	—	(0.7)	—	(0.7)
January 1, 2019	4,658.5	27.2	(1,010.6)	—	3,675.1
Total comprehensive loss	**—**	**—**	**(54.6)**	**—**	**(54.6)**
Recognized under share-based compensation plans (Note 15)	**—**	**1.4**	**—**	**—**	**1.4**
Dividends declared (Note 13)	**—**	**—**	**(53.1)**	**—**	**(53.1)**
March 31, 2019	**4,658.5**	**28.6**	**(1,118.3)**	**—**	**3,568.8**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2019**	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	**(54.6)**	54.9
Add items not involving cash:		
Unrealized loss on risk management contracts	**146.5**	46.1
Accretion of asset retirement obligations (Note 10)	**1.9**	3.6
Depletion, depreciation, amortization and impairment (Notes 6 and 7)	**139.0**	126.1
Exploration and evaluation (Note 5)	**—**	0.7
Unrealized loss (gain) on foreign exchange	**(17.7)**	26.9
Gain on disposal of petroleum and natural gas properties	**—**	(80.1)
Deferred taxes	**(30.2)**	22.1
Other (Note 17)	**1.3**	0.7
Net change in other liabilities (Note17)	**0.8**	(6.0)
Change in non-cash working capital (Note 17)	**(58.7)**	4.6
Cash flow from operating activities	**128.3**	199.6
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of senior notes	**(13.4)**	(13.0)
Repayment of principal relating to lease obligations (Notes 3 and 8)	**(4.4)**	—
Cash dividends paid	**(53.1)**	(53.1)
Cash flow used in financing activities	**(70.9)**	(66.1)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of petroleum and natural gas properties (Note 5)	**(0.2)**	(0.2)
Disposal of petroleum and natural gas properties	**0.2**	98.3
Property, plant and equipment development expenditures (Note 6)	**(212.2)**	(169.1)
Exploration and evaluation asset expenditures (Note 5)	**0.2**	(45.2)
Net reclamation fund withdrawals	**—**	1.2
Change in non-cash working capital (Note 17)	**42.9**	19.2
Cash flow used in investing activities	**(169.1)**	(95.8)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(111.7)**	37.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**259.6**	220.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	**147.9**	257.9
The following are included in cash flow from operating activities:		
Income taxes paid in cash	**36.6**	9.2
Interest paid in cash	**14.4**	14.8

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

1. STRUCTURE OF THE BUSINESS

The principal undertakings of ARC Resources Ltd. and any 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, 2018. 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, 2018. 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 estimate or judgments since December 31, 2018, except as noted in Note 4 "Management Judgments and Estimation Uncertainty".

All inter-entity transactions have been eliminated upon consolidation between ARC and any 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 ARC's Board of Directors on April 30, 2019.

3. CHANGES IN ACCOUNTING POLICIES

NEWLY ADOPTED ACCOUNTING POLICIES

IFRS 16 *Leases* ("IFRS 16")

Effective January 1, 2019, ARC adopted IFRS 16. The standard supersedes IAS 17 *Leases*, International Financial Reporting Interpretations Committee ("IFRIC") 4 *Determining whether an arrangement contains a lease*, and related interpretations. IFRS 16 requires the recognition of a right-of-use asset ("ROU asset") and lease obligation 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 or finance leases no longer exists, treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases as either a finance or an operating lease. ARC is the lessee in the majority of its lease arrangements, however the company does participate in certain lease arrangements where it acts as a lessor or intermediate lessor.

Initial Adoption
ARC has elected to apply IFRS 16 using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at January 1, 2019 and applies the standard prospectively. The following table details the impact of the adoption of IFRS 16 on the Company's balance sheet, as at January 1, 2019:

	Impact on Balance Sheet Item	$ millions
ROU assets	Increase	43.1
Current portion of lease obligations	Increase	(13.5)
Long-term portion of lease obligations	Increase	(44.5)
Other deferred liabilities	Decrease	10.2
Deferred taxes	Decrease	4.0
Deficit	Increase	0.7

At January 1, 2019, ARC applied the following optional expedients permitted under the standard:

- Leases whose terms end within 12 months of initial adoption have been recognized as short-term leases.
- Certain leases having similar characteristics are measured on transition as a portfolio by applying a single discount rate.
- Initial measurements of the ROU assets have excluded initial direct costs where applicable.
- At January 1, 2019, the provision for onerous contracts previously recognized was applied to the value of the associated ROU asset. In this case, no impairment assessment was performed under IAS 36 *Impairment of Assets.*
- At January 1, 2019, ARC recognized its ROU asset for the lease of its head office space having measured it as if IFRS 16 had been applied since inception, using the incremental borrowing rate at January 1, 2019. This resulted in the recognition of an ROU asset that is not equal to its corresponding lease obligation on transition.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company's incremental borrowing rate as of January 1, 2019. ARC used a weighted average incremental borrowing rate of 3.3 per cent to measure the present value of the future lease payments on January 1, 2019.

Ongoing Recognition and Measurement
On the date that the leased asset becomes available for use, ARC recognizes an ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in Depletion, depreciation, amortization ("DD&A") and impairment expense. Where appropriate, depreciation charges to the ROU asset are capitalized as additions to either Exploration and evaluation ("E&E") or Property, plant and equipment ("PP&E") depending on the nature of the underlying business activity.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if ARC is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

In applying IFRS 16, ARC has applied a number of practical expedients identified in the standard as follows:

- Short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.
- For certain classes of leases, ARC has elected not to separate lease and non-lease components (which transfer a separate good or service under the same contract) and instead ARC accounts for these leases as a single lease component.

Lessor Accounting
When ARC acts as a lessor, it determines at the inception of each lease whether it is a finance lease or an operating lease. The classification is dependent on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset; if this is the case, then the lease is a finance lease. When ARC acts as an intermediate lessor, ARC's interest in the head lease is accounted for separately from the sub-lease. ARC assesses the sub-lease classification as a finance or an operating lease with reference to the ROU asset arising from the head lease, rather than the underlying asset. ARC's lessor arrangements are classified as operating leases and lease payments received are recognized in Other income.

Joint Arrangements
In cases where the leased asset is used in the Company’s jointly controlled operations, ARC, as the operator, is the obligor to the lessor and presents the full amount of the lease obligation and ROU asset at the commencement date of the lease. Certain payments relating to the Company’s lease obligation may be recovered over time in accordance with billings for each partner’s proportionate interest in the joint operation and are recognized in Other income. At March 31, 2019, ARC does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement. ARC does not have any joint operations that are individually material to the Company or that are structured through joint venture arrangements or a separate legal entity.

Refer to Note 4 "Management Judgments and Estimation Uncertainty", Note 7 "Right-of-Use Assets", and Note 8 "Lease Arrangements" for further details on ARC's leasing activities.

4. MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

Leases
Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement.

In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Potential future undiscounted cash outflows of $83.7 million have not been included in the measurement of ARC's lease obligation because it is not reasonably certain that leases will be extended.

To optimize lease costs during the contract period, ARC may provide residual value guarantees in relation to certain leases. At March 31, 2019, $2.2 million of guaranteed residual value is not expected to be payable at the end of the contract term and has been excluded from the estimated value of applicable lease obligations.

Lease obligations that are recognized at March 31, 2019 have been estimated using a discount rate equal to ARC's company-specific incremental borrowing rate. This rate represents the rate that ARC would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

5. EXPLORATION AND EVALUATION ASSETS

Carrying Amount	
Balance, December 31, 2018	217.1
Additions	**(0.2)**
Acquisitions	**0.2**
Change in asset retirement cost	**0.3**
Balance, March 31, 2019	**217.4**

At March 31, 2019, ARC evaluated its E&E properties 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.

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Development and Production Assets	Corporate Assets	Total
Balance, December 31, 2018	8,461.6	75.8	8,537.4
Additions	**214.1**	**0.3**	**214.4**
Change in asset retirement cost	**44.5**	**—**	**44.5**
Reclassification of lease payments, net of capitalized depreciation	**(0.5)**	**—**	**(0.5)**
Other	**(0.1)**	**—**	**(0.1)**
Balance, March 31, 2019	**8,719.6**	**76.1**	**8,795.7**
Accumulated DD&A and Impairment			
Balance, December 31, 2018	(3,636.8)	(51.2)	(3,688.0)
DD&A and impairment	**(129.0)**	**(1.5)**	**(130.5)**
Balance, March 31, 2019	**(3,765.8)**	**(52.7)**	**(3,818.5)**
Carrying Amounts			
Balance, December 31, 2018	4,824.8	24.6	4,849.4
Balance, March 31, 2019	**4,953.8**	**23.4**	**4,977.2**

For the three months ended March 31, 2019, $7.3 million of direct and incremental overhead charges were capitalized to PP&E ($7.9 million for the three months ended March 31, 2018). Future development costs of $3.7 billion were included in the determination of DD&A for the three months ended March 31, 2019 ($3.2 billion for the three months ended March 31, 2018).

At March 31, 2019, ARC evaluated its PP&E for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no impairment was recorded on ARC's PP&E.

7. RIGHT-OF-USE ASSETS

The following table details the cost and accumulated depreciation of ARC's ROU assets, as at March 31, 2019:

	Leases		Other	
Cost	**Buildings and Land Use Rights**	**Equipment and Vehicles**	**Service Contracts** (1)	**Total**
Balance, January 1, 2019	27.6	15.5	8.2	51.3
Additions, modifications and disposals	—	—	—	—
Balance, March 31, 2019	**27.6**	**15.5**	**8.2**	**51.3**
Accumulated Depreciation				
Balance, January 1, 2019	—	—	—	—
Depreciation on ROU assets expensed	(1.2)	(0.4)	(0.3)	(1.9)
Depreciation on ROU assets capitalized to PP&E	—	(1.6)	—	(1.6)
Balance, March 31, 2019	**(1.2)**	**(2.0)**	**(0.3)**	**(3.5)**
Carrying Amounts				
Balance, January 1, 2019	27.6	15.5	8.2	51.3
Balance, March 31, 2019	**26.4**	**13.5**	**7.9**	**47.8**

(1) These assets were previously presented as Prepaid expense in the audited consolidated balance sheets for the year ended December 31, 2018.

8. LEASE ARRANGEMENTS

The following table details the movement in ARC's lease obligations for the period ended March 31, 2019:

Lease Obligations	
Balance, January 1, 2019	58.0
Interest	0.5
Repayments	(4.7)
Balance, March 31, 2019	**53.8**
Lease obligations due within one year	11.2
Lease obligations due beyond one year	42.6

Payments recognized in the financial statements relating to short-term leases and leases of low-value assets for the three months ended March 31, 2019 were $1.3 million. ARC's short-term leases and leases of low-value assets consist of leases of information technology and office equipment, field office space, and equipment used in ARC's operations. Variable lease payments not included in the calculation of ARC’s lease obligations were $0.8 million for the three months ended March 31, 2019 and have been recognized in General and administrative ("G&A") expense in these condensed interim consolidated statements of income (loss) ("the statements of income (loss)"). The total cash outflow for leases for the three months ended March 31, 2019 was $6.8 million.

The majority of ARC's lease contracts are effective for periods of one to eight years but may have extension options as described in Note 4 "Management Judgments and Estimation Uncertainty". Leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The Company's lease agreements do not impose any covenants, however leased assets are not to be used as security for borrowing purposes.

The following table details the undiscounted cash flows and contractual maturities of ARC's lease obligations, as at March 31, 2019:

As at March 31, 2019	Under 1 Year	1-3 Years	4-5 Years	Beyond 5 Years	Total Contractual Cash Flows	Carrying Amount
Lease obligations	12.6	34.1	8.6	5.2	60.5	53.8

ARC acts as a lessor of equipment assets included in ARC's PP&E carrying value and also sub-leases corporate office space. These leases are accounted for as operating leases. Income from operating leases for the three months ended March 31, 2019 is $1.0 million and has been recognized in Other income in the statements of income (loss).

9. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	March 31, 2019	December 31, 2018	**March 31, 2019**	December 31, 2018
Senior notes				
Master Shelf Agreement				
4.98% US$ note	**—**	10.0	**—**	13.6
3.72% US$ note	**150.0**	150.0	**200.4**	204.7
2009 note issuance				
8.21% US$ note	**21.0**	21.0	**28.1**	28.7
2010 note issuance				
5.36% US$ note	**120.0**	120.0	**160.3**	163.7
2012 note issuance				
3.31% US$ note	**36.0**	36.0	**48.1**	49.1
3.81% US$ note	**300.0**	300.0	**400.7**	409.4
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**627.0**	637.0	**877.6**	909.2
Long-term debt due within one year			**65.4**	80.5
Long-term debt due beyond one year			**812.2**	828.7

At March 31, 2019, the fair value of all senior notes is $866.3 million ($881.7 million as at December 31, 2018), compared to a carrying value of $877.6 million ($909.2 million as at December 31, 2018).

At March 31, 2019, ARC was in compliance with all of its debt covenants. On March 13, 2019, ARC executed a new Master Shelf Agreement, increasing ARC's debt capacity by US$375 million (Cdn$501 million). At March 31, 2019, ARC's total debt capacity is $2,168.0 million ($1,899.2 million as at December 31, 2018).

10. ASSET RETIREMENT OBLIGATIONS ("ARO")

ARC has estimated the net present value of its total ARO to be $394.6 million as at March 31, 2019 ($356.7 million at December 31, 2018) based on a total future undiscounted liability of $885.8 million ($872.7 million at December 31, 2018). Management estimates that these payments are expected to be made over the next 67 years with the majority of payments being made in years 2069 to 2085. The Bank of Canada's long-term risk-free bond rate of 1.9 per cent (2.2 per cent at December 31, 2018) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2018) were used to calculate the present value of ARO at March 31, 2019.

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

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Balance, beginning of period	356.7	402.8
Development activities	**1.1**	5.1
Change in estimates (1)	**5.1**	(57.1)
Change in discount rate	**38.4**	14.6
Settlement of obligations	**(8.8)**	(15.8)
Accretion	**1.9**	11.3
Acquisitions	**0.2**	0.4
Dispositions	**—**	(0.3)
Reclassified as liabilities associated with assets held for sale	**—**	(4.3)
Balance, end of period	**394.6**	356.7
Expected to be incurred within one year	**19.5**	19.5
Expected to be incurred beyond one year	**375.1**	337.2

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

11. CAPITAL MANAGEMENT

ARC manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. ARC may 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 programs;
- provide financial flexibility to execute on strategic opportunities; and
- maintain a dividend policy that 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 1.0 and 1.5 times annualized funds from operations. At March 31, 2019, ARC's net debt was 1.1 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 to maintain production at current levels, fund 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 is discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Funds from operations for the three months ended March 31, 2019 and 2018 is calculated as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flow from operating activities	**128.3**	199.6
Net change in other liabilities (Note 17)	**(0.8)**	6.0
Change in non-cash operating working capital (Note 17)	**58.7**	(4.6)
Funds from operations	**186.2**	201.0

Net Debt
Net debt is used by Management as a key measure to assess the Company's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

The following table details the calculation of ARC's net debt as at March 31, 2019 and 2018:

	March 31, 2019	March 31, 2018
Long-term debt [1]	**877.6**	925.0
Lease obligations [2]	**53.8**	—
Accounts payable and accrued liabilities	**176.3**	186.0
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, current deferred consideration and prepaid expense	**(329.1)**	(400.7)
Net debt	**796.3**	728.0
Net debt to annualized funds from operations (ratio)	**1.1**	0.9

(1) Includes current portion of long-term debt at March 31, 2019 and 2018 of $65.4 million and $76.1 million, respectively.
(2) Includes current portion of lease obligations at March 31, 2019 of $11.2 million. Lease obligations were added to net debt effective January 1, 2019, in conjunction with the adoption of IFRS 16.

12. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments
At March 31, 2019, ARC's financial instruments include cash and cash equivalents, accounts receivable, risk management contracts, deferred consideration, accounts payable and accrued liabilities, dividends payable, and long-term debt.

ARC's financial instruments that are carried at fair value on the balance sheets include cash and cash equivalents and risk management contracts. All of ARC's financial instruments carried at fair value are transacted in active markets.

ARC’s cash and cash equivalents 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 in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 9 "Long-Term Debt". ARC does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy for the three months ended March 31, 2019.

The carrying values of ARC's accounts receivable, deferred consideration, accounts payable and accrued liabilities, and dividends payable as at March 31, 2019 approximate their fair values.

Financial Assets and Financial Liabilities Subject to Offsetting

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at March 31, 2019 and December 31, 2018:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet
As at March 31, 2019					
Risk management contracts					
Current asset	**119.0**	**(40.2)**	**78.8**	**(0.5)**	**78.3**
Long-term asset	**70.4**	**(15.6)**	**54.8**	**(0.4)**	**54.4**
Current liability	**(45.5)**	**40.2**	**(5.3)**	**0.2**	**(5.1)**
Long-term liability	**(23.7)**	**15.6**	**(8.1)**	**0.2**	**(7.9)**
Net position	**120.2**	**—**	**120.2**	**(0.5)**	**119.7**
As at December 31, 2018					
Risk management contracts					
Current asset	191.1	(21.1)	170.0	(1.3)	168.7
Long-term asset	124.8	(22.0)	102.8	(0.7)	102.1
Current liability	(21.4)	21.1	(0.3)	—	(0.3)
Long-term liability	(26.5)	22.0	(4.5)	0.2	(4.3)
Net position	268.0	—	268.0	(1.8)	266.2

Risk Management Contracts

The following table summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at March 31, 2019.

Risk Management Contracts Positions Summary (1)

As at March 31, 2019	2019		2020		2021		2022		2023		2024	
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	65.78	4,000	62.53	4,000	62.45	500	—	—	—	—	—	—
Floor	52.50	4,000	53.75	4,000	55.00	500	—	—	—	—	—	—
Sold Floor	42.50	4,000	40.00	4,000	42.50	500	—	—	—	—	—	—
Swap	56.20	2,000	—	—	—	—	—	—	—	—	—	—
Crude Oil – Cdn$ WTI (3)	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day	Cdn$/ bbl	bbl/day
Ceiling	88.00	1,000	85.99	5,500	—	—	—	—	—	—	—	—
Floor	80.00	1,000	75.45	5,500	—	—	—	—	—	—	—	—
Sold Floor	65.00	1,000	60.45	5,500	—	—	—	—	—	—	—	—
Swap	71.17	8,000	—	—	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**15,000**		**9,500**		**500**		**—**		**—**		**—**
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	(9.30)	4,500	(9.45)	249	—	—	—	—	—	—	—	—
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	3.38	120,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—	—	—
Floor	2.78	120,000	2.75	50,000	2.75	50,000	2.50	25,000	—	—	—	—
Sold Floor	2.33	120,000	2.25	50,000	2.25	50,000	—	—	—	—	—	—
Swap	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	3.16	20,000	3.35	30,000	—	—	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**188,435**		**106,869**		**50,000**		**25,000**		**—**		**—**
Natural Gas – AECO Basis (Percentage of Henry Hub)	AECO/ Henry Hub	MMBtu/ day	AECO/ Henry Hub	MMBtu/ day	AECO/ Henry Hub	MMBtu/ day	AECO/ Henry Hub	MMBtu/ day	AECO/ Henry Hub	MMBtu/ day	AECO/ Henry Hub	MMBtu/ day
Sold Swap	83	40,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – AECO Basis (Differential to Henry Hub)	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	(0.90)	127,777	(0.82)	98,361	(0.97)	34,192	—	—	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		**167,777**		**98,361**		**34,192**		**—**		**—**		**—**
Natural Gas - Other Basis (Differential to Henry Hub)(7)		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day
Sold Swap		60,000		100,000		120,000		110,000		80,000		4,973
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	16	—	—	—	—	—	—	—	—
Sold USD Call (9)	—	—	1.3483	0.3	—	—	—	—	—	—	—	—

(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 ("EST").
(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 EST.
(9) Cdn$/US$ referenced to the 10:00:00AM EST New York cut.

13. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Three Months Ended March 31, 2019**	Year Ended December 31, 2018
Common shares, beginning of period	353,443	353,457
Restricted shares issued pursuant to the LTRSA (1) Plan	**—**	154
Forfeited restricted shares pursuant to the LTRSA Plan	**—**	(13)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	**(5)**	(155)
Common shares, end of period	**353,438**	353,443

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

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

(thousands of shares)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Weighted average common shares	**353,442**	353,462
Dilutive impact of share-based compensation (1)	**—**	300
Weighted average common shares, diluted	**353,442**	353,762

(1) For the three months ended March 31, 2019, 6.0 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (4.6 million for the three months ended March 31, 2018).

Dividends declared for the three months ended March 31, 2019 were $0.15 per common share ($0.15 for the three months ended March 31, 2018).

On April 15, 2019, the Board of Directors declared a dividend of $0.05 per common share designated as an eligible dividend, payable in cash to shareholders of record on April 30, 2019. The dividend payment date is May 15, 2019.

14. 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:

Commodity Sales from Production, by Product	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Crude oil	**104.7**	156.6
Condensate	**47.9**	38.4
Natural gas (1)	**158.8**	127.3
NGLs	**16.4**	17.9
Total commodity sales from production	**327.8**	340.2

(1) Includes $4.6 million of natural gas transportation revenue from contracts assigned temporarily to third parties for the three months ended March 31, 2019 ($nil for the three months ended March 31, 2018).

At March 31, 2019, receivables from contracts with customers, which are included in accounts receivable, were $106.9 million ($108.7 million at March 31, 2018).

15. SHARE-BASED COMPENSATION PLANS

Changes to Share-Based Compensation Plans

In 2018, the Human Resources and Compensation Committee ("HRCC") of ARC's Board of Directors engaged a third party to conduct an independent review of ARC's compensation philosophy, design and programs. Following this review, certain changes were made to ARC's Performance Share Unit ("PSU") Plan. Following the implementation of the changes and effective commencing with PSU awards granted during the three months ended March 31, 2019, performance multipliers associated with PSUs will be determined using two criteria. 50 per cent will be awarded based on relative total shareholder return performance compared to a defined peer group and 50 per cent will be awarded dependent on an overall assessment of achievements based on a predetermined corporate scorecard. Performance multipliers associated with PSU awards that were granted prior to March 7, 2019 will not be affected by this change.

In conjunction with the independent third-party review, ARC has suspended its Share Option program. No additional grants will be made under the Share Option Plan in 2019. Outstanding share option grants will continue to vest on schedule.

Long-term Incentive Plans

The following table summarizes the Restricted Share Unit ("RSU"), PSU, and Deferred Share Unit ("DSU") movement for the three months ended March 31, 2019:

(number of units, thousands)	RSUs	PSUs Granted Prior to March 7, 2019 (1)	PSUs Granted Subsequent to March 6, 2019 (1)	DSUs
Balance, December 31, 2018	942	2,270	—	671
Granted	**884**	**—**	**777**	**64**
Distributed	**(218)**	**(273)**	**—**	**—**
Forfeited	**(17)**	**(110)**	**—**	**—**
Balance, March 31, 2019	**1,591**	**1,887**	**777**	**735**

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

Compensation charges relating to the RSU Plan, PSU Plan, and DSU Plan are reconciled as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
G&A	**7.8**	5.0
Operating	**0.8**	0.5
PP&E	**0.5**	0.2
Total compensation charges	**9.1**	5.7
Cash payments	**4.6**	8.1

At March 31, 2019, $7.3 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet ($6.1 million at December 31, 2018) and $16.1 million was included in the long-term incentive compensation liability ($12.4 million at December 31, 2018). A recoverable amount of $0.1 million was included in accounts receivable at March 31, 2019 ($0.1 million at December 31, 2018).

Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2019 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2018	5,991	17.36
Forfeited	**(13)**	**19.18**
Balance, March 31, 2019	**5,978**	**17.21**
Exercisable, March 31, 2019	**1,401**	**19.11**

The following table summarizes information regarding share options outstanding at March 31, 2019:

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 ($)
12.91 - 20.00	5,061	15.74	4.35	695	13.95
20.01 - 25.00	496	22.10	1.22	496	22.10
25.01 - 29.24	421	29.09	2.22	210	29.09
Total	5,978	17.21	3.94	1,401	19.11

ARC recognized compensation expense of $1.1 million relating to the share option plan for the three months ended March 31, 2019 ($1.0 million for the three months ended March 31, 2018). During the three months ended March 31, 2019, $0.1 million of share option compensation charges were capitalized to PP&E ($0.1 million for the three months ended March 31, 2018).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2019 were as follows:

	LTRSA (number of units, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2018	454	16.91
Restricted shares granted and purchased	**5**	**9.73**
Balance, March 31, 2019	**459**	**16.84**

ARC recognized G&A expense of $0.2 million relating to the LTRSA Plan during the three months ended March 31, 2019 ($0.2 million for the three months ended March 31, 2018).

16. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2019:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	65.4	307.3	296.5	208.4	877.6
Interest payments (2)	35.3	53.4	26.7	8.4	123.8
Purchase and service commitments	53.3	10.6	10.0	0.2	74.1
Transportation commitments	131.2	276.2	257.9	781.4	1,446.7
Total contractual obligations and commitments	**285.2**	**647.5**	**591.1**	**998.4**	**2,522.2**

(1) Long-term and current portion of long-term debt.
(2) Fixed interest payments on senior notes.

The following table reconciles the Company's operating lease commitments disclosed as at December 31, 2018 with lease obligations recognized on ARC's balance sheet at January 1, 2019. Refer to Note 3 "Changes in Accounting Policies" for further information.

Operating Lease Commitments	
As disclosed at December 31, 2018	68.3
Discounted using ARC's incremental borrowing rate of 3.3 per cent	(10.3)
Lease obligations recognized as at January 1, 2019	**58.0**

17. SUPPLEMENTAL DISCLOSURES

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

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating	**12.0**	9.3
G&A	**19.8**	17.4
Total employee compensation expense	**31.8**	26.7

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

Change in Non-Cash Working Capital	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Accounts receivable	**14.9**	7.4
Deferred consideration - current	**(41.4)**	—
Accounts payable and accrued liabilities	**9.4**	15.8
Prepaid expense	**1.3**	0.6
Total	**(15.8)**	23.8
Relating to:		
Operating activities	**(58.7)**	4.6
Investing activities	**42.9**	19.2
Total change in non-cash working capital	**(15.8)**	23.8

Other Non-Cash Items	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Other deferred liabilities	**—**	(0.5)
Share-based compensation expense	**1.3**	1.2
Total other non-cash items	**1.3**	0.7

Net Change in Other Liabilities	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Long-term incentive compensation liability	**3.7**	(0.4)
ARO settlements	**(8.8)**	(5.6)
Other deferred liabilities	**5.7**	—
Accrued lease interest	**0.2**	—
Total net change in other liabilities	**0.8**	(6.0)

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

Financing Liabilities	**Current Financial Liabilities**	**Long-Term Financial Liabilities**	**Total Financial Liabilities from Financing Activities**
Balance, December 31, 2018	80.5	828.7	909.2
Impact of change in accounting policy (Note 3)	13.5	44.5	58.0
Balance, January 1, 2019	94.0	873.2	967.2
Cash flows			
Repayment of long-term debt	**(13.4)**	**—**	**(13.4)**
Repayment of lease obligations	**(4.4)**	**—**	**(4.4)**
Reclassified to current			
Lease obligations	**1.9**	**(1.9)**	**—**
Accrued lease interest	**0.2**	**—**	**0.2**
Unrealized foreign exchange gain	**(1.7)**	**(16.5)**	**(18.2)**
Balance, March 31, 2019	**76.6**	**854.8**	**931.4**

Financing Liabilities	Current Portion of Long-term Debt	Long-Term Debt	Total Financial Liabilities from Financing Activities
Balance, December 31, 2017	73.9	837.4	911.3
Cash flows	(13.0)	—	(13.0)
Reclassified to current	13.0	(13.0)	—
Unrealized foreign exchange loss	2.2	24.5	26.7
Balance, March 31, 2018	76.1	848.9	925.0

CORPORATE & SHAREHOLDER INFORMATION

DIRECTORS

Harold N. Kvisle
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

David R. Collyer (1) (2)

John P. Dielwart (2) (3)

Fred J. Dyment (3) (4)

Kathleen O'Neill (4) (5)

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

William G. Sembo (1) (5)

Nancy L. Smith (3) (5)

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

OFFICERS

Myron M. Stadnyk
President and Chief Executive Officer

Terry M. Anderson
Senior Vice President and Chief Operating Officer

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

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

Chris D. Baldwin
Vice President, Geosciences

Ryan V. Berrett
Vice President, Marketing

Kris J. Bibby
Vice President, Finance

Sean R. A. Calder
Vice President, Production

Lara M. Conrad
Vice President, Engineering and Planning

Armin Jahangiri
Vice President, Operations

Lisa A. Olsen
Vice President, Human Resources

Grant A. Zawalsky
Corporate Secretary

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CORPORATE CALENDAR 2019

August 1, 2019
Q2 2019 Results

November 7, 2019
Q3 2019 Results

STOCK EXCHANGE LISTING

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

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