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2019 THIRD 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.

NEWS RELEASE
November 7, 2019

ARC RESOURCES LTD. REPORTS THIRD QUARTER 2019 FINANCIAL AND OPERATIONAL RESULTS AND ANNOUNCES $500 MILLION CAPITAL PROGRAM FOR 2020

Calgary, November 7, 2019 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") is pleased to report its third quarter 2019 financial and operational results and announce its 2020 capital program of $500 million. *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 and nine months ended September 30, 2019 are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.*

ARC delivered average daily production of 134,813 barrels of oil equivalent ("boe") per day in the third quarter of 2019, with a continued focus on the expansion of its high-value liquids production in the Montney. ARC completed the Dawson Phase I & II liquids-handling upgrade early in the fourth quarter of 2019, and is advancing construction of the Dawson Phase IV gas processing and liquids-handling facility, the Company's next major development project, which is anticipated to be brought on-stream in the second quarter of 2020. With final transportation arrangements at Sunrise coming into effect at the beginning of the fourth quarter of 2019, ARC plans to operate the Sunrise Phase II facility at or near its processing capacity of 240 MMcf per day of natural gas for the remainder of 2019 and will capitalize on the recent strengthening of winter natural gas pricing.

ARC generated funds from operations [(1)] of $145.4 million ($0.41 per share) and $524.6 million ($1.48 per share) for the three and nine months ended September 30, 2019, respectively, and paid $53.1 million ($0.15 per share) and $159.3 million ($0.45 per share) in dividends to shareholders during the same periods.

ARC expects that production will increase through the remainder of the year with final transportation arrangements at Sunrise that came into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed. Full-year 2019 average daily production is expected to be near the midpoint of the guidance range of 136,000 to 142,000 boe per day. ARC plans to invest approximately $150 million in the fourth quarter of 2019 to substantially complete major infrastructure, establishing a new, larger production base of approximately 155,000 to 161,000 boe per day for ARC in 2020.

(1) Refer to Note 13 *"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.

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

Production	Delivered average production of 134,813 boe per day. Increased liquids production at Parkland/Tower and increased natural gas production at Sunrise offset production decreases at Dawson and Ante Creek due to planned downtime. Production is expected to increase through the remainder of the year with final transportation arrangements at Sunrise that came into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed.
Funds from Operations	Generated funds from operations of $145.4 million ($0.41 per share). Weaker commodity prices and a reduced current tax recovery were the primary drivers of the decrease in funds from operations relative to the prior quarter.
Capital Program	Continued to focus on investments that will support liquids production growth and profitability over the long term, including completion of the Dawson Phase I & II liquids-handling upgrade early in the fourth quarter of 2019. ARC advanced the Dawson Phase IV facility in the period, which remains on schedule to be brought on-stream in the second quarter of 2020.
Operational Excellence	Demonstrated excellent cost control and safety performance with the completion of several major planned turnarounds in 2019 to-date. ARC's operating expense for the three and nine months ended September 30, 2019 was $5.05 per boe and $5.11 per boe, respectively.
Natural Gas Sales Diversification Strategy	Realized the benefits of ARC's physical and financial diversification program for natural gas, which helps to increase ARC's exposure to more attractive markets. ARC realized $0.52 per Mcf from diversification activities and recorded a realized gain on natural gas risk management contracts of $0.61 per Mcf in the third quarter of 2019.
Balance Sheet	ARC's net debt [(1)] to annualized funds from operations ratio was 1.3 times at September 30, 2019.
Returns to Shareholders	Distributed $53.1 million ($0.15 per share) of dividends to shareholders.
2020 Budget	Announced a capital program of $500 million for 2020, representing a decrease of 29 per cent relative to forecasted 2019 investment levels. Capital investment will fund the completion of the Dawson Phase IV facility, with production increasing by 14 per cent relative to 2019.

For additional commentary on ARC's financial and operational results for the third quarter of 2019 as well as details pertaining to ARC's 2020 budget, view the following videos: *"Myron's Minute"*, *"ARC Resources Q3 2019 Financial and 2020 Budget Review"*, and *"ARC Resources Q3 2019 Operations and 2020 Budget Review"* available on ARC's website at www.arcresources.com.

2020 Budget Overview

ARC's board of directors ("the Board") has approved a $500 million capital program for 2020 that centres around capital discipline, balance sheet strength, delivering profitable projects to shareholders, and generating funds from operations to fully fund its dividend and all capital requirements. Notably, ARC will complete the Dawson Phase IV gas processing and liquids-handling facility in the second quarter of 2020. Planned investment levels for 2020 represent a 29 per cent decrease from forecasted 2019 investment levels.

ARC plans to keep its gas plants at or near capacity through 2020 while maximizing liquids production and cash flow generation. 2020 average production is expected to be between 155,000 and 161,000 boe per day, representing an increase of approximately 14 per cent from 2019.

With lower facility and infrastructure capital investments in 2020 compared to the last several years, funds from operations generated in 2020 are expected to fund ARC's dividend obligations of $212 million and ARC's capital program of $500 million. ARC's objective will be to maintain a targeted net debt to annualized funds from operations ratio of less than 1.5 times.

For details on ARC's 2020 capital program and production, funding of the 2020 budget, and formal 2020 guidance, refer to the *"2020 Budget"* section of this news release.

(1) Refer to Note 13 *"Capital Management"* in ARC's financial statements and to the section entitled, *"Capitalization, Financial Resources and Liquidity"* contained within ARC's MD&A.

ORGANIZATIONAL UPDATE

ARC is pleased to announce the following appointment.

Director Appointment

Mr. Farhad Ahrabi has been appointed to ARC's board of directors, effective immediately. Mr. Ahrabi has over 35 years of experience in international oil and gas operations and has extensive expertise in liquefied natural gas ("LNG"), including currently as the Chief Executive Officer of Cameron LNG, overseeing the construction of a US$10 billion, three-train liquefaction facility near the Gulf of Mexico in the United States ("US"). Mr. Ahrabi previously worked in Canada for three years with a major international company assessing LNG opportunities in British Columbia. Mr. Ahrabi holds a Bachelor of Science in Chemical Engineering from the University of Wales and a Doctorate degree from the University of Exeter in the United Kingdom. With his varied international background in the energy industry, Mr. Ahrabi's experience will successfully contribute to ARC's commercial and technical expertise. ARC is pleased to welcome Mr. Ahrabi to the Board.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended June 30, 2019	**September 30, 2019**	September 30, 2018	Nine Months Ended **September 30, 2019**	September 30, 2018
FINANCIAL RESULTS					
Net income (loss)	94.4	**(57.2)**	45.1	**(17.4)**	54.1
Per share (1)	0.27	**(0.16)**	0.13	**(0.05)**	0.15
Funds from operations (2)	193.0	**145.4**	205.0	**524.6**	610.4
Per share (1)	0.54	**0.41**	0.58	**1.48**	1.73
Dividends	53.1	**53.1**	53.0	**159.3**	159.2
Per share (1)	0.15	**0.15**	0.15	**0.45**	0.45
Capital expenditures, before land and net property acquisitions (dispositions)	174.2	**161.9**	169.3	**549.8**	547.8
Total capital expenditures, including land and net property acquisitions (dispositions)	173.3	**159.8**	73.1	**546.8**	353.5
Net debt outstanding (2)	829.2	**945.5**	667.8	**945.5**	667.8
Common shares outstanding, weighted average diluted (millions)	353.9	**353.4**	354.0	**353.4**	353.8
Common shares outstanding, end of period (millions)	353.4	**353.4**	353.4	**353.4**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day) (3)	18,272	**16,782**	23,867	**17,763**	24,595
Condensate (bbl/day)	10,230	**10,846**	8,158	**9,772**	6,884
Crude oil and condensate (bbl/day)	28,502	**27,628**	32,025	**27,535**	31,479
Natural gas (MMcf/day)	596.4	**595.4**	574.2	**607.9**	559.0
Natural gas liquids ("NGLs") (bbl/day)	7,041	**7,952**	7,687	**7,395**	6,804
Total (boe/day) (4)	134,938	**134,813**	135,410	**136,253**	131,451
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	70.26	**64.79**	78.62	**66.30**	75.54
Condensate ($/bbl)	71.38	**65.70**	85.28	**67.44**	83.15
Natural gas ($/Mcf)	1.74	**1.54**	2.15	**2.04**	2.19
NGLs ($/bbl)	7.71	**5.25**	35.26	**12.50**	33.36
Oil equivalent ($/boe) (4)	23.04	**20.46**	30.12	**23.24**	29.53
Netback ($/boe) (4)(5)					
Commodity sales from production	23.04	**20.46**	30.12	**23.24**	29.53
Royalties	(1.28)	**(1.26)**	(2.90)	**(1.36)**	(2.64)
Operating expense	(5.05)	**(5.05)**	(6.04)	**(5.11)**	(6.28)
Transportation expense	(3.00)	**(2.97)**	(2.75)	**(2.97)**	(2.66)
Netback	13.71	**11.18**	18.43	**13.80**	17.95
Realized gain on risk management contracts	1.97	**2.29**	1.58	**1.96**	2.17
Netback including realized gain on risk management contracts	15.68	**13.47**	20.01	**15.76**	20.12
TRADING STATISTICS (6)					
High price	9.61	**7.85**	15.90	**10.49**	15.90
Low price	6.37	**5.37**	12.70	**5.37**	11.88
Close price	6.41	**6.31**	14.40	**6.31**	14.40
Average daily volume (thousands of shares)	2,255	**1,838**	1,246	**2,127**	1,266

(1) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.
(2) Refer to Note 13 *"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 six thousand cubic feet of natural gas to one barrel of oil ratio 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 International Financial Reporting Standards 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.

COMMODITY PRICE ENVIRONMENT

Crude Oil and Condensate

Average global crude oil prices decreased in the third quarter of 2019, and despite ongoing geopolitical tensions and uncertainty around global demand growth, continue to be relatively range-bound. In Canada, crude oil differentials remained relatively narrow throughout the period with the Alberta government choosing to extend the mandated production curtailments into 2020. ARC's physical oil production has not been impacted by the mandated production curtailment; however, its corporate crude oil and condensate realizations continue to benefit from the narrower price differentials.

Natural Gas

Natural gas benchmark prices experienced weakness across North America in the third quarter of 2019. In the US, lower LNG exports due to facility downtime and export pipeline project delays resulted in lower demand, while in western Canada, extensive third-party pipeline maintenance placed significant downward pressure on pricing. In the near term, natural gas storage in the Western Canadian Sedimentary Basin is entering withdrawal season at multi-year lows, providing a constructive backdrop for winter natural gas prices; and recent changes to TC Energy's NOVA Gas Transmission Limited ("NGTL") System's flow priorities have improved the outlook for western Canadian natural gas prices for the summer of 2020 and are expected to reduce pricing volatility through future periods of maintenance.

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. 51 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 2020, and 36 per cent of corporate natural gas volumes are exposed to AECO and Station 2 prices. The remaining 13 per cent is financially hedged. As a result of this diversification strategy, ARC seeks to capture higher margins for its natural gas production than if it were solely exposed to local markets.

FINANCIAL REVIEW

Balance Sheet and Capital Allocation

ARC maintains financial flexibility through its strong balance sheet, with $945.5 million of net debt outstanding at September 30, 2019, and a net debt to annualized funds from operations ratio of 1.3 times. ARC had an additional $1.2 billion of credit capacity available at the end of the third quarter of 2019.

In 2019, ARC expects to generate funds from operations in excess of its 2019 dividend obligations of $212 million and its sustaining capital requirements of approximately $400 million. 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 at Dawson and Ante Creek.

Net Income (Loss)

ARC recorded a net loss of $57.2 million (loss of $0.16 per share) in the third quarter of 2019 compared to net income of $94.4 million ($0.27 per share) in the second quarter of 2019. The quarter-over-quarter decrease in earnings is primarily attributed to a decrease in income tax recovery, increased impairment charges relating to financial assets, and lower commodity sales from production due to lower commodity prices. ARC also recognized an increased unrealized loss on the mark-to-market on ARC's risk management contracts and foreign exchange on the revaluation of ARC's US dollar-denominated debt.

ARC recognized a net loss of $17.4 million (loss of $0.05 per share) for the nine months ended September 30, 2019 compared to net income of $54.1 million ($0.15 per share) for the nine months ended September 30, 2018. The year-over-year decrease in earnings is primarily attributed to lower commodity sales from production, no recorded gain from the disposal of non-core assets in 2019 to-date compared to a gain recorded in the comparative period of 2018, and the recognition of impairment charges relating to financial assets. Partially offsetting these items was an increase in income tax recovery, a reduced unrealized loss on foreign exchange, and lower royalties and operating expense.

Funds from Operations

ARC generated funds from operations of $145.4 million ($0.41 per share) in the third quarter of 2019 compared to funds from operations of $193.0 million ($0.54 per share) in the second quarter of 2019. Lower commodity sales due to lower price realizations, a reduced current tax recovery, and increased general and administrative ("G&A") expense recognized for ARC's share-based compensation plans were the most significant drivers of the quarter-over-quarter decrease in funds from operations.

ARC generated funds from operations of $524.6 million ($1.48 per share) for the nine months ended September 30, 2019, a decrease of $85.8 million ($0.25 per share) relative to funds from operations of $610.4 million ($1.73 per share) for the nine months ended September 30, 2018. The decrease in funds from operations was largely driven by lower commodity sales due to weaker price realizations and decreased crude oil production. Partially offsetting the decrease in commodity sales revenue were reduced current tax expense as well as lower royalties and operating expense.

The following table details the change in funds from operations for the third quarter of 2019 relative to the second quarter of 2019 and the nine months ended September 30, 2019 relative to the nine months ended September 30, 2018.

Funds from Operations Reconciliation	**Q2 2019 to Q3 2019**		**2018 YTD to 2019 YTD**	
	$ millions	$/share (1)	$ millions	$/share (1)
Funds from operations for the three months ended June 30, 2019	193.0	0.54		
Funds from operations for the nine months ended September 30, 2018			610.4	1.73
Volume variance				
Crude oil and liquids	**(2.9)**	**(0.01)**	**(69.9)**	**(0.20)**
Natural gas	**0.7**	**—**	**28.7**	**0.08**
Price variance				
Crude oil and liquids	**(15.9)**	**(0.05)**	**(128.9)**	**(0.36)**
Natural gas	**(11.1)**	**(0.01)**	**(25.2)**	**(0.08)**
Sales of commodities purchased from third parties	**15.7**	**0.04**	**(31.9)**	**(0.09)**
Interest income	**(0.2)**	**—**	**(2.0)**	**(0.01)**
Other income	**(0.8)**	**—**	**1.4**	**—**
Realized gain on risk management contracts	**4.2**	**0.01**	**(5.1)**	**(0.01)**
Royalties	**0.1**	**—**	**44.4**	**0.13**
Expenses				
Commodities purchased from third parties	**(16.7)**	**(0.05)**	**32.1**	**0.09**
Operating	**(0.6)**	**—**	**35.0**	**0.10**
Transportation	**—**	**—**	**(15.2)**	**(0.04)**
G&A	**(6.8)**	**(0.02)**	**7.5**	**0.02**
Interest and financing (2)	**0.3**	**—**	**1.1**	**—**
Current tax	**(14.5)**	**(0.04)**	**47.5**	**0.13**
Realized gain (loss) on foreign exchange	**0.9**	**—**	**(5.3)**	**(0.01)**
Funds from operations for the three months ended September 30, 2019	**145.4**	**0.41**		
Funds from operations for the nine months ended September 30, 2019			**524.6**	**1.48**

(1) Per share amounts are based on weighted average diluted common shares.
(2) Excludes accretion of asset retirement obligations.

Physical Marketing and Financial Risk Management

ARC's crude oil and liquids production continues to generate meaningful cash flow, contributing 67 per cent of total commodity sales revenue in the third quarter of 2019. A significant portion of ARC's liquids production is made up of conventional light oil and condensate, which realized average pricing of $64.79 per barrel and $65.70 per barrel, respectively, in the third quarter of 2019. For the nine months ended September 30, 2019, ARC's crude oil and liquids production comprised 61 per cent of total commodity sales revenue with average realized pricing of $66.30 per barrel for crude oil and $67.44 per barrel for condensate.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have enhanced corporate natural gas price 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 for the three and nine months ended September 30, 2019.

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts ($/Mcf)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Average price before diversification activities	**1.02**	**1.45**
Diversification activities	**0.52**	**0.59**
Realized gain on risk management contracts (1)	**0.61**	**0.53**
Realized natural gas price including realized gain on risk management contracts	**2.15**	**2.57**

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

The total realized gain on risk management contracts for the three and nine months ended September 30, 2019 was $28.4 million and $72.9 million, respectively, and the fair value of ARC's risk management contracts at September 30, 2019 was $73.7 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 programs. 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 September 30, 2019, refer to Note 14 *"Financial Instruments and Market Risk Management"* in ARC's financial statements.

Netback

Summarized in the following table are the components of ARC's netback for the third quarter of 2019 relative to the second quarter of 2019 and for the nine months ended September 30, 2019 relative to the nine months ended September 30, 2018.

	Three Months Ended			Nine Months Ended		
Netback ($/boe)	**September 30, 2019**	June 30, 2019	% Change	**September 30, 2019**	September 30, 2018	% Change
Commodity sales from production	**20.46**	23.04	(11)	**23.24**	29.53	(21)
Royalties	**(1.26)**	(1.28)	(2)	**(1.36)**	(2.64)	(48)
Operating expense	**(5.05)**	(5.05)	—	**(5.11)**	(6.28)	(19)
Transportation expense	**(2.97)**	(3.00)	(1)	**(2.97)**	(2.66)	12
Netback	**11.18**	13.71	(18)	**13.80**	17.95	(23)
Realized gain on risk management contracts	**2.29**	1.97	16	**1.96**	2.17	(10)
Netback including realized gain on risk management contracts	**13.47**	15.68	(14)	**15.76**	20.12	(22)

ARC's netback and ARC's netback including realized gain on risk management contracts decreased 18 per cent and 14 per cent, respectively, in the third quarter of 2019 relative to the second quarter of 2019. The decrease is primarily due to lower commodity prices in the period.

ARC's netback and ARC's netback including realized gain on risk management contracts decreased 23 per cent and 22 per cent, respectively, for the nine months ended September 30, 2019 relative to the nine months ended September 30, 2018. The decrease is due to lower commodity prices, and is partially offset by a year-over-year decrease in ARC's royalties and operating expense.

ARC's royalties per boe for the third quarter of 2019 were relatively unchanged from the second quarter of 2019, and ARC's royalties per boe for the nine months ended September 30, 2019 decreased 48 per cent from the nine months ended September 30, 2018. The year-over-year decrease in royalties reflects the sliding scale effect that lower crude oil and liquids pricing has on royalty rates, and also reflects the increase in ARC's natural gas and condensate production, which have generally been subject to lower relative royalty rates compared to crude oil production. ARC's royalties for the three and nine months ended September 30, 2019 were $15.6 million and $50.3 million, respectively.

ARC's operating expense per boe for the third quarter of 2019 was unchanged from the second quarter of 2019, and ARC's operating expense per boe for the nine months ended September 30, 2019 decreased 19 per cent from the nine months ended September 30, 2018. The year-over-year reduction in ARC's operating expense is the result of bringing on new Montney production with lower relative costs to operate in combination with the disposition of non-core assets with higher relative costs to operate throughout 2018. ARC's operating expense for the three and nine months ended September 30, 2019 was $62.6 million and $190.2 million, respectively. ARC expects its full-year operating expense to be at the lower end of the 2019 guidance range of $5.00 to $5.35 per boe.

ARC's transportation expense per boe for the third quarter of 2019 was relatively unchanged from the second quarter of 2019, and ARC's transportation expense per boe for the nine months ended September 30, 2019 increased 12 per cent relative to the nine months ended September 30, 2018. The year-over-year increase in transportation expense primarily reflects higher trucking charges and pipeline tariffs related to increased condensate and natural gas production in northeast British Columbia. ARC's transportation expense for the three and nine months ended September 30, 2019 was $36.8 million and $110.6 million, respectively.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,000 net sections of land (approximately 671,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. Owned-and-operated infrastructure affords ARC greater control over costs and liquids recoveries, strong safety and environmental performance, and the ability to manage a flexible pace of development. ARC is a leader in sustainability practices and is committed to continue reducing its greenhouse gas ("GHG") emissions intensity and freshwater usage through responsible development activities.

Capital Expenditures

ARC invested $161.9 million in the third quarter of 2019 to drill 26 wells (14 liquids-rich wells and 12 oil wells) and complete 29 wells. Capital investment in the period was also directed at completing the Dawson Phase I & II liquids-handling upgrade and advancing the Dawson Phase IV facility and the Ante Creek facility's oil expansion projects.

ARC invested $549.8 million during the nine months ended September 30, 2019 to drill 70 wells (46 liquids-rich wells and 24 oil wells), complete 68 wells, and advance the projects at Dawson and Ante Creek. ARC plans to invest approximately $150 million in the fourth quarter of 2019 to substantially complete major infrastructure, establishing a new, larger production base of approximately 155,000 to 161,000 boe per day for ARC in 2020.

The following table outlines the number of wells drilled and completed for the nine months ended September 30, 2019.

	Nine Months Ended September 30, 2019	
Area	**Wells Drilled**	**Wells Completed**
Dawson	34	20
Parkland/Tower	8	18
Sunrise	—	9
Attachie West	10	4
Ante Creek	7	7
Pembina	11	10
Total	**70**	**68**

Production

ARC achieved average production of 134,813 boe per day in the third quarter of 2019, comprised of 27,628 barrels per day of light oil and condensate, 7,952 barrels per day of NGLs, and 595 MMcf per day of natural gas. While total production was unchanged from the prior quarter, increased production at Parkland/Tower and Sunrise offset planned downtime at Dawson Phase I & II and Ante Creek.

Production for the nine months ended September 30, 2019 averaged 136,253 boe per day, which was made up of 27,535 barrels per day of light oil and condensate, 7,395 barrels per day of NGLs, and 608 MMcf per day of natural gas. Adjusting for the 4,700 boe per day of non-core production that was disposed of throughout 2018, total production increased seven per cent year-over-year and is the result of ARC's continued focus on developing the liquids-rich lower Montney horizon in the greater Dawson area, as well as increased natural gas production at the Sunrise Phase II facility.

ARC expects that production will increase through the remainder of the year with final transportation arrangements at Sunrise that came into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed. Full-year 2019 average daily production is expected to be near the midpoint of the guidance range of 136,000 to 142,000 boe per day.

Dawson

ARC's Dawson property in northeast British Columbia is a Montney natural gas and liquids-rich natural gas play comprised of 137 net sections (approximately 89,000 net acres).

ARC's current focus at Dawson is to develop the higher liquids-yield areas of the field, investing $230 million during the nine months ended September 30, 2019 to drill 34 wells, complete 20 wells, and advance work on two key infrastructure projects. At Dawson Phase I & II, the final work required for the liquids-handling upgrade was completed in the third quarter of 2019 and the facility was commissioned early in the fourth quarter of 2019. The upgrade adds approximately 3,000 barrels per day of liquids-handling capacity (of which approximately 2,000 barrels per day is condensate). At Dawson Phase IV, construction of the facility continued in the period with all major equipment now on site. Similar to Dawson Phase III, waste heat recovery units are being installed on the gas-powered turbines used to power the Dawson Phase IV facility in order to reduce the facility's emissions. The combined emissions for the Dawson Phase III and IV facilities are expected to be reduced by approximately 78,000 tonnes of CO_2 equivalent per year due to ARC's investment in the waste heat recovery units. The pre-drilling of wells to initially fill Dawson Phase IV has commenced and the facility remains on schedule to be brought on-stream in the second quarter of 2020.

Production averaged 38,513 boe per day in the third quarter of 2019, and was made up of 208 MMcf per day of natural gas, 2,069 barrels per day of condensate, and 1,799 barrels per day of NGLs. Third quarter 2019 production decreased 12 per cent relative to the prior quarter due to planned downtime for maintenance at the Dawson Phase I & II facility.

Parkland/Tower

ARC's Parkland/Tower property is a Montney condensate and liquids-rich natural gas play in northeast British Columbia that consists of 94 net sections (approximately 61,000 net acres). ARC's focus at Parkland/Tower is to drive strong cash flow generation, investing $114 million during the nine months ended September 30, 2019 to drill eight wells and complete 18 wells.

Production averaged 35,624 boe per day in the third quarter of 2019, representing an increase of nine per cent from the prior quarter with new wells being brought on production during the period. Production was comprised of 10,087 barrels per day of light oil and condensate, 4,302 barrels per day of NGLs, and 127 MMcf per day of natural gas.

Sunrise

ARC's Sunrise property is a Montney natural gas play in northeast British Columbia where ARC has a land position of 32 net sections (approximately 21,000 net acres). Production averaged 189 MMcf per day in the third quarter of 2019, representing an increase of 15 per cent from the prior quarter when operations had been adversely impacted by third-party pipeline restrictions and outages. ARC invested $26 million during the nine months ended September 30, 2019 to complete and tie-in nine natural gas wells to the Sunrise Phase II facility.

With final transportation arrangements for an incremental 60 MMcf per day of natural gas production coming into effect at the beginning of the fourth quarter of 2019, ARC plans to operate the Sunrise Phase II facility at or near its processing capacity of 240 MMcf per day for the remainder of 2019. When the facility is operating at its processing capacity, ARC expects the area's operating expense to be less than $0.30 per Mcf. ARC will continue to manage its Sunrise production levels depending on prevailing natural gas prices.

Attachie

ARC's Attachie property is a Montney condensate play located in northeast British Columbia where ARC has a land position of 308 net sections (approximately 202,000 net acres). Production at Attachie West averaged 2,495 boe per day in the third quarter of 2019, comprised of 1,255 barrels per day of condensate and 7 MMcf per day of natural gas.

ARC is focused on advancing the Attachie West asset towards commercialization. Capital investment during the nine months ended September 30, 2019 totaled $79 million, which included infrastructure investments and the drilling of 10 wells. Four of these wells were completed in the third quarter of 2019 and initial production results are expected in the fourth quarter of 2019. The liquids processing capacity at Attachie West's battery is 3,500 barrels per day and natural gas production is currently being processed through third-party infrastructure.

ARC continues to advance planning for the Attachie West Phase I gas processing and liquids-handling facility, and has obtained regulatory approval for the construction of multiple phases of development in the area and approval for the natural gas sales line that will tie into third-party pipeline infrastructure. ARC has also built an owned-and-operated access road to help reduce the area's operating expense and improve capital efficiencies.

Ante Creek

ARC has a land position of 259 net sections at Ante Creek (approximately 166,000 net acres), a Montney light oil play in northern Alberta that generates strong cash flows and profitable returns. Production in the third quarter of 2019 decreased nine per cent from the prior quarter to average 14,919 boe per day (approximately 50 per cent light oil and liquids). The decrease in production was due to downtime associated with planned maintenance conducted in the period in preparation for the facility's oil expansion in 2020.

ARC invested $57 million during the nine months ended September 30, 2019 to drill and complete seven oil wells and to advance the Ante Creek facility's oil expansion project. All equipment for the project has been ordered and construction has commenced with the project on schedule to be brought on-stream in the second quarter of 2020.

Pembina

ARC's Alberta Cardium assets in Pembina deliver high-quality, light oil production and generate attractive cash flows, where ARC has a land position of 217 net Cardium sections (approximately 139,000 net acres). The overriding objective in the area is to manage production declines and maximize cash flow generation through modest drilling programs. ARC invested $31 million during the nine months ended September 30, 2019 to drill 11 wells and complete 10 wells. Production averaged 9,898 boe per day in the third quarter of 2019, representing a decrease of two per cent from the prior quarter. Production at Pembina is made up of over 80 per cent light oil and liquids.

OUTLOOK

2019 Guidance

In 2019, ARC plans to invest $700 million and expects full-year average daily production to be near the midpoint of the guidance range of 136,000 to 142,000 boe per day. 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 and condensate (bbl/day)	26,000 - 30,000	**27,535**	—
Natural gas (MMcf/day)	620 - 630	**607.9**	(2)
NGLs (bbl/day)	6,500 - 7,000	**7,395**	6
Total (boe/day)	136,000 - 142,000	**136,253**	—
Expenses ($/boe)			
Operating	5.00 - 5.35	**5.11**	—
Transportation	2.90 - 3.10	**2.97**	—
G&A expense before share-based compensation expense	1.10 - 1.30	**1.16**	—
G&A - share-based compensation expense (1)	0.20 - 0.35	**0.24**	—
Interest and financing (2)	0.75 - 0.90	**0.83**	—
Current income tax expense (recovery) as a per cent of funds from operations (3)	(3) - 2	**(2)**	—
Capital expenditures before land and net property acquisitions (dispositions) ($ millions)	700	**549.8**	N/A
Weighted average shares (millions)	353	**353**	—

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

- 2019 year-to-date natural gas production is below the 2019 guidance range. As incremental production at Sunrise is brought on-stream in the fourth quarter of 2019, ARC expects that natural gas production will be within the guidance range of 620 to 630 MMcf per day for the year.
- 2019 year-to-date NGLs production is above the 2019 guidance range due to stronger than anticipated results from lower Montney development across ARC's Montney asset base.

2020 BUDGET

ARC's board of directors has approved a $500 million capital program for 2020 that centres around capital discipline, balance sheet strength, delivering profitable projects to shareholders, and generating funds from operations to fully fund its dividend and all capital requirements. Notably, ARC will complete the Dawson Phase IV gas processing and liquids-handling facility in the second quarter of 2020. Planned investment levels for 2020 represent a 29 per cent decrease from forecasted 2019 investment levels. ARC's Montney businesses are highly efficient and corporate decline rates are controlled below 30 per cent. ARC will execute the 2020 capital program in a safe and environmentally responsible manner.

ARC plans to keep its gas plants at or near capacity through 2020 while maximizing liquids production and cash flow generation. 2020 average production is expected to be between 155,000 and 161,000 boe per day, representing an increase of approximately 14 per cent from 2019.

- Crude oil and condensate production is expected to be in the range of 27,000 to 31,000 barrels per day.
- Natural gas production is expected to be in the range of 715 to 725 MMcf per day.
- NGLs production is expected to be in the range of 8,500 to 9,000 barrels per day.

Demonstrating its continued operational excellence through infrastructure ownership and operatorship, ARC expects its corporate operating expense to continue trending down from 2019 levels to a range of $4.55 to $4.95 per boe.

2020 Capital Program and Production

The following table details ARC's capital program by area, including capital expenditures for 2019 and 2020 and number of wells planned for 2020. ARC's transition towards larger-scaled multi-well pads will require only nine well pads for drilling activities in 2020.

Capital Expenditures and Wells Drilled (1)	2019 Guidance Capital Expenditures (2) ($ millions)	**2020 Budget Capital Expenditures** (2) ($ millions)	**2020 Budget Wells Drilled** (operated)
Dawson	298	**231**	**39**
Parkland/Tower	135	**96**	**6**
Sunrise	27	**40**	**8**
Attachie	84	**30**	**—**
Ante Creek	101	**79**	**12**
Pembina	39	**11**	**—**
Other (3)	16	**13**	**—**
Total	700	**500**	**65**

(1) Includes both operated and non-operated properties.
(2) Land expenditures and net property acquisitions and dispositions are not included as these amounts are unbudgeted.
(3) Other capital expenditures comprise capitalized G&A expense, including a portion of share-based compensation plan expense, information technology, and corporate office capital, as well as spending for ARC's non-core properties.

The following table details ARC's expected capital expenditures by classification for 2019 and 2020.

Capital Expenditures by Classification ($ millions)	2019 Guidance	**2020 Budget**
Geological and geophysical	12	**9**
Drilling and completions	489	**422**
Plant and facilities	187	**58**
Corporate assets	12	**11**
Capital expenditures, before land and net property acquisitions (dispositions)	700	**500**

The following table details ARC's expected production by area for 2019 and 2020.

Expected Annualized Production by Area (1)(2) (boe/day)	2019 Guidance (Midpoint)	**2020 Budget** (Midpoint)
Dawson	45,000	**59,000**
Parkland/Tower	32,000	**29,000**
Sunrise	32,000	**36,000**
Attachie Pilot	3,000	**5,000**
Ante Creek	15,000	**18,000**
Pembina	10,000	**10,000**
Other (3)	2,000	**1,000**
Total (4)	139,000	**158,000**

(1) Includes both operated and non-operated properties.
(2) Does not incorporate the potential impact that TC Energy's changes to the NGTL System's flow restrictions may have on ARC's natural gas production during expected periods of maintenance in the summer of 2020.
(3) Other comprises production for ARC's non-core properties.
(4) Total production denotes the midpoints of the production guidance ranges of 136,000 to 142,000 boe per day for 2019 and 155,000 to 161,000 boe per day for 2020.

Dawson

ARC's focus will be to complete the Dawson Phase IV facility, ARC's next major development project. The facility is expected to be brought on-stream in the second quarter of 2020, adding natural gas sales capacity of approximately 90 MMcf per day and will have the ability to handle up to 7,500 barrels per day of condensate and 3,000 barrels per day of NGLs. Condensate and NGLs production is expected to grow over time and stabilize at approximately 3,000 barrels per day and 1,500 barrels per day, respectively. Approximately $24 million of the 2020 budget is planned for facility and infrastructure capital at Dawson Phase IV and long-term takeaway capacity for production associated with the facility has been secured.

The Dawson Phase IV facility, along with the recently completed Dawson Phase I & II liquids-handling upgrade and repatriation of production previously being processed by a third party, will provide meaningful production growth in 2020 while enabling ARC to increase its high-value liquids production and cash flow generation in the greater Dawson area. Development will primarily be targeted towards the liquids-rich lower Montney.

Parkland/Tower

ARC's focus will be to drive cash flow generation through the development of the liquids-rich lower Montney horizon at Parkland. To accommodate for this development, ARC plans to optimize its existing Parkland sweet facility by converting it to a sour facility. Approximately $23 million of the $31 million total facility and infrastructure capital required for the project will be invested in 2020; long-lead items will be purchased to ensure the project remains on schedule to meet its targeted first half of 2021 in-service date.

Sunrise

ARC's focus will be to maintain production through existing infrastructure at or near capacity throughout 2020 in order to maximize cash flow generation. When the facility is operating at its processing capacity of 240 MMcf per day of natural gas, ARC expects the area's operating expense to be less than $0.30 per Mcf. ARC will continue to manage its Sunrise production levels depending on prevailing natural gas prices.

Attachie

ARC's focus will be to advance and continue planning for the first major phase of development at Attachie West. To achieve this, the remaining six wells on the multi-well pad that was drilled in 2019 will be completed and 3D seismic data will be acquired and integrated into the overall development plan for the area.

Ante Creek

ARC's focus will be to grow light oil production with the completion of the Ante Creek facility's oil expansion, which is expected to be brought on-stream in the second quarter of 2020. The oil expansion will increase gas processing capacity by approximately 15 MMcf per day in 2020, allowing light oil volumes to grow by approximately 1,500 barrels per day in 2020 and approximately 2,500 barrels per day in 2021. Approximately $8 million of the 2020 budget is planned for facility and infrastructure capital at Ante Creek.

Pembina

ARC's focus will be to manage production declines and maximize cash flow generation from this light oil asset.

Funding of the 2020 Budget

ARC's $500 million capital budget for 2020 was determined based on a variety of commodity price scenarios and assumes the continuation of the Company's $0.05 per share monthly dividend through 2020. All of the approved capital projects are expected to provide attractive rates of return at prevailing commodity prices. ARC's objective is to generate funds from operations to fully fund its dividend and all capital requirements.

Balance sheet strength and long-term financial flexibility are top priorities for ARC. With lower facility and infrastructure capital investments in 2020 compared to the last several years, funds from operations generated in 2020 are expected to fund ARC's dividend obligations of $212 million and ARC's capital program of $500 million. ARC's objective will be to maintain a targeted net debt to annualized funds from operations ratio of less than 1.5 times. ARC’s risk management program will reduce volatility in funds from operations and project economics, and ARC expects to continue to add risk management contract positions for future years.

2020 Guidance

The corporate guidance for 2020 was determined based on a variety of commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with changes in commodity prices. ARC's guidance provides shareholders with information relevant to Management's expectations for results of operations, excluding any potential acquisition or disposition activities, for 2020. Readers are cautioned that the guidance may not be appropriate for any other purpose.

ARC will continue to take steps to mitigate expected commodity price volatility, 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 full-year 2020 guidance estimates are outlined in the following table.

	2020 Guidance
Production	
Crude oil and condensate (bbl/day)	**27,000 - 31,000**
Natural gas (MMcf/day) (1)	**715 - 725**
NGLs (bbl/day)	**8,500 - 9,000**
Total (boe/day) (1)	**155,000 - 161,000**
Expenses ($/boe)	
Operating	**4.55 - 4.95**
Transportation	**3.10 - 3.30**
G&A expense before share-based compensation expense	**1.00 - 1.20**
G&A - share-based compensation expense (2)	**0.30 - 0.45**
Interest and financing (3)	**0.65 - 0.80**
Current income tax expense (recovery) as a per cent of funds from operations (4)	**(2) - 3**
Capital expenditures before land and net property acquisitions (dispositions) ($ millions)	**500**

(1) Does not incorporate the potential impact that TC Energy's changes to the NGTL System's flow restrictions may have on ARC's natural gas production during expected periods of maintenance in the summer of 2020.
(2) Comprises expense recognized under the RSU and PSU Plans, Share Option Plan, and LTRSA Plan, and excludes compensation expense under the DSU Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expense is subject to greater volatility.
(3) Excludes accretion of asset retirement obligations.
(4) The current income tax estimate varies depending on the level of commodity prices.

Abandonment and Reclamation Activities

ARC maintains a leadership position in responsible development practices and manages strong corporate liability ratios in both Alberta and British Columbia. ARC has an active abandonment and reclamation program for inactive wells, pipelines, and leases across its asset base and expects abandonment and reclamation spending to be approximately $25 million in 2020.

Dividend

The $0.05 per share monthly dividend is a key component of ARC's long-term returns to shareholders. ARC continually assesses dividend levels in light of commodity prices and economic conditions, capital investment programs, and production levels to ensure that dividends are in line with the Company's long-term strategy and objectives. The dividend is reviewed regularly by the Board.

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 infrastructure development plans and the timing for completion thereof; as to ARC's expected capital budget for 2019 and 2020; as to production trends for the remainder of 2019 and full-year daily production for 2019 and 2020 in the introductory paragraphs of this news release; ARC's 2020 budget (including the planned capital expenditures, projected average daily production, the source of funding for the 2020 budget, and targeted net debt to annualized funds from operations) under the heading "*2020 Budget Overview*"; as to ARC's views on future commodity prices and planned natural gas diversification activities under the heading *"Commodity Price Environment"*; as to ARC's ability to generate funds from operations in excess of its 2019 dividend obligations and its 2019 sustaining capital requirements; as to expectations with respect to full-year operating expense under the heading *"Financial Review"*; as to its production and infrastructure plans for the remainder of 2019 and beyond; as to planned production processing volumes and timelines; as to its plans for reducing GHG emissions and freshwater usage under the heading *"Operational Review"*; as to production trends for the remainder of 2019 and full-year daily production for 2019; as to ARC's full-year 2019 guidance estimates (including production, expenses, income tax, and capital expenditures); as to ARC's 2020 budget; as to ARC's planned infrastructure projects for 2020 and the cost attributed thereto; as to ARC's sustaining capital requirements in 2020; as to ARC's drilling plans and strategies, and associated benefits therefrom; as to volumes to be processed at ARC's gas plants in 2020; as to 2020 daily average production (including as between crude oil and condensate, natural gas, and NGLs); as to the source of funds to satisfy ARC's 2020 dividend obligations, sustaining capital requirements, and planned capital expenditures; as to ARC's capital expenditures in 2019 and 2020 by area (including wells to be drilled); as to estimates of capital expenditures on major infrastructure projects (including processing capacities, on-stream dates, and corresponding production additions); as to ARC's anticipated net debt to annualized funds from operations ratio for fiscal 2020; and as to ARC's abandonment and reclamation spending in 2020 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 2020 and beyond; the results of exploration and development activities during 2020; 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; the continuation of the monthly $0.05 dividend per share; certain commodity price and other cost assumptions for 2020 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 2020 capital budget and corporate outlook from 2019 to 2020 and beyond 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, 2020 and beyond provides shareholders with relevant information on Management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and ARC's 2019 and 2020 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 $3.3 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.
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MANAGEMENT'S DISCUSSION & ANALYSIS

2019 Q3

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 November 7, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and nine months ended September 30, 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

Corporate highlights for the annual periods of 2015 through 2018 and the nine months ended September 30, 2019 are shown in Table 1:

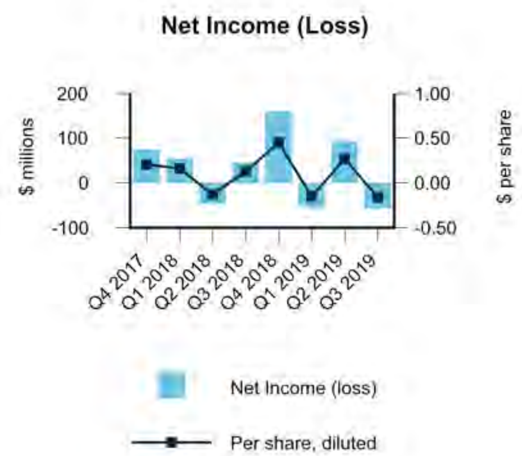
Table 1

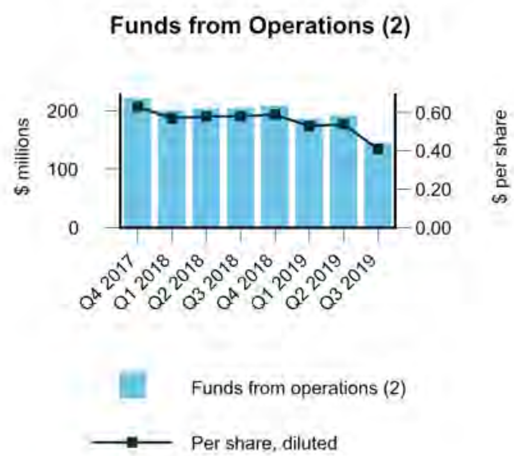
	2019 YTD	2018	2017	2016	2015
Production (1)					
Crude oil and condensate (bbl/d)	**27,535**	30,741	30,030	35,136	36,192
Natural gas (MMcf/d)	**607.9**	570.2	525.8	475.6	444.9
NGLs (bbl/d)	**7,395**	6,955	5,273	4,274	3,819
Total production (boe/d)	**136,253**	132,724	122,937	118,671	114,167
Average daily production per thousand shares (2)	**0.39**	0.38	0.35	0.34	0.34
Net income (loss)	**(17.4)**	213.8	388.9	201.3	(342.7)
Net income (loss) per share	**(0.05)**	0.60	1.10	0.57	(1.01)
Funds from operations (3)	**524.6**	819.0	731.9	633.3	773.4
Funds from operations per share (3)	**1.48**	2.31	2.07	1.80	2.27
Capital expenditures (4)	**549.8**	679.4	829.7	453.4	541.6
Net debt (3)	**945.5**	702.7	728.0	356.5	985.1
Net debt to annualized funds from operations (ratio) (3)	**1.3**	0.9	1.0	0.6	1.3
Return on average capital employed (%) (5)(6)	**4**	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) (7)(8)	**n/a**	2.5	2.4	2.1	2.0

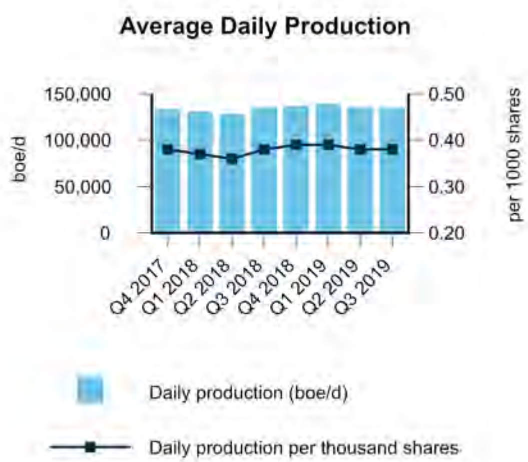
(1) Reported production amount is based on Company interest before royalty burdens.
(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the nine months ended September 30, 2019 and for the respective annual periods ended December 31, 2018, 2017, 2016, and 2015.
(3) Refer to Note 13 "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 September 30, 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.

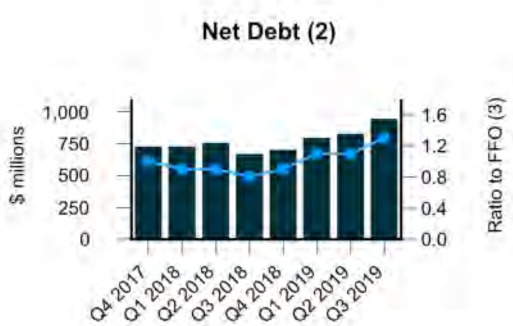
QUARTERLY RESULTS [1]

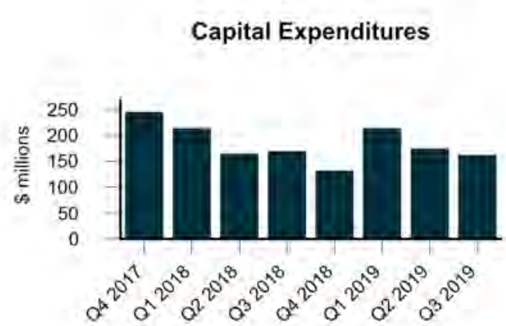
Exhibit 1











(1) The details contained in the graphs above are included in the section entitled "Quarterly Historical Review" contained within this MD&A.
(2) Refer to Note 13 "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 operational results over the past eight quarters:

- In the third quarter of 2019, ARC recognized an impairment charge of $39.2 million relating to financial assets. For more information, refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 5 "Financial Assets and Credit Risk" in the financial statements.
- In the second quarter of 2019, ARC recognized an income tax recovery of $63.9 million and an impairment charge of $8.5 million relating to financial assets.
- 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 of Property, Plant and Equipment ("PP&E").
- 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.

ANNUAL GUIDANCE

ARC's 2019 capital program of $700 million is focused on capital discipline, continuing to pay a meaningful dividend, and maintaining ARC's strong financial position. The 2019 budgeted capital expenditures include investment in infrastructure development projects at Dawson and Ante Creek; production associated with these infrastructure projects is expected to be added in 2020. Looking ahead to the balance of 2019, ARC expects that production will increase through the remainder of the year with final transportation arrangements at Sunrise having come into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed. Full-year 2019 average daily production is expected to be near the midpoint of the guidance range of 136,000 to 142,000 boe per day. Additional details on ARC's 2019 capital program can be found in the June 20, 2019 news release entitled, *"ARC Resources Ltd. Updates Its 2019 and 2020 Capital Expenditure Plans"* and 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"*. Both news releases are available on ARC's website at www.arcresources.com and 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 and condensate (bbl/d)	26,000 - 30,000	**27,535**	—
Natural gas (MMcf/d)	620 - 630	**607.9**	(2)
NGLs (bbl/d)	6,500 - 7,000	**7,395**	6
Total (boe/d)	136,000 - 142,000	**136,253**	—
Expenses ($/boe)			
Operating	5.00 - 5.35	**5.11**	—
Transportation	2.90 - 3.10	**2.97**	—
G&A expense before share-based compensation expense	1.10 - 1.30	**1.16**	—
G&A - share-based compensation expense (1)	0.20 - 0.35	**0.24**	—
Interest and financing (2)	0.75 - 0.90	**0.83**	—
Current income tax expense (recovery), as a per cent of funds from operations	(3) - 2	**(2)**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	700	**549.8**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Comprises expense recognized under the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans, 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 September 30, 2019 include:

- 2019 year-to-date natural gas production is below the 2019 guidance range. As incremental production at Sunrise is brought on-stream in the fourth quarter of 2019, ARC expects that natural gas production will be within the guidance range of 620 to 630 MMcf per day for the year.
- 2019 year-to-date NGLs production is above the 2019 guidance range due to stronger than anticipated results from lower Montney development across ARC's Montney asset base.

Exhibit 2

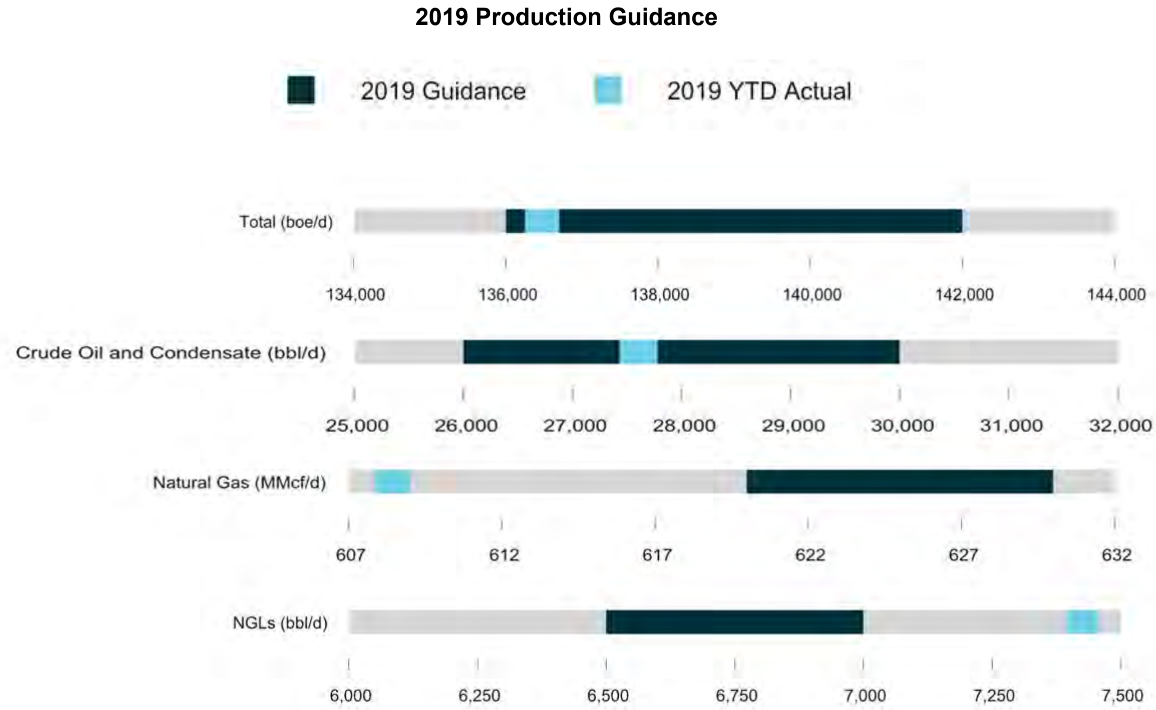
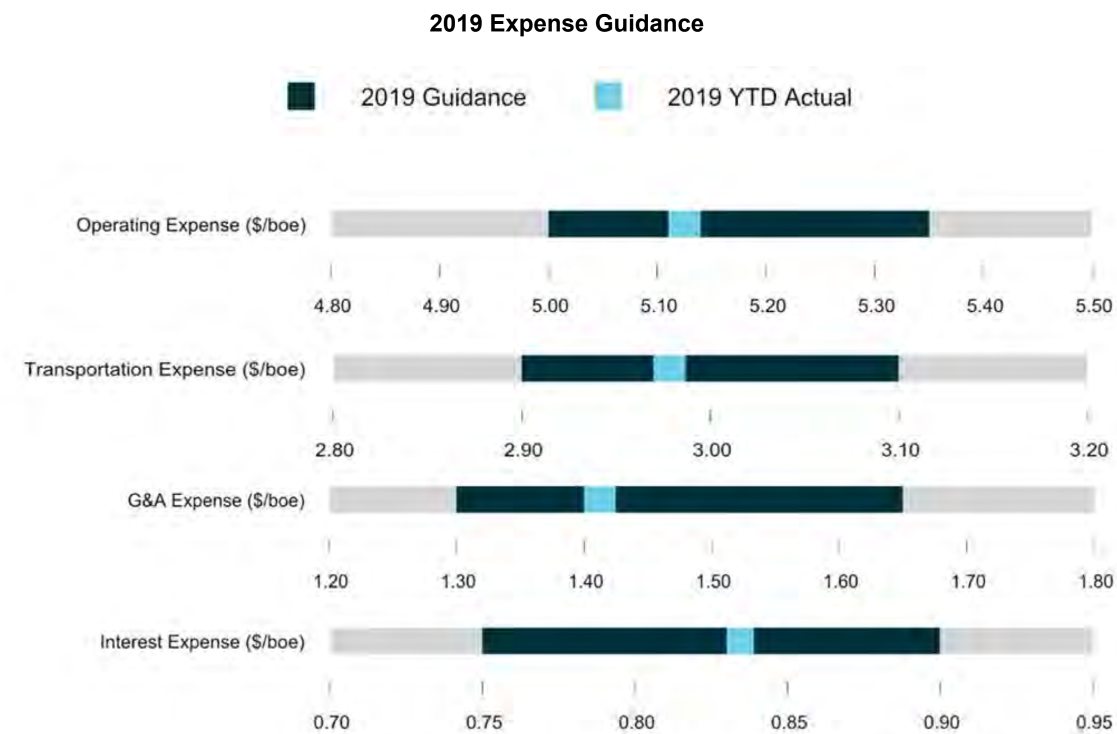


Exhibit 2a



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 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

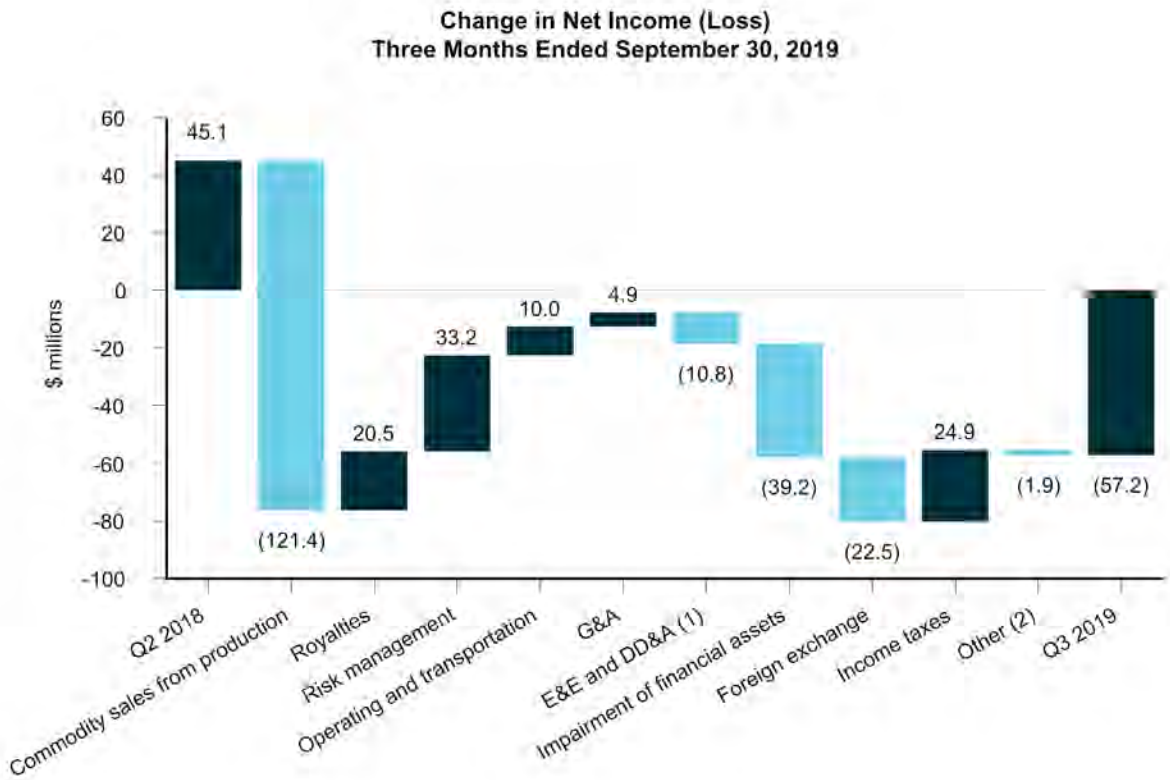
		Three Months Ended			Nine Months Ended		
($ millions, except per share and volume data)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Net income (loss)	94.4	**(57.2)**	45.1	(227)	**(17.4)**	54.1	(132)
Net income (loss) per share	0.27	**(0.16)**	0.13	(223)	**(0.05)**	0.15	(133)
Funds from operations (1)	193.0	**145.4**	205.0	(29)	**524.6**	610.4	(14)
Funds from operations per share (1)	0.54	**0.41**	0.58	(29)	**1.48**	1.73	(14)
Dividends per share (2)	0.15	**0.15**	0.15	—	**0.45**	0.45	—
Average daily production (boe/d)	134,938	**134,813**	135,410	—	**136,253**	131,451	4

(1) Refer to Note 13 "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 third quarter of 2019, ARC recognized a net loss of $57.2 million (loss of $0.16 per share), a decrease of $102.3 million from ARC's third quarter 2018 net income of $45.1 million ($0.13 per share). The decrease in net income is primarily due to a decrease in commodity sales from production of $121.4 million, impairment charges relating to financial assets of $39.2 million as well as a foreign exchange loss of $9.0 million compared to a foreign exchange gain of $13.5 million in the third quarter of 2018. Partially offsetting these items was lower royalties of $20.5 million, a lower loss on risk management contracts of $33.2 million and income tax recovery of $14.0 million compared to income tax expense of $10.9 million in the third quarter of 2018.

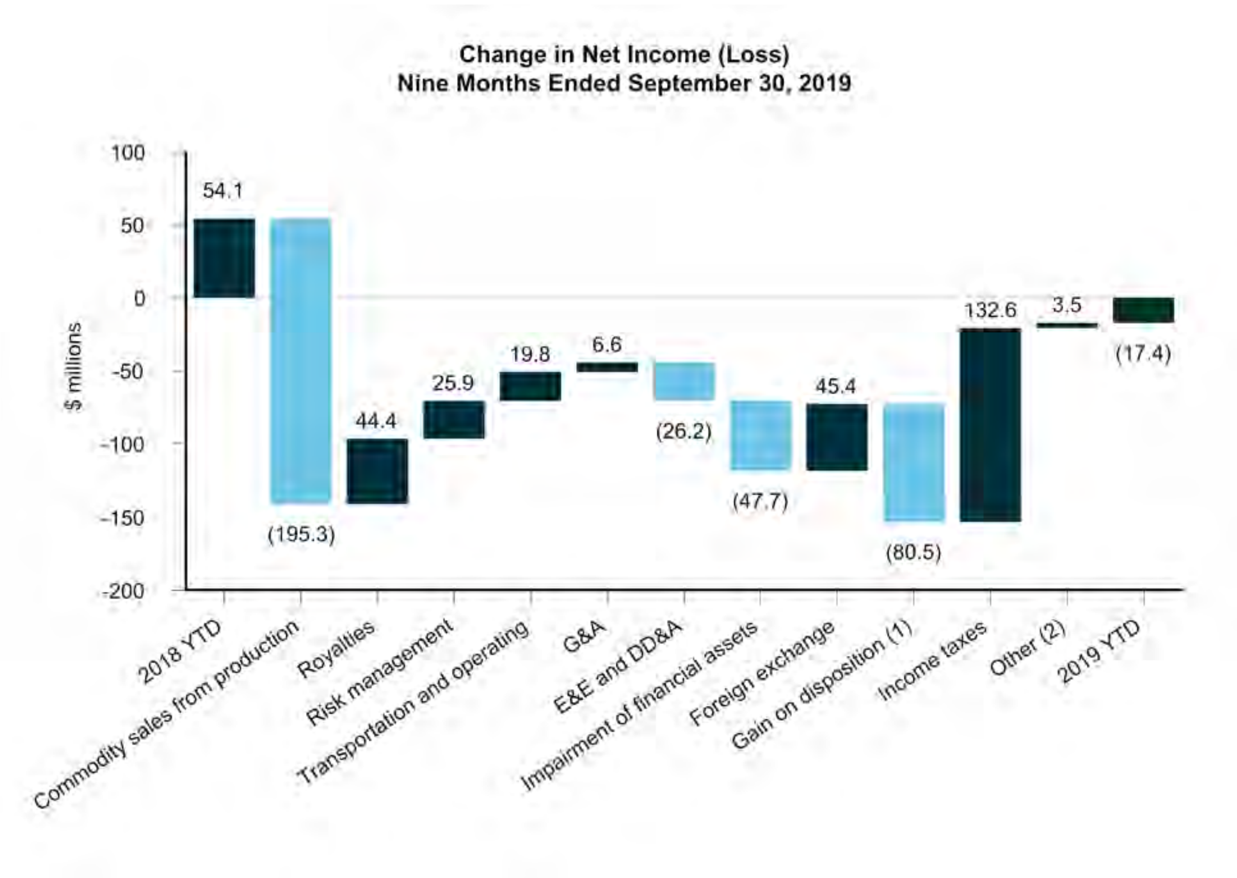
Exhibit 3



(1) Includes Depletion, depreciation and amortization ("DD&A") and impairment.
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, and gain on sale of reclamation fund.

During the nine months ended September 30, 2019, ARC recognized a net loss of $17.4 million (loss of $0.05 per share) compared to net income of $54.1 million ($0.15 per share) during the same period of the prior year. The $71.5 million decrease is primarily attributed to lower revenue from commodity sales of $195.3 million, a recognition of impairment of financial assets of $47.7 million in 2019, and no recorded gain on disposition in the first nine months of 2019 compared to $80.5 million recognized during the same period of the prior year. Offsetting these items are decreased royalties of $44.4 million, a foreign exchange gain of $19.8 million compared to a foreign exchange loss of $25.6 million and income tax recovery of $101.6 million compared to income tax expense of $31.0 million for the first nine months of the prior year.

Exhibit 3a



(1) Includes gains related to disposals of PP&E.
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, and gain on sale of reclamation fund.

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 and to repay debt. Management believes that such a measure provides an insightful assessment of the performance 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 13 "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			Nine Months Ended	
($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Net income (loss)	94.4	**(57.2)**	45.1	**(17.4)**	54.1
Adjusted for the following non-cash items:					
Impairment of financial assets	8.5	**39.2**	—	**47.7**	—
DD&A and impairment	135.2	**132.4**	114.5	**406.6**	369.1
Accretion of ARO	1.9	**1.8**	2.5	**5.6**	9.3
E&E expense	—	**—**	7.1	**—**	11.3
Deferred tax recovery	(47.4)	**(12.0)**	(3.6)	**(89.6)**	(4.5)
Unrealized loss on risk management contracts	15.2	**30.8**	55.3	**192.5**	223.5
Unrealized loss (gain) on foreign exchange	(15.7)	**9.4**	(15.9)	**(24.0)**	26.7
Gain on disposal of petroleum and natural gas properties	—	**—**	—	**—**	(80.5)
Other	0.9	**1.0**	—	**3.2**	1.4
Funds from operations	193.0	**145.4**	205.0	**524.6**	610.4
Net change in other liabilities	(7.9)	**(1.5)**	(2.4)	**(8.6)**	(8.8)
Change in non-cash working capital	8.7	**6.1**	27.4	**(43.9)**	36.6
Cash flow from operating activities	193.8	**150.0**	230.0	**472.1**	638.2

Details of the change in funds from operations from the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2019 are included in Table 5 below:

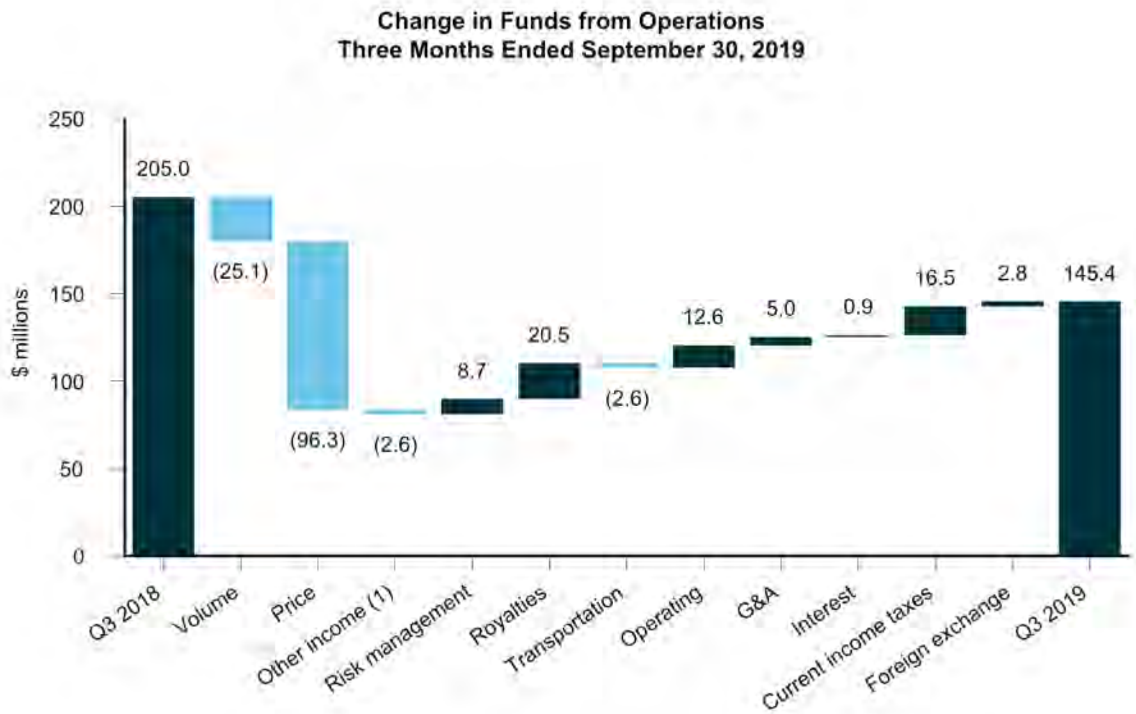
Table 5

	Three Months Ended September 30		Nine Months Ended September 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2018	205.0	0.58	610.4	1.73
Volume variance				
Crude oil and liquids	**(29.2)**	**(0.08)**	**(69.9)**	**(0.20)**
Natural gas	**4.1**	**0.01**	**28.7**	**0.08**
Price variance				
Crude oil and liquids	**(62.9)**	**(0.18)**	**(128.9)**	**(0.36)**
Natural gas	**(33.4)**	**(0.09)**	**(25.2)**	**(0.08)**
Sales of commodities purchased from third parties	**(17.2)**	**(0.05)**	**(31.9)**	**(0.09)**
Interest income	**(2.8)**	**(0.01)**	**(2.0)**	**(0.01)**
Other income	**0.4**	**—**	**1.4**	**—**
Realized gain on risk management contracts	**8.7**	**0.02**	**(5.1)**	**(0.01)**
Royalties	**20.5**	**0.06**	**44.4**	**0.13**
Expenses				
Commodities purchased from third parties	**17.0**	**0.05**	**32.1**	**0.09**
Operating	**12.6**	**0.04**	**35.0**	**0.10**
Transportation	**(2.6)**	**(0.01)**	**(15.2)**	**(0.04)**
G&A	**5.0**	**0.01**	**7.5**	**0.02**
Interest and financing (1)	**0.9**	**—**	**1.1**	**—**
Current income taxes	**16.5**	**0.05**	**47.5**	**0.13**
Realized gain (loss) on foreign exchange	**2.8**	**0.01**	**(5.3)**	**(0.01)**
Funds from operations – 2019	**145.4**	**0.41**	**524.6**	**1.48**

(1) Excludes accretion of ARO.

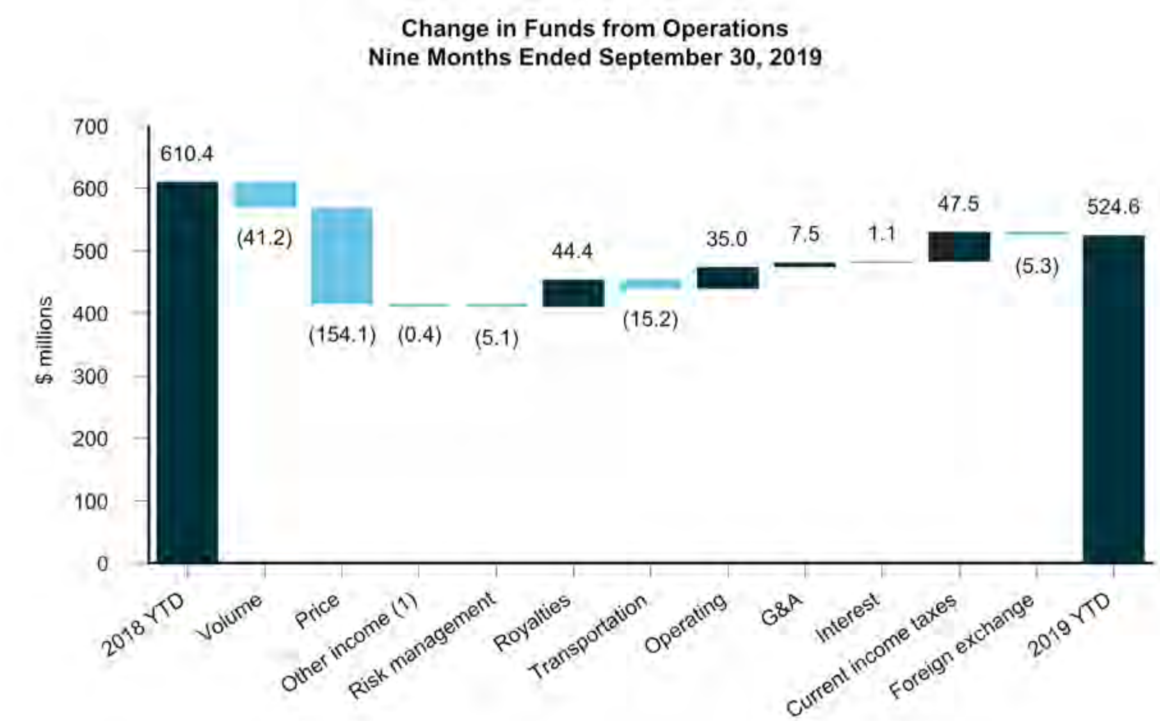
Funds from operations decreased by 29 per cent in the third quarter of 2019 to $145.4 million ($0.41 per share) from $205.0 million ($0.58 per share) generated in the third quarter of 2018. For the nine months ended September 30, 2019, funds from operations decreased by $85.8 million to $524.6 million ($1.48 per share) from $610.4 million ($1.73 per share) in the same period of 2018. The decrease in funds from operations for the three and nine months ended September 30, 2019 primarily reflects weaker commodity prices, and lower crude oil production. Increased natural gas and condensate production, lower royalties, operating and current income tax 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.

Exhibit 4a



(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

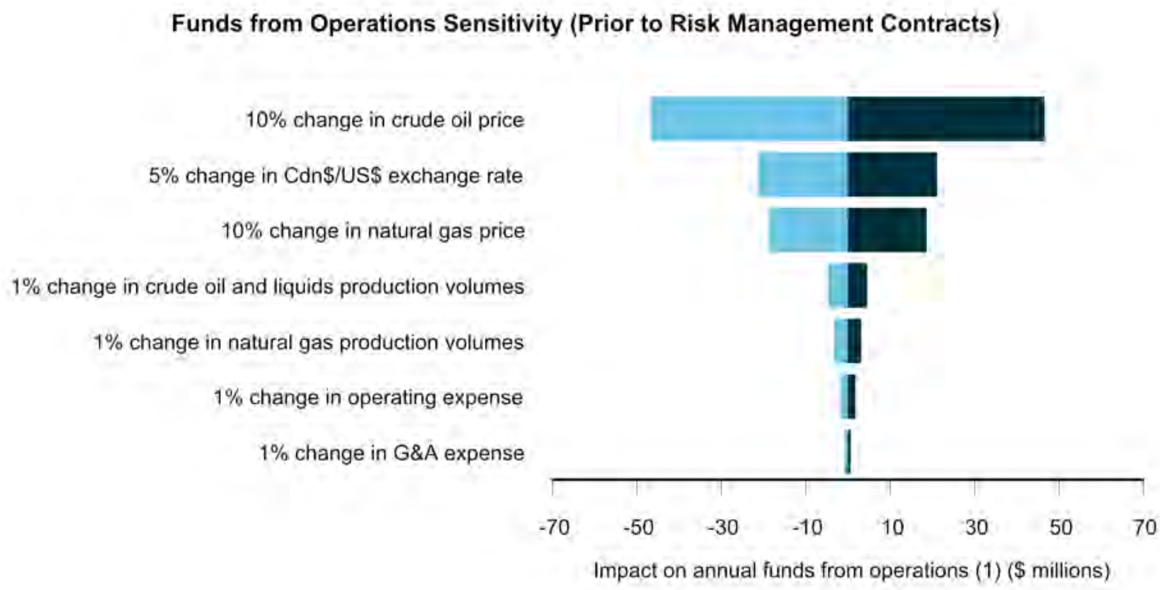
Table 6 illustrates sensitivities of operating items (prior to the impact of risk management contracts) to operational and business environment changes and the resulting impact on net income (loss) and funds from operations:

Table 6

			Impact on Annual Funds from Operations [5]		Impact on Annual Net Income (Loss)	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment [1]						
Crude oil price [2]	66.30	10%	46.7	0.132	46.7	0.132
Natural gas price [2]	2.04	10%	18.7	0.053	18.7	0.053
Cdn$/US$ exchange rate [2][3]	1.33	5%	21.2	0.060	21.2	0.060
Interest rate on floating-rate debt [2]	3.32%	0.5%	—	—	—	—
Operational [4]						
Crude oil and liquids production (bbl/d)	34,930	1%	4.6	0.013	2.8	0.008
Natural gas production (MMcf/d)	607.9	1%	3.2	0.009	0.7	0.002
Operating expense ($/boe)	5.11	1%	1.8	0.005	1.8	0.005
G&A expense ($/boe)	1.40	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 nine months ended September 30, 2019. Refer to Table 11 contained within 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 nine months ended September 30, 2019.
(5) Refer to Note 13 "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 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

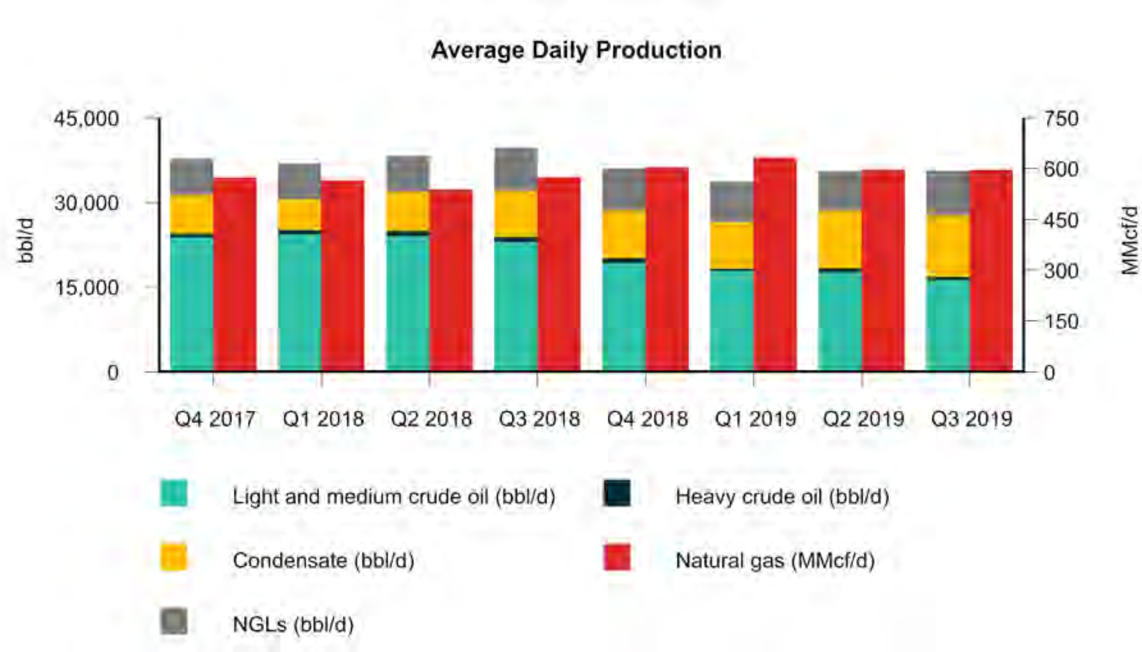
Table 7

	Three Months Ended				Nine Months Ended		
Production	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Light and medium crude oil (bbl/d)	17,585	**16,224**	22,952	(29)	**17,219**	23,737	(27)
Heavy crude oil (bbl/d)	687	**558**	915	(39)	**544**	858	(37)
Condensate (bbl/d)	10,230	**10,846**	8,158	33	**9,772**	6,884	42
Natural gas (MMcf/d)	596.4	**595.4**	574.2	4	**607.9**	559.0	9
NGLs (bbl/d)	7,041	**7,952**	7,687	3	**7,395**	6,804	9
Total production (boe/d)	134,938	**134,813**	135,410	—	**136,253**	131,451	4
Natural gas production (%)	74	**74**	71	3	**74**	71	3
Crude oil and liquids production (%)	26	**26**	29	(3)	**26**	29	(3)

For the three and nine months ended September 30, 2019, crude oil and liquids production decreased 10 per cent and nine per cent, respectively, as compared to the same periods in the prior year. Increases in condensate and NGLs production were more than offset by lower crude oil production. The decrease in crude oil production is primarily due to the sale of non-core assets throughout 2018 as well as natural declines of certain oil-producing properties while the increase in condensate volume reflects continued drilling and completions activity in northeast British Columbia.

For the three and nine months ended September 30, 2019, natural gas production increased four per cent and nine per cent, respectively, as compared to the same periods in the prior year. The increases were largely driven by increased volumes processed at the Sunrise Phase II gas processing facility during the third quarter of 2019 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
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Q3 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 third quarter of 2019 and 2018:

Table 8

	Three Months Ended September 30, 2019				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**38,513**	—	2,069	207.9	1,799
Parkland/Tower	**35,624**	3,434	6,653	127.4	4,302
Sunrise	**31,608**	—	68	189.1	24
Ante Creek	**14,919**	5,680	474	44.8	1,304
Pembina	**9,898**	7,517	153	10.9	404
Attachie West	**2,495**	—	1,255	7.0	72
All other	**1,756**	151	174	8.3	47
Total	**134,813**	**16,782**	**10,846**	**595.4**	**7,952**

	Three Months Ended September 30, 2018				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	47,593	—	2,680	257.6	1,975
Parkland/Tower	30,650	7,512	1,738	105.9	3,747
Sunrise	21,564	—	89	128.6	39
Ante Creek	16,635	6,392	601	50.2	1,278
Pembina	10,650	8,122	170	11.3	469
Attachie West	4,363	—	2,647	9.7	96
All other	3,955	1,841	233	10.9	83
Total	135,410	23,867	8,158	574.2	7,687

Exhibit 7

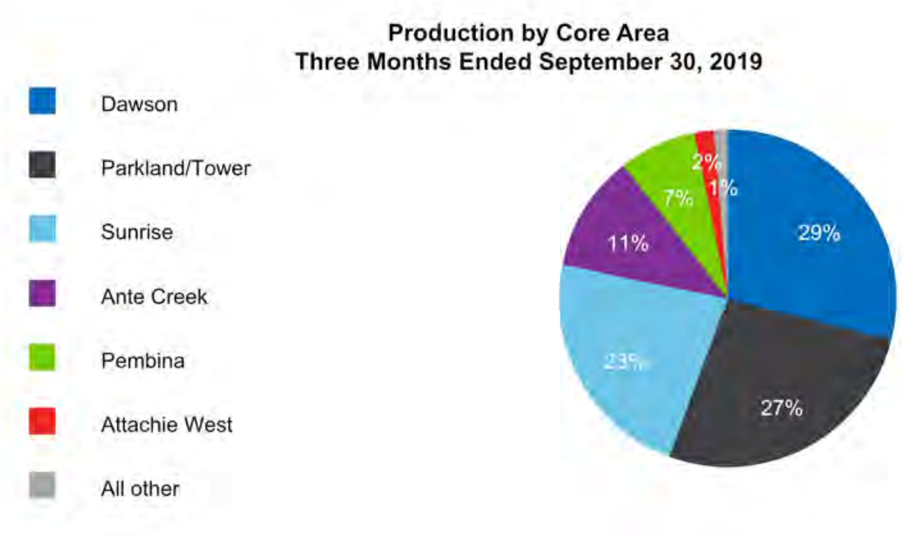


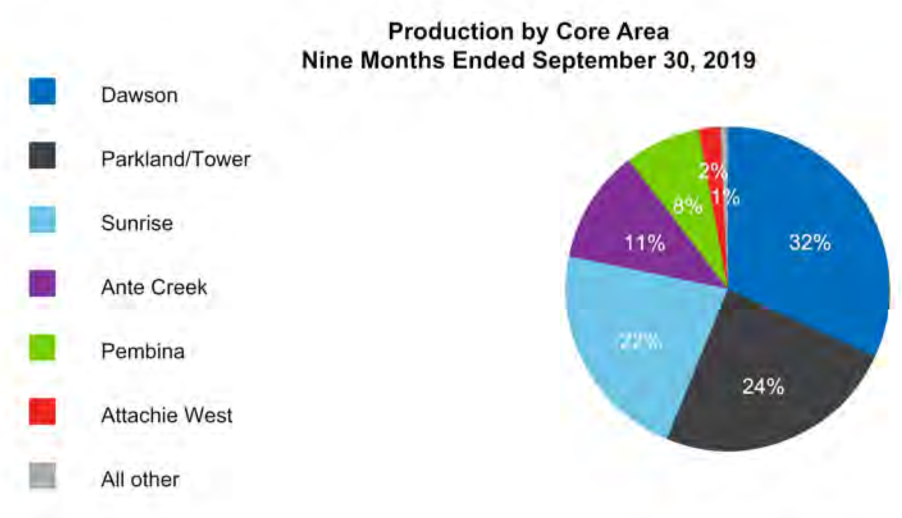
Table 8a summarizes ARC's production by core area for the nine months ended September 30, 2019 and 2018:

Table 8a

	Nine Months Ended September 30, 2019				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**43,130**	—	2,446	233.9	1,706
Parkland/Tower	**32,839**	3,885	4,998	120.9	3,813
Sunrise	**29,904**	—	60	178.9	27
Ante Creek	**15,365**	5,845	436	46.5	1,333
Pembina	**10,189**	7,768	148	11.1	429
Attachie West	**2,915**	—	1,521	8.1	47
All other	**1,911**	265	163	8.5	40
Total	**136,253**	**17,763**	**9,772**	**607.9**	**7,395**

	Nine Months Ended September 30, 2018				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	44,741	—	2,552	242.9	1,706
Parkland/Tower	28,942	6,716	1,800	104.2	3,068
Sunrise	22,014	—	80	131.4	34
Ante Creek	16,101	6,362	477	48.0	1,269
Pembina	11,035	8,503	165	11.3	475
Attachie West	2,498	—	1,518	5.6	40
All other	6,120	3,014	292	15.6	212
Total	131,451	24,595	6,884	559.0	6,804

Exhibit 7a



Commodity Sales from Production

During the three and nine months ended September 30, 2019, commodity sales from production decreased by 32 per cent and 18 per cent compared to the same periods in 2018. The decrease primarily reflects lower average realized commodity prices and lower crude oil production, partially offset by increased natural gas and condensate production.

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

Table 9

		Three Months Ended			Nine Months Ended		
Commodity Sales from Production ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Crude oil	116.8	**100.0**	172.6	(42)	**321.5**	507.2	(37)
Condensate	66.4	**65.6**	64.0	3	**179.9**	156.3	15
Natural gas [(1)]	94.7	**84.3**	113.6	(26)	**337.8**	334.3	1
NGLs	5.0	**3.8**	24.9	(85)	**25.2**	61.9	(59)
Total commodity sales from production	282.9	**253.7**	375.1	(32)	**864.4**	1,059.7	(18)

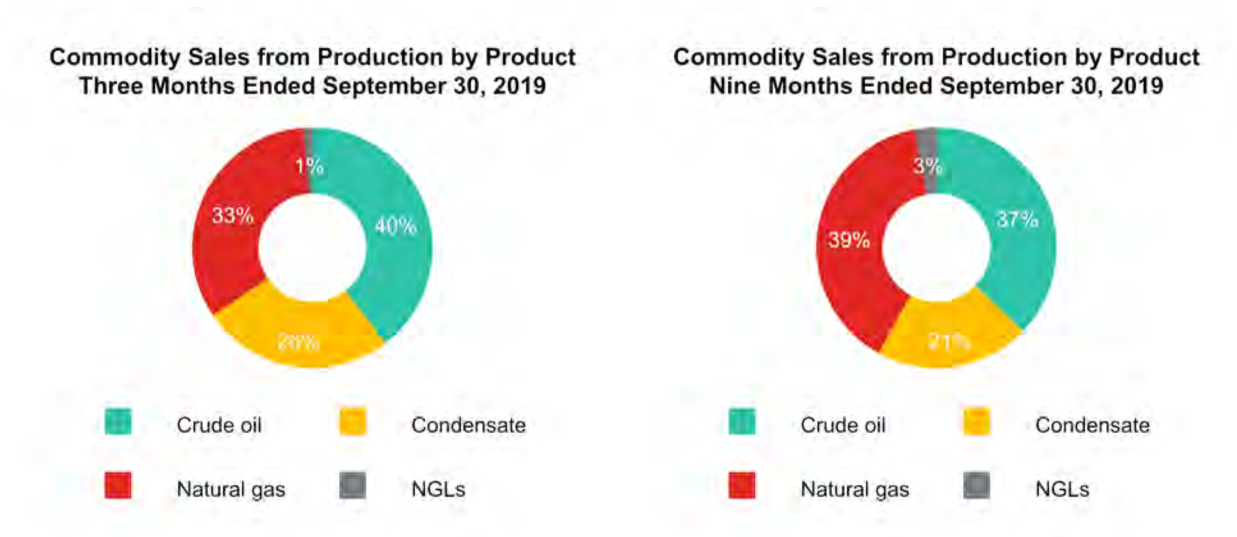
(1) Includes $3.4 million and $11.4 million of natural gas transportation revenue from contracts assigned temporarily to third parties for the three and nine months ended September 30, 2019 ($nil for both the three and nine months ended September 30, 2018), respectively.

While ARC's production mix, on a per boe basis, is weighted more heavily to natural gas than to crude oil and liquids, ARC's commodity sales contribution is more heavily weighted to its crude oil and liquids production as seen in Table 10:

Table 10

		Three Months Ended		Nine Months Ended	
% of Commodity Sales from Production by Product Type	June 30, 2019	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Crude oil and liquids	67	**67**	70	**61**	68
Natural gas	33	**33**	30	**39**	32
Total commodity sales from production	100	**100**	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			Nine Months Ended		
	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	2.64	**2.23**	2.90	(23)	**2.67**	2.90	(8)
Chicago Citygate Monthly Index (US$/MMBtu)	2.45	**2.03**	2.75	(26)	**2.60**	2.87	(9)
AECO 7A Monthly Index (Cdn$/Mcf)	1.17	**1.04**	1.35	(23)	**1.39**	1.41	(1)
WTI crude oil (US$/bbl)	59.91	**56.44**	69.43	(19)	**57.10**	66.79	(15)
Cdn$/US$ exchange rate	1.34	**1.32**	1.31	1	**1.33**	1.29	3
WTI crude oil (Cdn$/bbl)	80.28	**74.50**	90.95	(18)	**75.94**	86.16	(12)
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	73.98	**68.35**	81.84	(16)	**69.61**	78.22	(11)
Condensate Stream Price at Edmonton (Cdn$/bbl)	74.85	**68.66**	86.18	(20)	**70.23**	84.63	(17)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	70.26	**64.79**	78.62	(18)	**66.30**	75.54	(12)
Condensate ($/bbl)	71.38	**65.70**	85.28	(23)	**67.44**	83.15	(19)
Natural gas ($/Mcf)	1.74	**1.54**	2.15	(28)	**2.04**	2.19	(7)
NGLs ($/bbl)	7.71	**5.25**	35.26	(85)	**12.50**	33.36	(63)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	23.04	**20.46**	30.12	(32)	**23.24**	29.53	(21)

Benchmark Commodity Prices
Global crude oil prices continued to decrease in the third quarter of 2019 averaging 19 per cent lower than the third quarter of 2018 and six per cent lower than the second quarter of 2019. Weak global macroeconomic sentiment and global trade uncertainty continue to elevate concerns of an economic slowdown, despite heightened geopolitical tension in the Middle East and over two million barrels per day of global supply off-line.

Canadian stream prices decreased throughout the third quarter of 2019 compared to the prior quarter primarily due to lower global benchmark prices and a stronger Canadian dollar. The differentials between WTI and MSW and condensate pricing have been relatively unchanged from the previous quarter with the continuance of the Alberta government-mandated, province-wide crude oil production curtailments.

An increase in US natural gas production, combined with relatively low seasonal cooling demand, resulted in lower Henry Hub prices compared to both the prior quarter and the third quarter of 2018. Weakness in near-term global gas prices has also put downward pressure on North American prices as an influx of new liquefied natural gas ("LNG") supply entered the world market at a time when global inventory levels were elevated and demand growth was moderate. Despite the weakness in global natural gas prices, LNG exports by the United States reached nearly seven Bcf per day in the third quarter of 2019.

Western Canadian natural gas prices decreased in the third quarter of 2019 compared to both the prior quarter and the third quarter of 2018. Despite strong local demand, ongoing third-party maintenance resulted in system restrictions that limited both exports and storage injections, putting downward pressure on local natural gas prices.

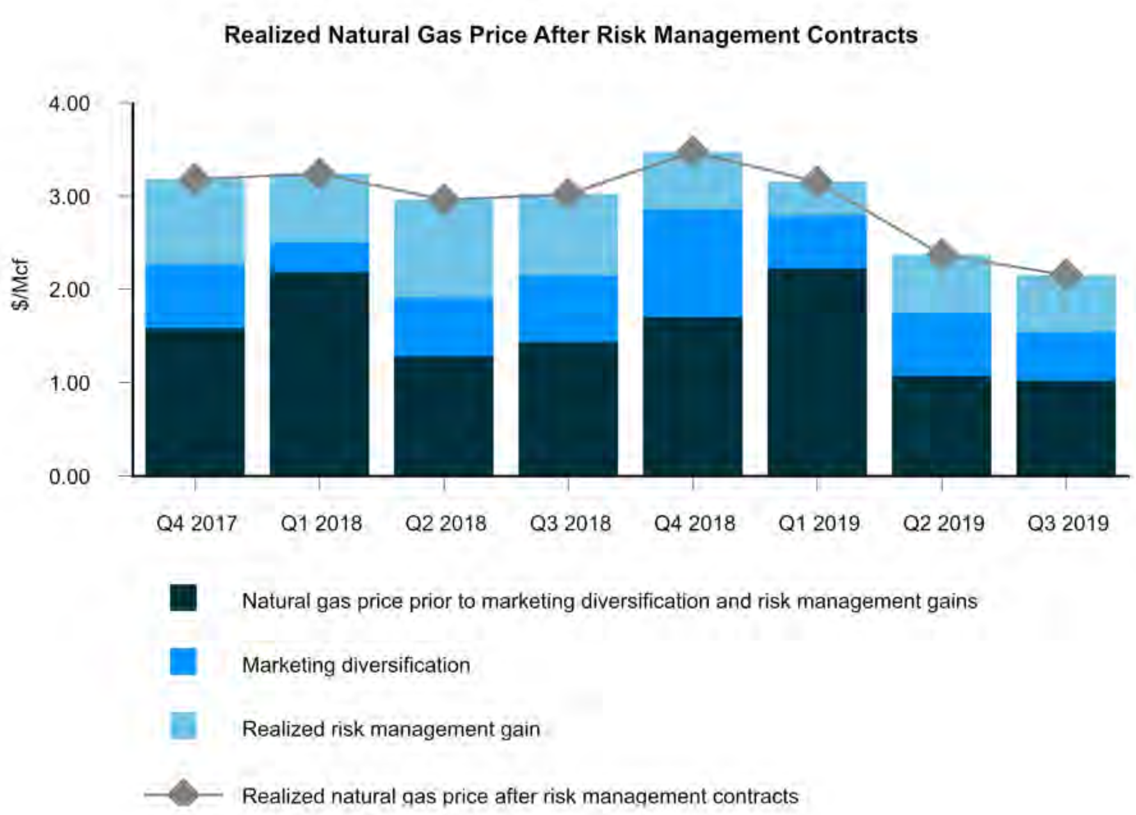
ARC's Realized Commodity Prices
During the three and nine months ended September 30, 2019, ARC's realized crude oil price decreased 18 per cent and 12 per cent, respectively, compared to the same periods in 2018. The decrease reflects lower WTI benchmark prices of 18 per cent and 12 per cent for the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018. ARC's realized condensate price for the three and nine months ended September 30, 2019 decreased 23 per cent and 19 per cent, respectively, compared to the same periods in the prior year primarily due to lower WTI benchmark prices.

ARC's natural gas sales are physically and financially diversified to multiple sales points including AECO, Station 2, US Midwest, Dawn, and Malin hubs, each of which impact ARC's realized natural gas price. ARC's realized natural gas price for the three and nine months ended September 30, 2019 decreased by 28 per cent and seven per cent, respectively, compared to the same periods in the prior year.

During the three and nine months ended September 30, 2019, physical sales diversification activities added $0.52 per Mcf and $0.59 per Mcf, respectively, to ARC's realized natural gas price as compared to $0.72 per Mcf and $0.56 per Mcf in the same periods in 2018. Additionally, a realized gain on natural gas risk management contracts added a further $0.61 per Mcf and $0.53 per Mcf for the three and nine months ended September 30, 2019 ($0.87 per Mcf and $0.88 per Mcf for the same periods in 2018), respectively, which is not included in ARC's realized natural gas price.

Realized pricing for NGLs decreased $30.01 per boe (85 per cent) and $20.86 per boe (63 per cent) for the three and nine months ended September 30, 2019, respectively, compared to the same periods in the prior year. The decrease reflects broad weakness in North American supply and demand fundamentals and is primarily related to lower propane and butane pricing. The decrease in NGLs pricing for the three and nine months ended September 30, 2019 resulted in decreases in Commodity sales from production of $21.1 million and $36.7 million, respectively.

Exhibit 9



Risk Management Contracts

Tables 12 and 12a summarize the total gain or loss on risk management contracts for the three and nine months ended September 30, 2019 compared to the same periods in 2018:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q3 2019 Total**	Q3 2018 Total
Realized gain (loss) on contracts [1]	(4.9)	33.5	(0.2)	**28.4**	19.7
Unrealized gain (loss) on contracts [2]	22.9	(53.8)	0.1	**(30.8)**	(55.3)
Gain (loss) on risk management contracts	**18.0**	**(20.3)**	**(0.1)**	**(2.4)**	(35.6)

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

Table 12a

Risk Management Contracts ($ millions)	Crude Oil & Liquids	Natural Gas	Foreign Currency	2019 YTD Total	2018 YTD Total
Realized gain (loss) on contracts [1]	(14.5)	87.8	(0.4)	**72.9**	78.0
Unrealized gain (loss) on contracts [2]	(24.7)	(171.0)	3.2	**(192.5)**	(223.5)
Gain (loss) on risk management contracts	**(39.2)**	**(83.2)**	**2.8**	**(119.6)**	(145.5)

(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 and nine months ended September 30, 2019, ARC's realized gain on risk management contracts primarily reflects positive cash settlements received on AECO Basis, AECO, and NYMEX Henry Hub natural gas contracts. This is partially offset by cash payments made on WTI and MSW crude oil contracts related to higher WTI realized pricing and tighter MSW differentials during the period.

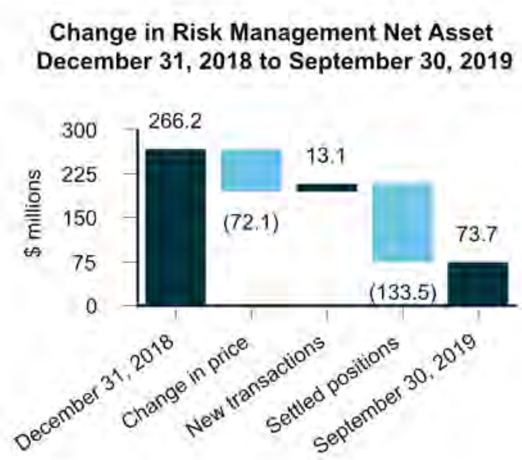
ARC's unrealized gain on crude oil contracts for the three months ended September 30, 2019 reflects lower forward curve pricing for WTI and a stronger Canadian dollar relative to the US dollar compared to the end of the previous quarter. During the nine months ended September 30, 2019, the unrealized loss on crude oil contracts reflects higher forward WTI pricing compared to the end of the previous year.

ARC's unrealized loss on natural gas contracts for the three and nine months ended September 30, 2019 reflects higher forward curve pricing for AECO and a narrowing of the AECO basis curve, partially offset by lower NYMEX Henry Hub forward curve pricing.

For more information, refer to Note 14 "Financial Instruments and Market Risk Management" in the financial statements.

The fair value of ARC’s risk management contracts at September 30, 2019 was a net asset of $73.7 million, representing the expected value of settlement of ARC’s contracts at the balance sheet date after adjustments for credit risk. This comprises a net asset of $47.1 million for natural gas contracts and a net asset of $26.6 million for crude oil contracts.

Exhibit 10



Netback

The components of ARC's netback for the three and nine months ended September 30, 2019 compared to the same periods in 2018 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended				Nine Months Ended		
Netback ($ millions) (1)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Commodity sales from production	282.9	**253.7**	375.1	(32)	**864.4**	1,059.7	(18)
Royalties	(15.7)	**(15.6)**	(36.1)	(57)	**(50.3)**	(94.7)	(47)
Operating	(62.0)	**(62.6)**	(75.2)	(17)	**(190.2)**	(225.2)	(16)
Transportation	(36.8)	**(36.8)**	(34.2)	8	**(110.6)**	(95.4)	16
Netback	168.4	**138.7**	229.6	(40)	**513.3**	644.4	(20)
Realized gain on risk management contracts	24.2	**28.4**	19.7	44	**72.9**	78.0	(7)
Netback after gain on risk management contracts	192.6	**167.1**	249.3	(33)	**586.2**	722.4	(19)

(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				Nine Months Ended		
Netback ($ per boe) (1)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Commodity sales from production	23.04	**20.46**	30.12	(32)	**23.24**	29.53	(21)
Royalties	(1.28)	**(1.26)**	(2.90)	(57)	**(1.36)**	(2.64)	(48)
Operating	(5.05)	**(5.05)**	(6.04)	(16)	**(5.11)**	(6.28)	(19)
Transportation	(3.00)	**(2.97)**	(2.75)	8	**(2.97)**	(2.66)	12
Netback	13.71	**11.18**	18.43	(39)	**13.80**	17.95	(23)
Realized gain on risk management contracts	1.97	**2.29**	1.58	45	**1.96**	2.17	(10)
Netback after gain on risk management contracts	15.68	**13.47**	20.01	(33)	**15.76**	20.12	(22)

(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.

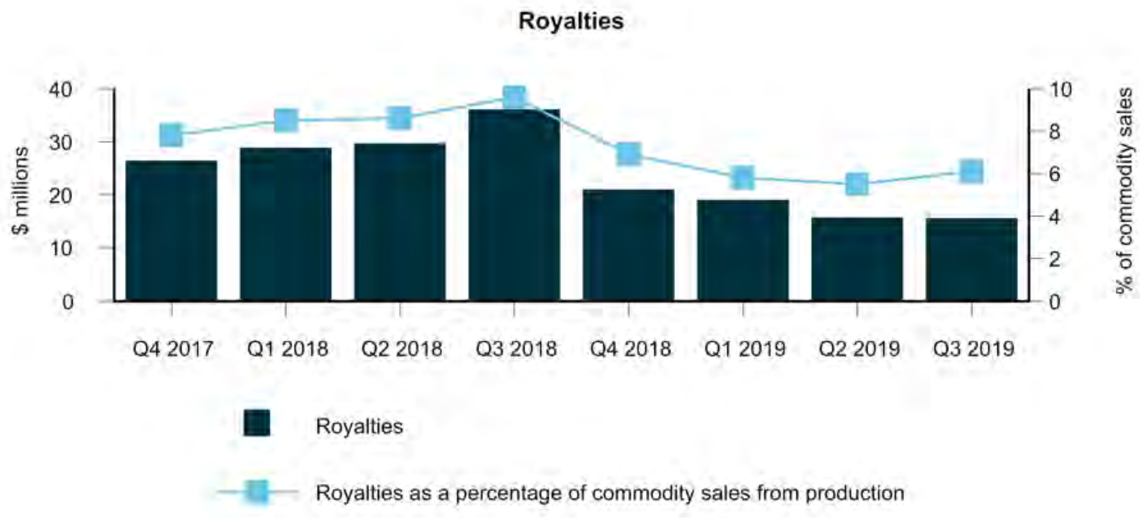
Exhibit 11

(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 and nine months ended September 30, 2019 were $15.6 million and $50.3 million ($36.1 million and $94.7 million for the same periods in 2018), respectively. As a percentage of commodity sales from production, royalties decreased to 6.1 per cent ($1.26 per boe) in the third quarter of 2019 from 9.6 per cent ($2.90 per boe) in the third quarter of 2018. For the nine months ended September 30, 2019, royalties represented 5.8 per cent of commodity sales from production ($1.36 per boe) as compared to 8.9 per cent ($2.64 per boe) in the same period in 2018. The decrease in total royalties and royalties as a percentage of commodity sales from production for the three and nine months ended September 30, 2019, is primarily reflective of a lower royalty rate on crude oil production due to decreased commodity prices compared to the same period in 2018.

Exhibit 12



Operating

Operating expense decreased by $12.6 million in the third quarter of 2019 to $62.6 million as compared to $75.2 million in the third quarter of 2018. For the nine months ended September 30, 2019, operating expense decreased by $35.0 million to $190.2 million as compared to $225.2 million in the same period of the prior year. The decrease in operating expense for the three and nine months ended September 30, 2019 is primarily due to various dispositions of non-core assets throughout 2018 that had higher average operating costs.

On a per boe basis, operating expense decreased $0.99 per boe to $5.05 per boe in the third quarter of 2019 compared to $6.04 per boe in the third quarter of 2018. For the nine months ended September 30, 2019 operating expense decreased by $1.17 per boe to $5.11 per boe compared to $6.28 per boe in the nine months ended September 30, 2018. Operating expense on a per boe basis continues to decrease as ARC grows production in areas with lower average operating expense and disposes of non-core properties with higher average operating expense.

Lease payments of $0.3 million and $1.1 million for the three and nine months ended September 30, 2019, respectively, which had 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.

Exhibit 13

Transportation

Transportation expense for the three and nine months ended September 30, 2019 was $36.8 million and $110.6 million ($34.2 million and $95.4 million for the three and nine months ended September 30, 2018), respectively. On a per boe basis, transportation expense for both the three and nine months ended September 30, 2019 was $2.97 per boe ($2.75 per boe and $2.66 per boe for the three and nine months ended September 30, 2018, respectively). The increase for the three and nine months ended September 30, 2019 relative to the same periods in 2018 primarily reflects higher trucking charges and pipeline tariffs for increased condensate and natural gas volumes associated with new production in northeast British Columbia. Additionally, tariffs for transportation agreements, which have been temporarily assigned to a third party as part of ARC's physical marketing diversification efforts, increased transportation expense in 2019 compared to the first nine months of the prior year. There is no impact to ARC's 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 future transportation commitments, refer to Note 19 "Commitments and Contingencies" in the financial statements.

Exhibit 14

G&A Expense and Share-Based Compensation

G&A expense before share-based compensation decreased by seven per cent to $14.3 million in the third quarter of 2019 from $15.4 million in the third quarter of 2018. For the nine months ended September 30, 2019, ARC's G&A expense before share-based compensation was $43.4 million, a $2.2 million decrease from $45.6 million in the same period of 2018. Office lease payments of $1.9 million and $5.8 million for the three and nine months ended September 30, 2019, respectively, which have previously been recognized in G&A are now classified as repayments of lease obligations following the Company's adoption of IFRS 16. Refer to the section entitled "Financial Reporting Update" contained within this MD&A. Additionally, there was a decrease in the value of the DSU Plan resulting in lower directors compensation expense, which was partially offset by lower capitalized G&A and increased corporate costs.

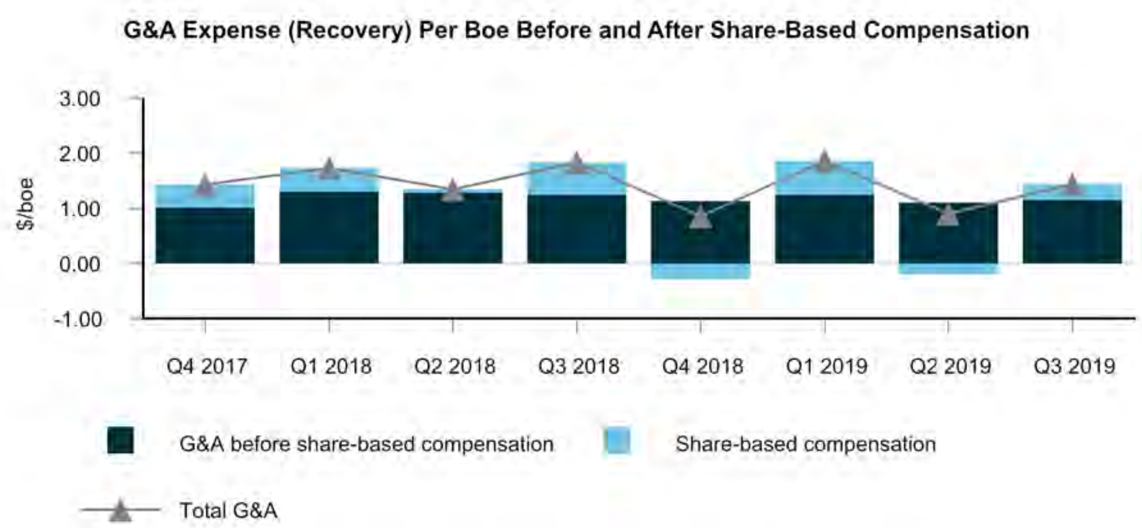
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

	Three Months Ended				Nine Months Ended		
G&A and Share-Based Compensation ($ millions, except per boe)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
G&A expense before share-based compensation expense (1)	13.5	**14.3**	15.4	(7)	**43.4**	45.6	(5)
G&A – share-based compensation expense (2)	(2.5)	**3.6**	7.4	(51)	**8.8**	13.2	(33)
Total G&A expense	11.0	**17.9**	22.8	(21)	**52.2**	58.8	(11)
G&A expense before share-based compensation expense per boe	1.10	**1.15**	1.24	(7)	**1.16**	1.27	(9)
G&A – share-based compensation expense per boe	(0.20)	**0.29**	0.59	(51)	**0.24**	0.37	(35)
Total G&A expense per boe	0.90	**1.44**	1.83	(21)	**1.40**	1.64	(15)

(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, effective with PSU awards granted during the nine months ended September 30, 2019. For these awards and all those granted subsequent to 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 the Board's overall assessment of management and corporate 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 grants will be made under the Share Option Plan in 2019. Outstanding share option grants will continue to vest on schedule.

Restricted Share Unit and Performance Share Unit Plans

At September 30, 2019, ARC had 2.2 million RSUs and 3.4 million PSUs outstanding under these plans. For the three and nine months ended September 30, 2019, ARC recognized G&A expense of $2.6 million and $4.6 million in relation to the RSU and PSU Plans (G&A expense of $6.0 million and $8.6 million for the three and nine months ended September 30, 2018), respectively. The decrease in expense recognized for the three and nine months ended September 30, 2019 as compared to the same periods in 2018 is due to the change in valuation of awards outstanding throughout the respective periods. At September 30, 2019, ARC's share price on the Toronto Stock Exchange ("TSX") was $6.31, a two per cent decrease from the share price of $6.41 at June 30, 2019 and a 22 per cent decrease from $8.10 at December 31, 2018. This compares to a six per cent increase and a two per cent decrease per share outstanding during the same periods of the prior year. The value of ARC's performance multiplier, applicable to its PSU awards, also decreased for the three and nine months ended September 30, 2019 compared to the prior year, primarily from the decline of ARC's total return performance relative to the total return performance of its peers.

During the nine months ended September 30, 2019, ARC made cash payments of $7.9 million in respect of the RSU and PSU Plans ($15.9 million for the nine months ended September 30, 2018). Of these payments, $6.1 million were in respect of amounts recognized as G&A ($12.6 million for the nine months ended September 30, 2018) and $1.8 million were in respect of amounts recognized as Operating and capitalized as PP&E and E&E ($3.3 million for the nine months ended September 30, 2018). These amounts were accrued in prior periods.

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

Table 15

RSU and PSU Awards (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	**1,763**	**—**	**1,917**	**3,680**
Distributed	**(433)**	**(573)**	**—**	**(1,006)**
Forfeited	**(59)**	**(217)**	**(35)**	**(311)**
Balance, September 30, 2019	**2,213**	**1,480**	**1,882**	**5,575**

(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 $14.0 million and $56.4 million will be paid out in 2020 through 2022 based on the current share price, accrued dividends, ARC's market performance relative to its peers, and ARC's corporate scorecard achievements. 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 awards outstanding under the RSU and PSU Plans as at September 30, 2019:

Table 16

Value of RSU and PSU Awards as at September 30, 2019	**Performance Multiplier**		
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	2,213	2,213	2,213
PSUs (2)	—	3,362	6,724
Total awards	**2,213**	**5,575**	**8,937**
Share price (3)	6.31	6.31	6.31
Value of RSU and PSU awards upon vesting	**14.0**	**35.2**	**56.4**
2020	5.6	9.8	14.0
2021	4.8	10.7	16.7
2022	3.6	14.7	25.7

(1) Includes additional estimated awards to be issued under the RSU and PSU Plans for dividends accrued to-date.
(2) Includes all PSU awards.
(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 $6.31, which is based on the TSX closing share price at September 30, 2019.

Share Option Plan

At September 30, 2019, ARC had 5.1 million share options outstanding, representing 1.5 per cent of outstanding shares, with a weighted average exercise price of $17.41 per share. At September 30, 2019, approximately 1.3 million share options were exercisable with a weighted average exercise price of $23.16 per share. ARC recognized compensation expense of $0.9 million and $2.9 million relating to the Share Option Plan for the three and nine months ended September 30, 2019 ($1.2 million and $3.3 million for the three and nine months ended September 30, 2018), respectively.

Long-term Restricted Share Award Plan

At September 30, 2019, ARC had 0.7 million restricted shares outstanding under this plan. ARC recognized G&A expense of $0.2 million and $1.5 million relating to the LTRSA Plan during the three and nine months ended September 30, 2019 ($0.2 million and $1.3 million for the three and nine months ended September 30, 2018), respectively.

Deferred Share Unit Plan

At September 30, 2019, ARC had 0.9 million DSUs outstanding under this plan. For both the three and nine months ended September 30, 2019, G&A expense of $0.5 million was recognized in relation to the DSU Plan (G&A expense of $1.1 million and $2.6 million for the same periods in 2018), respectively. Amounts related to the DSU plan are recognized as G&A expense before share-based compensation expense.

During the nine months ended September 30, 2019, ARC made cash payments of $0.2 million in respect of the DSU plan ($nil for the nine months ended September 30, 2018).

Interest and Financing

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

Table 17

	Three Months Ended				Nine Months Ended		
Interest and Financing ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Bank debt and long-term notes	9.8	**9.5**	10.8	(12)	**29.5**	31.9	(8)
Lease obligations	0.4	**0.4**	—	100	**1.3**	—	100
Accretion on ARO	1.9	**1.8**	2.5	(28)	**5.6**	9.3	(40)
Total interest and financing	12.1	**11.7**	13.3	(12)	**36.4**	41.2	(12)

Interest and financing expense decreased 12 per cent for both the three and nine months ended September 30, 2019 compared to the same periods in the prior year from $13.3 million to $11.7 million and from $41.2 million to $36.4 million, respectively. The decrease for the three and nine months ended September 30, 2019 compared to the same periods of the prior year is primarily due to principal repayments on long-term notes that were made throughout 2018 and 2019 as well as a decrease in accretion on ARO, stemming from the disposal of non-core properties in 2018. Beginning in the first quarter of 2019, ARC recognizes 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.

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange loss of $9.0 million in the third quarter of 2019 compared to a gain of $13.5 million in the third quarter of 2018. During the three months ended September 30, 2019, the value of the US dollar relative to the Canadian dollar increased to $1.32 from $1.31 at June 30, 2019. During the three months ended September 30, 2018, the value of the US dollar relative to the Canadian dollar decreased to $1.29 from $1.31 at June 30, 2018.

ARC recognized a foreign exchange gain of $19.8 million for the nine months ended September 30, 2019 compared to a loss of $25.6 million for the nine months ended September 30, 2018. During the nine months ended September 30, 2019 the value of the US dollar relative to the Canadian dollar decreased to $1.32 from $1.36 at December 31, 2018. During the nine months ended September 30, 2018 the value of the Canadian dollar increased to $1.29 from $1.25 at December 31, 2017.

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

Table 18

	Three Months Ended				Nine Months Ended		
Foreign Exchange Gain and Loss ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Unrealized gain (loss) on US dollar-denominated debt	15.4	**(9.1)**	13.9	(165)	**24.5**	(28.4)	186
Unrealized gain (loss) on US dollar-denominated receivables	0.3	**(0.3)**	2.0	(115)	**(0.5)**	1.7	(129)
Realized gain (loss) on US dollar-denominated transactions	(0.5)	**0.4**	(2.4)	117	**(4.2)**	1.1	482
Total foreign exchange gain (loss)	15.2	**(9.0)**	13.5	(167)	**19.8**	(25.6)	177

Taxes

ARC recognized current income tax recoveries of $2.0 million and $12.0 million for the three and nine months ended September 30, 2019, respectively, compared to expenses of $14.5 million and $35.5 million for the same periods in 2018. The current income tax recovery is primarily related to the Accelerated Investment Incentive deductions announced in the 2018 Federal Fall Economic Statement becoming substantively enacted in the second quarter of 2019. Additionally, commodity prices have decreased, resulting in lower expected taxable income for the three and nine months ended September 30, 2019 as compared to the same periods in the prior year.

For the three and nine months ended September 30, 2019, deferred income tax recoveries of $12.0 million and $89.6 million were recognized, compared to recoveries of $3.6 million and $4.5 million for the same periods in 2018. The increase in the deferred tax recovery for the nine months ended September 30, 2019 is primarily related to a reduction in the deferred tax rate as a result of the Alberta general corporate income tax rate reductions that were substantively enacted in the second quarter of 2019. The Alberta general corporate income tax rates will decrease to 11 per cent effective July 1, 2019, and will further decrease by one per cent on January 1 of each subsequent year to eight per cent in 2022.

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)	**September 30, 2019**	**Annual Deductibility**
Canadian oil and gas property expense	92.0	10% declining balance
Canadian development expense	855.4	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	861.3	Primarily 25% declining balance
Other	23.0	Various rates, 7% declining balance to 20%, and capital losses
Total federal tax pools	1,831.7	
Additional Alberta tax pools	2.9	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment

For the three and nine months ended September 30, 2019, ARC recognized DD&A expense related to its PP&E assets before any impairment charges or related reversals of $131.1 million and $400.0 million, as compared to $137.3 million and $383.6 million for the three and nine months ended September 30, 2018, respectively. The decrease in DD&A for the three months ended September 30, 2019 compared to the same period in the prior year primarily reflects a decrease in production as a result of turnaround activity. The increase in DD&A for the nine months ended September 30, 2019 compared to the same period in the prior year primarily reflects an increase in production in 2019.

In conjunction with the adoption of IFRS 16, ARC recognized DD&A expense related to its right-of-use ("ROU") assets under lease of $1.5 million and $4.7 million for the three and nine months ended September 30, 2019. Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

During the three and nine months ended September 30, 2019, ARC recognized impairment charges of $1.7 million and $3.9 million concurrent with the disposition of certain non-core assets during the year. Refer to Note 7 "Property, Plant and Equipment" in the financial statements. The remainder of impairment charges (reversal) relates to post-closing adjustments on previously disposed assets.

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

Table 20

	Three Months Ended				**Nine Months Ended**		
DD&A Expense ($ millions, except per boe amounts)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Depletion of crude oil and natural gas assets	129.9	**129.5**	135.6	(4)	**395.4**	379.2	4
Depreciation of corporate assets	1.5	**1.6**	1.7	(6)	**4.6**	4.4	5
Depreciation of ROU assets under lease	1.6	**1.5**	—	100	**4.7**	—	100
Impairment (reversal)	2.2	**(0.2)**	(22.8)	(99)	**1.9**	(14.5)	113
Total DD&A expense and impairment (reversal)	135.2	**132.4**	114.5	16	**406.6**	369.1	10
DD&A expense per boe, excluding impairment (reversal)	10.83	**10.69**	11.02	(3)	**10.88**	10.69	2

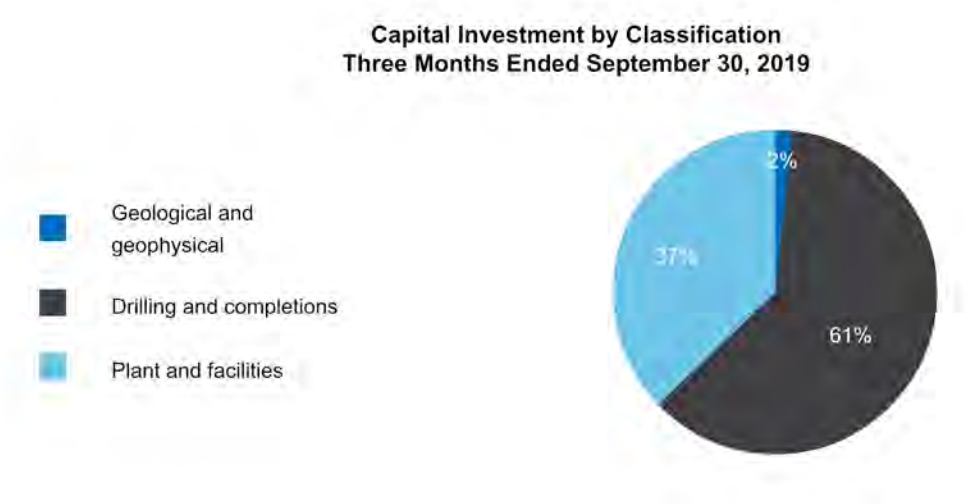
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the third quarter of 2019 and 2018 is shown in Table 21:

Table 21

	Three Months Ended September 30						
	2019			2018			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.1**	**2.6**	**2.7**	0.1	3.3	3.4	(21)
Drilling and completions	**1.0**	**97.6**	**98.6**	1.5	112.7	114.2	(14)
Plant and facilities	**—**	**60.0**	**60.0**	0.7	50.5	51.2	17
Corporate assets	**—**	**0.6**	**0.6**	—	0.5	0.5	20
Total capital expenditures	**1.1**	**160.8**	**161.9**	2.3	167.0	169.3	(4)
Undeveloped land	**—**	**0.7**	**0.7**	—	—	—	100
Total capital expenditures including undeveloped land purchases	**1.1**	**161.5**	**162.6**	2.3	167.0	169.3	(4)
Acquisitions	**—**	**—**	**—**	—	—	—	—
Dispositions	**—**	**(2.8)**	**(2.8)**	—	(96.2)	(96.2)	(97)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**1.1**	**158.7**	**159.8**	2.3	70.8	73.1	119

Exhibit 16



A breakdown of capital expenditures, acquisitions and dispositions for the nine months ended September 30, 2019 and 2018 is shown in Table 21a:

Table 21a

	Nine Months Ended September 30						
	2019			2018			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.3**	**15.6**	**15.9**	1.8	7.7	9.5	67
Drilling and completions	**0.3**	**334.5**	**334.8**	42.8	313.1	355.9	(6)
Plant and facilities	**0.5**	**197.3**	**197.8**	11.1	168.9	180.0	10
Corporate assets	**—**	**1.3**	**1.3**	—	2.4	2.4	(46)
Total capital expenditures	**1.1**	**548.7**	**549.8**	55.7	492.1	547.8	—
Undeveloped land	**—**	**0.7**	**0.7**	0.4	0.3	0.7	—
Total capital expenditures including undeveloped land purchases	**1.1**	**549.4**	**550.5**	56.1	492.4	548.5	—
Acquisitions	**0.2**	**—**	**0.2**	—	0.2	0.2	—
Dispositions	**—**	**(3.9)**	**(3.9)**	—	(195.2)	(195.2)	(98)
Total capital expenditures, land purchases and net acquisitions and dispositions	**1.3**	**545.5**	**546.8**	56.1	297.4	353.5	55

Exhibit 16a

ARC invested $161.9 million and $549.8 million in capital expenditures, before land purchases and net property acquisitions and dispositions during the three and nine months ended September 30, 2019, respectively. Investment activity included drilling and completions activities across ARC's asset base, with the drilling of 26 and 70 wells and the completion of 29 and 68 wells for the three and nine months ended September 30, 2019, respectively. Capital investment was also focused on the ongoing construction of the Dawson Phase IV gas processing and liquids-handling facility, the Ante Creek facility expansion, initial investments for the first phase of development at Attachie West, as well as the development of water-handling and gas processing facilities at Tower, Dawson, and Ante Creek. At Dawson, the turnaround and final work required for the Dawson Phase I and II liquids-handling upgrade was completed in the third quarter of 2019 and the facility was commissioned early in the fourth quarter of 2019.

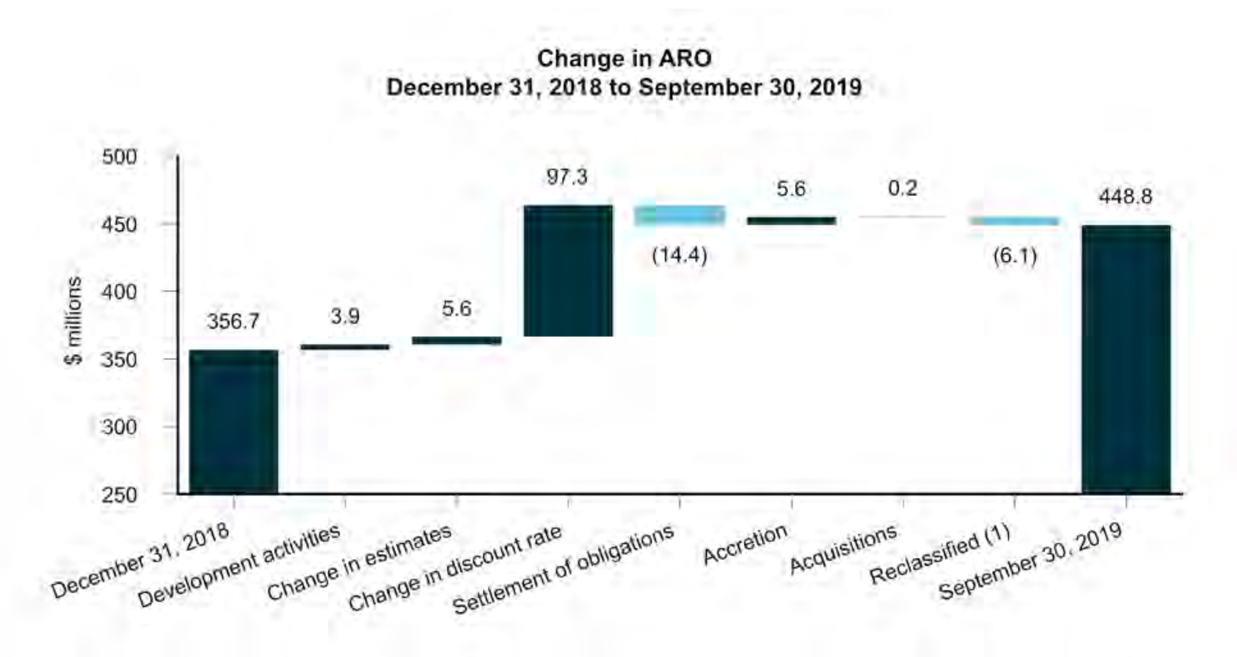
For information regarding ARC's planned capital expenditures for 2020, refer to the November 7, 2019 news release entitled *"ARC Resources Ltd. Reports Third Quarter 2019 Financial and Operational Results and Announces $500 Million Capital Program for 2020"* available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

Asset Retirement Obligations

At September 30, 2019, ARC has recognized ARO of $448.8 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 and 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 1.5 per cent (2.2 per cent at December 31, 2018).

Accretion charges of $1.8 million and $5.6 million for the three and nine months ended September 30, 2019 ($2.5 million and $9.3 million for the same periods in 2018), respectively, have been recognized in Interest and financing in the statements of income to reflect the increase in ARO associated with the passage of time. ARC has a planned and scheduled approach to its abandonment and reclamation activities. Actual spending under ARC's program for the three and nine months ended September 30, 2019 was $2.2 million and $14.4 million ($3.5 million and $9.7 million for the same periods in 2018), respectively.

Exhibit 17



(1) Reclassified as liabilities associated with assets held for sale and disposed in the period.

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 goal is to internally finance its dividend and 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.

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 September 30, 2019 and December 31, 2018 is outlined in Table 22:

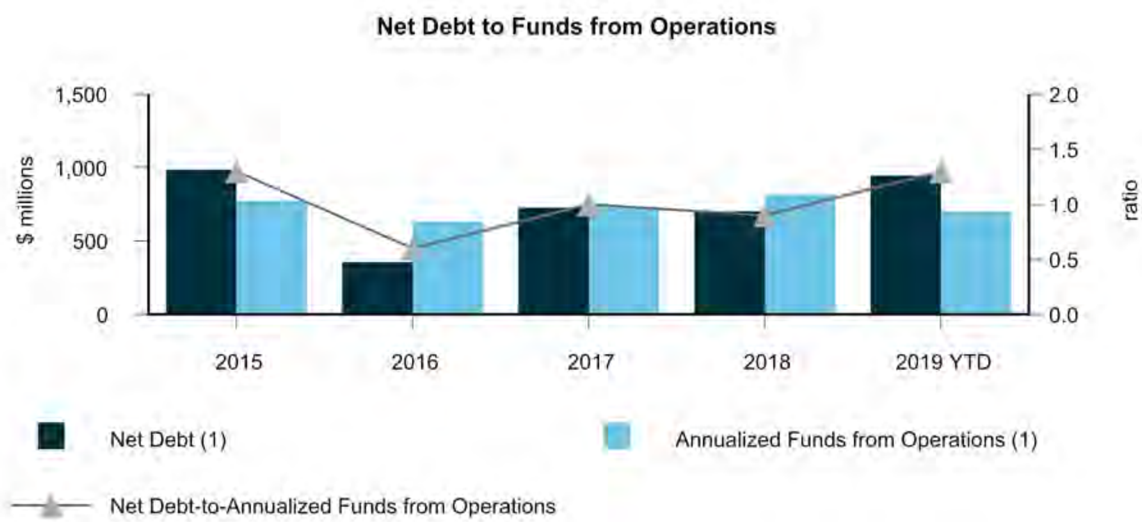
Table 22

Capital Structure and Liquidity ($ millions, except ratio amounts)	**September 30, 2019**	December 31, 2018
Long-term debt [(1)]	**842.8**	909.2
Lease obligations [(2)]	**48.1**	—
Accounts payable and accrued liabilities	**158.6**	166.5
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(121.7)**	(390.7)
Net debt [(3)]	**945.5**	702.7
Net debt to annualized funds from operations (ratio) [(3)]	**1.3**	0.9

(1) Includes a current portion of long-term debt of $152.4 million at September 30, 2019 and $80.5 million at December 31, 2018.
(2) Includes a current portion of lease obligations of $8.5 million at September 30, 2019.
(3) Refer to Note 13 "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 is not expected to be impacted by this change. At September 30, 2019, ARC had $945.5 million of net debt outstanding and a net debt to 2019 annualized funds from operations ratio of 1.3 times.

Exhibit 18



(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

At September 30, 2019, ARC had total available credit capacity of approximately $2.1 billion with long-term debt of $842.8 million currently outstanding. ARC's long-term debt balance includes a current portion of $152.4 million at September 30, 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 long-term debt has a weighted average interest rate of 4.1 per cent. 91 per cent (US$577.5 million) of ARC's long-term debt outstanding at September 30, 2019 is denominated in US dollars.

ARC's debt agreements contain a number of covenants, all of which were met as at September 30, 2019. During the nine months ended September 30, 2019, ARC executed certain amendments to the note purchase agreements governing its senior notes. The amendments include additional language that modernize the agreements to align with current legislation as well as a modification of certain covenant calculations. It has been determined that these amendments do not comprise substantial modifications as they have not materially changed the future cash outflows of the senior notes. 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 following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description (1)	Estimated Position at September 30, 2019 (2)
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	146%
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	1,799%
Total Priority Indebtedness not to exceed two per cent of Total Assets	—
Total Indebtedness not to exceed 65 per cent of Present Asset Value (3)	25%
Total Indebtedness not to exceed 65 per cent of Present Asset Value (4)	28%

(1) Capitalized terms are as defined in the note purchase agreements.
(2) Estimated position, subject to final approval of the note holders.
(3) Pertains to senior notes issued under the 2009, 2010, and 2012 note agreements whereby the Present Asset Value is determined using a 10 per cent discount rate.
(4) Pertains to senior notes issued under the Master Shelf agreement whereby the Present Asset Value is determined using a 12 per cent discount rate.

The following table describes the significant financial covenants of the syndicated credit facility:

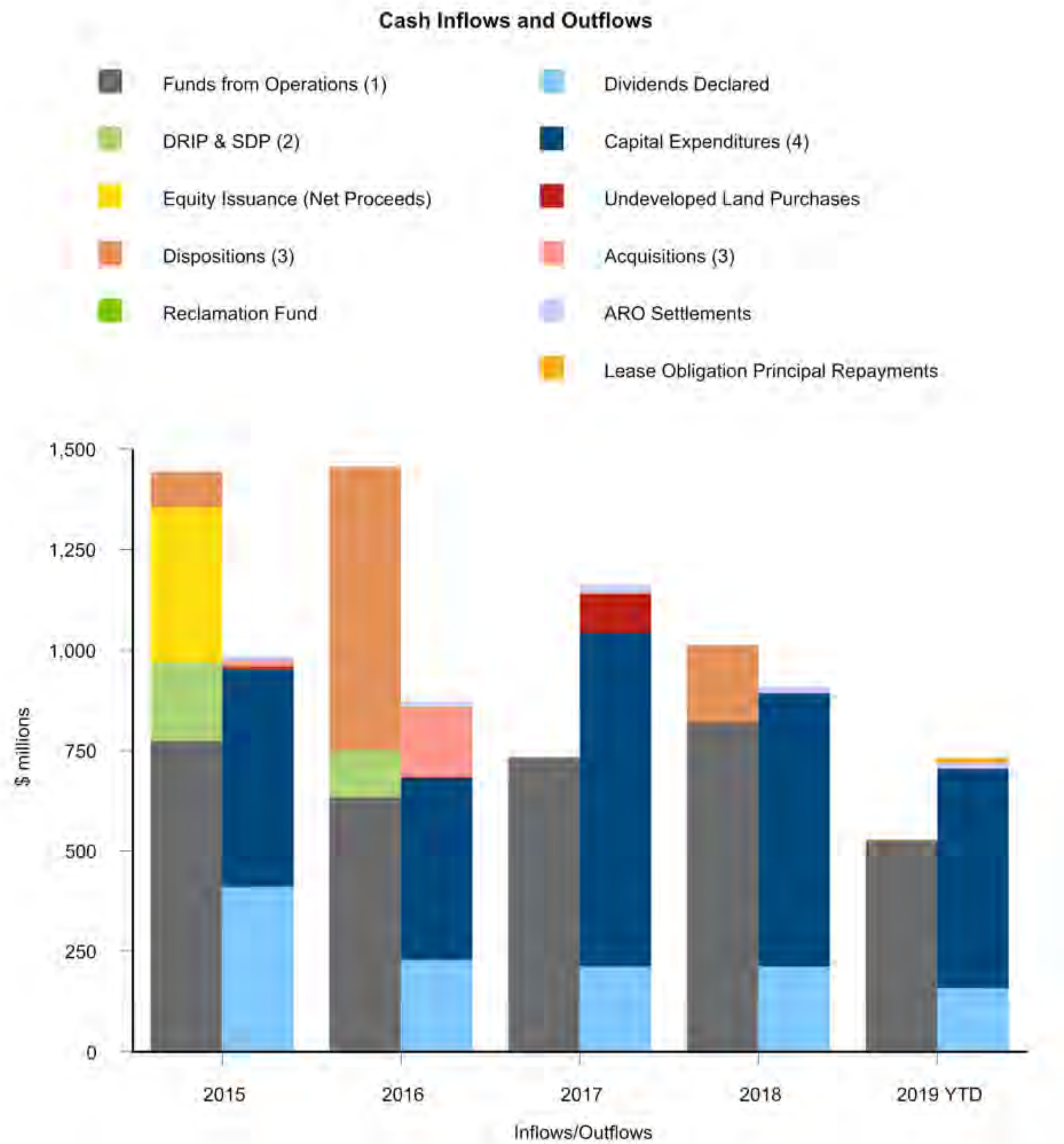
Table 23a

Covenant Description	Estimated Position at September 30, 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	1.1
Long-term debt, letters of credit, and subordinated debt not to exceed four times trailing 12-month net income before non-cash items, income taxes, and interest expense	1.1
Long-term debt and letters of credit not to exceed 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 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, the Board 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)	**524.6**	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)	**3.9**	156.1	—	705.4	88.8
Disposition of reclamation fund	**—**	36.5	—	—	—
Reclamation fund withdrawals	**—**	1.1	—	—	0.9
Total	**528.5**	1,012.7	734.9	1,455.8	1,444.7
Cash Outflows					
Dividends declared	**159.3**	212.3	212.3	228.2	410.5
Capital expenditures (4)	**544.8**	679.3	829.4	452.9	541.2
Undeveloped land purchases	**0.7**	0.7	97.6	2.7	6.7
Acquisitions (3)	**0.2**	0.2	2.5	172.9	14.4
ARO settlements	**14.4**	15.8	19.8	13.0	12.3
Lease obligation principal repayments	**11.6**	—	—	—	—
Reclamation fund contributions	**—**	—	0.6	2.0	—
Total	**731.0**	908.3	1,162.2	871.7	985.1

(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, the Board 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 September 30, 2019 and November 7, 2019, there were 353.4 million shares outstanding and 5.1 million share options outstanding under ARC's Share Option Plan. For more information on the Share Option Plan, refer to the section entitled "Share Option Plan" contained within this MD&A.

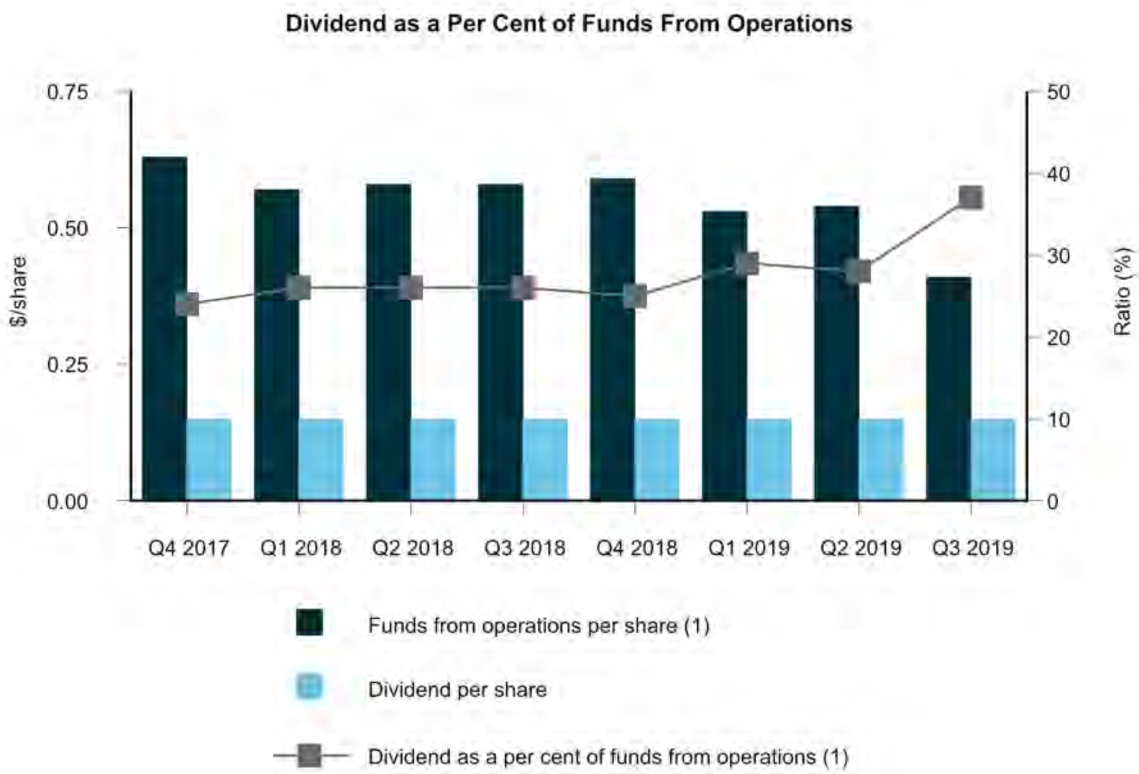
At September 30, 2019, ARC had 0.7 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

Dividends

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In the third quarter of 2019, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding) compared to $53.0 million ($0.15 per share outstanding) during the third quarter of 2018. At this time, ARC plans to sustain current dividend levels.

As a result of a decrease in funds from operations in the three and nine months ended September 30, 2019 compared to the same periods of the prior year, ARC's dividend as a per cent of funds from operations increased from an average of 26 per cent to an average of 37 per cent and 30 per cent, respectively.

Exhibit 20



(1) Refer to Note 13 "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 October 15, 2019, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on November 15, 2019 to shareholders of record on October 31, 2019 with an ex-dividend date of October 30, 2019.

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

ACCEL Canada Holdings Limited ("ACCEL")

In May 2018, ARC entered into a purchase and sale agreement (the "ACCEL PSA") with ACCEL to dispose of its interests in certain non-core assets located within the area of Redwater, Alberta (the "Transaction") for net proceeds of $130.3 million before post-closing adjustments. At closing, in August 2018, $90.3 million of the purchase price was received in cash with the remaining $40.0 million being recognized as deferred consideration payable on the earlier of January 2, 2020 or certain events of insolvency affecting ACCEL. Concurrent with closing, ARC and ACCEL executed a gross overriding royalty agreement providing for the reservation and grant of a gross overriding royalty payable on ACCEL's working interest in the hydrocarbons produced from the royalty lands included in the disposed assets in accordance with the royalty agreement.

In addition to the deferred consideration, ARC recognized in its accounts receivable at September 30, 2019, amounts owing from ACCEL in relation to post-closing adjustments and cash payments made by ARC on behalf of ACCEL after closing of the Transaction and while ARC continued to act as operator of the disposed assets. On May 31, 2019, ARC initiated a lawsuit against ACCEL for approximately $12.0 million for failure pay certain of these amounts.

On October 21, 2019, ACCEL filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*. As a result of these proceedings, ARC is contractually entitled to enforce its rights to payment of the deferred consideration but proceedings against ACCEL in this regard are now stayed by order of the courts.

At September 30, 2019, ARC recognized in its accounts receivable at September 30, 2019, amounts owing from ACCEL in relation to both post-closing adjustments and additional cash payments made on behalf of ACCEL after closing of the Transaction as well as the deferred consideration amount and accrued interest thereon. A provision for impairment of these financial assets of $47.7 million has been recognized against these receivables at period-end.

Refer to Note 5 "Financial Assets and Credit Risk" in the financial statements for further detail.

At September 30, 2019, the Alberta Energy Regulator had transferred substantially all relevant operating licenses of the assets under the ACCEL PSA from ARC to ACCEL. However, the operating licenses of certain assets (the “Outstanding Assets”) remain with ARC as of the date of this MD&A. The potential obligation associated with the future decommissioning cost of the Outstanding Assets is estimated to be not material to ARC’s financial statements.

On October 23, 2019, ACCEL filed a counterclaim against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation related to the ACCEL PSA. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC.

Environmental Regulation Impacting ARC

ARC operates in jurisdictions that regulate greenhouse gas emissions and other air pollutants. While some regulations are in effect, further changes and amendments are at various stages of review, discussion, and implementation. There is uncertainty around how any future federal legislation will harmonize with provincial regulation, as well as the timing and effects of regulations. Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. 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 and the Alberta Energy Regulator’s requirements, such that no deposits were required at September 30, 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 September 30, 2019, ARC's total contractual obligations and commitments were $2.5 billion ($2.7 billion at December 31, 2018). These include obligations and commitments in place at December 31, 2018, less purchase and service commitments that have been fulfilled and less debt and interest payments made in the nine months ended September 30, 2019. Operating leases previously included in ARC's contractual obligations and commitments are now disclosed on the balance sheet in conjunction with the adoption of IFRS 16. For more information, refer to Note 19 "Commitments and Contingencies" in the financial statements.

Off-Balance Sheet Financing

ARC does not have any guarantees or off-balance sheet arrangements that have been excluded from the balance sheet other than commitments disclosed in Note 19 "Commitments & Contingencies" of 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, condensate, NGLs, 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 PSU Plan that is dependent on the final number of PSU awards that eventually vest based on a performance multiplier.

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 nine months ended September 30, 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, condensate, NGLs, and natural gas 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;
- 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 and proximity of pipeline capacity;
- availability of processing capacity;
- availability of storage capacity;
- supply of and demand for crude oil, condensate, NGLs, 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 September 30, 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 and nine months ended September 30, 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, refer to Note 3 "Changes in Accounting Policies" in the financial statements.

Certain of ARC's performance measures including funds from operations, net debt, ROACE, and netback 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 netback. 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 13 "Capital Management" in the financial statements. For more information on ROACE and netback 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.

Netback
ARC calculates netback on a total and per boe basis as commodity sales from production less royalties, operating, and transportation expense. ARC also discloses netback 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 (loss) 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 13 "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

ROACE	Twelve Months Ended September 30, 2019	Twelve Months Ended December 31 2018	2017	2016	2015	2015-2018 Average [1]
Net income (loss)	**142.3**	213.8	388.9	201.3	(342.7)	115.3
Add: Interest	**41.5**	42.6	45.3	50.5	51.0	47.4
Add: Total income taxes (recovery)	**(24.6)**	108.0	135.9	41.4	(15.8)	67.4
Earnings before interest and taxes	**159.2**	364.4	570.1	293.2	(307.5)	230.1
Net debt - beginning of period	**667.8**	728.0	356.5	985.1	1,255.9	1,255.9
Shareholders' equity - beginning of period	**3,568.0**	3,668.9	3,484.8	3,388.5	3,551.8	3,551.8
Opening capital employed (A)	**4,235.8**	4,396.9	3,841.3	4,373.6	4,807.7	4,807.7
Net debt - end of period	**945.5**	702.7	728.0	356.5	985.1	702.7
Shareholders' equity - end of period	**3,502.1**	3,675.8	3,668.9	3,484.8	3,388.5	3,675.8
Closing capital employed (B)	**4,447.6**	4,378.5	4,396.9	3,841.3	4,373.6	4,378.5
Average capital employed (A+B)/2	**4,341.7**	4,387.7	4,119.1	4,107.5	4,590.7	4,593.1
ROACE (%)	**4**	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 2019 capital program including guidance and planned operations for 2019 as well as expected trends during the course of the year with respect to production and 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,” ARC's plans with respect to the financing of its operations and strategy regarding its net debt to annualized funds from operations under the heading "Capitalization, Financial Resources and Liquidity," 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	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Commodity sales from production	**253.7**	282.9	327.8	302.5	375.1	344.4	340.2	337.3
Per share, basic	**0.72**	0.80	0.93	0.86	1.06	0.97	0.96	0.95
Per share, diluted	**0.72**	0.80	0.93	0.86	1.06	0.97	0.96	0.95
Net income (loss)	**(57.2)**	94.4	(54.6)	159.7	45.1	(45.9)	54.9	73.9
Per share, basic	**(0.16)**	0.27	(0.15)	0.45	0.13	(0.13)	0.16	0.21
Per share, diluted	**(0.16)**	0.27	(0.15)	0.45	0.13	(0.13)	0.16	0.21
Funds from operations (1)	**145.4**	193.0	186.2	208.6	205.0	204.4	201.0	221.1
Per share, basic	**0.41**	0.54	0.53	0.59	0.58	0.58	0.57	0.63
Per share, diluted	**0.41**	0.54	0.53	0.59	0.58	0.58	0.57	0.63
Dividends declared	**53.1**	53.1	53.1	53.1	53.0	53.1	53.1	53.1
Per share (2)	**0.15**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**5,819.2**	5,878.9	5,952.4	6,016.2	5,846.3	6,059.8	6,235.7	6,224.0
Total liabilities	**2,317.1**	2,267.7	2,383.6	2,340.4	2,278.3	2,485.8	2,563.8	2,555.1
Net debt outstanding (3)	**945.5**	829.2	796.3	702.7	667.8	757.0	728.0	728.0
Weighted average shares, basic	**353.4**	353.4	353.4	353.4	353.5	353.5	353.5	353.5
Weighted average shares, diluted	**353.4**	353.9	353.4	353.9	354.0	353.5	353.8	353.8
Shares outstanding, end of period	**353.4**	353.4	353.4	353.4	353.4	353.5	353.5	353.5
CAPITAL EXPENDITURES								
Geological and geophysical	**2.7**	1.3	11.9	1.3	3.4	2.1	4.0	2.5
Drilling and completions	**98.6**	107.0	129.2	60.5	114.2	102.6	139.1	154.8
Plant and facilities	**60.0**	65.5	72.3	69.6	51.2	58.8	70.0	87.2
Corporate assets	**0.6**	0.4	0.3	0.2	0.5	1.3	0.6	0.6
Total capital expenditures	**161.9**	174.2	213.7	131.6	169.3	164.8	213.7	245.1
Undeveloped land	**0.7**	—	—	0.2	—	—	0.7	0.4
Total capital expenditures, including undeveloped land purchases	**162.6**	174.2	213.7	131.8	169.3	164.8	214.4	245.5
Acquisitions	**—**	—	0.2	—	—	—	0.2	2.2
Dispositions	**(2.8)**	(0.9)	(0.2)	(0.9)	(96.2)	(0.7)	(98.3)	—
Total capital expenditures, land purchases, and net acquisitions and dispositions	**159.8**	173.3	213.7	130.9	73.1	164.1	116.3	247.7
OPERATING								
Production								
Crude oil (bbl/d)	**16,782**	18,272	18,251	20,092	23,867	24,893	25,037	24,641
Condensate (bbl/d)	**10,846**	10,230	8,210	8,458	8,158	6,960	5,505	6,989
Crude oil and condensate (bbl/d)	**27,628**	28,502	26,461	28,550	32,025	31,853	30,542	31,630
Natural gas (MMcf/d)	**595.4**	596.4	632.5	603.3	574.2	537.9	564.9	572.4
NGLs (bbl/d)	**7,952**	7,041	7,183	7,402	7,687	6,380	6,332	6,380
Total (boe/d)	**134,813**	134,938	139,054	136,502	135,410	127,879	131,016	133,409
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**64.79**	70.26	63.72	43.30	78.62	78.57	69.50	67.29
Condensate ($/bbl)	**65.70**	71.38	64.81	57.25	85.28	85.10	77.42	69.04
Natural gas ($/Mcf)	**1.54**	1.74	2.79	2.85	2.15	1.91	2.50	2.27
NGLs ($/bbl)	**5.25**	7.71	25.43	29.12	35.26	32.98	31.39	35.31
Oil equivalent ($/boe)	**20.46**	23.04	26.20	24.09	30.12	29.59	28.85	27.48
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**7.85**	9.61	10.49	14.84	15.90	15.25	15.90	18.34
Low	**5.37**	6.37	7.82	7.38	12.70	12.71	11.88	13.64
Close	**6.31**	6.41	9.12	8.10	14.40	13.58	14.04	14.75
Average daily volume (thousands)	**1,838**	2,255	2,291	2,117	1,246	1,150	1,406	1,114

(1) Refer to Note 13 "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 13 "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 Q3

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**September 30, 2019**	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**6.4**	259.6
Accounts receivable (Note 5)	**104.6**	114.1
Prepaid expense	**10.7**	17.0
Risk management contracts (Note 14)	**66.8**	168.7
	188.5	559.4
Deferred consideration (Note 5)	**—**	40.0
Risk management contracts (Note 14)	**20.8**	102.1
Exploration and evaluation assets (Note 6)	**219.1**	217.1
Property, plant and equipment (Note 7)	**5,100.4**	4,849.4
Right-of-use assets (Notes 3 and 8)	**42.2**	—
Goodwill	**248.2**	248.2
Total assets	**5,819.2**	6,016.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**158.6**	166.5
Current portion of lease obligations (Notes 3 and 10)	**8.5**	—
Current portion of long-term debt (Note 11)	**152.4**	80.5
Current portion of asset retirement obligations (Note 12)	**19.5**	19.5
Dividends payable (Note 16)	**17.7**	17.7
Risk management contracts (Note 14)	**3.4**	0.3
	360.1	284.5
Risk management contracts (Note 14)	**10.5**	4.3
Long-term portion of lease obligations (Notes 3 and 10)	**39.6**	—
Long-term debt (Note 11)	**690.4**	828.7
Long-term incentive compensation liability (Note 18)	**12.3**	12.4
Other deferred liabilities	**5.2**	10.1
Asset retirement obligations (Note 12)	**429.3**	337.2
Deferred taxes	**769.7**	863.2
Total liabilities	**2,317.1**	2,340.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 16)	**4,658.3**	4,658.5
Contributed surplus	**31.1**	27.2
Deficit	**(1,187.3)**	(1,009.9)
Total shareholders' equity	**3,502.1**	3,675.8
Total liabilities and shareholders' equity	**5,819.2**	6,016.2
Commitments and contingencies (Note 19)		

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions, except per share amounts)	**2019**	2018	**2019**	2018
Commodity sales from production (Note 17)	**253.7**	375.1	**864.4**	1,059.7
Royalties	**(15.6)**	(36.1)	**(50.3)**	(94.7)
Sales of commodities purchased from third parties	**38.7**	55.9	**82.2**	114.1
Revenue from commodity sales	**276.8**	394.9	**896.3**	1,079.1
Interest income	**1.1**	3.9	**4.6**	6.6
Other income	**1.8**	1.4	**6.3**	4.9
Loss on risk management contracts (Note 14)	**(2.4)**	(35.6)	**(119.6)**	(145.5)
Total revenue, interest and other income and loss on risk management contracts	**277.3**	364.6	**787.6**	945.1
Commodities purchased from third parties	**38.9**	55.9	**82.7**	114.8
Operating	**62.6**	75.2	**190.2**	225.2
Transportation	**36.8**	34.2	**110.6**	95.4
Exploration and evaluation	**—**	7.1	**—**	11.3
General and administrative	**17.9**	22.8	**52.2**	58.8
Interest and financing (1)	**11.7**	13.3	**36.4**	41.2
Impairment of financial assets (Note 5)	**39.2**	—	**47.7**	—
Depletion, depreciation, amortization and impairment (Notes 7, 8 and 9)	**132.4**	114.5	**406.6**	369.1
Loss (gain) on foreign exchange	**9.0**	(13.5)	**(19.8)**	25.6
Gain on sale of reclamation fund	**—**	(0.9)	**—**	(0.9)
Gain on disposal of petroleum and natural gas properties	**—**	—	**—**	(80.5)
Total expenses	**348.5**	308.6	**906.6**	860.0
Net income (loss) before income taxes	**(71.2)**	56.0	**(119.0)**	85.1
Provision for (recovery of) income taxes				
Current	**(2.0)**	14.5	**(12.0)**	35.5
Deferred	**(12.0)**	(3.6)	**(89.6)**	(4.5)
Total income taxes (recovery)	**(14.0)**	10.9	**(101.6)**	31.0
Net income (loss)	**(57.2)**	45.1	**(17.4)**	54.1
Net income (loss) per share (Note 16)				
Basic	**(0.16)**	0.13	**(0.05)**	0.15
Diluted	**(0.16)**	0.13	**(0.05)**	0.15

(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 and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2019**	2018	**2019**	2018
Net income (loss)	**(57.2)**	45.1	**(17.4)**	54.1
Other comprehensive income				
Net unrealized gain on reclamation fund assets, net of tax	**—**	1.2	**—**	0.9
Realized gain on reclamation fund reclassified into earnings, net of tax	**—**	(0.8)	**—**	(0.8)
Other comprehensive income	**—**	0.4	**—**	0.1
Comprehensive income (loss)	**(57.2)**	45.5	**(17.4)**	54.2

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

ARC RESOURCES LTD.

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

For the nine months ended September 30

(Cdn$ millions)	**Shareholders' Capital (Note 16)**	**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	—	—	54.1	0.1	54.2
Recognized under share-based compensation plans (Note 18)	—	4.1	—	—	4.1
Dividends declared (Note 16)	—	—	(159.2)	—	(159.2)
September 30, 2018	4,658.5	26.0	(1,116.5)	—	3,568.0
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	**—**	**—**	**(17.4)**	**—**	**(17.4)**
Recognized under share-based compensation plans (Note 18)	**(0.2)**	**3.9**	**—**	**—**	**3.7**
Dividends declared (Note 16)	**—**	**—**	**(159.3)**	**—**	**(159.3)**
September 30, 2019	**4,658.3**	**31.1**	**(1,187.3)**	**—**	**3,502.1**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2019**	2018	**2019**	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**(57.2)**	45.1	**(17.4)**	54.1
Add items not involving cash:				
Unrealized loss on risk management contracts	**30.8**	55.3	**192.5**	223.5
Accretion of asset retirement obligations (Note 12)	**1.8**	2.5	**5.6**	9.3
Impairment of financial assets (Note 5)	**39.2**	—	**47.7**	—
Depletion, depreciation, amortization and impairment (Notes 7, 8 and 9)	**132.4**	114.5	**406.6**	369.1
Exploration and evaluation	**—**	7.1	**—**	11.3
Unrealized loss (gain) on foreign exchange	**9.4**	(15.9)	**(24.0)**	26.7
Gain on disposal of petroleum and natural gas properties	**—**	—	**—**	(80.5)
Deferred taxes	**(12.0)**	(3.6)	**(89.6)**	(4.5)
Other (Note 20)	**1.0**	—	**3.2**	1.4
Net change in other liabilities (Note 20)	**(1.5)**	(2.4)	**(8.6)**	(8.8)
Change in non-cash working capital (Note 20)	**6.1**	27.4	**(43.9)**	36.6
Cash flow from operating activities	**150.0**	230.0	**472.1**	638.2
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**182.7**	—	**182.7**	—
Repayment of long-term debt	**(160.8)**	(15.7)	**(223.9)**	(76.4)
Repayment of principal relating to lease obligations (Notes 3 and 10)	**(2.5)**	—	**(11.6)**	—
Cash dividends paid	**(53.1)**	(53.0)	**(159.3)**	(159.2)
Cash flow used in financing activities	**(33.7)**	(68.7)	**(212.1)**	(235.6)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of petroleum and natural gas properties (Note 6)	**—**	—	**(0.2)**	(0.2)
Disposal of petroleum and natural gas properties	**2.8**	96.2	**3.9**	195.2
Property, plant and equipment development expenditures (Note 7)	**(159.8)**	(166.9)	**(544.4)**	(492.1)
Exploration and evaluation asset expenditures (Note 6)	**(1.1)**	(2.3)	**(1.1)**	(56.1)
Net reclamation fund withdrawals	**—**	0.1	**—**	1.1
Disposition of reclamation fund	**—**	36.5	**—**	36.5
Change in non-cash working capital (Note 20)	**(2.5)**	(41.9)	**28.6**	(56.1)
Cash flow used in investing activities	**(160.6)**	(78.3)	**(513.2)**	(371.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(44.3)**	83.0	**(253.2)**	30.9
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**50.7**	168.1	**259.6**	220.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6.4**	251.1	**6.4**	251.1
The following are included in cash flow from operating activities:				
Income taxes paid (refunded) in cash	**(20.0)**	(0.6)	**20.6**	12.3
Interest paid in cash	**14.6**	14.2	**35.8**	35.9

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, "ARC" or the “Company”) 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. ARC's common shares are traded on the Toronto Stock Exchange under the symbol ARX.

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. 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 November 7, 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 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 September 30, 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 8 "Right-of-Use Assets", and Note 10 "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 $86.1 million have not been included in the measurement of ARC's lease obligation at September 30, 2019 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 September 30, 2019, $2.4 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 September 30, 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. FINANCIAL ASSETS AND CREDIT RISK

Credit risk is the risk of financial loss to ARC if a joint interest partner or counterparty to a product sales contract, financial instrument, or other financial transaction fails to meet its contractual obligations. At September 30, 2019, ARC is exposed to credit risk with respect to its accounts receivable and risk management contracts.

Credit risk is typically considered to be very low for the Company's accounts receivable and risk management contracts due to the external credit ratings of its counterparties and ARC's processes for selecting and monitoring credit-worthy counterparties. Most of ARC's accounts receivable relate to crude oil and liquids and natural gas sales and are subject to typical industry credit risks.

The following table details the composition of ARC's accounts receivable at September 30, 2019 and December 31, 2018:

Accounts Receivable Composition (1)	September 30, 2019	December 31, 2018
Commodity sales	**86.7**	84.9
Deferred consideration (2)	**10.0**	—
Joint interest and other	**7.9**	29.2
Balance	**104.6**	114.1

(1) Net of provision for expected credit loss ("ECL").
(2) At December 31, 2018, Deferred consideration was classified as a long-term asset.

Commodity Sales
At September 30, 2019, 82 per cent of ARC's accounts receivable were from commodity sales (74 per cent at December 31, 2018), of which approximately 81 per cent (approximately 85 per cent at December 31, 2018) were with customers who were considered to be investment-grade. At September 30, 2019 and at December 31, 2018, for accounts receivable of this type, ARC has recorded a nominal provision for its 12 month ECL.

Deferred Consideration
In August 2018, ARC recorded deferred consideration of $40.0 million related to the disposition of its interests in the area of Redwater, Alberta. Previously, ARC had assessed the credit risk associated with its deferred consideration to be low, as the risk of non-payment was mitigated by the execution of a gross overriding royalty agreement concurrent with the purchase and sale agreement, which provided for the reservation and grant of a gross overriding royalty payable on the counterparty's working interest in the hydrocarbons produced from the royalty lands included in the disposed assets (the "ACCEL GOR").

Subsequent to September 30, 2019, the counterparty filed for creditor protection under the *Bankruptcy and Insolvency Act*. Refer to Note 21 "Subsequent Event". As a result of this filing ARC determined there was a significant increase in the credit risk associated with this counterparty and determined its lifetime ECL. Previously ARC had assessed the 12 month ECL of the deferred consideration as nominal due to the reservation and grant of the ACCEL GOR. During both the three and nine months ended September 30, 2019, ARC reassessed the likelihood of collection as a 25 per cent probability and recognized an impairment charge of $32.7 million with respect to the deferred consideration and accrued interest. The increased ECL is a result of the uncertainty as to the possible outcomes related to the insolvency proceedings involving the counterparty.

Joint Interest and Other
In addition to the deferred consideration, ARC also has recognized in its joint interest and other accounts receivable amounts owing from the same counterparty related to post-closing adjustments and cash payments made on their behalf following a disposition of assets. In the prior quarter, ARC had assessed the lifetime ECL for these amounts and recognized an impairment charge of $8.5 million. During the three and nine months ended September 30, 2019, ARC has reassessed the likelihood of collection of these amounts as a zero per cent probability and recognized impairment charges of $6.5 million and $15.0 million with respect to the post-closing adjustments and cash payments.

The ECL provision recognized in ARC's accounts receivable balance at September 30, 2019 was $47.9 million (nominal at December 31, 2018).

At September 30, 2019, $nil of accounts receivable are past due ($7.8 million at December 31, 2018). ARC's accounts receivable were aged as follows at September 30, 2019 and December 31, 2018:

Accounts Receivable Aging	September 30, 2019	December 31, 2018
Current (less than 30 days)	**103.1**	101.4
31 - 60 days	**1.4**	3.0
61 - 90 days	**0.1**	1.9
Past due (more than 90 days)	**—**	7.8
Balance	**104.6**	114.1

Maximum credit risk is calculated as the total recorded value, before an ECL provision, of accounts receivable, and risk management contracts at the balance sheet date. For additional information on financial instruments refer to Note 14 "Financial Instruments and Market Risk Management".

6. EXPLORATION AND EVALUATION ASSETS

Carrying Amount	
Balance, December 31, 2018	217.1
Additions	**1.1**
Acquisitions	**0.2**
Change in asset retirement cost	**0.7**
Balance, September 30, 2019	**219.1**

7. 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	**548.7**	**1.3**	**550.0**
Change in asset retirement cost	**106.3**	**—**	**106.3**
Assets reclassified as held for sale and disposed in period	**(34.3)**	**—**	**(34.3)**
Reclassification of lease payments, net of capitalized depreciation	**(0.6)**	**—**	**(0.6)**
Balance, September 30, 2019	**9,081.7**	**77.1**	**9,158.8**
Accumulated DD&A and Impairment			
Balance, December 31, 2018	(3,636.8)	(51.2)	(3,688.0)
DD&A and impairment	**(388.4)**	**(4.6)**	**(393.0)**
Accumulated DD&A and impairment reclassified as held for sale and disposed in period	**22.6**	**—**	**22.6**
Balance, September 30, 2019	**(4,002.6)**	**(55.8)**	**(4,058.4)**
Carrying Amounts			
Balance, December 31, 2018	4,824.8	24.6	4,849.4
Balance, September 30, 2019	**5,079.1**	**21.3**	**5,100.4**

For the three and nine months ended September 30, 2019, $6.1 million and $19.5 million of direct and incremental overhead charges were capitalized to PP&E ($7.3 million and $22.4 million for the three and nine months ended September 30, 2018), respectively. Future development costs of $3.7 billion were included in the determination of DD&A for the nine months ended September 30, 2019 ($3.2 billion for the nine months ended September 30, 2018).

During the nine months ended September 30, 2019, ARC disposed of certain non-core assets located in Alberta and British Columbia for proceeds of $1.7 million, subject to post-closing adjustments. Impairment charges of $3.9 million were recognized on these assets in DD&A and impairment in the condensed interim consolidated statements of income ("statements of income") for the nine months ended September 30, 2019. For further information regarding non-financial asset impairment, refer to Note 9 "Impairment".

8. RIGHT-OF-USE ASSETS

The following table details the cost and accumulated depreciation of ARC's ROU assets as at September 30, 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	**0.3**	**1.0**	**—**	**1.3**
Modifications	**0.2**	**—**	**—**	**0.2**
Terminations	**—**	**(0.1)**	**—**	**(0.1)**
Balance, September 30, 2019	**28.1**	**16.4**	**8.2**	**52.7**
Accumulated Depreciation				
Balance, January 1, 2019	—	—	—	—
Depreciation on ROU assets expensed	**(3.6)**	**(1.1)**	**(1.0)**	**(5.7)**
Depreciation on ROU assets capitalized to PP&E	**—**	**(4.8)**	**—**	**(4.8)**
Balance, September 30, 2019	**(3.6)**	**(5.9)**	**(1.0)**	**(10.5)**
Carrying Amounts				
Balance, January 1, 2019	27.6	15.5	8.2	51.3
Balance, September 30, 2019	**24.5**	**10.5**	**7.2**	**42.2**

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

9. IMPAIRMENT

PP&E

An impairment test was conducted at June 30, 2019 following decreases in the outlook of future natural gas prices and a reduction in market capitalization since the time of the last impairment test at December 31, 2018. ARC carried out an impairment test over all its cash-generating units ("CGUs"). No impairment was recognized as the estimated recoverable amount of each CGU exceeded its carrying value.

The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by ARC's independent reserves evaluator at December 31, 2018, updated using forward commodity price estimates at July 1, 2019 provided by ARC's independent reserves evaluator and adjusted for the net present value of the after-tax abandonment and reclamation costs on properties without proved plus probable oil and gas reserves, as well as the fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2018. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years. The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates that are based on an estimated industry weighted average cost of capital ranging from 9.5 to 10.5 per cent, depending on the resource composition of the assets in the CGU and an inflation rate of two per cent.

Year	Edmonton Light Crude Oil (Cdn$/bbl) [1]	WTI Oil (US$/bbl) [1]	AECO Gas (Cdn$/MMBtu) [1]	NYMEX Henry Hub Gas (US$/MMBtu) [1]	Cdn$/US$ Exchange Rates [1]
2019	68.09	58.75	1.33	2.53	0.76
2020	72.08	62.50	1.90	2.80	0.77
2021	74.05	65.00	2.15	2.95	0.79
2022	76.88	67.50	2.40	3.10	0.80
2023	80.63	70.00	2.55	3.20	0.80
2024	83.75	72.50	2.75	3.30	0.80
2025	86.88	75.00	2.85	3.38	0.80
2026	90.00	77.50	2.95	3.45	0.80
2027	92.71	79.67	3.04	3.52	0.80
2028	94.71	81.27	3.11	3.58	0.80
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.80

(1) Source: GLJ Petroleum Consultants price forecast effective July 1, 2019.

The following table demonstrates the sensitivity of the estimated recoverable amount at June 30, 2019, the date of ARC's last impairment test, from reasonably possible changes in key assumptions inherent in the estimate.

	Increase in Discount Rate of 1 Per Cent	Decrease in Discount Rate of 1 Per Cent	Decrease in Cash Flow Estimates of 5 Per Cent	Increase in Cash Flow Estimates of 5 Per Cent
Reversal of impairment (impairment), (net of tax)	(55.1)	58.5	(61.5)	58.4

The fair value less costs of disposal values used to determine the recoverable amounts of ARC's CGUs at June 30, 2019 were classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, Management's best estimates. Refer to Note 3 "Summary of Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2018 for information on fair value hierarchy classifications.

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

Goodwill

At June 30, 2019, ARC conducted an impairment test of its goodwill following decreases in the outlook of future natural gas prices and a reduction in market capitalization since the time of the last impairment test at December 31, 2018. The carrying value of goodwill at June 30, 2019 was not determined to be impaired as the combined recoverable amount of ARC's CGUs exceeded the combined carrying value of ARC's operating segment.

10. LEASE ARRANGEMENTS

Lease Obligations
The following table details the movement in ARC's lease obligations for the period ended September 30, 2019:

Lease Obligations	
Balance, January 1, 2019	58.0
Additions	**1.3**
Modifications	**0.2**
Terminations	**(0.1)**
Interest	**1.2**
Repayments	**(12.5)**
Balance, September 30, 2019	**48.1**
Lease obligations due within one year	8.5
Lease obligations due beyond one year	39.6

Payments recognized in the financial statements relating to short-term leases and leases of low-value assets for the three and nine months ended September 30, 2019 were $nil and $2.1 million, respectively. ARC's short-term leases and leases of low-value assets consist of leases of information technology and office equipment, and equipment used in ARC's operations. Variable lease payments not included in the calculation of ARC's lease obligations were $0.7 million and $2.3 million for the three and nine months ended September 30, 2019, respectively, and have been recognized in General and administrative ("G&A") expense in the statements of income.

The majority of ARC's lease arrangements 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 differing 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 September 30, 2019:

As at September 30, 2019	**Under 1 Year**	**1-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total Contractual Cash Flows**	**Carrying Amount**
Lease obligations	9.6	34.4	4.6	5.6	54.2	48.1

Lessor Accounting
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 and nine months ended September 30, 2019 was $0.9 million and $2.7 million, respectively and has been recognized in Other income in the statements of income.

11. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	September 30, 2019	December 31, 2018	**September 30, 2019**	December 31, 2018
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**37.9**	—
Senior notes				
Master Shelf Agreement				
4.98% US$ note	**—**	10.0	**—**	13.6
3.72% US$ note	**149.9**	150.0	**198.5**	204.7
2009 note issuance				
8.21% US$ note	**14.0**	21.0	**18.5**	28.7
2010 note issuance				
5.36% US$ note	**89.9**	120.0	**119.1**	163.7
2012 note issuance				
3.31% US$ note	**24.0**	36.0	**31.8**	49.1
3.81% US$ note	**299.7**	300.0	**397.0**	409.4
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**577.5**	637.0	**842.8**	909.2
Long-term debt due within one year			**152.4**	80.5
Long-term debt due beyond one year			**690.4**	828.7

At September 30, 2019, ARC was in compliance with all of its debt covenants. During the nine months ended September 30, 2019, ARC executed a new Master Shelf Agreement, increasing ARC's debt capacity by US$375 million (Cdn$501 million). At September 30, 2019, ARC's total debt capacity is $2,093.0 million ($1,899.2 million as at December 31, 2018).

During the nine months ended September 30, 2019, ARC executed certain amendments to the note purchase agreements governing its senior notes. The amendments include additional language that modernizes the agreements to align with current legislation as well as a modification of certain covenant calculations. The amendments have not been determined to comprise substantial modifications as they have not materially changed the future cash outflows of the senior notes at the time of execution. The following are the covenants governing ARC's senior notes:

- Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters;
- Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters;
- Total Priority Indebtedness not to exceed two per cent of Total Assets; and
- Total Indebtedness not to exceed 65 per cent of Present Asset Value.

At September 30, 2019, the fair value of all long-term debt is $857.9 million ($881.7 million as at December 31, 2018), compared to a carrying value of $842.8 million ($909.2 million as at December 31, 2018).

12. ASSET RETIREMENT OBLIGATIONS ("ARO")

ARC has estimated the net present value of its total ARO to be $448.8 million as at September 30, 2019 ($356.7 million at December 31, 2018) based on a total future undiscounted liability of $865.7 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 1.5 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 September 30, 2019.

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

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Balance, beginning of period	356.7	402.8
Development activities	**3.9**	5.1
Change in estimates [1]	**5.6**	(57.1)
Change in discount rate	**97.3**	14.6
Settlement of obligations	**(14.4)**	(15.8)
Accretion	**5.6**	11.3
Acquisitions	**0.2**	0.4
Dispositions	**—**	(0.3)
Reclassified as liabilities associated with assets held for sale and disposed in period	**(6.1)**	(4.3)
Balance, end of period	**448.8**	356.7
Expected to be incurred within one year	**19.5**	19.5
Expected to be incurred beyond one year	**429.3**	337.2

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

13. CAPITAL MANAGEMENT

ARC actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. ARC has the ability to change its capital structure by issuing new shares, new debt or changing its dividend policy.

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

- fund its development and exploration 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 September 30, 2019, ARC's net debt was 1.3 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 and nine months ended September 30, 2019 and 2018 is calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Cash flow from operating activities	**150.0**	230.0	**472.1**	638.2
Net change in other liabilities (Note 20)	**1.5**	2.4	**8.6**	8.8
Change in non-cash operating working capital (Note 20)	**(6.1)**	(27.4)	**43.9**	(36.6)
Funds from operations	**145.4**	205.0	**524.6**	610.4

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 composition of ARC's net debt as at September 30, 2019 and 2018:

	September 30, 2019	September 30, 2018
Long-term debt (1)	**842.8**	863.3
Lease obligations (2)	**48.1**	—
Accounts payable and accrued liabilities	**158.6**	204.4
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(121.7)**	(417.6)
Net debt	**945.5**	667.8
Net debt to annualized funds from operations (ratio)	**1.3**	0.8

(1) Includes current portion of long-term debt at September 30, 2019 and 2018 of $152.4 million and $76.3 million, respectively.
(2) Includes current portion of lease obligations at September 30, 2019 of $8.5 million. Lease obligations were added to net debt effective January 1, 2019, in conjunction with the adoption of IFRS 16.

14. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments
At September 30, 2019, ARC's financial instruments include cash and cash equivalents, accounts receivable, risk management contracts, 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 11 "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 nine months ended September 30, 2019.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at September 30, 2019 approximate their fair values due to the short-term nature of these instruments.

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 September 30, 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 September 30, 2019					
Risk management contracts					
Current asset	**84.0**	**(16.8)**	**67.2**	**(0.4)**	**66.8**
Long-term asset	**42.4**	**(21.5)**	**20.9**	**(0.1)**	**20.8**
Current liability	**(20.3)**	**16.8**	**(3.5)**	**0.1**	**(3.4)**
Long-term liability	**(32.3)**	**21.5**	**(10.8)**	**0.3**	**(10.5)**
Net position	**73.8**	**—**	**73.8**	**(0.1)**	**73.7**

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 ARC's risk management contracts as at September 30, 2019:

Risk Management Contracts Positions Summary (1)

As at September 30, 2019	2019		2020		2021		2022		2023		2024	
Crude Oil – WTI	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	62.30	4,500	63.69	3,500	—	—	—	—	—	—
Floor	52.50	4,000	53.89	4,500	55.00	3,500	—	—	—	—	—	—
Sold Floor	42.50	4,000	40.56	4,500	43.57	3,500	—	—	—	—	—	—
Swap	56.73	2,000	59.09	2,000	—	—	—	—	—	—	—	—
Crude Oil – Cdn$ WTI (2)	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	86.38	6,500	—	—	—	—	—	—	—	—
Floor	80.00	1,000	75.38	6,500	—	—	—	—	—	—	—	—
Sold Floor	65.00	1,000	60.38	6,500	—	—	—	—	—	—	—	—
Swap	71.17	8,000	—	—	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**15,000**		**13,000**		**3,500**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) (3)	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	—	—	(7.00)	1,000	—	—	—	—	—	—	—	—
Floor	—	—	(10.20)	1,000	—	—	—	—	—	—	—	—
Swap	(9.39)	4,000	(9.40)	4,000	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub (4)	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	2.66	25,000	—	—	—	—
Sold Floor	2.33	120,000	2.25	50,000	2.25	50,000	2.25	25,000	—	—	—	—
Swap	4.00	40,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – AECO (5)	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	22,541	—	—	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**188,435**		**99,799**		**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	81	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	(0.86)	116,848	(0.82)	98,361	(0.97)	34,192	—	—	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		**156,848**		**98,361**		**34,192**		**—**		**—**		**—**
Natural Gas - Other Basis (Differential to Henry Hub)(6)		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 (7)	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
Sold Average Rate Forward	1.2907	5	—	—	—	—	—	—	—	—	—	—
Ceiling (8)	—	—	1.2759	21	—	—	—	—	—	—	—	—
Floor (8)	—	—	1.3236	21	—	—	—	—	—	—	—	—

(1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.
(2) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time ("EST").
(3) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton.
(4) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(5) Natural gas prices referenced to AECO 7A Monthly Index.
(6) ARC has entered into basis swaps at locations other than AECO.
(7) Cdn$/US$ referenced to WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon EST.
(8) Variable rate collar whereby the ceiling will be adjusted to $1.3066 if the Cdn$/US$ spot rate is below $1.2759 at expiry.

15. INCOME TAXES

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before income tax expense as follows:

	September 30, 2019	September 30, 2018
Income (loss) before tax	**(119.0)**	85.1
Canadian statutory rate [1]	**26.68%**	27.00%
Expected income tax expense (recovery) at statutory rates	**(31.7)**	23.0
Effect on income tax of:		
Change in corporate tax rate	**(65.6)**	—
Non-deductible (taxable) portion of unrealized foreign exchange loss (gain)	**(5.5)**	2.4
Non-deductible portion of capital losses	**3.5**	0.5
Change in estimated pool balances	**(0.8)**	0.3
Change in unrecognized deferred tax asset on foreign exchange and capital losses	**(4.4)**	4.0
Other	**2.9**	0.8
Total provision for income taxes	**(101.6)**	31.0

(1) The tax rate consists of the combined federal and provincial statutory tax rates for the Company for the years ended September 30, 2019 and 2018. The combined federal and provincial rate decrease to 26.68 per cent in 2019 from 27.00 per cent in 2018 reflects the Alberta corporate income tax rate decrease from 12 per cent to 11 per cent effective January 1, 2019.

	September 30, 2019	December 31, 2018
Deferred tax liabilities:		
PP&E in excess of tax basis	**868.5**	894.6
Risk management contracts	**22.5**	73.1
ROU assets	**8.7**	—
Deferred tax assets:		
ARO	**(109.7)**	(96.3)
Long-term debt	**(20.4)**	(27.9)
Risk management contracts	**(3.5)**	(1.2)
Long-term incentive compensation expense	**(4.2)**	(5.1)
Lease obligations	**(11.9)**	—
Unrecognized deferred tax assets [1]	**25.4**	29.8
Other	**(5.7)**	(3.8)
Deferred taxes [2]	**769.7**	863.2

(1) The unrecognized deferred tax asset relates to an unrealized foreign exchange loss of $20.4 million and a realized capital loss of $5.0 million ($27.9 million and $1.9 million for 2018, respectively).

(2) The movement in the deferred tax liability in 2019 includes a $4.0 million deferred tax asset that was recorded as an adjustment to opening deficit at January 1, 2019 in conjunction with the adoption of IFRS 16. Refer to Note 3 "Changes in Accounting Policies" for further details.

At September 30, 2019, the petroleum and natural gas properties and facilities owned by ARC have an approximate federal tax basis of $1.8 billion ($1.8 billion at December 31, 2018) available for future use as deductions from taxable income.

The following is a summary of ARC's estimated tax pools as at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Canadian oil and gas property expense	**92.0**	70.5
Canadian development expense	**855.4**	822.7
Undepreciated capital cost	**861.3**	857.6
Other	**23.0**	12.8
Total federal tax pools	**1,831.7**	1,763.6
Additional Alberta tax pools	**2.9**	3.8

A deferred tax asset has not been recognized with respect to a net capital loss in the amount of $20.0 million ($7.1 million in 2018), in addition to an unrealized capital loss relating to foreign exchange loss on US dollar-denominated debt in the amount of $164.9 million ($206.2 million in 2018), as it is not considered probable that the benefit of the capital loss will be realized. Recognition is dependent on the realization of future taxable capital gain.

16. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Nine Months Ended September 30, 2019**	Year Ended December 31, 2018
Common shares, beginning of period	353,443	353,457
Restricted shares issued pursuant to the LTRSA Plan	**284**	154
Forfeited and cancelled shares pursuant to the LTRSA Plan	**(26)**	(13)
Unvested restricted shares held in trust pursuant to the LTRSA Plan(1)	**(280)**	(155)
Common shares, end of period	**353,421**	353,443

(1) Unvested restricted shares held in trust pursuant to the Long-term Restricted Share Award ("LTRSA") Plan includes restricted shares granted and purchased.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of shares)	**2019**	2018	**2019**	2018
Weighted average common shares	**353,421**	353,454	**353,421**	353,456
Dilutive impact of share-based compensation (1)	**—**	578	**—**	386
Weighted average common shares, diluted	**353,421**	354,032	**353,421**	353,842

(1) For both the three and nine months ended September 30, 2019, 5.1 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (3.9 million and 4.6 million for the three and nine months ended September 30, 2018).

Dividends declared for the three and nine months ended September 30, 2019 were $0.15 and $0.45 per common share ($0.15 and $0.45 for the three and nine months ended September 30, 2018), respectively.

On October 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 October 31, 2019. The dividend payment date is November 15, 2019.

17. 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 September 30 2019	Three Months Ended September 30 2018	Nine Months Ended September 30 2019	Nine Months Ended September 30 2018
Crude oil	**100.0**	172.6	**321.5**	507.2
Condensate	**65.6**	64.0	**179.9**	156.3
Natural gas (1)	**84.3**	113.6	**337.8**	334.3
Natural gas liquids	**3.8**	24.9	**25.2**	61.9
Total commodity sales from production	**253.7**	375.1	**864.4**	1,059.7

(1) Includes $3.4 million and $11.4 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three and nine months ended September 30, 2019 ($nil for the three and nine months ended September 30, 2018), respectively.

At September 30, 2019, receivables from contracts with customers, which are included in accounts receivable, were $86.7 million ($117.5 million at September 30, 2018).

18. 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 nine months ended September 30, 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 Plan. No 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 nine months ended September 30, 2019:

(number of awards, 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	**1,763**	**—**	**1,917**	**241**
Distributed	**(433)**	**(573)**	**—**	**(49)**
Forfeited	**(59)**	**(217)**	**(35)**	**—**
Balance, September 30, 2019	**2,213**	**1,480**	**1,882**	**863**

(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 September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
G&A	**3.1**	7.1	**5.1**	11.2
Operating	**0.4**	0.9	**0.9**	1.7
PP&E	**0.2**	0.5	**0.4**	0.5
Total compensation charges	**3.7**	8.5	**6.4**	13.4
Cash payments	**3.5**	7.8	**8.1**	15.9

At September 30, 2019, $4.6 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 $12.3 million was included in the long-term incentive compensation liability ($12.4 million at December 31, 2018). No recoverable amount was included in accounts receivable at September 30, 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 nine months ended September 30, 2019 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2018	5,991	17.36
Forfeited	**(163)**	**15.31**
Expired	**(695)**	**13.80**
Balance, September 30, 2019	**5,133**	**17.41**
Exercisable, September 30, 2019	**1,317**	**23.16**

The following table summarizes information regarding share options outstanding at September 30, 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 ($)**
12.46 - 20.00	4,216	15.76	4.5	400	18.91
20.01 - 25.00	496	21.80	0.7	496	21.80
25.01 - 28.79	421	28.79	1.7	421	28.79
Total	5,133	17.41	3.9	1,317	23.16

ARC recognized compensation expense of $0.9 million and $2.9 million relating to the Share Option Plan for the three and nine months ended September 30, 2019 ($1.2 million and $3.3 million for the three and nine months ended September 30, 2018), respectively. During the three and nine months ended September 30, 2019, $0.1 million and $0.2 million of share option compensation charges were capitalized to PP&E ($0.1 million and $0.3 million for the three and nine months ended September 30, 2018), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the nine months ended September 30, 2019 were as follows:

	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2018	454	16.91
Restricted shares granted and purchased	**305**	**6.75**
Forfeited	**(26)**	**16.26**
Balance, September 30, 2019	**733**	**12.70**

ARC recognized G&A expense of $0.2 million and $1.5 million relating to the LTRSA Plan during the three and nine months ended September 30, 2019 ($0.2 million and $1.3 million for the three and nine months ended September 30, 2018), respectively.

19. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at September 30, 2019:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	152.4	357.2	254.4	79.4	843.4
Interest payments (2)	33.3	46.2	20.5	4.4	104.4
Purchase and service commitments	25.5	13.7	10.7	0.2	50.1
Transportation commitments	148.1	271.6	261.4	774.7	1,455.8
Total contractual obligations and commitments	**359.3**	**688.7**	**547.0**	**858.7**	**2,453.7**

(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 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 at January 1, 2019	**58.0**

20. SUPPLEMENTAL DISCLOSURES

Presentation in the Statements of Income
ARC's statements of income are prepared primarily by nature of item, with the exception of employee compensation 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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Operating	**8.5**	9.7	**27.0**	27.5
G&A	**15.3**	19.2	**44.3**	49.3
Total employee compensation expense	**23.8**	28.9	**71.3**	76.8

Cash Flow Statement Presentation

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

	Three Months Ended September 30		Nine Months Ended September 30	
Change in Non-Cash Working Capital	**2019**	2018	**2019**	2018
Accounts receivable	**0.1**	(39.9)	**(5.3)**	(55.6)
Accounts payable and accrued liabilities	**2.2**	20.1	**(9.1)**	36.3
Prepaid expense	**1.3**	5.3	**(0.9)**	(0.2)
Total change in non-cash working capital	**3.6**	(14.5)	**(15.3)**	(19.5)
Relating to:				
Operating activities	**6.1**	27.4	**(43.9)**	36.6
Investing activities	**(2.5)**	(41.9)	**28.6**	(56.1)
Total change in non-cash working capital	**3.6**	(14.5)	**(15.3)**	(19.5)

	Three Months Ended September 30		Nine Months Ended September 30	
Other Non-Cash Items	**2019**	2018	**2019**	2018
Amortization of other deferred liabilities	**(0.1)**	(0.5)	**(0.3)**	(1.5)
Gain on sale of reclamation fund	**—**	(0.9)	**—**	(0.9)
Share-based compensation expense	**1.1**	1.4	**3.5**	3.8
Total other non-cash items	**1.0**	—	**3.2**	1.4

	Three Months Ended September 30		Nine Months Ended September 30	
Net Change in Other Liabilities	**2019**	2018	**2019**	2018
Long-term incentive compensation liability	**0.8**	1.1	**(0.1)**	0.9
ARO settlements	**(2.2)**	(3.5)	**(14.4)**	(9.7)
Other deferred liabilities	**—**	—	**5.7**	—
Accrued lease interest	**(0.1)**	—	**0.2**	—
Total net change in other liabilities	**(1.5)**	(2.4)	**(8.6)**	(8.8)

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			
Draw of long-term debt	**—**	**182.7**	**182.7**
Repayment of long-term debt	**(79.1)**	**(144.8)**	**(223.9)**
Repayment of lease obligations	**(11.6)**	**—**	**(11.6)**
Reclassified to current			
Long-term debt	**153.7**	**(153.7)**	**—**
Lease obligations	**6.3**	**(6.3)**	**—**
Non-cash changes			
Lease recognition	**0.2**	**1.3**	**1.5**
Lease termination	**(0.1)**	**—**	**(0.1)**
Accrued lease interest	**0.2**	**—**	**0.2**
Unrealized foreign exchange gain	**(2.7)**	**(21.8)**	**(24.5)**
Other	**—**	**(0.6)**	**(0.6)**
Balance, September 30, 2019	**160.9**	**730.0**	**890.9**

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	(76.4)	—	(76.4)
Reclassified to current	76.4	(76.4)	—
Unrealized foreign exchange loss	2.4	26.0	28.4
Balance, September 30, 2018	76.3	787.0	863.3

21. SUBSEQUENT EVENT

In May 2018, ARC entered into a purchase and sale agreement (the "ACCEL PSA") with ACCEL Canada Holdings Limited ("ACCEL") to dispose of its interests in certain non-core assets located within the area of Redwater, Alberta (the "Transaction") for net proceeds of $130.3 million before post-closing adjustments. At closing, in August 2018, $90.3 million of the purchase price was received in cash with the remaining $40.0 million being recognized as deferred consideration.

On October 21, 2019, ACCEL filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*. As a result of these proceedings, ARC is contractually entitled to enforce its rights to payment of the deferred consideration but proceedings against ACCEL in this regard are now stayed by order of the courts.

Post-Closing Adjustments and Outstanding Payments
At September 30, 2019, ARC recognized in its accounts receivable amounts owing from ACCEL in relation to post-closing adjustments and cash payments made on behalf of ACCEL after closing of the Transaction and while ARC continued to act as operator of the disposed assets. Prior to October 21, 2019, ARC initiated a lawsuit against ACCEL for approximately $12.0 million for failure pay certain of these amounts.

Deferred Consideration
At September 30, 2019, ARC recognized approximately $42.7 million in its accounts receivable relating to the deferred consideration amount and interest accrued thereon. Concurrent with closing, ARC and ACCEL executed a gross overriding royalty agreement providing for the reservation and grant of a gross overriding royalty payable on ACCEL's working interest in the hydrocarbons produced from the royalty lands included in the disposed assets in accordance with the royalty agreement.

Refer to Note 5 “Financial Assets and Credit Risk” for further detail.

On October 23, 2019, ACCEL filed a counterclaim against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation related to the ACCEL PSA. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC.

CORPORATE & SHAREHOLDER INFORMATION

DIRECTORS

Harold N. Kvisle (1)
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

Farhad Ahrabi

David R. Collyer (1) (2)

John P. Dielwart (1) (3)

Fred J. Dyment (3) (4)

Kathleen O'Neill (4) (5)

Herbert C. Pinder Jr. (2) (4)

William G. Sembo (2) (5)

Nancy L. Smith (3) (5)

(1) Member of Safety, Reserves and Operational Excellence Committee
(2) Member of Human Resources and Compensation 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

Chris D. Baldwin
Vice President, Geosciences

Ryan V. Berrett
Vice President, Marketing

Kris J. Bibby
Vice President, Finance and Capital Markets

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

EXECUTIVE OFFICE

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PricewaterhouseCoopers LLP
Calgary, Alberta

ENGINEERING CONSULTANTS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Burnet Duckworth & Palmer LLP
Calgary, Alberta

CORPORATE CALENDAR

February 6, 2020
Year-end 2019 Results

February 11, 2020
Investor Day

STOCK EXCHANGE LISTING

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

INVESTOR INFORMATION

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