First Quarter Report

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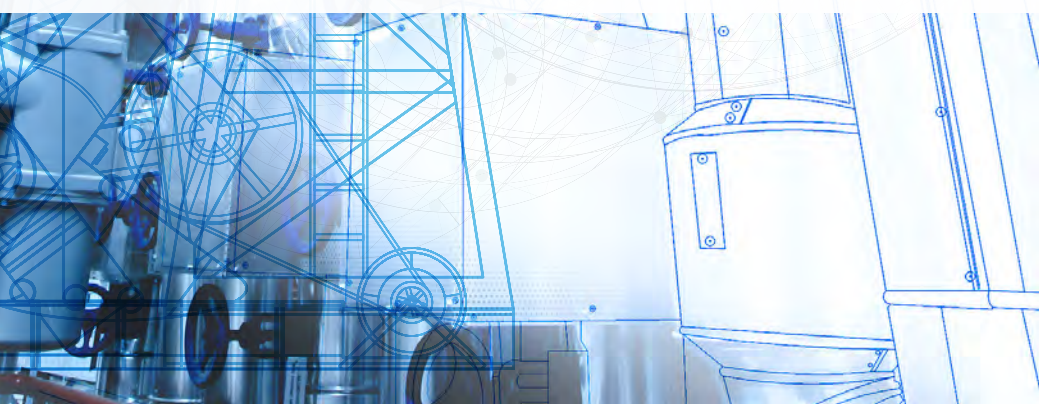
Creating energy for the world



ARC RESOURCES LTD

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Corporate Profile

ARX

ARC Resources Ltd. ("ARC") is a leading Canadian oil and gas producer committed to delivering strong operational and financial performance and upholding values of operational excellence and responsible development. With operations focused 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 quarterly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol ARX.

NEWS RELEASE
May 6, 2020

ARC RESOURCES LTD. REPORTS FIRST QUARTER 2020 FINANCIAL AND OPERATIONAL RESULTS

Calgary, May 6, 2020 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") hereby reports its first quarter 2020 financial and operational results. ARC's unaudited condensed interim financial statements and notes ("financial statements") and ARC's Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2020 are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

In March 2020, in response to the rapid decline in global commodity prices, ARC took decisive actions to reduce the Company's 2020 capital budget and dividend. ARC's capital budget was reduced by 40 per cent to a spending level of up to $300 million and the dividend was reduced by 60 per cent. The disciplined manner in which ARC runs its business allows the Company to quickly respond to changing market conditions by deferring short-cycle investments to preserve balance sheet strength. ARC has the flexibility to defer additional short-cycle investments within its capital budget of up to $300 million should commodity prices further deteriorate.

The safety of ARC's employees and contractors is of paramount importance, and with the advent of novel coronavirus COVID-19 ("COVID-19"), ARC proactively established protocols for all field operations activities in order to protect the health and safety of its employees and contractors and to ensure smooth operations. Thus far, COVID-19 has had a profound impact on commodity prices and has caused significant market uncertainty and volatility.

ARC's capital allocation priorities remain unchanged — protect the balance sheet, support the dividend, and prioritize capital investments that drive long-term value and profitability. ARC will continue to run its business in an efficient manner against this backdrop of extreme commodity price volatility, generating value as it exhibits the resilience and long-term sustainability of its strategy and assets. The prudent and disciplined approach that ARC takes both financially and operationally has set the Company up to endure this period of economic uncertainty and to remain in a position of financial strength. Based on current forward strip commodity pricing, funds from operations generated in 2020 are anticipated to be sufficient to fund the Company's dividend obligations and budgeted capital expenditures and reclamation activities, with the remaining surplus funds from operations planned to be directed at strengthening the balance sheet. ARC currently has ample liquidity, with approximately $1.1 billion of undrawn credit facility capacity available, and has hedged approximately 70 per cent of its anticipated crude oil production and approximately 40 per cent of its anticipated natural gas production for the balance of 2020 to reduce the volatility of the Company's funds from operations.

ARC is focused on managing all aspects of the business that are within its control. The Company's diverse portfolio of assets and its suite of owned-and-operated infrastructure provide significant optionality, enabling ARC to target natural gas, liquids-rich natural gas, or crude oil production depending on prevailing commodity prices. ARC's natural gas production of approximately 700 MMcf per day currently makes up 75 per cent of total corporate production, which is being sold into a strong and improving natural gas pricing environment. ARC's low cost structure and deep inventory of projects are supported by a strong track record of execution, exemplified by the recent completion of major infrastructure projects at Dawson and Ante Creek; and the Company's longstanding focus on full-cycle profitability and delivering corporate returns are setting the stage for strong performance when the market stabilizes.

Forward strip pricing for light oil and condensate is currently below break-even economics for many producers. During this period of extreme commodity price weakness, ARC will reduce its operational output at the Company's light oil and condensate-weighted properties. Specifically, at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, a total of approximately 9,000 barrels per day of crude oil and condensate production is currently shut in, representing over 30 per cent of ARC's first quarter 2020 crude oil and condensate production. ARC does not anticipate that production shut-ins will cause any reservoir damage or affect future well productivity. It is possible that there will be further voluntary production shut-ins as well as mandated production curtailments in the coming months.

Looking ahead to the balance of 2020, ARC's key priorities are to:

- Protect the health and safety of its employees and contractors while safely executing the Company's business plans;
- Protect the balance sheet by exercising financial discipline and ensuring ample liquidity;
- Lower the Company's break-even economics and identify cost reduction opportunities across the business;

- Maximize low-cost natural gas production to capitalize on strong natural gas prices;
- Secure financial risk management opportunities and transportation arrangements to achieve optimal pricing and access to markets for ARC's production;
- Remain committed to the Company's industry-leading environmental, social, and governance ("ESG") performance, including prudently managing business risks and reducing its greenhouse gas ("GHG") emissions intensity and freshwater usage through responsible development activities; and
- Remain focused on delivering returns to shareholders through paying a meaningful dividend and investing in profitable growth when market conditions support the Company to do so.

Key takeaways from ARC's financial and operational results for the three months ended March 31, 2020 include:

Production (1)(2)	Delivered average daily production of 151,783 barrels of oil equivalent ("boe") per day, comprising 692 MMcf per day of natural gas, 16,997 barrels per day of crude oil, 11,262 barrels per day of condensate, and 8,152 barrels per day of NGLs. Natural gas production increased three per cent relative to the three months ended December 31, 2019 while liquids production was unchanged.
Funds from Operations (3)	Generated funds from operations of $160.8 million ($0.46 per share). Reduced commodity sales caused by lower commodity price realizations in the period were partially offset by lower general and administrative ("G&A") expense and increased realized gains on risk management contracts.
Net Loss	Recognized a net loss of $558.4 million ($1.58 per share), which included an after-tax impairment charge of $554.8 million ($1.57 per share) to ARC's property, plant and equipment. The impairment resulted from the decrease in forward strip commodity pricing and was recognized in ARC's Northern Alberta cash-generating unit, which includes the Company's Ante Creek and Pembina light oil assets.
Capital Program	Invested $169.8 million in capital development, including the commissioning of the Dawson Phase IV gas processing and liquids-handling facility and the Ante Creek facility expansion projects. Drilled 21 wells and completed 38 wells during the period. Reduced planned capital expenditures for the year to a level of up to $300 million. Given strong well economics, ARC is currently drilling at its low-cost Sunrise natural gas property.
Operational Excellence	Exhibited excellent cost control with an operating expense of $4.40 per boe. ARC plans to defer discretionary maintenance and workover activities for the foreseeable future.
Balance Sheet	Maintained a strong balance sheet amid a weak commodity price backdrop. Net debt (3) was $1,079.7 million at March 31, 2020 and the net debt to annualized funds from operations ratio was 1.7 times. ARC is focused on reducing its net debt balance to its targeted range of 1.0 to 1.5 times funds from operations over time.
Returns to Shareholders	Declared $42.5 million ($0.12 per share) of dividends to shareholders. Reduced dividend from $0.05 per share per month to $0.06 per share per quarter.

(1) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). ARC's production of heavy crude oil is considered to be immaterial. Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

(2) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") 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.

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

An updated investor presentation providing further details to ARC's financial and operational results for the three months ended March 31, 2020, as well as an overview of the Company's corporate strategies, is available on ARC's website at www.arcresources.com.

ORGANIZATIONAL ANNOUNCEMENT

On April 30, 2020, Myron Stadnyk retired as President and Director of ARC. ARC would like to thank Myron for his 20 years of leadership and service as well as recognize the contributions he made to ARC's success over this period.

Effective May 7, 2020, Fred Dyment will be retiring from ARC's board of directors after 17 years of service. ARC would like to extend its gratitude to Fred for the guidance and wisdom he provided to the ARC board and management teams during this time.

ANNUAL GENERAL MEETING

ARC will be holding its annual meeting of shareholders on Thursday, May 7, 2020 at 3:00 p.m. (Calgary time), which will be a virtual-only meeting. Refer to the April 15, 2020 news release entitled, *"ARC Resources Ltd. Announces Change to Virtual Annual Meeting of Shareholders"* on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended December 31, 2019	**March 31, 2020**	March 31, 2019
FINANCIAL RESULTS			
Net loss	(10.2)	**(558.4)**	(54.6)
Per share [(1)]	(0.03)	**(1.58)**	(0.15)
Funds from operations	172.8	**160.8**	186.2
Per share [(1)]	0.49	**0.46**	0.53
Dividends declared	53.1	**42.5**	53.1
Per share [(1)]	0.15	**0.12**	0.15
Capital expenditures, before land and net property acquisitions (dispositions)	141.7	**169.8**	213.7
Total capital expenditures, including land and net property acquisitions (dispositions)	140.6	**169.9**	213.7
Net debt outstanding	940.2	**1,079.7**	796.3
Common shares outstanding, weighted average diluted (millions)	353.4	**353.4**	353.4
Common shares outstanding, end of period (millions)	353.4	**353.4**	353.4
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day)	17,083	**16,997**	18,251
Condensate (bbl/day)	10,937	**11,262**	8,210
Crude oil and condensate (bbl/day)	28,020	**28,259**	26,461
Natural gas (MMcf/day)	669.0	**692.2**	632.5
NGLs (bbl/day)	8,123	**8,152**	7,183
Total (boe/day)	147,650	**151,783**	139,054
Average realized prices, prior to gain or loss on risk management contracts			
Crude oil ($/bbl)	65.11	**49.69**	63.72
Condensate ($/bbl)	68.08	**57.52**	64.81
Natural gas ($/Mcf)	2.36	**2.05**	2.79
NGLs ($/bbl)	11.69	**6.36**	25.43
Oil equivalent ($/boe)	23.93	**19.52**	26.20
Netback ($/boe) [(2)]			
Commodity sales from production	23.93	**19.52**	26.20
Royalties	(1.48)	**(1.11)**	(1.52)
Operating expense	(4.59)	**(4.40)**	(5.24)
Transportation expense	(2.86)	**(2.85)**	(2.96)
Netback	15.00	**11.16**	16.48
Realized gain on risk management contracts	0.49	**1.24**	1.62
Netback including realized gain on risk management contracts	15.49	**12.40**	18.10
TRADING STATISTICS [(3)]			
High price	8.26	**8.39**	10.49
Low price	5.40	**2.42**	7.82
Close price	8.18	**4.05**	9.12
Average daily volume (thousands of shares)	2,583	**3,207**	2,291

(1) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.
(2) 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.
(3) 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

Global crude oil markets faced significant downward pressure during the three months ended March 31, 2020. Benchmark pricing weakened in the face of demand and supply-side pressures, including the price war between the Organization of Petroleum Exporting Countries ("OPEC") and certain other countries. Exacerbated by an uncertain COVID-19 backdrop, North American producers responded by reducing their capital programs for 2020, while OPEC and non-OPEC members agreed to cut crude oil production by nearly 10 million barrels per day.

Despite this planned reduction in supply, near-term pricing risk and volatility remain elevated. Benchmark commodity prices have deteriorated considerably subsequent to period end, with storage levels nearing capacity and an overall lack of demand driving ongoing weakness. With forward strip pricing for light oil and condensate currently below break-even economics, and location differentials expected to remain volatile, voluntary production shut-ins are taking place across North America, and involuntary production curtailments may be mandated over the coming months. ARC has identified a number of light oil and condensate-weighted properties where it can reduce volumes, while the Company's risk management program is serving to protect ARC's corporate cash flows.

Natural Gas

US natural gas benchmark prices experienced weakness during the three months ended March 31, 2020 relative to the three months ended December 31, 2019, driven by elevated storage levels and reduced residential and commercial demand resulting from relatively warm winter weather. Locally, western Canadian natural gas prices decreased slightly from the prior period; however, intra-provincial demand due to cold weather at the beginning of the period caused storage levels to decrease. With the relative strengthening of western Canadian natural gas prices, the AECO basis differential to NYMEX Henry Hub has narrowed significantly.

The near-term outlook for natural gas has structurally improved with reduced capital activity in North America and the potential for material crude oil production shut-ins expected to reduce associated natural gas production. During this period of relative pricing strength, ARC is focused on maximizing its low-cost Montney natural gas production.

FINANCIAL REVIEW

Balance Sheet, Liquidity, and Capital Allocation

Protecting the balance sheet is one of ARC's top priorities. ARC maintains financial flexibility through its strong balance sheet, targeting net debt to be between 1.0 and 1.5 times funds from operations over the long term; however, during periods of significant commodity price weakness, ARC expects that the ratio will trend above this range. At March 31, 2020, ARC had $1,079.7 million of net debt outstanding and its net debt to annualized funds from operations ratio was 1.7 times. The Company is in compliance with all of its debt covenants.

ARC currently has $1.1 billion of undrawn credit facility capacity available, and has structured its long-term debt to mature over a number of years. Repayment of long-term debt maturities due in 2020, totaling US$109.0 million of US dollar-denominated debt and $8.0 million of Canadian dollar-denominated debt, are planned to come from existing committed credit facilities. ARC's ample financial liquidity will support the Company in sustaining its operations through a prolonged period of commodity price weakness, and will allow the Company to remain in a position of financial strength during this period of economic uncertainty.

ARC is focused on reducing its net debt to annualized funds from operations ratio to the targeted range of 1.0 to 1.5 times. With funds from operations generated in 2020 expected to be in excess of ARC's dividend obligations of approximately $106 million and ARC's capital program of up to $300 million, the remaining funds from operations will be directed at strengthening the balance sheet.

Dividends

The dividend is an important component of ARC's total return proposition. ARC continually assesses dividend levels in light of prevailing commodity pricing and economic conditions, capital expenditure programs, and production volumes to ensure that the dividend is sustainable and in line with ARC's long-term strategy. During the first quarter of 2020, in response to the rapid decline in commodity prices, ARC reduced its dividend from a monthly dividend of $0.05 per share to a quarterly dividend of $0.06 per share. ARC's annual dividend obligation of approximately $85 million is sustainable based on prevailing forward strip commodity pricing.

Net Loss

ARC recognized a net loss of $558.4 million ($1.58 per share) during the three months ended March 31, 2020 compared to a net loss of $10.2 million ($0.03 per share) during the three months ended December 31, 2019 and a net loss of $54.6 million ($0.15 per share) during the three months ended March 31, 2019. An impairment charge of $740.0 million ($554.8 million net of deferred tax recovery) recognized on ARC's property, plant and equipment, resulting from the decrease in forward strip commodity pricing for crude oil and natural gas, was the most significant contributor to the net loss in the period. The impairment was recognized in ARC's Northern Alberta cash-generating unit, which includes the Company's Ante Creek and Pembina light oil assets.

Further contributing to ARC's first quarter 2020 net loss relative to both comparative periods, ARC recognized an increased loss on foreign exchange related to the revaluation of the Company's US dollar-denominated debt and recognized lower commodity sales from production due to lower price realizations. Partially offsetting these items were an increased income tax recovery and an increased unrealized gain on ARC's risk management contracts.

Funds from Operations

ARC generated funds from operations of $160.8 million ($0.46 per share) during the three months ended March 31, 2020, a decrease of $12.0 million ($0.03 per share) compared to funds from operations generated during the three months ended December 31, 2019. The most significant driver in lower funds from operations in the period was reduced commodity sales due to lower commodity price realizations. This was partially offset by reduced G&A expense, reflecting the decrease in the fair value of ARC's share-based compensation plans due to the depreciation in ARC's common share price during the first quarter of 2020, increased realized gains on risk management contracts and foreign exchange, and lower royalties.

Funds from operations generated during the three months ended March 31, 2020 represented a decrease of $25.4 million ($0.07 per share) relative to funds from operations generated during the three months ended March 31, 2019. Reduced commodity sales due to lower commodity price realizations, despite increased production year-over-year, was the largest driver in lower funds from operations. An increased realized foreign exchange gain, reduced current tax expense, and lower G&A expense served to partially offset the impact from lower commodity price realizations.

Table 1 details the change in funds from operations for the three months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March, 31, 2019.

Table 1

Funds from Operations Reconciliation	**Q4 2019 to Q1 2020**		**Q1 2019 to Q1 2020**	
	$ millions	$/share (1)	$ millions	$/share (1)
Funds from operations for the three months ended December 31, 2019	172.8	0.49		
Funds from operations for the three months ended March 31, 2019			186.2	0.53
Volume variance				
Crude oil and liquids	**(0.6)**	**—**	**14.7**	**0.04**
Natural gas	**3.1**	**0.01**	**16.9**	**0.05**
Price variance				
Crude oil and liquids	**(38.6)**	**(0.10)**	**(43.3)**	**(0.11)**
Natural gas	**(19.5)**	**(0.06)**	**(46.6)**	**(0.13)**
Sales of commodities purchased from third parties	**1.4**	**—**	**(6.3)**	**(0.02)**
Interest income	**—**	**—**	**(2.0)**	**(0.01)**
Other income	**(0.5)**	**—**	**(0.4)**	**—**
Realized gain (loss) on risk management contracts	**10.5**	**0.03**	**(3.2)**	**(0.01)**
Royalties	**5.0**	**0.01**	**3.8**	**0.01**
Expenses				
Commodities purchased from third parties	**(0.5)**	**—**	**8.3**	**0.02**
Operating	**1.5**	**—**	**4.8**	**0.01**
Transportation	**(0.6)**	**—**	**(2.4)**	**(0.01)**
G&A	**16.7**	**0.05**	**8.0**	**0.02**
Interest and financing (2)	**(0.5)**	**—**	**—**	**—**
Current tax	**1.1**	**—**	**9.6**	**0.03**
Realized gain (loss) on foreign exchange	**9.5**	**0.03**	**13.0**	**0.04**
Other non-cash items	**—**	**—**	**(0.3)**	**—**
Funds from operations for the three months ended March 31, 2020	**160.8**	**0.46**	**160.8**	**0.46**

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

Physical Marketing and Financial Risk Management

ARC's diverse portfolio of assets and its suite of owned-and-operated infrastructure provide significant commodity-exposure optionality. Depending on prevailing commodity pricing, ARC is able to selectively target natural gas, liquids-rich natural gas, or crude oil production, and can optimize the liquids recoveries at its processing facilities. During the three months ended March 31, 2020, to capture the relative strength in natural gas pricing, ARC focused on increasing natural gas recoveries through optimization of its facilities and through increased drier natural gas production in northeast British Columbia.

In managing its natural gas price risk exposure, ARC's physical diversification and financial risk management activities have enhanced corporate natural gas price realizations and contributed to funds from operations. During the three months ended March 31, 2020, AECO natural gas prices continued to experience strength relative to other North American markets, which resulted in ARC realizing a loss of $0.08 per Mcf on its diversification activities. Financial risk management activities for natural gas realized $0.09 per Mcf. Summarized in Table 2 are the 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 months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March 31, 2019.

Table 2

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts ($/Mcf)	Three Months Ended March 31, 2020	December 31, 2019	% Change	Three Months Ended March 31, 2020	March 31, 2019	% Change
Average price before diversification activities	**2.13**	2.45	(13)	**2.13**	2.22	(4)
Diversification activities	**(0.08)**	(0.09)	(11)	**(0.08)**	0.57	(114)
Realized gain on risk management contracts (1)	**0.09**	0.18	(50)	**0.09**	0.36	(75)
Realized natural gas price including realized gain on risk management contracts	**2.14**	2.54	(16)	**2.14**	3.15	(32)

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

A significant portion of ARC's liquids production comprises conventional light oil and condensate, which realized average pricing of $49.69 per barrel and $57.52 per barrel, respectively, for the three months ended March 31, 2020.

ARC's risk management program protected the Company's funds from operations during the three months ended March 31, 2020, recording a realized gain of $17.1 million. For the balance of 2020, approximately 70 per cent of ARC's anticipated crude oil production is hedged and approximately 40 per cent of ARC's anticipated natural gas production is hedged. ARC continuously monitors commodity prices and executes on its risk management program to reduce the volatility of its funds from operations and to support its dividend and capital programs. ARC will continue to take positions in natural gas, crude oil, and foreign exchange rates, as appropriate, to provide greater certainty over future cash flows. 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 May 6, 2020, refer to ARC's website at www.arcresources.com.

Netback

Table 3 details the components of ARC's netback for the three months ended March 31, 2020 relative to the three months ended December 31, 2019 and the three months ended March 31, 2019.

Table 3

Netback ($/boe)	Three Months Ended March 31, 2020	December 31, 2019	% Change	Three Months Ended March 31, 2020	March 31, 2019	% Change
Commodity sales from production	**19.52**	23.93	(18)	**19.52**	26.20	(25)
Royalties	**(1.11)**	(1.48)	(25)	**(1.11)**	(1.52)	(27)
Operating expense	**(4.40)**	(4.59)	(4)	**(4.40)**	(5.24)	(16)
Transportation expense	**(2.85)**	(2.86)	—	**(2.85)**	(2.96)	(4)
Netback	**11.16**	15.00	(26)	**11.16**	16.48	(32)
Realized gain on risk management contracts	**1.24**	0.49	153	**1.24**	1.62	(23)
Netback including realized gain on risk management contracts	**12.40**	15.49	(20)	**12.40**	18.10	(31)

For the three months ended March 31, 2020 relative to the three months ended December 31, 2019, ARC's:

- Netback decreased primarily due to lower realized commodity prices, partially offset by an increased realized gain on risk management contracts.
- Royalties decreased as a result of lower royalty rates associated with lower realized commodity prices.
- Operating expense decreased as a result of lower labour costs associated with the revaluation of obligations under ARC's share-based compensation plans and the deferral of discretionary maintenance and workover activities.

For the three months ended March 31, 2020 relative to the three months ended March 31, 2019, ARC's:

- Netback decreased primarily due to lower realized commodity prices, which was partially offset by a year-over-year decrease in ARC's royalties and operating and transportation expense.
- Royalties decreased due to lower average royalty rates in conjunction with lower realized commodity prices, in combination with a year-over-year increase in condensate and natural gas production, which have generally been subject to lower relative royalty rates compared to crude oil production.
- Operating and transportation expense decreased as ARC brought on additional natural gas production at Sunrise throughout 2019, which has lower relative costs to operate and transport.

OPERATIONAL REVIEW

ARC's position in the Montney resource play is made up of approximately 1,000 net sections of land (approximately 636,000 net acres), with production from these assets representing greater than 90 per cent of total corporate production. Nearly all of ARC's production is processed through owned-and-operated infrastructure; this affords ARC greater control over its cost structure and liquids recoveries, supports strong safety and environmental performance, and gives ARC the ability to manage a flexible pace of development.

ARC's diverse portfolio of assets provides significant commodity-exposure optionality. Depending on prevailing commodity pricing, ARC is able to selectively target natural gas, liquids-rich natural gas, or crude oil production by focusing development in the areas that generate the strongest half-cycle economics.

ARC is a leader in ESG and sustainability practices. The safety of ARC's employees and contractors is of paramount importance, and with the advent of COVID-19, ARC proactively established protocols for all field operations activities in order to protect the safety of its employees and contractors and to ensure smooth operations. Further, ARC is committed to continue reducing its GHG emissions intensity and freshwater usage through responsible development activities. ARC set a target to reduce its GHG emissions intensity by 25 per cent by 2021, relative to 2017 levels, and expects to significantly exceed this target ahead of schedule. Further details surrounding ARC's ESG performance will be provided in the Company's upcoming ESG Report, which will be published during the third quarter of 2020.

Capital Expenditures

ARC invested $169.8 million during the three months ended March 31, 2020, which included completing construction and commissioning activities for both the Dawson Phase IV gas processing and liquids-handing facility and the Ante Creek facility expansion. Project execution at Dawson and Ante Creek was excellent, with both projects completed on time, on budget, and with exceptional safety records. Start-up of the facilities commenced at the beginning of the second quarter of 2020. ARC drilled 21 wells and completed 38 wells during the three months ended March 31, 2020.

ARC's 2020 capital program of up to $300 million is expected to be largely completed during the first half of 2020, with the most significant amount of the remaining capital being deployed to ARC's low-cost Sunrise dry gas property, which currently produces the most economic wells in the Company's portfolio. Despite short-cycle investment deferrals, well performance across the Company's Montney asset base continues to deliver strong results, including excellent well deliverability observed from recent development activities at Dawson and Ante Creek.

Capital investment for the Parkland 3-9 facility sour conversion has been deferred due to the temporary cessation of drilling and completions activities in the area. ARC plans to resume the project when drilling and completions activities at Parkland/Tower recommence.

Table 4 details capital expenditures and the number of wells drilled and completed in each of ARC's core operating areas for the three months ended March 31, 2020.

Table 4

Capital Activity by Area	Plant and Facilities ($ millions)	Drilling and Completions and Other (1) ($millions)	Capital Expenditures (2) ($ millions)	Wells Drilled (3)	Wells Completed (3)
	Three Months Ended March 31, 2020				
Dawson	**23.3**	**32.7**	**56.0**	**4**	**16**
Sunrise	**0.1**	**5.8**	**5.9**	**2**	**—**
Parkland/Tower	**1.8**	**28.6**	**30.4**	**8**	**—**
Ante Creek	**16.6**	**29.2**	**45.8**	**7**	**16**
Attachie West	**1.1**	**26.6**	**27.7**	**—**	**6**
Pembina	**1.1**	**0.7**	**1.8**	**—**	**—**
All other (4)	**0.5**	**1.7**	**2.2**	**—**	**—**
Total	**44.5**	**125.3**	**169.8**	**21**	**38**

(1) Other capital expenditures comprise expenditures for geological and geophysical, maintenance and optimization, and corporate assets.
(2) Land expenditures and net property acquisitions and dispositions are not included.
(3) Wells drilled and completed for ARC's operated properties only.
(4) All other comprises spending and activity for ARC's non-core properties as well as corporate assets.

Production

ARC's production for the three months ended March 31, 2020 averaged 151,783 boe per day, comprising 692 MMcf per day of natural gas, 16,997 barrels per day of crude oil, 11,262 barrels per day of condensate, and 8,152 barrels per day of NGLs. Average daily production for the three months ended March 31, 2020 was three per cent higher than average daily production for the three months ended December 31, 2019, and was driven primarily by increased natural gas production at Dawson and Sunrise.

Table 5 details production from ARC's core operating areas for the three months ended March 31, 2020 relative to the three months ended December 31, 2019.

Table 5

	Three Months Ended					
	March 31, 2020					December 31, 2019
Production by Area (1)	**Crude Oil** (bbl/day)	**Condensate** (bbl/day)	**Natural Gas** (MMcf/day)	**NGLs** (bbl/day)	**Total** (boe/day)	Total (boe/day)
Dawson	**—**	**4,949**	**237.8**	**2,341**	**46,926**	43,014
Sunrise	**—**	**3**	**255.3**	**25**	**42,571**	39,324
Parkland/Tower	**2,843**	**3,530**	**126.1**	**4,024**	**31,410**	33,464
Ante Creek	**6,195**	**383**	**43.4**	**1,226**	**15,038**	15,199
Attachie West	**—**	**2,099**	**8.1**	**74**	**3,523**	4,022
Pembina	**7,950**	**157**	**12.0**	**424**	**10,538**	10,773
All other (2)	**9**	**141**	**9.5**	**38**	**1,777**	1,854
Total	**16,997**	**11,262**	**692.2**	**8,152**	**151,783**	147,650

(1) Includes both operated and non-operated properties.
(2) All other comprises production for ARC's non-core properties.

Production during the three months ended March 31, 2020 increased at Dawson due to new wells being brought on-stream, while production increased at Sunrise as ARC maximized throughput at its low-cost Sunrise Phase I and II facilities to capitalize on strong natural gas prices.

Partially offsetting production increases at Dawson and Sunrise were slight production decreases at Parkland/Tower and Attachie West due to planned shut-ins to accommodate offset completions operations. At Attachie West, a solution has been put in place to address the minimal amounts of sour gas that was being observed in the most recent wells brought on-stream.

Average daily production for the three months ended March 31, 2020 was nine per cent higher than average daily production for the three months ended March 31, 2019, with the increase largely driven by increased natural gas production at the Sunrise Phase II facility.

OUTLOOK

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and from the oversupply of crude oil is expected to adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty and unpredictability around the potential impacts this could have on ARC's operations and results, which could be material. Given ongoing uncertainty, continued market volatility, and the potential for both voluntary and involuntary production curtailments over the coming months, there is considerable uncertainty embedded into ARC's 2020 guidance items. ARC will continuously monitor its 2020 guidance items and provide updates as deemed appropriate.

ARC's 2020 planned capital investments totaling up to $300 million focus on balance sheet strength and investing in profitable projects through capital discipline and efficient execution. Funds from operations generated in 2020 are anticipated to be sufficient to fund both the Company's dividend payments and capital program. ARC's capital program is expected to be largely completed during the first half of 2020. Notably, ARC completed construction and commissioning of the Dawson Phase IV facility and the Ante Creek facility expansion projects in the first quarter of 2020.

During this period of extreme commodity price weakness, ARC will reduce its operational output at the Company's light oil and condensate-weighted properties. Specifically, at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, a total of approximately 9,000 barrels per day of crude oil and condensate production is currently shut in, representing over 30 per cent of ARC's first quarter 2020 crude oil and condensate production. ARC does not anticipate that production shut-ins will cause any reservoir damage or affect future well productivity. It is possible that there will be further voluntary production shut-ins as well as mandated production curtailments in the coming months. To reduce the volatility in ARC's funds from operations, approximately 70 per cent of ARC's anticipated crude oil production is hedged and approximately 40 per cent of ARC's anticipated natural gas production is hedged for the balance of 2020.

Refer to the March 13, 2020 news release entitled, *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* and 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 on SEDAR at www.sedar.com.

ARC's full-year 2020 guidance estimates and a review of 2020 year-to-date actual results are outlined in Table 6.

Table 6

	2020 Original Guidance	2020 Revised Guidance	**2020 YTD Actuals**	% Variance from Guidance
Production				
Crude oil (bbl/day)	15,000 - 17,000	14,000 - 16,000	**16,997**	6
Condensate (bbl/day)	12,000 - 14,000	11,000 - 13,000	**11,262**	—
Crude oil and condensate (bbl/day)	27,000 - 31,000	25,000 - 29,000	**28,259**	—
Natural gas (MMcf/day) (1)	715 - 725	705 - 710	**692.2**	(2)
NGLs (bbl/day)	8,500 - 9,000	8,000 - 8,500	**8,152**	—
Total (boe/day) (1)	155,000 - 161,000	150,000 - 155,000	**151,783**	—
Expenses ($/boe)				
Operating	4.55 - 4.95	4.55 - 4.95	**4.40**	(3)
Transportation	3.10 - 3.30	3.10 - 3.30	**2.85**	(8)
G&A expense before share-based compensation expense	1.00 - 1.20	1.00 - 1.20	**1.22**	2
G&A - share-based compensation expense (2)	0.30 - 0.45	0.30 - 0.45	**(0.11)**	(137)
Interest and financing (3)	0.65 - 0.80	0.65 - 0.80	**0.77**	—
Current income tax expense (recovery) as a per cent of funds from operations (4)	(2) - 3	(2) - 3	**(2)**	—
Capital expenditures before land and net property acquisitions (dispositions) ($ millions)	500	300	**169.8**	N/A

(1) Does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.
(2) Comprises expense recognized under the Restricted Share Unit and Performance Share Unit Plans, Share Option Plan, and Long-term Restricted Share Award Plan, and excludes compensation expense under the Deferred Share Unit Plan. In periods where substantial share price fluctuation occurs, ARC's G&A expense is subject to greater volatility.
(3) Excludes accretion of asset retirement obligation.
(4) The current income tax estimate varies depending on the level of commodity prices.

ARC's 2020 guidance is based on full-year 2020 estimates; certain variances exist between 2020 year-to-date actual results.

- Crude oil production exceeds the guidance range due to strong results from development at Ante Creek.
- Natural gas production is below the guidance range; however, it is expected to increase through the remainder of the year as production increases at the Dawson Phase IV facility, which was brought on-stream in the second quarter of 2020.
- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities.
- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation required for production from the Dawson Phase IV facility.
- G&A expense is below the guidance range due to a decrease in the fair value of ARC's share-based compensation plans as a result of the depreciation of ARC's common share price during the first quarter of 2020.

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 under *"Commodity Price Environment"* relating to future production curtailments and the outlook for natural gas; under *"Financial Review"* relating to target net debt and its ratio of net debt to funds from operations, expected access to liquidity and its sufficiency to fund ARC's cash requirements, uses of cash, and the sustainability of ARC's dividend; under *"Operational Review"* relating to the annual budget and the completion of capital expenditures in 2020; and under *"Outlook"* relating to the impacts of the COVID-19 pandemic on ARC's future financial and operational results, the reliability of guidance for 2020, Management's focus for the balance of 2020, reductions to production, guidance estimates related to production and expenses for the balance of 2020, and other statements.

The forward-looking information and statements contained in this news release reflect several material factors, expectations, and assumptions of ARC, including, without limitation: changing global economic conditions; public health crises, such as the COVID-19 pandemic, and any related actions taken by businesses and governments; 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 retention of ARC's key properties; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of ARC's reserve volumes; certain commodity price and other cost assumptions; the continued availability of adequate debt and equity financing and funds from operations to fund planned expenditures and other material risks disclosed in ARC's most recently filed MD&A and Annual Information Form ("AIF"). 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 volumes; limited, unfavourable, or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; the potential for variation in the quality of the Montney formation; unanticipated results from ARC's exploration and development activities; and other risks detailed from time-to-time in ARC's most recently filed MD&A and AIF.

The internal projections, expectations, or beliefs underlying the 2020 capital budget and outlook for 2020 and beyond are subject to change in light of the impact of the COVID-19 pandemic, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. ARC's financial outlook for 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 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 $3.1 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

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) of ARC Resources Ltd. (“ARC” or the “Company”) is Management’s analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated May 6, 2020 and should be read in conjunction with the unaudited condensed interim financial statements (the "financial statements") as at and for the three months ended March 31, 2020, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2019, 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.

Throughout this MD&A crude oil ("crude oil") refers to light crude oil, medium crude oil and heavy crude oil as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). ARC's production of heavy crude oil is considered to be immaterial. Condensate is a natural gas liquid as defined by NI 51-101. Throughout this MD&A, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate which is disclosed separately. Crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate and NGLs.

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.

In the first quarter of 2020, the World Health Organization declared novel coronavirus COVID-19 ("COVID-19") a global pandemic. COVID-19 has had, and is anticipated to continue to have, a significant impact on the global economy, commodity prices, and ARC's business. At March 31, 2020, ARC's management has incorporated the anticipated impact of COVID-19 in its preparation of the MD&A. Refer to the section entitled "Assessment of Business Risks" contained within this MD&A and Note 3 "Novel Coronavirus COVID-19" in the financial statements.

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, 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 the 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 2016 through 2019 and the three months ended March 31, 2020 are shown in Table 1:

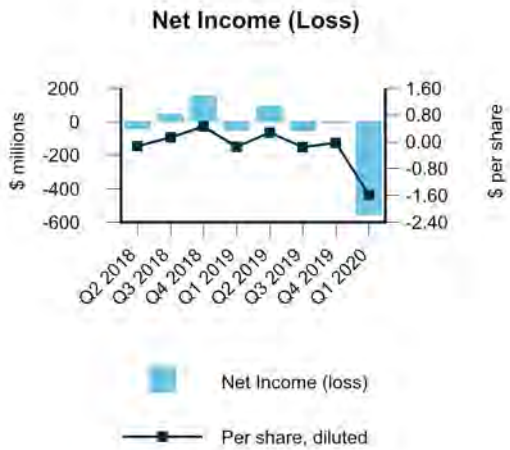
Table 1

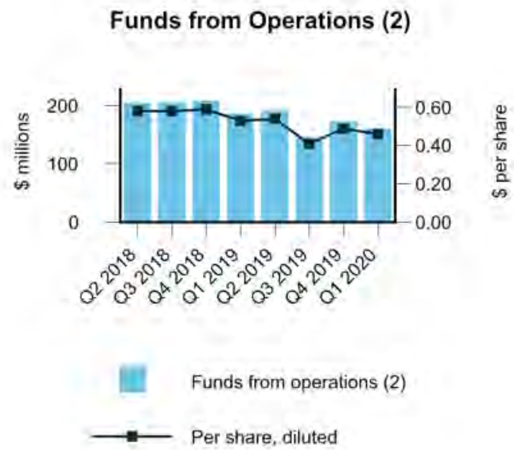
	2020 YTD	2019	2018	2017	2016
Production (1)					
Crude oil (bbl/d)	**16,997**	17,591	23,460	24,380	31,510
Condensate (bbl/d)	**11,262**	10,066	7,281	5,650	3,626
Crude oil and condensate (bbl/d)	**28,259**	27,657	30,741	30,030	35,136
Natural gas (MMcf/d)	**692.2**	623.3	570.2	525.8	475.6
NGLs (bbl/d)	**8,152**	7,578	6,955	5,273	4,274
Total production (boe/d)	**151,783**	139,126	132,724	122,937	118,671
Average daily production per thousand shares (2)	**0.43**	0.39	0.38	0.35	0.34
Net income (loss) (3)	**(558.4)**	(27.6)	213.8	388.9	201.3
Net income (loss) per share (3)	**(1.58)**	(0.08)	0.60	1.10	0.57
Funds from operations (4)	**160.8**	697.4	819.0	731.9	633.3
Funds from operations per share (4)	**0.46**	1.97	2.31	2.07	1.80
Capital expenditures (5)	**169.8**	691.5	679.4	829.7	453.4
Net debt (4)	**1,079.7**	940.2	702.7	728.0	356.5
Net debt to annualized funds from operations (ratio) (4)	**1.7**	1.3	0.9	1.0	0.6
Return on average capital employed ("ROACE") (%) (6)	**(18)**	(2)	8	14	7
Proved plus probable reserves (MMboe) (7)(8)	**n/a**	909.9	878.9	836.1	736.7
Proved plus probable reserves per share (boe) (7)(8)	**n/a**	2.6	2.5	2.4	2.1

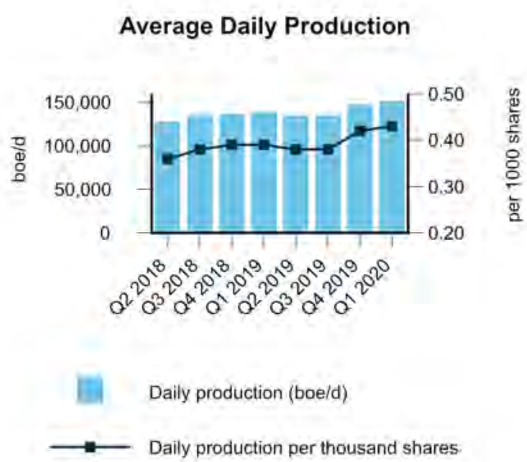
(1) Reported production amount is based on Company interest before royalty burdens.
(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the three months ended March 31, 2020 and for the respective annual periods ended December 31, 2019, 2018, 2017, and 2016.
(3) The net loss in 2020 is primarily attributable to an after-tax impairment charge of $554.8 million ($1.57 per share). Refer to Note 6 "Impairment" in the financial statements.
(4) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(5) Prior to expenditures for land purchases and property acquisitions and dispositions.
(6) 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.
(7) Crude oil, condensate, NGLs and natural gas reserves ("reserves") 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 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 on SEDAR at www.sedar.com.

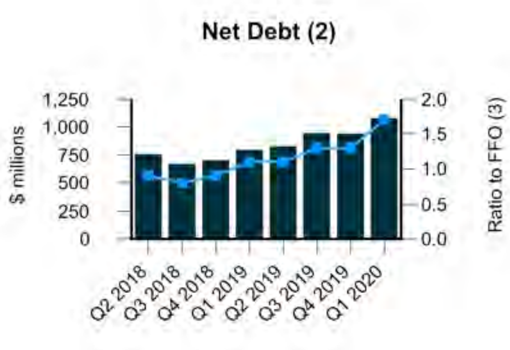
QUARTERLY RESULTS (1)

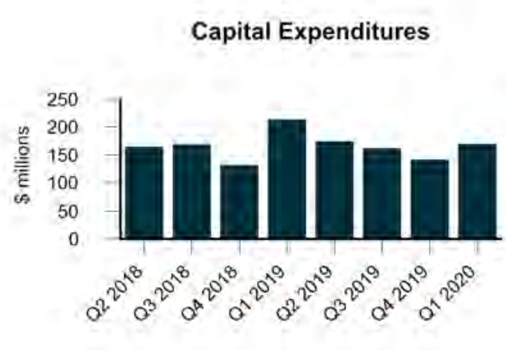
Exhibit 1











(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 9 "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 the 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 first quarter of 2020, ARC recognized an impairment charge of $740.0 million ($554.8 million net of deferred tax recovery) related to its Northern Alberta cash-generating unit ("CGU"). Refer to the section entitled "Assessment of Business Risks" contained within this MD&A and Note 6 "Impairment" in the financial statements. Additionally, ARC recognized an unrealized gain on risk management contracts of $83.2 million.
- In the fourth quarter of 2019, ARC recognized an unrealized loss on risk management contracts of $62.9 million.
- In the third quarter of 2019, ARC recognized an impairment charge of $39.2 million relating to financial assets. Refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 4 "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. Additionally an impairment charge of $8.5 million was recognized relating to financial assets. Refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 4 "Financial Assets and Credit Risk" in the financial statements.
- 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.

ANNUAL GUIDANCE

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and from the oversupply of crude oil is expected to adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty and unpredictability around the potential impacts this could have on ARC's operations and results, which could be material. Given ongoing uncertainty, continued market volatility, and the potential for both voluntary and involuntary production curtailments over the coming months, there is considerable uncertainty embedded into ARC's 2020 guidance items. ARC will continuously monitor its 2020 guidance items and provide updates as deemed appropriate.

ARC's 2020 planned capital investments totaling up to $300 million focus on balance sheet strength and investing in profitable projects through capital discipline and efficient execution. Funds from operations generated in 2020 are anticipated to be sufficient to fund both the Company's dividend payments and capital program. ARC's capital program is expected to be largely completed during the first half of 2020. Notably, ARC completed construction and commissioning of the Dawson Phase IV facility and the Ante Creek facility expansion projects in the first quarter of 2020.

During this period of extreme commodity price weakness, ARC will reduce its operational output at the Company's light oil and condensate-weighted properties. Specifically, at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, a total of approximately 9,000 barrels per day of crude oil and condensate production is currently shut in, representing over 30 per cent of ARC's first quarter 2020 crude oil and condensate production. ARC does not anticipate that production shut-ins will cause any reservoir damage or affect future well productivity. It is possible that there will be further voluntary production shut-ins as well as mandated production curtailments in the coming months. To reduce the volatility in ARC's funds from operations, approximately 70 per cent of ARC's anticipated crude oil production is hedged and approximately 40 per cent of ARC's anticipated natural gas production is hedged for the balance of 2020.

Refer to the March 13, 2020 news release entitled, *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* and 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 on SEDAR at www.sedar.com.

Table 2 is a summary of ARC's 2020 annual guidance and a review of 2020 year-to-date results:

Table 2

	2020 Original Guidance	2020 Revised Guidance	**2020 YTD Actuals**	% Variance from Revised Guidance
Production				
Crude oil (bbl/d)	15,000 - 17,000	14,000 - 16,000	**16,997**	6
Condensate (bbl/d)	12,000 - 14,000	11,000 - 13,000	**11,262**	—
Crude oil and condensate (bbl/d)	27,000 - 31,000	25,000 - 29,000	**28,259**	—
Natural gas (MMcf/d) (1)	715 - 725	705 - 710	**692.2**	(2)
NGLs (bbl/d)	8,500 - 9,000	8,000 - 8,500	**8,152**	—
Total (boe/d) (1)	155,000 - 161,000	150,000 - 155,000	**151,783**	—
Expenses ($/boe)				
Operating	4.55 - 4.95	4.55 - 4.95	**4.40**	(3)
Transportation	3.10 - 3.30	3.10 - 3.30	**2.85**	(8)
G&A expense before share-based compensation expense	1.00 - 1.20	1.00 - 1.20	**1.22**	2
G&A - share-based compensation expense (2)	0.30 - 0.45	0.30 - 0.45	**(0.11)**	(137)
Interest and financing (3)	0.65 - 0.80	0.65 - 0.80	**0.77**	—
Current income tax expense (recovery), as a per cent of funds from operations	(2) - 3	(2) - 3	**(2)**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	500	300	**169.8**	N/A

(1) Does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.
(2) 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.
(3) Excludes accretion of the asset retirement obligation ("ARO").

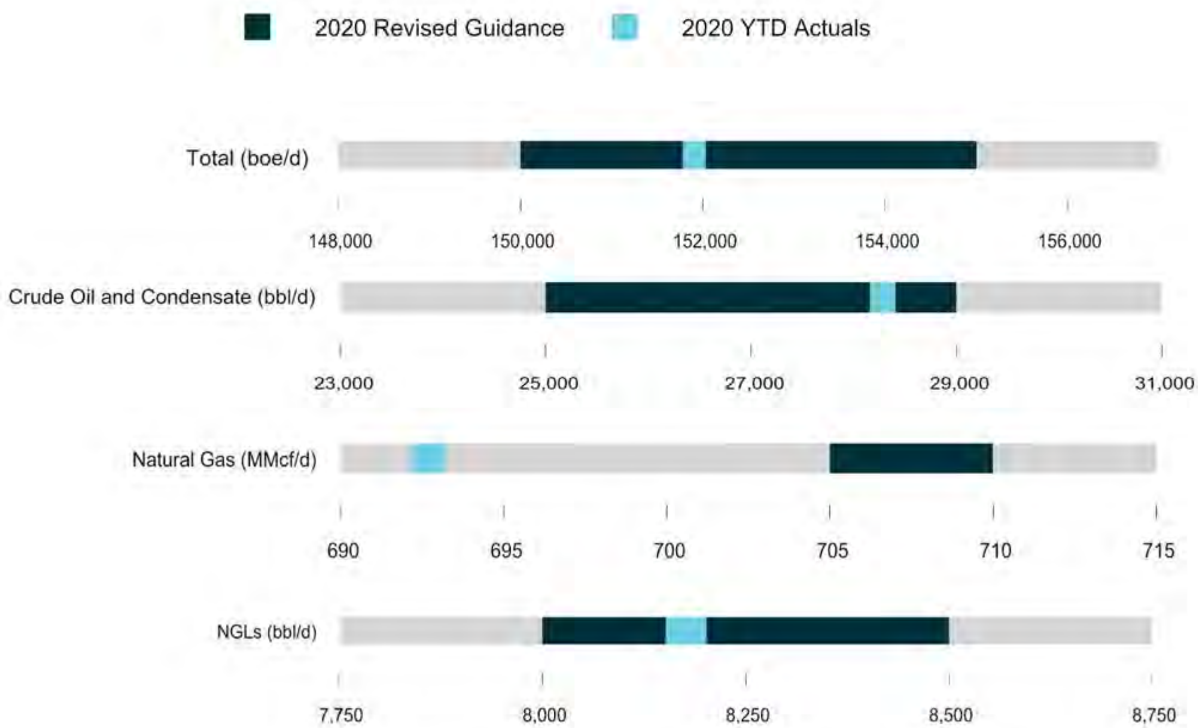
ARC's 2020 guidance is based on full-year 2020 estimates; certain variances exist between 2020 year-to-date actual results.

Production variances from guidance during the three months ended March 31, 2020 include:

- Crude oil production exceeds the guidance range due to strong results from development at Ante Creek.
- Natural gas production is below the guidance range; however, it is expected to increase through the remainder of the year as production increases at the Dawson Phase IV facility, which was brought on-stream in the second quarter of 2020.

Exhibit 2

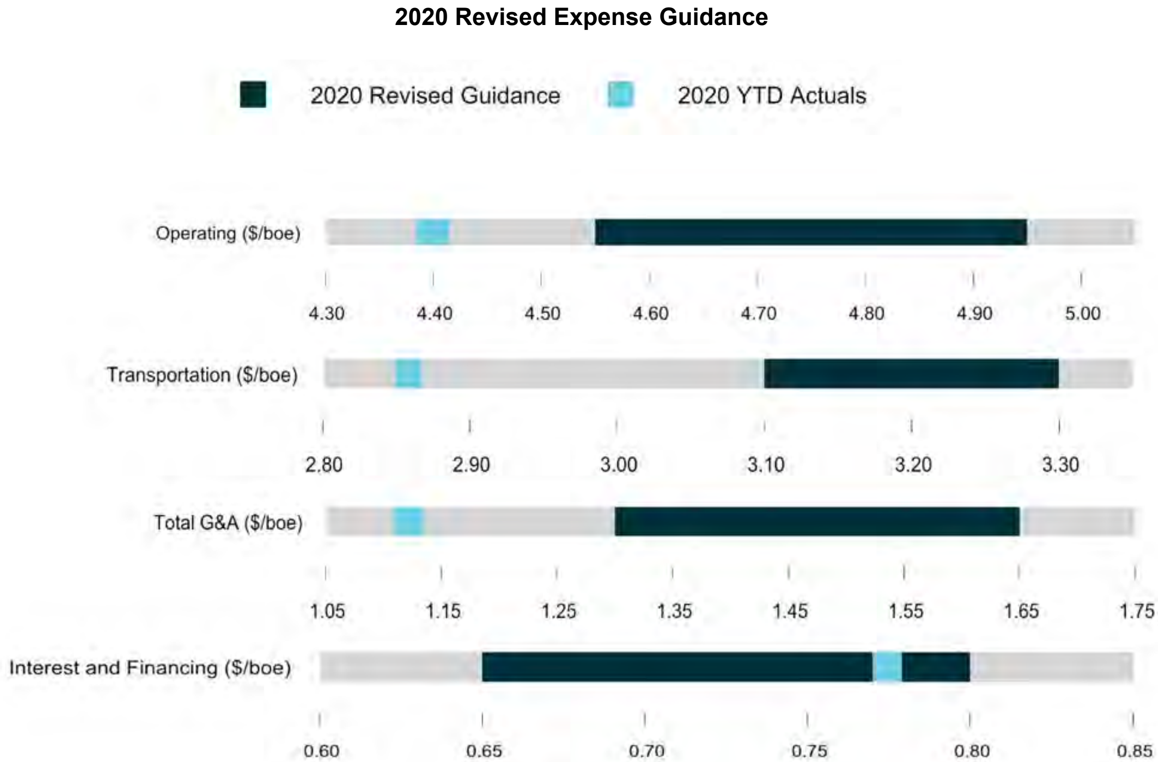
2020 Revised Production Guidance



Expense variances from guidance during the three months ended March 31, 2020 include:

- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities.
- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation required for production from the Dawson Phase IV facility.
- G&A expense is below the guidance range due to a decrease in the fair value of ARC's share-based compensation plans as a result of the depreciation of ARC's common share price during the first quarter of 2020.

Exhibit 2a



The guidance information presented for 2020 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.

2020 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

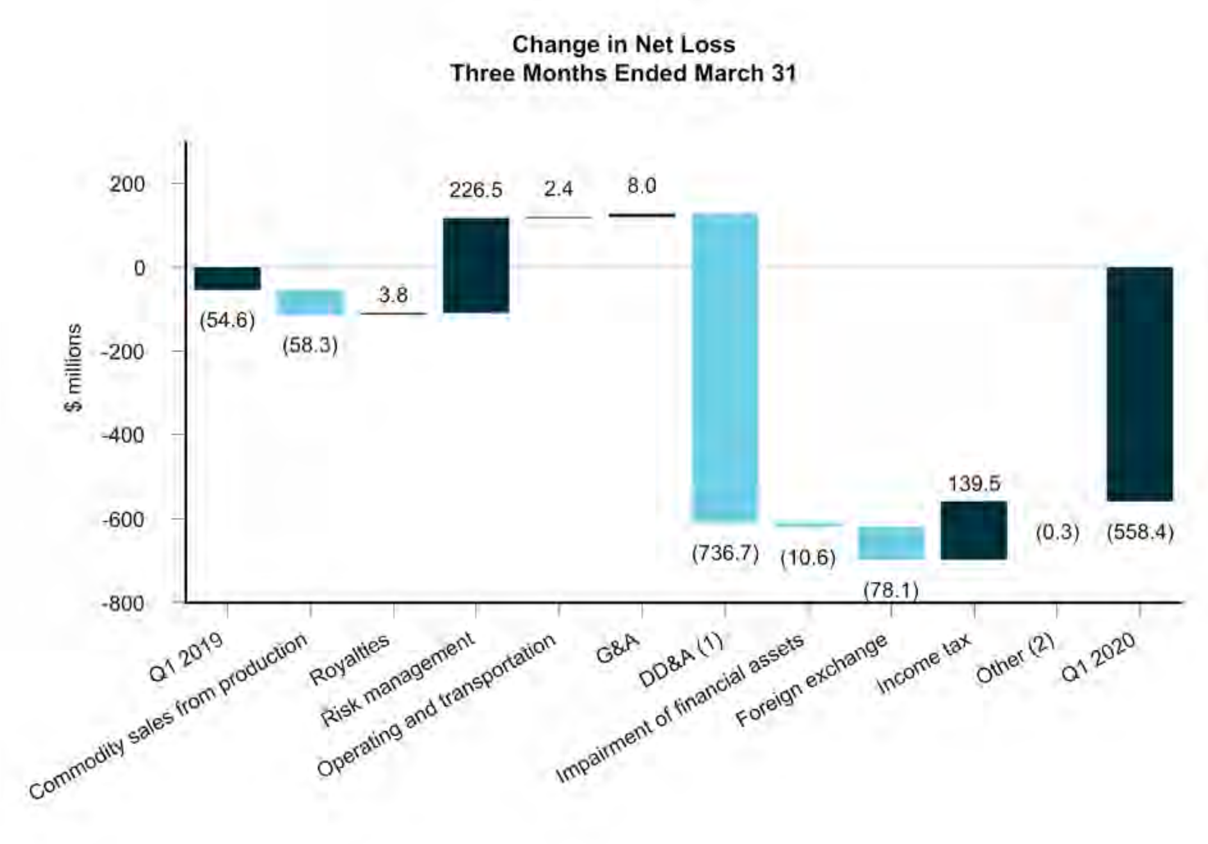
	Three Months Ended			
($ millions, except per share and volume data)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Net loss (1)	(10.2)	**(558.4)**	(54.6)	(923)
Net loss per share (1)	(0.03)	**(1.58)**	(0.15)	(953)
Funds from operations (2)	172.8	**160.8**	186.2	(14)
Funds from operations per share (2)	0.49	**0.46**	0.53	(13)
Dividends declared per share (3)	0.15	**0.12**	0.15	(20)
Average daily production (boe/d)	147,650	**151,783**	139,054	9

(1) The net loss for the three months ended March 31, 2020 is primarily due to an after-tax impairment charge of $554.8 million ($1.57 per share). Refer to Note 6 "Impairment" in the financial statements.
(2) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(3) Dividends declared per share are based on the number of shares outstanding at each dividend record date.

Net Loss

In the first quarter of 2020, ARC recognized a net loss of $558.4 million ($1.58 per share), an increase of $503.8 million from ARC's first quarter 2019 net loss of $54.6 million ($0.15 per share). The increase in net loss is primarily due to an impairment charge of $740.0 million. A foreign exchange loss of $64.5 million compared to a foreign exchange gain of $13.6 million in the first quarter of 2019 and a decrease in commodity sales from production as a result of lower realized commodity prices also contributed to the decrease. This was partially offset by a gain on risk management contracts of $100.3 million as compared to a loss on risk management contracts of $126.2 million and a higher income tax recovery of $139.5 million in the first quarter of 2020.

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, and interest and financing.

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 9 "Capital Management" in the financial statements. Table 4 is a reconciliation of ARC's net loss to funds from operations and cash flow from operating activities:

Table 4

	Three Months Ended		
($ millions)	December 31, 2019	**March 31, 2020**	March 31, 2019
Net loss	(10.2)	**(558.4)**	(54.6)
Adjusted for the following non-cash items:			
Impairment of financial assets	0.1	**10.6**	—
DD&A and impairment	132.6	**875.7**	139.0
Accretion of ARO	1.7	**1.8**	1.9
Deferred tax expense (recovery)	2.7	**(160.1)**	(30.2)
Unrealized loss (gain) on risk management contracts	62.9	**(83.2)**	146.5
Unrealized loss (gain) on foreign exchange	(16.3)	**73.4**	(17.7)
Gain on disposal of petroleum and natural gas properties	(1.7)	**—**	—
Other	1.0	**1.0**	1.3
Funds from operations	172.8	**160.8**	186.2
Net change in other liabilities	8.3	**(5.3)**	0.8
Change in non-cash working capital	(14.4)	**27.6**	(58.7)
Cash flow from operating activities	166.7	**183.1**	128.3

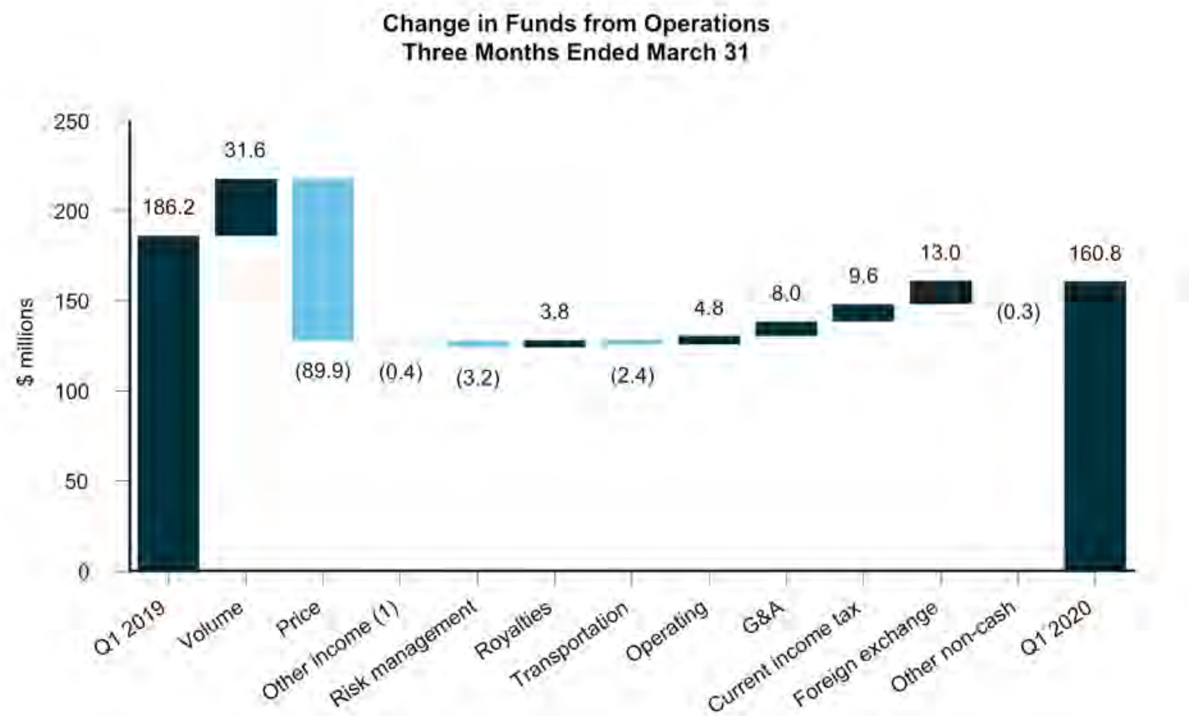
Details of the change in funds from operations from the three months ended March 31, 2019 to the three months ended March 31, 2020 are included in Table 5 below:

Table 5

	Three Months Ended March 31	
	$ millions	$/Share
Funds from operations – 2019	186.2	0.53
Volume variance		
Crude oil and liquids	**14.7**	**0.04**
Natural gas	**16.9**	**0.05**
Price variance		
Crude oil and liquids	**(43.3)**	**(0.11)**
Natural gas	**(46.6)**	**(0.13)**
Sales of commodities purchased from third parties	**(6.3)**	**(0.02)**
Interest income	**(2.0)**	**(0.01)**
Other income	**(0.4)**	**—**
Realized gain on risk management contracts	**(3.2)**	**(0.01)**
Royalties	**3.8**	**0.01**
Expenses		
Commodities purchased from third parties	**8.3**	**0.02**
Operating	**4.8**	**0.01**
Transportation	**(2.4)**	**(0.01)**
G&A	**8.0**	**0.02**
Current income tax	**9.6**	**0.03**
Realized gain on foreign exchange	**13.0**	**0.04**
Other non-cash items	**(0.3)**	**—**
Funds from operations – 2020	**160.8**	**0.46**

Funds from operations decreased by 14 per cent in the first quarter of 2020 to $160.8 million ($0.46 per share) from $186.2 million ($0.53 per share) generated in the first quarter of 2019. The decrease in funds from operations for the three months ended March 31, 2020 primarily reflects lower commodity prices. Increased production and realized gain on foreign exchange 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.

Net Loss and Funds from Operations Sensitivity

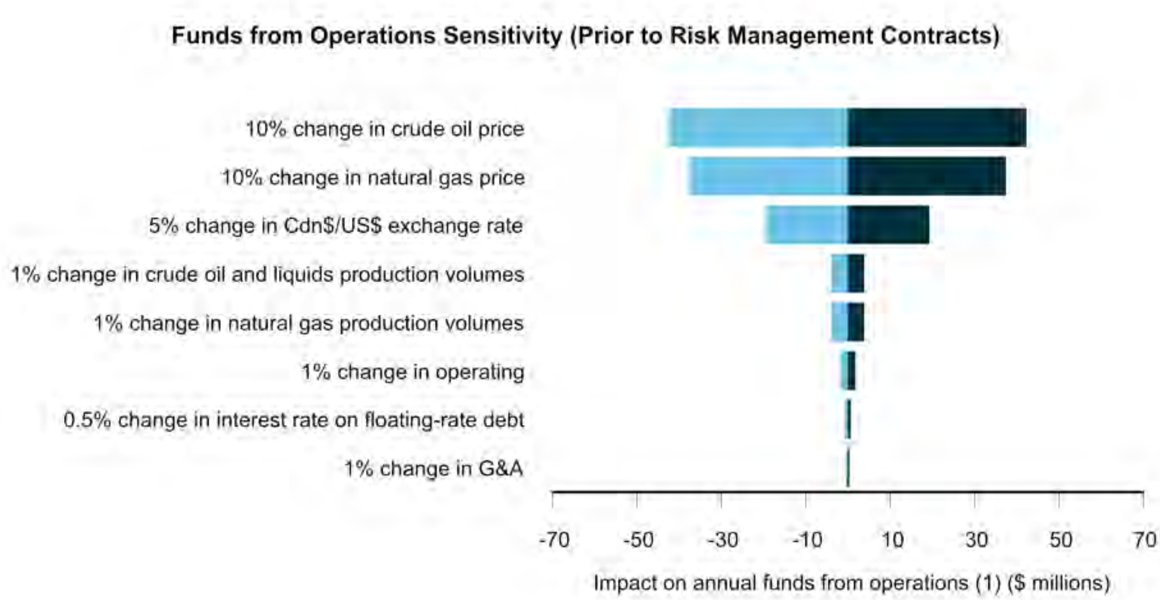
Table 6 illustrates sensitivities of operating items (prior to the impact of risk management contracts) to operational and business environment changes and the resulting impact on net loss and funds from operations:

Table 6

	Assumption	Change	Impact on Annual Funds from Operations [6] Notional Amount ($ millions)	$/Share	Impact on Annual Net Loss Notional Amount ($ millions)	$/Share
Business Environment [1]						
Crude oil price [2][3]	49.69	10%	42.4	0.120	42.4	0.120
Natural gas price [2]	2.05	10%	37.5	0.106	37.5	0.106
Cdn$/US$ exchange rate [2][4]	1.35	5%	19.4	0.055	19.4	0.055
Interest rate on floating-rate debt [2]	3.5%	0.5%	0.7	0.002	0.7	0.002
Operational [5]						
Crude oil and liquids production (bbl/d)	36,411	1%	3.9	0.011	2.8	0.008
Natural gas production (MMcf/d)	692.2	1%	3.9	0.011	1.4	0.004
Operating ($/boe)	4.40	1%	1.8	0.005	1.8	0.005
G&A ($/boe)	1.11	1%	0.4	0.001	0.4	0.001

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time.
(2) Prices and rates are indicative of ARC's average realized prices for the three months ended March 31, 2020. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on funds from operations and net loss would only be applicable within a limited range of these amounts.
(3) Includes the impact on crude oil, condensate, and NGLs prices.
(4) Includes impact of foreign exchange on natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.
(5) Operational assumptions are based upon results for the three months ended March 31, 2020.
(6) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 5



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

Production

Table 7

	Three Months Ended			
Production	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Light and medium crude oil (bbl/d)	16,607	**16,619**	17,866	(7)
Heavy crude oil (bbl/d)	476	**378**	385	(2)
Condensate (bbl/d)	10,937	**11,262**	8,210	37
NGLs (bbl/d)	8,123	**8,152**	7,183	13
Crude oil and liquids (bbl/d)	36,143	**36,411**	33,644	8
Natural gas (MMcf/d)	669.0	**692.2**	632.5	9
Total production (boe/d)	147,650	**151,783**	139,054	9
Natural gas production (%)	76	**76**	76	—
Crude oil and liquids production (%)	24	**24**	24	—

For the three months ended March 31, 2020, crude oil and liquids production increased eight per cent as compared to the same period in the prior year. Increases in condensate and NGLs production were partially offset by lower crude oil production attributable to natural declines of oil-producing properties where minimal development activity occurred during the quarter.

For the three months ended March 31, 2020, natural gas production increased nine per cent compared to the same period in the prior year. The increase was primarily driven by increased volumes at Sunrise as a result of bringing the facility to full capacity in the fourth quarter of 2019, as well as continued drilling and completions activity in northeast British Columbia.

Exhibit 6

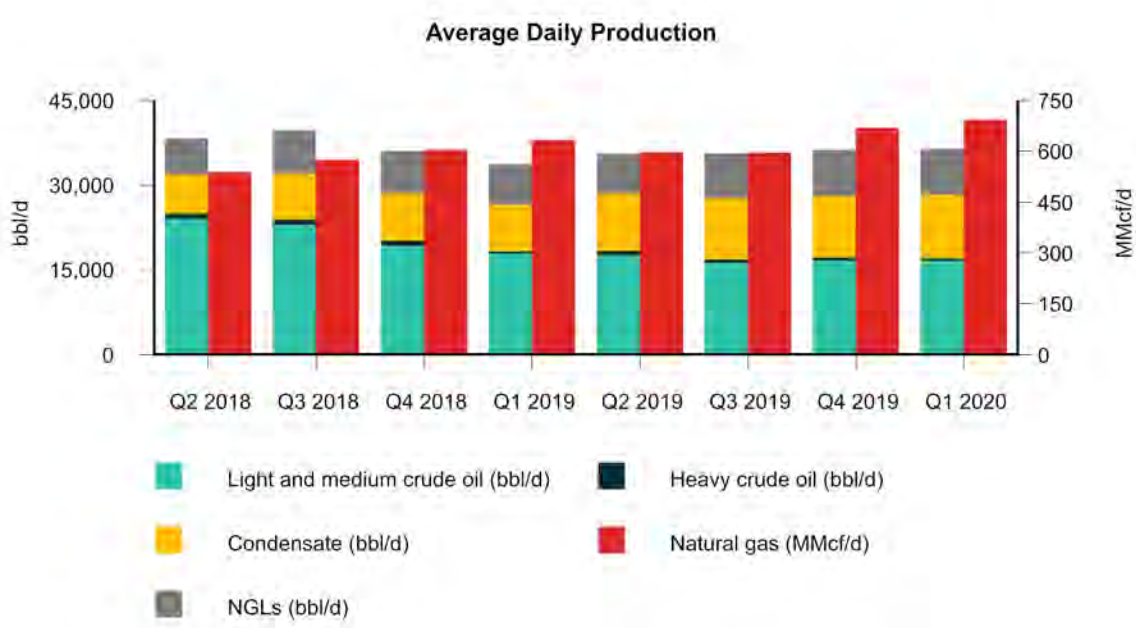


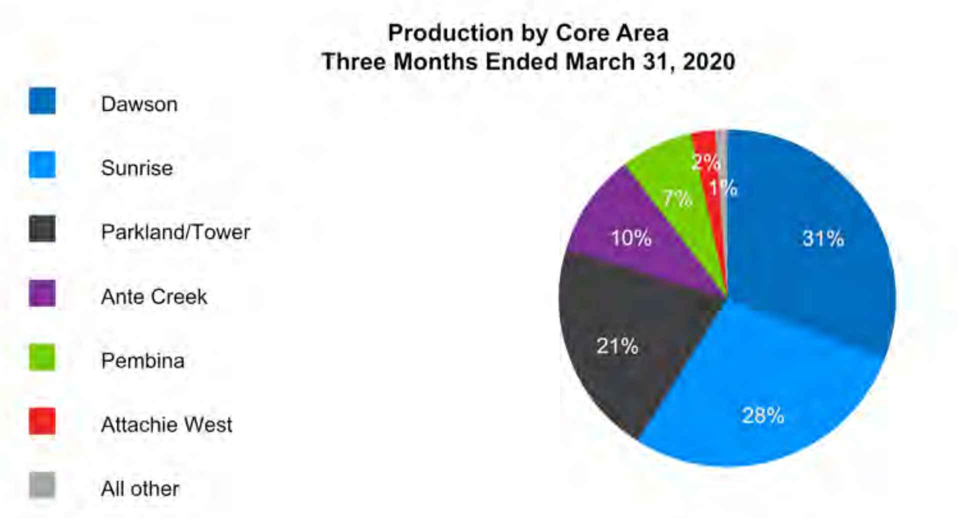
Table 8 summarizes ARC's production by core area for the first quarters of 2020 and 2019:

Table 8

	Three Months Ended March 31, 2020				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**46,926**	—	4,949	237.8	2,341
Sunrise	**42,571**	—	3	255.3	25
Parkland/Tower	**31,410**	2,843	3,530	126.1	4,024
Ante Creek	**15,038**	6,195	383	43.4	1,226
Pembina	**10,538**	7,950	157	12.0	424
Attachie West	**3,523**	—	2,099	8.1	74
All other	**1,777**	9	141	9.5	38
Total	**151,783**	**16,997**	**11,262**	**692.2**	**8,152**

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

Exhibit 7



Commodity Sales from Production

For the three months ended March 31, 2020, commodity sales from production decreased by 18 per cent as compared to the same period in 2019. The decrease primarily reflects lower realized commodity prices, partially offset by an increase in natural gas and condensate production.

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

Table 9

	Three Months Ended			
Commodity Sales from Production ($ millions)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Crude oil	102.3	**76.8**	104.7	(27)
Condensate	68.5	**58.9**	47.9	23
Natural gas [1]	145.5	**129.1**	158.8	(19)
NGLs	8.8	**4.7**	16.4	(71)
Total commodity sales from production	325.1	**269.5**	327.8	(18)

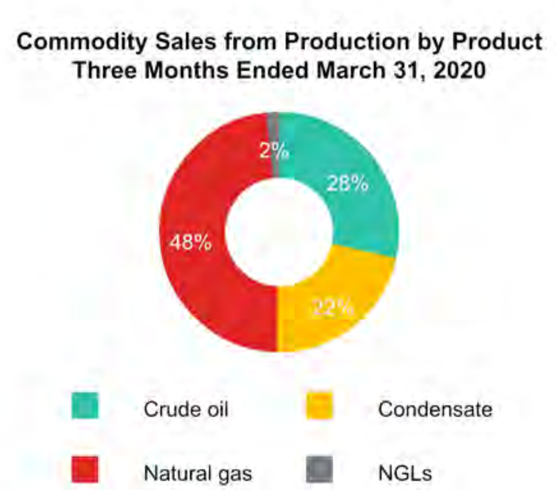
(1) Includes $3.3 million of natural gas transportation revenue from contracts assigned temporarily to third parties for the three months ended March 31, 2020 ($4.6 million for the three months ended March 31, 2019).

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

Table 10

	Three Months Ended		
% of Commodity Sales from Production by Product Type	December 31, 2019	**March 31, 2020**	March 31, 2019
Crude oil and liquids	55	**52**	52
Natural gas	45	**48**	48
Total commodity sales from production	100	**100**	100

Exhibit 8



Commodity Prices

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

Table 11

	Three Months Ended			
	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Average Benchmark Prices				
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	2.50	**1.95**	3.15	(38)
Chicago Citygate Monthly Index (US$/MMBtu)	2.44	**1.95**	3.32	(41)
AECO 7A Monthly Index (Cdn$/Mcf)	2.34	**2.14**	1.94	10
WTI crude oil (US$/bbl)	56.87	**45.78**	54.90	(17)
Cdn$/US$ exchange rate	1.32	**1.35**	1.33	2
WTI crude oil (Cdn$/bbl)	75.07	**61.80**	73.02	(15)
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	67.96	**51.42**	66.46	(23)
Condensate Stream Price at Edmonton (Cdn$/bbl)	69.83	**61.76**	67.14	(8)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts				
Crude oil ($/bbl)	65.11	**49.69**	63.72	(22)
Condensate ($/bbl)	68.08	**57.52**	64.81	(11)
Natural gas ($/Mcf)	2.36	**2.05**	2.79	(27)
NGLs ($/bbl)	11.69	**6.36**	25.43	(75)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	23.93	**19.52**	26.20	(25)

Benchmark Commodity Prices
First quarter WTI crude oil prices were 20 per cent lower than the prior quarter and 17 per cent lower than the first quarter of 2019. A shock to oil demand due to the COVID-19 pandemic pushed the global oil market into a state of extreme oversupply resulting in a steep decline in prices. The issue was exacerbated by the decision of the Organization of Petroleum Exporting Countries ("OPEC") and certain other countries to increase production. Subsequent to March 31, 2020, oil prices have continued to weaken with a further reduction in demand and rapidly rising global inventory levels. In April 2020, a coordinated curtailment agreement was reached by major oil-producing nations that is expected to better align supply with demand. However, the price of WTI remains depressed amid market expectations that the impending risk of surpassing maximum available global storage capacity will likely require near-term production curtailments in excess of those in the agreement.

Similar to WTI prices, Canadian stream prices were lower than both the prior quarter and the first quarter of 2019. With declining downstream demand and limited local storage capacity, near-term Canadian stream prices have fallen to the point that a significant portion of Canadian oil production has been curtailed.

NYMEX Henry Hub prices decreased 22 per cent in the first quarter of 2020 compared to the prior quarter and decreased 38 per cent from the first quarter of 2019. Despite a slowing of production and record levels of liquefied natural gas ("LNG") exports in the United States, a lack of lasting cold weather in North America, Europe, and Asia resulted in prices trending lower for much of the period. With the dramatic decline in crude oil pricing, market expectations for associated natural gas production have been sharply decreased which is expected to result in a significantly stronger North American natural gas market in the latter part of 2020 and into 2021.

Western Canadian natural gas prices decreased in the first quarter of 2020 compared to the prior quarter, but have increased compared to the first quarter of 2019. Recent temporary changes to service priority on TC Energy's Nova Gas Transmission Limited System have resulted in an improved supply/demand balance at AECO. These system changes along with declining production, growing local demand, and low seasonal inventories, resulted in a significantly narrower AECO basis differential to NYMEX Henry Hub during the quarter.

ARC's Average Realized Commodity Prices
For the three months ended March 31, 2020, ARC's average realized crude oil price decreased 22 per cent, compared to the same period in 2019. The decrease for the three months ended March 31, 2020, is due to lower benchmark WTI prices and wider differentials between WTI and MSW.

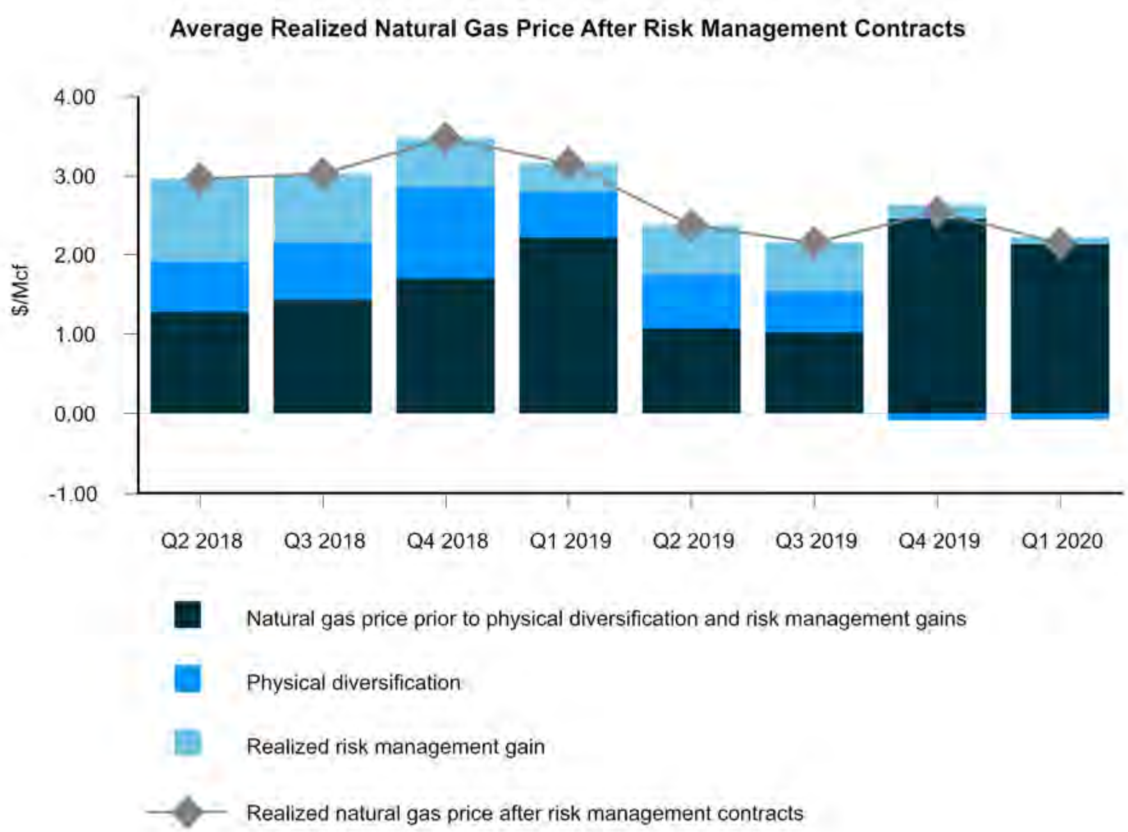
ARC's average realized condensate price for the three months ended March 31, 2020 decreased 11 per cent, compared to the same period in the prior year. The decrease for the three months ended March 31, 2020, was primarily due to a lower WTI benchmark price.

ARC's natural gas sales are physically diversified to multiple sales points with a portfolio mix that on average for the three months ended March 31, 2020, before hedging, received AECO index-based pricing for 51 per cent, US Midwest index-based pricing for 33 per cent, Pacific Northwest index-based pricing for seven per cent, Station 2 index-based pricing for five per cent, and Dawn index-based pricing for four per cent of total production. ARC's average realized natural gas price for the three months ended March 31, 2020, decreased 27 per cent compared to the same period in the prior year. The decrease is primarily due to lower pricing at markets beyond AECO and Station 2, specifically the US Midwest, compared to the same period in 2019. During the three months ended March 31, 2020, physical sales diversification activities reduced ARC's average realized natural gas price by $0.08 per Mcf compared to an addition of $0.57 per Mcf in the same period in 2019.

Furthermore, ARC's natural gas sales contracts are financially diversified. The realized gain on natural gas risk management contracts added $0.09 per Mcf for the three months ended March 31, 2020 ($0.36 per Mcf for the same period in 2019), which is not represented in ARC's realized natural gas price.

Average realized pricing for NGLs decreased 75 per cent for the three months ended March 31, 2020, compared to the same period in the prior year. The decrease reflects broad weakness in North American supply and demand fundamentals for NGLs and is primarily related to lower propane and butane pricing.

Exhibit 9



Risk Management Contracts

Table 12 summarizes the total gain or loss on risk management contracts for the three months ended March 31, 2020 compared to the same period in 2019:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q1 2020 Total**	Q1 2019 Total
Realized gain on contracts [1]	11.5	5.6	—	**17.1**	20.3
Unrealized gain (loss) on contracts [2]	104.6	(24.2)	2.8	**83.2**	(146.5)
Gain (loss) on risk management contracts	**116.1**	**(18.6)**	**2.8**	**100.3**	(126.2)

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

For the three months ended March 31, 2020, ARC's realized gain on risk management contracts primarily reflects positive cash settlements received on WTI crude oil contracts, AECO, and NYMEX Henry Hub natural gas contracts. This is partially offset by cash payments made on natural gas basis contracts referencing AECO, Malin, and Chicago due to tighter differentials during the period.

ARC's unrealized gain on crude oil contracts for the three months ended March 31, 2020 reflects lower forward pricing for WTI and wider MSW differentials. ARC's unrealized loss on natural gas contracts for the three months ended March 31, 2020, primarily reflects higher forward pricing for AECO, as well as a narrowing of the AECO basis curve.

For more information, refer to Note 10 "Financial Instruments and Market Risk Management" in the financial statements.

The fair value of ARC's risk management contracts at March 31, 2020 was a net asset of $94.0 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 $105.9 million from crude oil contracts, a net liability of $13.9 million from natural gas contracts, and a net asset of $2.0 million from foreign currency contracts.

Exhibit 10

Netback

The components of ARC's netback for the three months ended March 31, 2020 compared to the previous quarter and the same period in 2019 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended			
Netback ($ millions) (1)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Commodity sales from production	325.1	**269.5**	327.8	(18)
Royalties	(20.2)	**(15.2)**	(19.0)	(20)
Operating	(62.3)	**(60.8)**	(65.6)	(7)
Transportation	(38.8)	**(39.4)**	(37.0)	6
Netback	203.8	**154.1**	206.2	(25)
Realized gain on risk management contracts	6.6	**17.1**	20.3	(16)
Netback after realized gain on risk management contracts	210.4	**171.2**	226.5	(24)

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

Table 13a

	Three Months Ended			
Netback ($ per boe) (1)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Commodity sales from production	23.93	**19.52**	26.20	(25)
Royalties	(1.48)	**(1.11)**	(1.52)	(27)
Operating	(4.59)	**(4.40)**	(5.24)	(16)
Transportation	(2.86)	**(2.85)**	(2.96)	(4)
Netback	15.00	**11.16**	16.48	(32)
Realized gain on risk management contracts	0.49	**1.24**	1.62	(23)
Netback after realized gain on risk management contracts	15.49	**12.40**	18.10	(31)

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

Exhibit 11

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

Royalties

Total royalties for the three months ended March 31, 2020 were $15.2 million ($19.0 million for the same period in 2019). As a percentage of commodity sales from production, royalties decreased to 5.6 per cent ($1.11 per boe) in the first quarter of 2020 from 5.8 per cent ($1.52 per boe) in the first quarter of 2019. The decrease in total royalties and royalties as a percentage of commodity sales from production for the three months ended March 31, 2020, is primarily reflective of a lower royalty rate due to decreased commodity prices compared to the same period in 2019.

Exhibit 12

Operating

Operating expense decreased by $4.8 million in the first quarter of 2020 to $60.8 million as compared to $65.6 million in the first quarter of 2019. The decrease in operating expense for the three months ended March 31, 2020 is primarily due to lower third-party gas processing fees as a result of repatriating natural gas volumes to ARC's Sunrise Phase II facility.

On a per boe basis, operating expense decreased $0.84 per boe to $4.40 per boe in the first quarter of 2020 compared to $5.24 per boe in the first quarter of 2019. Operating expense on a per boe basis has decreased with increased production in the Montney which has lower average operating expense.

Exhibit 13

Transportation

Transportation expense for the three months ended March 31, 2020 was $39.4 million ($37.0 million for the three months ended March 31, 2019). The increase for the three months ended March 31, 2020, relative to the same period in 2019, is due to increased natural gas and condensate production in northeast British Columbia and higher pipeline tariffs associated with this production. On a per boe basis, transportation expense for the three months ended March 31, 2020, was $2.85 per boe ($2.96 per boe for the three months ended March 31, 2019), reflecting the increase in natural gas production.

ARC enters firm transportation commitments in order to secure diversified 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 14 "Commitments and Contingencies" in the financial statements.

Exhibit 14

G&A Expense and Share-Based Compensation

G&A expense before share-based compensation increased by eight per cent to $16.9 million in the first quarter of 2020 from $15.6 million in the first quarter of 2019. The increase reflects payment obligations under employment agreements associated with executive retirements during the quarter and was partially offset by lower average directors' fees that include a share-based component. The share-based component under the DSU Plan decreased in value due to the depreciation in ARC's share price during the first quarter of 2020.

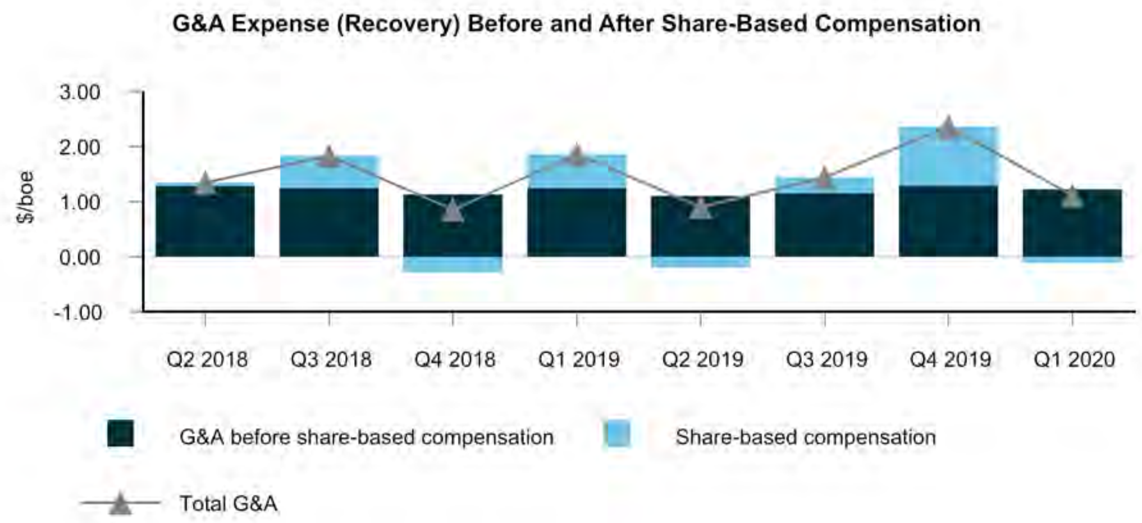
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

	Three Months Ended			
G&A and Share-Based Compensation ($ millions, except per boe)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
G&A expense before share-based compensation expense (1)	17.4	**16.9**	15.6	8
G&A – share-based compensation expense (2)	14.6	**(1.6)**	7.7	(121)
Total G&A expense	32.0	**15.3**	23.3	(34)
G&A expense before share-based compensation expense per boe	1.28	**1.22**	1.24	(2)
G&A – share-based compensation expense per boe	1.08	**(0.11)**	0.62	(118)
Total G&A expense per boe	2.36	**1.11**	1.86	(40)

(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 20 "Share Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2019.

During the three months ended March 31, 2020, ARC recognized a G&A recovery of $1.6 million in respect of its share-based compensation plans, compared to an expense of $7.7 million during the same period of the prior year.

Restricted Share Unit and Performance Share Unit Plans

At March 31, 2020, ARC had 3.5 million RSUs and 5.5 million PSUs outstanding under these plans. For the three months ended March 31, 2020, ARC recognized a G&A recovery of $2.7 million in relation to the RSU and PSU Plans ($6.5 million expense for the three months ended March 31, 2019). The decrease in expense recognized for the three months ended March 31, 2020 as compared to the same period in 2019 reflects the change in valuation of awards outstanding in the period. At March 31, 2020, ARC's share price on the Toronto Stock Exchange ("TSX") was $4.05, a 50 per cent decrease from the share price of $8.18 at December 31, 2019. This compares to a 13 per cent increase per share outstanding during the same period of the prior year. Partially offsetting the decrease of the decline in share price was an increase in ARC's performance multiplier. The performance multiplier, applicable to its PSU awards, increased 38 per cent for the three months ended March 31, 2020, compared to an eight per cent increase during the same period of the prior year.

During the three months ended March 31, 2020, ARC made cash payments of $4.4 million in respect of the RSU and PSU Plans ($4.5 million for the three months ended March 31, 2019). Of these payments, $3.5 million were in respect of amounts recognized as G&A ($3.5 million for the three months ended March 31, 2019) and $0.9 million were in respect of amounts recognized as Operating and capitalized as PP&E and Exploration and Evaluation ("E&E") ($1.0 million for the three months ended March 31, 2019). These amounts were accrued in prior periods.

Table 15 shows the changes to the outstanding RSU and PSU awards during 2020:

Table 15

RSU and PSU Awards (number of awards, thousands)	**RSUs**	**PSUs Granted Prior to 2019** (1)	**PSUs Granted Subsequent to 2018** (1)	**Total RSUs and PSUs**
Balance, December 31, 2019	2,236	1,628	1,780	5,644
Granted (2)	**1,746**	**356**	**2,355**	**4,457**
Distributed	**(473)**	**(641)**	**—**	**(1,114)**
Forfeited	**(15)**	**(1)**	**(1)**	**(17)**
Balance, March 31, 2020	**3,494**	**1,342**	**4,134**	**8,970**

(1) Based on underlying awards before any effect of the performance multiplier. The criteria for determining the performance multiplier changed in March 2019.
(2) Grants for 'PSUs Granted Prior to 2019' relate to re-invested dividends and additional performance awards for grants that vested in the current period.

Due to the variability in the expected future payments under the plans, ARC estimates that between $14.1 million and $58.5 million will be paid out in 2020 through 2023 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 March 31, 2020:

Table 16

Value of RSU and PSU Awards as at March 31, 2020		**Performance Multiplier**	
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	3,494	3,494	3,494
PSUs (2)	—	5,476	10,952
Total awards	**3,494**	**8,970**	**14,446**
Share price (3)	4.05	4.05	4.05
Value of RSU and PSU awards upon vesting	**14.1**	**36.3**	**58.5**
2020	1.8	3.3	4.7
2021	5.4	9.4	13.3
2022	4.6	12.0	19.4
2023	2.3	11.6	21.1

(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 equal to the TSX closing share price at March 31, 2020.

Share Option Plan

At March 31, 2020, ARC had 5.1 million share options outstanding, representing 1.4 per cent of outstanding shares, with a weighted average exercise price of $17.11 per share. At March 31, 2020, approximately 1.3 million share options were exercisable with a weighted average exercise price of $22.86 per share. ARC recognized compensation expense of $0.8 million relating to the Share Option Plan for the three months ended March 31, 2020 ($1.1 million for the three months ended March 31, 2019).

Long-term Restricted Share Award Plan

At March 31, 2020, ARC had 0.8 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2020 ($0.2 million for the three months ended March 31, 2019).

Deferred Share Unit Plan

At March 31, 2020, ARC had 1.0 million DSUs outstanding under this plan. For the three months ended March 31, 2020, a G&A recovery of $3.1 million was recognized in relation to the DSU Plan (G&A expense of $1.3 million for the same period in 2019). Amounts related to the DSU Plan are recognized as G&A expense before share-based compensation expense.

During the three months ended March 31, 2020, ARC made cash payments of $0.5 million in respect of the DSU Plan ($0.1 million for the three months ended March 31, 2019).

Interest and Financing

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

Table 17

	Three Months Ended			
Interest and Financing ($ millions)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Bank debt and long-term notes	9.8	**10.3**	10.2	1
Lease obligations	0.4	**0.4**	0.5	(20)
Accretion on ARO	1.7	**1.8**	1.9	(5)
Total interest and financing	11.9	**12.5**	12.6	(1)

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange loss of $64.5 million in the first quarter of 2020 compared to a gain of $13.6 million in the first quarter of 2019. During the three months ended March 31, 2020, the value of the US dollar relative to the Canadian dollar increased to $1.41 from $1.30 at December 31, 2019. During the three months ended March 31, 2019, the value of the US dollar relative to the Canadian dollar decreased to $1.34 from $1.36 at December 31, 2018.

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

Table 18

	Three Months Ended			
Foreign Exchange Gain and Loss ($ millions)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Unrealized gain (loss) on US dollar-denominated debt and receivables	16.3	**(73.4)**	17.7	(515)
Realized gain (loss) on US dollar-denominated transactions	(0.6)	**8.9**	(4.1)	317
Total foreign exchange gain (loss)	15.7	**(64.5)**	13.6	(574)

Taxes

ARC recognized current income tax recovery of $3.1 million for the three months ended March 31, 2020, compared to current income tax expense of $6.5 million for the same period in 2019. The current income tax recovery is due to lower expected taxable income for the period as compared to the same period of the prior year, primarily related to a decrease in ARC's average realized commodity prices.

For the three months ended March 31, 2020, deferred income tax recovery of $160.1 million was recognized, compared to deferred income tax recovery of $30.2 million for the same period in 2019. The increase in the deferred income tax recovery primarily relates to the impairment charge recognized on PP&E during the three months ended March 31, 2020, while none was recognized in the same period of the prior year.

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

Table 19

Income Tax Pool Type ($ millions)	**March 31, 2020**	**Annual Deductibility**
Canadian oil and gas property expense	94.7	10% declining balance
Canadian development expense	820.2	30% declining balance
Canadian exploration expense	19.1	100%
Undepreciated capital cost	863.8	Primarily 25% declining balance
Other	22.2	Various rates, 5% declining balance to 20%, and capital losses
Total federal tax pools	1,820.0	
Additional Alberta tax pools	2.9	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment of PP&E

For the three months ended March 31, 2020, ARC recognized DD&A related to its PP&E assets before any impairment charges or related reversals of $134.1 million, as compared to $137.5 million for the three months ended March 31, 2019. Despite an increase in production, DD&A for the three months ended March 31, 2020 decreased compared to the same period in the prior year. The lower DD&A expense per boe is reflective of an increase in reserves and a reduction of future development costs as determined by ARC's independent reserves evaluator. For more information on reserves, see ARC's AIF on SEDAR at www.sedar.com.

In response to the current and anticipated economic impact of the ongoing global COVID-19 pandemic, refer to Note 3 "Novel Coronavirus COVID-19" in the financial statements, as well as a further decrease in ARC's market capitalization relative to the carrying value of its net assets since the date of its last impairment test, at March 31, 2020, ARC conducted impairment tests over all its CGUs and goodwill amounts. Following these tests, ARC recognized an impairment of its Northern Alberta CGU in the amount of $740.0 million ($554.8 million net of deferred tax recovery). For further information regarding the impairment recognized at March 31, 2020, refer to Note 6 "Impairment" in the financial statements for the three months ended March 31, 2020.

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

Table 20

		Three Months Ended		
DD&A Expense ($ millions, except per boe amounts)	December 31, 2019	**March 31, 2020**	March 31, 2019	% Change
Depletion of crude oil and natural gas assets	129.4	**132.6**	136.0	(3)
Depreciation of corporate assets	1.6	**1.5**	1.5	—
Depreciation of ROU assets under lease	1.6	**1.6**	1.6	—
Impairment (reversal)	—	**740.0**	(0.1)	100
Total DD&A expense and impairment (reversal)	132.6	**875.7**	139.0	530
DD&A expense per boe, excluding impairment (reversal)	9.76	**9.82**	11.11	(12)

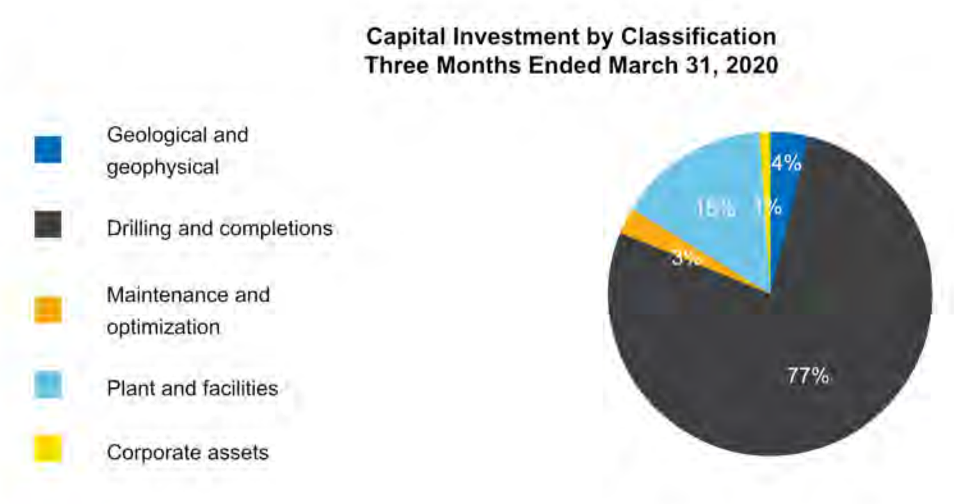
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the first quarters of 2020 and 2019 is shown in Table 21:

Table 21

	Three Months Ended March 31						
	2020			2019			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**6.5**	**6.5**	0.2	9.1	9.3	(30)
Drilling and completions	**0.3**	**131.0**	**131.3**	(0.4)	145.3	144.9	(9)
Plant and facilities	**—**	**25.8**	**25.8**	—	53.3	53.3	(52)
Maintenance and optimization	**—**	**4.4**	**4.4**	—	3.4	3.4	29
Corporate assets	**—**	**1.8**	**1.8**	—	2.8	2.8	(36)
Total capital expenditures	**0.3**	**169.5**	**169.8**	(0.2)	213.9	213.7	(21)
Acquisitions	**—**	**2.5**	**2.5**	0.2	—	0.2	1,150
Dispositions	**—**	**(2.4)**	**(2.4)**	—	(0.2)	(0.2)	1,100
Total capital expenditures, land purchases, and net acquisitions and dispositions	**0.3**	**169.6**	**169.9**	—	213.7	213.7	(20)

Exhibit 16



ARC invested $169.8 million in capital expenditures, before net property acquisitions and dispositions during the three months ended March 31, 2020. Investment included drilling and completions activities focused in Dawson, Parkland/Tower and Ante Creek with the drilling of 21 wells and the completion of 38 wells for the three months ended March 31, 2020. Infrastructure investment for the quarter was focused on the Dawson Phase IV gas processing and liquids-handling facility, and the Ante Creek facility expansion. These facilities were both commissioned late in the first quarter of 2020.

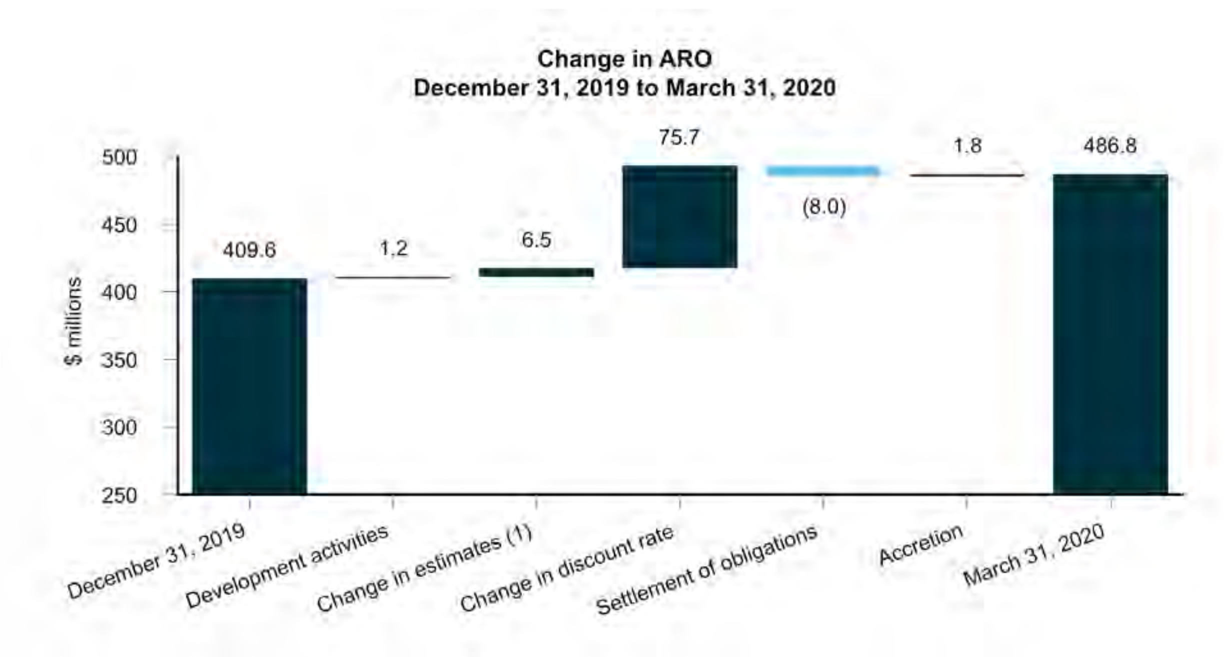
For information regarding ARC's planned capital expenditures for 2020, refer to the March 13, 2020 news release entitled, *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* and the November 7, 2019 news release entitled, *"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 on SEDAR at www.sedar.com.

Asset Retirement Obligation

At March 31, 2020, ARC has recognized ARO of $486.8 million ($409.6 million at December 31, 2019) 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 1.3 per cent (1.8 per cent at December 31, 2019).

Accretion charges of $1.8 million for the three months ended March 31, 2020 ($1.9 million for the same period in 2019), have been recognized in Interest and financing in the unaudited condensed statements of comprehensive income ("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 months ended March 31, 2020 was $8.0 million ($8.8 million for the same period in 2019).

Exhibit 17



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

Capitalization, Financial Resources and Liquidity

ARC's capital management objective is to fund dividend payments, current period reclamation expenditures 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 maintains financial flexibility through its strong balance sheet, targeting net debt to be between 1.0 and 1.5 times annualized funds from operations over the long term; however, during periods of significant commodity price weakness, ARC expects that the ratio will trend above this range. This strategy enables ARC to maintain manageable debt levels and remain well within its debt covenants through volatile commodity price cycles. In response to the significant pressure that COVID-19 and the global oversupply of crude oil has put on ARC's revenue, ARC responded by reducing its 2020 capital investment program from $500 million to a level of up to $300 million and reduced its monthly dividend from $0.05 per share to $0.02 per share. Following the payment of the March dividend on April 15, 2020, ARC intends to declare a quarterly dividend of $0.06 per share.

At March 31, 2020, ARC has $1,079.7 million of net debt outstanding and a net debt to annualized funds from operations ratio of 1.7 times. This level of net debt, while outside of ARC's target range, is still well within the ratio necessary to provide sufficient liquidity to sustain ARC's business and remain in compliance with its debt covenants. ARC continues to monitor the volatile economic environment and will respond as necessary to preserve its balance sheet for the long term.

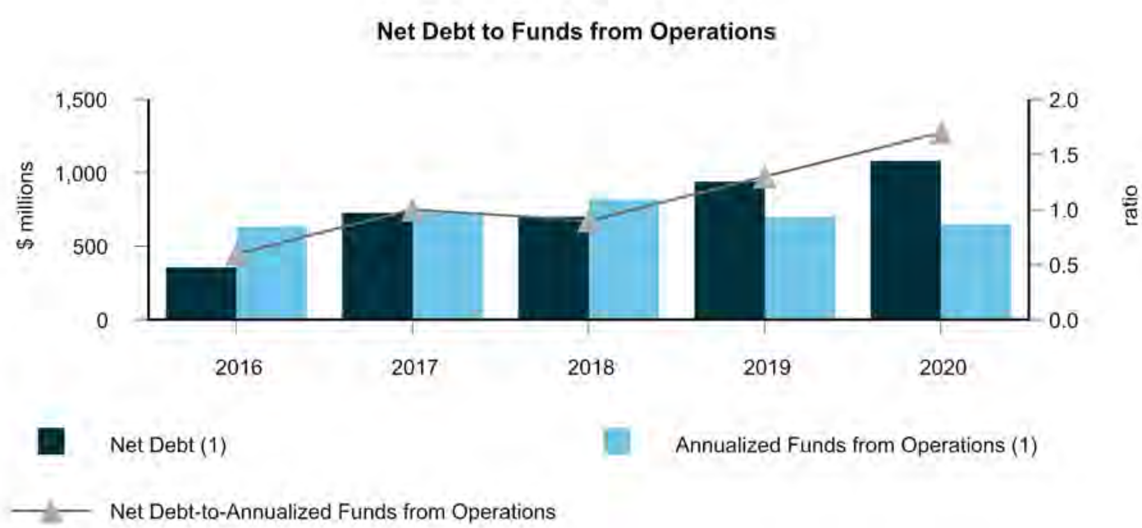
A breakdown of ARC's net debt as at March 31, 2020 and December 31, 2019 is outlined in Table 22:

Table 22

Net Debt ($ millions, except ratio amounts)	**March 31, 2020**	December 31, 2019
Long-term debt (1)	**976.6**	877.6
Lease obligations (2)	**42.4**	46.2
Accounts payable and accrued liabilities	**149.2**	150.5
Dividends payable	**7.1**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(95.6)**	(151.8)
Net debt (3)	**1,079.7**	940.2
Net debt to annualized funds from operations (ratio) (3)	**1.7**	1.3

(1) Includes a current portion of long-term debt of $161.4 million at March 31, 2020 and $148.9 million at December 31, 2019.
(2) Includes a current portion of lease obligations of $14.2 million at March 31, 2020 and $16.3 million at December 31, 2019.
(3) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 18



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

At March 31, 2020, ARC had total credit capacity of approximately $2.2 billion with long-term debt of $976.6 million currently outstanding. ARC's long-term debt balance includes a current portion of $161.4 million at March 31, 2020 ($148.9 million at December 31, 2019), 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 4.0 per cent. 84 per cent (US$577.5 million) of ARC's long-term debt outstanding at March 31, 2020 is denominated in US dollars.

ARC executed certain amendments to the note purchase agreements governing its senior notes. The amendments include a modification of certain definitions contained within the financial covenant calculations, the addition of a minimum liquidity requirement, an additional event of default and the addition of a mechanism under which the issuer may offer to purchase notes outstanding at par without penalty.

These amendments are effective March 31, 2020 and all covenant calculations at March 31, 2020 have been determined based on the amendments. The definition of "Total EBITDA" used in determining compliance under two of ARC's financial covenants has been amended to exclude non-cash losses and non-cash expenses, which is consistent with ARC's syndicated credit facility and Master Shelf Agreement. ARC calculates its covenants quarterly upon release if its financial statements. The following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description (1)	Position at March 31,2020
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	172%
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	1,615%
Total Priority Indebtedness not to exceed two per cent of Total Assets	0%
Total Indebtedness not to exceed 65 per cent of Present Asset Value (2)	30%
Total Indebtedness not to exceed 65 per cent of Present Asset Value (3)	34%

(1) Capitalized terms are as defined in the note purchase agreements. Under the amended note purchase agreements, all non-cash losses, non-cash expenses, non-cash revenue, and non-cash gains are excluded for the purposes of calculating Total EBITDA.
(2) 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.
(3) Pertains to senior notes issued under the prior Master Shelf agreement whereby the Present Asset Value is determined using a 12 per cent discount rate.

In addition to the covenants noted above, a new covenant was added as part of the note purchase agreement amendments, stipulating that ARC maintain a minimum liquidity amount of at least $200.0 million in cash or firm commitments under its credit facility, but only if Total Indebtedness exceeds 250 per cent of Total EBITDA for its most recently completed four fiscal quarters, and only for so long as the total outstanding principal amount under the notes issued prior to 2015 exceeds $100.0 million.

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

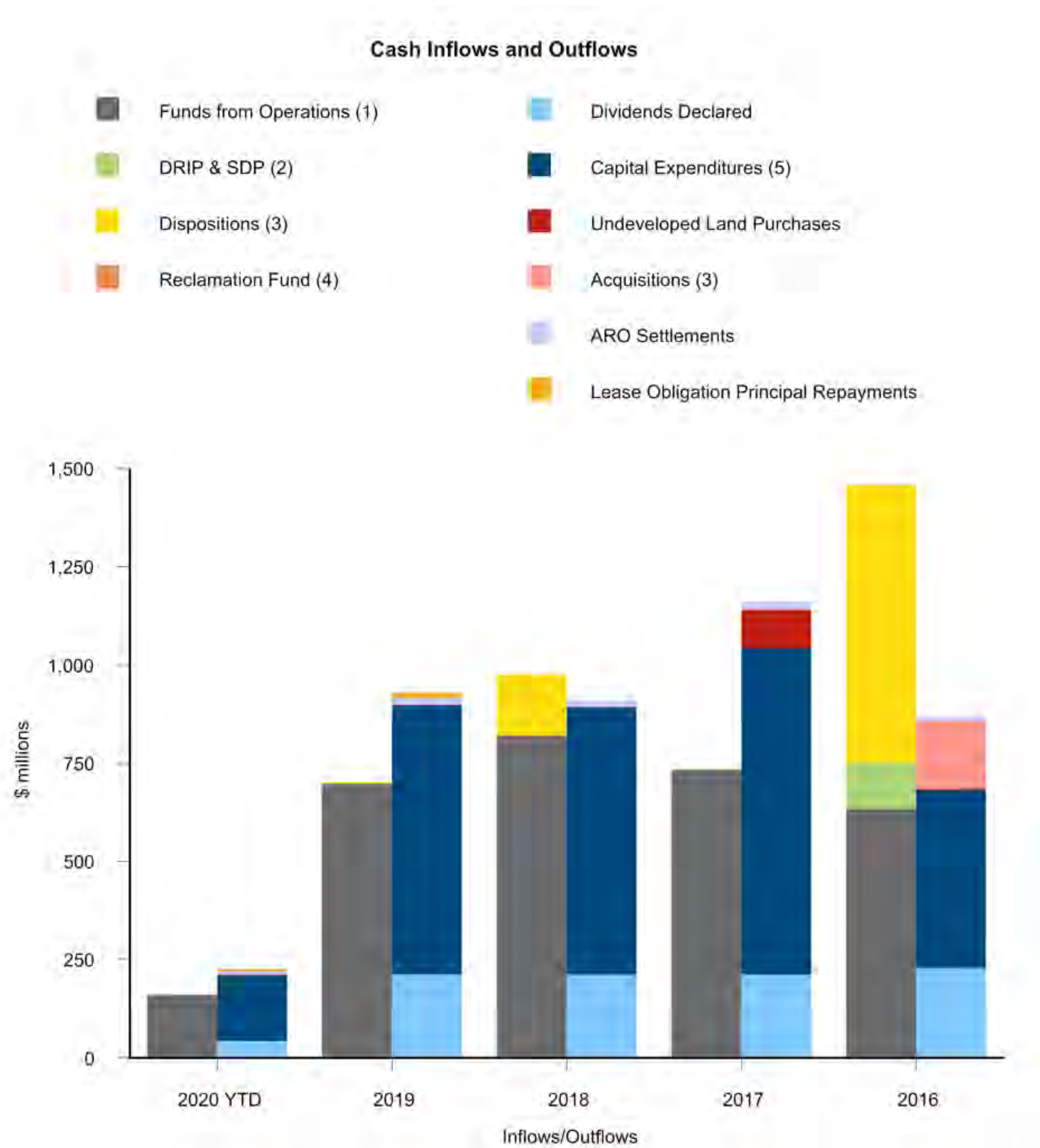
Table 23a

Covenant Description (1)	Position at March 31, 2020 (2)
Consolidated Senior Debt not to exceed 3.5 times Consolidated EBITDA	1.4
Consolidated Total Debt not to exceed 4.0 times Consolidated EBITDA	1.4
Consolidated Senior Debt not to exceed 55 per cent of Total Capitalization	26%
Consolidated Tangible Assets of the Restricted Group must exceed 85 per cent of Consolidated Tangible Assets	100%

(1) Capitalized terms are as defined in the credit facility agreement and the Master Shelf Agreement.
(2) Subject to final approval of the syndicate.

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

Exhibit 19



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) The Board of Directors ("the Board") approved the elimination of the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") in 2017.
(3) Excludes non-cash property transactions.
(4) The reclamation fund was disposed in 2018.
(5) Excludes capital additions in respect of non-cash share options, lease depreciation, and asset retirement cost.

Table 24

($ millions)	**2020 YTD**	2019	2018	2017	2016
Cash Inflows					
Funds from operations (1)	**160.8**	697.4	819.0	731.9	633.3
DRIP & SDP (2)	**—**	—	—	3.0	117.1
Dispositions (3)	**(0.1)**	5.0	156.1	—	705.4
Disposition of reclamation fund (4)	**—**	—	36.5	—	—
Reclamation fund withdrawals (4)	**—**	—	1.1	—	—
Total	**160.7**	702.4	1,012.7	734.9	1,455.8
Cash Outflows					
Dividends declared	**42.5**	212.4	212.3	212.3	228.2
Capital expenditures (5)	**168.1**	684.8	679.3	829.4	452.9
Undeveloped land purchases	**—**	0.7	0.7	97.6	2.7
Acquisitions (3)	—	0.2	0.2	2.5	172.9
ARO settlements	**8.0**	18.4	15.8	19.8	13.0
Lease obligation principal repayments	**4.6**	13.7	—	—	—
Reclamation fund contributions (4)	**—**	—	—	0.6	2.0
Total	**223.2**	930.2	908.3	1,162.2	871.7

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) The Board approved the elimination of the DRIP and SDP in 2017.
(3) Excludes non-cash property transactions.
(4) The reclamation fund was disposed in 2018.
(5) Excludes capital additions in respect of non-cash share options, lease depreciation, and asset retirement cost.

Shareholders’ Equity

At March 31, 2020 and May 6, 2020, 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.

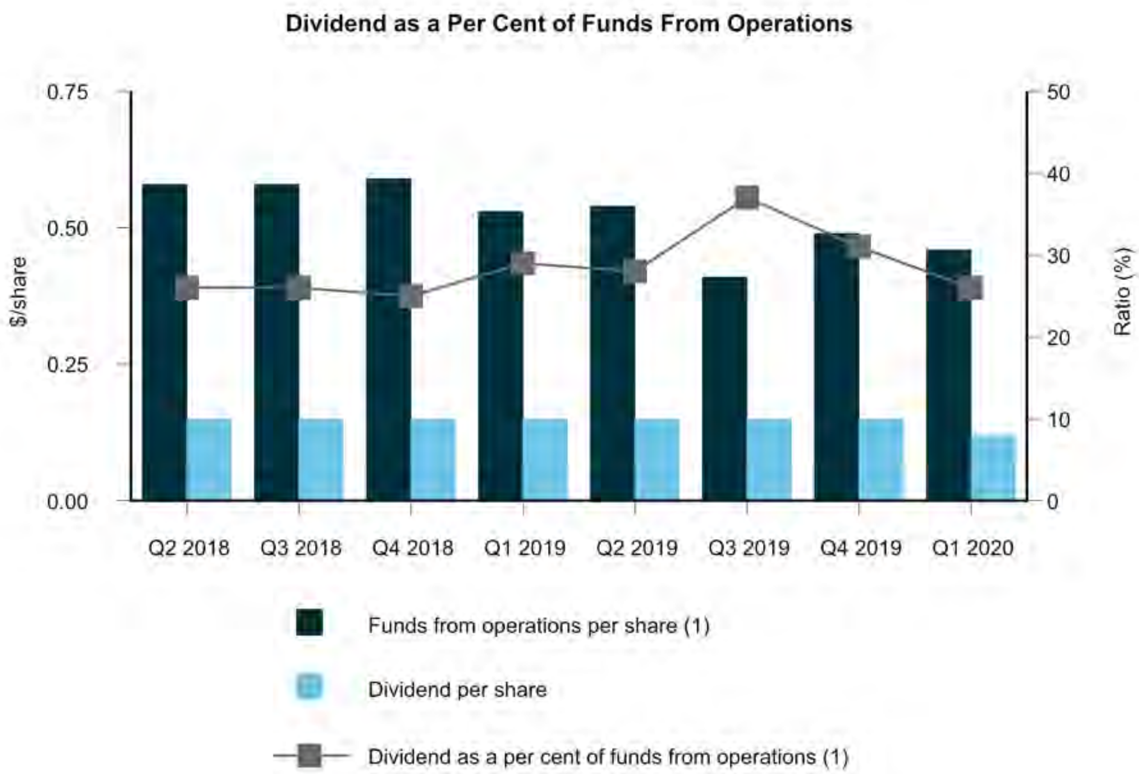
At March 31, 2020, ARC had 0.8 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan” contained within this MD&A.

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 first quarter of 2020, ARC declared dividends totaling $42.5 million ($0.12 per share outstanding), compared to $53.1 million ($0.15 per share) in the same period of 2019. On March 13, 2020, ARC announced a reduction to its monthly dividend from $0.05 per share to $0.02 per share, effective with the March dividend payable on April 15, 2020.

As a result of the dividend reduction for the three months ended March 31, 2020 compared to the same period of the prior year, ARC’s dividend as a per cent of funds from operations decreased from an average of 29 per cent to an average of 26 per cent.

Exhibit 20



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

The 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 operational results. Following the payment of the March dividend on April 15, 2020, ARC intends to declare a quarterly dividend of $0.06 per share compared to its previous monthly dividend of $0.05 per share.

Please refer to ARC's website at www.arcresources.com for details of the estimated quarterly dividend amounts and dividend dates for 2020.

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 ("GOR") agreement providing for the reservation and grant of a GOR 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 had recognized in its accounts receivable at December 31, 2018, 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 ("FSOA amounts"). On May 31, 2019, ARC initiated a lawsuit against ACCEL for approximately $12.0 million for failure to 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*. On November 22, 2019, proceedings were converted to proceedings under the *Companies' Creditors*

Arrangement Act. As a result of these proceedings ARC's contractual and enforcement rights in respect of the deferred consideration are stayed by orders of the insolvency court, notwithstanding that ARC is contractually entitled to enforce its rights to payment of the deferred consideration.

During the three months ended March 31, 2020, the aforementioned assets were offered for sale by the Monitor under a Sale and Investment Solicitation Process. As part of this process the Monitor and ACCEL requested the court accelerate its determination on whether the GOR constituted an interest in land, or was a contractual security for payment. On March 6, 2020, the Court of Queen's Bench of Alberta ruled the GOR was not an interest in land and that it is subordinated to other security interests. ARC does not intend to appeal this judgment.

At March 31, 2020, ARC had recognized in its accounts receivable amounts owing from ACCEL in relation to both the FSOA amounts as well as the deferred consideration amount and accrued interest thereon. During the three months ended March 31, 2020, a provision for impairment of financial assets of $10.2 million was recognized. At March 31, 2020, a provision has been recognized for the full balance of theses accounts receivable. Refer to Note 4 "Financial Assets and Credit Risk" in the financial statements for further detail.

At March 31, 2020, the Alberta Energy Regulator ("AER") 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 $11.8 million.

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. On January 3, 2020, ARC filed its Defence to the Counterclaim. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC.

Environmental Regulation Impacting ARC

ARC is in compliance with all environmental laws and regulations as of the date of this MD&A. ARC's Liability Management Rating is well within both the British Columbia Oil and Gas Commission's and the AER requirements, such that no deposits were required at March 31, 2020 or at the date of this MD&A.

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

Contractual Obligations and Commitments

At March 31, 2020, ARC's total contractual obligations and commitments were $2.7 billion. These include obligations and commitments in place at December 31, 2019, plus additional transportation commitments entered during the period and a draw of additional debt under the credit facility made in the three months ended March 31, 2020. For more information, refer to Note 14 "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 14 "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 operational results incorporate certain estimates including:

- estimated commodity sales from production at a specific reporting date for which actual revenues have not yet been received, including associated estimated credit losses;
- estimated royalty obligations, transportation and operating costs at a specific reporting date for which costs have been incurred but have not yet been settled;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of reserves that ARC expects to recover in the future;
- estimated future recoverable value of PP&E, E&E and goodwill and any associated impairment charges or reversals; and

- 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 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 for the year ended December 31, 2019.

ASSESSMENT OF BUSINESS RISKS

The ARC management team is focused on long-term strategic planning and has identified the key risks, uncertainties, and opportunities associated with ARC's business that can impact the financial results. A discussion of the significant business risks affecting ARC can be found in ARC's MD&A dated February 6, 2020 and in its AIF on SEDAR at www.sedar.com. The following risk factors supplement those disclosed in ARC's MD&A dated February 6, 2020 and in its AIF.

COVID-19 and Its Effect on the Global Economy

During the three months ended March 31, 2020, the World Health Organization declared COVID-19 a global pandemic; prompting many countries around the world to close international borders and order the closure of institutions and businesses. This has resulted in a swift and significant reduction in economic activity in Canada and internationally and has resulted in a sudden drop in demand for crude oil and natural gas. COVID-19 has caused an unprecedented global health crisis, and, coupled with an oversupply of crude oil has contributed to an economic crisis as well. The effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and, is likely to continue to have a negative impact on ARC's operational results and financial condition. Low prices for crude oil and natural gas will reduce ARC's cash flow, and impact ARC's level of capital investment and may result in the reduction of production at certain producing properties.

While the duration and full impact of the COVID-19 pandemic is not yet known, in addition to the economic impacts associated with falling commodity prices, effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness and temporary closures of ARC's facilities.

The extent to which ARC's operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic and the speed and effectiveness of responses to combat the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified in ARC's MD&A dated February 6, 2020 and AIF, the extent of which is not yet known.

Compliance with Debt Financing Agreements

ARC is required to comply with covenants under its credit facility and senior unsecured notes which may, in certain cases, include certain financial ratio tests and other covenants, which, from time to time, either affect the availability, or price, of additional funding. In the event that a default occurs (including by reason of a breach of these covenants), ARC's access to capital could be restricted or repayment could be required. Events beyond ARC's control may contribute to the occurrence of any such default under ARC's debt financing agreements. For example, ARC's note purchase agreements for notes issued prior to 2015 were amended effective March 31, 2020, to provide that ARC would be in default under such agreements if ARC's lenders under its credit facility refuse to honour a drawdown request of ARC under such credit facility for any reason other than ARC's default under the credit facility or such lenders allow a drawdown request under the credit facility, but impose on ARC any restriction or limitation on using such proceeds to repay or prepay the senior unsecured notes or any interest payments or make-whole/yield maintenance amounts relating to such notes, subject, in each case, to certain extensions and other exceptions. Defaults under ARC's credit facility and senior unsecured notes could result in ARC being required to repay amounts owing thereunder. The acceleration of ARC's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, ARC's credit facility or senior unsecured notes may impose operating and financial restrictions on ARC that could include restrictions on the payment of dividends, the repurchase or making of other distributions with respect to ARC's securities, the incurrence of additional indebtedness, the provision of guarantees, the assumption of loans, the making of capital expenditures, the entering into of amalgamations, mergers or take-over bids or the disposition of assets, among others.

CONTROL ENVIRONMENT

Internal Control over Financial Reporting

ARC is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuers' Annual and Interim Filings"*. The certification of interim filings for the interim period ended March 31, 2020 requires that ARC disclose in the interim MD&A any changes in ARC's internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC's internal controls over financial reporting. ARC confirms that no such changes were made to its internal controls over financial reporting during the three months ended March 31, 2020.

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 9 "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 March 31, 2020	Twelve Months Ended December 31 2019	2018	2017	2016	2016-2019 Average [1]
Net income (loss)	**(531.4)**	(27.6)	213.8	388.9	201.3	194.1
Add: Interest	**41.0**	41.0	42.6	45.3	50.5	44.9
Add: Total income taxes (recovery)	**(240.4)**	(100.9)	108.0	135.9	41.4	46.1
Earnings before interest and taxes	**(730.8)**	(87.5)	364.4	570.1	293.2	285.1
Net debt - beginning of period	**796.3**	702.7	728.0	356.5	985.1	985.1
Shareholders' equity - beginning of period	**3,568.8**	3,675.8	3,668.9	3,484.8	3,388.5	3,388.5
Opening capital employed (A)	**4,365.1**	4,378.5	4,396.9	3,841.3	4,373.6	4,373.6
Net debt - end of period	**1,079.7**	940.2	702.7	728.0	356.5	940.2
Shareholders' equity - end of period	**2,840.2**	3,439.9	3,675.8	3,668.9	3,484.8	3,439.9
Closing capital employed (B)	**3,919.9**	4,380.1	4,378.5	4,396.9	3,841.3	4,380.1
Average capital employed (A+B)/2	**4,142.5**	4,379.3	4,387.7	4,119.1	4,107.5	4,376.9
ROACE (%)	**(18)**	(2)	8	14	7	7

(1) Average ROACE for the years ended December 31, 2016, 2017, 2018, and 2019.

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 2020 capital program including guidance and planned operations for 2020 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 and the sources of funds to repay principal payments due in the next 12 months under the heading "Capitalization, Financial Resources and Liquidity", ARC's plans in relation to future dividend levels under the heading "Dividends", as to ARC's potential obligation associated with the future decommissioning of the Outstanding Assets under the heading "ACCEL Canada Holdings Limited", and 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 reserve 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; public health crises, such as the COVID-19 pandemic, and any related actions taken by governments and businesses; 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 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 herein under the heading "Assessment of Business Risks" and from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in this MD&A and in ARC's most recent AIF).

The internal projections, expectations or beliefs are based on the 2020 capital budget which is subject to change in light of ongoing results, prevailing economic conditions, 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 ARC does not assume 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 obligation
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)	2020	2019				2018		
FINANCIAL	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Commodity sales from production	**269.5**	325.1	253.7	282.9	327.8	302.5	375.1	344.4
Per share, basic	**0.76**	0.92	0.72	0.80	0.93	0.86	1.06	0.97
Per share, diluted	**0.76**	0.92	0.72	0.80	0.93	0.86	1.06	0.97
Net income (loss)	**(558.4)**	(10.2)	(57.2)	94.4	(54.6)	159.7	45.1	(45.9)
Per share, basic	**(1.58)**	(0.03)	(0.16)	0.27	(0.15)	0.45	0.13	(0.13)
Per share, diluted	**(1.58)**	(0.03)	(0.16)	0.27	(0.15)	0.45	0.13	(0.13)
Funds from operations (1)	**160.8**	172.8	145.4	193.0	186.2	208.6	205.0	204.4
Per share, basic	**0.46**	0.49	0.41	0.54	0.53	0.59	0.58	0.58
Per share, diluted	**0.46**	0.49	0.41	0.54	0.53	0.59	0.58	0.58
Dividends declared	**42.5**	53.1	53.1	53.1	53.1	53.1	53.0	53.1
Per share (2)	**0.12**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**5,172.6**	5,778.3	5,819.2	5,878.9	5,952.4	6,016.2	5,846.3	6,059.8
Total liabilities	**2,332.4**	2,338.4	2,317.1	2,267.7	2,383.6	2,340.4	2,278.3	2,485.8
Net debt outstanding (3)	**1,079.7**	940.2	945.5	829.2	796.3	702.7	667.8	757.0
Weighted average shares, basic	**353.4**	353.4	353.4	353.4	353.4	353.4	353.5	353.5
Weighted average shares, diluted	**353.4**	353.4	353.4	353.9	353.4	353.9	354.0	353.5
Shares outstanding, end of period	**353.4**	353.4	353.4	353.4	353.4	353.4	353.4	353.5
CAPITAL EXPENDITURES								
Geological and geophysical	**6.5**	0.9	1.1	0.3	9.3	0.3	1.2	0.8
Drilling and completions	**131.3**	86.7	101.0	110.1	144.9	77.0	126.5	118.7
Plant and facilities	**25.8**	47.5	51.1	56.2	53.3	41.4	31.8	33.5
Maintenance and optimization	**4.4**	3.0	6.2	5.8	3.4	11.7	7.1	9.0
Corporate assets	**1.8**	3.6	2.5	1.8	2.8	1.2	2.7	2.8
Total capital expenditures	**169.8**	141.7	161.9	174.2	213.7	131.6	169.3	164.8
Undeveloped land	**—**	—	0.7	—	—	0.2	—	—
Total capital expenditures, including undeveloped land purchases	**169.8**	141.7	162.6	174.2	213.7	131.8	169.3	164.8
Acquisitions	**2.5**	—	—	—	0.2	—	—	—
Dispositions	**(2.4)**	(1.1)	(2.8)	(0.9)	(0.2)	(0.9)	(96.2)	(0.7)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**169.9**	140.6	159.8	173.3	213.7	130.9	73.1	164.1
OPERATING								
Production								
Crude oil (bbl/d)	**16,997**	17,083	16,782	18,272	18,251	20,092	23,867	24,893
Condensate (bbl/d)	**11,262**	10,937	10,846	10,230	8,210	8,458	8,158	6,960
Crude oil and condensate (bbl/d)	**28,259**	28,020	27,628	28,502	26,461	28,550	32,025	31,853
Natural gas (MMcf/d)	**692.2**	669.0	595.4	596.4	632.5	603.3	574.2	537.9
NGLs (bbl/d)	**8,152**	8,123	7,952	7,041	7,183	7,402	7,687	6,380
Total (boe/d)	**151,783**	147,650	134,813	134,938	139,054	136,502	135,410	127,879
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**49.69**	65.11	64.79	70.26	63.72	43.30	78.62	78.57
Condensate ($/bbl)	**57.52**	68.08	65.70	71.38	64.81	57.25	85.28	85.10
Natural gas ($/Mcf)	**2.05**	2.36	1.54	1.74	2.79	2.85	2.15	1.91
NGLs ($/bbl)	**6.36**	11.69	5.25	7.71	25.43	29.12	35.26	32.98
Oil equivalent ($/boe)	**19.52**	23.93	20.46	23.04	26.20	24.09	30.12	29.59
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**8.39**	8.26	7.85	9.61	10.49	14.84	15.90	15.25
Low	**2.42**	5.40	5.37	6.37	7.82	7.38	12.70	12.71
Close	**4.05**	8.18	6.31	6.41	9.12	8.10	14.40	13.58
Average daily volume (thousands)	**3,207**	2,583	1,838	2,255	2,291	2,117	1,246	1,150

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

Q1 '20

Financial Statements

ARC RESOURCES LTD.

CONDENSED INTERIM BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**March 31, 2020**	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**6.0**	8.5
Accounts receivable (Note 4)	**81.9**	134.4
Prepaid expense	**7.7**	8.9
Risk management contracts (Note 10)	**98.1**	41.4
	193.7	193.2
Risk management contracts (Note 10)	**21.7**	4.2
Exploration and evaluation assets	**220.7**	219.6
Property, plant and equipment (Notes 5 and 6)	**4,452.2**	5,074.3
Right-of-use assets	**36.1**	38.8
Goodwill (Note 6)	**248.2**	248.2
Total assets	**5,172.6**	5,778.3
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**149.2**	150.5
Current portion of lease obligations	**14.2**	16.3
Current portion of long-term debt (Note 7)	**161.4**	148.9
Current portion of asset retirement obligation (Note 8)	**10.0**	25.5
Dividends payable (Note 11)	**7.1**	17.7
Risk management contracts (Note 10)	**—**	6.1
	341.9	365.0
Risk management contracts (Note 10)	**25.8**	28.7
Long-term portion of lease obligations	**28.2**	29.9
Long-term debt (Note 7)	**815.2**	728.7
Long-term incentive compensation liability (Note 13)	**15.7**	24.5
Other deferred liabilities	**16.6**	5.1
Asset retirement obligation (Note 8)	**476.8**	384.1
Deferred taxes	**612.2**	772.4
Total liabilities	**2,332.4**	2,338.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 11)	**4,658.2**	4,658.3
Contributed surplus	**33.5**	32.2
Deficit	**(1,851.5)**	(1,250.6)
Total shareholders' equity	**2,840.2**	3,439.9
Total liabilities and shareholders' equity	**5,172.6**	5,778.3
Commitments and contingencies (Note 14)		

See accompanying notes to the unaudited condensed interim financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions, except per share amounts)	**2020**	2019
Commodity sales from production (Note 12)	**269.5**	327.8
Royalties	**(15.2)**	(19.0)
Sales of commodities purchased from third parties	**14.2**	20.5
Revenue from commodity sales	**268.5**	329.3
Interest income	**0.2**	2.2
Other income	**1.5**	1.9
Gain (loss) on risk management contracts (Note 10)	**100.3**	(126.2)
Total revenue, interest and other income and gain (loss) on risk management contracts	**370.5**	207.2
Commodities purchased from third parties	**13.3**	21.6
Operating	**60.8**	65.6
Transportation	**39.4**	37.0
General and administrative	**15.3**	23.3
Interest and financing	**12.5**	12.6
Impairment of financial assets (Note 4)	**10.6**	—
Depletion, depreciation, amortization and impairment (Notes 5 and 6)	**875.7**	139.0
Loss (gain) on foreign exchange	**64.5**	(13.6)
Total expenses	**1,092.1**	285.5
Net loss before income taxes	**(721.6)**	(78.3)
Provision for (recovery of) income taxes		
Current	**(3.1)**	6.5
Deferred	**(160.1)**	(30.2)
Total income taxes (recovery)	**(163.2)**	(23.7)
Net loss and comprehensive loss	**(558.4)**	(54.6)
Net loss per share (Note 11)		
Basic	**(1.58)**	(0.15)
Diluted	**(1.58)**	(0.15)

See accompanying notes to the unaudited condensed interim financial statements.

ARC RESOURCES LTD.

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

For the three months ended March 31

(Cdn$ millions)	Shareholders' Capital (Note 11)	Contributed Surplus	Deficit	Total Shareholders' Equity
December 31, 2018	4,658.5	27.2	(1,009.9)	3,675.8
Impact of change in accounting policy	—	—	(0.7)	(0.7)
January 1, 2019	4,658.5	27.2	(1,010.6)	3,675.1
Comprehensive loss	—	—	(54.6)	(54.6)
Recognized under share-based compensation plans (Note 13)	—	1.4	—	1.4
Dividends declared (Note 11)	—	—	(53.1)	(53.1)
March 31, 2019	4,658.5	28.6	(1,118.3)	3,568.8
December 31, 2019	4,658.3	32.2	(1,250.6)	3,439.9
Comprehensive loss	**—**	**—**	**(558.4)**	**(558.4)**
Recognized under share-based compensation plans (Note 13)	**(0.1)**	**1.3**	**—**	**1.2**
Dividends declared (Note 11)	**—**	**—**	**(42.5)**	**(42.5)**
March 31, 2020	**4,658.2**	**33.5**	**(1,851.5)**	**2,840.2**

See accompanying notes to the unaudited condensed interim financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	**(558.4)**	(54.6)
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	**(83.2)**	146.5
Accretion of asset retirement obligation (Note 8)	**1.8**	1.9
Impairment of financial assets (Note 4)	**10.6**	—
Depletion, depreciation, amortization and impairment (Notes 5 and 6)	**875.7**	139.0
Unrealized loss (gain) on foreign exchange	**73.4**	(17.7)
Deferred taxes	**(160.1)**	(30.2)
Other (Note 15)	**1.0**	1.3
Net change in other liabilities (Note 15)	**(5.3)**	0.8
Change in non-cash working capital (Note 15)	**27.6**	(58.7)
Cash flow from operating activities	**183.1**	128.3
CASH FLOW USED IN FINANCING ACTIVITIES		
Draw of long-term debt under revolving credit facilities	**482.7**	—
Repayment of long-term debt	**(457.2)**	(13.4)
Repayment of principal relating to lease obligations	**(4.6)**	(4.4)
Cash dividends paid	**(53.1)**	(53.1)
Cash flow used in financing activities	**(32.2)**	(70.9)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of petroleum and natural gas properties	**—**	(0.2)
Disposal of petroleum and natural gas properties	**(0.1)**	0.2
Property, plant and equipment development expenditures (Note 5)	**(167.8)**	(212.2)
Exploration and evaluation asset expenditures	**(0.3)**	0.2
Change in non-cash working capital (Note 15)	**14.8**	42.9
Cash flow used in investing activities	**(153.4)**	(169.1)
DECREASE IN CASH AND CASH EQUIVALENTS	**(2.5)**	(111.7)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**8.5**	259.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6.0**	147.9
The following are included in cash flow from operating activities:		
Income taxes paid (received) in cash	**(3.0)**	36.6
Interest paid in cash	**15.2**	14.4

See accompanying notes to the unaudited condensed interim financial statements.

1. STRUCTURE OF THE BUSINESS

The principal undertakings of ARC Resources Ltd. ("ARC" or the "Company") is 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 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, 2019. 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, 2019. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except for income taxes. Income taxes on net income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss).

Beginning January 1, 2020, ARC adopted the amendment to IFRS 3 *Business Combinations.* This amendment narrowed and clarified the definition of a business and permits a simplified assessment to determine whether an acquired set of activities and assets can be recognized as an asset acquisition, rather than a business combination. During the three months ended March 31, 2020, ARC did not have any acquisitions requiring application of this amendment.

These financial statements were authorized for issue by ARC's Board of Directors on May 6, 2020.

3. NOVEL CORONAVIRUS COVID-19 ("COVID-19")

During the three months ended March 31, 2020, the World Health Organization declared COVID-19 a global pandemic; prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. During the same time, the Organization of Petroleum Exporting Countries ("OPEC"), and certain other countries increased the planned supply of crude oil in an attempt to trigger a price war over market share. The sudden decrease in global crude oil demand due to COVID-19 coupled with a planned increase in supply significantly reduced commodity prices.

Subsequent to March 31, 2020, the virus continues to spread, with millions of confirmed cases around the world. Governments of numerous countries have released billions of dollars in aid packages to individuals and industries. The pandemic has had a profound impact on commodity prices with significantly reduced demand for crude oil across the globe. In April 2020, an agreement was made between OPEC, Russia and other oil-producing countries around the world that would see global crude oil production curbed and oversupply brought closer into balance. However, without significant production shut-ins to offset the sharp decrease in demand, there continues to be concern over physical storage capacity globally and the price of crude oil has remained depressed, even trading below zero at times.

In addition to the impact on commodity prices and commodity sales from production amounts, COVID-19 has created many uncertainties in the crude oil and natural gas industry with respect to increased counterparty credit risk and valuation of long-lived petroleum and natural gas assets and goodwill. At March 31, 2020, ARC's management has incorporated the anticipated impact of COVID-19 in its estimates and judgments in preparation of these financial statements.

4. 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 March 31, 2020, 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 trade accounts receivable and risk management contracts due to ARC's processes for selecting only credit-worthy counterparties and continuously monitoring its credit exposure. Most of ARC’s accounts receivable relate to crude oil and liquids and natural gas sales and are subject to typical industry credit risks. During the three months ended March 31, 2020, global events have had, and are expected to continue to have a significant impact on companies and their credit risk, refer to Note 3 "Novel Coronavirus COVID-19". ARC has incorporated these factors into its assessment of expected credit loss ("ECL") at March 31, 2020.

The following table details the composition of ARC's accounts receivable at March 31, 2020 and December 31, 2019:

Accounts Receivable Composition (1)	**March 31, 2020**	December 31, 2019
Commodity sales	**62.5**	115.6
Deferred consideration	**—**	10.0
Joint interest and other	**19.4**	8.8
Balance	**81.9**	134.4

(1) Net of provision for ECL.

Commodity Sales
At March 31, 2020, 76 per cent of ARC's accounts receivable were from commodity sales (85 per cent at December 31, 2019). Approximately 84 per cent (approximately 85 per cent at December 31, 2019) of these were with customers who were considered to be investment-grade and 15 per cent (approximately 15 per cent at December 31, 2019) who were not investment-grade, but for which ARC held security. At March 31, 2020, for accounts receivable of this type, ARC has recorded a provision of $0.2 million for its 12-month ECL (nominal at December 31, 2019).

Deferred Consideration
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 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*. On November 22, 2019, proceedings were converted to fall under the *Companies' Creditors Arrangement Act*. As a result of these proceedings, ARC remains contractually entitled to enforce its rights to payment, but proceedings against ACCEL in this regard are now stayed by order of the courts.

The deferred consideration amount matured on January 2, 2020. The ACCEL PSA requires the unpaid deferred consideration and accrued interest, if not paid in cash at maturity, to convert into a gross override royalty ("GOR"). On March 6, 2020, the Court of Queen's Bench of Alberta determined that the GOR was not an interest in land and that it is subordinated to other security interests. ARC does not intend to appeal this judgment.

Following this decision, ARC re-estimated the likelihood of collection as zero per cent and recognized an impairment charge of $10.2 million with respect to the deferred consideration and accrued interest for the three months ended March 31, 2020. This charge is in addition to impairment charges previously recognized during the year ended December 31, 2019 of $32.7 million in respect of this deferred consideration, for a total provision of $42.9 million recognized at March 31, 2020 ($32.7 million at December 31, 2019).

Joint Interest and Other
In addition to the deferred consideration amount, ARC has also 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 the transaction, and costs incurred while ARC continued to act as operator of the disposed assets. At March 31, 2020, the ECL provision recognized in respect of these amounts is $15.0 million ($15.0 million at December 31, 2019), which comprises the full balance of these accounts receivable.

Included in the balance of joint interest and other accounts receivable at March 31, 2020 is $9.0 million ($nil at December 31, 2019) related to the settlement of risk management contracts at period end. At March 31, 2020, ARC has recognized a nominal provision for ECL on receivables associated with these contracts, while for all other accounts receivable of this type ARC has recognized a provision for ECL of $0.2 million.

The total ECL provision recognized in ARC's accounts receivable balance at March 31, 2020 was $58.4 million ($47.8 million at December 31, 2019).

At March 31, 2020, $0.6 million of accounts receivable are past due ($10.0 million at December 31, 2019). The aging of ARC's accounts receivable at March 31, 2020 and December 31, 2019 is as follows:

Accounts Receivable Aging	**March 31, 2020**	December 31, 2019
Current (less than 30 days)	**80.4**	122.8
31 - 60 days	**0.5**	1.0
61 - 90 days	**0.4**	0.6
Past due (more than 90 days)	**0.6**	10.0
Balance	**81.9**	134.4

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 10 "Financial Instruments and Market Risk Management".

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

Cost	**Development and Production Assets**	**Corporate Assets**	**Total**
Balance, December 31, 2019	9,155.7	77.8	9,233.5
Additions	**170.0**	**0.3**	**170.3**
Acquisitions	**2.5**	**—**	**2.5**
Change in asset retirement cost	**82.6**	**—**	**82.6**
Assets reclassified as held for sale and disposed in period	**(2.4)**	**—**	**(2.4)**
Reclassification of lease payments, net of capitalized depreciation	**(0.8)**	**—**	**(0.8)**
Other	**(0.2)**	**—**	**(0.2)**
Balance, March 31, 2020	**9,407.4**	**78.1**	**9,485.5**
Accumulated Depletion, Depreciation, Amortization ("DD&A") and Impairment			
Balance, December 31, 2019	(4,101.9)	(57.3)	(4,159.2)
DD&A	**(132.6)**	**(1.5)**	**(134.1)**
Impairment	**(740.0)**	**—**	**(740.0)**
Balance, March 31, 2020	**(4,974.5)**	**(58.8)**	**(5,033.3)**
Carrying Amounts			
Balance, December 31, 2019	5,053.8	20.5	5,074.3
Balance, March 31, 2020	**4,432.9**	**19.3**	**4,452.2**

For the three months ended March 31, 2020, $5.9 million of direct and incremental overhead charges were capitalized to PP&E ($7.3 million for the three months ended March 31, 2019). Future development costs of $3.4 billion were included in the determination of DD&A for the three months ended March 31, 2020 ($3.7 billion for the three months ended March 31, 2019).

For the three months ended March 31, 2020, ARC recognized an impairment charge of $740.0 million, refer to Note 6 "Impairment" for further information.

6. IMPAIRMENT

PP&E

In response to the current and anticipated economic impact of the ongoing global COVID-19 pandemic, the global oversupply of crude oil and the impact on commodity prices (refer to Note 3 "Novel Coronavirus COVID-19"), as well as a further decrease in ARC's market capitalization relative to the carrying value of its net assets since the date of its last impairment test, at March 31, 2020, ARC conducted impairment tests over all its cash-generating units ("CGUs"). In estimating the recoverable amount of each CGU, the following information was incorporated:

i) the net present value of the after-tax cash flows from proved plus probable crude oil, condensate, NGLs and natural gas reserves ("reserves") of each CGU based on reserves estimated by ARC's independent reserve evaluator at December 31, 2019, updated for forward commodity price estimates at March 31, 2020.

ii) the fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2019, and adjusted for any acquisitions, divestments and expiries occurring during the three months ended March 31, 2020.

Key input estimates used in the determination of recoverable amounts of ARC's CGUs include forward price estimates of crude oil and natural gas, volume of reserves and associated assumptions, including production costs, required capital expenditures and reserve life, and discount rate. The discount rate is based on estimates of an approximate industry peer group weighted average cost of capital.

The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates ranging from 10.0 to 11.5 per cent, depending on the resource composition of the assets in the CGU and an inflation rate of two per cent.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's CGUs at March 31, 2020:

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)
2020	31.22	30.00	1.95	2.05	0.72
2021	47.95	41.00	2.25	2.55	0.73
2022	56.46	47.50	2.35	2.65	0.74
2023	64.19	52.50	2.45	2.75	0.74
2024	71.81	57.50	2.55	2.85	0.75
2025	73.27	58.95	2.65	2.95	0.75
2026	74.84	60.13	2.70	3.01	0.75
2027	76.44	61.33	2.76	3.07	0.75
2028	78.08	62.56	2.81	3.13	0.75
2029	79.75	63.81	2.87	3.19	0.75
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.75

(1) Source: GLJ Petroleum Consultants price forecast effective April 1, 2020.

As a result of its impairment test at March 31, 2020, ARC recognized an impairment of its Northern Alberta CGU in the amount of $740.0 million ($554.8 million net of deferred tax recovery), which was recognized in DD&A and impairment in the condensed interim statements of comprehensive income ("statements of income"). The Northern Alberta CGU comprises a mixture of crude oil and natural gas producing assets. The recoverable amount of $515.2 million was determined using an after-tax discount rate of 11.5 per cent.

The following table demonstrates the sensitivity of the estimated recoverable amount of the Northern Alberta CGU at March 31, 2020, 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)	(27.7)	31.5	(43.5)	45.0

The fair value less costs of disposal values used to determine the recoverable amounts of ARC's CGUs at March 31, 2020 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.

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, 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

In response to the economic impact of the ongoing global COVID-19 pandemic (refer to Note 3 "Novel Coronavirus COVID-19"), as well as a further decrease in ARC's market capitalization relative to the carrying value of its net assets since the date of its last impairment test, at March 31, 2020, ARC conducted an impairment test of its goodwill. The carrying value of goodwill at March 31, 2020 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.

7. LONG-TERM DEBT

	US $ Denominated		**Canadian $ Amount**	
	March 31, 2020	December 31, 2019	**March 31, 2020**	December 31, 2019
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**121.1**	36.9
US$ denominated	**—**	40.0	**—**	51.9
Senior notes				
Master Shelf Agreement				
3.72% US$ note	**149.9**	149.9	**211.6**	194.3
2009 note issuance				
8.21% US$ note	**14.0**	14.0	**19.7**	18.1
2010 note issuance				
5.36% US$ note	**89.9**	89.9	**127.0**	116.6
2012 note issuance				
3.31% US$ note	**24.0**	24.0	**33.9**	31.1
3.81% US$ note	**299.7**	299.7	**423.3**	388.7
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**577.5**	617.5	**976.6**	877.6
Long-term debt due within one year			**161.4**	148.9
Long-term debt due beyond one year			**815.2**	728.7

ARC executed certain amendments to the note purchase agreements governing its senior notes. The amendments include a modification of certain definitions contained within the financial covenant calculations, the addition of a minimum liquidity requirement, additional language surrounding event of default, and the addition of a mechanism under which the issuer may offer to purchase notes outstanding at par without penalty.

These amendments are effective March 31, 2020 and all covenant calculations at March 31, 2020 have been determined using the amended agreements. The definition of "Total EBITDA" to be used in determining compliance under two of ARC's financial covenants has been amended to exclude non-cash losses and non-cash expenses.

At March 31, 2020, the fair value of all long-term debt is $999.1 million ($908.6 million as at December 31, 2019), compared to a carrying value of $976.6 million ($877.6 million as at December 31, 2019).

8. ASSET RETIREMENT OBLIGATION ("ARO")

ARC has estimated the net present value of its total ARO to be $486.8 million as at March 31, 2020 ($409.6 million at December 31, 2019) based on a total future undiscounted liability of $855.1 million ($856.5 million at December 31, 2019). 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 2086. The Bank of Canada's long-term risk-free bond rate of 1.3 per cent (1.8 per cent at December 31, 2019) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2019) were used to calculate the present value of ARO at March 31, 2020.

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

	Three Months Ended March 31, 2020	Year Ended December 31, 2019
Balance, beginning of period	409.6	356.7
Development activities	**1.2**	4.6
Change in estimates (1)	**6.5**	13.5
Change in discount rate	**75.7**	59.5
Settlement of obligations	**(8.0)**	(18.4)
Accretion	**1.8**	7.3
Acquisitions	**—**	0.2
Reclassified as liabilities associated with assets held for sale and disposed in period	**—**	(13.8)
Balance, end of period	**486.8**	409.6
Expected to be incurred within one year	**10.0**	25.5
Expected to be incurred beyond one year	**476.8**	384.1

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

9. 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. On March 13, 2020, ARC announced that it reduced its monthly dividend from $0.05 per common share to $0.02 per common share. Following the payment of the March dividend on April 15, 2020, ARC intends to declare a quarterly dividend of $0.06 per common share.

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 targets net debt to be between 1.0 and 1.5 times annualized funds from operations over the long term; however, during periods of significant commodity price weakness, ARC expects that the ratio will trend above this range. At March 31, 2020, ARC's net debt was 1.7 times its annualized funds from operations.

In addition to the aforementioned reduction in the dividend, ARC announced a reduction in its planned capital expenditures for 2020 from $500 million to a level of up to $300 million. These measures have been undertaken in an effort to reduce the Company's net debt balance towards the ratio of 1.0 to 1.5 times annualized funds from operations.

Funds from Operations
ARC considers funds from operations to be a key measure of operating performance as it demonstrates ARC's ability to generate the necessary funds to maintain production at current levels, fund future growth through capital investment, and to repay debt. Management believes that such a measure provides an insightful assessment of ARC's operations on a continuing basis by eliminating certain non-cash charges and actual settlements of ARO, the timing of which is discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Funds from operations for the three months ended March 31, 2020 and 2019 is calculated as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flow from operating activities	**183.1**	128.3
Net change in other liabilities (Note 15)	**5.3**	(0.8)
Change in non-cash operating working capital (Note 15)	**(27.6)**	58.7
Funds from operations	**160.8**	186.2

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 March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
Long-term debt (1)	**976.6**	877.6
Lease obligations (2)	**42.4**	53.8
Accounts payable and accrued liabilities	**149.2**	176.3
Dividends payable	**7.1**	17.7
Cash and cash equivalents, accounts receivable, current deferred consideration and prepaid expense	**(95.6)**	(329.1)
Net debt	**1,079.7**	796.3
Net debt to funds from operations (ratio)	**1.7**	1.1

(1) Includes Current portion of long-term debt at March 31, 2020 and 2019 of $161.4 million and $65.4 million, respectively.
(2) Includes Current portion of lease obligations at March 31, 2020 and 2019 of $14.2 million and $11.2 million, respectively.

10. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments
At March 31, 2020, ARC's financial instruments include cash and cash equivalents, accounts receivable, risk management contracts, accounts payable and accrued liabilities, dividends payable, lease obligations, and long-term debt.

ARC's financial instruments that are carried at fair value on the unaudited condensed interim balance sheets ("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 7 "Long-Term Debt". ARC does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy for the three months ended March 31, 2020.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at March 31, 2020 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 March 31, 2020 and December 31, 2019:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet
As at March 31, 2020					
Risk management contracts					
Current asset	**211.3**	**(112.5)**	**98.8**	**(0.7)**	**98.1**
Long-term asset	**78.6**	**(56.8)**	**21.8**	**(0.1)**	**21.7**
Current liability	**(112.5)**	**112.5**	**—**	**—**	**—**
Long-term liability	**(83.2)**	**56.8**	**(26.4)**	**0.6**	**(25.8)**
Net position	**94.2**	**—**	**94.2**	**(0.2)**	**94.0**

As at December 31, 2019					
Risk management contracts					
Current asset	71.9	(30.3)	41.6	(0.2)	41.4
Long-term asset	21.9	(17.7)	4.2	—	4.2
Current liability	(36.6)	30.3	(6.3)	0.2	(6.1)
Long-term liability	(47.4)	17.7	(29.7)	1.0	(28.7)
Net position	9.8	—	9.8	1.0	10.8

Risk Management Contracts

The following table summarizes ARC's risk management contracts as at March 31, 2020:

Risk Management Contracts Positions Summary (1)

As at March 31, 2020	Q2 - Q4 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$/bbl	bbl/day
Ceiling	56.21	8,282	57.29	7,992	—	—	—	—	—	—
Floor	47.94	8,282	50.35	7,992	—	—	—	—	—	—
Sold Floor	41.92	6,500	40.23	7,992	—	—	—	—	—	—
Swap	45.96	3,782	35.05	1,000	—	—	—	—	—	—
Sold Swaption (2)	—	—	54.32	3,008	—	—	—	—	—	—
Crude Oil – Cdn$ WTI (3)	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day
Ceiling	86.38	6,500	—	—	—	—	—	—	—	—
Floor	75.38	6,500	—	—	—	—	—	—	—	—
Sold Floor	60.38	6,500	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**18,564**		**8,992**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) (4)	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	(7.00)	1,000	—	—	—	—	—	—	—	—
Floor	(10.20)	1,000	—	—	—	—	—	—	—	—
Swap	(8.21)	7,000	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub (5)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	2.93	128,345	3.07	90,000	3.11	45,000	2.74	10,000	2.74	10,000
Floor	2.55	128,345	2.58	90,000	2.55	45,000	2.50	10,000	2.50	10,000
Sold Floor	2.17	128,345	2.14	90,000	2.18	45,000	2.10	10,000	2.10	10,000
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	3.34	36,691	2.22	70,000	2.28	40,000	2.28	40,000	2.28	40,000
Floor	2.84	36,691	1.83	70,000	1.83	40,000	1.83	40,000	1.83	40,000
Swap	2.20	95,673	1.99	40,000	2.06	10,000	2.06	10,000	2.06	10,000
Sold Swaption (2)	—	—	—	—	2.00	20,000	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**253,802**		**194,260**		**92,391**		**57,391**		**57,391**
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
Sold Swap	(0.84)	77,782	(0.93)	69,192	(0.88)	35,000	(0.91)	70,000	(0.91)	70,000
Total AECO Basis Volumes (MMBtu/day)		**77,782**		**69,192**		**35,000**		**70,000**		**70,000**
Natural Gas - Other Basis (Differential to Henry Hub) (6)		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day		MMBtu/ day
Sold Swap		100,000		120,000		110,000		80,000		4,973

Foreign Exchange	Settlement Date	Notional (US$ millions)	Ceiling (Cdn$/US$)	Floor (Cdn$/US$)
Variable Rate Collar (7)	August 24, 2020	24	1.2771	1.3231

(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) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
(3) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn$/US$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time.
(4) MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis in US$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) ARC has entered into basis swaps at locations other than AECO.
(7) Variable rate collar whereby if Cdn$/US$ spot rate is below $1.2771 at expiry, the ceiling will re-adjust to $1.3058.

The following table summarizes ARC's risk management contracts entered into subsequent to March 31, 2020:

Risk Management Contracts Positions Summary [1]										
As at May 6, 2020	**Q2 - Q4 2020**		**2021**		**2022**		**2023**		**2024**	
Natural Gas – NYMEX Henry Hub [2]	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Floor [3]	1.86	13,382	2.40	20,000	—	—	—	—	—	—
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Floor [3]	1.80	13,418	2.11	50,000	1.90	45,000	1.90	45,000	1.90	45,000

(1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.
(2) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(3) Floor represent an average of swaps and bought puts.

11. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Three Months Ended March 31, 2020**	Year Ended December 31, 2019
Common shares, beginning of period	353,411	353,443
Restricted shares issued pursuant to the LTRSA Plan	**—**	284
Forfeited and cancelled shares pursuant to the LTRSA Plan	**—**	(26)
Unvested restricted shares held in trust pursuant to the LTRSA Plan [1]	**(26)**	(290)
Common shares, end of period	**353,385**	353,411

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

For the three months ended March 31, 2020, there were 353.4 million weighted average common shares outstanding (353.4 million for the three months ended March 31, 2019). There was no dilutive impact for the three months ended March 31, 2020, as 5.1 million share options were anti-dilutive (6.0 million for the three months ended March 31, 2019). Net loss per common share has been determined for the three months ended March 31, 2020 based on 353.4 million diluted weighted average common shares outstanding (353.4 million for the three months ended March 31, 2019).

Dividends declared for the three months ended March 31, 2020 were $0.12 per common share ($0.15 for the three months ended March 31, 2019).

12. COMMODITY SALES FROM PRODUCTION

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

Commodity Sales from Production, by Product	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Crude oil	**76.8**	104.7
Condensate	**58.9**	47.9
Natural gas [1]	**129.1**	158.8
NGLs	**4.7**	16.4
Total commodity sales from production	**269.5**	327.8

(1) Includes $3.3 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three months ended March 31, 2020 ($4.6 million for the three months ended March 31, 2019).

At March 31, 2020, receivables from contracts with customers, which are included in accounts receivable, were $62.5 million ($115.6 million at December 31, 2019).

13. SHARE-BASED COMPENSATION PLANS

Long-term Incentive Plans
The following table summarizes the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") movement for the three months ended March 31, 2020:

(number of awards, thousands)	**RSUs**	**PSUs Granted Prior to 2019** (1)	**PSUs Granted Subsequent to 2018** (1)	**DSUs**
Balance, December 31, 2019	2,236	1,628	1,780	945
Granted (2)	**1,746**	**356**	**2,355**	**147**
Distributed	**(473)**	**(641)**	**—**	**(87)**
Forfeited	**(15)**	**(1)**	**(1)**	**—**
Balance, March 31, 2020	**3,494**	**1,342**	**4,134**	**1,005**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) Grants for 'PSUs Granted Prior to 2019' relate to re-invested dividends and additional performance awards for grants that vested in the current period.

Compensation expense (recovery) relating to the RSU Plan, PSU Plan, and DSU Plan is reconciled as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
General and administrative ("G&A")	**(5.7)**	7.8
Operating	**(0.7)**	0.8
PP&E	**(0.3)**	0.5
Total compensation expense (recovery)	**(6.7)**	9.1
Cash payments	**4.9**	4.6

At March 31, 2020, $8.2 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheets ($11.1 million at December 31, 2019) and $15.7 million was included in long-term incentive compensation liability ($24.5 million at December 31, 2019). A recoverable amount of $0.1 million was included in accounts receivable at March 31, 2020 ($nil at December 31, 2019).

Share Option Plan
The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2020 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2019	5,097	17.27
Forfeited	**(10)**	**21.35**
Balance, March 31, 2020	**5,087**	**17.11**
Exercisable, March 31, 2020	**1,306**	**22.86**

The following table summarizes information regarding share options outstanding at March 31, 2020:

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 ($)
12.19 - 20.00	4,176	15.49	4.0	395	18.64
20.01 - 25.00	493	21.53	0.2	493	21.53
25.01 - 28.52	418	28.52	1.2	418	28.52
Total	5,087	17.14	3.4	1,306	22.86

ARC recognized compensation expense of $0.8 million relating to the Share Option Plan for the three months ended March 31, 2020 ($1.1 million for the three months ended March 31, 2019). During the three months ended March 31, 2020, $0.1 million of share option compensation charges were capitalized to PP&E ($0.1 million for the three months ended March 31, 2019).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2020 were as follows:

	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2019	742	12.64
Restricted shares granted and purchased	**26**	**2.90**
Balance, March 31, 2020	**768**	**12.31**

ARC recognized G&A expense of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2020 ($0.2 million for the three months ended March 31, 2019).

14. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2020:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	161.4	461.0	270.2	84.0	976.6
Interest payments (2)	31.8	41.7	16.6	3.3	93.4
Purchase and service commitments	21.4	17.6	9.0	0.7	48.7
Transportation commitments	160.7	324.5	298.6	781.3	1,565.1
Total contractual obligations and commitments	**375.3**	**844.8**	**594.4**	**869.3**	**2,683.8**

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

During the year ended December 31, 2018, ARC disposed of certain non-core assets to ACCEL. Refer to Note 4 "Financial Assets and Credit Risk". 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. On January 3, 2020, ARC filed its Defence to the Counterclaim. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC.

ARC had previously disposed of certain non-core properties, and as part of the sales process, relevant operating licenses are transferred to the purchaser(s) by the provincial regulator. At March 31, 2020, certain operating licenses of disposed assets have not yet transferred from ARC to the purchaser. While the Company believes the risk is low, if the licenses fail to transfer, ARC could be responsible to fund asset retirement obligations relating to disposed assets in the amount of $11.8 million.

15. 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 March 31, 2020	Three Months Ended March 31, 2019
Operating	**7.5**	12.0
G&A	**14.8**	19.8
Total employee compensation expense	**22.3**	31.8

Cash Flow Statement Presentation

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

Change in Non-Cash Working Capital	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Accounts receivable	**41.9**	14.9
Deferred consideration	**—**	(41.4)
Accounts payable and accrued liabilities	**(0.7)**	9.4
Prepaid expense	**1.2**	1.3
Total change in non-cash working capital	**42.4**	(15.8)
Relating to:		
Operating activities	**27.6**	(58.7)
Investing activities	**14.8**	42.9
Total change in non-cash working capital	**42.4**	(15.8)

Other Non-Cash Items	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Other amortization	**(0.1)**	—
Share-based compensation expense	**1.1**	1.3
Total other non-cash items	**1.0**	1.3

Net Change in Other Liabilities	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Long-term incentive compensation liability	**(8.8)**	3.7
ARO settlements	**(8.0)**	(8.8)
Other deferred liabilities	**11.5**	5.7
Accrued lease interest	**—**	0.2
Total net change in other liabilities	**(5.3)**	0.8

The following tables provide 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, 2019	165.2	758.6	923.8
Cash flows			
Draw of long-term debt	**—**	**482.7**	**482.7**
Repayment of long-term debt	**—**	**(457.2)**	**(457.2)**
Repayment of lease obligations	**(4.6)**	**—**	**(4.6)**
Reclassified to current			
Lease obligations	**2.5**	**(2.5)**	**—**
Non-cash changes			
Lease recognition	**—**	**0.9**	**0.9**
Lease termination	**—**	**(0.1)**	**(0.1)**
Unrealized foreign exchange loss	**12.6**	**61.3**	**73.9**
Other	**(0.1)**	**(0.3)**	**(0.4)**
Balance, March 31, 2020	**175.6**	**843.4**	**1,019.0**

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	13.5	44.5	58.0
Balance, January 1, 2019	94.0	873.2	967.2
Cash flows			
Repayment of long-term debt	(13.4)	—	(13.4)
Repayment of lease obligations	(4.4)	—	(4.4)
Reclassified to current			
Lease obligations	1.9	(1.9)	—
Non-cash changes			
Accrued lease interest	0.2	—	0.2
Unrealized foreign exchange gain	(1.7)	(16.5)	(18.2)
Balance, March 31, 2019	76.6	854.8	931.4

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Corporate & Shareholder Information

Directors

Harold N. Kvisle (1)
Board Chair

Farhad Ahrabi (1) (2)

David R. Collyer (1) (3) (4)

John P. Dielwart (1) (2)

Kathleen O'Neill (4) (5)

Herbert C. Pinder Jr. (3) (4)

William G. Sembo (3) (5)

Nancy L. Smith (2) (5)

Terry M. Anderson

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

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Chief Executive Officer

Kris J. Bibby
Senior Vice President and Chief Financial Officer

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Vice President, Geosciences

Ryan V. Berrett
Vice President, Marketing

Sean R. A. Calder
Vice President, Production

Lara M. Conrad
Vice President, Development and Planning

Armin Jahangiri
Vice President, Operations

Lisa A. Olsen
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Corporate Calendar

July 30, 2020
Q2 2020 Results

November 5, 2020
Q3 2020 Results

Stock Exchange Listing

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

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