Second Quarter Report

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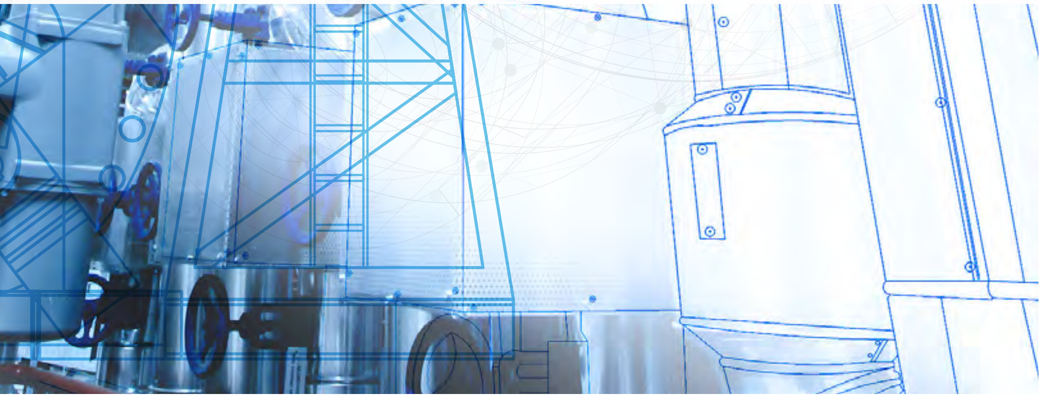
Creating energy for the world



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
July 30, 2020

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

Calgary, July 30, 2020 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") reports its second 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 and six months ended June 30, 2020 are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC delivered strong financial and operational results during the three months ended June 30, 2020, bringing a major gas processing and liquids-handling facility on-stream to deliver record average daily production of 166,510 barrels of oil equivalent ("boe") (1) per day; generating funds from operations (2) of $150.2 million ($0.42 per share); and reducing net debt (2) by $118.6 million. ARC's low-cost operations were highlighted by a 20-year low operating expense of $3.32 per boe.

2020 to-date has been marked with considerable market volatility. The novel coronavirus COVID-19 ("COVID-19") pandemic has had a profound impact on commodity prices, with the magnitude of its effects on demand and the pace of global economic recovery still unclear. Despite this challenging backdrop, the guiding principles under which ARC conducts its business have not changed. ARC's operational flexibility, robust risk management program, and strong balance sheet have positioned the Company to respond to these volatile market conditions. Capital discipline and a moderate pace of development have supported ARC in managing a corporate decline rate below 30 per cent. A concentrated Montney asset base that includes a network of owned-and-operated infrastructure has allowed ARC to deliver excellent capital and operating efficiencies. ARC's sustainable business is focused on environmental, social, and governance ("ESG") excellence, long-term corporate profitability, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney, these principles make ARC a differentiated investment opportunity.

The decisive actions that ARC took to reduce the Company's 2020 capital budget and dividend earlier in the year preserved ARC's already strong balance sheet and focused the Company's capital investments on projects that are profitable at current commodity price levels. ARC's production mix is comprised of over 75 per cent natural gas, which is primarily being sold into a strong and improving natural gas environment, with commodity sales from natural gas production making up 62 per cent of ARC's total commodity sales during the three months ended June 30, 2020. As such, capital activity during the second half of 2020 will be focused on natural gas development opportunities. ARC is targeting a capital budget of $300 million for 2020; however, it does have the flexibility to adjust short-cycle investment levels within its capital budget. Based on forecasted commodity prices, funds from operations generated in 2020 are anticipated to be more than the Company's dividend obligations, budgeted capital expenditures, and reclamation activities. Surplus funds from operations will be directed at further strengthening the Company's balance sheet.

To further protect its financial position and netback, ARC reduced its operational output at the Company's light oil and condensate-weighted properties during the three months ended June 30, 2020. Driven by weak pricing at points within the period, ARC shut in 9,000 barrels per day of crude oil and condensate production (3). As commodity prices began to recover, the majority of the shut-in production was brought back on-stream by the end of the second quarter of 2020. ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range of 150,000 to 155,000 boe per day.

ARC's key priorities for the balance of 2020 are to:

- Protect the health, safety, and well-being of its employees and contractors while safely executing the Company's business plans;
- Protect its 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;
- Ensure maximum throughput of low-cost natural gas production during the upcoming winter 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 ESG performance, including prudently managing business risks and reducing its greenhouse gas ("GHG") emissions intensity and freshwater usage through responsible development activities;
- Communicate ARC's ESG performance and strategies through the publication of its upcoming ESG Report, which will be released in August 2020; and
- Remain focused on delivering returns to shareholders through paying a sustainable dividend and investing in profitable growth.

Key takeaways from ARC's financial and operational results for the three months ended June 30, 2020 include:

Production	Delivered average daily production of 166,510 boe per day, comprising 773 million cubic feet ("MMcf") per day of natural gas, 14,987 barrels per day of crude oil, 13,239 barrels per day of condensate, and 9,405 barrels per day of NGLs. New production at the Dawson Phase IV facility was partially offset by production shut-ins.
Funds from Operations	Generated funds from operations of $150.2 million ($0.42 per share). Reduced commodity sales caused by lower average commodity price realizations in the period were partially offset by an increased current income tax recovery, higher production, and increased realized gains on risk management contracts.
Net Loss	Recognized a net loss of $43.5 million ($0.12 per share), driven by lower commodity sales and an unrealized loss on ARC's risk management contracts.
Capital Program	Invested $44.1 million in capital activities, primarily focused on dry natural gas development at Sunrise. Brought on-stream the Dawson Phase IV gas processing and liquids-handling facility and the Ante Creek facility expansion projects. Recommenced drilling activities at Dawson in the third quarter of 2020, with capital activities for the balance of 2020 focused on natural gas development at Dawson and Sunrise.
Operational Excellence	Delivered an operating expense of $3.32 per boe, which decreased due to the deferral of discretionary maintenance and workover activities. Maintenance and workover activities are planned to resume during the second half of 2020.
Balance Sheet	Maintained a strong balance sheet amid a weak commodity price backdrop. Net debt was $961.1 million at June 30, 2020 and the net debt to annualized funds from operations ratio was 1.5 times. ARC reduced its net debt balance by $118.6 million during the three months ended June 30, 2020.
Returns to Shareholders	Declared $21.3 million ($0.06 per share) of dividends to shareholders.

(1) 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 bbl 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.

(2) 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.

(3) 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. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

Videos, as well as an updated investor presentation, providing an overview of the Company's corporate strategies and further details to ARC's financial and operational results for the three and six months ended June 30, 2020, are available on ARC's website at www.arcresources.com.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended			Six Months Ended	
	March 31, 2020	**June 30, 2020**	June 30, 2019	**June 30, 2020**	June 30, 2019
FINANCIAL RESULTS					
Net income (loss)	(558.4)	**(43.5)**	94.4	**(601.9)**	39.8
Per share (1)	(1.58)	**(0.12)**	0.27	**(1.70)**	0.11
Funds from operations	160.8	**150.2**	193.0	**311.0**	379.2
Per share (1)	0.46	**0.42**	0.54	**0.88**	1.07
Dividends declared	42.5	**21.3**	53.1	**63.8**	106.2
Per share (1)	0.12	**0.06**	0.15	**0.18**	0.30
Capital expenditures, before land and net property acquisitions (dispositions)	169.8	**44.1**	174.2	**213.9**	387.9
Total capital expenditures, including land and net property acquisitions (dispositions)	169.9	**44.0**	173.3	**213.9**	387.0
Net debt outstanding	1,079.7	**961.1**	829.2	**961.1**	829.2
Common shares outstanding, weighted average diluted (millions)	353.4	**353.4**	353.9	**353.4**	353.9
Common shares outstanding, end of period (millions)	353.4	**353.4**	353.4	**353.4**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	16,997	**14,987**	18,272	**15,992**	18,261
Condensate (bbl/day)	11,262	**13,239**	10,230	**12,251**	9,226
Crude oil and condensate (bbl/day)	28,259	**28,226**	28,502	**28,243**	27,487
Natural gas (MMcf/day)	692.2	**773.3**	596.4	**732.7**	614.2
NGLs (bbl/day)	8,152	**9,405**	7,041	**8,779**	7,111
Total (boe/day)	151,783	**166,510**	134,938	**159,146**	136,985
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	49.69	**25.88**	70.26	**38.53**	67.01
Condensate ($/bbl)	57.52	**31.54**	71.38	**43.48**	68.47
Natural gas ($/Mcf)	2.05	**1.92**	1.74	**1.98**	2.28
NGLs ($/bbl)	6.36	**10.84**	7.71	**8.76**	16.61
Oil equivalent ($/boe)	19.52	**14.38**	23.04	**16.83**	24.63
Netback ($/boe) (2)					
Commodity sales from production	19.52	**14.38**	23.04	**16.83**	24.63
Royalties	(1.11)	**(0.38)**	(1.28)	**(0.73)**	(1.40)
Operating expense	(4.40)	**(3.32)**	(5.05)	**(3.83)**	(5.15)
Transportation expense	(2.85)	**(2.88)**	(3.00)	**(2.87)**	(2.97)
Netback	11.16	**7.80**	13.71	**9.40**	15.11
Realized gain on risk management contracts	1.24	**2.10**	1.97	**1.69**	1.79
Netback including realized gain on risk management contracts	12.40	**9.90**	15.68	**11.09**	16.90
TRADING STATISTICS (3)					
High price	8.39	**6.12**	9.61	**8.39**	10.49
Low price	2.42	**3.64**	6.37	**2.42**	6.37
Close price	4.05	**4.56**	6.41	**4.56**	6.41
Average daily volume (thousands of shares)	3,207	**2,177**	2,255	**2,692**	2,273

(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

The global crude oil markets experienced extreme volatility during the first half of 2020. Average benchmark pricing weakened considerably during the three months ended June 30, 2020 relative to the three months ended March 31, 2020, prompting the Organization of Petroleum Exporting Countries and certain other countries to reduce output and North American producers to lower capital expenditure activity and voluntarily shut in production. This reduction in supply, combined with an improving outlook on demand, led to a faster-than-expected recovery in pricing over the course of the period.

Locally, Canadian crude oil and condensate differentials were also volatile. As producers began to reduce their operational output and curtail production, the Western Canadian Sedimentary Basin's ("WCSB") overall production levels were below takeaway capacity, which led to normalized location differentials by the end of the period.

Natural Gas

An oversupplied global natural gas market caused US natural gas benchmark prices to decrease during the three months ended June 30, 2020 relative to the three months ended March 31, 2020. Owing to weak global market economics, US liquefied natural gas exports decreased, while COVID-19-related demand losses compounded the oversupplied US market. Nevertheless, pricing weakness is anticipated to be limited to the near term, with improving natural gas fundamentals expected for 2021 and beyond as the supply/demand balance normalizes.

Locally, despite western Canadian natural gas prices being lower during the three months ended June 30, 2020 relative to the three months ended March 31, 2020, declining supply in the WCSB and strong inventory injections have supported an improved supply/demand balance in the AECO market. The basis differential to NYMEX Henry Hub has narrowed significantly.

Near-term pricing risk and continued volatility are expected. While the gradual economic recovery from the demand destruction caused by the COVID-19 pandemic is taking place, significant uncertainty remains. ARC's risk management program is serving to protect corporate cash flows and ARC is focused on maximizing its low-cost Montney natural gas production during periods of relative pricing strength. ARC will continue to monitor its light oil and condensate-weighted properties for shut-in economics should crude oil and condensate prices materially deteriorate again.

FINANCIAL REVIEW

Balance Sheet and Liquidity

ARC is committed to protecting its strong financial position by maintaining significant financial flexibility with its balance sheet. At June 30, 2020, ARC had $961.1 million of net debt outstanding and its net debt to annualized funds from operations ratio was 1.5 times. Over the long term, ARC targets its net debt to be between 1.0 and 1.5 times funds from operations; however, during periods of significant commodity price weakness, expects that its net debt to funds from operations ratio may trend above this targeted range. At June 30, 2020, ARC was in compliance with all of its debt covenants.

ARC's liquidity is augmented by $1.1 billion of undrawn credit capacity. The Company's long-term debt has been structured to mature over a number of years and repayment of maturities due in 2020 are planned to be settled with existing committed credit facilities. Debt maturities due through the remainder of 2020 total US$72.0 million of US dollar-denominated debt and $8.0 million of Canadian dollar-denominated debt. ARC's ample financial liquidity has allowed the Company to sustain its operations through this prolonged period of commodity price volatility, and is expected to allow the Company to remain in a position of financial strength during future periods of economic uncertainty.

Capital Allocation

ARC's capital allocation priorities are to protect the balance sheet, support the dividend, and prioritize capital investments that drive long-term value and profitability. At current commodity price levels, funds from operations generated in 2020 are expected to be in excess of ARC's dividend obligations of approximately $106 million and ARC's capital program of $300 million. Surplus funds from operations will be directed at strengthening the Company's balance sheet. During the three months ended June 30, 2020, ARC reduced its net debt balance by $118.6 million with surplus funds from operations.

Net Loss

ARC recognized a net loss of $43.5 million ($0.12 per share) during the three months ended June 30, 2020, compared to a net loss of $558.4 million ($1.58 per share) during the three months ended March 31, 2020. The most significant driver in the change to ARC's net loss was an impairment charge recognized on ARC's property, plant and equipment in the first quarter of 2020, whereas no such charge was recorded in the current period. This, combined with an increased gain on foreign exchange relating to the revaluation of ARC's US dollar-denominated debt, more than offset lower commodity sales due to lower average commodity price realizations, and a reduced unrealized gain on ARC's risk management contracts during the three months ended June 30, 2020 relative to the three months ended March 31, 2020.

ARC recognized a net loss of $601.9 million ($1.70 per share) during the six months ended June 30, 2020, compared to net income of $39.8 million ($0.11 per share) during the six months ended June 30, 2019. An impairment charge recognized on ARC's property, plant and equipment resulting from the decrease in forecasted commodity pricing for crude oil and natural gas was the most significant contributor to the net loss in 2020 to-date. Further contributing to ARC's net loss during the six months ended June 30, 2020 relative to the six months ended June 30, 2019 were lower commodity sales due to lower average commodity price realizations, and a reduced gain on foreign exchange relating to the revaluation of ARC's US dollar-denominated debt. These items were partially offset by an increased gain on ARC's risk management contracts.

Funds from Operations

ARC generated funds from operations of $150.2 million ($0.42 per share) during the three months ended June 30, 2020, a decrease of $10.6 million ($0.04 per share) compared to funds from operations generated during the three months ended March 31, 2020. The most significant driver in the lower funds from operations was reduced commodity sales due to lower average commodity price realizations ($0.20 per share). This was partially offset by an increase in current income tax recovery ($0.08 per share), an increase in realized gains on risk management contracts ($0.04 per share), and lower operating expense ($0.03 per share) and royalties ($0.03 per share).

ARC generated funds from operations of $311.0 million ($0.88 per share) during the six months ended June 30, 2020, representing a decrease of $68.2 million ($0.19 per share) relative to $379.2 million ($0.88 per share) of funds from operations generated during the six months ended June 30, 2019. Reduced commodity sales due to lower average commodity price realizations, despite increased production year-over-year, was the largest driver in lower funds from operations. This was partially offset by an increase in current income tax recovery, lower operating expense, and lower royalties.

Table 1 details the change in funds from operations for the three months ended June 30, 2020 relative to the three months ended March 31, 2020 and the change in funds from operations for the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 1

Funds from Operations Reconciliation	Q1 2020 to Q2 2020		YTD 2019 to YTD 2020	
	$ millions	$/share (1)	$ millions	$/share (1)
Funds from operations for the three months ended March 31, 2020	160.8	0.46		
Funds from operations for the six months ended June 30, 2019			379.2	1.07
Volume				
Crude oil and liquids	**1.9**	**—**	**17.1**	**0.05**
Natural gas	**15.1**	**0.04**	**50.6**	**0.14**
Price				
Crude oil and liquids	**(59.6)**	**(0.17)**	**(151.2)**	**(0.43)**
Natural gas	**(9.0)**	**(0.03)**	**(39.8)**	**(0.11)**
Sales of commodities purchased from third parties	**(11.3)**	**(0.03)**	**(26.4)**	**(0.07)**
Interest income	**(0.2)**	**—**	**(3.3)**	**(0.01)**
Other income	**(0.3)**	**—**	**(1.8)**	**(0.01)**
Realized gain (loss) on risk management contracts	**14.7**	**0.04**	**4.4**	**0.01**
Royalties	**9.5**	**0.03**	**13.8**	**0.04**
Expenses				
Commodities purchased from third parties	**9.9**	**0.03**	**27.1**	**0.08**
Operating	**10.5**	**0.03**	**16.5**	**0.05**
Transportation	**(4.2)**	**(0.01)**	**(9.2)**	**(0.03)**
General and administrative ("G&A")	**(6.6)**	**(0.02)**	**(3.4)**	**(0.01)**
Interest and financing	**0.1**	**—**	**(0.4)**	**—**
Current income tax	**28.7**	**0.08**	**24.9**	**0.07**
Realized gain (loss) on foreign exchange	**(9.8)**	**(0.03)**	**12.6**	**0.04**
Other	**—**	**—**	**0.3**	**—**
Funds from operations for the three months ended June 30, 2020	**150.2**	**0.42**		
Funds from operations for the six months ended June 30, 2020			**311.0**	**0.88**

(1) Per share amounts are based on weighted average diluted common shares.

Physical Marketing and Financial Risk Management

ARC's portfolio of assets and extensive suite of owned-and-operated infrastructure provide significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity pricing, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production, and optimize the liquids recoveries at its processing facilities. To capture the relative strength in natural gas pricing, ARC is currently focused on increasing natural gas recoveries through the optimization of its facilities and by increasing its natural gas production in northeast British Columbia.

ARC manages its natural gas price risk exposure through physical diversification and financial risk management activities to enhance corporate natural gas price realizations and reduce volatility in funds from operations. As natural gas prices experienced strength relative to liquids prices during the three months ended June 30, 2020, commodity sales from natural gas production comprised 62 per cent of ARC's total commodity sales.

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 June 30, 2020 relative to the three months ended March 31, 2020 and the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 2

Realized Natural Gas Price Including Realized Gain on Risk Management Contracts ($/Mcf)	Three Months Ended June 30, 2020	March 31, 2020	% Change	Six Months Ended June 30, 2020	June 30, 2019	% Change
Average price before diversification activities	**2.07**	2.13	(3)	**2.10**	1.66	27
Diversification activities	**(0.15)**	(0.08)	88	**(0.12)**	0.62	(119)
Realized gain on risk management contracts [(1)]	**0.11**	0.09	22	**0.10**	0.50	(80)
Realized natural gas price including realized gain on risk management contracts	**2.03**	2.14	(5)	**2.08**	2.78	(25)

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

Driven by the significant decrease in benchmark crude oil and condensate prices in the period, ARC's crude oil and liquids production comprised 38 per cent of total commodity sales during the three months ended June 30, 2020. ARC's average realized crude oil and condensate prices were $25.88 per barrel and $31.54 per barrel, respectively, for the three months ended June 30, 2020.

ARC's risk management program increased the Company's funds from operations during the three and six months ended June 30, 2020, recording a realized gain of $31.8 million and $48.9 million, respectively. For the balance of 2020, approximately 70 per cent of ARC's anticipated crude oil and condensate 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 funds from operations. For details pertaining to ARC's risk management program and for a summary of the average crude oil and natural gas volumes associated with ARC's risk management contracts as at June 30, 2020, refer to Note 10 *"Financial Instruments and Market Risk Management"* in ARC's financial statements.

Netback

Table 3 details the components of ARC's netback for the three months ended June 30, 2020 relative to the three months ended March 31, 2020, and the components of ARC's netback for the six months ended June 30, 2020 relative to the six months ended June 30, 2019.

Table 3

Netback ($/boe)	Three Months Ended June 30, 2020	March 31, 2020	% Change	Six Months Ended June 30, 2020	June 30, 2019	% Change
Commodity sales from production	**14.38**	19.52	(26)	**16.83**	24.63	(32)
Royalties	**(0.38)**	(1.11)	(66)	**(0.73)**	(1.40)	(48)
Operating expense	**(3.32)**	(4.40)	(25)	**(3.83)**	(5.15)	(26)
Transportation expense	**(2.88)**	(2.85)	1	**(2.87)**	(2.97)	(3)
Netback	**7.80**	11.16	(30)	**9.40**	15.11	(38)
Realized gain on risk management contracts	**2.10**	1.24	69	**1.69**	1.79	(6)
Netback including realized gain on risk management contracts	**9.90**	12.40	(20)	**11.09**	16.90	(34)

For the three months ended June 30, 2020 relative to the three months ended March 31, 2020, ARC's:

- Netback decreased primarily due to lower average 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 average realized commodity prices.

- Operating expense decreased as ARC continued to defer discretionary maintenance and workover activities.

For the six months ended June 30, 2020 relative to the six months ended June 30, 2019, ARC's:

- Netback decreased primarily due to lower average realized commodity prices, which was partially offset by a year-over-year decrease in ARC's royalties, operating expense, and transportation expense.
- Royalties decreased as a result of lower royalty rates associated with lower average realized commodity prices.
- Operating and transportation expense decreased as ARC brought on additional Montney production at Dawson and Sunrise, which has lower relative costs to operate and transport.

OPERATIONAL REVIEW

ARC's position in the Montney resource play comprises approximately 1,000 net sections of land (approximately 636,000 net acres), with production from these assets representing approximately 95 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 enables a flexible pace of development, all of which are especially critical in a volatile commodity price environment.

ARC's portfolio of assets provides significant optionality to manage the Company's commodity exposures. Depending on prevailing commodity prices, ARC can selectively target natural gas, liquids-rich natural gas, or crude oil production by focusing its development in the areas that generate the most robust half-cycle economics.

ARC is a leader in ESG and sustainability practices. The safety of ARC's employees and contractors is the Company's top priority, and ARC is committed to strong environmental performance through reducing its GHG emissions intensity and freshwater usage. ARC will release its ESG Report in August 2020, which will provide details on ARC's ESG strategies and performance for 2018 to 2019. The report is aligned with the Sustainability Accounting Standards Board framework and the recommendations of the Taskforce on Climate-related Financial Disclosures.

Capital Expenditures

ARC invested $44.1 million during the three months ended June 30, 2020. Development activities were focused primarily on the Company's low-cost Sunrise dry natural gas property, where ARC drilled five wells and completed seven wells. Additionally, ARC completed seven lower Montney wells at Parkland/Tower during the period. ARC invested $213.9 million during the six months ended June 30, 2020, which included drilling 26 wells, completing 52 wells, and bringing the Dawson Phase IV facility and the Ante Creek facility expansion projects on-stream. Since being brought on-stream early in the second quarter of 2020, facility runtimes at Dawson Phase IV have been excellent.

ARC is targeting a capital budget of $300 million for 2020 and plans to deploy the majority of the remaining capital to natural gas development activities at Dawson and Sunrise. At prevailing commodity prices, these areas produce the most economical wells in the Company's portfolio. Drilling activities resumed at Dawson early in the third quarter of 2020.

Table 4 details capital expenditures and the number of wells drilled and completed in each of ARC's core operating areas for the six months ended June 30, 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)
	Six Months Ended June 30, 2020				
Dawson	**22.4**	**42.6**	**65.0**	**4**	**16**
Sunrise	**—**	**24.8**	**24.8**	**7**	**7**
Parkland/Tower	**0.2**	**38.4**	**38.6**	**8**	**7**
Ante Creek	**10.3**	**39.0**	**49.3**	**7**	**16**
Attachie West	**1.2**	**28.9**	**30.1**	**—**	**6**
Pembina	**—**	**1.5**	**1.5**	**—**	**—**
All other (4)	**—**	**4.6**	**4.6**	**—**	**—**
Total	**34.1**	**179.8**	**213.9**	**26**	**52**

(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 its corporate assets.

Production

ARC's production for the three months ended June 30, 2020 averaged 166,510 boe per day, comprising 773 MMcf per day of natural gas, 14,987 barrels per day of crude oil, 13,239 barrels per day of condensate, and 9,405 barrels per day of NGLs.

Average daily production for the three months ended June 30, 2020 increased 10 per cent relative to average daily production for the three months ended March 31, 2020 as a result of the Dawson Phase IV facility being brought on-stream in the period. The new production at Dawson was partially offset by shut-in production at Ante Creek, Attachie West, Dawson, Parkland/Tower, and Pembina, which collectively impacted quarterly production by approximately 4,800 barrels per day of crude oil and condensate. Due to improved commodity prices, the majority of the shut-in production was brought back on-stream by the end of the second quarter of 2020. Approximately 500 barrels per day of crude oil production remains shut-in at Pembina.

Table 5 details production from ARC's core operating areas for the three months ended June 30, 2020 relative to the three months ended March 31, 2020.

Table 5

	Three Months Ended					
	June 30, 2020					March 31, 2020
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	**—**	**6,554**	**342.3**	**3,900**	**67,510**	46,926
Sunrise	**—**	**—**	**243.9**	**12**	**40,662**	42,571
Parkland/Tower	**2,439**	**4,283**	**121.0**	**3,870**	**30,757**	31,410
Ante Creek	**6,013**	**369**	**40.4**	**1,216**	**14,329**	15,038
Attachie West	**—**	**1,773**	**7.3**	**44**	**3,034**	3,523
Pembina	**6,528**	**140**	**11.4**	**398**	**8,973**	10,538
All other (2)	**7**	**120**	**7.0**	**(35)**	**1,245**	1,777
Total	**14,987**	**13,239**	**773.3**	**9,405**	**166,510**	151,783

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

ARC's production for the six months ended June 30, 2020 averaged 159,146 boe per day, comprising 733 MMcf per day of natural gas, 15,992 barrels per day of crude oil, 12,251 barrels per day of condensate, and 8,779 barrels per day of NGLs. Average daily production for the six months ended June 30, 2020 represented a 16 per cent increase from average daily production for the six months ended June 30, 2019, and was driven primarily by increased natural gas production at Dawson and Sunrise.

ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range of 150,000 to 155,000 boe per day.

OUTLOOK

ARC's 2020 planned capital investments totaling $300 million focus on balance sheet strength and investing in profitable projects with capital discipline and efficient execution. With the Dawson Phase IV facility and the Ante Creek facility expansion projects complete, capital activity for the second half of 2020 will be focused on natural gas development at Dawson and Sunrise. ARC has the flexibility to adjust short-cycle investment levels within its capital budget should near-term market conditions change materially. At current commodity price levels, funds from operations generated in 2020 are anticipated to fund the Company's dividend payments and capital program as well as reduce the Company's net debt balance.

While the majority of the crude oil and condensate production that was shut in during the second quarter of 2020 has been brought back on-stream, continued commodity price volatility is expected, which may adversely affect the economics of ARC's production in some areas. As such, it is possible that ARC will voluntarily shut in production or be subject to 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.

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and market volatility may adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty around the potential impacts this could have on ARC's operations and results, which could be material. These factors contribute considerable uncertainty to certain elements of ARC's 2020 guidance items. As such, ARC will continuously monitor its 2020 guidance and provide updates as deemed appropriate.

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 Guidance	**2020 YTD Actuals**	% Variance from Guidance
Production			
Crude oil (bbl/day)	14,000 - 16,000	**15,992**	—
Condensate (bbl/day)	11,000 - 13,000	**12,251**	—
Crude oil and condensate (bbl/day)	25,000 - 29,000	**28,243**	—
Natural gas (MMcf/day) (1)	705 - 710	**732.7**	3
NGLs (bbl/day)	8,000 - 8,500	**8,779**	3
Total (boe/day) (1)	150,000 - 155,000	**159,146**	3
Expenses ($/boe)			
Operating	4.55 - 4.95	**3.83**	(16)
Transportation	3.10 - 3.30	**2.87**	(7)
G&A expense before share-based compensation expense	1.00 - 1.20	**1.13**	—
G&A - share-based compensation expense (2)	0.30 - 0.45	**0.17**	(43)
Interest and financing (3)	0.65 - 0.80	**0.74**	—
Current income tax expense (recovery) as a per cent of funds from operations (4)	(2) - 3	**(11)**	(450)
Capital expenditures before land and net property acquisitions (dispositions) ($ millions)	300	**213.9**	N/A

(1) Guidance 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.

- Natural gas, NGLs, and total production are above their respective guidance ranges as a result of new production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020. ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range.

- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities during the first half of 2020. With maintenance and workover activities planned to resume during the second half of 2020, coupled with an anticipated reduction in production volumes, ARC expects its operating expense to trend towards the low end of the guidance range.

- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation costs associated with production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020.

- 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 half of 2020.

- Current income tax as a per cent of funds from operations is below the guidance range due to the decrease in forecasted commodity pricing for crude oil and natural gas and the recognition of certain income tax deductions received from prior periods. Excluding prior period adjustments, current income tax is expected to trend towards the low end of the guidance range.

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 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, the sustainability of ARC's dividend, and repayment of maturities due in 2020; under *"Operational Review"* relating to the target capital budget for 2020, the deployment of capital in 2020, and third quarter 2020 production estimates; 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, the impact that maintenance and workover activities and the anticipated reduction in production volumes will have on ARC's operating expense, Management's focus for the balance of 2020, the ability of funds from operations to fund ARC's dividend payments and capital program and reduce ARC's net debt balance, 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 $2.9 billion. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

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Q2 '20

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 July 30, 2020 and should be read in conjunction with the unaudited condensed interim financial statements (the "financial statements") as at and for the three and six months ended June 30, 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 March 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 June 30, 2020, ARC's management has incorporated the anticipated impacts 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”.

The guiding principles under which ARC conducts its business remain the same in all market conditions. ARC's operational flexibility, robust risk management program, and strong balance sheet have positioned the Company to respond to market volatility. Capital discipline and a moderate pace of development have supported ARC in managing a corporate decline rate below 30 per cent. A concentrated Montney asset base that includes a network of owned-and-operated infrastructure has allowed ARC to deliver excellent capital and operating efficiencies. ARC's sustainable business is focused on environmental, social, and governance excellence, long-term corporate profitability, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney, these principles make ARC a differentiated investment opportunity.

Highlights

Corporate highlights for the annual periods of 2016 through 2019 and the six months ended June 30, 2020 are shown in Table 1:

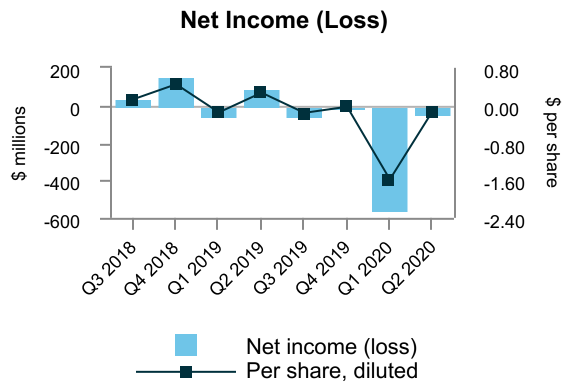
Table 1

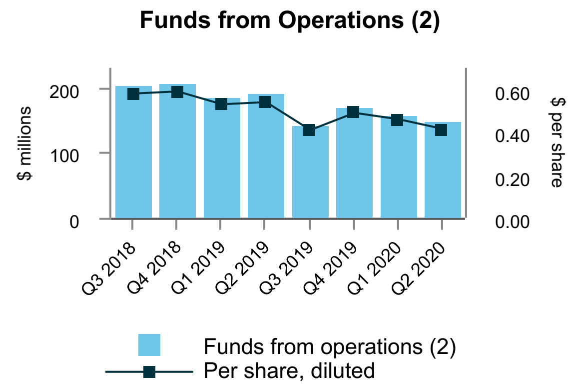
	2020 YTD	2019	2018	2017	2016
Production (1)					
Crude oil (bbl/d)	**15,992**	17,591	23,460	24,380	31,510
Condensate (bbl/d)	**12,251**	10,066	7,281	5,650	3,626
Crude oil and condensate (bbl/d)	**28,243**	27,657	30,741	30,030	35,136
Natural gas (MMcf/d)	**732.7**	623.3	570.2	525.8	475.6
NGLs (bbl/d)	**8,779**	7,578	6,955	5,273	4,274
Total production (boe/d)	**159,146**	139,126	132,724	122,937	118,671
Average daily production per thousand shares (2)	**0.45**	0.39	0.38	0.35	0.34
Net income (loss) (3)	**(601.9)**	(27.6)	213.8	388.9	201.3
Net income (loss) per share (3)	**(1.70)**	(0.08)	0.60	1.10	0.57
Funds from operations (4)	**311.0**	697.4	819.0	731.9	633.3
Funds from operations per share (4)	**0.88**	1.97	2.31	2.07	1.80
Capital expenditures (5)	**213.9**	691.5	679.4	829.7	453.4
Net debt (4)	**961.1**	940.2	702.7	728.0	356.5
Net debt to annualized funds from operations (ratio) (4)	**1.5**	1.3	0.9	1.0	0.6
Return on average capital employed ("ROACE") (%) (6)	**(21)**	(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

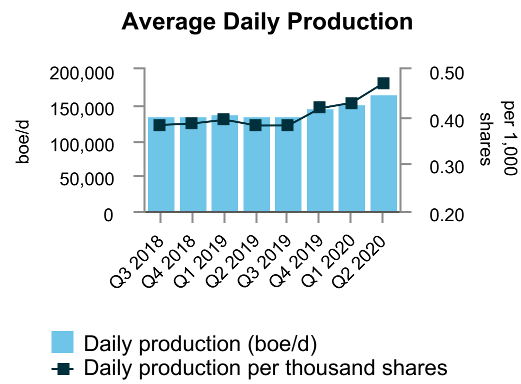
(1) Reported production amount is based on Company interest before royalty burdens.
(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the six months ended June 30, 2020 and for the respective annual periods ended December 31, 2019, 2018, 2017, and 2016.
(3) The 2020 net loss is primarily attributed 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 sections entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(5) Prior to expenditures for undeveloped 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) 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.

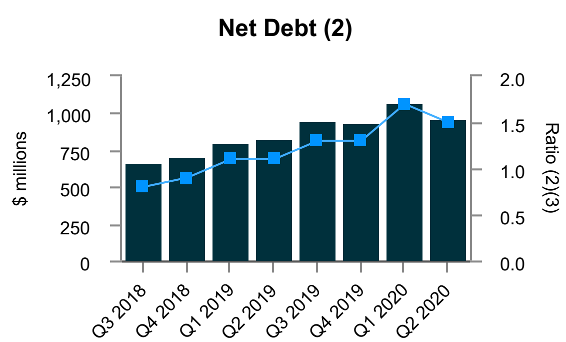
QUARTERLY RESULTS [1]

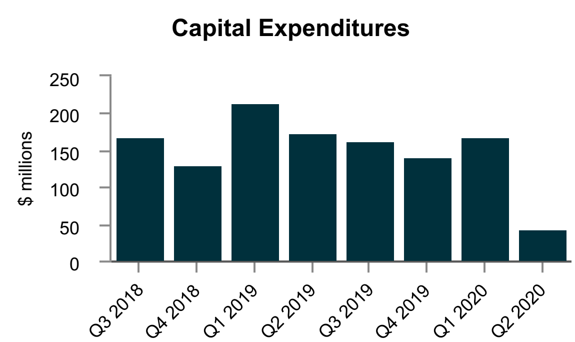
Exhibit 1











(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 sections entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(3) Net debt to annualized funds from operations.

Trends in earnings and funds from operations are primarily associated with fluctuations in Commodity sales from production which reflect changes in production levels and commodity prices. The following significant items further impacted the Company's financial and operational results over the past eight quarters:

- In the second quarter of 2020, ARC recognized a loss on risk management contracts of $70.7 million.
- 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 a gain on risk management contracts of $100.3 million.
- In the fourth quarter of 2019, ARC recognized a loss on risk management contracts of $56.3 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 a loss on risk management contracts of $126.2 million.
- In the fourth quarter of 2018, ARC recognized a gain on risk management contracts of $240.3 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").

ANNUAL GUIDANCE

ARC's 2020 planned capital investments totaling $300 million focus on balance sheet strength and investing in profitable projects with capital discipline and efficient execution. With the Dawson Phase IV facility and the Ante Creek facility expansion projects complete, capital activity for the second half of 2020 will be focused on natural gas development at Dawson and Sunrise. ARC has the flexibility to adjust short-cycle investment levels within its capital budget should near-term market conditions change materially. At current commodity price levels, funds from operations generated in 2020 are anticipated to fund the Company's dividend payments and capital program as well as reduce the Company's net debt balance.

While the majority of the crude oil and condensate production that was shut in during the second quarter of 2020 has been brought back on-stream, continued commodity price volatility is expected, which may adversely affect the economics of ARC's production in some areas. As such, it is possible that ARC will voluntarily shut in production or be subject to 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.

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and market volatility may adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty around the potential impacts this could have on ARC's operations and results, which could be material. These factors contribute considerable uncertainty to certain elements of ARC's 2020 guidance items. As such, ARC will continuously monitor its 2020 guidance and provide updates as deemed appropriate.

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 Guidance	**2020 YTD Actuals**	% Variance from Guidance
Production			
Crude oil (bbl/d)	14,000 - 16,000	**15,992**	—
Condensate (bbl/d)	11,000 - 13,000	**12,251**	—
Crude oil and condensate (bbl/d)	25,000 - 29,000	**28,243**	—
Natural gas (MMcf/d) (1)	705 - 710	**732.7**	3
NGLs (bbl/d)	8,000 - 8,500	**8,779**	3
Total (boe/d) (1)	150,000 - 155,000	**159,146**	3
Expenses ($/boe)			
Operating	4.55 - 4.95	**3.83**	(16)
Transportation	3.10 - 3.30	**2.87**	(7)
G&A expense before share-based compensation expense	1.00 - 1.20	**1.13**	—
G&A - share-based compensation expense (2)	0.30 - 0.45	**0.17**	(43)
Interest and financing (3)	0.65 - 0.80	**0.74**	—
Current income tax expense (recovery), as a per cent of funds from operations	(2) - 3	**(11)**	(450)
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	300	**213.9**	N/A

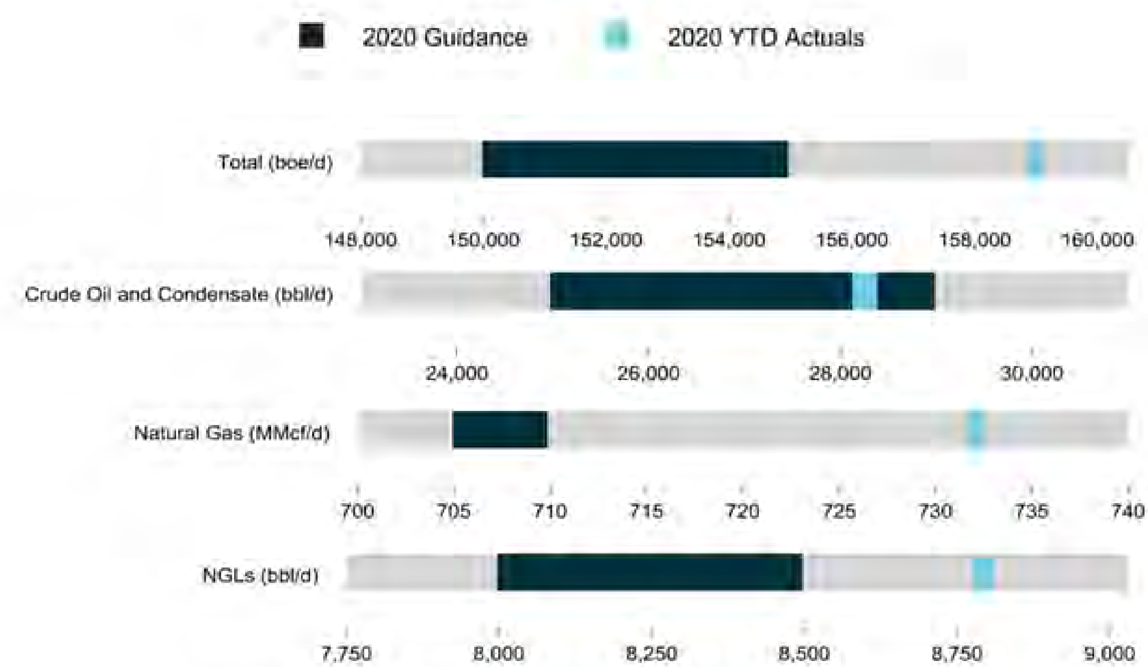
(1) Guidance does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.
(2) Comprises expense recognized under the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans, Share Option Plan and Long-term Restricted Share 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").

Production variances from guidance for the six months ended June 30, 2020 include:

- Natural gas, NGLs, and total production are above their respective guidance ranges as a result of new production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020. ARC estimates that production in the third quarter of 2020 is likely to decrease by approximately 10 per cent relative to the second quarter of 2020 due to the anticipated impacts from planned maintenance and workover activities, third-party pipeline maintenance and outages, and any impacts from potential shut-ins. Full-year average daily production is expected to be at the upper end of the guidance range of 150,000 to 155,000 boe per day.

Exhibit 2

2020 Production Guidance

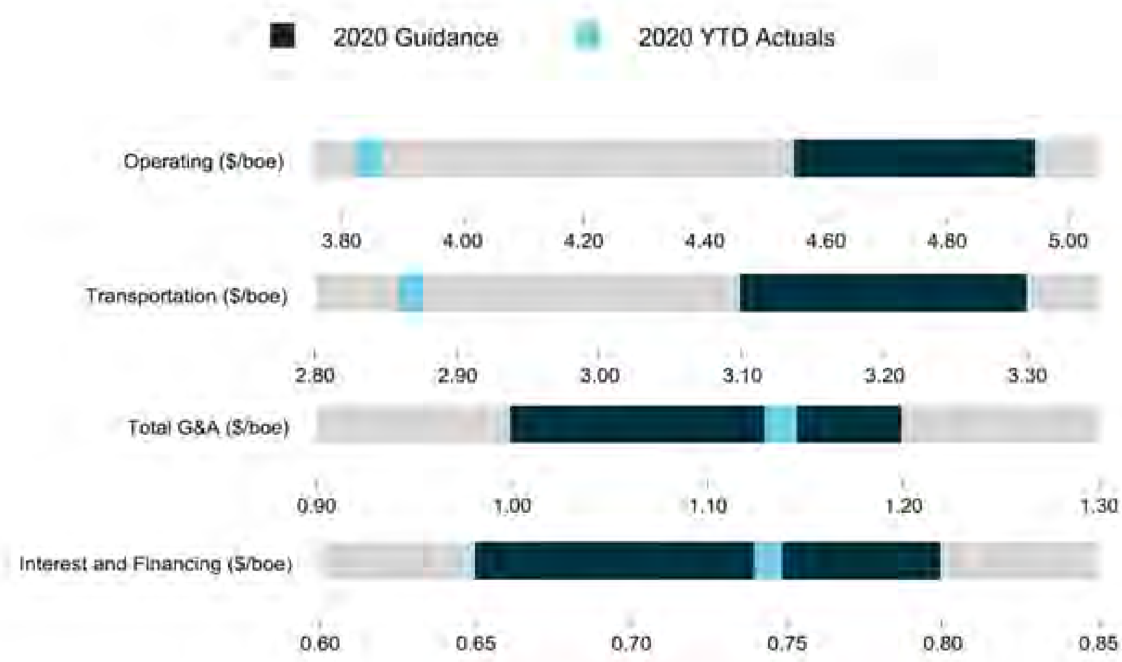


Expense variances from guidance for the six months ended June 30, 2020 include:

- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities during the first half of 2020. With maintenance and workover activities planned to resume during the second half of 2020, coupled with an anticipated reduction in production volumes, ARC expects its operating expense to trend towards the low end of the guidance range.
- Transportation expense is below the guidance range; however, it is expected to trend towards guidance as the year progresses with additional transportation costs associated with production from the Dawson Phase IV facility, which was brought on-stream early in the second quarter of 2020.
- 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 half of 2020.

Exhibit 2a

2020 Expense Guidance



Current income tax as a per cent of funds from operations is below the guidance range due to the decrease in forecasted commodity pricing for crude oil and natural gas and the recognition of certain income tax deductions received from prior periods. Excluding prior period adjustments, current income tax is expected to trend towards the low end of the guidance range.

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 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

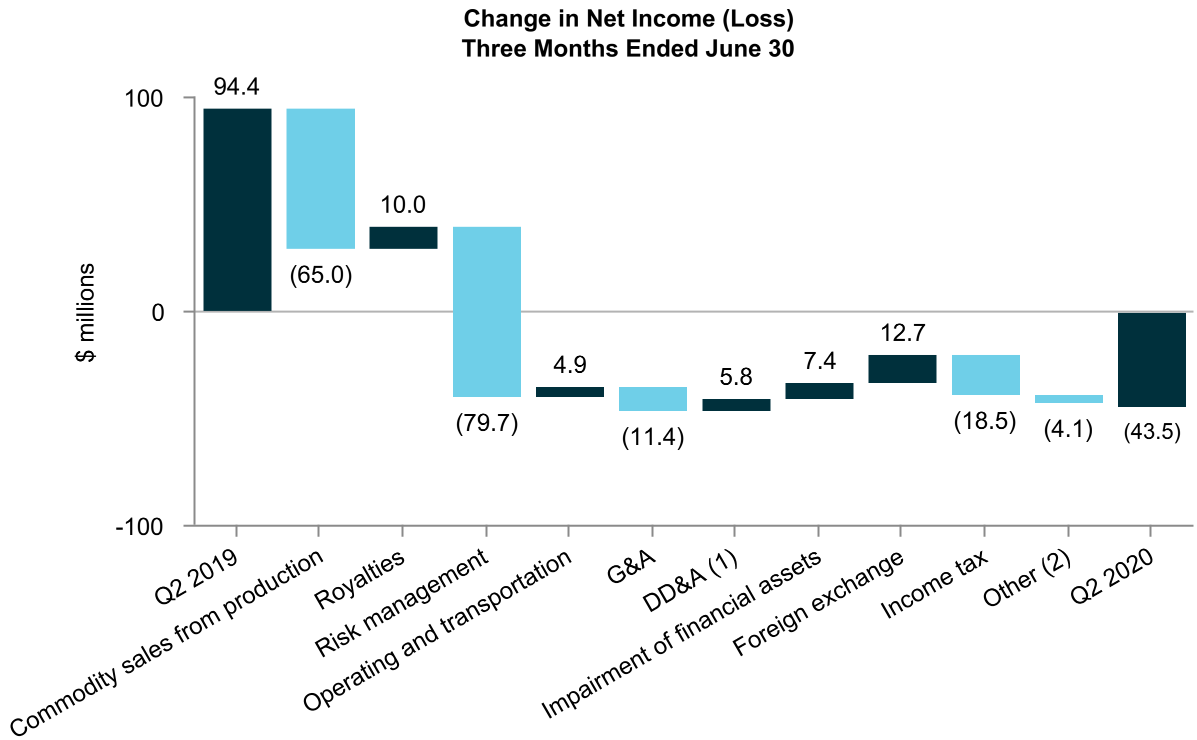
	Three Months Ended				Six Months Ended		
($ millions, except per share and volume data)	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Net income (loss)	(558.4)	**(43.5)**	94.4	(146)	**(601.9)**	39.8	(1,612)
Net income (loss) per share	(1.58)	**(0.12)**	0.27	(144)	**(1.70)**	0.11	(1,645)
Funds from operations (1)	160.8	**150.2**	193.0	(22)	**311.0**	379.2	(18)
Funds from operations per share (1)	0.46	**0.42**	0.54	(22)	**0.88**	1.07	(18)
Dividends declared per share (2)	0.12	**0.06**	0.15	(60)	**0.18**	0.30	(40)
Average daily production (boe/d)	151,783	**166,510**	134,938	23	**159,146**	136,985	16

(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 declared per share are based on the number of shares outstanding at each dividend record date.

Net Income (Loss)

In the second quarter of 2020, ARC recognized a net loss of $43.5 million ($0.12 per share), a decrease of $137.9 million from ARC's second quarter 2019 net income of $94.4 million ($0.27 per share). The decrease in net income is primarily due to a loss on risk management contracts of $70.7 million recognized in the second quarter of 2020 compared to a gain of $9.0 million in the same period of the prior year and a decrease in commodity sales from production of $65.0 million as a result of lower commodity prices.

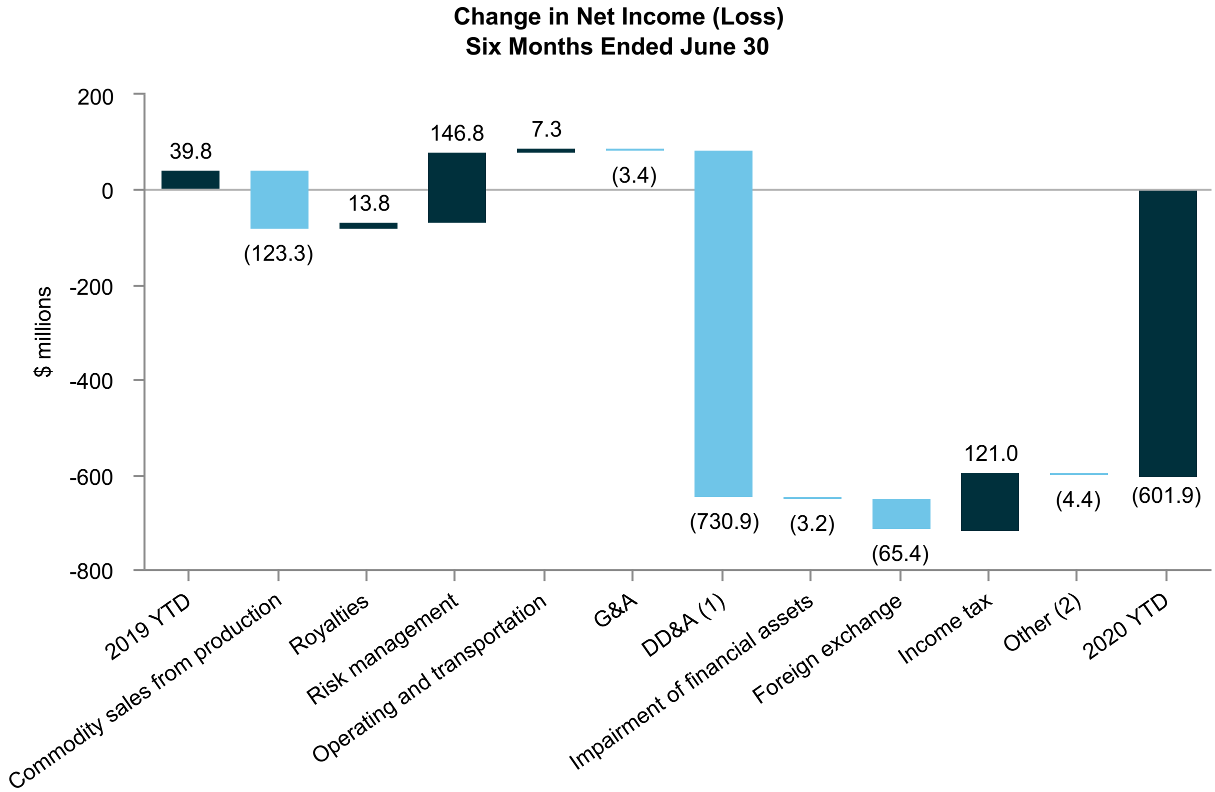
Exhibit 3



(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.

During the six months ended June 30, 2020, ARC recognized a net loss of $601.9 million ($1.70 per share) compared to net income of $39.8 million ($0.11 per share) for same period of the prior year. The $641.7 million decrease in net income is primarily attributed to an impairment charge on ARC's PP&E, as well as a decrease in commodity sales from production of $123.3 million, as a result of lower commodity prices. Additionally, ARC recognized a foreign exchange loss of $36.6 million during the first six months of 2020 compared to a foreign exchange gain of $28.8 million in the same period of the prior year. Partially offsetting these items are a gain on risk management contracts of $29.6 million compared to a loss on risk management contracts of $117.2 million in the same period of the prior year, and an increase in income tax recovery of $121.0 million.

Exhibit 3a



(1) Includes 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 income (loss) to funds from operations and cash flow from operating activities:

Table 4

	Three Months Ended			**Six Months Ended**	
($ millions)	March 31, 2020	**June 30, 2020**	June 30, 2019	**June 30, 2020**	June 30, 2019
Net income (loss)	(558.4)	**(43.5)**	94.4	**(601.9)**	39.8
Adjusted for the following non-cash items:					
Impairment of financial assets	10.6	**1.1**	8.5	**11.7**	8.5
DD&A and impairment	875.7	**129.4**	135.2	**1,005.1**	274.2
Accretion of ARO	1.8	**1.6**	1.9	**3.4**	3.8
Deferred tax recovery	(160.1)	**(13.6)**	(47.4)	**(173.7)**	(77.6)
Unrealized loss (gain) on risk management contracts	(83.2)	**102.5**	15.2	**19.3**	161.7
Unrealized loss (gain) on foreign exchange	73.4	**(28.8)**	(15.7)	**44.6**	(33.4)
Other	1.0	**1.5**	0.9	**2.5**	2.2
Funds from operations	160.8	**150.2**	193.0	**311.0**	379.2
Net change in other liabilities	(5.3)	**4.2**	(7.9)	**(1.1)**	(7.1)
Change in non-cash working capital	27.6	**(57.0)**	8.7	**(29.4)**	(50.0)
Cash flow from operating activities	183.1	**97.4**	193.8	**280.5**	322.1

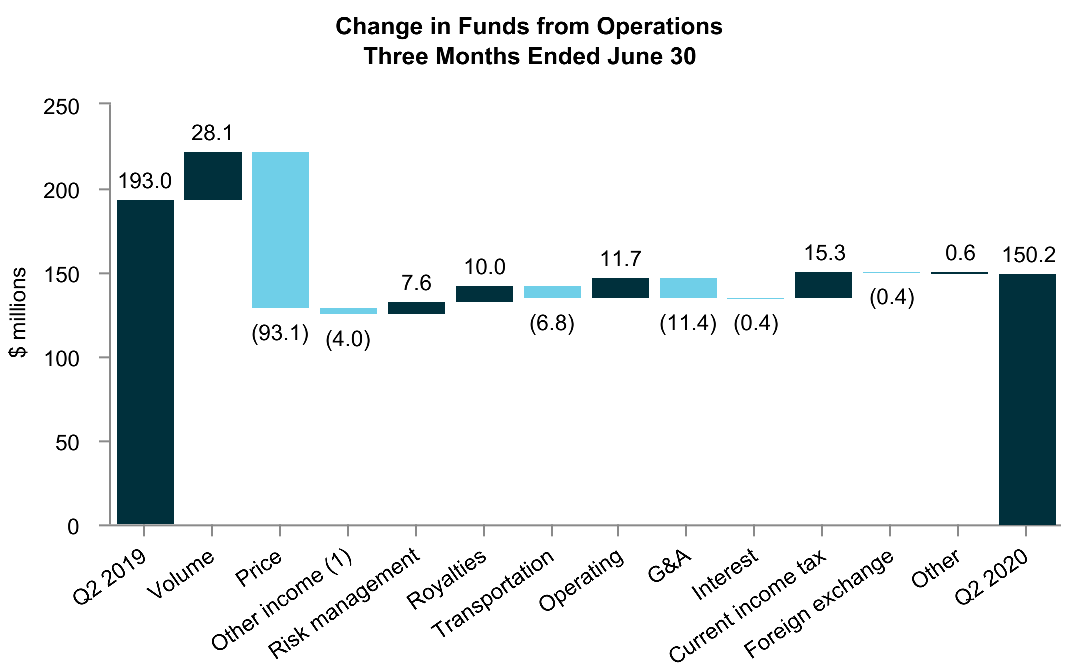
Details of the change in funds from operations from the three and six months ended June 30, 2019 to the three and six months ended June 30, 2020 are included in Table 5 below:

Table 5

	Three Months Ended June 30		Six Months Ended June 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2019	193.0	0.54	379.2	1.07
Volume variance				
Crude oil and liquids	**0.2**	**—**	**17.1**	**0.05**
Natural gas	**27.9**	**0.08**	**50.6**	**0.14**
Price variance				
Crude oil and liquids	**(105.7)**	**(0.30)**	**(151.2)**	**(0.43)**
Natural gas	**12.6**	**0.04**	**(39.8)**	**(0.11)**
Sales of commodities purchased from third parties	**(20.1)**	**(0.06)**	**(26.4)**	**(0.07)**
Interest income	**(1.3)**	**—**	**(3.3)**	**(0.01)**
Other income	**(1.4)**	**—**	**(1.8)**	**(0.01)**
Realized gain on risk management contracts	**7.6**	**0.02**	**4.4**	**0.01**
Royalties	**10.0**	**0.03**	**13.8**	**0.04**
Expenses				
Commodities purchased from third parties	**18.8**	**0.05**	**27.1**	**0.08**
Operating	**11.7**	**0.03**	**16.5**	**0.05**
Transportation	**(6.8)**	**(0.02)**	**(9.2)**	**(0.03)**
G&A	**(11.4)**	**(0.03)**	**(3.4)**	**(0.01)**
Interest and financing	**(0.4)**	**—**	**(0.4)**	**—**
Current income tax	**15.3**	**0.04**	**24.9**	**0.07**
Realized gain (loss) on foreign exchange	**(0.4)**	**—**	**12.6**	**0.04**
Other	**0.6**	**—**	**0.3**	**—**
Funds from operations – 2020	**150.2**	**0.42**	**311.0**	**0.88**

Funds from operations decreased by 22 per cent in the second quarter of 2020 to $150.2 million ($0.42 per share) from $193.0 million ($0.54 per share) generated in the second quarter of 2019. The decrease in funds from operations for the three months ended June 30, 2020 primarily reflects lower crude oil and liquids prices. An increase in natural gas, condensate and NGLs production partially offset the decrease.

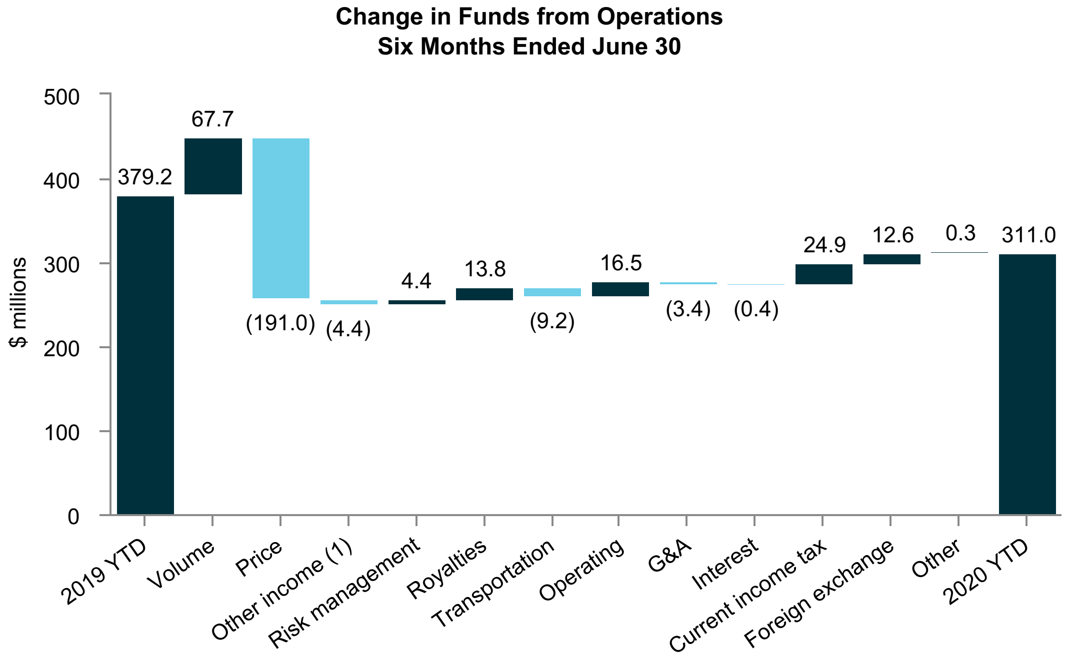
Exhibit 4



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

For the six months ended June 30, 2020, funds from operations decreased by $68.2 million to $311.0 million ($0.88 per share) from $379.2 million ($1.07 per share) in the same period of 2019. The decrease primarily reflects lower average realized commodity prices. An increase in natural gas, condensate and NGLs production partially offset the decrease.

Exhibit 4a



(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:

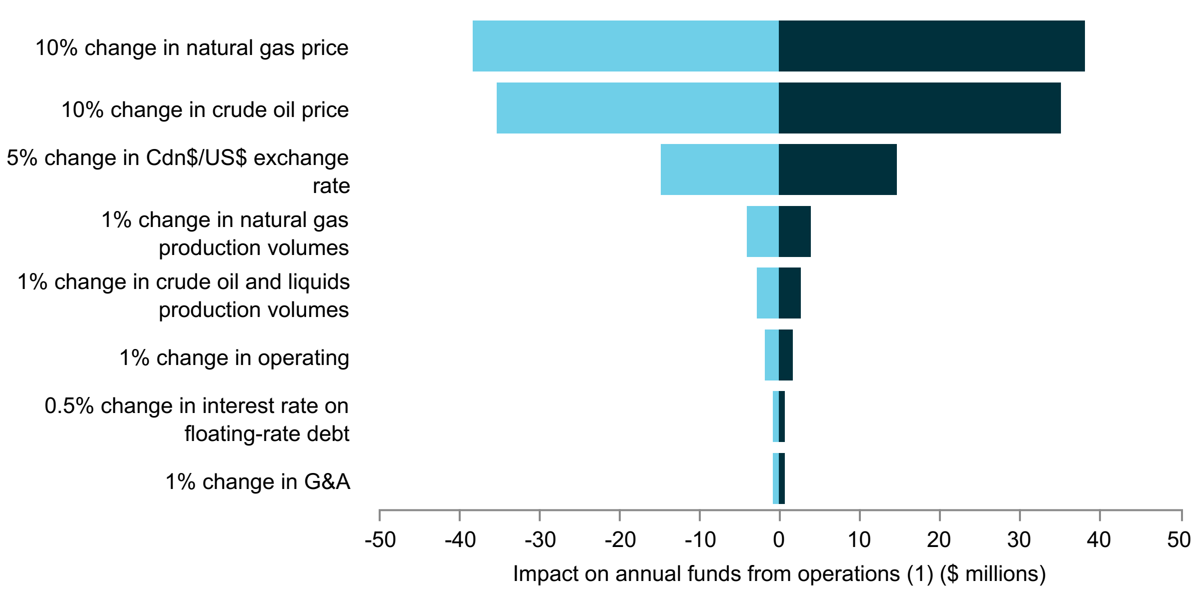
Table 6

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Loss	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price (2)(3)	38.53	10 %	35.3	0.100	35.3	0.100
Natural gas price (2)	1.98	10 %	38.2	0.108	38.2	0.108
Cdn$/US$ exchange rate (2)(4)	1.37	5 %	14.8	0.042	14.8	0.042
Interest rate on floating-rate debt (2)	3.1 %	0.5 %	0.7	0.002	0.7	0.002
Operational (5)						
Crude oil and liquids production (bbl/d)	37,022	1 %	2.8	0.008	2.1	0.006
Natural gas production (MMcf/d)	732.7	1 %	3.9	0.011	1.1	0.003
Operating ($/boe)	3.83	1 %	1.8	0.005	1.8	0.005
G&A ($/boe)	1.30	1 %	0.7	0.002	0.7	0.002

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time.
(2) Prices and rates are indicative of ARC's average realized prices for the six months ended June 30, 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 six months ended June 30, 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

Funds from Operations Sensitivity (Prior to Risk Management Contracts)



(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

Production	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
	Three Months Ended				Six Months Ended		
Light and medium crude oil (bbl/d)	16,619	**14,933**	17,585	(15)	**15,776**	17,724	(11)
Heavy crude oil (bbl/d)	378	**54**	687	(92)	**216**	537	(60)
Condensate (bbl/d)	11,262	**13,239**	10,230	29	**12,251**	9,226	33
NGLs (bbl/d)	8,152	**9,405**	7,041	34	**8,779**	7,111	23
Crude oil and liquids (bbl/d)	36,411	**37,631**	35,543	6	**37,022**	34,598	7
Natural gas (MMcf/d)	692.2	**773.3**	596.4	30	**732.7**	614.2	19
Total production (boe/d)	151,783	**166,510**	134,938	23	**159,146**	136,985	16
Natural gas production (%)	76	**77**	74	3	**77**	75	2
Crude oil and liquids production (%)	24	**23**	26	(3)	**23**	25	(2)

For the three and six months ended June 30, 2020, crude oil and liquids production increased six per cent and seven per cent, respectively, as compared to the same periods in the prior year. Increases in condensate and NGLs production were primarily driven by the start-up of the Dawson Phase IV gas processing and liquids-handling facility which came on-stream at the beginning of the quarter and were partially offset by lower crude oil production. The decrease in crude oil production is primarily attributable to natural declines of oil-producing properties where minimal development activity occurred during the period. In addition, certain properties were shut in early in the second quarter in response to low commodity prices, but the majority of this production had resumed within the quarter.

For the three and six months ended June 30, 2020, natural gas production increased 30 per cent and 19 per cent, respectively, compared to the same periods in the prior year. The increase was primarily driven by the start-up of the Dawson Phase IV gas processing and liquids-handling facility which came on-stream at the beginning of the quarter, as well as increased volumes at Sunrise as a result of utilizing the facility to full capacity beginning in the fourth quarter of 2019.

Exhibit 6

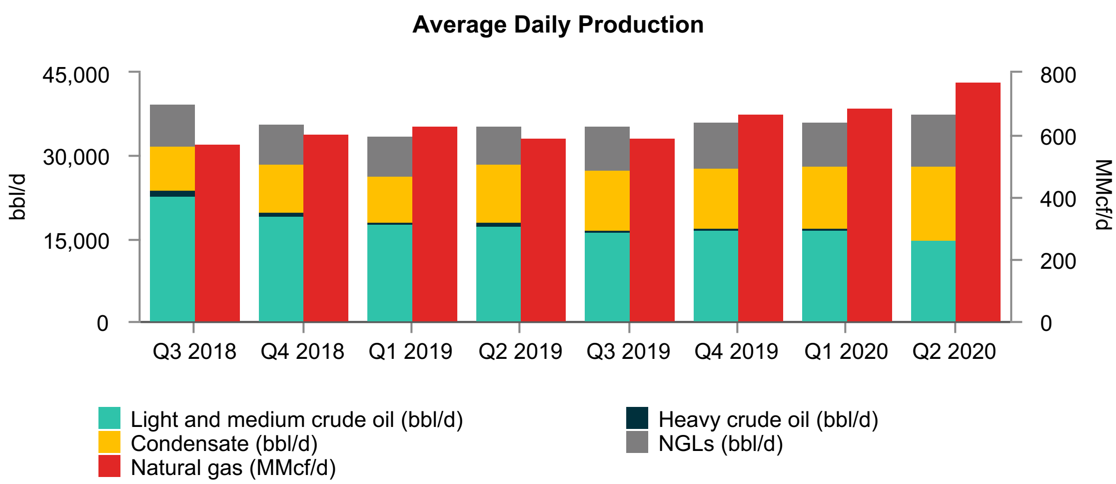


Table 8 summarizes ARC's production by core area for the three months ended June 30, 2020 and June 30, 2019:

Table 8

	Three Months Ended June 30, 2020				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**67,510**	—	6,554	342.3	3,900
Sunrise	**40,662**	—	—	243.9	12
Parkland/Tower	**30,757**	2,439	4,283	121.0	3,870
Ante Creek	**14,329**	6,013	369	40.4	1,216
Pembina	**8,973**	6,528	140	11.4	398
Attachie West	**3,034**	—	1,773	7.3	44
All other	**1,245**	7	120	7.0	(35)
Total	**166,510**	**14,987**	**13,239**	**773.3**	**9,405**

	Three Months Ended June 30, 2019				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	43,527	—	2,483	237.1	1,524
Sunrise	27,513	—	67	164.5	29
Parkland/Tower	32,561	3,720	5,439	118.7	3,614
Ante Creek	16,359	6,542	439	47.9	1,401
Pembina	10,126	7,731	138	11.2	395
Attachie West	2,988	—	1,541	8.4	46
All other	1,864	279	123	8.6	32
Total	134,938	18,272	10,230	596.4	7,041

Exhibit 7

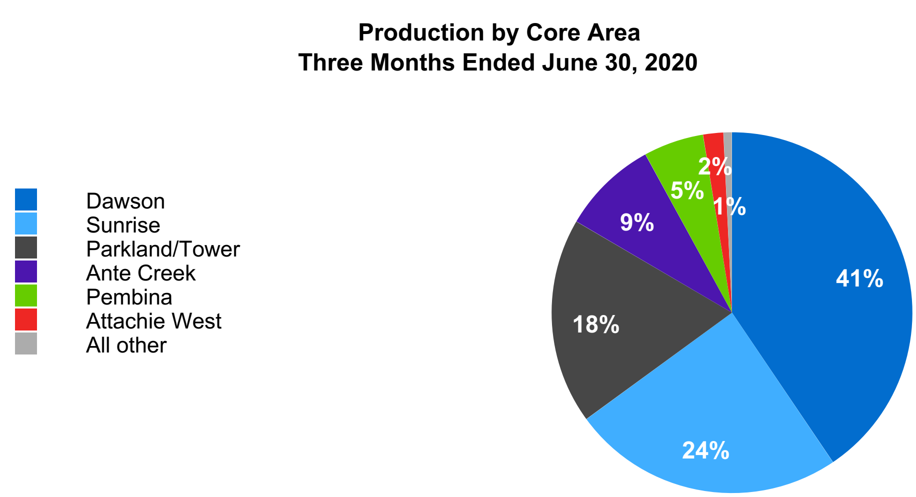


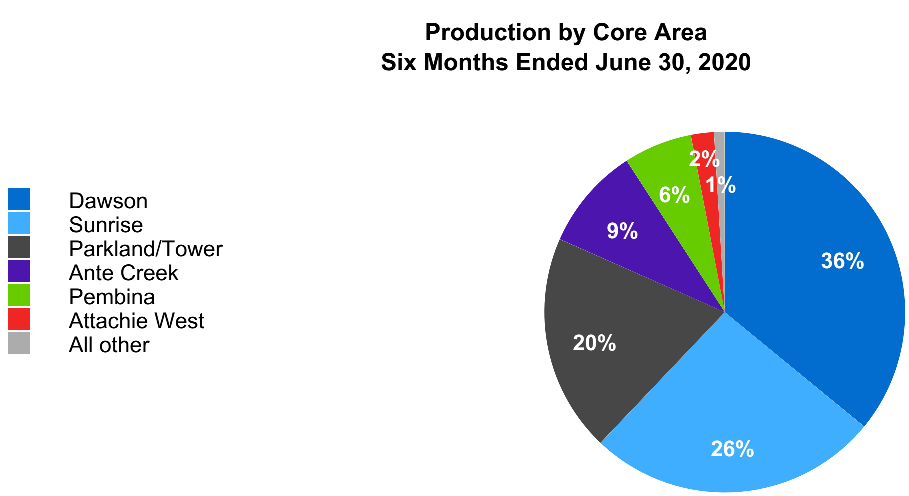
Table 8a summarizes ARC's production by core area for the six months ended June 30, 2020 and June 30, 2019:

Table 8a

	Six Months Ended June 30, 2020				
Production Core Area	**Total (boe/d)**	**Crude Oil (bbl/d)**	**Condensate (bbl/d)**	**Natural Gas (MMcf/d)**	**NGLs (bbl/d)**
Dawson	**57,218**	—	5,752	290.1	3,120
Sunrise	**41,614**	—	—	249.6	19
Parkland/Tower	**31,083**	2,641	3,906	123.5	3,947
Ante Creek	**14,683**	6,104	376	41.9	1,221
Pembina	**9,755**	7,239	149	11.7	411
Attachie West	**3,278**	—	1,936	7.7	59
All other	**1,515**	8	132	8.2	2
Total	**159,146**	**15,992**	**12,251**	**732.7**	**8,779**

	Six Months Ended June 30, 2019				
Production Core Area	Total (boe/d)	Crude Oil (bbl/d)	Condensate (bbl/d)	Natural Gas (MMcf/d)	NGLs (bbl/d)
Dawson	45,476	—	2,638	247.1	1,658
Sunrise	29,037	—	56	173.7	28
Parkland/Tower	31,423	4,115	4,157	117.5	3,564
Ante Creek	15,592	5,929	417	47.4	1,347
Pembina	10,337	7,895	145	11.1	442
Attachie West	3,129	—	1,656	8.6	34
All other	1,991	322	157	8.8	38
Total	136,985	18,261	9,226	614.2	7,111

Exhibit 7a



Commodity Sales from Production

For the three and six months ended June 30, 2020, commodity sales from production decreased by 23 per cent and 20 per cent, respectively, as compared to the same periods in 2019. The decreases are primarily due to lower realized average 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

Commodity Sales from Production ($ millions)	Three Months Ended March 31, 2020	Three Months Ended **June 30, 2020**	Three Months Ended June 30, 2019	% Change	Six Months Ended **June 30, 2020**	Six Months Ended June 30, 2019	% Change
Crude oil	76.8	**35.3**	116.8	(70)	**112.1**	221.5	(49)
Condensate	58.9	**38.1**	66.4	(43)	**97.0**	114.3	(15)
Natural gas	129.1	**135.2**	94.7	43	**264.3**	253.5	4
NGLs	4.7	**9.3**	5.0	86	**14.0**	21.4	(35)
Total commodity sales from production	269.5	**217.9**	282.9	(23)	**487.4**	610.7	(20)

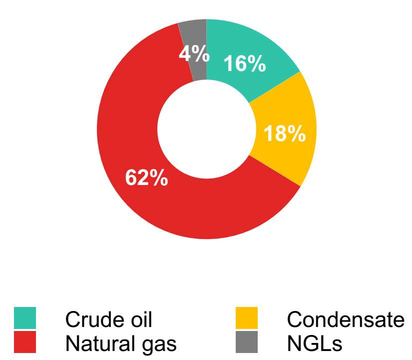
Historically on a per boe basis, ARC's commodity sales contribution has been more heavily weighted to its crude oil and liquids production. However, for the three and six months ended June 30, 2020, ARC's commodity sales production was weighted more towards its natural gas production as seen in Table 10:

Table 10

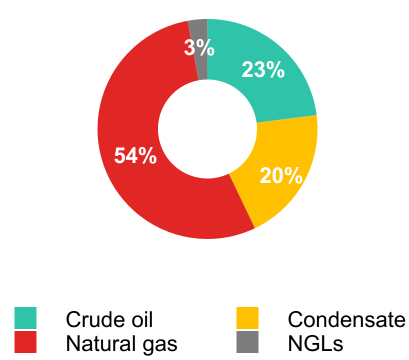
% of Commodity Sales from Production by Product Type	Three Months Ended March 31, 2020	Three Months Ended **June 30, 2020**	Three Months Ended June 30, 2019	Six Months Ended **June 30, 2020**	Six Months Ended June 30, 2019
Crude oil and liquids	52	**38**	67	**46**	58
Natural gas	48	**62**	33	**54**	42
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 8

Commodity Sales from Production by Product
Three Months Ended June 30, 2020



Commodity Sales from Production by Product
Six Months Ended June 30, 2020



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				Six Months Ended		
	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	1.95	**1.72**	2.64	(35)	**1.83**	2.89	(37)
Chicago Citygate Monthly Index (US$/MMBtu)	1.95	**1.63**	2.45	(33)	**1.79**	2.89	(38)
AECO 7A Monthly Index (Cdn$/Mcf)	2.14	**1.91**	1.17	63	**2.03**	1.56	30
West Texas Intermediate ("WTI") crude oil (US$/bbl)	45.78	**28.00**	59.91	(53)	**36.82**	57.45	(36)
Cdn$/US$ exchange rate	1.35	**1.39**	1.34	4	**1.37**	1.33	3
WTI crude oil (Cdn$/bbl)	61.80	**38.92**	80.28	(52)	**50.44**	76.41	(34)
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	51.42	**30.16**	73.98	(59)	**40.86**	64.07	(36)
Condensate Stream Price at Edmonton (Cdn$/bbl)	61.76	**30.94**	74.85	(59)	**46.49**	64.78	(28)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	49.69	**25.88**	70.26	(63)	**38.53**	67.01	(43)
Condensate ($/bbl)	57.52	**31.54**	71.38	(56)	**43.48**	68.47	(36)
Natural gas ($/Mcf)	2.05	**1.92**	1.74	10	**1.98**	2.28	(13)
NGLs ($/bbl)	6.36	**10.84**	7.71	41	**8.76**	16.61	(47)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	19.52	**14.38**	23.04	(38)	**16.83**	24.63	(32)

Benchmark Commodity Prices

Second quarter WTI crude oil prices were 39 per cent lower than the prior quarter and 53 per cent lower than the second quarter of 2019. Price volatility within the quarter was extremely high as supply and demand factors were rapidly changing. The demand shock due to the COVID-19 pandemic peaked during the quarter and led to a major drop in crude oil prices along with a large increase in inventory levels. In response to falling prices, the supply-side reacted with broad production curtailments and a significant reduction in drilling activity. After historic lows early in the quarter, crude oil prices rose in response to the supply reductions as well as the gradual improvement of global economic activity and crude oil demand. While the supply/demand balance appears to be stabilizing, the prospect of a full recovery in the crude oil market remains dependent on the global economy's ability to manage the pandemic without taking extreme measures that would negatively impact crude oil demand.

Similar to WTI prices, Canadian stream prices were considerably lower than both the prior quarter and the second quarter of 2019. As a result of the drop in downstream demand and limited local inventory capacity, Canadian crude oil differentials to WTI widened dramatically which led to the curtailment of a large portion of Canadian crude oil production during the quarter. With curtailed production slow to return and basin egress underutilized, differentials have since normalized.

NYMEX Henry Hub natural gas prices decreased 12 per cent in the second quarter of 2020 compared to the prior quarter and decreased 35 per cent from the second quarter of 2019. While US crude oil production curtailments resulted in a considerable drop in associated natural gas supply, an oversupplied global natural gas market led to an offsetting reduction in US liquefied natural gas exports. The issue was exacerbated by domestic and international demand losses related to the COVID-19 pandemic. The price weakness has been primarily limited to the near term as the market projects an improved North American natural gas market in 2021 due to a lower US supply outlook and the normalization of US demand.

The AECO monthly index decreased 11 per cent in the second quarter of 2020 compared to the prior quarter, but increased 63 per cent compared to the second quarter of 2019. Declining basin supply along with strong demand for natural gas for local inventory injections has resulted in an improved supply/demand balance at AECO. Western Canadian natural gas basis differentials to NYMEX Henry Hub have continued to narrow substantially compared to prior quarters due to these region-specific factors.

ARC's Average Realized Commodity Prices

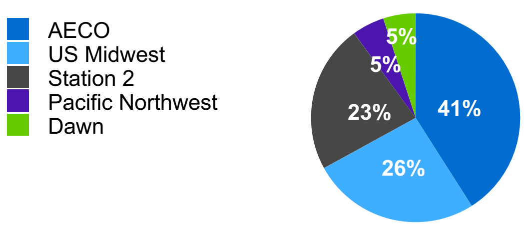
For the three and six months ended June 30, 2020, ARC's average realized crude oil price decreased 63 per cent and 43 per cent, respectively, compared to the same periods in 2019. The decreases reflect lower benchmark WTI prices and wider differentials between WTI and MSW.

ARC's average realized condensate price for the three and six months ended June 30, 2020 decreased 56 per cent and 36 per cent, respectively, compared to the same periods in the prior year. The decreases are primarily due to a lower WTI benchmark price.

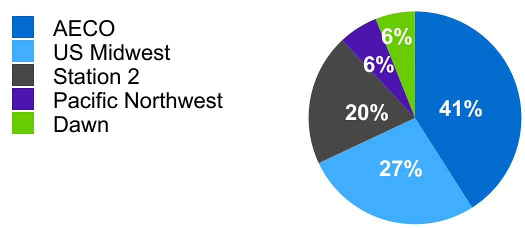
ARC's natural gas sales are physically diversified to multiple sales points with different index-based pricing. ARC's average realized natural gas price for the three months ended June 30, 2020, increased 10 per cent compared to the same period in the prior year. The increase is primarily due to improved pricing at AECO and Station 2. ARC's average realized natural gas price for the six months ended June 30, 2020, decreased 13 per cent compared to 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 and six months ended June 30, 2020, physical sales diversification activities reduced ARC's average realized natural gas price by $0.15 per Mcf and $0.12 per Mcf, respectively, compared to an addition of $0.67 per Mcf and $0.62 per Mcf in the same periods in 2019.

Exhibit 9

Natural Gas Sales by Sales Point
Three Months Ended June 30, 2020

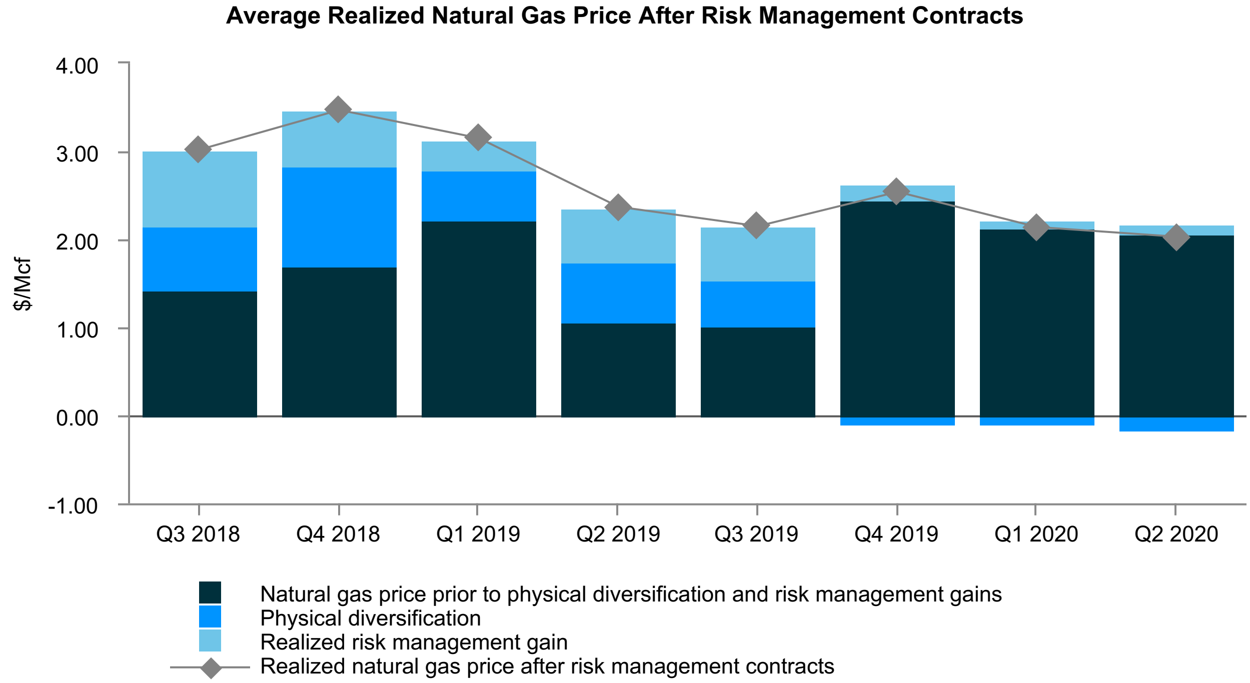


Natural Gas Sales by Sales Point
Six Months Ended June 30, 2020



Average realized pricing for NGLs increased 41 per cent for the three months ended June 30, 2020, compared to the same period in the prior year. ARC's increased realized NGLs price is primarily due to improvements in NGLs contract term pricing and optimization of spot sales. For the six months ended June 30, 2020, ARC's average realized NGLs price decreased 47 per cent due to lower butane and propane pricing relative to the first six months of 2019.

Exhibit 10



Risk Management Contracts

Tables 12 and 12a summarize the total gain or loss on risk management contracts for the three and six months ended June 30, 2020, compared to the same periods in 2019:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q2 2020 Total**	Q2 2019 Total
Realized gain on contracts [1]	24.0	7.8	—	**31.8**	24.2
Unrealized loss on contracts [2]	(65.0)	(36.3)	(1.2)	**(102.5)**	(15.2)
Gain (loss) on risk management contracts	**(41.0)**	**(28.5)**	**(1.2)**	**(70.7)**	9.0

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

Table 12a

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**2020 YTD Total**	2019 YTD Total
Realized gain on contracts [1]	35.5	13.4	—	**48.9**	44.5
Unrealized gain (loss) on contracts [2]	39.6	(60.5)	1.6	**(19.3)**	(161.7)
Gain (loss) on risk management contracts	**75.1**	**(47.1)**	**1.6**	**29.6**	(117.2)

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

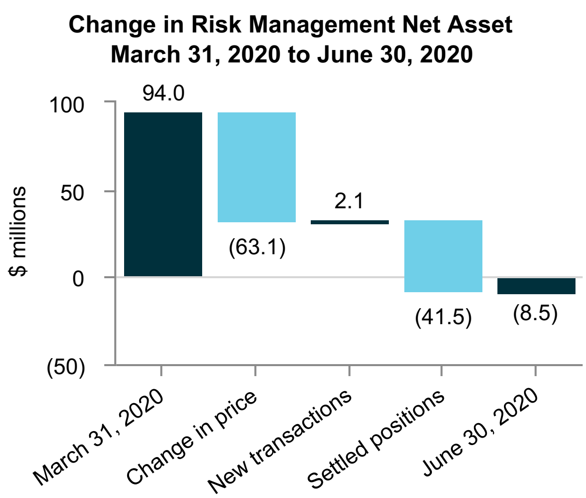
For the three and six months ended June 30, 2020, ARC's realized gain on risk management contracts primarily reflects positive cash settlements received on WTI crude oil contracts and AECO, and NYMEX Henry Hub natural gas contracts. This is partially offset by cash payments made on natural gas basis contracts referencing AECO, Malin, and Chicago due to tighter differentials during the period.

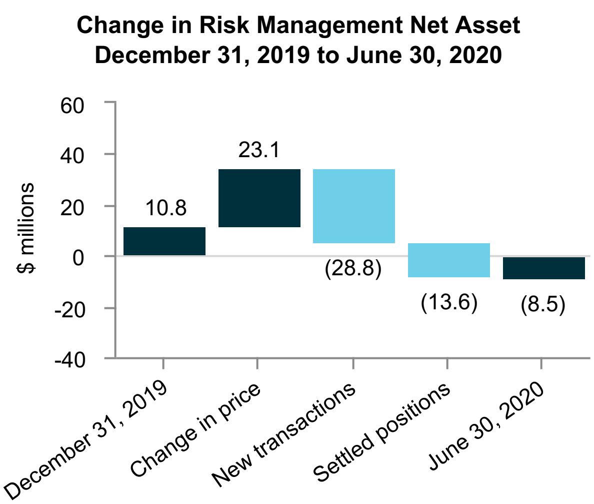
ARC's unrealized loss on crude oil contracts for the three months ended June 30, 2020 reflects higher forward pricing for WTI and narrower MSW differentials compared to the end of the previous quarter at March 31, 2020. ARC's unrealized gain on crude oil contracts for the six months ended June 30, 2020 reflects lower forward pricing for WTI and wider MSW differentials compared to the end of the previous year at December 31, 2019. ARC's unrealized loss on natural gas contracts for the three and six months ended June 30, 2020 primarily reflects higher forward pricing for NYMEX Henry Hub, AECO, and 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 June 30, 2020 was a net liability of $8.5 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 $40.9 million from crude oil contracts, a net liability of $50.3 million from natural gas contracts, and a net asset of $0.9 million from foreign currency contracts.

Exhibit 11





Netback

The components of ARC's netback for the three and six months ended June 30, 2020 compared to the previous quarter and the same periods in 2019 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended				Six Months Ended		
Netback ($ millions) [1]	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Commodity sales from production	269.5	**217.9**	282.9	(23)	**487.4**	610.7	(20)
Royalties	(15.2)	**(5.7)**	(15.7)	(64)	**(20.9)**	(34.7)	(40)
Operating	(60.8)	**(50.3)**	(62.0)	(19)	**(111.1)**	(127.6)	(13)
Transportation	(39.4)	**(43.6)**	(36.8)	18	**(83.0)**	(73.8)	12
Netback	154.1	**118.3**	168.4	(30)	**272.4**	374.6	(27)
Realized gain on risk management contracts	17.1	**31.8**	24.2	31	**48.9**	44.5	10
Netback after realized gain on risk management contracts	171.2	**150.1**	192.6	(22)	**321.3**	419.1	(23)

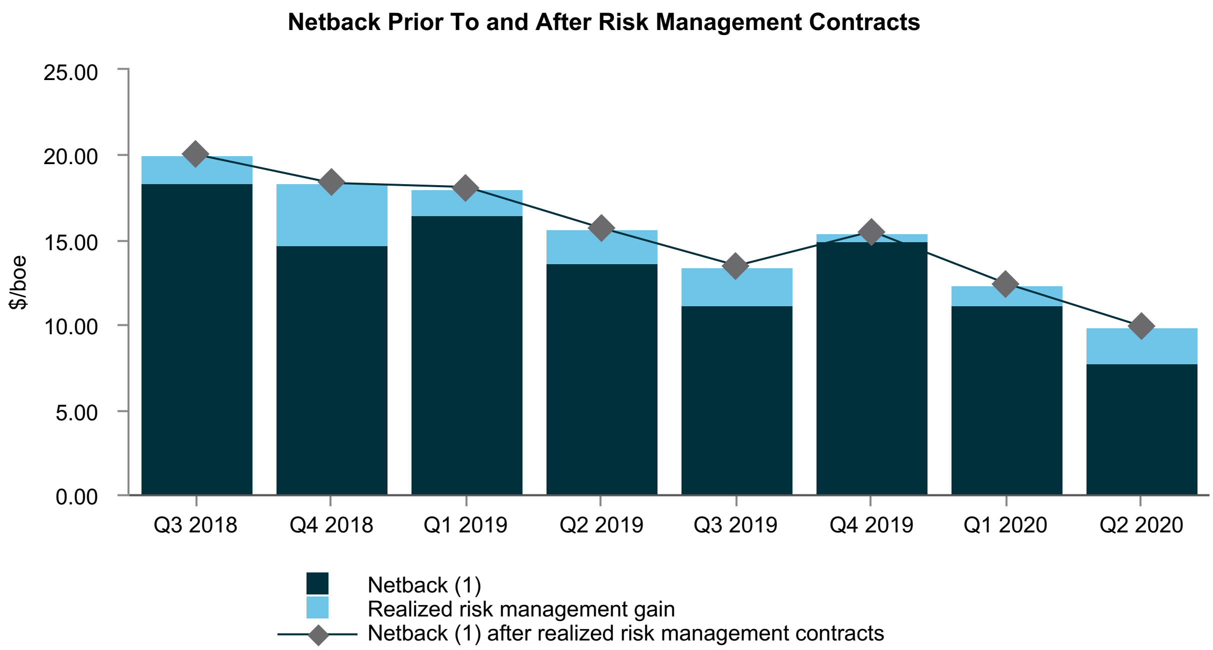
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Table 13a

Netback ($ per boe) [1]	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
	Three Months Ended				Six Months Ended		
Commodity sales from production	19.52	**14.38**	23.04	(38)	**16.83**	24.63	(32)
Royalties	(1.11)	**(0.38)**	(1.28)	(70)	**(0.73)**	(1.40)	(48)
Operating	(4.40)	**(3.32)**	(5.05)	(34)	**(3.83)**	(5.15)	(26)
Transportation	(2.85)	**(2.88)**	(3.00)	(4)	**(2.87)**	(2.97)	(3)
Netback	11.16	**7.80**	13.71	(43)	**9.40**	15.11	(38)
Realized gain on risk management contracts	1.24	**2.10**	1.97	7	**1.69**	1.79	(6)
Netback after realized gain on risk management contracts	12.40	**9.90**	15.68	(37)	**11.09**	16.90	(34)

(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 12

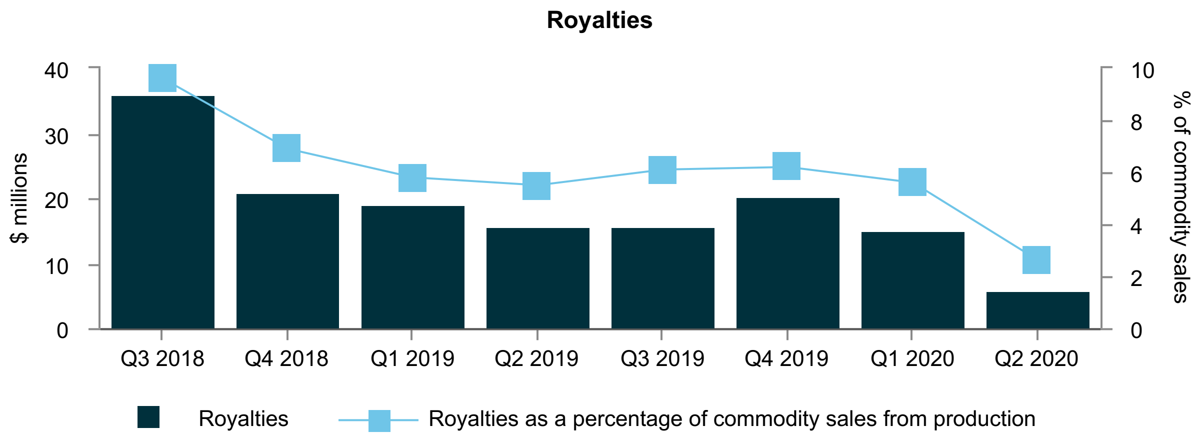


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three and six months ended June 30, 2020 were $5.7 million and $20.9 million ($15.7 million and $34.7 million for the same periods in 2019), respectively. As a percentage of commodity sales from production, royalties decreased to 2.6 per cent ($0.38 per boe) in the second quarter of 2020 from 5.5 per cent ($1.28 per boe) in the second quarter of 2019. For the six months ended June 30, 2020, royalties represented 4.3 per cent of commodity sales from production ($0.73 per boe) as compared to 5.7 per cent ($1.40 per boe) for the six months ended June 30, 2019. The decrease in total royalties and royalties as a percentage of commodity sales from production for the three and six months ended June 30, 2020, is primarily reflective of a lower average royalty rate due to decreased commodity prices compared to the same periods in 2019.

Exhibit 13

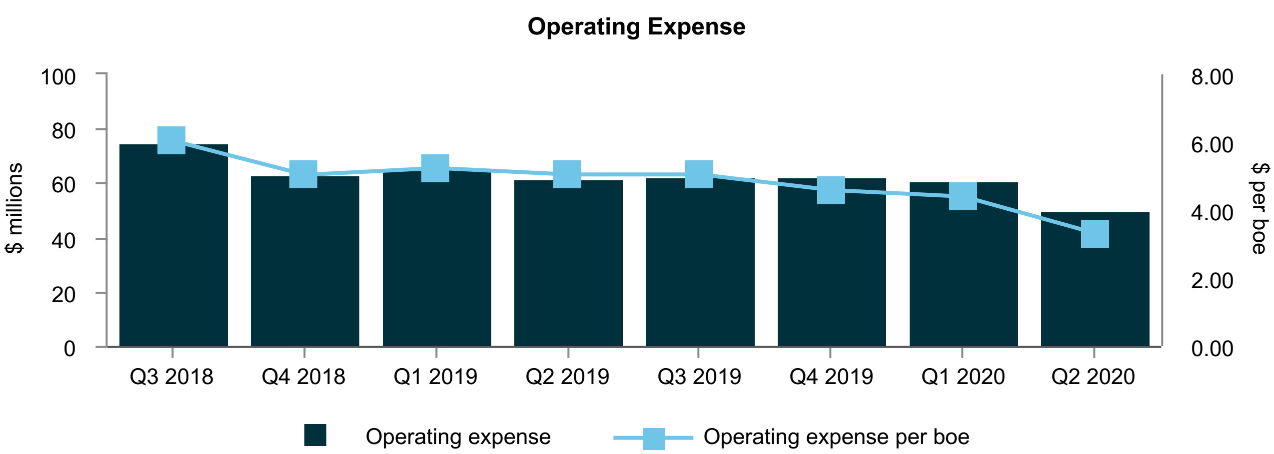


Operating

Operating expense decreased by $11.7 million in the second quarter of 2020 to $50.3 million as compared to $62.0 million in the second quarter of 2019. For the six months ended June 30, 2020, operating expense decreased by $16.5 million to $111.1 million as compared to $127.6 million in the same period of the prior year. The decrease in operating expense for the three and six months ended June 30, 2020 is primarily due to reduced maintenance activity levels, diligent cost control efforts, and lower third-party gas processing fees as a result of repatriating natural gas volumes to ARC's Sunrise Phase II facility in the fourth quarter of 2019.

On a per boe basis, operating expense decreased $1.73 per boe to $3.32 per boe in the second quarter of 2020 compared to $5.05 per boe in the second quarter of 2019. For the six months ended June 30, 2020, operating expense decreased by $1.32 per boe to $3.83 per boe compared to $5.15 per boe in the six months ended June 30, 2019. Operating expense on a per boe basis has decreased because of lower activity levels in areas with higher operating costs as well as increased production in the Montney which has a lower average operating expense.

Exhibit 14

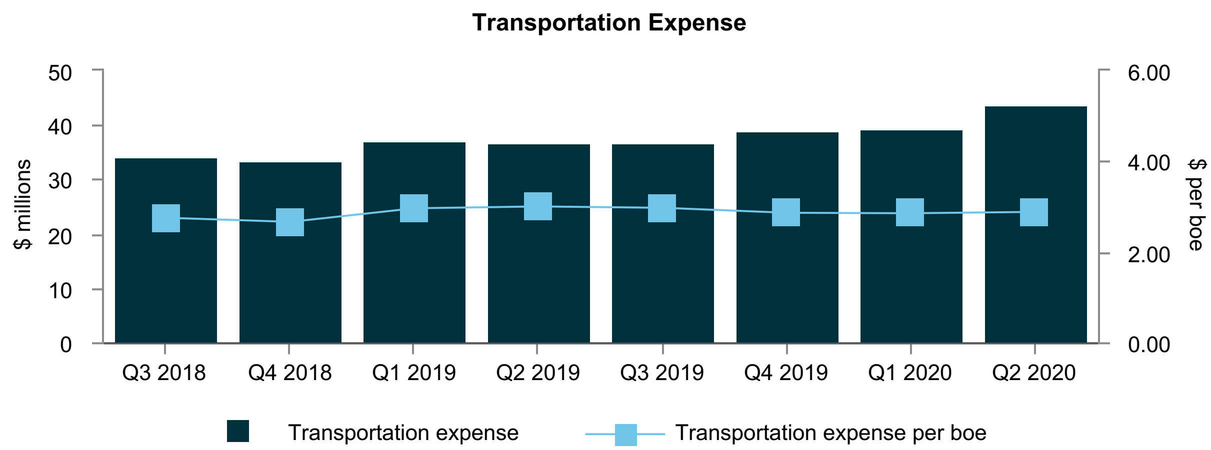


Transportation

Transportation expense for the three and six months ended June 30, 2020 was $43.6 million and $83.0 million ($36.8 million and $73.8 million for the three and six months ended June 30, 2019), respectively. The increase for the three and six months ended June 30, 2020, relative to the same periods in 2019, is due to increased natural gas, condensate and NGLs production in northeast British Columbia and the additional pipeline tariffs associated with this production. On a per boe basis, transportation expense for the three and six months ended June 30, 2020, was $2.88 per boe and $2.87 per boe ($3.00 per boe and $2.97 per boe for the three and six months ended June 30, 2019), respectively. The decrease in the expense per boe is a function of the increase in natural gas production exceeding the increase in transportation expense.

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 15



G&A Expense and Share-Based Compensation

G&A expense before share-based compensation increased by 19 per cent to $16.0 million in the second quarter of 2020 from $13.5 million in the second quarter of 2019. The increase reflects higher average directors' fees that include a share-based component and is revalued as the underlying share price changes, as well as lower amounts capitalized as direct overhead as a result of reduced capital spending in the period. This was partially offset by subsidized compensation costs through the Canadian Emergency Wage Subsidy program.

For the six months ended June 30, 2020, ARC's G&A expense before share-based compensation was $32.9 million, a $3.8 million increase from $29.1 million in the same period of 2019. The increase primarily reflects a reduction in amounts capitalized as direct overhead. This 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 six months of 2020.

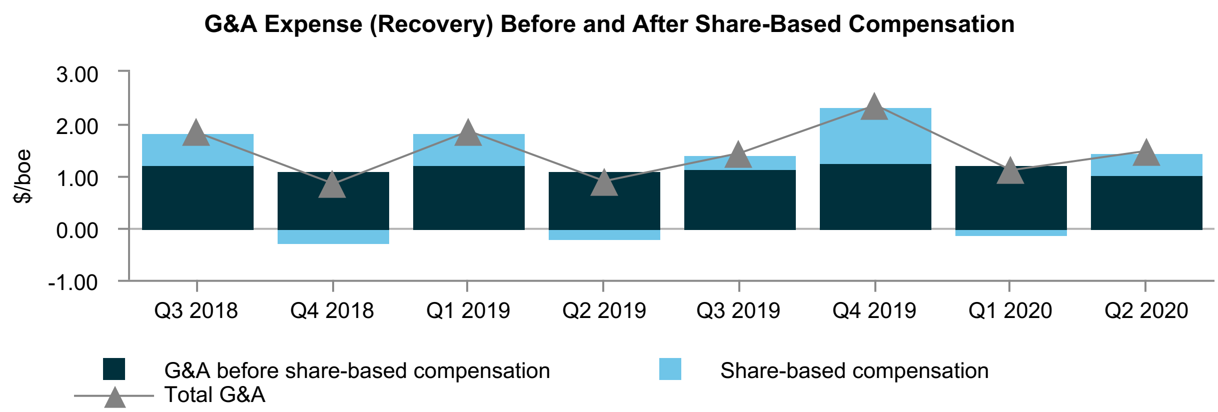
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

G&A and Share-Based Compensation ($ millions, except per boe)	Three Months Ended March 31, 2020	June 30, 2020	June 30, 2019	% Change	Six Months Ended June 30, 2020	June 30, 2019	% Change
G&A expense before share-based compensation expense (1)	16.9	**16.0**	13.5	19	**32.9**	29.1	13
G&A – share-based compensation expense (2)	(1.6)	**6.4**	(2.5)	356	**4.8**	5.2	(8)
Total G&A expense	15.3	**22.4**	11.0	104	**37.7**	34.3	10
G&A expense before share-based compensation expense per boe	1.22	**1.06**	1.10	(4)	**1.13**	1.17	(3)
G&A – share-based compensation expense per boe	(0.11)	**0.42**	(0.20)	310	**0.17**	0.21	(19)
Total G&A expense per boe	1.11	**1.48**	0.90	64	**1.30**	1.38	(6)

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

Exhibit 16



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 and six months ended June 30, 2020, ARC recognized G&A expense of $6.4 million and $4.8 million, respectively, in respect of its share-based compensation plans, compared to a recovery of $2.5 million and expense of $5.2 million during the same periods of the prior year.

Restricted Share Unit and Performance Share Unit Plans

At June 30, 2020, ARC had 3.5 million RSUs and 5.5 million PSUs outstanding under these plans.

For the three and six months ended June 30, 2020, ARC recognized G&A expense of $5.3 million and $2.6 million, in relation to the RSU and PSU Plans (recovery of $4.5 million and expense of $2.0 million for the three and six months ended June 30, 2019), respectively. The increase in expense recognized for the three and six months ended June 30, 2020 as compared to the same periods in 2019 reflects the change in valuation of awards outstanding in the period. At June 30, 2020, ARC's share price on the Toronto Stock Exchange ("TSX") was $4.56, a 13 per cent increase from the share price of $4.05 at March 31, 2020, and a 44 per cent decrease from $8.18 at December 31, 2019. This compares to a 30 per cent decrease and a 21 per cent decrease during the same periods of the prior year. The value of ARC’s performance multiplier, applicable to its PSU awards remained unchanged for the three months ended June 30, 2020, and increased 38 per cent for the six months ended June 30, 2020. This compares to a decrease of 15 per cent and 24 per cent for the same periods in the prior year.

During the six months ended June 30, 2020, ARC made cash payments of $4.4 million in respect of the RSU and PSU Plans ($4.5 million for the six months ended June 30, 2019). Of these payments, $3.5 million were in respect of amounts recognized as G&A ($3.5 million for the six months ended June 30, 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 six months ended June 30, 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)	**1,765**	**363**	**2,378**	**4,506**
Distributed	**(473)**	**(641)**	**—**	**(1,114)**
Forfeited	**(25)**	**(1)**	**(1)**	**(27)**
Balance, June 30, 2020	**3,503**	**1,349**	**4,157**	**9,009**

(1) Based on underlying awards before any effect of the performance multiplier. The criteria for determining the performance multiplier changed for 'PSUs Granted Subsequent to 2018'.
(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 $16.0 million and $66.2 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 June 30, 2020:

Table 16

Value of RSU and PSU Awards as at June 30, 2020		**Performance Multiplier**	
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	3,503	3,503	3,503
PSUs (2)	—	5,506	11,012
Total awards	**3,503**	**9,009**	**14,515**
Share price (3)	4.56	4.56	4.56
Value of RSU and PSU awards upon vesting	**16.0**	**41.1**	**66.2**
2020	2.0	3.7	5.4
2021	6.2	10.6	15.1
2022	5.2	13.6	21.9
2023	2.6	13.2	23.8

(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 June 30, 2020.

Share Option Plan

At June 30, 2020, ARC had 4.6 million share options outstanding, representing 1.3 per cent of outstanding shares, with a weighted average exercise price of $16.61 per share. At June 30, 2020, approximately 1.6 million share options were exercisable with a weighted average exercise price of $21.22 per share. ARC recognized compensation expense of $0.9 million and $1.7 million relating to the Share Option Plan for the three and six months ended June 30, 2020 ($0.9 million and $2.0 million for the three and six months ended June 30, 2019), respectively.

Long-term Restricted Share Award Plan

At June 30, 2020, ARC had 0.8 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.2 million and $0.5 million relating to the LTRSA Plan during the three and six months ended June 30, 2020 ($1.1 million and $1.3 million for the three and six months ended June 30, 2019), respectively.

Deferred Share Unit Plan

At June 30, 2020, ARC had 1.1 million DSUs outstanding under this plan. For the three and six months ended June 30, 2020, G&A expense of $1.1 million and a recovery of $2.0 million was recognized in relation to the DSU Plan (G&A recovery of $1.3 million and $nil for the same periods in 2019), respectively. Amounts related to the DSU Plan are recognized as G&A expense before share-based compensation expense.

During the six months ended June 30, 2020, ARC made cash payments of $0.5 million in respect of the DSU Plan ($0.1 million for the six months ended June 30, 2019).

Interest and Financing

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

Table 17

	Three Months Ended				Six Months Ended		
Interest and Financing ($ millions)	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Bank debt and long-term notes	10.3	**10.3**	9.8	5	**20.6**	20.0	3
Lease obligations	0.4	**0.3**	0.4	(25)	**0.7**	0.9	(22)
Accretion on ARO	1.8	**1.6**	1.9	(16)	**3.4**	3.8	(11)
Total interest and financing	12.5	**12.2**	12.1	1	**24.7**	24.7	—

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange gain of $27.9 million in the second quarter of 2020 compared to a gain of $15.2 million in the second quarter of 2019. During the three months ended June 30, 2020, the value of the US dollar relative to the Canadian dollar decreased to $1.36 from $1.41 at March 31, 2020. During the three months ended June 30, 2019, the value of the US dollar relative to the Canadian dollar decreased to $1.31 from $1.34 at March 31, 2019.

ARC recognized a foreign exchange loss of $36.6 million for the six months ended June 30, 2020 compared to a gain of $28.8 million for the six months ended June 30, 2019. During the six months ended June 30, 2020, the value of the US dollar relative to the Canadian dollar increased to $1.36 from $1.30 at December 31, 2019. During the six months ended June 30, 2019, the value of the US dollar relative to the Canadian dollar decreased to $1.31 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				Six Months Ended		
Foreign Exchange Gain and Loss ($ millions)	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Unrealized gain (loss) on US dollar-denominated debt and receivables	(73.4)	**28.8**	15.7	83	**(44.6)**	33.4	(234)
Realized gain (loss) on US dollar-denominated transactions	8.9	**(0.9)**	(0.5)	(80)	**8.0**	(4.6)	274
Total foreign exchange gain (loss)	(64.5)	**27.9**	15.2	84	**(36.6)**	28.8	(227)

Taxes

ARC recognized a current income tax recovery of $31.8 million and $34.9 million for the three and six months ended June 30, 2020, respectively, compared to a current income tax recovery of $16.5 million and $10.0 million for the same periods in 2019. The increase in the current income tax recovery is primarily due to the recognition of Investment Tax Credits and Scientific Research and Experimental Development deductions related to expenditures made in prior periods.

For the three months ended June 30, 2020, a deferred income tax recovery of $13.6 million was recognized, compared to a deferred income tax recovery of $47.4 million for the same period in 2019. The decrease in the deferred income tax recovery relates primarily to a reduction in the deferred tax rate as a result of the Alberta general corporate income tax rate reductions that were substantively enacted in the second quarter of 2019.

For the six months ended June 30, 2020, a deferred income tax recovery of $173.7 million was recognized, compared to a deferred income tax recovery of $77.6 million for the same period in 2019. The increase in the deferred income tax recovery relates primarily to the impairment charge recognized on PP&E which resulted in a recognition of a deferred tax recovery of $185.2 million during the six months ended June 30, 2020.

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)	**June 30, 2020**	**Annual Deductibility**
Canadian oil and gas property expense	89.0	10% declining balance
Canadian development expense	740.2	30% declining balance
Canadian exploration expense	19.5	100%
Undepreciated capital cost	804.7	Primarily 25% declining balance
Other	28.7	Various rates, 5% declining balance to 20%, and capital losses
Total federal tax pools	1,682.1	
Additional Alberta tax pools	2.3	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment of PP&E

For the three and six months ended June 30, 2020, ARC recognized DD&A related to its PP&E, before any impairment charges, of $127.8 million and $261.9 million, as compared to $131.4 million and $268.9 million for the three and six months ended June 30, 2019, respectively. Despite an increase in production, DD&A for the three and six months ended June 30, 2020, decreased compared to the same periods in the prior year as a function of a lower depletion expense per boe. The lower DD&A expense per boe for the three and six months ended June 30, 2020, reflects reduced capital spending in the period, an increase in reserves, and a reduction of future development costs as determined by ARC's independent evaluator. For more information, see ARC's AIF on SEDAR at www.sedar.com.

In the first quarter of 2020, ARC conducted impairment tests over all of its CGUs and goodwill amounts in response to the anticipated economic impact of the 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. Following these tests, ARC recognized an impairment charge of $740.0 million ($558.4 million net of deferred tax recovery). For further information, refer to Note 6 "Impairment" in the financial statements.

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

Table 20

	Three Months Ended				Six Months Ended		
DD&A Expense ($ millions, except per boe amounts)	March 31, 2020	**June 30, 2020**	June 30, 2019	% Change	**June 30, 2020**	June 30, 2019	% Change
Depletion of crude oil and natural gas assets	132.6	**126.4**	129.9	(3)	**259.0**	265.9	(3)
Depreciation of corporate assets	1.5	**1.4**	1.5	(7)	**2.9**	3.0	(3)
Depreciation of right-of-use ("ROU") assets under lease	1.6	**1.6**	1.6	—	**3.2**	3.2	—
Impairment	740.0	**—**	2.2	100	**740.0**	2.1	35,138
Total DD&A expense and impairment	875.7	**129.4**	135.2	(4)	**1,005.1**	274.2	267
DD&A expense per boe, excluding impairment	9.82	**8.54**	10.83	(21)	**9.15**	10.97	(17)

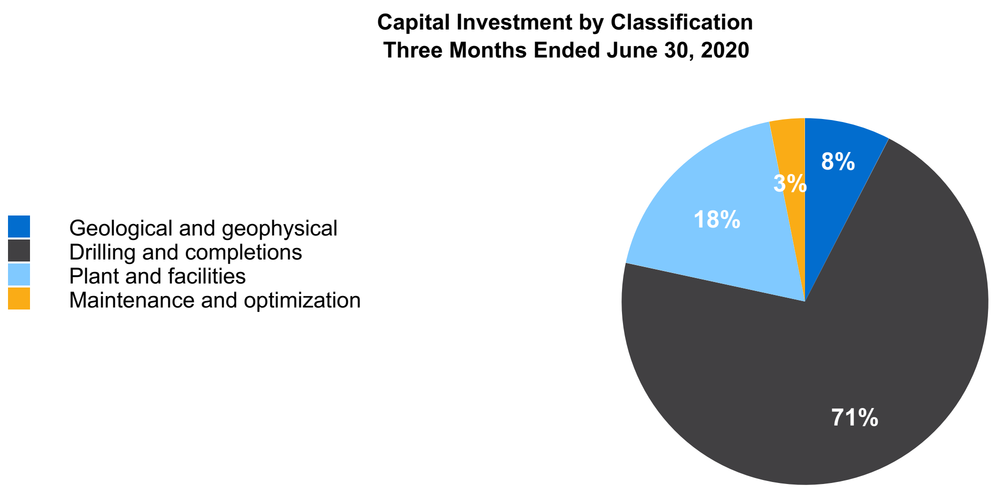
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the three months ended June 30, 2020 and June 30, 2019 is shown in Table 21:

Table 21

	Three Months Ended June 30						
	2020			2019			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**3.4**	**3.4**	—	3.9	3.9	(13)
Drilling and completions	**0.1**	**31.7**	**31.8**	0.2	109.9	110.1	(71)
Plant and facilities	**—**	**8.3**	**8.3**	—	56.1	56.1	(85)
Maintenance and optimization	**—**	**1.4**	**1.4**	—	5.9	5.9	(76)
Corporate assets	**—**	**(0.8)**	**(0.8)**	—	(1.8)	(1.8)	56
Total capital expenditures	**0.1**	**44.0**	**44.1**	0.2	174.0	174.2	(75)
Acquisitions	**—**	**0.5**	**0.5**	—	—	—	100
Dispositions	**—**	**(0.6)**	**(0.6)**	—	(0.9)	(0.9)	(33)
Total capital expenditures and net acquisitions and dispositions	**0.1**	**43.9**	**44.0**	0.2	173.1	173.3	(75)

Exhibit 17



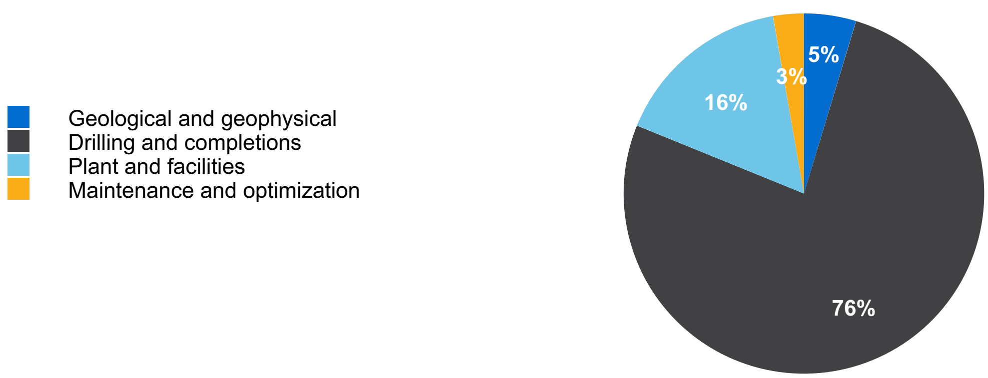
A breakdown of capital expenditures, acquisitions and dispositions for the six months ended June 30, 2020 and June 30, 2019 is shown in Table 21a:

Table 21a

	Six Months Ended June 30						
	2020			2019			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**9.9**	**9.9**	0.2	13.0	13.2	(25)
Drilling and completions	**0.4**	**162.7**	**163.1**	(0.2)	255.2	255.0	(36)
Plant and facilities	**—**	**34.1**	**34.1**	—	109.4	109.4	(69)
Maintenance and optimization	**—**	**5.8**	**5.8**	—	9.3	9.3	(38)
Corporate assets	**—**	**1.0**	**1.0**	—	1.0	1.0	—
Total capital expenditures	**0.4**	**213.5**	**213.9**	—	387.9	387.9	(45)
Acquisitions	**—**	**3.0**	**3.0**	0.2	—	0.2	1,400
Dispositions	**—**	**(3.0)**	**(3.0)**	—	(1.1)	(1.1)	173
Total capital expenditures and net acquisitions and dispositions	**0.4**	**213.5**	**213.9**	0.2	386.8	387.0	(45)

Exhibit 17a

Capital Investment by Classification
Six Months Ended June 30, 2020



ARC invested $44.1 million and $213.9 million in capital expenditures, before net property acquisitions and dispositions, during the three and six months ended June 30, 2020, respectively. Investment included drilling and completions activities focused in Dawson, Ante Creek, Parkland/Tower, Attachie West, and Sunrise with the drilling of five and 26 wells and the completion of 14 and 52 wells for the three and six months ended June 30, 2020. Capital investment was focused on the Dawson Phase IV gas processing and liquids-handling facility, the Ante Creek facility expansion, investments for the first phase of development at Attachie West, and several drilling and completion projects in gas-rich areas. The Dawson Phase IV gas processing and liquids-handling facility and the Ante Creek facility expansion came on-stream at the beginning of the second quarter of 2020.

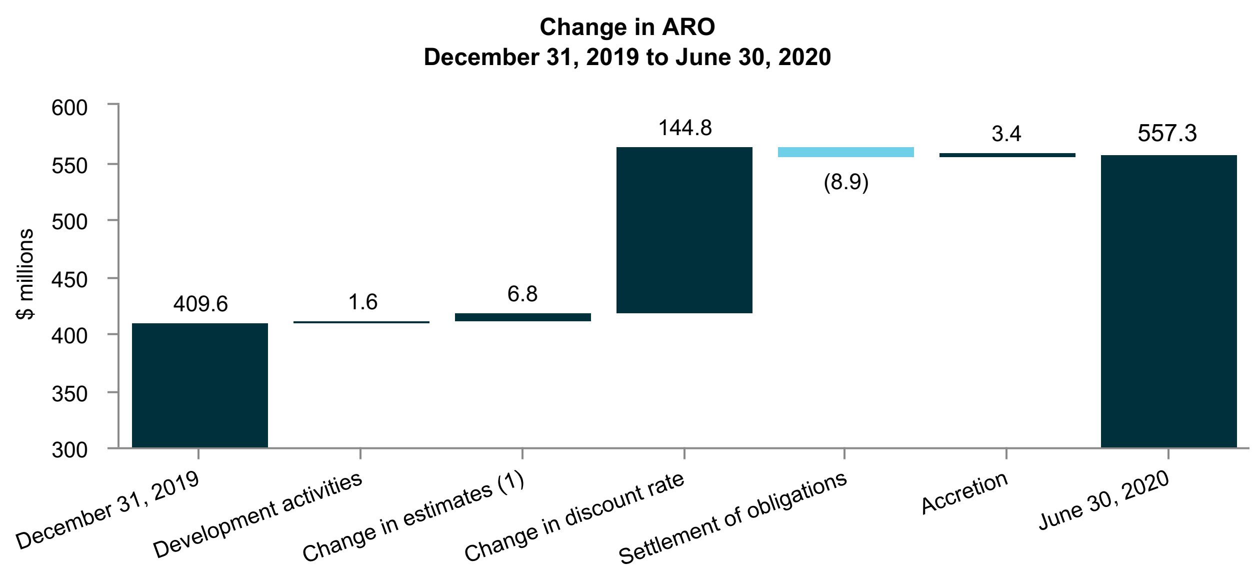
For information regarding ARC's planned capital expenditures for 2020, refer to the March 13, 2020 news release entitled, *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* and the November 7, 2019 news release entitled, *"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 June 30, 2020, ARC has recognized ARO of $557.3 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 1.0 per cent (1.8 per cent at December 31, 2019).

Accretion charges of $1.6 million and $3.4 million for the three and six months ended June 30, 2020 ($1.9 million and $3.8 million for the same periods in 2019), respectively, have been recognized in Interest and financing in the unaudited condensed statements of comprehensive income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's program for the three and six months ended June 30, 2020 was $0.9 million and $8.9 million ($3.4 million and $12.2 million for the same periods in 2019), respectively. While abandonment spending decreased for the three and six months ended June 30, 2020, environmental stewardship remains a core value at ARC and the Company maintains a planned and scheduled approach to its abandonment and reclamation activities.

Exhibit 18



(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 could 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 $300 million and reduced its dividend from $0.05 per share per month to $0.06 per share per quarter. On June 15, 2020, ARC declared a quarterly dividend of $0.06 per share.

At June 30, 2020, ARC has $961.1 million of net debt outstanding and a net debt to annualized funds from operations ratio of 1.5 times. ARC continues to monitor the volatile economic environment and will respond as necessary to preserve its balance sheet for the long term.

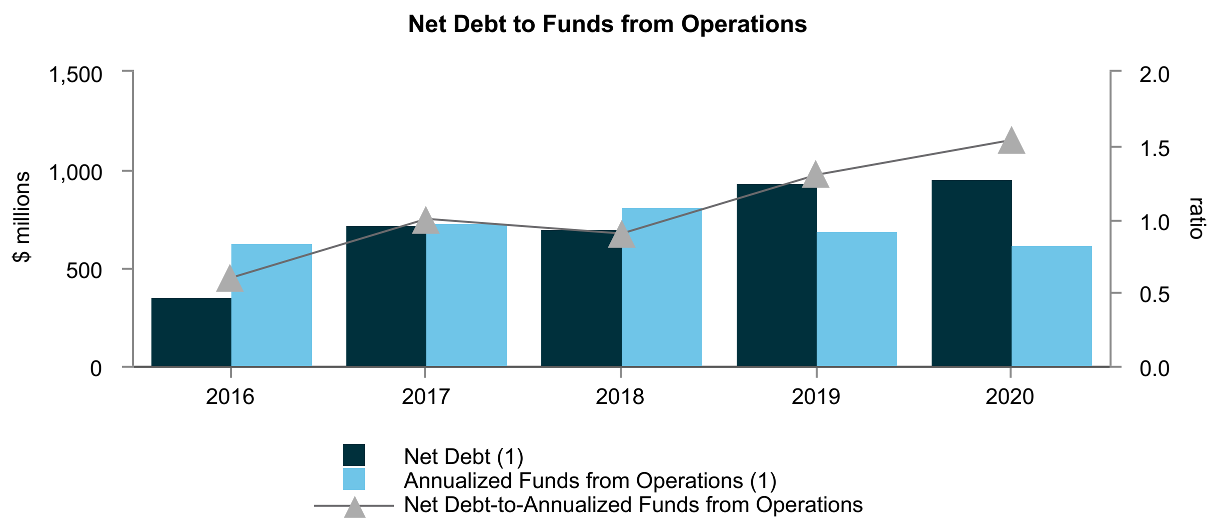
A breakdown of ARC's net debt as at June 30, 2020 and December 31, 2019 is outlined in Table 22:

Table 22

Net Debt ($ millions, except ratio amounts)	**June 30, 2020**	December 31, 2019
Long-term debt (1)	**945.0**	877.6
Lease obligations (2)	**38.1**	46.2
Accounts payable and accrued liabilities	**110.3**	150.5
Dividends payable	**21.3**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(153.6)**	(151.8)
Net debt (3)	**961.1**	940.2
Net debt to annualized funds from operations (ratio) (3)	**1.5**	1.3

(1) Includes a current portion of long-term debt of $156.0 million at June 30, 2020 and $148.9 million at December 31, 2019.
(2) Includes a current portion of lease obligations of $11.5 million at June 30, 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 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.

At June 30, 2020, ARC had total credit capacity of approximately $2.1 billion with long-term debt of $945.0 million currently outstanding. ARC's long-term debt balance includes a current portion of $156.0 million at June 30, 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 3.7 per cent. 78 per cent (US$541.7 million) of ARC's long-term debt outstanding at June 30, 2020 is denominated in US dollars.

At June 30, 2020, ARC was in compliance with all of its debt covenants. ARC executed certain amendments to the note purchase agreements governing its senior notes which were effective March 31, 2020. The amendments included 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. As well, the definition of "Total EBITDA" to be used in determining compliance under two of ARC's financial covenants was amended to exclude non-cash losses and non-cash expenses. The following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description (1)	Position at June 30, 2020
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	178 %
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	1,466 %
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)	28 %
Total Indebtedness not to exceed 65 per cent of Present Asset Value (3)	32 %

(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 $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:

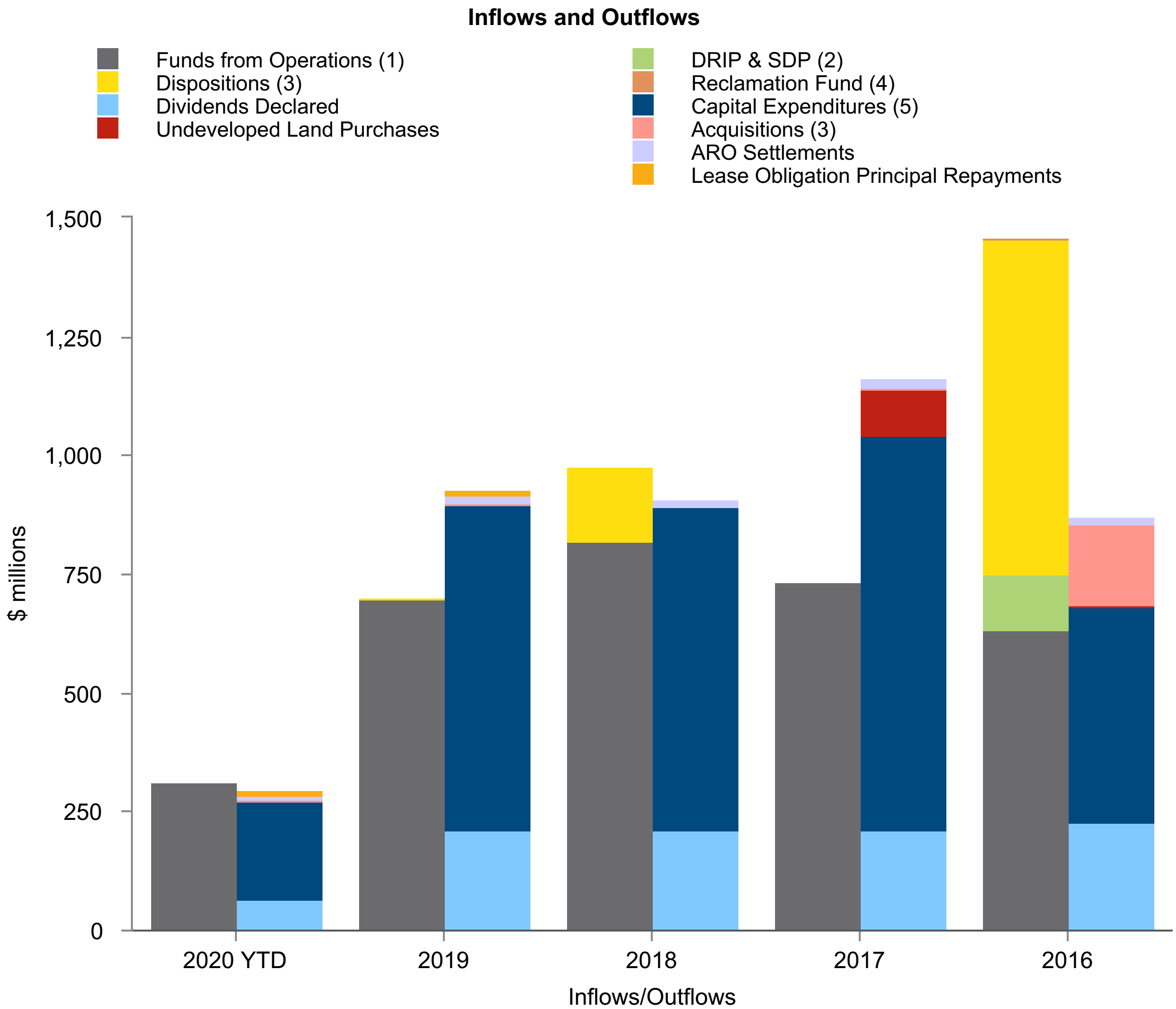
Table 23a

Covenant Description (1)	Position at June 30, 2020 (2)
Consolidated Senior Debt not to exceed 3.5 times Consolidated EBITDA	1.5
Consolidated Total Debt not to exceed 4.0 times Consolidated EBITDA	1.5
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 inflows and outflows for the current year-to-date and the past four years. In any period when 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 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.
(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 additions in respect of capitalized share options, ROU asset depreciation, and asset retirement cost.

Table 24

($ millions)	**2020 YTD**	2019	2018	2017	2016
Inflows					
Funds from operations (1)	**311.0**	697.4	819.0	731.9	633.3
DRIP & SDP (2)	**—**	—	—	3.0	117.1
Dispositions (3)	**—**	5.0	156.1	—	705.4
Disposition of reclamation fund (4)	**—**	—	36.5	—	—
Reclamation fund withdrawals (4)	**—**	—	1.1	—	—
Total	**311.0**	702.4	1,012.7	734.9	1,455.8
Outflows					
Dividends declared	**63.8**	212.4	212.3	212.3	228.2
Capital expenditures (5)	**208.9**	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	**8.9**	18.4	15.8	19.8	13.0
Lease obligation principal repayments	**9.7**	13.7	—	—	—
Reclamation fund contributions (4)	**—**	—	—	0.6	2.0
Total	**291.3**	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 additions in respect of capitalized share options, ROU asset depreciation, and asset retirement cost.

Shareholders’ Equity

At June 30, 2020 and July 30, 2020, there were 353.4 million shares outstanding and 4.6 million share options outstanding under ARC's Share Option Plan. For more information on the Share Option Plan, refer to the section entitled "Share Option Plan” contained within this MD&A.

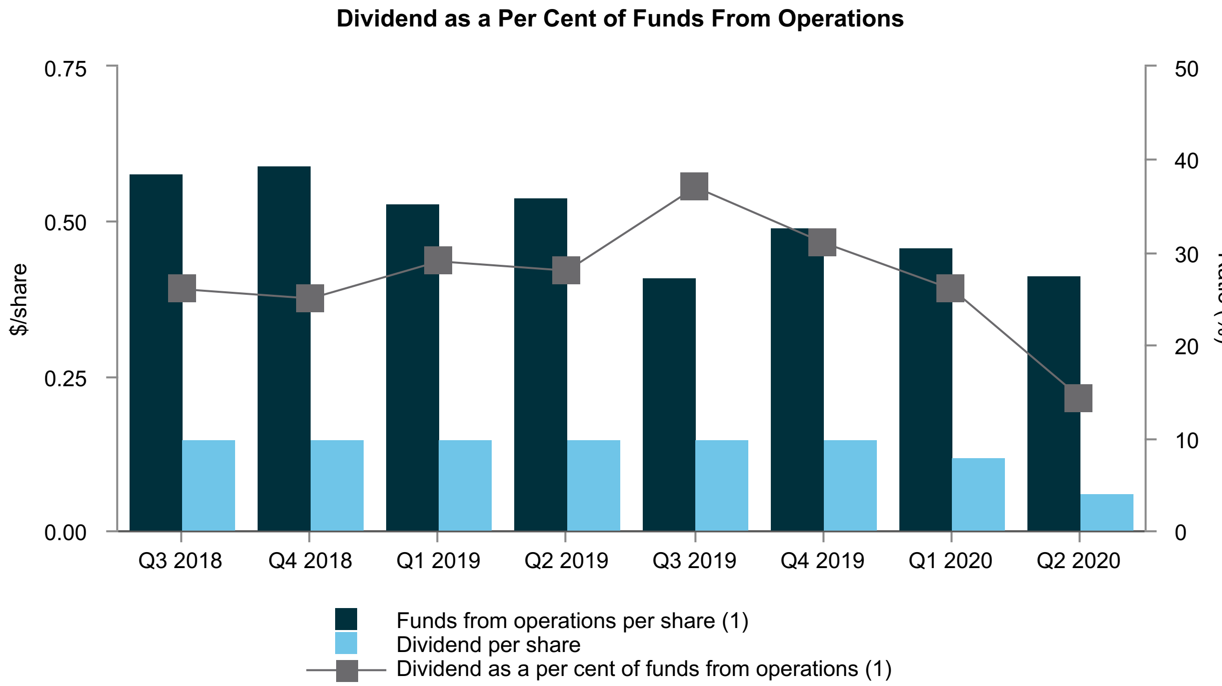
At June 30, 2020, ARC had 0.8 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan” contained within this MD&A.

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 second quarter of 2020, ARC declared dividends totaling $21.3 million ($0.06 per share), compared to $53.1 million ($0.15 per share) in the same period of 2019. On March 13, 2020, ARC announced that it reduced its dividend from $0.05 per share per month to $0.06 per share per quarter. On June 15, 2020, ARC declared a quarterly dividend of $0.06 per share.

As a result of the dividend reduction, ARC's dividend as a per cent of funds from operations decreased from an average of 28 per cent for the three and six months ended June 30, 2019 to an average of 14 per cent and 21 per cent, respectively, for the three and six months ended June 30, 2020.

Exhibit 21



(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.

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. In 2019, ACCEL commenced proceedings under the *Companies' Creditors Arrangement Act*. Refer to Note 4 "Financial Assets and Credit Risk" in the financial statements for further detail.

At June 30, 2020, ARC had recognized in its accounts receivable amounts owing from ACCEL in relation to the ACCEL PSA. In the first quarter of 2020, a provision for impairment of financial assets of $10.2 million was recognized, which combined with previously recognized provisions for impairment, constituted the full balance of these accounts receivable.

At June 30, 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.

In October 2019, ACCEL filed a counterclaim against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation related to the ACCEL PSA. In January 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. Refer to Note 14 "Commitments and Contingencies" in the financial statements.

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's requirements, such that no deposits were required at June 30, 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 June 30, 2020, ARC's total contractual obligations and commitments were $2.6 billion. These include obligations and commitments in place at December 31, 2019, plus a draw of additional debt under the credit facility less debt and interest payments made in the period, as well as additional transportation commitments entered into during the six months ended June 30, 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 and 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;
- 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; and
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the PSU Plan that is dependent on the final number of PSU awards that eventually vest based on a performance multiplier.

ARC has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements, refer to Note 5 "Management Judgments and Estimation Uncertainty" in the audited consolidated financial statements 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

In March 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. This resulted in a swift and significant reduction in economic activity in Canada and internationally along with 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. Crude oil prices have partially recovered from the historic lows observed earlier in the year, but price support from future demand remains uncertain as countries experience varying degrees of virus outbreak following efforts to re-open local economies and international borders. 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 funds from operations, 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 operational 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 June 30, 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 and six months ended June 30, 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

	Twelve Months Ended	Twelve Months Ended December 31				
ROACE	June 30, 2020	2019	2018	2017	2016	2016-2019 Average [1]
Net income (loss)	**(669.3)**	(27.6)	213.8	388.9	201.3	194.1
Add: Interest	**41.4**	41.0	42.6	45.3	50.5	44.9
Add: Total income taxes (recovery)	**(221.9)**	(100.9)	108.0	135.9	41.4	46.1
Earnings before interest and taxes	**(849.8)**	(87.5)	364.4	570.1	293.2	285.1
Net debt - beginning of period	**829.2**	702.7	728.0	356.5	985.1	985.1
Shareholders' equity - beginning of period	**3,611.2**	3,675.8	3,668.9	3,484.8	3,388.5	3,388.5
Opening capital employed (A)	**4,440.4**	4,378.5	4,396.9	3,841.3	4,373.6	4,373.6
Net debt - end of period	**961.1**	940.2	702.7	728.0	356.5	940.2
Shareholders' equity - end of period	**2,776.5**	3,439.9	3,675.8	3,668.9	3,484.8	3,439.9
Closing capital employed (B)	**3,737.6**	4,380.1	4,378.5	4,396.9	3,841.3	4,380.1
Average capital employed (A+B)/2	**4,089.0**	4,379.3	4,387.7	4,119.1	4,107.5	4,376.9
ROACE (%)	**(21)**	(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, expected trends during the course of the year with respect to production and expenses, ability of funds from operations to fund ARC's dividend payments and capital program, and reduce the Company's net debt under the heading “Annual Guidance", ARC’s view as to the estimated future payments under the RSU and PSU Plans under the heading “Restricted Share Unit and Performance Share Unit Plans", ARC's plans with respect to the financing of its dividend payments, reclamation and capital expenditures and growth activities, net debt targets and expectations, 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 potential impact of COVID-19 on ARC's business, 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	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Commodity sales from production	**217.9**	269.5	325.1	253.7	282.9	327.8	302.5	375.1
Per share, basic	**0.62**	0.76	0.92	0.72	0.80	0.93	0.86	1.06
Per share, diluted	**0.62**	0.76	0.92	0.72	0.80	0.93	0.86	1.06
Net income (loss)	**(43.5)**	(558.4)	(10.2)	(57.2)	94.4	(54.6)	159.7	45.1
Per share, basic	**(0.12)**	(1.58)	(0.03)	(0.16)	0.27	(0.15)	0.45	0.13
Per share, diluted	**(0.12)**	(1.58)	(0.03)	(0.16)	0.27	(0.15)	0.45	0.13
Funds from operations (1)	**150.2**	160.8	172.8	145.4	193.0	186.2	208.6	205.0
Per share, basic	**0.42**	0.46	0.49	0.41	0.54	0.53	0.59	0.58
Per share, diluted	**0.42**	0.46	0.49	0.41	0.54	0.53	0.59	0.58
Dividends declared	**21.3**	42.5	53.1	53.1	53.1	53.1	53.1	53.0
Per share (2)	**0.06**	0.12	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**5,136.8**	5,172.6	5,778.3	5,819.2	5,878.9	5,952.4	6,016.2	5,846.3
Total liabilities	**2,360.3**	2,332.4	2,338.4	2,317.1	2,267.7	2,383.6	2,340.4	2,278.3
Net debt outstanding (3)	**961.1**	1,079.7	940.2	945.5	829.2	796.3	702.7	667.8
Weighted average shares, basic	**353.4**	353.4	353.4	353.4	353.4	353.4	353.4	353.5
Weighted average shares, diluted	**353.4**	353.4	353.4	353.4	353.9	353.4	353.9	354.0
Shares outstanding, end of period	**353.4**	353.4	353.4	353.4	353.4	353.4	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**3.4**	6.5	0.9	1.1	0.3	9.3	0.3	1.2
Drilling and completions	**31.8**	131.3	86.7	101.0	110.1	144.9	77.0	126.5
Plant and facilities	**8.3**	25.8	47.5	51.1	56.2	53.3	41.4	31.8
Maintenance and optimization	**1.4**	4.4	3.0	6.2	5.8	3.4	11.7	7.1
Corporate assets	**(0.8)**	1.8	3.6	2.5	1.8	2.8	1.2	2.7
Total capital expenditures	**44.1**	169.8	141.7	161.9	174.2	213.7	131.6	169.3
Undeveloped land	**—**	—	—	0.7	—	—	0.2	—
Total capital expenditures, including undeveloped land purchases	**44.1**	169.8	141.7	162.6	174.2	213.7	131.8	169.3
Acquisitions	**0.5**	2.5	—	—	—	0.2	—	—
Dispositions	**(0.6)**	(2.4)	(1.1)	(2.8)	(0.9)	(0.2)	(0.9)	(96.2)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**44.0**	169.9	140.6	159.8	173.3	213.7	130.9	73.1
OPERATING								
Production								
Crude oil (bbl/d)	**14,987**	16,997	17,083	16,782	18,272	18,251	20,092	23,867
Condensate (bbl/d)	**13,239**	11,262	10,937	10,846	10,230	8,210	8,458	8,158
Crude oil and condensate (bbl/d)	**28,226**	28,259	28,020	27,628	28,502	26,461	28,550	32,025
Natural gas (MMcf/d)	**773.3**	692.2	669.0	595.4	596.4	632.5	603.3	574.2
NGLs (bbl/d)	**9,405**	8,152	8,123	7,952	7,041	7,183	7,402	7,687
Total (boe/d)	**166,510**	151,783	147,650	134,813	134,938	139,054	136,502	135,410
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**25.88**	49.69	65.11	64.79	70.26	63.72	43.30	78.62
Condensate ($/bbl)	**31.54**	57.52	68.08	65.70	71.38	64.81	57.25	85.28
Natural gas ($/Mcf)	**1.92**	2.05	2.36	1.54	1.74	2.79	2.85	2.15
NGLs ($/bbl)	**10.84**	6.36	11.69	5.25	7.71	25.43	29.12	35.26
Oil equivalent ($/boe)	**14.38**	19.52	23.93	20.46	23.04	26.20	24.09	30.12
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**6.12**	8.39	8.26	7.85	9.61	10.49	14.84	15.90
Low	**3.64**	2.42	5.40	5.37	6.37	7.82	7.38	12.70
Close	**4.56**	4.05	8.18	6.31	6.41	9.12	8.10	14.40
Average daily volume (thousands)	**2,177**	3,207	2,583	1,838	2,255	2,291	2,117	1,246

(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.

Q2 '20

Financial Statements

ARC RESOURCES LTD.

CONDENSED INTERIM BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**June 30, 2020**	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**0.1**	8.5
Accounts receivable (Note 4)	**145.6**	134.4
Prepaid expense	**7.9**	8.9
Risk management contracts (Note 10)	**41.0**	41.4
	194.6	193.2
Risk management contracts (Note 10)	**3.2**	4.2
Exploration and evaluation assets	**221.3**	219.6
Property, plant and equipment (Notes 5 and 6)	**4,437.8**	5,074.3
Right-of-use assets	**31.7**	38.8
Goodwill (Note 6)	**248.2**	248.2
Total assets	**5,136.8**	5,778.3
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**110.3**	150.5
Current portion of lease obligations	**11.5**	16.3
Current portion of long-term debt (Note 7)	**156.0**	148.9
Current portion of asset retirement obligation (Note 8)	**10.0**	25.5
Dividends payable (Note 11)	**21.3**	17.7
Risk management contracts (Note 10)	**8.3**	6.1
	317.4	365.0
Risk management contracts (Note 10)	**44.4**	28.7
Long-term portion of lease obligations	**26.6**	29.9
Long-term debt (Note 7)	**789.0**	728.7
Long-term incentive compensation liability (Note 13)	**20.2**	24.5
Other deferred liabilities	**16.9**	5.1
Asset retirement obligation (Note 8)	**547.3**	384.1
Deferred taxes	**598.5**	772.4
Total liabilities	**2,360.3**	2,338.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 11)	**4,658.2**	4,658.3
Contributed surplus	**34.6**	32.2
Deficit	**(1,916.3)**	(1,250.6)
Total shareholders' equity	**2,776.5**	3,439.9
Total liabilities and shareholders' equity	**5,136.8**	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 and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions, except per share amounts)	**2020**	2019	**2020**	2019
Commodity sales from production (Note 12)	**217.9**	282.9	**487.4**	610.7
Royalties	**(5.7)**	(15.7)	**(20.9)**	(34.7)
Sales of commodities purchased from third parties	**2.9**	23.0	**17.1**	43.5
Revenue from commodity sales	**215.1**	290.2	**483.6**	619.5
Interest income	**—**	1.3	**0.2**	3.5
Other income	**1.2**	2.6	**2.7**	4.5
Gain (loss) on risk management contracts (Note 10)	**(70.7)**	9.0	**29.6**	(117.2)
Total revenue, interest and other income and gain (loss) on risk management contracts	**145.6**	303.1	**516.1**	510.3
Commodities purchased from third parties	**3.4**	22.2	**16.7**	43.8
Operating	**50.3**	62.0	**111.1**	127.6
Transportation	**43.6**	36.8	**83.0**	73.8
General and administrative	**22.4**	11.0	**37.7**	34.3
Interest and financing	**12.2**	12.1	**24.7**	24.7
Impairment of financial assets (Note 4)	**1.1**	8.5	**11.7**	8.5
Depletion, depreciation, amortization and impairment (Notes 5 and 6)	**129.4**	135.2	**1,005.1**	274.2
Loss (gain) on foreign exchange	**(27.9)**	(15.2)	**36.6**	(28.8)
Total expenses	**234.5**	272.6	**1,326.6**	558.1
Net income (loss) before income taxes	**(88.9)**	30.5	**(810.5)**	(47.8)
Recovery of income taxes				
Current	**(31.8)**	(16.5)	**(34.9)**	(10.0)
Deferred	**(13.6)**	(47.4)	**(173.7)**	(77.6)
Total income tax recovery	**(45.4)**	(63.9)	**(208.6)**	(87.6)
Net income (loss) and comprehensive income (loss)	**(43.5)**	94.4	**(601.9)**	39.8
Net income (loss) per share (Note 11)				
Basic	**(0.12)**	0.27	**(1.70)**	0.11
Diluted	**(0.12)**	0.27	**(1.70)**	0.11

See accompanying notes to the unaudited condensed interim financial statements.

ARC RESOURCES LTD.

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

For the six months ended June 30

(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 income	—	—	39.8	39.8
Recognized under share-based compensation plans (Note 13)	—	2.5	—	2.5
Dividends declared (Note 11)	—	—	(106.2)	(106.2)
June 30, 2019	4,658.5	29.7	(1,077.0)	3,611.2
December 31, 2019	4,658.3	32.2	(1,250.6)	3,439.9
Comprehensive loss	**—**	**—**	**(601.9)**	**(601.9)**
Recognized under share-based compensation plans (Note 13)	**(0.1)**	**2.4**	**—**	**2.3**
Dividends declared (Note 11)	**—**	**—**	**(63.8)**	**(63.8)**
June 30, 2020	**4,658.2**	**34.6**	**(1,916.3)**	**2,776.5**

See accompanying notes to the unaudited condensed interim financial statements.

ARC RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2020**	2019	**2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**(43.5)**	94.4	**(601.9)**	39.8
Add items not involving cash:				
Unrealized loss on risk management contracts	**102.5**	15.2	**19.3**	161.7
Accretion of asset retirement obligation (Note 8)	**1.6**	1.9	**3.4**	3.8
Impairment of financial assets (Note 4)	**1.1**	8.5	**11.7**	8.5
Depletion, depreciation, amortization and impairment (Notes 5 and 6)	**129.4**	135.2	**1,005.1**	274.2
Unrealized loss (gain) on foreign exchange	**(28.8)**	(15.7)	**44.6**	(33.4)
Deferred taxes	**(13.6)**	(47.4)	**(173.7)**	(77.6)
Other (Note 15)	**1.5**	0.9	**2.5**	2.2
Net change in other liabilities (Note 15)	**4.2**	(7.9)	**(1.1)**	(7.1)
Change in non-cash working capital (Note 15)	**(57.0)**	8.7	**(29.4)**	(50.0)
Cash flow from operating activities	**97.4**	193.8	**280.5**	322.1
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**650.1**	—	**1,132.8**	—
Repayment of long-term debt	**(653.7)**	(49.7)	**(1,110.9)**	(63.1)
Repayment of principal relating to lease obligations	**(5.1)**	(4.7)	**(9.7)**	(9.1)
Cash dividends paid	**(7.1)**	(53.1)	**(60.2)**	(106.2)
Cash flow used in financing activities	**(15.8)**	(107.5)	**(48.0)**	(178.4)
CASH FLOW USED IN INVESTING ACTIVITIES				
Acquisition of petroleum and natural gas properties	**—**	—	**—**	(0.2)
Disposal of petroleum and natural gas properties	**0.1**	0.9	**—**	1.1
Property, plant and equipment development expenditures (Note 5)	**(40.7)**	(172.4)	**(208.5)**	(384.6)
Exploration and evaluation asset expenditures	**(0.1)**	(0.2)	**(0.4)**	—
Change in non-cash working capital (Note 15)	**(46.8)**	(11.8)	**(32.0)**	31.1
Cash flow used in investing activities	**(87.5)**	(183.5)	**(240.9)**	(352.6)
DECREASE IN CASH AND CASH EQUIVALENTS	**(5.9)**	(97.2)	**(8.4)**	(208.9)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**6.0**	147.9	**8.5**	259.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	**0.1**	50.7	**0.1**	50.7
The following are included in cash flow from operating activities:				
Income taxes paid (received) in cash	**(0.4)**	4.0	**(3.4)**	40.6
Interest paid in cash	**6.9**	6.8	**22.1**	21.2

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 six months ended June 30, 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 July 30, 2020.

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

In March 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. At 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.

In April 2020, an agreement was made between OPEC, Russia, and other oil-producing countries around the world that would see planned global crude oil production curbed and oversupply brought closer into balance with demand. In subsequent months, concerns regarding global physical storage capacity have abated, as producers have shut in production. Crude oil prices have partially recovered from the historic lows observed earlier in the year, but price support from future demand remains uncertain as countries experience varying degrees of virus outbreak following efforts to re-open local economies and international borders.

In addition to the impact on commodity prices and commodity sales from production amounts, the effects of COVID-19 have created other uncertainties in the crude oil and natural gas industry including increased counterparty credit risk and decreased valuation of long-lived petroleum and natural gas assets and goodwill. At June 30, 2020, ARC's management has incorporated the anticipated impacts 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 June 30, 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 six months ended June 30, 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 June 30, 2020.

The following table details the composition of ARC's accounts receivable at June 30, 2020 and December 31, 2019:

Accounts Receivable Composition (1)	**June 30, 2020**	December 31, 2019
Commodity sales	**95.9**	115.6
Deferred consideration	**—**	10.0
Joint interest and other	**49.7**	8.8
Balance	**145.6**	134.4

(1) Net of provision for ECL.

The total ECL provision recognized in ARC's accounts receivable balance at June 30, 2020 was $59.4 million ($47.8 million at December 31, 2019).

Commodity Sales
At June 30, 2020, 66 per cent of ARC's accounts receivable were from commodity sales (85 per cent at December 31, 2019). Approximately 82 per cent (85 per cent at December 31, 2019) of these were with customers who were considered to be investment-grade and approximately 12 per cent (15 per cent at December 31, 2019) who were not considered to be investment-grade, but for which ARC held security. At June 30, 2020, for accounts receivable of this type, ARC has recorded a provision of $1.4 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.

In October 2019, ACCEL filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*. In November 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 did not 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 in the first quarter of 2020 with respect to the deferred consideration and accrued interest. This charge was in addition to impairment charges previously recognized during the year ended December 31, 2019 of $32.7 million in respect of this deferred consideration and accrued interest, for a total provision of $42.9 million recognized at June 30, 2020 ($32.7 million at December 31, 2019).

Joint Interest and Other
Included in the balance of joint interest and other accounts receivable at June 30, 2020 is $29.4 million ($nil at December 31, 2019) related to current income taxes receivable and $7.1 million ($nil at December 31, 2019) related to the settlement of risk management contracts at period end.

In addition to the deferred consideration amount, ARC has also recognized in its joint interest and other accounts receivable amounts owing from ACCEL 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 June 30, 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.

At June 30, 2020, ARC has recognized a provision for ECL of $15.1 million in respect of its joint interest and other accounts receivable ($15.1 million at December 31, 2019).

The aging of ARC's accounts receivable at June 30, 2020 and December 31, 2019 is as follows:

Accounts Receivable Aging	**June 30, 2020**	December 31, 2019
Current (less than 30 days)	**143.7**	122.8
31 - 60 days	**1.3**	1.0
61 - 90 days	**0.5**	0.6
Past due (more than 90 days)	**0.1**	10.0
Balance	**145.6**	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	**213.8**	**0.8**	**214.6**
Acquisitions	**3.0**	**—**	**3.0**
Change in asset retirement cost	**151.9**	**—**	**151.9**
Assets reclassified as held for sale and disposed in period	**(3.0)**	**—**	**(3.0)**
Reclassification of lease payments, net of capitalized depreciation	**(0.7)**	**—**	**(0.7)**
Balance, June 30, 2020	**9,520.7**	**78.6**	**9,599.3**
Accumulated Depletion, Depreciation, Amortization ("DD&A") and Impairment			
Balance, December 31, 2019	(4,101.9)	(57.3)	(4,159.2)
DD&A	**(259.4)**	**(2.9)**	**(262.3)**
Impairment	**(740.0)**	**—**	**(740.0)**
Balance, June 30, 2020	**(5,101.3)**	**(60.2)**	**(5,161.5)**
Carrying Amounts			
Balance, December 31, 2019	5,053.8	20.5	5,074.3
Balance, June 30, 2020	**4,419.4**	**18.4**	**4,437.8**

For the three and six months ended June 30, 2020, $4.1 million and $10.0 million of direct and incremental overhead charges were capitalized to PP&E ($6.1 million and $13.4 million for the three and six months ended June 30, 2019), respectively. Future development costs of $3.4 billion were included in the determination of DD&A for the six months ended June 30, 2020 ($3.7 billion for the six months ended June 30, 2019).

For the six months ended June 30, 2020, ARC recognized an impairment charge of $740.0 million, refer to Note 6 "Impairment" for further information.

6. IMPAIRMENT

PP&E

At June 30, 2020, ARC evaluated its PP&E for indicators of impairment or reversal of previously recognized impairment and determined that no such indicators were present compared to its last impairment test at March 31, 2020.

At March 31, 2020, an impairment test was conducted on ARC's PP&E in response to the economic impact of the 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. 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 included 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 was 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:

	Edmonton Light Crude Oil	WTI Crude Oil	AECO Natural Gas	NYMEX Henry Hub Natural Gas	Cdn$/US$
Year	**(Cdn$/bbl)** (1)	**(US$/bbl)** (1)	**(Cdn$/MMBtu)** (1)	**(US$/MMBtu)** (1)	**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
Escalate thereafter at	+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, 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 were 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

ARC did not observe any indicators of potential impairment at June 30, 2020 and no impairment test was conducted at that date.

ARC conducted an impairment test of its goodwill at March 31, 2020 in response to the economic impact of the 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. 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	
	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**167.6**	36.9
US$ denominated	**1.5**	40.0	**2.1**	51.9
Senior notes				
Master Shelf Agreement				
3.72% US$ note	**149.8**	149.9	**203.9**	194.3
2009 note issuance				
8.21% US$ note	**7.0**	14.0	**9.5**	18.1
2010 note issuance				
5.36% US$ note	**59.9**	89.9	**81.5**	116.6
2012 note issuance				
3.31% US$ note	**24.0**	24.0	**32.6**	31.1
3.81% US$ note	**299.5**	299.7	**407.9**	388.7
4.49% Cdn$ note	**N/A**	N/A	**39.9**	40.0
Total long-term debt outstanding	**541.7**	617.5	**945.0**	877.6
Long-term debt due within one year			**156.0**	148.9
Long-term debt due beyond one year			**789.0**	728.7

At June 30, 2020, ARC was in compliance with all of its debt covenants. ARC executed certain amendments to the note purchase agreements governing its senior notes which were effective March 31, 2020. The amendments included 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. As well, the definition of "Total EBITDA" to be used in determining compliance under two of ARC's financial covenants was amended to exclude non-cash losses and non-cash expenses.

At June 30, 2020, the fair value of all long-term debt is $991.9 million ($908.6 million as at December 31, 2019), compared to a carrying value of $945.0 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 $557.3 million as at June 30, 2020 ($409.6 million at December 31, 2019) based on a total future undiscounted liability of $859.4 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 1.0 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 June 30, 2020.

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

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Balance, beginning of period	409.6	356.7
Development activities	**1.6**	4.6
Change in estimates (1)	**6.8**	13.5
Change in discount rate	**144.8**	59.5
Settlement of obligations	**(8.9)**	(18.4)
Accretion	**3.4**	7.3
Acquisitions	**—**	0.2
Reclassified as liabilities associated with assets held for sale and disposed in period	**—**	(13.8)
Balance, end of period	**557.3**	409.6
Expected to be incurred within one year	**10.0**	25.5
Expected to be incurred beyond one year	**547.3**	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 dividend from $0.05 per share per month to $0.06 per share per quarter. On June 15, 2020, ARC declared a quarterly dividend of $0.06 per 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 could trend above this range. At June 30, 2020, ARC's net debt was 1.5 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 $300 million. These measures were undertaken 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 and six months ended June 30, 2020 and 2019 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Cash flow from operating activities	**97.4**	193.8	**280.5**	322.1
Net change in other liabilities (Note 15)	**(4.2)**	7.9	**1.1**	7.1
Change in non-cash operating working capital (Note 15)	**57.0**	(8.7)	**29.4**	50.0
Funds from operations	**150.2**	193.0	**311.0**	379.2

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 June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Long-term debt (1)	**945.0**	812.3
Lease obligations (2)	**38.1**	49.9
Accounts payable and accrued liabilities	**110.3**	155.5
Dividends payable	**21.3**	17.7
Cash and cash equivalents, accounts receivable, current deferred consideration, and prepaid expense	**(153.6)**	(206.2)
Net debt	**961.1**	829.2
Net debt to annualized funds from operations (ratio)	**1.5**	1.1

(1) Includes Current portion of long-term debt at June 30, 2020 and 2019 of $156.0 million and $64.1 million, respectively.
(2) Includes Current portion of lease obligations at June 30, 2020 and 2019 of $11.5 million and $8.9 million, respectively.

10. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments
At June 30, 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 six months ended June 30, 2020.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at June 30, 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 June 30, 2020 and December 31, 2019:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheets	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets
As at June 30, 2020					
Risk management contracts					
Current asset	**125.7**	**(84.4)**	**41.3**	**(0.3)**	**41.0**
Long-term asset	**45.0**	**(41.8)**	**3.2**	**—**	**3.2**
Current liability	**(92.9)**	**84.4**	**(8.5)**	**0.2**	**(8.3)**
Long-term liability	**(87.1)**	**41.8**	**(45.3)**	**0.9**	**(44.4)**
Net position	**(9.3)**	**—**	**(9.3)**	**0.8**	**(8.5)**

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 June 30, 2020:

Risk Management Contracts Positions Summary [1]

As at June 30, 2020	Q3 - 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$/bbl	bbl/day
Ceiling	55.70	8,500	57.29	7,992	—	—	—	—	—	—
Floor	47.35	8,500	50.35	7,992	—	—	—	—	—	—
Sold Floor	41.92	6,500	40.23	7,992	—	—	—	—	—	—
Swap	45.16	4,000	35.05	1,000	—	—	—	—	—	—
Sold Swaption [2]	—	—	54.32	3,008	—	—	—	—	—	—
Crude Oil – Cdn$ WTI [3]	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day	Cdn$/bbl	bbl/day
Ceiling	86.38	6,500	—	—	—	—	—	—	—	—
Floor	75.38	6,500	—	—	—	—	—	—	—	—
Sold Floor	60.38	6,500	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**19,000**		**8,992**		**—**		**—**		**—**
Crude Oil – MSW (Differential to WTI) [4]	US$/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	(8.01)	6,989	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub [5]	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Ceiling	2.94	125,108	3.02	110,000	3.11	45,000	2.74	10,000	2.74	10,000
Floor	2.56	125,108	2.55	110,000	2.55	45,000	2.50	10,000	2.50	10,000
Sold Floor	2.17	125,108	2.10	110,000	2.18	45,000	2.10	10,000	2.10	10,000
Swap	1.86	13,405	—	—	—	—	—	—	—	—
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	3.06	50,162	2.41	120,000	2.40	90,000	2.40	90,000	2.40	90,000
Floor	2.56	50,162	1.95	120,000	1.87	90,000	1.87	90,000	1.87	90,000
Swap	2.23	90,324	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)		**271,669**		**261,651**		**139,782**		**104,782**		**104,782**
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	(0.85)	83,297	(0.93)	69,192	(0.88)	35,000	(0.91)	70,000	(0.91)	70,000
Total AECO Basis Volumes (MMBtu/day)		**83,297**		**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$.
(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.
(6) ARC has entered into basis swaps at locations other than AECO.
(7) Variable rate collar whereby if the Cdn$/US$ spot rate is below $1.2771 at expiry, the ceiling will re-adjust to $1.3058.

11. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Six Months Ended June 30, 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)	**(28)**	(290)
Common shares, end of period	**353,383**	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.

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

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of shares)	**2020**	2019	**2020**	2019
Weighted average common shares	**353,383**	353,431	**353,383**	353,431
Dilutive impact of share-based compensation (1)	**—**	455	**—**	448
Weighted average common shares, diluted	**353,383**	353,886	**353,383**	353,879

(1) For the three and six months ended June 30, 2020, 4.6 million share options were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (5.1 million for the three and six months ended June 30, 2019).

Dividends declared for the three and six months ended June 30, 2020 were $0.06 and $0.18 per share ($0.15 and $0.30 for the three and six months ended June 30, 2019), respectively.

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	Three Months Ended June 30		Six Months Ended June 30	
Product	**2020**	2019	**2020**	2019
Crude oil	**35.3**	116.8	**112.1**	221.5
Condensate	**38.1**	66.4	**97.0**	114.3
Natural gas (1)	**135.2**	94.7	**264.3**	253.5
NGLs	**9.3**	5.0	**14.0**	21.4
Total commodity sales from production	**217.9**	282.9	**487.4**	610.7

(1) Includes $3.3 million and $6.6 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three and six months ended June 30, 2020 ($3.4 million and $8.0 million for the three and six months ended June 30, 2019), respectively.

At June 30, 2020, receivables from contracts with customers, which are included in accounts receivable, were $95.9 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 six months ended June 30, 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)	**1,765**	**363**	**2,378**	**247**
Distributed	**(473)**	**(641)**	**—**	**(87)**
Forfeited	**(25)**	**(1)**	**(1)**	**—**
Balance, June 30, 2020	**3,503**	**1,349**	**4,157**	**1,105**

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
General and administrative ("G&A")	**6.3**	(5.8)	**0.6**	2.0
Operating	**0.8**	(0.3)	**0.1**	0.5
PP&E	**0.6**	(0.3)	**0.3**	0.2
Total compensation charge (recovery)	**7.7**	(6.4)	**1.0**	2.7
Cash payments	**—**	—	**4.9**	4.6

At June 30, 2020, $11.5 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 $20.2 million was included in long-term incentive compensation liability ($24.5 million at December 31, 2019). A recoverable amount of $0.1 million was included in accounts receivable at June 30, 2020 ($nil at December 31, 2019).

Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the six months ended June 30, 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**
Expired	**(493)**	**21.48**
Balance, June 30, 2020	**4,594**	**16.61**
Exercisable, June 30, 2020	**1,608**	**21.22**

The following table summarizes information regarding share options outstanding at June 30, 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 ($)
12.13 - 20.00	4,176	15.43	3.7	1,190	18.67
20.01 - 28.46	418	28.46	1.0	418	28.46
Total	4,594	16.61	3.5	1,608	21.22

ARC recognized compensation expense of $0.9 million and $1.7 million relating to the Share Option Plan for the three and six months ended June 30, 2020 ($0.9 million and $2.0 million for the three and six months ended June 30, 2019), respectively. During the three and six months ended June 30, 2020, $nil and $0.1 million of share option compensation charges were capitalized to PP&E ($nil and $0.1 million for the three and six months ended June 30, 2019), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 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	29	3.04
Balance, June 30, 2020	**771**	**12.29**

ARC recognized G&A expense of $0.2 million and $0.5 million relating to the LTRSA Plan during the three and six months ended June 30, 2020 ($1.1 million and $1.3 million for the three and six months ended June 30, 2019), respectively.

14. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2020:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	156.0	446.8	260.5	81.7	945.0
Interest payments (2)	29.2	37.7	16.1	3.0	86.0
Purchase and service commitments	20.7	18.0	7.3	0.7	46.7
Transportation commitments	166.6	315.2	295.8	711.0	1,488.6
Total contractual obligations and commitments	**372.5**	**817.7**	**579.7**	**796.4**	**2,566.3**

(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". In October 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 June 30, 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 June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Operating	**6.4**	6.5	**13.9**	18.5
G&A	**16.2**	9.2	**31.0**	29.0
Total employee compensation expense	**22.6**	15.7	**44.9**	47.5

Presentation in the Statements of Cash Flows

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

	Three Months Ended June 30		Six Months Ended June 30	
Change in Non-cash Working Capital	**2020**	2019	**2020**	2019
Accounts receivable	**(64.8)**	21.7	**(22.9)**	36.6
Deferred consideration	**—**	(0.6)	**—**	(42.0)
Accounts payable and accrued liabilities	**(38.8)**	(20.7)	**(39.5)**	(11.3)
Prepaid expense	**(0.2)**	(3.5)	**1.0**	(2.2)
Total change in non-cash working capital	**(103.8)**	(3.1)	**(61.4)**	(18.9)
Relating to:				
Operating activities	**(57.0)**	8.7	**(29.4)**	(50.0)
Investing activities	**(46.8)**	(11.8)	**(32.0)**	31.1
Total change in non-cash working capital	**(103.8)**	(3.1)	**(61.4)**	(18.9)

	Three Months Ended June 30		Six Months Ended June 30	
Other Non-cash Items	**2020**	2019	**2020**	2019
Share-based compensation expense	**1.1**	1.1	**2.2**	2.4
Other amortization	**0.4**	(0.2)	**0.3**	(0.2)
Total other non-cash items	**1.5**	0.9	**2.5**	2.2

	Three Months Ended June 30		Six Months Ended June 30	
Net Change in Other Liabilities	**2020**	2019	**2020**	2019
Long-term incentive compensation liability	**4.5**	(4.6)	**(4.3)**	(0.9)
ARO settlements	**(0.9)**	(3.4)	**(8.9)**	(12.2)
Other deferred liabilities	**0.6**	—	**12.1**	5.7
Accrued lease interest	**—**	0.1	**—**	0.3
Total net change in other liabilities	**4.2**	(7.9)	**(1.1)**	(7.1)

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	**—**	**1,132.8**	**1,132.8**
Repayment of long-term debt	**(51.1)**	**(1,059.8)**	**(1,110.9)**
Repayment of lease obligations	**(9.7)**	**—**	**(9.7)**
Reclassified to current			
Long-term debt	**51.1**	**(51.1)**	**—**
Lease obligations	**5.0**	**(5.0)**	**—**
Non-cash changes			
Lease recognition	**—**	**1.8**	**1.8**
Lease modification and termination	**(0.1)**	**(0.1)**	**(0.2)**
Unrealized foreign exchange loss	**7.1**	**38.2**	**45.3**
Other	**—**	**0.2**	**0.2**
Balance, June 30, 2020	**167.5**	**815.6**	**983.1**

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	(63.1)	—	(63.1)
Repayment of lease obligations	(9.1)	—	(9.1)
Reclassified to current			
Long-term debt	49.7	(49.7)	—
Lease obligations	4.0	(4.0)	—
Non-cash changes			
Lease recognition	0.2	0.5	0.7
Accrued lease interest	0.3	—	0.3
Unrealized foreign exchange gain	(3.0)	(30.8)	(33.8)
Balance, June 30, 2020	73.0	789.2	862.2

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

Officers

Terry M. Anderson
President and Chief Executive Officer

Kris J. Bibby
Senior Vice President and Chief Financial Officer

Chris D. Baldwin
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
Vice President, Human Resources

Grant A. Zawalsky
Corporate Secretary

Executive Office

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Calgary, Alberta

Legal Counsel

Burnet Duckworth & Palmer LLP
Calgary, Alberta

Corporate Calendar

November 5, 2020
Q3 2020 Results

Stock Exchange Listing

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

Investor Information

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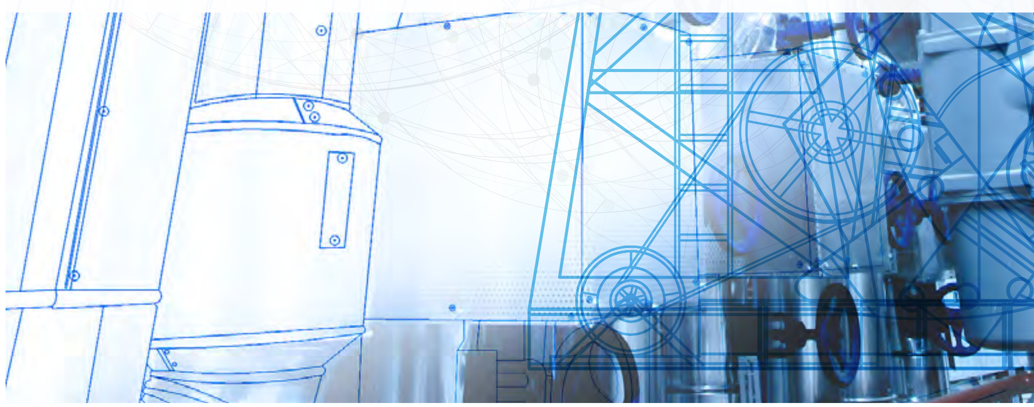

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