'21

Second Quarter Report

Resilience. Discipline. Focus.

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 the Montney resource play 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.

Table of **Contents**

ARC RESOURCES LTD.

ARC RESOURCES LTD. REPORTS SECOND QUARTER 2021 RESULTS AND ANNOUNCES DIVIDEND INCREASE OF 10 PER CENT

NEWS RELEASE

Calgary, July 29, 2021 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its second quarter 2021 financial and operational results.

SECOND QUARTER 2021 HIGHLIGHTS

- ARC successfully closed the strategic Montney combination with Seven Generations Energy Ltd. ("Seven Generations") on April 6, 2021 (the "Business Combination"), to become the largest pure-play Montney producer, and remains well on track to deliver annual synergies of $160 million for 2022.
- ARC's board of directors (the "Board") has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021 to shareholders of record on September 30, 2021, and reflects ARC's conviction in its assets, increased profitability, and the progress made to-date in delivering on the $160 million of annual synergies.
- ARC generated funds from operations(1) of $542.5 million ($0.75 per share) and free funds flow(2) of $249.7 million ($0.35 per share).
    - Free funds flow was allocated to debt reduction and declaring dividends of $43.5 million ($0.06 per share).
    - Net debt excluding lease obligations(1) outstanding was reduced by $270.8 million or 11 per cent and was 1.3 times annualized funds from operations at period end.
- ARC delivered average daily production of 335,701 boe(3) per day (60 per cent natural gas and 40 per cent crude oil and liquids)(4), which was above guidance. Production in the period was impacted by planned maintenance and turnaround activities across the Company's asset base.
- ARC safely executed its active capital program, drilling 38 wells and completing 40 wells. Capital investments totalled $292.8 million and included bringing the Sunrise facilities expansion on-stream in May 2021.
- ARC disposed of its Pembina assets in the second quarter of 2021. Production guidance during the second half of 2021 is unchanged at approximately 340,000 boe per day, while operating expense guidance and crude oil production guidance have been lowered to reflect the disposition. Production guidance for condensate, natural gas, and NGLs remains unchanged.

A video update from ARC's senior management team and an updated investor presentation are available on ARC's website at www.arcresources.com. ARC's unaudited condensed interim consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three and six months ended June 30, 2021, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

Notes:

(1) Refer to Note 15 *"Capital Management"* in ARC's financial statements and to the sections entitled *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* in ARC's MD&A as at and for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

(2) 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"* in ARC's MD&A for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

(3) ARC has adopted the standard six thousand cubic feet ("Mcf") to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("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.

(4) 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"). 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.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended March 31, 2021[1]	**June 30, 2021**	June 30, 2020[1]	Six Months Ended **June 30, 2021**	June 30, 2020[1]
FINANCIAL RESULTS					
Net income (loss)	178.0	**(123.0)**	(43.5)	**55.0**	(601.9)
Per share[2]	0.50	**(0.17)**	(0.12)	**0.10**	(1.70)
Funds from operations[3]	273.9	**542.5**	150.2	**816.4**	311.0
Per share[2]	0.77	**0.75**	0.42	**1.51**	0.88
Free funds flow[4]	148.2	**249.7**	106.1	**397.9**	97.1
Per share[2]	0.42	**0.35**	0.30	**0.74**	0.27
Dividends declared	21.3	**43.5**	21.3	**64.8**	63.8
Per share[2]	0.06	**0.06**	0.06	**0.12**	0.18
Capital expenditures, before undeveloped land purchases and net property acquisitions (dispositions)	125.7	**292.8**	44.1	**418.5**	213.9
Total capital expenditures, including undeveloped land purchases and net property acquisitions (dispositions)	125.6	**214.8**	44.0	**340.4**	213.9
Net debt outstanding[3]	613.6	**2,986.7**	961.1	**2,986.7**	961.1
Net debt excluding lease obligations outstanding[3]	568.0	**2,084.1**	923.0	**2,084.1**	923.0
Common shares outstanding, weighted average diluted (millions)	354.4	**723.1**	353.4	**540.3**	353.4
Common shares outstanding, end of period (millions)	353.4	**723.9**	353.4	**723.9**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	13,647	**11,659**	14,987	**12,648**	15,992
Condensate (bbl/day)	13,812	**73,459**	13,239	**43,800**	12,251
Crude oil and condensate (bbl/day)	27,459	**85,118**	28,226	**56,448**	28,243
Natural gas (MMcf/day)	794.1	**1,203.3**	773.3	**999.9**	732.7
NGLs (bbl/day)	10,620	**50,020**	9,405	**30,429**	8,779
Total (boe/day)	170,430	**335,701**	166,510	**253,522**	159,146
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	64.46	**74.01**	25.88	**68.89**	38.53
Condensate ($/bbl)	71.59	**77.93**	31.54	**76.93**	43.48
Natural gas ($/Mcf)	4.60	**3.34**	1.92	**3.84**	1.98
NGLs ($/bbl)	29.45	**22.19**	10.84	**23.45**	8.76
Oil equivalent ($/boe)	34.25	**34.90**	14.38	**34.68**	16.83
Netback ($/boe)[4]					
Commodity sales from production	34.25	**34.90**	14.38	**34.68**	16.83
Royalties	(1.69)	**(3.02)**	(0.38)	**(2.58)**	(0.73)
Operating expense	(3.85)	**(4.53)**	(3.32)	**(4.30)**	(3.83)
Transportation expense	(3.70)	**(4.49)**	(2.88)	**(4.22)**	(2.87)
Netback	25.01	**22.86**	7.80	**23.58**	9.40
Realized gain (loss) on risk management contracts	(1.75)	**(1.97)**	2.10	**(1.90)**	1.69
Netback including realized gain (loss) on risk management contracts	23.26	**20.89**	9.90	**21.68**	11.09
TRADING STATISTICS[5]					
High price	8.67	**10.74**	6.12	**10.74**	8.39
Low price	5.88	**7.26**	3.64	**5.88**	2.42
Close price	7.72	**10.55**	4.56	**10.55**	4.56
Average daily volume (thousands of shares)	3,125	**3,309**	2,177	**3,218**	2,692

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.
(2) Per share amounts (with the exception of dividends) are based on weighted average diluted common shares.
(3) Refer to Note 15 *"Capital Management"* in ARC's financial statements and to the sections entitled *"Funds from Operations"* and *"Capitalization, Financial Resources and Liquidity"* in ARC's MD&A as at and for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.
(4) 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"* in ARC's MD&A for the three and six months ended June 30, 2021, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.
(5) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

BUSINESS COMBINATION WITH SEVEN GENERATIONS

On April 6, 2021, ARC successfully closed the strategic Montney combination with Seven Generations, issuing approximately 369.4 million shares to acquire all of the outstanding Seven Generations shares and making ARC the largest pure-play Montney producer. On May 1, 2021, ARC amalgamated with Seven Generations.

ARC expects to achieve annual synergies of approximately $160 million for 2022, which will be attained through a combination of corporate and finance cost savings, operating efficiencies, market optimization opportunities, and drilling and completions efficiencies. ARC estimates that over half of the identified synergies have been captured to-date.

ARC has made significant progress in integrating the two companies while maintaining business continuity and ensuring safe and efficient operations. ARC expects to have fully integrated Seven Generations by year-end 2021. Of note:

- Shared learnings and knowledge transfer is taking place across ARC's expanded operations and within all disciplines to deliver capital and operating efficiency improvements.
- The Kakwa field operations were integrated safely and efficiently into ARC's broader asset portfolio.
- ARC is realizing improved purchasing power within its field operations and capital programs due to its increased size and scale.
- The transportation and sales portfolios of the two companies have been fully integrated, providing ARC with a greater ability to optimize transportation and fractionation capacity usage to increase sales revenues.

ORGANIZATIONAL UPDATE

ARC announces that David Holt has resigned from his position as Senior Vice President and Chief Operating Officer, effective August 27, 2021. Through the Business Combination, David has played a significant role in ensuring the safe and efficient execution of ARC's expanded field operations. ARC thanks David for his valuable contributions to the successful integration of ARC and Seven Generations.

OPERATIONAL REVIEW

ARC's leading position in the Montney resource play features a deep inventory of high-return, de-risked development opportunities. The enhanced commodity and geographic diversity established through the Business Combination provides significant optionality within ARC's portfolio and improves the Company's ability to reduce development risk and mitigate the impacts of future commodity price volatility.

ARC processes the majority of its production through owned-and-operated infrastructure. This affords the Company greater control to deliver on its low cost structure and optimal liquids recoveries, as well as the ability to optimize revenue streams, and supports strong safety and environmental performance.

ARC is monitoring the recent Supreme Court of British Columbia judgment regarding a claim by the Blueberry River First Nations against the Province of British Columbia. ARC will continue to work closely and respectfully with stakeholders and neighbouring Indigenous communities.

Capital Expenditures

ARC invested $292.8 million during the second quarter of 2021, drilling 38 wells and completing 40 wells. During the period, ARC commissioned the Sunrise facilities expansion, bringing on-stream an additional 40 MMcf per day of natural gas processing and sales capacity to the area. ARC also advanced the

Parkland/Tower facility sour conversion and expansion, which remains on schedule to be completed in the third quarter of 2021.

ARC invested $418.5 million to drill 53 wells and complete 72 wells during the first half of 2021. The following table details ARC's capital activity by core operating area.

	Six Months Ended June 30, 2021		
	Capital Expenditures[1] ($ millions)	**Wells Drilled**[2]	**Wells Completed**[2]
Kakwa[3]	**190.4**	**21**	**35**
Greater Dawson[4]	**108.1**	**21**	**19**
Sunrise	**65.1**	**9**	**9**
Ante Creek	**25.7**	**2**	**9**
Attachie West	**4.2**	**—**	**—**
All other[5]	**25.0**	**—**	**—**
Total	**418.5**	**53**	**72**

(1) Undeveloped land purchases and net property acquisitions and dispositions are not included.
(2) Wells drilled and completed for operated assets only.
(3) Assets acquired through the Business Combination, which closed on April 6, 2021.
(4) Comprises Dawson and Parkland/Tower assets.
(5) Comprises spending and activity for ARC's non-core and corporate assets and includes capitalized general and administrative ("G&A") expenditures.

ARC expects full-year 2021 capital expenditures to be between $950 million and $1.0 billion.

Production

ARC's production averaged 335,701 boe per day (60 per cent natural gas and 40 per cent crude oil and liquids) during the second quarter of 2021, with operations impacted by planned turnaround and maintenance activities across the asset base.

The following table details ARC's production by core operating area during the second quarter of 2021, relative to the first quarter of 2021.

	Three Months Ended					
	June 30, 2021					March 31, 2021
	Crude Oil (bbl/day)	**Condensate** (bbl/day)	**Natural Gas** (MMcf/day)	**NGLs** (bbl/day)	**Total** (boe/day)	Total (boe/day)
Kakwa[1]	**—**	**60,319**	**437.6**	**39,633**	**172,890**	180,774
Greater Dawson[2]	**1,344**	**10,189**	**427.5**	**8,439**	**91,219**	99,003
Sunrise	**—**	**14**	**259.2**	**29**	**43,242**	40,913
Ante Creek	**6,538**	**488**	**53.2**	**1,435**	**17,331**	17,099
Attachie West	**—**	**2,232**	**12.2**	**148**	**4,418**	4,593
All other[3]	**3,777**	**217**	**13.6**	**336**	**6,601**	8,822
Total	**11,659**	**73,459**	**1,203.3**	**50,020**	**335,701**	351,204[4]

(1) Assets acquired through the Business Combination, which closed on April 6, 2021.
(2) Comprises Dawson and Parkland/Tower assets.
(3) Comprises production from ARC's non-core assets.
(4) Represents production of ARC plus Seven Generations for the three months ended March 31, 2021. Refer to the May 5, 2021 news release entitled *"ARC Resources Ltd. Reports First Quarter 2021 Results and Provides 2021 Guidance"*, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

ARC expects production to average approximately 340,000 boe per day during the second half of 2021.

ESG REVIEW

ARC ranks amongst the best in the world for ESG performance in the sector and remains committed to low-emission, responsible energy development. ARC continues to evolve its market access strategy through its pursuit of responsible natural gas supply agreements that supply low-emission natural gas to North American consumers. ARC plans to publish its 2020 ESG performance data and highlights in the third quarter of 2021, with new ESG targets expected to be released in the fourth quarter of 2021.

FINANCIAL REVIEW

Balance Sheet and Liquidity

At the core of ARC's long-term strategy is preserving a strong balance sheet through all commodity price cycles and maintaining an investment-grade credit rating to access low-cost debt. To achieve this, ARC targets its net debt excluding lease obligations to be within a range of 1.0 to 1.5 times annualized funds from operations over the long term. As at June 30, 2021, ARC's net debt excluding lease obligations outstanding was $2.1 billion or 1.3 times annualized funds from operations.

ARC currently has ample liquidity, with approximately $1.9 billion of undrawn credit capacity. At current forward commodity prices, ARC expects to reduce net debt excluding lease obligations outstanding to the low end of the Company's targeted range by the third quarter of 2021.

Dividend Increase

The Board has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021 to shareholders of record on September 30, 2021. The ex-dividend date is September 29, 2021.

Profitable assets and a strong financial position ensure that ARC's dividend is sustainable in a low commodity price environment. Dividends will continue to be assessed to ensure that they are aligned with the Company's capital allocation priorities.

Net Income (Loss)

ARC recognized a net loss of $123.0 million ($0.17 per share) in the second quarter of 2021. Following the closing of the Business Combination, ARC's netback increased due to higher volumes and strong liquids realizations; however, the increased netback was offset by increases in G&A expense, transaction costs, and depletion, depreciation, and amortization. Additionally, ARC recognized increased losses on its risk management contracts in the period, driven by the acquisition of Seven Generations' risk management contracts and the positions that ARC entered into to de-risk its deleveraging plan.

ARC recognized net income of $55.0 million ($0.10 per share) in the first half of 2021, compared to a net loss of $601.9 million ($1.70 per share) in the first half of 2020.

Funds from Operations and Free Funds Flow

ARC generated funds from operations of $542.5 million ($0.75 per share) during the second quarter of 2021. ARC's second quarter 2021 funds from operations were impacted by planned turnaround and maintenance activities, which reduced commodity sales from production and increased the Company's operating expense. During the second quarter of 2021, ARC also recognized increased realized losses on risk management contracts, recognized higher G&A expense due to a larger workforce and increased share-based compensation expense, and incurred transaction costs resulting from the Business Combination. These decreases to funds from operations were partially offset by a reduced current tax expense in the second quarter of 2021 compared to the first quarter of 2021.

ARC generated free funds flow of $249.7 million ($0.35 per share) during the second quarter of 2021. Free funds flow was used to fund the Company's dividend obligations of $43.5 million ($0.06 per share) and to strengthen the Company's balance sheet, reducing net debt excluding lease obligations outstanding by $270.8 million or 11 per cent since the closing of the Business Combination.

During the first half of 2021, ARC generated funds from operations of $816.4 million ($1.51 per share) and free funds flow of $397.9 million ($0.74 per share).

The following table details the change in funds from operations for the second quarter of 2021 relative to the first quarter of 2021 and the change in funds from operations for the first half of 2021 relative to the first half of 2020.

	Q1 2021 to Q2 2021		2020 YTD to 2021 YTD	
	$ millions	$/share(1)	$ millions	$/share(1)
Funds from operations for the three months ended March 31, 2021(2)	273.9	0.77		
Funds from operations for the six months ended June 30, 2020(2)			311.0	0.88
Volume				
Crude oil and liquids	**484.7**	**1.37**	**258.0**	**0.73**
Natural gas	**174.9**	**0.49**	**94.1**	**0.27**
Price				
Crude oil and liquids	**19.4**	**0.06**	**415.6**	**1.18**
Natural gas	**(138.1)**	**(0.39)**	**336.4**	**0.95**
Sales of commodities purchased from third parties	**241.1**	**0.68**	**262.2**	**0.73**
Interest income	**1.7**	**—**	**1.5**	**—**
Other income	**(0.9)**	**—**	**8.4**	**0.02**
Realized gain (loss) on risk management contracts	**(33.4)**	**(0.09)**	**(135.9)**	**(0.38)**
Royalties	**(66.7)**	**(0.19)**	**(97.4)**	**(0.28)**
Expenses				
Commodities purchased from third parties	**(228.9)**	**(0.65)**	**(252.8)**	**(0.72)**
Operating	**(79.3)**	**(0.22)**	**(86.2)**	**(0.24)**
Transportation	**(80.2)**	**(0.23)**	**(110.8)**	**(0.31)**
G&A	**(31.1)**	**(0.09)**	**(42.8)**	**(0.12)**
Transaction costs	**(7.7)**	**(0.02)**	**(22.9)**	**(0.06)**
Interest and financing	**(21.9)**	**(0.06)**	**(16.6)**	**(0.05)**
Current income tax	**42.4**	**0.12**	**(82.5)**	**(0.23)**
Realized gain (loss) on foreign exchange	**(8.1)**	**(0.02)**	**(21.5)**	**(0.06)**
Other	**0.7**	**—**	**(1.4)**	**—**
Weighted average shares, diluted	**—**	**(0.78)**	**—**	**(0.80)**
Funds from operations for the three months ended June 30, 2021	**542.5**	**0.75**		
Funds from operations for the six months ended June 30, 2021			**816.4**	**1.51**

(1) Per share amounts are based on weighted average diluted common shares.
(2) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.

Financial and Physical Price Management

ARC manages a strategic physical and financial diversification program to increase ARC's exposure to downstream sales points across North America. Following the closing of the Business Combination, ARC quickly integrated the sales portfolios of both companies to capitalize on several market optimization opportunities. To date, ARC has:

- proactively managed pricing differentials for light oil and condensate production to optimize revenues;
- optimized transportation and fractionation capacity usage; and
- actively managed its natural gas sales portfolio to improve realizations and adjust downstream exposures to align with ARC's market views.

The following table summarizes ARC's average realized prices for the second quarter of 2021 relative to the first quarter of 2021 and ARC's average realized prices for the first half of 2021 relative to the first half of 2020.

	Three Months Ended			Six Months Ended		
	June 30, 2021	March 31, 2021(1)	% Change	**June 30, 2021**	June 30, 2020(1)	% Change
Average natural gas price before diversification activities ($/Mcf)	**3.37**	3.19	6	**3.34**	2.10	59
Natural gas diversification activities ($/Mcf)	**(0.03)**	1.41	(102)	**0.50**	(0.12)	(517)
Realized gain (loss) on risk management contracts ($/Mcf)(2)	**(0.18)**	(0.21)	(14)	**(0.19)**	0.10	(290)
Average realized natural gas price including realized gain (loss) on risk management contracts ($/Mcf)	**3.16**	4.39	(28)	**3.65**	2.08	75
Average realized crude oil price ($/bbl)	**74.01**	64.46	15	**68.89**	38.53	79
Average realized condensate price ($/bbl)	**77.93**	71.59	9	**76.93**	43.48	77
Average realized NGLs price ($/bbl)	**22.19**	29.45	(25)	**23.45**	8.76	168
Total average realized commodity price ($/boe)	**34.90**	34.25	2	**34.68**	16.83	106

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.
(2) Realized gain (loss) on risk management contracts is not included in ARC's average realized natural gas price.

ARC's risk management program reduces volatility in funds from operations to support ARC's dividend, capital program, and deleveraging plan. For the balance of 2021, ARC has hedged approximately 50 per cent of both its expected crude oil and condensate and natural gas production at levels that generate profitable rates of return.

Netback

The following table details the components of ARC's netback for the second quarter of 2021 relative to the first quarter of 2021 and ARC's netback for the first half of 2021 relative to the first half of 2020.

	Three Months Ended			Six Months Ended		
($/boe)	**June 30, 2021**	March 31, 2021(1)	% Change	**June 30, 2021**	June 30, 2020(1)	% Change
Commodity sales from production	**34.90**	34.25	2	**34.68**	16.83	106
Royalties	**(3.02)**	(1.69)	79	**(2.58)**	(0.73)	253
Operating expense	**(4.53)**	(3.85)	18	**(4.30)**	(3.83)	12
Transportation expense	**(4.49)**	(3.70)	21	**(4.22)**	(2.87)	47
Netback	**22.86**	25.01	(9)	**23.58**	9.40	151
Realized gain (loss) on risk management contracts	**(1.97)**	(1.75)	13	**(1.90)**	1.69	(212)
Netback including realized gain (loss) on risk management contracts	**20.89**	23.26	(10)	**21.68**	11.09	95

(1) Comparative figures represent ARC's results prior to the closing of the Business Combination on April 6, 2021, and therefore do not reflect historical data from Seven Generations.

ARC's second quarter 2021 netback decreased nine per cent relative to ARC's first quarter 2021 netback and was driven by the following:

- Increased royalties, reflecting the higher proportion of crude oil and liquids production in ARC's sales mix resulting from the Business Combination, which have higher average royalty rates than natural gas.
- Increased operating expense, reflecting the planned turnaround and maintenance activities conducted in the period.
- Increased transportation expense, reflecting the integration of transportation arrangements associated with the Kakwa asset into ARC's sales portfolio.

ARC's netback in the first half of 2021 increased 151 per cent relative to the first half of 2020, mainly resulting from increased commodity sales from production due to higher commodity prices and higher average production. Partially offsetting the increase to commodity sales from production were increased royalties, operating expense, and transportation expense, reflecting the integration of the Kakwa asset into ARC's asset portfolio.

OUTLOOK

2021 Guidance

ARC's 2021 capital budget of $950 million to $1.0 billion has been designed to maximize free funds flow and enhance ARC's returns-focused value proposition. While the primary focus for 2021 will be to successfully integrate Seven Generations and realize anticipated synergies, ARC will continue to maintain capital discipline to maximize profitability and preserve a strong financial position. ARC will also continue to uphold a strong safety culture and advance its ESG leadership and performance. Through the balance of 2021, ARC plans to sustain production at Greater Dawson, Sunrise, Kakwa, and Ante Creek.

ARC's 2021 crude oil production, total production, and operating expense guidance have been revised to reflect the disposition of ARC's Pembina assets. Production guidance for condensate, natural gas, and NGLs remains unchanged.

ARC's production guidance estimates for the second half of 2021 are outlined below.

	Q3 2021 to Q4 2021 Guidance(1)(2)
Crude oil (bbl/day)	**8,000 - 9,000**
Condensate (bbl/day)	**72,000 - 78,000**
Crude oil and condensate (bbl/day)	**80,000 - 87,000**
Natural gas (MMcf/day)	**1,230 - 1,265**
NGLs (bbl/day)	**50,000 - 53,000**
Total (boe/day)	**335,000 - 350,000**

(1) The Business Combination closed on April 6, 2021, and as such, 2021 guidance and 2021 revised guidance include ARC's financial and operational results for the three months ended March 31, 2021 plus the Company's expectations for the combined financial and operational results of ARC's and Seven Generations' operations for the remainder of 2021.
(2) COVID-19 impacts on demand and market volatility may impact ARC's future financial and operational results. ARC will continuously monitor its guidance and provide updates as deemed appropriate.

ARC's full-year 2021 guidance estimates and a review of 2021 year-to-date results are outlined below.

	2021 Guidance(1)(2)	2021 Revised Guidance(1)(2)	**2021 YTD Actual**	% Variance from 2021 Revised Guidance(3)
Crude oil (bbl/day)	12,000 - 13,500	9,000 - 10,500	**12,648**	20
Condensate (bbl/day)	55,000 - 60,000	55,000 - 60,000	**43,800**	(20)
Crude oil and condensate (bbl/day)	67,000 - 73,500	64,000 - 70,500	**56,448**	(12)
Natural gas (MMcf/day)	1,100 - 1,140	1,100 - 1,140	**999.9**	(9)
NGLs (bbl/day)	40,000 - 42,000	40,000 - 42,000	**30,429**	(24)
Total (boe/day)	290,000 - 305,000	287,000 - 302,000	**253,522**	(12)
Expenses ($/boe)				
Operating	4.10 - 4.60	3.90 - 4.40	**4.30**	—
Transportation	4.50 - 5.00	4.50 - 5.00	**4.22**	(6)
G&A expense before share-based compensation expense(4)	0.90 - 1.00	0.90 - 1.00	**1.21**	21
G&A - share-based compensation expense(5)	0.30 - 0.45	0.30 - 0.45	**0.54**	20
Transaction costs	0.20 - 0.30	0.20 - 0.30	**0.50**	67
Interest and financing	0.70 - 0.80	0.70 - 0.80	**0.83**	4
Current income tax expense as a per cent of funds from operations	1 - 5	1 - 5	**6**	20
Capital expenditures before undeveloped land purchases and net property acquisitions (dispositions) ($ millions)	950 - 1,000	950 - 1,000	**419**	N/A

(1) The Business Combination closed on April 6, 2021, and as such, 2021 guidance and 2021 revised guidance include ARC's financial and operational results for the three months ended March 31, 2021 plus the Company's expectations for the combined financial and operational results of ARC's and Seven Generations' operations for the remainder of 2021.
(2) COVID-19 impacts on demand and market volatility may impact ARC's future financial and operational results. ARC will continuously monitor its guidance and provide updates as deemed appropriate.
(3) Reflects the percentage variation from ARC's 2021 year-to-date actual results and the current expectations of the Company.
(4) Excludes transaction costs associated with the Business Combination.
(5) Comprises expense recognized under all share-based compensations plans, with the exception of the Deferred Share Unit Plans.

ARC's 2021 guidance is based on full-year estimates; certain variances exist between 2021 year-to-date actual results and 2021 guidance estimates due to the timing of the Business Combination. ARC expects full-year 2021 actual results to closely approximate revised guidance.

Capital Allocation

ARC will continue to allocate capital where risk-adjusted returns are greatest, while maintaining a strong financial position and employing a portfolio approach that consists of profitable growth, a meaningful dividend, and other capital return measures.

At present, strong operational momentum and a positive commodity backdrop are driving rapid debt reduction. As a result, ARC is on track to sanction Attachie West Phase I in the fourth quarter of 2021. Attachie West Phase I is a profitable development project that increases free funds flow per share in a number of commodity price scenarios. Should future commodity prices remain strong and in line with the current outlook, free funds flow is expected to exceed the capital investment needs of the business, including what is required to develop Attachie West Phase I. ARC is currently evaluating alternative return of capital options for the Company's anticipated excess free funds flow.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations about the future, based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: estimated production amounts and quantities thereof; the expectations with respect to the integration of Seven Generations; the anticipated annual synergies for 2022 and the sources thereof; expected capital expenditures for 2021; the continued integration of Seven Generations' ESG initiatives; plans to publish ARC's 2020 ESG performance data and highlights in the third quarter of 2021; the anticipated reduction in net debt excluding lease obligations outstanding; the continued assessment of dividends and the payment thereof; plans to maintain capital discipline to maximize profitability and preserve a strong financial position and plans to uphold a strong safety culture and advance its ESG leadership and performance; plans to sustain production at Greater Dawson, Sunrise, Kakwa, and Ante Creek; the Company's guidance estimates; the continued allocation of capital where risk-adjusted return are greatest; plans to evaluate return of capital measures with excess free funds flow; and other statements.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. Material factors or assumptions on which the forward-looking information in this news release include: ARC's ability to successfully integrate the business of Seven Generations; access to sufficient capital to pursue any development plans; ARC's ability to issue securities; the impacts the Business Combination may have on the current credit ratings of ARC; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; achievement of further cost reductions and sustainability thereof; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the board of directors of ARC; cash flows, cash balances on hand, and access to ARC's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial hedge transactions to partially mitigate a portion of ARC's risks against wider price differentials; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; ARC's ability to obtain necessary regulatory approvals; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; ARC's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; ARC's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation and other assumptions inherent in the guidance of ARC; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of each of ARC's and Seven Generations' reserve volumes; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of COVID-19 on commodity prices and the global economy; and other risks and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

The forward-looking information in this news release also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC following the completion of the Business Combination, including: the expectations of ARC regarding the impact of the Business Combination on free funds flow, net debt excluding lease obligations outstanding, production, and net debt excluding lease obligations outstanding to annualized funds from operations. Any financial outlook and forward-looking information implied by such forward-looking statements are described in the joint management information circular of ARC and Seven Generations dated March 1, 2021, and the documents incorporated by reference therein, the MD&A, and ARC's most recent annual information form, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com and are incorporated by reference herein.

Advisory – Credit Ratings

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold, or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by the rating agency in the future if, in its judgment, circumstances so warrant.

About ARC

ARC Resources Ltd. is the largest pure-play Montney producer and one of Canada's largest dividend-paying energy companies, featuring low-cost operations and leading ESG performance. ARC's investment-grade credit profile is supported by commodity and geographic diversity and robust risk management practices around all aspects of the business. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

Please visit ARC's website at www.arcresources.com or contact Investor Relations:
E-mail: IR@arcresources.com
Telephone: (403) 503-8600
Fax: (403) 509-6427
Toll Free: 1-888-272-4900
ARC Resources Ltd.
Suite 1200, 308 - 4 Avenue SW
Calgary, AB T2P 0H7

'21 Q2

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 29, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and six months ended June 30, 2021, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2020, as well as ARC’s Annual Information Form ("AIF"), each of which is available on ARC's website at www.arcresources.com and 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"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this MD&A, natural gas liquids ("NGLs") comprise all NGLs 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.

Since the World Health Organization declared novel coronavirus COVID-19 ("COVID-19") a global pandemic in 2020, global economies have experienced varying degrees of economic recovery and subsequent virus outbreak. Vaccination programs are continuing around the globe, with many regions easing restrictions and experiencing economic growth. The greatest potential impact to ARC is the effect on demand for commodities and the subsequent impact on commodity prices. At June 30, 2021, ARC's management has incorporated the current and anticipated impacts of COVID-19 in its preparation of the MD&A.

BUSINESS COMBINATION

On April 6, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") completed the transaction to create a new Canadian crude oil and natural gas company through a plan of arrangement (the "Business Combination"). The Business Combination created a resilient energy leader which is also the largest pure-play Montney producer. The combined company achieves size and scale, enhanced capital allocation optionality, cost savings and synergies, a strong financial position, and leadership in environmental, social, and governance ("ESG") practices, managed by a strong leadership team. ARC issued 369.4 million shares with a value of $2.9 billion as consideration for the net assets acquired. For additional information, refer to Note 5 "Business Combination" in the financial statements.

Comparative figures in the MD&A include ARC's results prior to the Business Combination and do not reflect any historical data from Seven Generations. Significant differences for operating and financial results compared with prior periods are primarily due to the Business Combination.

ABOUT ARC RESOURCES LTD.

ARC is a dividend-paying Canadian energy company headquartered in Calgary, Alberta. ARC’s activities focus on the exploration, development, and production of conventional crude oil, condensate, natural gas, and NGLs 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 upon which ARC conducts its business have created a strong foundation for excellent business performance. ARC's operational excellence, robust risk management program, and strong balance sheet have positioned the Company to prudently manage volatile market conditions. The Company's concentrated Montney asset base, located in premier positions within the Montney fairway, and which includes commodity and geographic optionality and a network of owned-and-operated infrastructure, allows ARC to deliver strong capital and operating efficiencies. ARC exercises capital discipline and maintains a moderate pace of development to manage its corporate decline rate. ARC's sustainable business model is focused on a strong balance sheet, ample liquidity, ESG leadership, long-term corporate profitability, generating free funds flow(1) at reasonable commodity prices, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney, significant resources in-place, and high-performance people and culture, these principles make ARC a differentiated company.

(1) 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.

Highlights

Corporate highlights for the annual periods of 2017 through 2020 and the six months ended June 30, 2021 are shown in Table 1:

Table 1

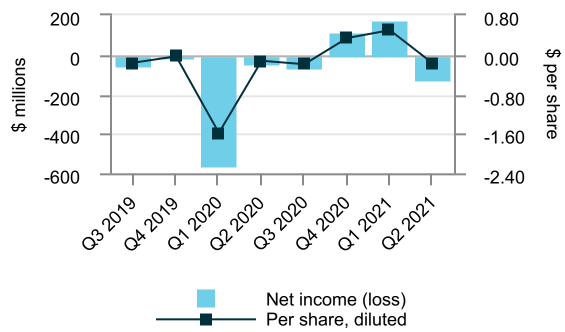
	2021 YTD	2020	2019	2018	2017
Production (1)					
Crude oil (bbl/d)	**12,648**	15,726	17,591	23,460	24,380
Condensate (bbl/d)	**43,800**	13,519	10,066	7,281	5,650
Crude oil and condensate (bbl/d)	**56,448**	29,245	27,657	30,741	30,030
Natural gas (MMcf/d)	**999.9**	739.2	623.3	570.2	525.8
NGLs (bbl/d)	**30,429**	9,112	7,578	6,955	5,273
Total production (boe/d)	**253,522**	161,564	139,126	132,724	122,937
Average daily production per thousand shares (2)	**0.47**	0.46	0.39	0.38	0.35
Net income (loss)	**55.0**	(547.2)	(27.6)	213.8	388.9
Net income (loss) per share	**0.10**	(1.55)	(0.08)	0.60	1.10
Funds from operations (3)	**816.4**	667.6	697.4	819.0	731.9
Funds from operations per share (3)	**1.51**	1.89	1.97	2.31	2.07
Free funds flow (4)	**397.9**	324.4	5.9	139.6	(97.8)
Free funds flow per share (4)	**0.74**	0.92	0.02	0.39	(0.28)
Capital expenditures (5)	**418.5**	343.2	691.5	679.4	829.7
Net debt (3)	**2,986.7**	742.7	940.2	702.7	728.0
Net debt excluding lease obligations (3)	**2,084.1**	693.5	894.0	702.7	728.0
Net debt to annualized funds from operations (ratio) (3)	**1.8**	1.1	1.3	0.9	1.0
Net debt excluding lease obligations to annualized funds from operations (ratio) (3)	**1.3**	1.0	1.3	0.9	1.0
Return on average capital employed ("ROACE") (%) (4)	**2**	(18)	(2)	8	14
Proved plus probable reserves (MMboe) (6)(7)	**n/a**	929.0	909.9	878.9	836.1
Proved plus probable reserves per share (boe) (6)(7)	**n/a**	2.6	2.6	2.5	2.4

(1) Reported production amount is based on Company's interest before royalty burdens.
(2) Represents average daily production divided by the diluted weighted average common shares for the six months ended June 30, 2021, and for the respective years ended December 31, 2020, 2019, 2018, and 2017.
(3) Refer to Note 15 "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.
(4) 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.
(5) Prior to undeveloped land purchases and property acquisitions and dispositions.
(6) Crude oil, condensate, natural gas, and NGLs reserves ("reserves") as determined by ARC's independent qualified reserve evaluator with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation Handbook.
(7) Reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

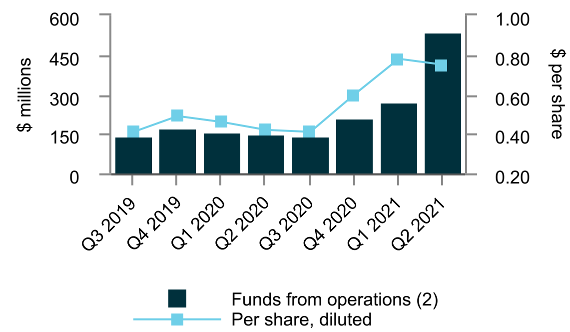
QUARTERLY RESULTS (1)

Exhibit 1

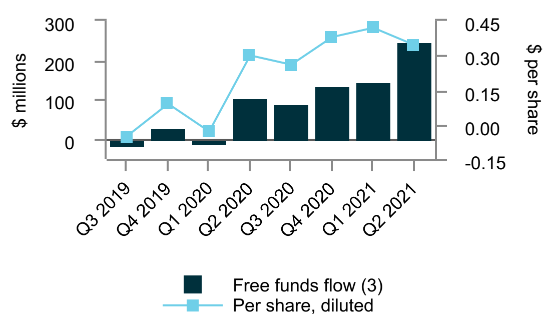
Net Income (Loss)



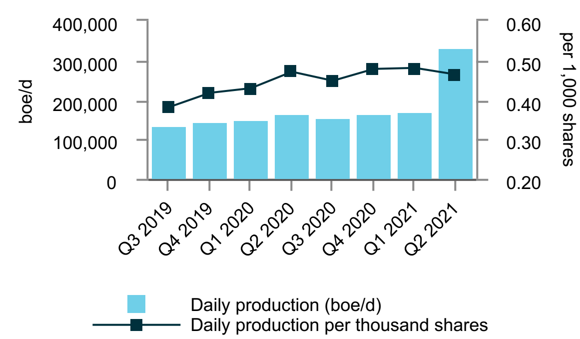
Funds from Operations (2)



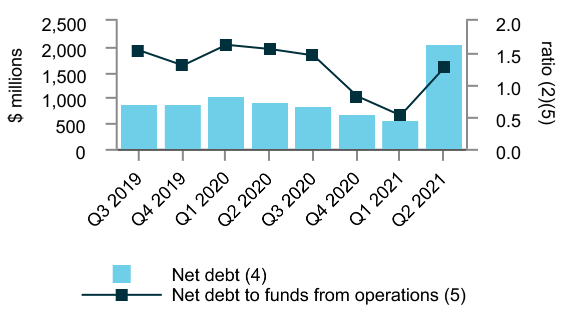
Free Funds Flow (3)



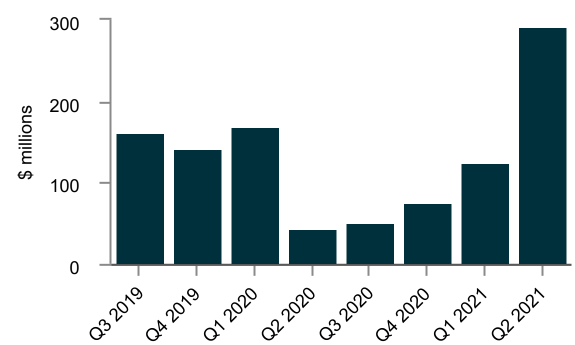
Average Daily Production



Net Debt Excluding Lease Obligations (4)



Capital Expenditures



(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 15 "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) 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.
(4) Net debt excluding lease obligations. Refer to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(5) Net debt excluding lease obligations to annualized funds from operations. Refer to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

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

- In the second quarter of 2021, ARC successfully closed the strategic Montney combination with Seven Generations. Refer to Note 5 "Business Combination" in the financial statements. Additionally, ARC recognized a loss on risk management contracts of $513.6 million.
- In the first quarter of 2021, ARC recognized a reversal of impairment of $121.8 million ($91.5 million net of deferred tax expense) relating to its Northern Alberta cash-generating unit ("CGU"). Refer to Note 9 "Impairment" in the financial statements. Partially offsetting this, ARC recognized a loss on risk management contracts of $106.9 million.
- In the fourth quarter of 2020, ARC recognized a gain on risk management contracts of $49.3 million.
- In the third quarter of 2020, ARC recognized a loss on risk management contracts of $94.3 million.
- 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) relating to its Northern Alberta CGU. 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.

ANNUAL GUIDANCE

ARC's 2021 capital budget of $950 million to $1.0 billion has been designed to maximize free funds flow and enhance ARC's returns-focused value proposition. While the primary focus for 2021 will be to successfully integrate Seven Generations and realize anticipated synergies, ARC will continue to maintain capital discipline to maximize profitability and preserve a strong financial position. ARC will also continue to uphold a strong safety culture and advance its ESG leadership and performance. Through the balance of 2021, ARC plans to sustain production at Greater Dawson, Sunrise, Kakwa, and Ante Creek.

ARC's 2021 crude oil production, total production, and operating expense guidance have been revised to reflect the disposition of certain non-core assets in the second quarter of 2021. Production guidance for condensate, natural gas, and NGLs remains unchanged.

- Annual crude oil production guidance has been reduced to a range of 9,000 barrels per day to 10,500 barrels per day. Annual total production guidance has been reduced to a range of 287,000 boe per day to 302,000 boe per day. Despite the disposition, production during the second half of 2021 is still expected to average approximately 340,000 boe per day.
- Annual operating expense guidance has improved to a range of $3.90 per boe to $4.40 per boe.

ARC's full-year 2021 guidance estimates and a review of 2021 year-to-date results are outlined below:

Table 2

	2021 Guidance (3)(4)	2021 Revised Guidance (3)(4)	2021 YTD Actual	% Variance from 2021 Revised Guidance (5)
Production				
Crude oil (bbl/d)	12,000 - 13,500	9,000 - 10,500	**12,648**	20
Condensate (bbl/d)	55,000 - 60,000	55,000 - 60,000	**43,800**	(20)
Crude oil and condensate (bbl/d)	67,000 - 73,500	64,000 - 70,500	**56,448**	(12)
Natural gas (MMcf/d)	1,100 - 1,140	1,100 - 1,140	**999.9**	(9)
NGLs (bbl/d)	40,000 - 42,000	40,000 - 42,000	**30,429**	(24)
Total (boe/d)	290,000 - 305,000	287,000 - 302,000	**253,522**	(12)
Expenses ($/boe)				
Operating	4.10 - 4.60	3.90 - 4.40	**4.30**	—
Transportation	4.50 - 5.00	4.50 - 5.00	**4.22**	(6)
General and administrative ("G&A") expense before share-based compensation expense (1)	0.90 - 1.00	0.90 - 1.00	**1.21**	21
G&A - share-based compensation expense (2)	0.30 - 0.45	0.30 - 0.45	**0.54**	20
Transaction costs	0.20 - 0.30	0.20 - 0.30	**0.50**	67
Interest and financing	0.70 - 0.80	0.70 - 0.80	**0.83**	4
Current income tax expense, as a per cent of funds from operations	1 - 5	1 - 5	**6**	20
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	950 - 1,000	950 - 1,000	**419**	N/A

(1) Excludes transaction costs associated with the Business Combination.
(2) Comprises expense recognized under all share-based compensations plans, with the exception of the Deferred Share Unit ("DSU") Plans.
(3) The Business Combination closed on April 6, 2021, and as such, 2021 guidance and 2021 revised guidance include ARC's financial and operational results for the three months ended March 31, 2021 plus the Company's expectations for the combined financial and operational results of ARC's and Seven Generations' operations for the remainder of 2021.
(4) COVID-19 impacts on demand and market volatility may impact ARC's future financial and operational results. ARC will continuously monitor its guidance and provide updates as deemed appropriate.
(5) Reflects the percentage variation from ARC's 2021 year-to-date actual results and the current expectations of the Company.

ARC's 2021 guidance is based on full-year estimates; certain variances exist between 2021 year-to-date actual results and 2021 guidance estimates due to the timing of the Business Combination. ARC expects full-year 2021 actual results to closely approximate revised guidance.

ESG REVIEW

ARC continues to advance initiatives in support of the Company's leading ESG performance and overarching commitment to responsible development. In 2021, ARC announced its investment in Natural Gas Innovation Fund ("NGIF")'s Cleantech Ventures, an industry-led equity fund focused on advancing technologies and solutions that enhance the environmental and economic performance of the natural gas sector. The mandate of this new fund is to invest in cleantech enterprises across the value chain, from production, transmission, distribution, storage, and end-use applications, as well as innovations leading to the expanded production of emerging fuels like renewable natural gas and hydrogen. ARC is committed to upholding its strong environmental performance by continuing to reduce its greenhouse gas ("GHG") emissions. ARC currently ranks amongst the lowest emissions intensity producers within in its Canadian peer group. ARC continues to integrate Seven Generations' ESG initiatives to share learnings and leverage each company's strengths.

2021 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

($ millions, except per share and volume data)	Three Months Ended March 31, 2021	Three Months Ended **June 30, 2021**	Three Months Ended June 30, 2020	% Change	Six Months Ended **June 30, 2021**	Six Months Ended June 30, 2020	% Change
Net income (loss)	178.0	**(123.0)**	(43.5)	(183)	**55.0**	(601.9)	109
Net income (loss) per share	0.50	**(0.17)**	(0.12)	(42)	**0.10**	(1.70)	106
Funds from operations (1)	273.9	**542.5**	150.2	261	**816.4**	311.0	163
Funds from operations per share (1)	0.77	**0.75**	0.42	79	**1.51**	0.88	72
Free funds flow (2)	148.2	**249.7**	106.1	135	**397.9**	97.1	310
Free funds flow per share (2)	0.42	**0.35**	0.30	17	**0.74**	0.27	174
Dividends declared per share (3)	0.06	**0.06**	0.06	—	**0.12**	0.18	(33)
Average daily production (boe/d)	170,430	**335,701**	166,510	102	**253,522**	159,146	59

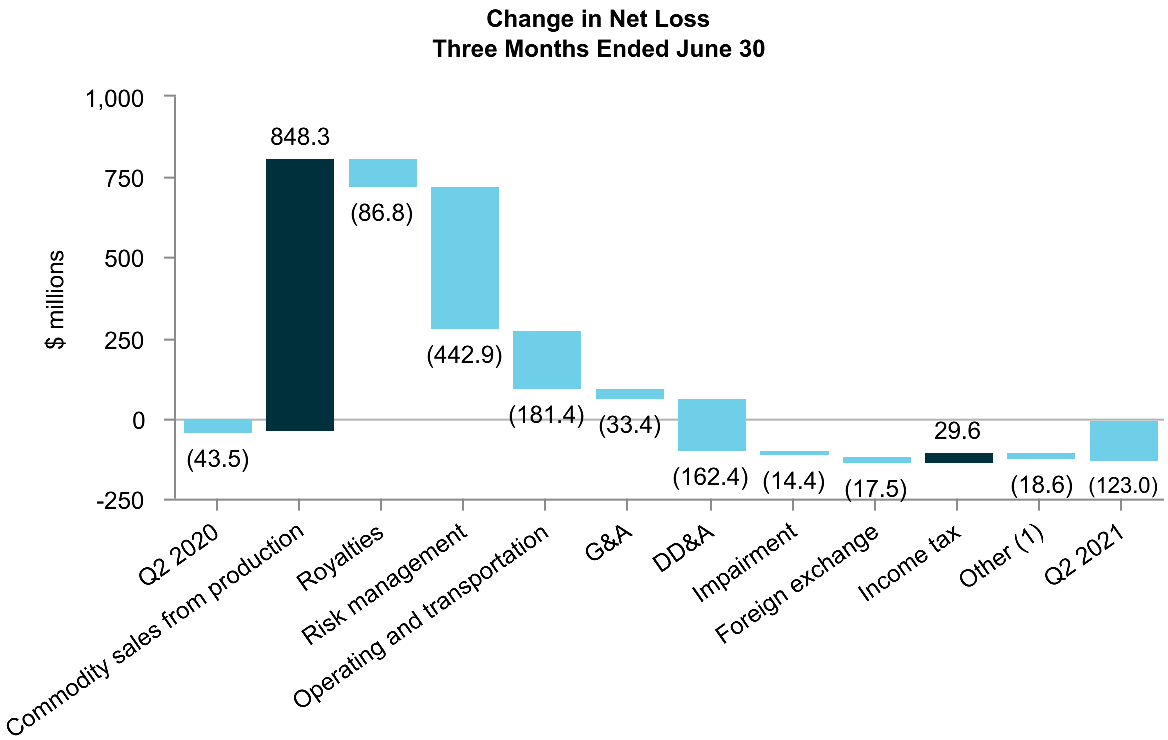
(1) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.
(3) Dividends declared per share are based on the number of shares outstanding at each dividend record date.

Net Income (Loss)

Significant differences in income and expenses for the three and six months ended June 30, 2021, compared with prior periods are primarily due to the Business Combination.

In the second quarter of 2021, ARC recognized a net loss of $123.0 million ($0.17 per share), an increased loss of $79.5 million from ARC's second quarter 2020 net loss of $43.5 million ($0.12 per share). The increase in net loss is primarily due to an increased loss on risk management contracts of $442.9 million, an increase in operating and transportation expense of $181.4 million as well as an increase in depletion, depreciation and amortization ("DD&A") of $162.4 million. The increase in net loss was partially offset by an increase in commodity sales from production of $848.3 million, associated with higher average realized commodity prices and higher average production.

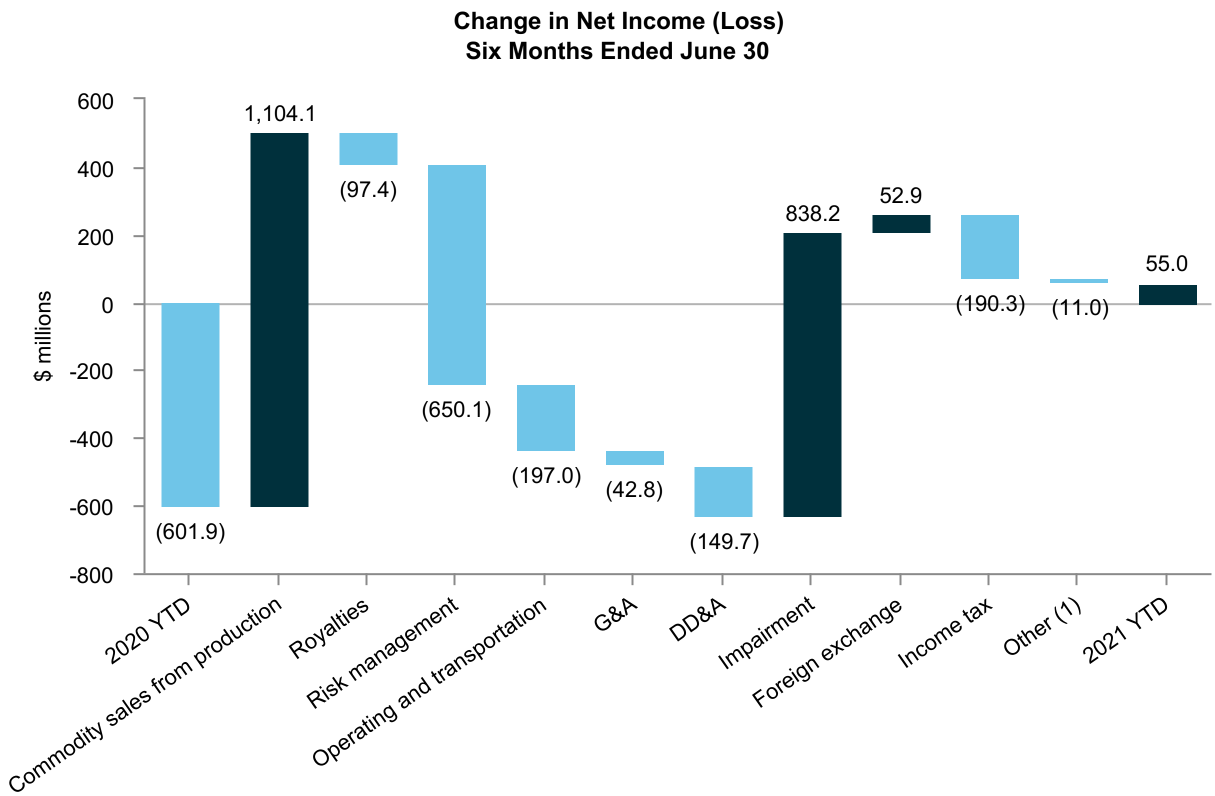
Exhibit 2



(1) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, transaction costs, interest and financing, and impairment of financial assets.

For the six months ended June 30, 2021, ARC recognized net income of $55.0 million ($0.10 per share) compared to a net loss of $601.9 million ($1.70 per share) for the same period of the prior year. The $656.9 million increase in net income is primarily attributed to an increase in commodity sales from production of $1.1 billion, associated with higher average realized commodity prices and higher average production, as well as a reversal of impairment of $98.2 million compared to a $740.0 million impairment charge in the same period of the prior year. Partially offsetting these items are a loss on risk management contracts of $620.5 million compared to a gain of $29.6 million in the same period of the prior year, an increase in operating and transportation expense of $197.0 million, a decrease in income tax recovery of $190.3 million, and an increase in DD&A of $149.7 million.

Exhibit 2a



(1) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, transaction costs, interest and financing, and impairment of financial assets.

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, to pay its dividend, 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 asset retirement obligation ("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 15 "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, 2021	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Net income (loss)	178.0	**(123.0)**	(43.5)	**55.0**	(601.9)
Adjusted for the following non-cash items:					
Impairment of financial assets	0.5	**0.6**	1.1	**1.1**	11.7
DD&A	123.0	**291.8**	129.4	**414.8**	265.1
Impairment (reversal of impairment)	(112.6)	**14.4**	—	**(98.2)**	740.0
Accretion of ARO	1.6	**3.2**	1.6	**4.8**	3.4
Deferred tax expense (recovery)	11.7	**(77.6)**	(13.6)	**(65.9)**	(173.7)
Unrealized loss on risk management contracts	80.1	**453.4**	102.5	**533.5**	19.3
Unrealized loss (gain) on foreign exchange	(8.6)	**(21.2)**	(28.8)	**(29.8)**	44.6
Other	0.2	**0.9**	1.5	**1.1**	2.5
Funds from operations	273.9	**542.5**	150.2	**816.4**	311.0
Net change in other liabilities	(6.6)	**(50.0)**	4.2	**(56.6)**	(1.1)
Change in non-cash working capital	11.1	**(33.6)**	(57.0)	**(22.5)**	(29.4)
Cash flow from operating activities	278.4	**458.9**	97.4	**737.3**	280.5

Details of the change in funds from operations from the three and six months ended June 30, 2020 to the three and six months ended June 30, 2021 are included in Table 5 below:

Table 5

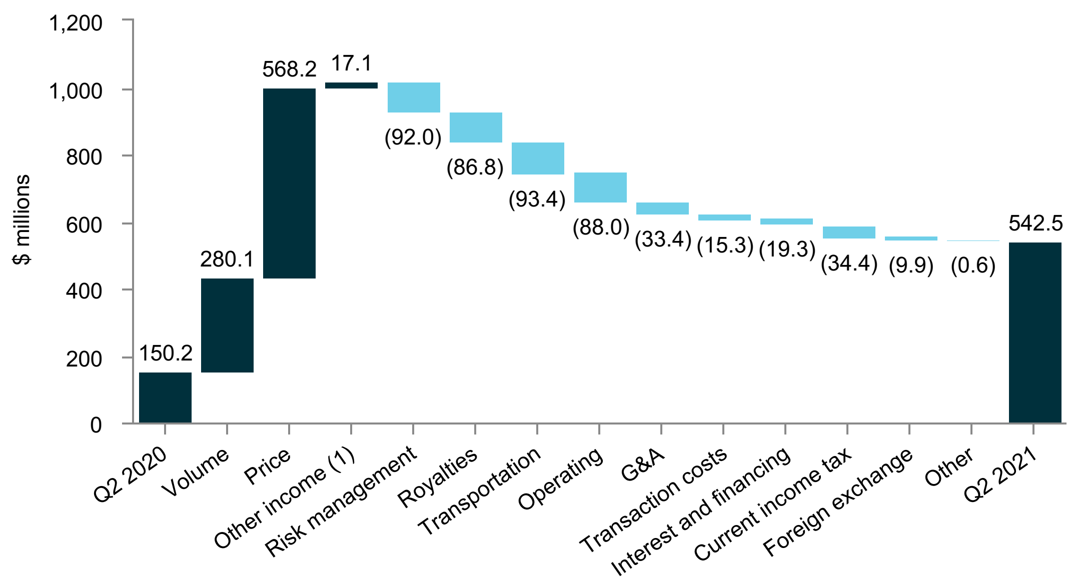
	Three Months Ended June 30		Six Months Ended June 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2020	150.2	0.42	311.0	0.88
Volume variance				
Crude oil and liquids	**204.9**	**0.58**	**258.0**	**0.73**
Natural gas	**75.2**	**0.21**	**94.1**	**0.27**
Price variance				
Crude oil and liquids	**412.8**	**1.18**	**415.6**	**1.18**
Natural gas	**155.4**	**0.44**	**336.4**	**0.95**
Sales of commodities purchased from third parties	**257.3**	**0.74**	**262.2**	**0.73**
Interest income	**1.7**	**—**	**1.5**	**—**
Other income	**3.9**	**0.01**	**8.4**	**0.02**
Realized loss on risk management contracts	**(92.0)**	**(0.27)**	**(135.9)**	**(0.38)**
Royalties	**(86.8)**	**(0.25)**	**(97.4)**	**(0.28)**
Expenses				
Commodities purchased from third parties	**(245.8)**	**(0.70)**	**(252.8)**	**(0.72)**
Operating	**(88.0)**	**(0.26)**	**(86.2)**	**(0.24)**
Transportation	**(93.4)**	**(0.26)**	**(110.8)**	**(0.31)**
G&A	**(33.4)**	**(0.09)**	**(42.8)**	**(0.12)**
Transaction costs	**(15.3)**	**(0.04)**	**(22.9)**	**(0.06)**
Interest and financing	**(19.3)**	**(0.05)**	**(16.6)**	**(0.05)**
Current income tax	**(34.4)**	**(0.10)**	**(82.5)**	**(0.23)**
Realized loss on foreign exchange	**(9.9)**	**(0.03)**	**(21.5)**	**(0.06)**
Other	**(0.6)**	**—**	**(1.4)**	**—**
Weighted average shares, diluted	**—**	**(0.78)**	**—**	**(0.80)**
Funds from operations – 2021	**542.5**	**0.75**	**816.4**	**1.51**

Funds from operations generated in the second quarter of 2021 increased by $392.3 million to $542.5 million ($0.75 per share) from $150.2 million ($0.42 per share) generated in the second quarter of 2020. For the six months ended June 30, 2021, funds from operations increased by $505.4 million to $816.4 million ($1.51 per share) from $311.0 million ($0.88 per share) in 2020.

The increase in funds from operations for the three and six months ended June 30, 2021, is primarily due to an increase in production as a result of the Business Combination as well as higher average realized commodity prices. This was partially offset by a realized loss on risk management contracts compared to a gain in the same periods of the prior year, a current income tax expense compared to a recovery in the same periods of the prior year as well as increases in royalties, transportation, operating, G&A, and interest and financing, which are reflective of the larger-scale operations created by the Business Combination.

Exhibit 3

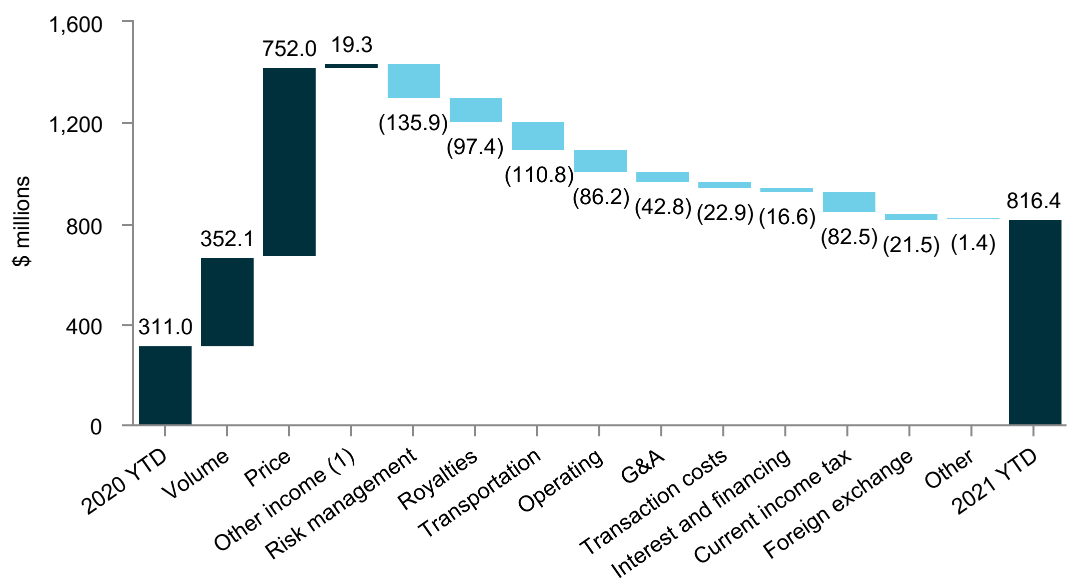
Change in Funds from Operations
Three Months Ended June 30



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

Exhibit 3a

Change in Funds from Operations
Six Months Ended June 30



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

Net Income and Funds from Operations Sensitivity

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

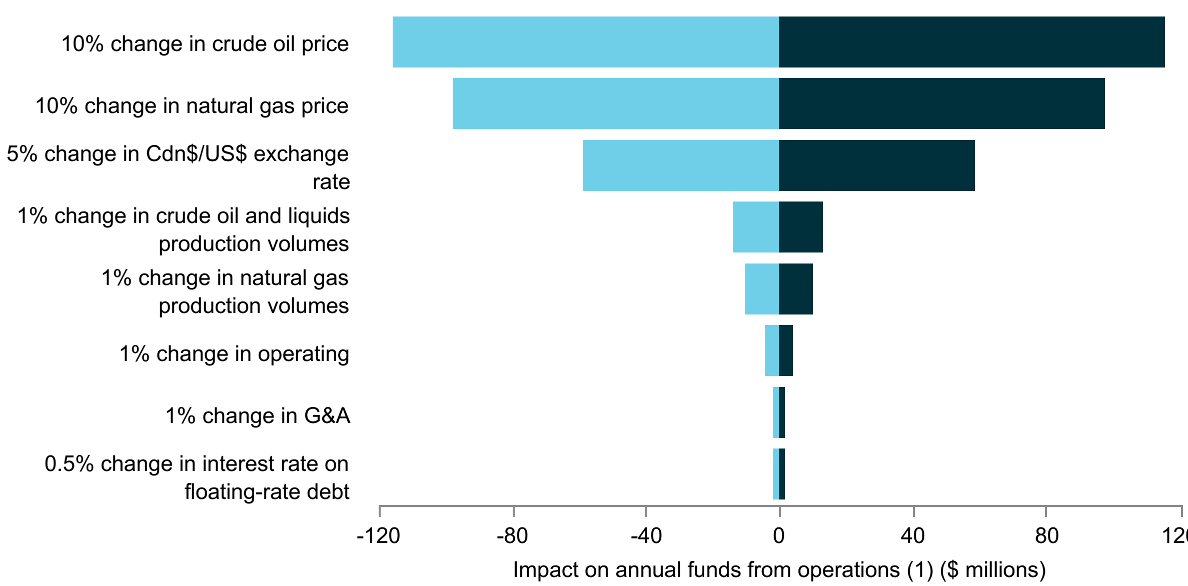
Table 6

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Income	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price ($/bbl) (2)(3)	68.89	10 %	115.6	0.214	115.6	0.214
Natural gas price ($/Mcf) (2)	3.84	10 %	97.8	0.181	97.8	0.181
Cdn$/US$ exchange rate (2)(4)	1.25	5 %	58.9	0.109	58.9	0.109
Interest rate on floating-rate debt (2)	1.75 %	0.5 %	1.6	0.003	1.6	0.003
Operational (5)						
Crude oil and liquids production (bbl/d)	86,877	1 %	13.5	0.025	11.3	0.021
Natural gas production (MMcf/d)	999.9	1 %	10.3	0.019	5.9	0.011
Operating ($/boe)	4.30	1 %	4.3	0.008	4.3	0.008
G&A ($/boe)	1.75	1 %	1.6	0.003	1.6	0.003

(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, 2021. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on funds from operations and net income would only be applicable within a limited range of these amounts.
(3) Includes the impact on crude oil, condensate, and NGLs prices.
(4) Includes impact of foreign exchange on crude oil, condensate, natural gas, and NGLs prices that are presented in US dollars.
(5) Operational assumptions are based upon results for the six months ended June 30, 2021.
(6) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 4

Funds from Operations Sensitivity (Prior to Risk Management Contracts)



(1) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

Table 7

Production	Three Months Ended March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	Six Months Ended **June 30, 2021**	June 30, 2020	% Change
Light and medium crude oil (bbl/d)	13,445	**11,411**	14,933	(24)	**12,423**	15,776	(21)
Heavy crude oil (bbl/d)	202	**248**	54	359	**225**	216	4
Condensate (bbl/d)	13,812	**73,459**	13,239	455	**43,800**	12,251	258
NGLs (bbl/d)	10,620	**50,020**	9,405	432	**30,429**	8,779	247
Crude oil and liquids (bbl/d)	38,079	**135,138**	37,631	259	**86,877**	37,022	135
Natural gas (MMcf/d)	794.1	**1,203.3**	773.3	56	**999.9**	732.7	36
Total production (boe/d)	170,430	**335,701**	166,510	102	**253,522**	159,146	59
Natural gas production (%)	78	**60**	77	(17)	**66**	77	(11)
Crude oil and liquids production (%)	22	**40**	23	17	**34**	23	11

For the three and six months ended June 30, 2021, crude oil and liquids production increased 259 per cent and 135 per cent, respectively, as compared to the same periods in the prior year. Increases in condensate and NGLs production were primarily driven by production at the Kakwa area acquired in the Business Combination, along with new wells which came on-stream at Greater Dawson during the second quarter of 2021. The decrease in crude oil production is primarily attributable to natural declines of oil-producing properties, in conjunction with the disposition of certain non-core assets at the end of the second quarter of 2021.

For the three and six months ended June 30, 2021, natural gas production increased 56 per cent and 36 per cent, respectively, compared to the same periods in the prior year. The increase for the three months ended June 30, 2021, compared to the same period of the prior year, was primarily due to the Business Combination, partially offset by a decrease in natural gas production as a result of turnaround and maintenance activities at Greater Dawson. The increase for the six months ending June 30, 2021, compared to the same period of the prior year, was primarily due to the Business Combination, as well as the commissioning of the Dawson Phase IV gas processing and liquids-handling facility during the second quarter of 2020.

Exhibit 5

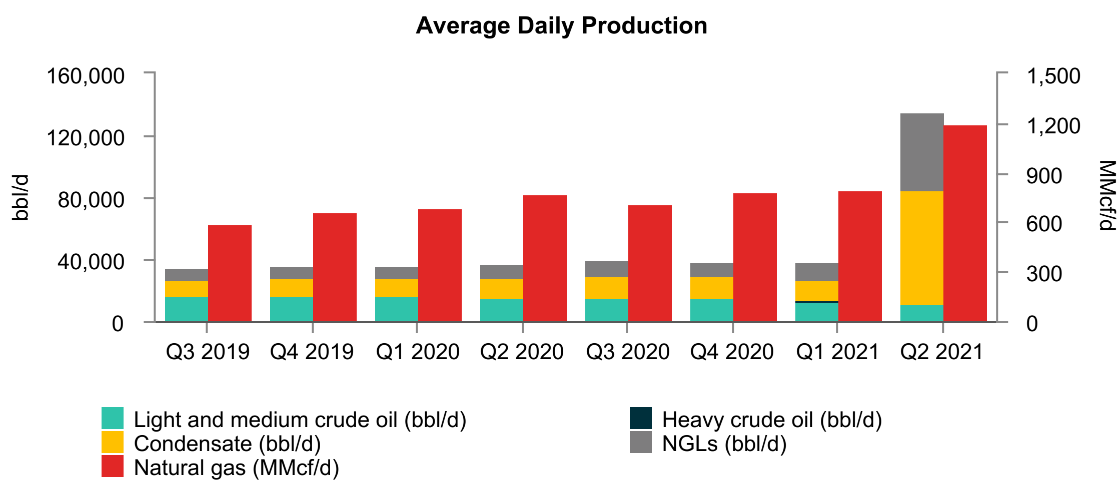


Table 8 summarizes ARC's production by core area for the three months ended June 30, 2021 and June 30, 2020:

Table 8

	Three Months Ended June 30, 2021				
Production Core Area	**Total (boe/d)**	**Crude Oil (bbl/d)**	**Condensate (bbl/d)**	**Natural Gas (MMcf/d)**	**NGLs (bbl/d)**
Kakwa	**172,890**	—	60,319	437.6	39,633
Greater Dawson [(1)]	**91,219**	1,344	10,189	427.5	8,439
Sunrise	**43,242**	—	14	259.2	29
Ante Creek	**17,331**	6,538	488	53.2	1,435
Attachie West	**4,418**	—	2,232	12.2	148
All other	**6,601**	3,777	217	13.6	336
Total	**335,701**	**11,659**	**73,459**	**1,203.3**	**50,020**

	Three 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)
Greater Dawson [(1)]	98,267	2,439	10,837	463.3	7,770
Sunrise	40,662	—	—	243.9	12
Ante Creek	14,329	6,013	369	40.4	1,216
Attachie West	3,034	—	1,773	7.3	44
All other	10,218	6,535	260	18.4	363
Total	166,510	14,987	13,239	773.3	9,405

(1) Comprises ARC's Dawson and Parkland/Tower assets.

Exhibit 6

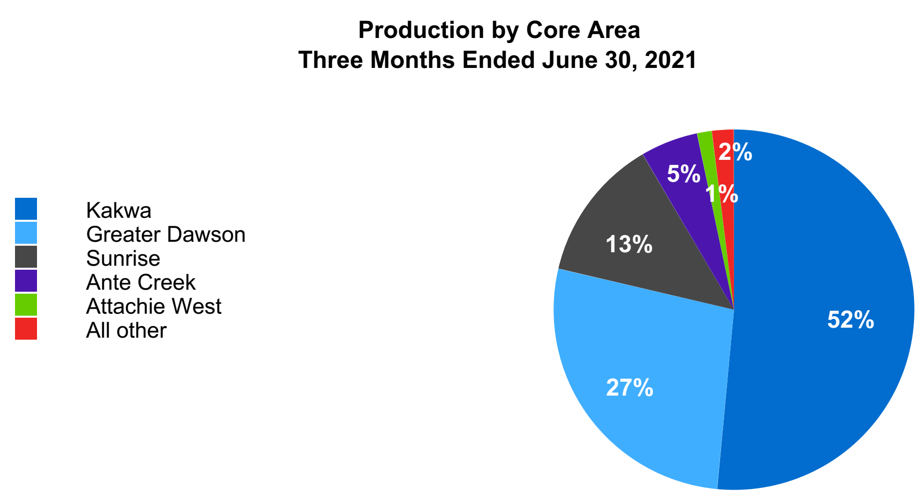


Table 8a summarizes ARC's production by core area for the six months ended June 30, 2021 and June 30, 2020:

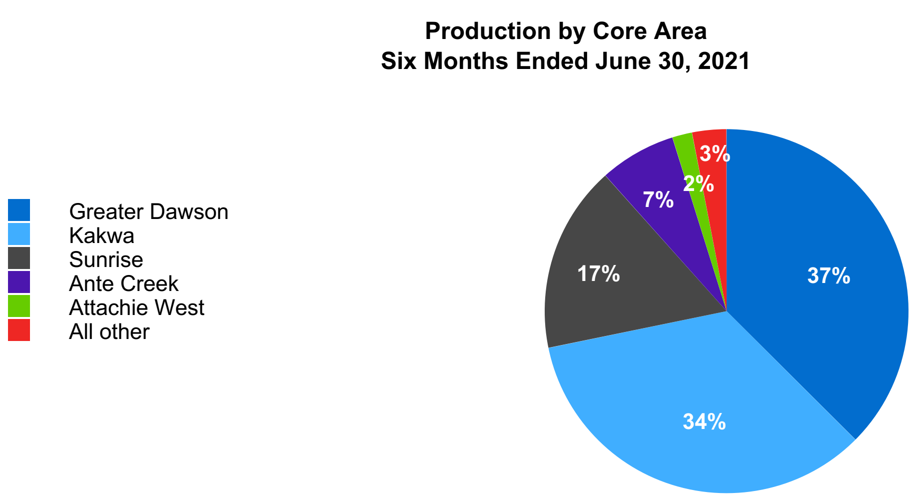
Table 8a

	Six Months Ended June 30, 2021				
Production Core Area	**Total (boe/d)**	**Crude Oil (bbl/d)**	**Condensate (bbl/d)**	**Natural Gas (MMcf/d)**	**NGLs (bbl/d)**
Greater Dawson [(1)]	**95,089**	1,503	10,402	448.0	8,522
Kakwa	**86,922**	—	30,326	220.0	19,926
Sunrise	**42,084**	—	12	252.3	30
Ante Creek	**17,216**	6,589	467	52.3	1,441
Attachie West	**4,505**	—	2,365	12.0	134
All other	**7,706**	4,556	228	15.3	376
Total	**253,522**	**12,648**	**43,800**	**999.9**	**30,429**

	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)
Greater Dawson [(1)]	88,301	2,641	9,658	413.6	7,067
Sunrise	41,614	—	—	249.6	19
Ante Creek	14,683	6,104	376	41.9	1,221
Attachie West	3,278	—	1,936	7.7	59
All other	11,270	7,247	281	19.9	413
Total	159,146	15,992	12,251	732.7	8,779

(1) Comprises ARC's Dawson and Parkland/Tower assets.

Exhibit 6a



Commodity Sales from Production

For the three and six months ended June 30, 2021, commodity sales from production increased by 389 per cent and 227 per cent, respectively, as compared to the same periods in 2020. The increase is primarily due to increased production volumes contributed by the Business Combination, as well as an increase in average realized commodity prices.

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

Table 9

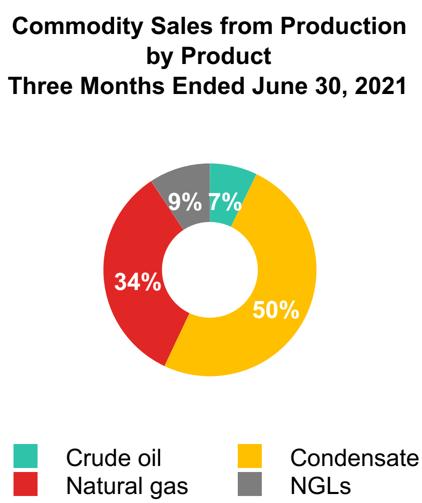
	Three Months Ended				Six Months Ended		
Commodity Sales from Production ($ millions)	March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Crude oil	79.2	**78.5**	35.3	122	**157.7**	112.1	41
Condensate	89.0	**520.9**	38.1	1,267	**609.9**	97.0	529
Natural gas	329.0	**365.8**	135.2	171	**694.8**	264.3	163
NGLs	28.1	**101.0**	9.3	986	**129.1**	14.0	822
Total commodity sales from production	525.3	**1,066.2**	217.9	389	**1,591.5**	487.4	227

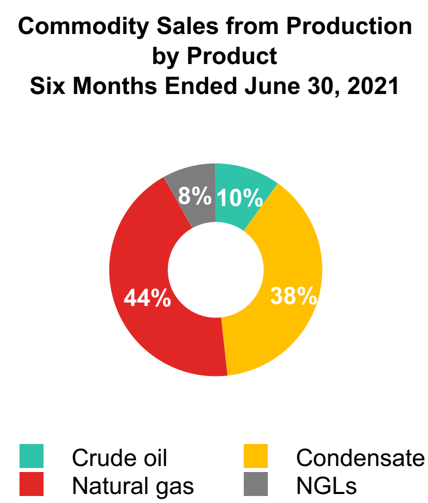
For the three and six months ended June 30, 2021, crude oil and liquids comprised 66 per cent and 56 per cent of ARC's commodity sales from production, respectively, compared to 38 per cent and 46 per cent for the same periods in 2020. The increase in crude oil and liquids weighting is primarily due to the addition of condensate and NGLs volumes from the Kakwa area acquired through the Business Combination.

Table 10

	Three Months Ended			Six Months Ended	
% of Commodity Sales from Production by Product Type	March 31, 2021	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Crude oil and liquids	37	**66**	38	**56**	46
Natural gas	63	**34**	62	**44**	54
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 7





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, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	2.69	**2.83**	1.72	65	**2.76**	1.83	51
Chicago Citygate Monthly Index (US$/MMBtu)	2.62	**2.74**	1.63	68	**2.68**	1.79	50
AECO 7A Monthly Index (Cdn$/Mcf)	2.93	**2.85**	1.91	49	**2.89**	2.03	42
West Texas Intermediate ("WTI") crude oil (US$/bbl)	58.14	**66.17**	28.00	136	**62.22**	36.82	69
Cdn$/US$ exchange rate	1.27	**1.23**	1.39	(12)	**1.25**	1.37	(9)
WTI crude oil (Cdn$/bbl)	73.84	**81.39**	38.92	109	**77.78**	50.44	54
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	66.98	**77.44**	30.16	157	**72.39**	40.86	77
Condensate Stream Price at Edmonton (Cdn$/bbl)	73.84	**81.67**	30.94	164	**77.90**	46.49	68
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	64.46	**74.01**	25.88	186	**68.89**	38.53	79
Condensate ($/bbl)	71.59	**77.93**	31.54	147	**76.93**	43.48	77
Natural gas ($/Mcf)	4.60	**3.34**	1.92	74	**3.84**	1.98	94
NGLs ($/bbl)	29.45	**22.19**	10.84	105	**23.45**	8.76	168
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	34.25	**34.90**	14.38	143	**34.68**	16.83	106

Benchmark Commodity Prices

Average WTI crude oil prices increased 14 per cent in the second quarter of 2021 compared to the prior quarter and increased 136 per cent compared to the second quarter of 2020. Supported by positive economic data, crude oil prices moved higher throughout the period with WTI reaching its strongest levels since 2018. Growing COVID-19 vaccine distribution and the reopening of economies has led to an increase in refined product demand and drawdown of global crude oil inventories. Adherence to coordinated production curtailments from major crude oil-producing nations along with limited growth from independent producers has also provided support to global crude oil markets.

Locally, Canadian crude oil differentials were stable during the quarter as demand continued its gradual recovery and Canadian crude grades traded in line with rising downstream prices. Canadian condensate differentials were unchanged during the quarter as increased oil sands production and competition for imported supply continued to support local prices.

The Canadian dollar strengthened in the second quarter of 2021, relative to the US dollar, to its highest level since 2015 as rising crude oil prices and improving macroeconomic market sentiment factored into relative currency valuations.

Average NYMEX Henry Hub natural gas prices increased five per cent in the second quarter of 2021 compared to the prior quarter and increased 65 per cent compared to the second quarter of 2020. US production was unchanged in the quarter while natural gas exports continued to drive an increase in year-over-year demand. In global natural gas markets, low European inventory levels and strong demand led to robust international natural gas market pricing, which continued to support US liquefied natural gas export economics.

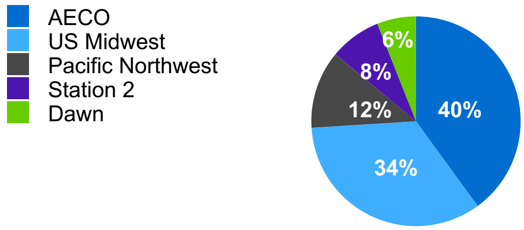
The AECO monthly index decreased three per cent in the second quarter of 2021 compared to the prior quarter and increased 49 per cent compared to the second quarter of 2020. Throughout most of the period, AECO prices retained their value relative to downstream markets. Increases in western Canadian supply were offset by strong demand for both local inventory injections as well as pipeline exports.

ARC's Average Realized Commodity Prices
For the three and six months ended June 30, 2021, ARC's average realized crude oil price increased 186 per cent and 79 per cent, respectively, compared to the same periods in 2020. During the same time periods, ARC's average realized condensate price also increased by 147 per cent and 77 per cent, respectively. For both crude oil and condensate, the increases primarily reflect the stronger benchmark WTI price and tighter differentials in the current period.

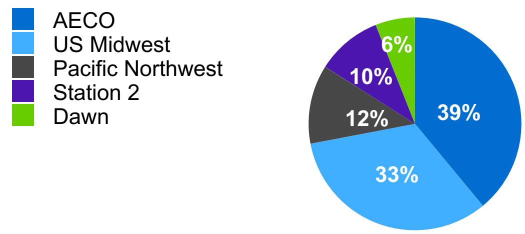
ARC's natural gas sales are physically diversified to multiple sales points with different index-based pricing. ARC's average realized natural gas price for the three and six months ended June 30, 2021 increased 74 per cent and 94 per cent, respectively, compared to the same periods in the prior year. The increase for the three and six months ended June 30, 2021 is primarily due to strong local markets and recovering natural gas demand. The increase for the six months ended June 30, 2021 also included the effects of an extreme weather event on the US Midwest market. Overall, physical sales diversification activities reduced ARC’s natural gas revenue by $0.03 per Mcf in the second quarter of 2021 compared to $0.15 per Mcf in the second quarter of 2020. For the six months ended June 30, 2021, physical sales diversification activities increased ARC's natural gas revenue by $0.50 per Mcf, compared to a reduction of $0.12 per Mcf for the same period in the prior year.

Exhibit 8

Natural Gas Sales by Sales Point
Three Months Ended
June 30, 2021

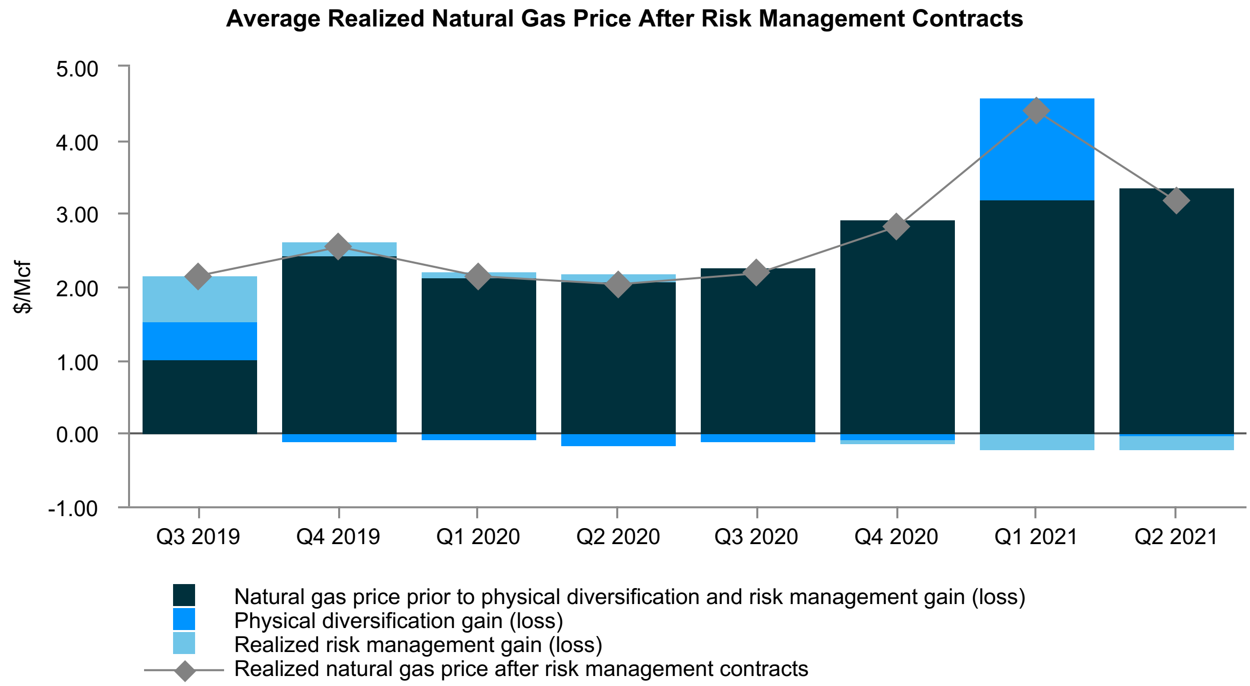


Natural Gas Sales by Sales Point
Six Months Ended
June 30, 2021



ARC's NGLs revenue increased to $101.0 million and $129.1 million for the three and six months ended June 30, 2021, respectively, compared to $9.3 million and $14.0 million for the same periods of the prior year, with average realized NGLs pricing increasing 105 per cent and 168 per cent, respectively, primarily due to stronger demand and low inventory levels.

Exhibit 9



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, 2021 compared to the same periods in 2020:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**NGLs and Foreign Currency**	**Q2 2021 Total**	Q2 2020 Total
Realized gain (loss) on contracts (1)	(50.4)	(19.4)	9.6	**(60.2)**	31.8
Unrealized gain (loss) on contracts (2)	(264.5)	(191.3)	2.4	**(453.4)**	(102.5)
Gain (loss) on risk management contracts	**(314.9)**	**(210.7)**	**12.0**	**(513.6)**	(70.7)

(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**	**NGLs and Foreign Currency**	**2021 YTD Total**	2020 YTD Total
Realized gain (loss) on contracts (1)	(62.0)	(34.6)	9.6	**(87.0)**	48.9
Unrealized gain (loss) on contracts (2)	(314.1)	(221.3)	1.9	**(533.5)**	(19.3)
Gain (loss) on risk management contracts	**(376.1)**	**(255.9)**	**11.5**	**(620.5)**	29.6

(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, 2021, ARC's realized loss on risk management contracts primarily reflects cash settlements paid on WTI crude oil contracts, NYMEX Henry Hub natural gas contracts, AECO natural gas contracts, and natural gas basis contracts referencing AECO and other regional basis. This was partially offset by gains on foreign exchange contracts.

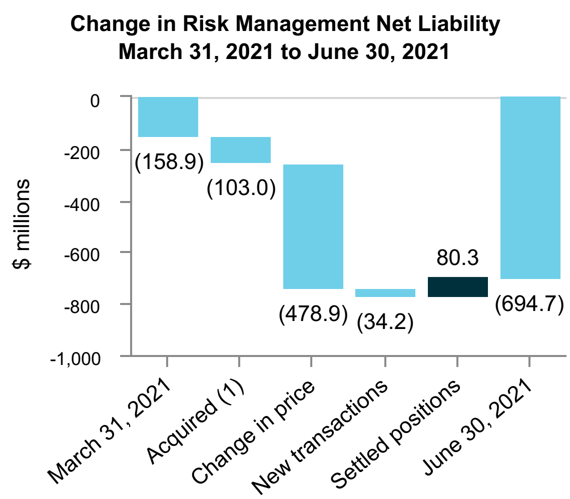
ARC's unrealized loss on crude oil contracts for the three and six months ended June 30, 2021 reflects higher forward pricing for WTI crude oil contracts outstanding at period end as compared to the same periods in the prior year. ARC's unrealized loss on natural gas contracts for the three and six months ended June 30, 2021 primarily reflects higher forward pricing for NYMEX Henry Hub and AECO natural gas contracts at period end, as well as a strengthening of other regional basis' forward curves. This was partially offset by higher forward pricing for the Canadian dollar.

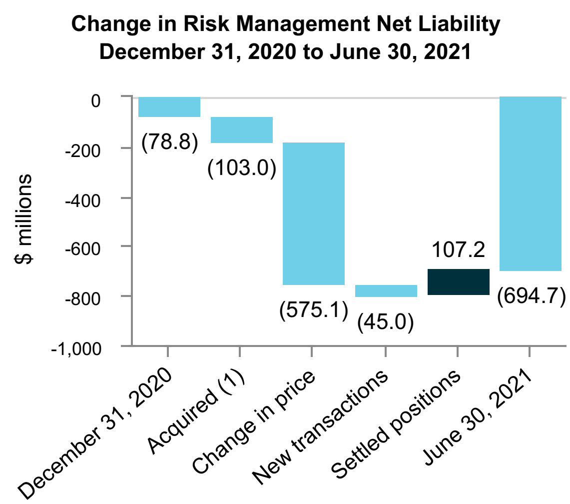
The changes in the realized and unrealized gain or loss on risk management contracts are inclusive of contracts acquired as a result of the Business Combination as well as additional contracts executed, with the intent to protect the economics of the Business Combination. For more information, refer to Note 16 "Financial Instruments and Market Risk Management" in the financial statements.

Not included in the realized and unrealized gain or loss on risk management contracts are cash settlements of $20.6 million for both the three and six months ended June 30, 2021, associated with the settlement of the risk management liability recognized as a result of the Business Combination. Refer to Note 5 "Business Combination" in the financial statements.

The fair value of ARC’s risk management contracts at June 30, 2021 was a net liability of $694.7 million, representing the expected value of settlement of ARC’s contracts at the balance sheet date after adjustments for credit risk. This comprises a net liability of $414.7 million from crude oil contracts, a net liability of $311.9 million from natural gas contracts, and a net asset of $31.9 million from NGLs and foreign exchange contracts.

Exhibit 10





(1) Acquired upon close of Business Combination.

Netback

The components of ARC's netback for the three and six months ended June 30, 2021 compared to the same periods in 2020 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended				Six Months Ended		
Netback ($ millions) (1)	March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Commodity sales from production	525.3	**1,066.2**	217.9	389	**1,591.5**	487.4	227
Royalties	(25.8)	**(92.5)**	(5.7)	1,523	**(118.3)**	(20.9)	466
Operating	(59.0)	**(138.3)**	(50.3)	175	**(197.3)**	(111.1)	78
Transportation	(56.8)	**(137.0)**	(43.6)	214	**(193.8)**	(83.0)	133
Netback	383.7	**698.4**	118.3	490	**1,082.1**	272.4	297
Realized gain (loss) on risk management contracts	(26.8)	**(60.2)**	31.8	(289)	**(87.0)**	48.9	(278)
Netback after realized gain (loss) on risk management contracts	356.9	**638.2**	150.1	325	**995.1**	321.3	210

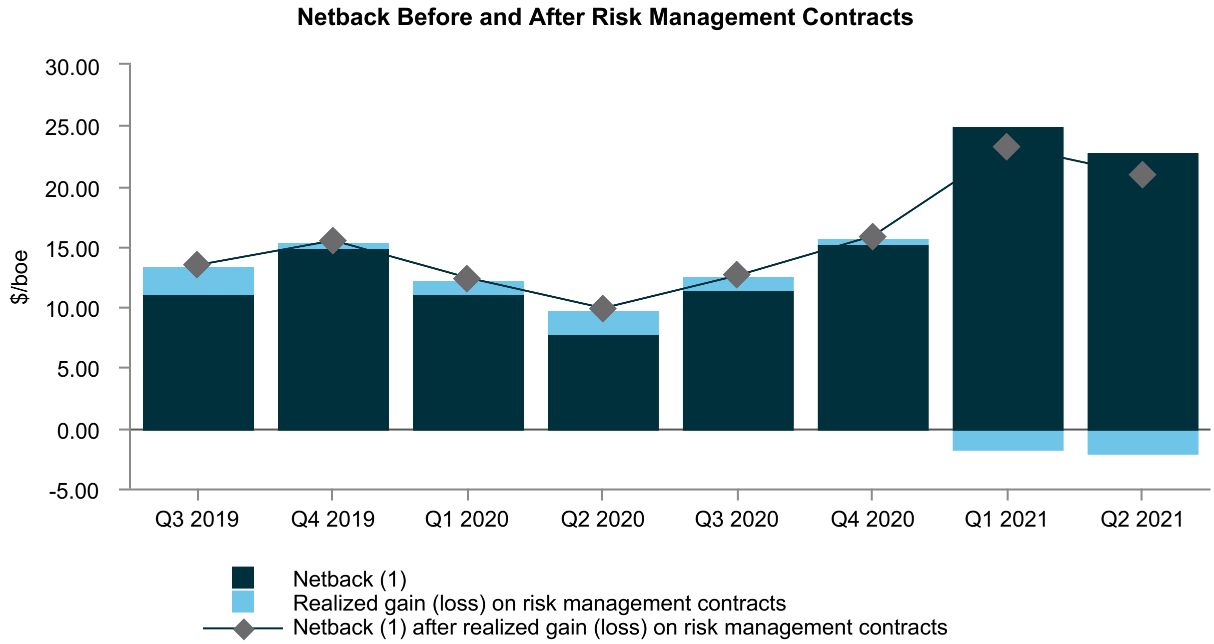
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Table 13a

	Three Months Ended				Six Months Ended		
Netback ($ per boe) (1)	March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Commodity sales from production	34.25	**34.90**	14.38	143	**34.68**	16.83	106
Royalties	(1.69)	**(3.02)**	(0.38)	695	**(2.58)**	(0.73)	253
Operating	(3.85)	**(4.53)**	(3.32)	36	**(4.30)**	(3.83)	12
Transportation	(3.70)	**(4.49)**	(2.88)	56	**(4.22)**	(2.87)	47
Netback	25.01	**22.86**	7.80	193	**23.58**	9.40	151
Realized gain (loss) on risk management contracts	(1.75)	**(1.97)**	2.10	(194)	**(1.90)**	1.69	(212)
Netback after realized gain (loss) on risk management contracts	23.26	**20.89**	9.90	111	**21.68**	11.09	95

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

Exhibit 11

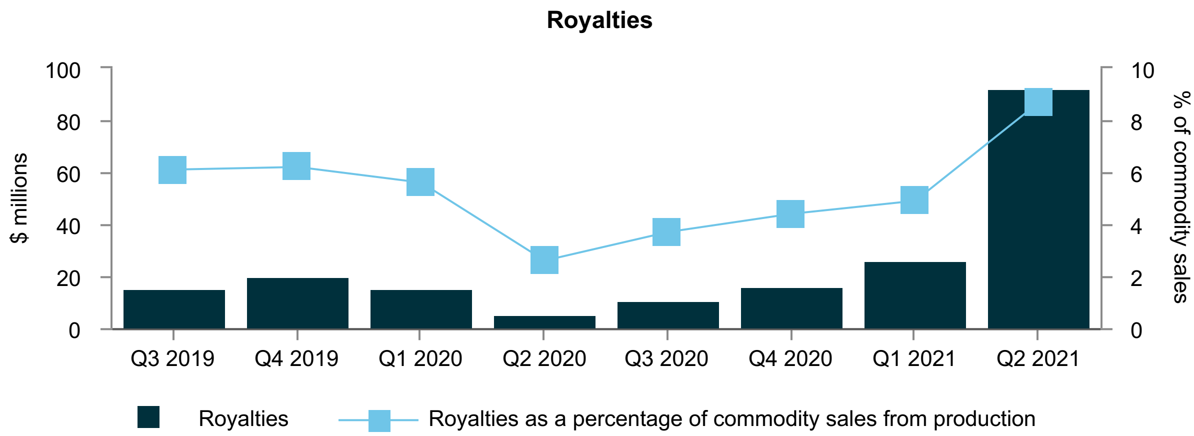


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three and six months ended June 30, 2021 were $92.5 million and $118.3 million ($5.7 million and $20.9 million for the same periods in 2020), respectively. As a percentage of commodity sales from production, royalties increased to 8.7 per cent ($3.02 per boe) in the second quarter of 2021 from 2.6 per cent ($0.38 per boe) in the second quarter of 2020. For the six months ended June 30, 2021, royalties represented 7.4 per cent of commodity sales from production ($2.58 per boe) as compared to 4.3 per cent ($0.73 per boe) for the six months ended June 30, 2020. The increase in total royalties and royalties as a percentage of commodity sales from production for the three and six months ended June 30, 2021, is reflective of a higher average royalty rate due to increased commodity prices compared to the same periods in 2020 as well as a higher proportion of condensate and NGLs production volumes as a result of the Business Combination. Additionally, as a result of the Business Combination, ARC has a higher proportion of production volumes in the province of Alberta compared to prior periods which has impacted royalty rates.

Exhibit 12

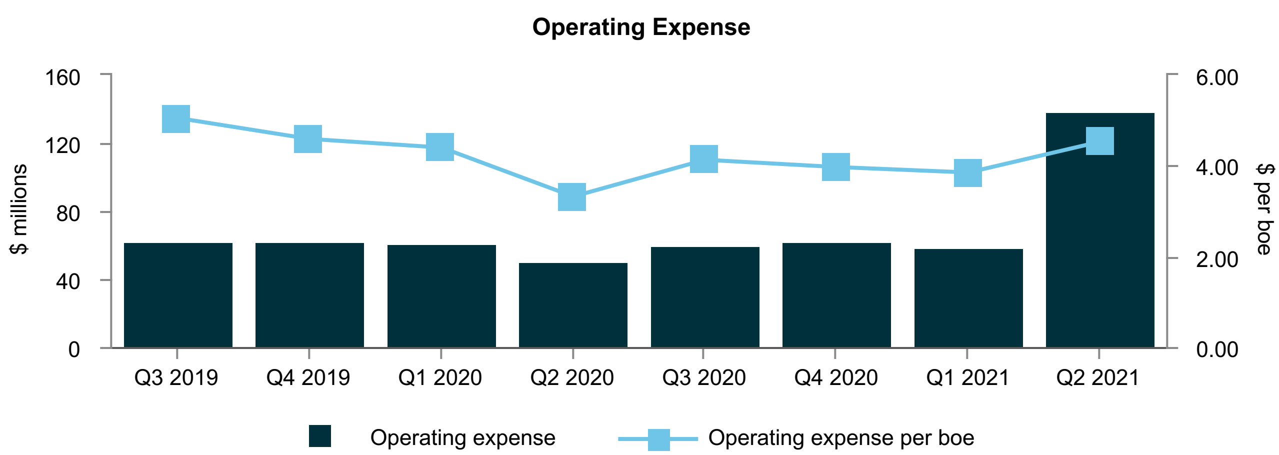


Operating

Operating expense increased by $88.0 million in the second quarter of 2021 to $138.3 million as compared to $50.3 million in the second quarter of 2020. For the six months ended June 30, 2021, operating expense increased by $86.2 million to $197.3 million as compared to $111.1 million in the prior year. The increase in operating expense for the three and six months ended June 30, 2021 is reflective of increased production due to the Business Combination as well as increased maintenance activity across ARC's asset base.

On a per boe basis, operating expense increased $1.21 per boe to $4.53 per boe in the second quarter of 2021 compared to $3.32 per boe in the second quarter of 2020. For the six months ended June 30, 2021, operating expense increased by $0.47 per boe to $4.30 per boe compared to $3.83 per boe for the six months ended June 30, 2020. The increase in operating expense on a per boe basis for the three and six months ended June 30, 2021 primarily reflects higher average operating costs at Kawka which was acquired in the Business Combination and produces a higher proportion of condensate and NGLs compared to natural gas.

Exhibit 13

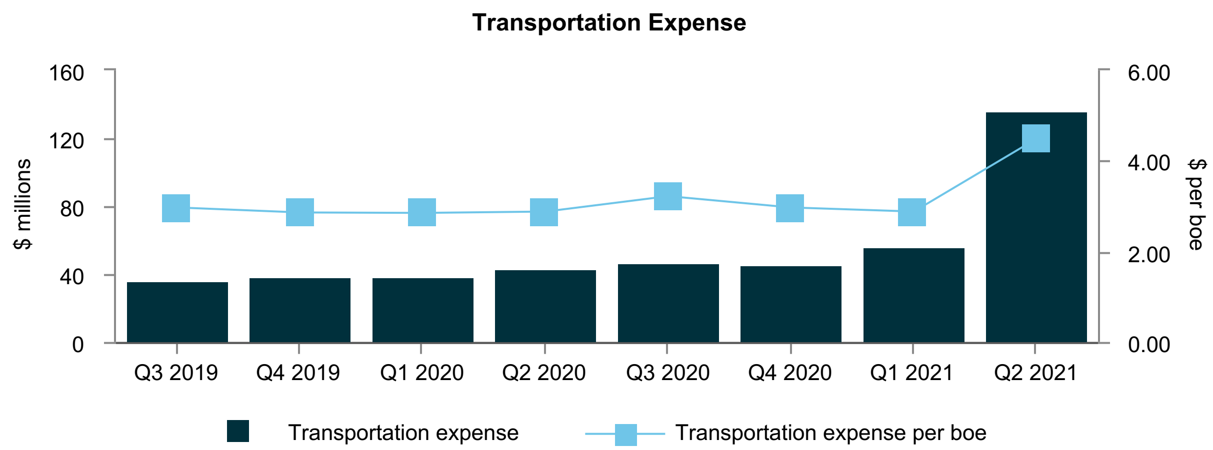


Transportation

Transportation expense for the three and six months ended June 30, 2021 was $137.0 million and $193.8 million ($43.6 million and $83.0 million for the three and six months ended June 30, 2020), respectively. On a per boe basis, transportation expense for the three and six months ended June 30, 2021, was $4.49 per boe and $4.22 per boe ($2.88 per boe and $2.87 per boe for the three and six months ended June 30, 2020), respectively. The increase in transportation expense on a total and per boe basis for the three and six months ended June 30, 2021, relative to the same periods in 2020, is primarily due to increased production volumes associated with the Business Combination, as well as incremental natural gas pipeline transportation and increased pipeline tariffs on existing natural gas production. Also included in transportation expense, is the amortization of a deferred transportation service liability acquired through the Business Combination. For both the three and six months ended June 30, 2021, transportation expense associated with this liability was reduced by $35.7 million.

ARC enters firm transportation service commitments in order to secure diversified market access for both its current production as well as anticipated production from facility infrastructure planned to be operational in the future. ARC's transportation contract portfolio is monitored on an ongoing basis and contracts are assessed at period end to determine the existence of any contracts that are onerous; none were identified at June 30, 2021. For information regarding ARC's payment obligations under its future transportation commitments, refer to Note 20 "Commitments and Contingencies" in the financial statements.

Exhibit 14



G&A Expense and Share-Based Compensation

G&A expense before share-based compensation increased 124 per cent to $35.9 million in the second quarter of 2021 from $16.0 million in the second quarter of 2020. For the six months ended June 30, 2021, ARC's G&A expense before share-based compensation was $55.8 million, a $22.9 million increase from $32.9 million in 2020. The increase for both the three and six months ended June 30, 2021, primarily reflects an increase in compensation due to a larger workforce as well as termination benefits associated with the Business Combination. Average directors' fees also increased compared to the same periods in the prior year due to the share-based component that is revalued as the underlying share price changes.

Not included in G&A are transaction costs associated with the Business Combination of $15.3 million and $22.9 million for the three and six months ended June 30, 2021, respectively, which are primarily comprised of advisory and legal fees. Refer to Note 5 "Business Combination" in the financial statements.

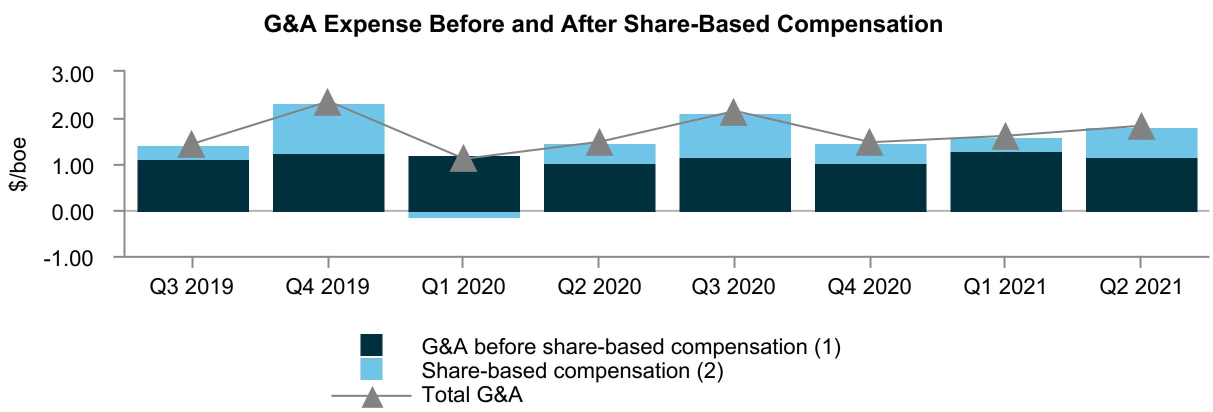
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

G&A and Share-Based Compensation ($ millions, except per boe)	March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
	Three Months Ended				Six Months Ended		
G&A expense before share-based compensation expense [1]	19.9	**35.9**	16.0	124	**55.8**	32.9	70
G&A – share-based compensation expense [2]	4.8	**19.9**	6.4	211	**24.7**	4.8	415
Total G&A expense	24.7	**55.8**	22.4	149	**80.5**	37.7	114
G&A expense before share-based compensation expense per boe	1.30	**1.18**	1.06	11	**1.21**	1.13	7
G&A – share-based compensation expense per boe	0.31	**0.65**	0.42	55	**0.54**	0.17	218
Total G&A expense per boe	1.61	**1.83**	1.48	24	**1.75**	1.30	35

(1) Includes expense recognized under the DSU Plans.
(2) Comprises expense recognized under the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), share option, and Long-term Restricted Share Award ("LTRSA") plans.

Exhibit 15



(1) Includes expense recognized under the DSU Plans.
(2) Comprises expense recognized under the RSU, PSU, share option, and LTRSA plans.

Share-Based Compensation Plans

For a description of ARC's various share-based compensation plans and related accounting policies that existed prior to the Business Combination (the "Legacy Plans"), refer to Note 3 "Summary of Accounting Policies" and Note 21 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2020.

Additionally, various share-based compensation awards held by employees and directors of Seven Generations may be subject to accelerated vesting and are eligible for continuation and exercise after the effective date of the Business Combination (the "Acquired Plans").

During the three and six months ended June 30, 2021, ARC recognized G&A expense of $19.9 million and $24.7 million, respectively, associated with its share-based compensation plans, compared to $6.4 million and $4.8 million during the same periods of the prior year.

Restricted Share Unit and Performance Share Unit Plans

RSU and PSU awards outstanding under the Acquired Plans consist of RSUs for which the number of share awards is fixed and PSUs for which the number of share awards is variable based on the determination of a performance multiplier, which can range from zero to two. The performance multiplier is composed of a market component, being the relative shareholder return performance compared to a predefined peer group, and a non-market component, being a predetermined corporate scorecard. Both RSUs and PSUs of the Acquired Plans vest annually over three years. In accordance with the Business Combination Agreement, the performance multipliers for PSU awards under the Acquired Plans that are scheduled to vest in 2021 have been predetermined and range from 0.83 to 1.79. Approximately two per cent of RSU and PSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

At June 30, 2021, ARC had 4.4 million RSUs and 7.3 million PSUs outstanding under both the Legacy and Acquired Plans, respectively. For the three and six months ended June 30, 2021, ARC recognized G&A expense in relation to the RSU and PSU Plans of $19.1 million and $23.0 million ($5.3 million and $2.6 million for the three and six months ended June 30, 2020), respectively. The increase in expense recognized for the three and six months ended June 30, 2021, as compared to the same periods in 2020, is due to the continued vesting of awards under the Acquired Plans and the change in valuation of awards outstanding under the Legacy Plans.

At June 30, 2021, ARC's share price on the Toronto Stock Exchange ("TSX") was $10.55, a 37 per cent increase from the share price of $7.72 at March 31, 2021 and a 76 per cent increase from the share price of $6.00 at December 31, 2020. This compares to a 13 per cent increase and a 44 per cent decrease for the same periods of the prior year. The value of ARC's average performance multiplier, applicable to its PSU awards under the Legacy Plans, decreased nine per cent and 26 per cent for the three and six months ended June 30, 2021, respectively, compared to a nil per cent and 38 per cent increase for the same periods of the prior year.

During the six months ended June 30, 2021, ARC made cash payments of $21.2 million in respect of the RSU and PSU Plans ($4.4 million for the six months ended June 30, 2020). Of these payments, $15.2 million were in respect of amounts recognized as G&A ($3.5 million for the six months ended June 30, 2020) and $6.0 million were in respect of amounts recognized as operating and capitalized as property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") ($0.9 million for the six months ended June 30, 2020). These amounts were accrued in prior periods.

Tables 15 and 15a show the changes to the outstanding RSU and PSU awards for the Legacy Plans and Acquired Plans during 2021:

Table 15

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs Granted Prior to 2019** (1)	**PSUs Granted Subsequent to 2018** (1)	**Total RSUs and PSUs**
Balance, December 31, 2020	3,836	998	5,103	9,937
Granted (2)	**893**	**542**	**933**	**2,368**
Distributed	**(1,005)**	**(1,032)**	**—**	**(2,037)**
Forfeited	**(155)**	**(11)**	**(108)**	**(274)**
Balance, June 30, 2021	**3,569**	**497**	**5,928**	**9,994**

(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 the effect of the performance multiplier on grants that vested in the current period.

Table 15a

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**Total RSUs and PSUs**
Balance, December 31, 2020	—	—	—
Acquired upon close of Business Combination (2)	**930**	**1,098**	**2,028**
Distributed	**(137)**	**(252)**	**(389)**
Forfeited	**(10)**	**(7)**	**(17)**
Balance, June 30, 2021	**783**	**839**	**1,622**

(1) Based on underlying awards before any effect of the performance multiplier, with the exception of awards vesting in 2021.
(2) In accordance with the Business Combination Agreement, an exchange ratio of 1.108 has been applied.

Due to the variability in the expected future payments under the plans, ARC estimates that between $46.3 million and $198.7 million will be paid out in 2021 through 2024 based on the current share price, accrued dividends, ARC's market performance relative to its peers, and ARC's corporate scorecard results. 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, 2021:

Table 16

Value of RSU and PSU Awards as at June 30, 2021		**Performance Multiplier**	
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	4,352	4,352	4,352
PSUs (2)	45	7,264	14,438
Total awards	**4,397**	**11,616**	**18,790**
Share price (3)	10.55	10.55	10.55
Value of RSU and PSU awards upon vesting	**46.3**	**122.5**	**198.7**
2021 (2)	7.4	12.6	17.8
2022	21.8	46.3	70.8
2023	14.5	52.4	90.3
2024	2.6	11.2	19.8

(1) Includes additional estimated awards to be issued under the Legacy and Acquired RSU and PSU Plans for dividends accrued to-date.
(2) Performance multipliers associated with awards vesting in 2021 under the Acquired Plans have been included at their predetermined values.
(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 price at June 30, 2021.

Share Option Plans

Share options granted under the Acquired Plans vest annually over three years and expire 10 years after the date of grant. The last grant was in 2019.

At June 30, 2021, ARC had 4.1 million share options outstanding under the Legacy Plans, with a weighted average exercised price of $15.22. Of those, 2.2 million were exercisable at June 30, 2021, with a weighted average exercise price of $17.47.

At June 30, 2021, ARC had 6.0 million share options outstanding under the Acquired Plans, with a weighted average exercise price of $17.13. All share options under the Acquired Plans were exercisable at June 30, 2021.

Under the Legacy and Acquired Plans, ARC had 10.1 million share options outstanding, representing 1.4 per cent of ARC's common shares, with a weighted average exercise price of $16.34. ARC recognized compensation expense of $0.5 million and $1.1 million relating to share option plans for the three and six months ended June 30, 2021 ($0.9 million and $1.7 million for the three and six months ended June 30, 2020), respectively.

Long-term Restricted Share Award Plan

At June 30, 2021, ARC had 1.0 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.3 million and $0.6 million relating to the LTRSA Plan during the three and six months ended June 30, 2021 ($0.2 million and $0.5 million for the three and six months ended June 30, 2020), respectively.

Deferred Share Unit Plans

DSU awards outstanding under the Acquired Plans consist of DSUs issued to directors that vest upon grant, but are available for redemption when the director ceases to be a member of ARC's board of directors (the "Board"). Awards are determined by the value of the underlying common share. Approximately 35 per cent of DSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

At June 30, 2021, ARC had 1.4 million DSUs outstanding under the Legacy Plans and 0.4 million DSUs outstanding under the Acquired Plans. For the three and six months ended June 30, 2021, G&A expense of $4.5 million and $7.4 million was recognized in relation to the DSU Plans (expense of $1.1 million and a recovery of $2.0 million for the same periods in 2020). Amounts related to the DSU Plans are recognized as G&A expense before share-based compensation expense.

During the six months ended June 30, 2021, ARC made cash payments of $0.3 million in respect of the DSU Plans ($0.5 million for the six months ended June 30, 2020).

Performance Warrants

Upon close of the Business Combination, ARC acquired 0.2 million of performance warrants. At June 30, 2021, all performance warrants have expired.

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, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Bank debt and long-term notes	7.7	**21.1**	10.3	105	**28.8**	20.6	40
Lease obligations	0.3	**8.8**	0.3	2,833	**9.1**	0.7	1,200
Accretion on ARO	1.6	**3.2**	1.6	100	**4.8**	3.4	41
Total interest and financing	9.6	**33.1**	12.2	171	**42.7**	24.7	73

Interest and financing for the three and six months ended June 30, 2021 was $33.1 million and $42.7 million, respectively, compared to $12.2 million and $24.7 million for the same periods of the prior year. The increase is primarily due to higher debt levels associated with the Business Combination. Interest also increased due to the lease obligations acquired in the Business Combination.

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange gain of $10.4 million in the second quarter of 2021 compared to a gain of $27.9 million in the second quarter of 2020. During the three months ended June 30, 2021, the value of the US dollar relative to the Canadian dollar decreased to $1.24 from $1.26 at March 31, 2021. 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.

ARC recognized a foreign exchange gain of $16.3 million for the six months ended June 30, 2021 compared to a loss of $36.6 million for the six months ended June 30, 2020. During the six months ended June 30, 2021, the value of the US dollar relative to the Canadian dollar decreased to $1.24 from $1.28 at December 31, 2020. 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 June 30, 2020.

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, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Unrealized gain (loss) on US dollar-denominated debt and receivables	8.6	**21.2**	28.8	(26)	**29.8**	(44.6)	167
Realized gain (loss) on US dollar-denominated transactions	(2.7)	**(10.8)**	(0.9)	(1,100)	**(13.5)**	8.0	(269)
Total foreign exchange gain (loss)	5.9	**10.4**	27.9	(63)	**16.3**	(36.6)	145

Taxes

ARC recognized a current income tax expense of $2.6 million and $47.6 million for the three and six months ended June 30, 2021, respectively, compared to a current income tax recovery of $31.8 million and $34.9 million for the same periods in 2020. The increase in the current income tax expense reflects higher expected taxable income for 2021 associated with an increase in ARC's average realized commodity prices as compared to the same periods in 2020. ARC does not expect to incur any additional current income tax expense in 2021 due to the acquisition of $5.2 billion of income tax pools following the Business Combination.

For the three months ended June 30, 2021, deferred income tax recovery of $77.6 million was recognized, compared to $13.6 million for the same period in 2020. The increase in the deferred income tax recovery primarily relates to an increase in unrealized loss on risk management contracts as compared to the same period of 2020.

For the six months ended June 30, 2021, a deferred income tax recovery of $65.9 million was recognized, compared to $173.7 million for the same period in 2020. The decrease in the deferred income tax recovery primarily relates to a reversal of impairment recognized on PP&E during the six months ended June 30, 2021, as compared to an impairment charge recognized on PP&E in the same period of 2020. This was partially offset by an increase in unrealized loss on risk management contracts as compared to the same period of 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, 2021**	**Annual Deductibility**
Canadian oil and gas property expense	1,152.8	10% declining balance
Canadian development expense	2,066.0	30% declining balance
Canadian exploration expense	338.0	100%
Undepreciated capital cost	1,785.5	Primarily 25% declining balance
Non-capital losses, Scientific Research and Experimental Development, and investment tax credits	951.7	100%
Other	59.7	Various rates, 5% declining balance to 20%
Total federal tax pools	**6,353.7**	

DD&A and Impairment of PP&E

For the three and six months ended June 30, 2021, ARC recognized DD&A related to its PP&E of $291.8 million and $414.8 million, respectively, compared to $129.4 million and $265.1 million for the three and six months ended June 30, 2020. The increase in DD&A for the three and six months ended June 30, 2021, is primarily due to increased production volumes and a marginally higher DD&A rate as a result of the Business Combination, partially offset by the disposition of certain non-core assets with a relative higher DD&A rate per boe.

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

Table 20

	Three Months Ended				Six Months Ended		
DD&A Expense ($ millions, except per boe amounts)	March 31, 2021	**June 30, 2021**	June 30, 2020	% Change	**June 30, 2021**	June 30, 2020	% Change
Depletion of crude oil and natural gas assets	119.9	**269.7**	126.4	113	**389.6**	259.0	50
Depreciation of corporate assets	1.5	**1.5**	1.4	7	**3.0**	2.9	3
Depreciation of right-of-use ("ROU") assets under lease	1.6	**20.6**	1.6	1,188	**22.2**	3.2	594
Total DD&A expense	123.0	**291.8**	129.4	126	**414.8**	265.1	56
DD&A expense per boe	8.02	**9.55**	8.54	12	**9.04**	9.15	(1)

For the three and six months ended June 30, 2021, ARC recognized an impairment charge of $14.4 million and a reversal of impairment of $98.2 million, respectively, compared to an impairment charge of $nil and $740.0 million, respectively, for the three and six months ended June 30, 2020. The impairment charges and reversal of impairment recognized relate to ARC's Northern Alberta CGU. For further information, refer to Note 7 "Property, Plant and Equipment" and Note 9 "Impairment" in the financial statements.

Capital Expenditures, Acquisitions, and Dispositions

ARC acquired $4.9 billion of crude oil and natural gas assets associated with the Business Combination during the three and six months ended June 30, 2021. This was recognized as PP&E on the unaudited condensed interim consolidated balance sheets. Refer to Note 5 "Business Combination" in the financial statements. The assets acquired primarily consist of the Kakwa area which produces ultra-rich condensate and natural gas.

ARC invested $292.8 million and $418.5 million in capital expenditures, before net property acquisitions and dispositions, during the three and six months ended June 30, 2021, respectively, compared to $44.1 million and $213.9 million for the three and six months ended June 30, 2020. The increase in capital expenditures for the three and six months ended June 30, 2021, is reflective of increased activity in the Kakwa area, which was acquired through the Business Combination. Investments during the period included drilling and completions activities across ARC’s asset base, with the drilling of 38 and 53 wells and the completion of 40 and 72 wells for the three and six months ended June 30, 2021. Infrastructure investment in 2021 has been focused on the Parkland/Tower facility sour conversion, scheduled to be on-stream in the third quarter of 2021, and the Sunrise facility expansion, which was completed in the second quarter of 2021. Corporate assets increased due to higher capitalized compensation costs in the three and six months ended June 30, 2021, compared to the same periods in the prior year. During the three and six months ended June 30, 2021, ARC disposed of certain non-core assets in Alberta for proceeds of $78.1 million.

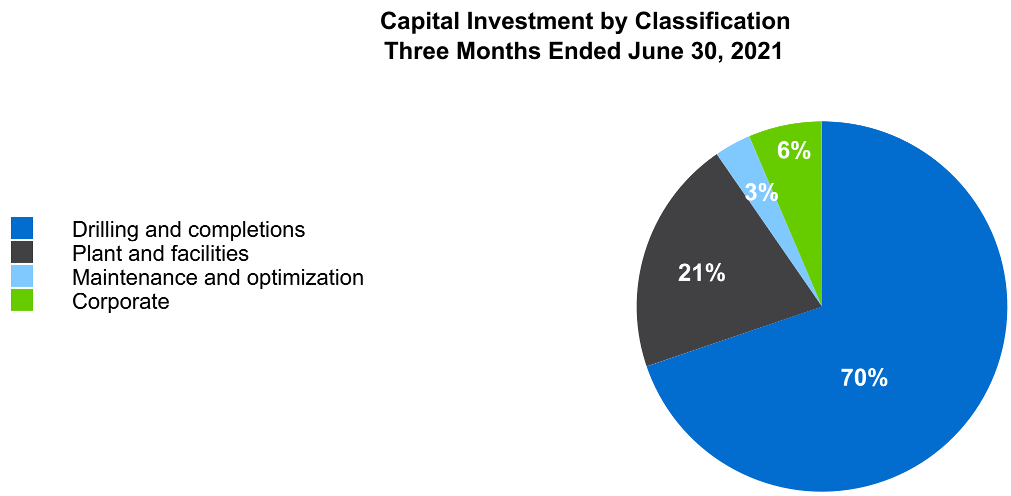
For information regarding ARC's planned capital expenditures for 2021, refer to the news release dated May 5, 2021 "ARC Resources Ltd. Reports First Quarter 2021 Results and Provides 2021 Guidance" available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

A breakdown of capital expenditures, acquisitions, and dispositions for the three months ended June 30, 2021 and June 30, 2020 is shown in Table 21:

Table 21

	Three Months Ended June 30						
	2021			2020			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**0.1**	**0.1**	—	3.4	3.4	(97)
Drilling and completions	**0.1**	**204.1**	**204.2**	0.1	31.7	31.8	542
Plant and facilities	**0.1**	**60.3**	**60.4**	—	8.3	8.3	628
Maintenance and optimization	**—**	**9.3**	**9.3**	—	1.4	1.4	564
Corporate	**—**	**18.8**	**18.8**	—	(0.8)	(0.8)	(2,450)
Total capital expenditures	**0.2**	**292.6**	**292.8**	0.1	44.0	44.1	564
Acquisitions	**0.1**	**—**	**0.1**	—	0.5	0.5	(80)
Dispositions	**—**	**(78.1)**	**(78.1)**	—	(0.6)	(0.6)	12,917
Total capital expenditures and net acquisitions and dispositions	**0.3**	**214.5**	**214.8**	0.1	43.9	44.0	388

Exhibit 16

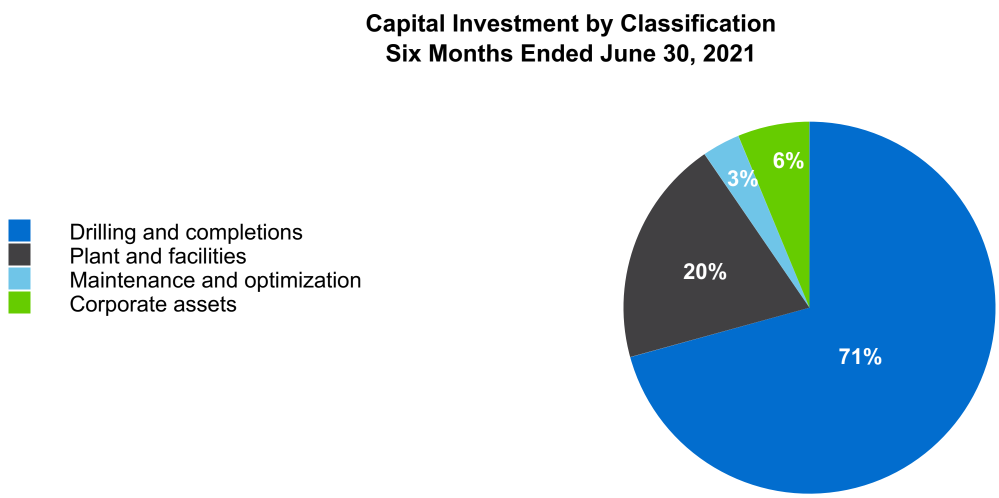


A breakdown of capital expenditures, acquisitions, and dispositions for the six months ended June 30, 2021 and June 30, 2020 is shown in Table 21a:

Table 21a

	Six Months Ended June 30						
	2021			2020			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**2.1**	**2.1**	—	9.9	9.9	(79)
Drilling and completions	**0.6**	**293.9**	**294.5**	0.4	162.7	163.1	81
Plant and facilities	**0.4**	**81.8**	**82.2**	—	34.1	34.1	141
Maintenance and optimization	**—**	**13.7**	**13.7**	—	5.8	5.8	136
Corporate assets	**—**	**26.0**	**26.0**	—	1.0	1.0	2,500
Total capital expenditures	**1.0**	**417.5**	**418.5**	0.4	213.5	213.9	96
Acquisitions	**0.1**	**—**	**0.1**	—	3.0	3.0	(97)
Dispositions	**—**	**(78.2)**	**(78.2)**	—	(3.0)	(3.0)	2,507
Total capital expenditures and net acquisitions and dispositions	**1.1**	**339.3**	**340.4**	0.4	213.5	213.9	59

Exhibit 16a

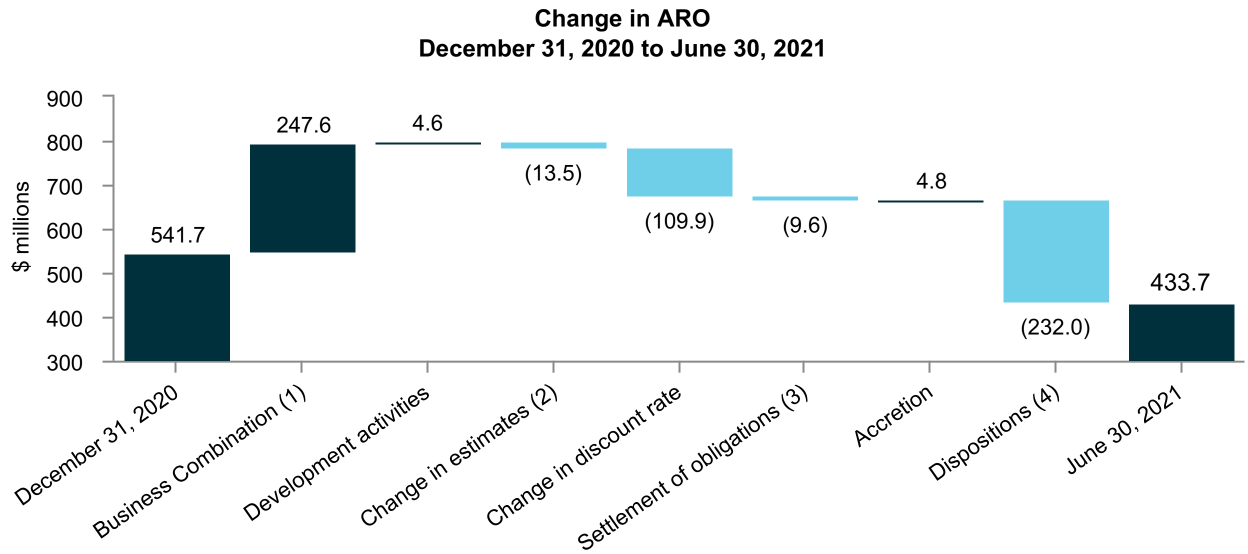


Asset Retirement Obligation

At June 30, 2021, ARC has recognized ARO of $433.7 million ($541.7 million at December 31, 2020) for the future abandonment and reclamation of ARC's crude oil and natural gas assets. During the three and six months ended June 30, 2021, ARC's ARO increased $247.6 million as a result of additional assets acquired through the Business Combination. This was partially offset by a reduction in ARO of $232.0 million associated with the disposition of certain non-core assets. The estimated ARO includes assumptions in respect of actual future costs to abandon wells and reclaim its assets, the time frame in which such costs will be incurred, and annual inflation factors. The future liability has been discounted at a liability-specific risk-free rate of 1.9 per cent (1.2 per cent at December 31, 2020).

Accretion charges of $3.2 million and $4.8 million for the three and six months ended June 30, 2021 ($1.6 million and $3.4 million for the same periods in 2020), respectively, have been recognized in interest and financing in the unaudited condensed consolidated statements of 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, 2021 was $1.6 million and $7.7 million ($0.9 million and $8.9 million for the same periods in 2020), respectively. Environmental stewardship remains a core value at ARC and the Company maintains a planned and scheduled approach to its abandonment and reclamation activities.

Exhibit 17



(1) For additional information, refer to Note 5 "Business Combination" in the financial statements.
(2) Relates to changes in costs of future obligations and anticipated settlement dates of ARO.
(3) For the three and six months ended June 30, 2021, $0.8 million and $1.9 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC.
(4) Liabilities associated with assets held for sale and disposed in the six months ended June 30, 2021.

Capitalization, Financial Resources and Liquidity

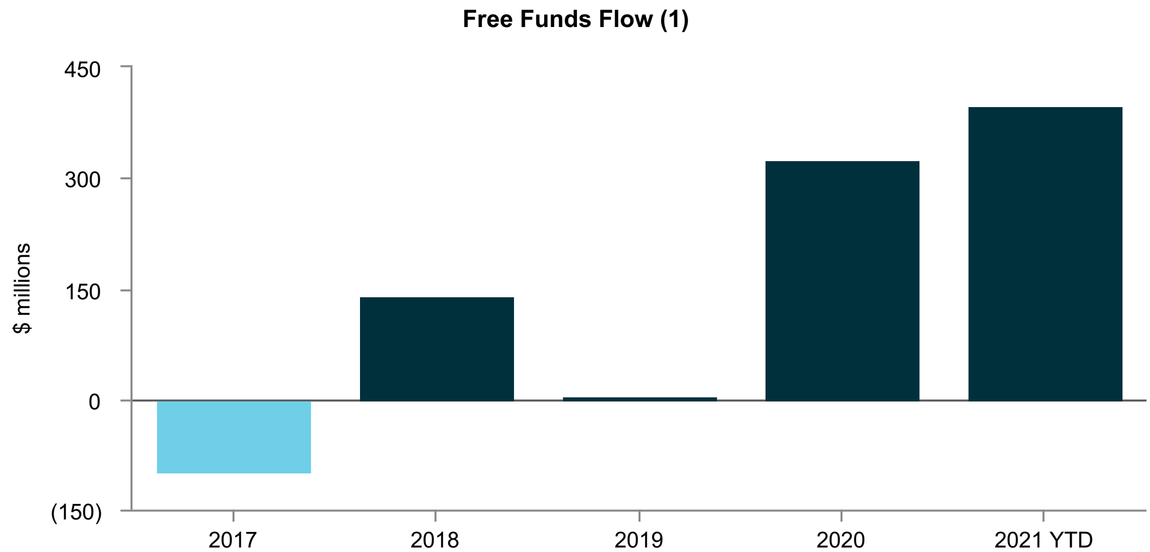
ARC's capital management objective is to fund dividend payments, current period reclamation expenditures, and capital expenditures necessary for the replacement of production declines using only funds from operations. Profitable growth activities will be financed with a combination of funds from operations and other sources of capital. ARC believes that investing in development activities that prioritize profitability over volumetric growth creates significant long-term shareholder value.

Maintaining reasonable debt levels, paying a sustainable dividend, and exercising capital discipline to manage a moderate pace of development and control its corporate decline rate are the basis for ARC's current capital allocation. ARC periodically evaluates its capital allocation priorities and decisions and takes a portfolio approach and is considering the following capital allocation decisions: returns to shareholders through sustainable dividend increases and/or share repurchases, and long-term development investments.

ARC uses free funds flow, defined as funds from operations less capital expenditures, as an indicator of the funds available for these capital allocation decisions. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A. For the three and six months ended June 30, 2021, free funds flow was $249.7 million and $397.9 million ($106.1 million and $97.1 million for the three and six months ended June 30, 2020), respectively.

The Board has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021, to shareholders of record on September 30, 2021.

Exhibit 18



(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.

ARC maintains financial flexibility through its strong balance sheet. Historically, ARC has used net debt levels to measure its liquidity, however Management also considers net debt excluding lease obligations to be a relevant measure as this measure aligns with the contractual requirements for purposes of calculating ARC's debt covenants. When evaluating ARC's capital structure, Management targets net debt excluding lease obligations to be between 1.0 and 1.5 times annualized funds from operations over the long term.

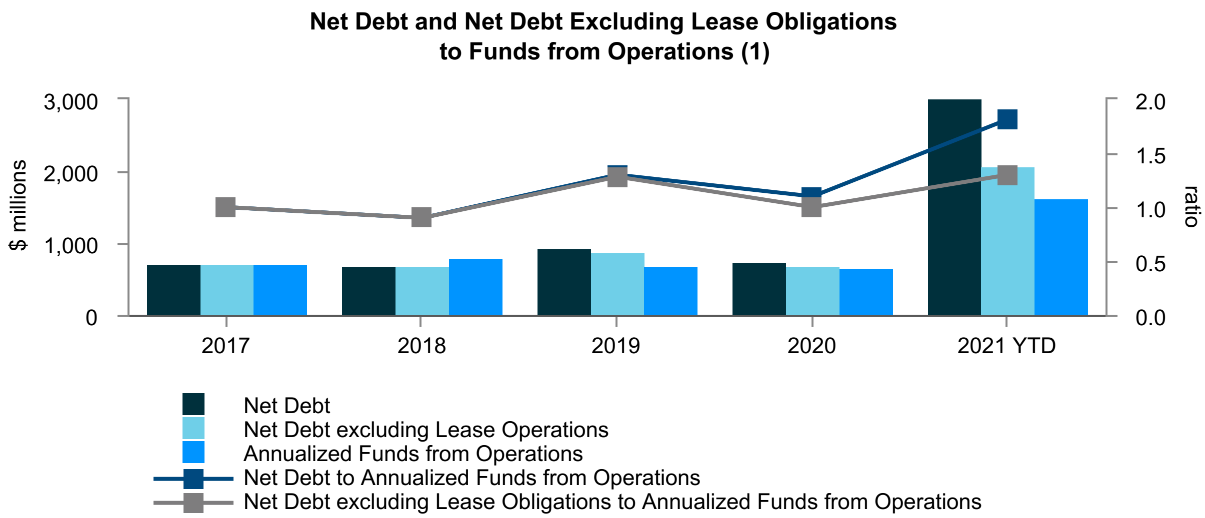
A breakdown of ARC's net debt and net debt excluding lease obligations as at June 30, 2021 and December 31, 2020 is outlined in Table 22:

Table 22

Net Debt and Net Debt Excluding Lease Obligations ($ millions, except ratio amounts)	**June 30, 2021**	December 31, 2020
Long-term debt (1)	**2,016.9**	701.9
Lease obligations (2)	**902.6**	49.2
Accounts payable and accrued liabilities	**572.6**	125.0
Dividends payable	**43.5**	21.3
Cash and cash equivalents, accounts receivable, and prepaid expense	**(548.9)**	(154.7)
Net debt (3)	**2,986.7**	742.7
Lease obligations (2)	**(902.6)**	(49.2)
Net debt excluding lease obligations (3)	**2,084.1**	693.5
Net debt to annualized funds from operations (ratio) (3)	**1.8**	1.1
Net debt excluding lease obligations to annualized funds from operations (ratio) (3)	**1.3**	1.0

(1) Includes a current portion of long-term debt of $134.5 million at June 30, 2021 and $146.7 million at December 31, 2020.
(2) Includes a current portion of lease obligations of $107.1 million at June 30, 2021 and $15.3 million at December 31, 2020.
(3) Refer to Note 15 "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 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

During the six months ended June 30, 2021, ARC issued two tranches of senior unsecured notes by way of private placement in the amount of $1.0 billion (the "2021 Notes"). Proceeds from the 2021 Notes were used to repay Seven Generations' senior notes and credit facility. For more information, refer to Note 12 "Long-Term Debt" in the financial statements.

At June 30, 2021, ARC had total credit capacity of $3.9 billion with long-term debt of $2.0 billion currently outstanding. ARC's long-term debt balance includes a current portion of $134.5 million at June 30, 2021 ($146.7 million at December 31, 2020), 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 2.9 per cent. 33 per cent (US$543.4 million) of ARC's long-term debt outstanding at June 30, 2021 is denominated in US dollars. For more information, refer to Note 12 "Long-Term Debt" in the financial statements.

There are no financial covenants associated with the 2021 Notes and ARC was in compliance with all of its debt covenants related to the credit facility and the other outstanding notes at June 30, 2021. The following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description (1)	Position at June 30, 2021
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	169 %
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	3,781 %
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)	32 %
Total Indebtedness not to exceed 65 per cent of Present Asset Value (3)	36 %

(1) Capitalized terms are as defined in the note purchase agreements which are available on SEDAR at www.sedar.com.
(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.

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

Table 23a

Covenant Description [1]	Position at June 30, 2021 [2]
Consolidated Senior Debt not to exceed 3.5 times Consolidated EBITDA	1.0
Consolidated Total Debt not to exceed 4.0 times Consolidated EBITDA	1.0
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 Master Shelf Agreement which is available on SEDAR at www.sedar.com.
(2) Subject to final approval of the syndicate.

Shareholders' Equity

At June 30, 2021, there were 723.9 million shares outstanding and 10.1 million share options outstanding under ARC's share option plans, including 6.0 million share options outstanding under the Acquired Plans. For more information, refer to the section entitled "Share Option Plans" contained within this MD&A.

At June 30, 2021, ARC had 1.0 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.

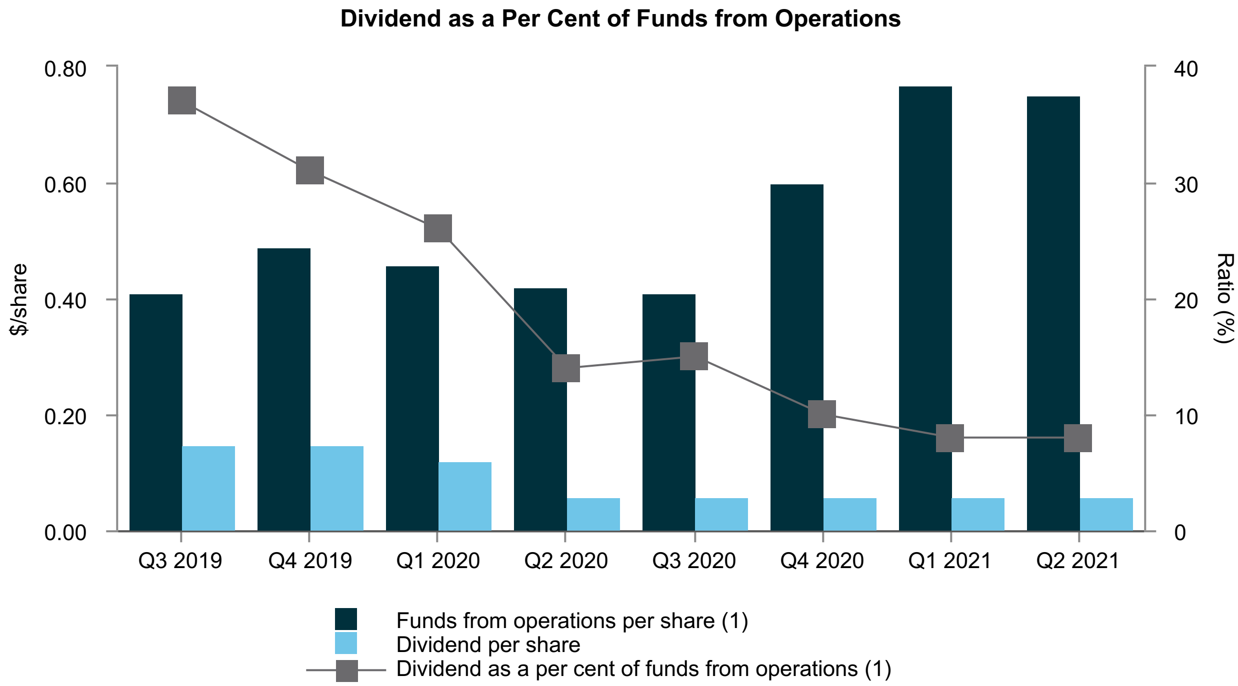
Dividends

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 2021, ARC declared dividends totaling $43.5 million ($0.06 per share) compared to $21.3 million ($0.06 per share) in the same period of 2020. ARC declared dividends of $64.8 million ($0.12 per share) for the six months ended June 30, 2021 and $63.8 million ($0.18 per share) for the same periods in 2020.

ARC's dividend as a per cent of funds from operations decreased from an average of 14 per cent and 21 per cent, respectively, for the three and six months ended June 30, 2020 to an average of eight per cent for both the three and six months ended June 30, 2021.

The Board has approved a 10 per cent increase to ARC's quarterly dividend, from $0.06 per share to $0.066 per share. The dividend increase is effective for ARC's third quarter 2021 dividend, payable on October 15, 2021, to shareholders of record on September 30, 2021.

Exhibit 20



(1) Refer to Note 15 "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 2021.

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 Alberta Energy Regulator's requirements, such that no deposits were required at June 30, 2021 or at the date of this MD&A.

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

Contractual Obligations and Commitments

The following table is a summary of ARC's contractual obligations and commitments as at June 30, 2021:

Table 24

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments [1]	134.5	688.3	606.9	587.2	2,016.9
Interest payments [2]	50.0	83.2	66.4	96.0	295.6
Purchase and service commitments	69.7	40.7	23.0	109.5	242.9
Transportation commitments	577.8	813.2	667.4	1,359.9	3,418.3
Total contractual obligations and commitments	**832.0**	**1,625.4**	**1,363.7**	**2,152.6**	**5,973.7**

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

At June 30, 2021, 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 $243.8 million.

There is an outstanding counterclaim filed against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC. For more information, refer to Note 20 "Commitments and Contingencies" in the financial statements.

As a result of the Business Combination, ARC has become a party to certain legal claims that arose in the normal course of business. Refer to Note 5 "Business Combination" in the financial statements for further information.

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 20 "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 expenses 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;

- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the PSU Plans that are dependent on the final number of PSU awards that eventually vest based on a performance multiplier; and

- estimated fair values of assets acquired and liabilities assumed in a business combination.

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, 2020.

CONTROL ENVIRONMENT

Internal Control over Financial Reporting ("ICFR")

ARC is required to comply with National Instrument 52-109 ("NI 52-109") *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certification of interim filings for the interim period ended June 30, 2021 requires that ARC disclose in the interim MD&A any changes in ARC's ICFR that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC's ICFR. ARC confirms that no such changes were made to its ICFR during the three and six months ended June 30, 2021.

On April 6, 2021, ARC and Seven Generations closed the Business Combination. As permitted by and in accordance with NI 52-109, Management has limited the scope and design of ICFR and disclosure controls and procedures ("DC&P") to exclude the controls, policies, and procedures in respect of the business acquired from Seven Generations. Such scope limitation is primarily due to the time required for Management to assess the ICFR and DC&P relating to Seven Generations in a manner consistent with ARC's other operations. Further integration will take place throughout the year as processes and systems align.

Assets attributable to Seven Generations represented $6.5 billion of ARC's total assets at June 30, 2021 and revenue from commodity sales attributable to Seven Generations represented $813.7 million of ARC's revenue from commodity sales for the three months ended June 30, 2021.

FINANCIAL REPORTING UPDATE

New Accounting Policies

Foreign Currency Translation
The financial statements of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars. The assets and liabilities are translated at the exchange rates at the reporting date. The revenue and expenses are translated at the exchange rates that approximate the dates of those transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve.

IBOR Reform and the Effects on Financial Reporting - Phase 2
On January 1, 2021, ARC adopted *Interest Rate Benchmark Reform - Phase 2* issued by the IASB which required amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases*. There was not a material impact to ARC's financial statements.

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)
In March 2021, the IFRS Interpretations Committee published its decision with regards to the recognition of configuration costs as they relate to cloud computing. ARC is currently analyzing this document to determine any impact on its financial statements.

Non-GAAP Measures

Throughout this MD&A and in other materials disclosed by the Company, ARC employs 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.

Free Funds Flow
ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business measuring its funds available for capital investment to manage debt levels, pay dividends, and return capital to shareholders. ARC computes free funds flow as funds from operations generated during the period less capital expenditures before undeveloped land purchases and property acquisitions and dispositions. By removing the impact of current period capital expenditures from funds from operations, Management believes this measure provides an indication to investors and shareholders of the funds ARC has available for future capital allocation decisions. Table 25 details the calculation of free funds flow.

Table 25

	Three months ended		Six months ended	
Free Funds Flow	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Cash flow from operating activities	**458.9**	97.4	**737.3**	280.5
Net change in other liabilities	**50.0**	(4.2)	**56.6**	1.1
Change in non-cash operating working capital	**33.6**	57.0	**22.5**	29.4
Funds from operations (1)	**542.5**	150.2	**816.4**	311.0
Capital expenditures (2)	**(292.8)**	(44.1)	**(418.5)**	(213.9)
Free funds flow	**249.7**	106.1	**397.9**	97.1

(1) Refer to Note 15 "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.
(2) Prior to expenditures for undeveloped land purchases and property acquisitions and dispositions. Refer to the section entitled "Capital Expenditures, Acquisitions and Dispositions" contained within this MD&A.

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 15 "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:

Table 26

	Twelve Months Ended	Twelve Months Ended December 31				
ROACE	**June 30, 2021**	2020	2019	2018	2017	2017 - 2020 Average (1)
Net income (loss)	**109.7**	(547.2)	(27.6)	213.8	388.9	7.0
Add: Interest	**55.9**	39.3	41.0	42.6	45.3	42.1
Add: Total income taxes (recovery)	**(17.4)**	(207.7)	(100.9)	108.0	135.9	(16.2)
Earnings before interest and taxes	**148.2**	(715.6)	(87.5)	364.4	570.1	32.9
Net debt - beginning of period	**961.1**	940.2	702.7	728.0	356.5	356.5
Shareholders' equity - beginning of period	**2,776.5**	3,439.9	3,675.8	3,668.9	3,484.8	3,484.8
Opening capital employed (A)	**3,737.6**	4,380.1	4,378.5	4,396.9	3,841.3	3,841.3
Net debt - end of period	**2,986.7**	742.7	940.2	702.7	728.0	742.7
Shareholders' equity - end of period	**5,705.9**	2,790.6	3,439.9	3,675.8	3,668.9	2,790.6
Closing capital employed (B)	**8,692.6**	3,533.3	4,380.1	4,378.5	4,396.9	3,533.3
Average capital employed (A+B)/2	**6,215.1**	3,956.7	4,379.3	4,387.7	4,119.1	3,687.3
ROACE (%)	**2**	(18)	(2)	8	14	1

(1) Average ROACE for the years ended December 31, 2017, 2018, 2019, and 2020.

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: the expected impacts of the Business Combination, the expected shareholder value resulting from investing in development activities, ARC's ability to maintain capital discipline, maximize profitability and preserve its financial position, ARC's anticipated focus for 2021, including successfully integrating Seven Generations and realizing anticipated synergies, plans to sustain production at Greater Dawson, Sunrise, Kakwa and Ante Creek, ARC's anticipated 2021 production and operating expense guidance and ARC's plans to continuously monitor its guidance and provide updates as deemed appropriate under the heading "Annual Guidance"; the estimated ARO including assumptions in respect of actual costs to abandon wells and reclaim the property, the time frame in which such costs will be incurred, anticipated settlement dates, and annual inflation factors under the heading "Asset Retirement Obligation"; ARC's continued commitment to advance initiatives in support of the Company's leading ESG performance and the integration of Seven Generations' ESG initiatives under the heading "ESG Review"; ARC’s view as to the range of expected future payments for RSUs and PSUs under the Legacy Plans and the Acquired Plans under the heading "Restricted Share Unit and Performance Share Unit Plans"; expected taxable income for 2021, expected income tax expense and the anticipated decline in ARC's tax pools under the heading "Taxes"; the expected financing sources of profitable growth activities under the heading "Capitalization, Financial Resources and Liquidity"; the expected value of the settlement of ARC's contracts at the balance sheet date under the heading "Risk Management Contracts"; ARC's potential obligation associated with the future decommissioning of disposed assets where the operating licenses have not been transferred to the purchaser and the anticipated outcome of an outstanding counterclaim under the heading "Contractual Obligations and Commitments"; ARC's plans in relation to future dividend levels under the heading "Dividends"; and similar statements.

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; anticipated future impacts of COVID-19 on demand for commodities, the subsequent impact on commodity prices and the effect on ARC's business; ARC's ability to successfully integrate the business of Seven Generations; 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: the ability of ARC to realize the anticipated benefits of, and synergies from, the Business Combination and the timing thereof; the interpretation of the Business Combination by tax authorities; the success of business integration; 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 in ARC's public disclosure documents (including, without limitation, those risks identified in the MD&A for the year ended December 31, 2020).

The internal projections, expectations or beliefs are based on the 2021 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
DSU	Deferred Share Unit
E&E	exploration and evaluation
ESG	environmental, social, and governance
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
TSX	Toronto Stock Exchange
WTI	West Texas Intermediate

QUARTERLY HISTORICAL REVIEW

($ millions, except per share amounts)	2021		2020				2019	
FINANCIAL	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Commodity sales from production	**1,066.2**	525.3	363.1	285.0	217.9	269.5	325.1	253.7
Per share, basic	**1.47**	1.49	1.03	0.81	0.62	0.76	0.92	0.72
Per share, diluted	**1.47**	1.48	1.02	0.81	0.62	0.76	0.92	0.72
Net income (loss)	**(123.0)**	178.0	120.8	(66.1)	(43.5)	(558.4)	(10.2)	(57.2)
Per share, basic	**(0.17)**	0.50	0.34	(0.19)	(0.12)	(1.58)	(0.03)	(0.16)
Per share, diluted	**(0.17)**	0.50	0.34	(0.19)	(0.12)	(1.58)	(0.03)	(0.16)
Funds from operations [(1)]	**542.5**	273.9	212.0	144.6	150.2	160.8	172.8	145.4
Per share, basic	**0.75**	0.78	0.60	0.41	0.42	0.46	0.49	0.41
Per share, diluted	**0.75**	0.77	0.60	0.41	0.42	0.46	0.49	0.41
Free funds flow [(2)]	**249.7**	148.2	135.3	92.0	106.1	(9.0)	31.1	(16.5)
Per share, basic	**0.35**	0.42	0.38	0.26	0.30	(0.03)	0.09	(0.05)
Per share, diluted	**0.35**	0.42	0.38	0.26	0.30	(0.03)	0.09	(0.05)
Dividends declared	**43.5**	21.3	21.3	21.2	21.3	42.5	53.1	53.1
Per share [(3)]	**0.06**	0.06	0.06	0.06	0.06	0.12	0.15	0.15
Total assets	**11,047.6**	6,011.1	4,954.2	4,982.9	5,136.8	5,172.6	5,778.3	5,819.2
Total liabilities	**5,341.7**	3,062.8	2,163.6	2,292.7	2,360.3	2,332.4	2,338.4	2,317.1
Net debt [(4)]	**2,986.7**	613.6	742.7	867.8	961.1	1,079.7	940.2	945.5
Net debt excluding lease obligations [(4)]	**2,084.1**	568.0	693.5	834.2	923.0	1,037.3	894.0	897.4
Weighted average shares, basic	**723.1**	353.4	353.4	353.4	353.4	353.4	353.4	353.4
Weighted average shares, diluted	**723.1**	354.4	354.3	353.4	353.4	353.4	353.4	353.4
Shares outstanding, end of period	**723.9**	353.4	353.4	353.4	353.4	353.4	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**0.1**	2.0	2.5	2.4	3.4	6.5	0.9	1.1
Drilling and completions	**204.2**	90.3	68.1	40.8	31.8	131.3	86.7	101.0
Plant and facilities	**60.4**	21.8	3.1	5.9	8.3	25.8	47.5	51.1
Maintenance and optimization	**9.3**	4.4	1.5	2.1	1.4	4.4	3.0	6.2
Corporate	**18.8**	7.2	1.5	1.4	(0.8)	1.8	3.6	2.5
Total capital expenditures	**292.8**	125.7	76.7	52.6	44.1	169.8	141.7	161.9
Undeveloped land	**—**	—	—	—	—	—	—	0.7
Total capital expenditures, including undeveloped land purchases	**292.8**	125.7	76.7	52.6	44.1	169.8	141.7	162.6
Acquisitions	**0.1**	—	61.6	—	0.5	2.5	—	—
Dispositions	**(78.1)**	(0.1)	(63.2)	—	(0.6)	(2.4)	(1.1)	(2.8)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**214.8**	125.6	75.1	52.6	44.0	169.9	140.6	159.8
OPERATING								
Production								
Crude oil (bbl/d)	**11,659**	13,647	15,554	15,373	14,987	16,997	17,083	16,782
Condensate (bbl/d)	**73,459**	13,812	14,715	14,831	13,239	11,262	10,937	10,846
Crude oil and condensate (bbl/d)	**85,118**	27,459	30,269	30,204	28,226	28,259	28,020	27,628
Natural gas (MMcf/d)	**1,203.3**	794.1	783.1	708.2	773.3	692.2	669.0	595.4
NGLs (bbl/d)	**50,020**	10,620	8,678	10,208	9,405	8,152	8,123	7,952
Total (boe/d)	**335,701**	170,430	169,468	158,444	166,510	151,783	147,650	134,813
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**74.01**	64.46	48.14	45.45	25.88	49.69	65.11	64.79
Condensate ($/bbl)	**77.93**	71.59	53.55	48.49	31.54	57.52	68.08	65.70
Natural gas ($/Mcf)	**3.34**	4.60	2.88	2.16	1.92	2.05	2.36	1.54
NGLs ($/bbl)	**22.19**	29.45	18.03	14.85	10.84	6.36	11.69	5.25
Oil equivalent ($/boe)	**34.90**	34.25	23.29	19.55	14.38	19.52	23.93	20.46
TRADING STATISTICS [(5)]								
($, based on intra-day trading)								
High	**10.74**	8.67	7.20	6.94	6.12	8.39	8.26	7.85
Low	**7.26**	5.88	5.66	4.54	3.64	2.42	5.40	5.37
Close	**10.55**	7.72	6.00	5.95	4.56	4.05	8.18	6.31
Average daily volume (thousands)	**3,309**	3,125	1,582	1,363	2,177	3,207	2,583	1,838

(1) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) 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.
(3) Dividends per share are based on the number of shares outstanding at each dividend record date.
(4) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(5) Trading statistics denote trading activity on the TSX only.

'21 Q2

Financial Statements

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**June 30, 2021**	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**1.3**	0.4
Inventory	**4.2**	1.6
Accounts receivable	**494.0**	145.9
Prepaid expense	**53.6**	8.4
Risk management contracts (Note 16)	**1.5**	6.0
	554.6	162.3
Exploration and evaluation assets (Note 6)	**270.4**	214.9
Property, plant and equipment (Notes 7 and 9)	**9,079.9**	4,284.3
Right-of-use assets (Note 8)	**894.5**	44.5
Goodwill	**248.2**	248.2
Total assets	**11,047.6**	4,954.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**572.6**	125.0
Current portion of lease obligations (Note 11)	**107.1**	15.3
Current portion of long-term debt (Note 12)	**134.5**	146.7
Current portion of other deferred liabilities (Note 13)	**96.2**	—
Current portion of asset retirement obligation (Note 14)	**19.0**	19.0
Dividends payable (Note 17)	**43.5**	21.3
Risk management contracts (Note 16)	**490.6**	40.4
	1,463.5	367.7
Risk management contracts (Note 16)	**205.6**	44.4
Long-term portion of lease obligations (Note 11)	**795.5**	33.9
Long-term debt (Note 12)	**1,882.4**	555.2
Long-term incentive compensation liability (Note 19)	**47.7**	32.0
Other deferred liabilities (Note 13)	**198.6**	16.3
Asset retirement obligation (Note 14)	**414.7**	522.7
Deferred taxes	**333.7**	591.4
Total liabilities	**5,341.7**	2,163.6
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 17)	**7,573.9**	4,658.2
Contributed surplus	**46.0**	36.5
Deficit	**(1,913.9)**	(1,904.1)
Accumulated other comprehensive loss	**(0.1)**	—
Total shareholders' equity	**5,705.9**	2,790.6
Total liabilities and shareholders' equity	**11,047.6**	4,954.2
Commitments and contingencies (Note 20)		

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions, except per share amounts)	**2021**	2020	**2021**	2020
Commodity sales from production (Note 18)	**1,066.2**	217.9	**1,591.5**	487.4
Royalties	**(92.5)**	(5.7)	**(118.3)**	(20.9)
Sales of commodities purchased from third parties	**260.2**	2.9	**279.3**	17.1
Revenue from commodity sales	**1,233.9**	215.1	**1,752.5**	483.6
Interest income	**1.7**	—	**1.7**	0.2
Other income	**5.1**	1.2	**11.1**	2.7
Gain (loss) on risk management contracts (Note 16)	**(513.6)**	(70.7)	**(620.5)**	29.6
Total revenue, interest and other income and gain (loss) on risk management contracts	**727.1**	145.6	**1,144.8**	516.1
Commodities purchased from third parties	**249.2**	3.4	**269.5**	16.7
Operating	**138.3**	50.3	**197.3**	111.1
Transportation	**137.0**	43.6	**193.8**	83.0
General and administrative	**55.8**	22.4	**80.5**	37.7
Transaction costs (Note 5)	**15.3**	—	**22.9**	—
Interest and financing	**33.1**	12.2	**42.7**	24.7
Impairment of financial assets	**0.6**	1.1	**1.1**	11.7
Depletion, depreciation and amortization (Note 7)	**291.8**	129.4	**414.8**	265.1
Impairment (reversal of impairment) (Notes 7 and 9)	**14.4**	—	**(98.2)**	740.0
Loss (gain) on foreign exchange	**(10.4)**	(27.9)	**(16.3)**	36.6
Total expenses	**925.1**	234.5	**1,108.1**	1,326.6
Net income (loss) before income taxes	**(198.0)**	(88.9)	**36.7**	(810.5)
Provision for (recovery of) income taxes				
Current	**2.6**	(31.8)	**47.6**	(34.9)
Deferred	**(77.6)**	(13.6)	**(65.9)**	(173.7)
Total income taxes (recovery)	**(75.0)**	(45.4)	**(18.3)**	(208.6)
Net income (loss)	**(123.0)**	(43.5)	**55.0**	(601.9)
Net income (loss) per share (Note 17)				
Basic	**(0.17)**	(0.12)	**0.10**	(1.70)
Diluted	**(0.17)**	(0.12)	**0.10**	(1.70)

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2021**	2020	**2021**	2020
Net income (loss)	**(123.0)**	(43.5)	**55.0**	(601.9)
Net unrealized loss on foreign currency translation adjustment	**(0.1)**	—	**(0.1)**	—
Comprehensive income (loss)	**(123.1)**	(43.5)	**54.9**	(601.9)

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

ARC RESOURCES LTD.

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

For the six months ended June 30

(Cdn$ millions)	Shareholders' Capital (Note 17)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
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 19)	(0.1)	2.4	—	—	2.3
Dividends declared (Note 17)	—	—	(63.8)	—	(63.8)
June 30, 2020	4,658.2	34.6	(1,916.3)	—	2,776.5
December 31, 2020	4,658.2	36.5	(1,904.1)	—	2,790.6
Comprehensive income	**—**	**—**	**55.0**	**(0.1)**	**54.9**
Issued upon close of Business Combination (Note 5)	**2,903.5**	**10.5**	**—**	**—**	**2,914.0**
Recognized under share-based compensation plans (Note 19)	**0.3**	**2.0**	**—**	**—**	**2.3**
Recognized on exercise of share options	**11.9**	**(3.0)**	**—**	**—**	**8.9**
Dividends declared (Note 17)	**—**	**—**	**(64.8)**	**—**	**(64.8)**
June 30, 2021	**7,573.9**	**46.0**	**(1,913.9)**	**(0.1)**	**5,705.9**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn$ millions)	**2021**	2020	**2021**	2020
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**(123.0)**	(43.5)	**55.0**	(601.9)
Add items not involving cash:				
Unrealized loss on risk management contracts	**453.4**	102.5	**533.5**	19.3
Accretion of asset retirement obligation (Note 14)	**3.2**	1.6	**4.8**	3.4
Impairment of financial assets	**0.6**	1.1	**1.1**	11.7
Depletion, depreciation and amortization (Note 7)	**291.8**	129.4	**414.8**	265.1
Impairment (reversal of impairment) (Notes 7 and 9)	**14.4**	—	**(98.2)**	740.0
Unrealized loss (gain) on foreign exchange	**(21.2)**	(28.8)	**(29.8)**	44.6
Deferred taxes	**(77.6)**	(13.6)	**(65.9)**	(173.7)
Other (Note 21)	**0.9**	1.5	**1.1**	2.5
Net change in other liabilities (Note 21)	**(50.0)**	4.2	**(56.6)**	(1.1)
Change in non-cash working capital (Note 21)	**(33.6)**	(57.0)	**(22.5)**	(29.4)
Cash flow from operating activities	**458.9**	97.4	**737.3**	280.5
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**2,042.0**	650.1	**2,224.8**	1,132.8
Issuance of senior notes (Note 12)	**—**	—	**1,000.0**	—
Repayment of long-term debt	**(3,323.9)**	(653.7)	**(3,579.7)**	(1,110.9)
Proceeds from exercise of share options	**9.3**	—	**9.3**	—
Repayment of principal relating to lease obligations	**(19.3)**	(5.1)	**(23.2)**	(9.7)
Cash dividends paid	**(21.2)**	(7.1)	**(42.5)**	(60.2)
Debt issuance costs (Note 12)	**(2.9)**	—	**(14.5)**	—
Cash flow used in financing activities	**(1,316.0)**	(15.8)	**(425.8)**	(48.0)
CASH FLOW USED IN INVESTING ACTIVITIES				
Cash acquired upon close of Business Combination (Note 5)	**4.9**	—	**4.9**	—
Acquisition of crude oil and natural gas assets	**(0.1)**	—	**(0.1)**	—
Disposal of crude oil and natural gas assets	**78.1**	0.1	**78.2**	—
Property, plant and equipment development expenditures (Note 7)	**(290.2)**	(40.7)	**(413.4)**	(208.5)
Exploration and evaluation asset expenditures	**(0.2)**	(0.1)	**(1.0)**	(0.4)
Change in non-cash working capital (Note 21)	**1.0**	(46.8)	**20.8**	(32.0)
Cash flow used in investing activities	**(206.5)**	(87.5)	**(310.6)**	(240.9)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,063.6)**	(5.9)	**0.9**	(8.4)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**1,064.9**	6.0	**0.4**	8.5
CASH AND CASH EQUIVALENTS, END OF PERIOD	**1.3**	0.1	**1.3**	0.1
The following are included in cash flow from operating activities:				
Income taxes paid (received) in cash	**6.7**	(0.4)	**51.7**	(3.4)
Interest paid in cash	**15.3**	6.9	**26.9**	22.1

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

1. STRUCTURE OF THE BUSINESS

The principal undertakings of ARC Resources Ltd. and any subsidiaries ("ARC" or the "Company") are to carry on the business of acquiring, developing, and holding interests in crude oil and natural gas properties and assets. On April 6, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") closed the previously announced business combination agreement and accompanying Plan of Arrangement (the "Business Combination"). For more information, refer to Note 5 "Business Combination".

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 ("TSX") under the symbol ARX.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2020. 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, 2020. All accounting policies and methods of computation followed in the preparation of these financials statements are consistent with those of the previous year, except as noted in Note 3 "New Accounting Policies", and for income taxes. Income taxes on net income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss).

All inter-entity transactions have been eliminated upon consolidation between ARC and any subsidiaries in these financial statements. Beginning January 1, 2021, ARC commenced business in the United States through a wholly-owned subsidiary with a US$ functional currency. ARC's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance.

These financial statements were authorized for issue by ARC's board of directors (the "Board") on July 29, 2021.

3. NEW ACCOUNTING POLICIES

Foreign Currency Translation
The financial statements of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars. The assets and liabilities are translated at the exchange rates at the reporting date. The revenue and expenses are translated at the exchange rates that approximate the dates of those transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve.

IBOR Reform and the Effects on Financial Reporting - Phase 2
On January 1, 2021, ARC adopted *Interest Rate Benchmark Reform - Phase 2* issued by the IASB which required amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases.* There was not a material impact to ARC's financial statements.

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)
In March 2021, the IFRS Interpretations Committee published its decision with regards to the recognition of configuration costs as they relate to cloud computing. ARC is currently analyzing this document to determine any impact on its financial statements.

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

The COVID-19 pandemic and the subsequent economic recovery continues to drive the global demand for crude oil and natural gas and related prices, which in turn has had a significant impact on ARC's commodity sales from production. ARC uses forward commodity price curves as an input in assessing the value of its crude oil and natural gas assets and these inputs could be impacted by the unknown future impact of COVID-19 on the economy. Refer to Note 9 "Impairment". The broader effects of COVID-19 could also impact the counterparties with which ARC transacts, thereby impacting their ability to settle their obligations to ARC. This risk has been incorporated in ARC's provision for expected credit loss. At June 30, 2021, Management has incorporated the anticipated impacts of COVID-19 in its estimates and judgments in preparation of these financial statements.

5. BUSINESS COMBINATION

On April 6, 2021, ARC and Seven Generations completed the Business Combination which united two Canadian crude oil and natural gas-producing entities to create Canada's sixth-largest upstream energy company, achieving size and scale, enhanced capital allocation optionality, cost savings and synergies, and leadership in environmental, social, and governance practices.

Pursuant to the Business Combination, ARC acquired all of the Seven Generations common shares with Seven Generations shareholders receiving 1.108 ARC common shares for each Seven Generations share held. ARC issued 369.4 million common shares to acquire all of the outstanding Seven Generations shares. Additionally, ARC assumed 8.1 million share options and 0.2 million performance warrants previously issued by Seven Generations with a combined fair value of $10.5 million. As a result of completing the Business Combination, Seven Generations became a wholly-owned subsidiary of ARC, and was subsequently amalgamated with ARC on May 1, 2021.

Accounting Policy
The Business Combination has been recognized in accordance with IFRS 3 *Business Combinations* ("IFRS 3") using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets and liabilities assumed are measured and recognized at their fair value at the date of the acquisition, with the exception of income taxes, right-of-use ("ROU") assets, and lease obligations. Any deferred tax asset or liability arising from the business combination is recognized at the acquisition date. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the financial statements from the closing date of the acquisition.

Management Judgments and Estimation Uncertainty
In all business combinations, IFRS 3 requires one of the combining entities to be identified as the acquirer. ARC paid a premium of 10.8 per cent to acquire all the outstanding common shares of Seven Generations. After the close of the business combination, former ARC shareholders held approximately 49 per cent of the combined company and former Seven Generations shareholders held approximately 51 per cent of the combined company. The Board comprises six members, including the Chair of the Board, from the legacy ARC Board, and five members from the legacy Seven Generations Board. The officer team comprises nine members from legacy ARC, including the Chief Executive Officer and the Chief Financial Officer, and three members from legacy Seven Generations. ARC has determined, based on the premium paid for the former Seven Generations shares and the composition of officers and senior executives, it is the acquirer for accounting purposes and has recognized the net assets of Seven Generations under its existing accounting policies.

The determination of fair value is estimated based on information available at the date of acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("PP&E") and exploration and evaluation assets generally require significant judgment and include forward price estimates of crude oil and natural gas, volume of crude oil, condensate, natural gas and natural gas liquids ("reserves") and associated assumptions, including future production costs, required capital expenditures and reserve life, and discount rate. Assumptions are also required to determine the fair value of the asset retirement obligation ("ARO") associated with the properties, the ROU assets and associated lease obligations, other deferred liabilities, and the long-term incentive compensation liability.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, and goodwill (or net assets acquired in excess of purchase consideration). Future net income (loss) will be affected as the fair value on initial recognition impacts future depletion, depreciation and amortization ("DD&A"), asset impairment or reversal, or goodwill impairment.

Purchase Price Allocation
The value of ARC common shares issued of $2.9 billion comprises 369.4 million common shares of ARC, based on the issuance of 1.108 ARC common shares for each Seven Generations common share and the closing price of $7.86 for each ARC common share as reported on the TSX on April 5, 2021. The outstanding Seven Generations' share options and warrants assumed by ARC were valued using a Black-Scholes pricing model.

The following purchase price allocation is based on Management's best estimate of the assets acquired and liabilities assumed and is subject to change based upon finalizing the value of the net assets acquired.

($ millions, except where otherwise stated)	April 6, 2021
Consideration	
Common shares	
ARC common shares issued to Seven Generations' shareholders (millions)	369.4
Price of ARC common shares ($ per share)	7.86
Value of common shares	2,903.5
Outstanding share options and warrants	10.5
Total consideration	**2,914.0**
Identifiable net assets	
Cash and cash equivalents	4.9
Accounts receivable	330.3
Prepaid expense	54.1
Accounts payable and accrued liabilities	(435.4)
Risk management contracts	(103.0)
Property, plant and equipment	
Development and production assets	4,943.2
Corporate assets	14.0
Exploration and evaluation assets	55.1
Right-of-use assets	874.6
Debt	(1,712.7)
Lease obligations	(874.6)
Other deferred liabilities	(315.8)
Long-term incentive compensation liability	(7.0)
Asset retirement obligation	(105.6)
Deferred taxes	191.9
Total identifiable net assets	**2,914.0**

For the six months ended June 30, 2021, ARC recognized transaction costs of $22.9 million, in the unaudited condensed interim consolidated statements of income ("statements of income").

If the Business Combination had occurred on January 1, 2021, pro forma revenue from commodity sales and net income is estimated to be approximately $2.7 billion and $205.1 million, respectively, for the six months ended June 30, 2021.

Commitments
The Business Combination resulted in the assumption of Seven Generations' non-cancellable contracts and other commercial commitments. Upon close of the Business Combination, the total commitments assumed by ARC were $2.2 billion, of which $2.0 billion were for transportation service with payments extending to 2038. Of these commitments, $315.8 million were recognized as other deferred liabilities on the unaudited condensed interim consolidated balance sheets (the "balance sheets") as the estimated future cash outflows associated with the contracts exceeded current market terms.

As a result of the Business Combination, ARC has become a party to certain legal claims that arose in the normal course of business, including a contract dispute in respect of firm transportation service, a claim alleging breach of confidence through the use of proprietary technology and confidential information, and a claim alleging patent infringement. ARC has evaluated each claim and assessed the probability of the expected outcome and no provision has been recognized in its purchase price allocation.

6. EXPLORATION AND EVALUATION ASSETS

Carrying Amount	
Balance, December 31, 2020	214.9
Acquired upon close of Business Combination (Note 5)	**55.1**
Additions	**1.0**
Acquisitions	**0.1**
Change in asset retirement cost	**(0.7)**
Balance, June 30, 2021	**270.4**

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Development and Production Assets	Corporate Assets	Total
Balance, December 31, 2020	9,630.6	80.8	9,711.4
Acquired upon close of Business Combination (Note 5)	**4,943.2**	**14.0**	**4,957.2**
Additions	**413.9**	**1.5**	**415.4**
Change in asset retirement cost	**23.9**	**—**	**23.9**
Assets reclassified as held for sale and disposed in period	**(1,603.8)**	**—**	**(1,603.8)**
Other	**2.1**	**—**	**2.1**
Balance, June 30, 2021	**13,409.9**	**96.3**	**13,506.2**
Accumulated DD&A and Impairment			
Balance, December 31, 2020	(5,364.0)	(63.1)	(5,427.1)
DD&A	**(389.6)**	**(3.0)**	**(392.6)**
Reversal of impairment, net (Note 9)	**98.2**	**—**	**98.2**
Accumulated DD&A and impairment reclassified as held for sale and disposed in period	**1,295.2**	**—**	**1,295.2**
Balance, June 30, 2021	**(4,360.2)**	**(66.1)**	**(4,426.3)**
Carrying Amounts			
Balance, December 31, 2020	4,266.6	17.7	4,284.3
Balance, June 30, 2021	**9,049.7**	**30.2**	**9,079.9**

For the three and six months ended June 30, 2021, $8.8 million and $22.2 million of direct and incremental overhead charges were capitalized to PP&E ($4.1 million and $10.0 million for the three and six months ended June 30, 2020), respectively. Future development costs of $9.4 billion were included in the determination of DD&A for the six months ended June 30, 2021 ($3.4 billion for the six months ended June 30, 2020).

During the three and six months ended June 30, 2021, ARC disposed of certain non-core assets in Alberta for proceeds of $78.1 million and $78.2 million, and recognized related impairment charges in the statements of income of $14.4 million and $23.6 million, respectively.

For the six months ended June 30, 2021, ARC recognized a reversal of impairment of $121.8 million. Refer to Note 9 "Impairment".

8. RIGHT-OF-USE ASSETS

	Leases			Other	
Cost	**Buildings and Land Use Rights**	**Equipment and Vehicles**	**Facilities**	**Service Contracts**	**Total**
Balance, December 31, 2020	28.5	37.3	—	8.2	74.0
Acquired upon close of Business Combination (Note 5)	**5.4**	**—**	**869.2**	**—**	**874.6**
Additions	**0.4**	**1.1**	**—**	**—**	**1.5**
Balance, June 30, 2021	**34.3**	**38.4**	**869.2**	**8.2**	**950.1**
Accumulated Depreciation					
Balance, December 31, 2020	(9.8)	(17.0)	—	(2.7)	(29.5)
Depreciation on ROU assets expensed	**(3.2)**	**(0.7)**	**(18.1)**	**(0.7)**	**(22.7)**
Depreciation on ROU assets capitalized to PP&E	**—**	**(3.2)**	**—**	**—**	**(3.2)**
Modifications and terminations	**(0.1)**	**(0.1)**	**—**	**—**	**(0.2)**
Balance, June 30, 2021	**(13.1)**	**(21.0)**	**(18.1)**	**(3.4)**	**(55.6)**
Carrying Amounts					
Balance, December 31, 2020	18.7	20.3	—	5.5	44.5
Balance, June 30, 2021	**21.2**	**17.4**	**851.1**	**4.8**	**894.5**

9. IMPAIRMENT

PP&E

At March 31, 2021, ARC identified indicators of potential reversal of previous impairment due to increased forward commodity prices and an increase in ARC's market capitalization since the date of the last impairment test at March 31, 2020. ARC conducted a test for reversal of impairment for its Northern Alberta cash-generating unit ("CGU"). In estimating the recoverable amount of the Northern Alberta CGU, ARC incorporated the information and assumptions as detailed in Note 5 "Management Judgments and Estimation Uncertainty" of ARC's audited consolidated financial statements for the year ended December 31, 2020 with the following inputs:

- The net present value of the after-tax cash flows from proved plus probable reserves of the Northern Alberta CGU based on reserves estimated by ARC's independent qualified reserve evaluator at December 31, 2020, updated for forward commodity price estimates at March 31, 2021.
- The fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2020, and adjusted for any acquisitions, divestments, and expiries occurring during the three months ended March 31, 2021.

The estimated recoverable amounts were based on fair value costs of disposal calculations using an after-tax discount rate of 12.0 per cent and an inflation rate of two per cent.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's Northern Alberta CGU as at March 31, 2021:

	Edmonton Light Crude Oil	WTI Crude Oil	AECO Natural Gas	NYMEX Henry Hub Natural Gas	Exchange Rates
Year	(Cdn$/bbl) [1]	(US$/bbl) [1]	(Cdn$/MMBtu) [1]	(US$/MMBtu) [1]	Cdn$/US$ [1]
2021	71.70	62.00	2.70	2.80	0.80
2022	67.82	58.58	2.65	2.80	0.79
2023	66.27	57.69	2.60	2.83	0.78
2024	67.59	58.84	2.65	2.89	0.78
2025	68.95	60.02	2.70	2.95	0.78
2026	70.32	61.22	2.76	3.01	0.78
2027	71.74	62.45	2.81	3.07	0.78
2028	73.17	63.70	2.87	3.13	0.78
2029	74.63	64.97	2.92	3.19	0.78
2030	76.12	66.27	2.98	3.25	0.78
Escalate thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.78

(1) Source: GLJ Ltd. price forecast effective April 1, 2021.

As a result of its test at March 31, 2021, ARC recognized a reversal of impairment for the Northern Alberta CGU in the amount of $121.8 million ($91.5 million net of deferred tax expense), which was recognized in reversal of impairment in the statements of income. The Northern Alberta CGU comprises a mixture of crude oil and natural gas-producing assets. The recoverable amount of $516.1 million was determined using a discount rate of 12.0 per cent. At June 30, 2021, $42.6 million of previous impairment charges remain eligible to recover in the Northern Alberta CGU.

The following table demonstrates the sensitivity of the estimated recoverable amount of the Northern Alberta CGU at March 31, 2021, 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)	(22.7)	16.3	(30.1)	25.2

The fair value less costs of disposal values used to determine the recoverable amounts of ARC's Northern Alberta CGU at March 31, 2021 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.

At March 31, 2020, an impairment test was conducted on ARC's PP&E. 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).

10. FINANCIAL LIABILITIES AND LIQUIDITY RISK

The following tables detail the undiscounted cash flows and contractual maturities of ARC's financial liabilities as at June 30, 2021 and December 31, 2020:

As at June 30, 2021	**Undiscounted Cash Flows (3)**	**1 Year**	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**
Accounts payable and accrued liabilities (1)	**519.3**	**519.3**	**—**	**—**	**—**
Dividends payable	**43.5**	**43.5**	**—**	**—**	**—**
Risk management contracts (2)	**696.2**	**317.6**	**359.0**	**19.6**	**—**
Lease obligations	**1,169.3**	**109.4**	**203.3**	**155.6**	**701.0**
Long-term debt	**2,016.9**	**134.5**	**688.3**	**606.9**	**587.2**
Interest payments	**295.6**	**50.0**	**83.2**	**66.4**	**96.0**
Total financial liabilities	**4,740.8**	**1,174.3**	**1,333.8**	**848.5**	**1,384.2**

As at December 31, 2020	Undiscounted Cash Flows (3)	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities (1)	100.1	100.1	—	—	—
Dividends payable	21.3	21.3	—	—	—
Risk management contracts (2)	84.8	40.4	38.1	6.3	—
Lease obligations	53.7	16.1	29.3	2.7	5.6
Long-term debt	701.9	146.7	355.8	161.1	38.3
Interest payments	66.2	24.2	30.2	10.4	1.4
Total financial liabilities	1,028.0	348.8	453.4	180.5	45.3

(1) Excludes the portion of the cash obligations associated with the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans that will be settled within one year, as well as interest payable at June 30, 2021 and December 31, 2020.
(2) Risk management contracts are derivatives. All other financial liabilities contained in this table are non-derivative liabilities.
(3) The undiscounted cash flows equal the carrying value, with the exception of lease obligations.

11. LEASE OBLIGATIONS

Carrying Amount	
Balance, December 31, 2020	49.2
Acquired upon close of Business Combination (Note 5)	**874.6**
Additions	**1.5**
Modifications and terminations	**(0.1)**
Interest	**8.6**
Repayments	**(31.2)**
Balance, June 30, 2021	**902.6**
Lease obligations due within one year	**107.1**
Lease obligations due beyond one year	**795.5**

12. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	June 30, 2021	December 31, 2020	**June 30, 2021**	December 31, 2020
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**324.6**	72.6
US$ denominated	**112.0**	—	**138.9**	—
Total credit facilities	**112.0**	—	**463.5**	72.6
Senior notes				
Master Shelf Agreement				
3.72% US$ note	**150.0**	150.0	**186.1**	191.3
2009 note issuance				
8.21% US$ note	**—**	7.0	**—**	8.9
2010 note issuance				
5.36% US$ note	**30.0**	60.0	**37.2**	76.5
2012 note issuance				
3.31% US$ note	**12.0**	12.0	**14.9**	15.3
3.81% US$ note	**240.0**	240.0	**297.7**	306.1
4.49% Cdn$ note	**N/A**	N/A	**32.0**	32.0
2021 note issuance				
2.354% Cdn$ note	**N/A**	N/A	**450.0**	**—**
3.465% Cdn$ note	**N/A**	N/A	**550.0**	**—**
Total senior notes	**432.0**	469.0	**1,567.9**	630.1
Unamortized debt issuance costs	**(0.6)**	(0.7)	**(14.5)**	(0.8)
Total long-term debt outstanding	**543.4**	468.3	**2,016.9**	701.9
Long-term debt due within one year			**134.5**	146.7
Long-term debt due beyond one year			**1,882.4**	555.2

Upon closing of the Business Combination, ARC obtained access to additional liquidity with a new syndicated $2.0 billion unsecured extendible revolving credit facility with a maturity date of 2024 (the "new credit facility"). Borrowings under the new credit facility bear interest at Canadian bank prime or US base rate, or at ARC's option, Canadian dollar bankers' acceptances or US dollar loan rates, plus applicable margin and stamping fees. The total stamping fees range between zero basis points and 125 basis points on Canadian bank prime and US base rate borrowings and between 100 basis points and 225 basis points on Canadian dollar bankers' acceptance and US dollar borrowings. The undrawn portion of the new credit facility is subject to a standby fee in the range of 20 basis points to 45 basis points. In conjunction with access to the new credit facility, the former $950 million financial covenant-based syndicated credit facility was cancelled.

Additionally, ARC issued two tranches of senior unsecured notes by way of private placement (the "2021 Notes"). The proceeds from the 2021 Notes and draws on the new credit facility were used to repay Seven Generations' outstanding senior notes and its syndicated credit facility. Amounts repaid include:

- US$114 million aggregate principal amount of outstanding 6.875 per cent senior notes due 2023;
- US$700 million aggregate principal amount of outstanding 5.375 per cent senior notes due 2025;
- US$378 million aggregate principal amount of outstanding 6.75 per cent senior notes due 2023; and
- $180 million outstanding on the syndicated credit facility.

The terms and rates of the 2021 Notes are summarized below:

Issue Date	Principal	Coupon Rate	Maturity Date	Principal Payment Terms
March 10, 2021	Cdn$450 million	2.354 %	March 10, 2026	Due upon maturity
March 10, 2021	Cdn$550 million	3.465 %	March 10, 2031	Due upon maturity

With the issuance of the 2021 Notes, ARC's credit capacity increased to $3.9 billion ($1.9 billion at December 31, 2020), of which $2.0 billion was drawn at June 30, 2021 ($703.2 million at December 31, 2020). There are no financial covenants associated with the 2021 Notes and there were no changes to ARC's existing debt covenants related to the credit facility and other outstanding senior notes. At June 30, 2021, ARC was in compliance with all of its debt covenants.

At June 30, 2021, the fair value of all long-term debt outstanding was $2.1 billion ($748.3 million at December 31, 2020).

13. OTHER DEFERRED LIABILITIES

Carrying Amount	
Balance, December 31, 2020	16.3
Acquired upon close of Business Combination (Note 5)	**315.8**
Additions	**0.6**
Amortization	**(37.9)**
Balance, June 30, 2021	**294.8**
Expected to be incurred within one year	**96.2**
Expected to be incurred beyond one year	**198.6**

Upon close of the Business Combination, ARC assumed certain contracts related to transportation service and processing of natural gas liquids ("NGLs") which have been recognized at their fair value. These have been recognized on the balance sheets and will be amortized into income through transportation and operating expense over their remaining lives.

14. ASSET RETIREMENT OBLIGATION

ARC has estimated the net present value of its total ARO to be $433.7 million at June 30, 2021 ($541.7 million at December 31, 2020) based on a total future undiscounted liability of $1.1 billion ($870.1 million at December 31, 2020). Management estimates that these payments are expected to be made over the next 67 years with the majority of payments being made in years 2037 to 2087. The Bank of Canada's long-term risk-free bond rate of 1.9 per cent (1.2 per cent at December 31, 2020) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2020) were used to calculate the present value of ARO at June 30, 2021.

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

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Balance, beginning of period	541.7	409.6
Acquired upon close of Business Combination (Note 5)	**105.6**	—
Revaluation of obligations acquired in Business Combination	**142.0**	—
Development activities	**4.6**	3.9
Change in estimates [(1)]	**(13.5)**	49.9
Change in discount rate	**(109.9)**	96.1
Settlement of obligations [(2)]	**(9.6)**	(12.8)
Accretion	**4.8**	6.3
Reclassified as liabilities associated with assets held for sale and disposed in period	**(232.0)**	(11.3)
Balance, end of period	**433.7**	541.7
Expected to be incurred within one year	**19.0**	19.0
Expected to be incurred beyond one year	**414.7**	522.7

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

(2) For the three and six months ended June 30, 2021, $0.8 million and $1.9 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC.

15. 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 or new debt, or changing its dividend policy. On June 15, 2021, ARC declared a quarterly dividend of $0.06 per share and the Board has also approved a 10 per cent dividend increase to $0.066 per share per quarter, effective for ARC's dividend payable on October 15, 2021.

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. Historically, net debt has included ARC's lease obligations; however, Management also considers its net debt excluding lease obligations position to be a relevant measure in assessing the Company's liquidity, as this measure aligns with the contractual requirements for purposes of calculating ARC's debt covenants.

When evaluating ARC’s capital structure, Management targets its net debt excluding lease obligations to be between 1.0 and 1.5 times annualized funds from operations over the long term. At June 30, 2021, ARC's net debt and net debt excluding lease obligations were 1.8 times and 1.3 times its annualized funds from operations, respectively.

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, 2021 and 2020 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Cash flow from operating activities	**458.9**	97.4	**737.3**	280.5
Net change in other liabilities (Note 21)	**50.0**	(4.2)	**56.6**	1.1
Change in non-cash operating working capital (Note 21)	**33.6**	57.0	**22.5**	29.4
Funds from operations	**542.5**	150.2	**816.4**	311.0

Net Debt and Net Debt Excluding Lease Obligations

Net debt and net debt excluding lease obligations are used by Management as key measures to assess the Company's liquidity. Net debt and net debt excluding lease obligations are not standardized measures 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 and net debt excluding lease obligations as at June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Long-term debt (1)	**2,016.9**	945.0
Lease obligations (2)	**902.6**	38.1
Accounts payable and accrued liabilities	**572.6**	110.3
Dividends payable	**43.5**	21.3
Cash and cash equivalents, accounts receivable, and prepaid expense	**(548.9)**	(153.6)
Net debt	**2,986.7**	961.1
Lease obligations (2)	**(902.6)**	(38.1)
Net debt excluding lease obligations	**2,084.1**	923.0
Net debt to annualized funds from operations (ratio)	**1.8**	1.5
Net debt excluding lease obligations to annualized funds from operations (ratio)	**1.3**	1.5

(1) Includes current portion of long-term debt at June 30, 2021 and 2020 of $134.5 million and $156.0 million, respectively.
(2) Includes current portion of lease obligations at June 30, 2021 and 2020 of $107.1 million and $11.5 million, respectively.

16. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments

At June 30, 2021, 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 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 12 "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, 2021.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at June 30, 2021 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, 2021 and December 31, 2020:

	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, 2021					
Risk management contracts					
Current asset	**41.6**	**(40.1)**	**1.5**	**—**	**1.5**
Long-term asset	**74.4**	**(74.4)**	**—**	**—**	**—**
Current liability	**(544.1)**	**40.1**	**(504.0)**	**13.4**	**(490.6)**
Long-term liability	**(285.8)**	**74.4**	**(211.4)**	**5.8**	**(205.6)**
Net position	**(713.9)**	**—**	**(713.9)**	**19.2**	**(694.7)**
As at December 31, 2020					
Risk management contracts					
Current asset	41.0	(35.0)	6.0	—	6.0
Long-term asset	27.8	(27.8)	—	—	—
Current liability	(76.3)	35.0	(41.3)	0.9	(40.4)
Long-term liability	(73.1)	27.8	(45.3)	0.9	(44.4)
Net position	(80.6)	—	(80.6)	1.8	(78.8)

Risk Management Contracts

The following table summarizes ARC's risk management contracts as at June 30, 2021:

Risk Management Contracts Positions Summary (1)(2)

As at June 30, 2021	2021 (remainder)		2022		2023		2024		2025	
Crude Oil – WTI	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	53.66	23,500	58.91	21,767	62.35	12,000	55.82	1,243	—	—
Floor	45.82	23,500	48.45	21,767	51.25	12,000	50.00	1,243	—	—
Sold Floor	40.84	8,000	40.11	11,767	45.00	5,000	—	—	—	—
Swap	48.30	19,750	46.90	10,479	48.99	863	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**43,250**		**32,246**		**12,863**		**1,243**		**—**
Natural Gas – NYMEX Henry Hub (3)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	3.13	210,054	3.13	119,932	3.02	60,000	2.74	10,000	—	—
Floor	2.60	210,054	2.60	119,932	2.55	60,000	2.50	10,000	—	—
Sold Floor	2.13	140,000	2.19	85,000	2.17	30,000	2.10	10,000	—	—
Swap	2.57	205,000	2.53	144,959	2.53	52,068	—	—	—	—
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	2.41	120,000	2.52	160,000	2.42	95,863	2.40	90,000	2.73	20,000
Floor	1.95	120,000	1.99	160,000	1.88	95,863	1.87	90,000	2.00	20,000
Sold Floor	—	—	1.75	20,000	—	—	—	—	—	—
Swap	2.29	80,054	2.23	20,000	2.06	10,000	2.06	10,000	—	—
Sold Calls	4.50	3,315	4.50	2,466	—	—	—	—	—	—
Sold Swaption	—	—	2.00	20,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**604,669**		**435,497**		**212,407**		**104,782**		**18,956**
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.94)	68,342	(0.88)	35,000	(0.91)	70,000	(0.91)	70,000	(0.65)	50,000
Total AECO Basis Volumes (MMBtu/day)		**68,342**		**35,000**		**70,000**		**70,000**		**50,000**
Natural Gas - Other Basis (Differential to NYMEX Henry Hub)		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		**155,000**		**152,438**		**89,918**		**4,973**		**—**
Foreign Exchange	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)
USD Forward Sales										
Swap	128.6	1.3351	116.1	1.3165	—	—	—	—	—	—
Ceiling	30.8	1.3093	69.9	1.3078	48.0	1.3070	—	—	—	—
Floor	30.8	1.3441	69.9	1.3562	48.0	1.3602	—	—	—	—
USD Forward Purchases										
Ceiling (4)	10.0	1.2549	—	—	—	—	—	—	—	—
Floor (4)	10.0	1.3000	—	—	—	—	—	—	—	—

(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) ARC has also entered into crude oil differential swaps with a fair value deficiency of $(3.0) million and NGLs location differential swaps with a fair value deficiency of $(0.1) million.

(3) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

(4) Variable rate collar expiring August 23, 2021 whereby if the Cdn$/US$ spot rate is below $1.2825 at expiry, the ceiling will re-adjust to $1.3000.

17. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Six Months Ended June 30, 2021**	Year Ended December 31, 2020
Common shares, beginning of period	353,372	353,411
Issued upon close of Business Combination (Note 5)	**369,406**	—
Restricted shares issued pursuant to the LTRSA Plan	**4**	218
Forfeited and cancelled shares pursuant to the LTRSA Plan	**(6)**	—
Unvested restricted shares held in trust pursuant to the LTRSA Plan (1)	**(9)**	(257)
Issued on exercise of share options and long-term incentive awards	**1,134**	—
Common shares, end of period	**723,901**	353,372

(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)	**2021**	2020	**2021**	2020
Weighted average common shares	**723,114**	353,383	**539,259**	353,383
Dilutive impact of share-based compensation (1)	**—**	—	**1,015**	—
Weighted average common shares, diluted	**723,114**	353,383	**540,274**	353,383

(1) For the three and six months ended June 30, 2021, 10.1 million and 10.0 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (4.6 million for the three and six months ended June 30, 2020).

Dividends declared for the three and six months ended June 30, 2021 were $0.06 and $0.12 per share ($0.06 and $0.18 for the three and six months ended June 30, 2020), respectively.

18. 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,	Three Months Ended June 30		Six Months Ended June 30	
by Product	**2021**	2020	**2021**	2020
Crude oil	**78.5**	35.3	**157.7**	112.1
Condensate	**520.9**	38.1	**609.9**	97.0
Natural gas (1)	**365.8**	135.2	**694.8**	264.3
NGLs	**101.0**	9.3	**129.1**	14.0
Total commodity sales from production	**1,066.2**	217.9	**1,591.5**	487.4

(1) Includes $18.6 million and $26.5 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three and six months ended June 30, 2021 ($3.3 million and $6.6 million for the three and six months ended June 30, 2020), respectively.

At June 30, 2021, receivables from contracts with customers, which are included in accounts receivable, were $469.7 million ($135.6 million at December 31, 2020).

19. SHARE-BASED COMPENSATION PLANS

For a description of ARC's various share-based compensation plans that existed prior to the Business Combination (the "Legacy Plans"), refer to Note 21 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2020.

Additionally, various share-based compensation awards held by employees and directors of Seven Generations may be subject to accelerated vesting and are eligible for continuation and exercise after the effective date of the Business Combination (the "Acquired Plans").

Long-term Incentive Plans

RSU and PSU awards outstanding under the Acquired Plans consist of RSUs for which the number of share awards is fixed and PSUs for which the number of share awards is variable based on the determination of a performance multiplier, which can range from zero to two. The performance multiplier is comprised of a market component, being the relative shareholder return performance compared to a predefined peer group, and a non-market component, being a predetermined corporate scorecard. Both RSUs and PSUs of the Acquired Plans vest annually over three years. In accordance with the Business Combination agreement, the performance multipliers for PSU awards under the Acquired Plans that are scheduled to vest in 2021 have been predetermined and range from 0.83 to 1.79. Approximately two per cent of RSU and PSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

Deferred Share Unit ("DSU") awards outstanding under the Acquired Plans consist of DSUs issued to directors that vest upon grant, but are available for redemption when the director ceases to be a member of the Board. Awards are determined by the value of the underlying common share. Approximately 35 per cent of DSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

The following table summarizes the changes in the RSU, PSU, and DSU awards under the Legacy Plans for the six months ended June 30, 2021:

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs Granted Prior to 2019** (1)	**PSUs Granted Subsequent to 2018** (1)	**DSUs**
Balance, December 31, 2020	3,836	998	5,103	1,270
Granted (2)	**893**	**542**	**933**	**126**
Distributed	**(1,005)**	**(1,032)**	**—**	**—**
Forfeited	**(155)**	**(11)**	**(108)**	**—**
Balance, June 30, 2021	**3,569**	**497**	**5,928**	**1,396**

(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.

The following table summarizes the changes in the RSU, PSU, and DSU awards under Acquired Plans for the six months ended June 30, 2021:

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**DSUs**
Balance, December 31, 2020	—	—	—
Acquired upon close of Business Combination (2)	**930**	**1,098**	**420**
Distributed	**(137)**	**(252)**	**—**
Forfeited	**(10)**	**(7)**	**—**
Balance, June 30, 2021	**783**	**839**	**420**

(1) Based on underlying awards before any effect of the performance multiplier, with the exception of awards vesting in 2021.
(2) In accordance with the Business Combination agreement, an exchange ratio of 1.108 has been applied.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
General and administrative ("G&A")	**23.4**	6.3	**30.1**	0.6
Operating	**2.5**	0.8	**4.7**	0.1
PP&E	**5.0**	0.6	**14.7**	0.3
Total compensation charge	**30.9**	7.7	**49.5**	1.0
Cash payment	**5.0**	—	**21.5**	4.9

At June 30, 2021, $45.9 million of compensation amounts payable was included in accounts payable and accrued liabilities on the balance sheets ($18.4 million at December 31, 2020) and $47.7 million was included in long-term incentive compensation liability ($32.0 million at December 31, 2020). A recoverable amount of $0.2 million was included in accounts receivable at June 30, 2021 ($0.1 million at December 31, 2020).

Share Option Plans

Share options granted under the Acquired Plans vest annually over three years and expire 10 years after the date of grant. The last grant was in 2019.

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Legacy Plans for the six months ended June 30, 2021 were as follows:

Legacy Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price ($)
Balance, December 31, 2020	4,580	16.50
Forfeited	**(40)**	**13.89**
Expired	**(417)**	**28.23**
Balance, June 30, 2021	**4,123**	**15.22**
Exercisable, June 30, 2021	**2,167**	**17.47**

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the six months ended June 30, 2021 were as follows:

Acquired Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price ($)
Balance, December 31, 2020	—	—
Acquired upon close of Business Combination (1)	**8,077**	**15.77**
Exercised	**(1,092)**	**8.22**
Forfeited	**(102)**	**17.11**
Expired	**(932)**	**15.76**
Balance, June 30, 2021	**5,951**	**17.13**
Exercisable, June 30, 2021	**5,951**	**17.13**

(1) In accordance with the Business Combination Agreement, an exchange ratio of 1.108 has been applied.

The following table summarizes information regarding share options outstanding at June 30, 2021:

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 ($)
5.98 - 13.06	2,937	10.61	5.7	1,561	9.46
13.07 - 14.07	1,286	13.93	2.7	1,286	13.93
14.08 - 17.27	1,871	15.01	2.9	1,290	15.16
17.28 - 22.11	1,883	18.65	1.5	1,884	18.65
22.12 - 27.78	2,097	24.99	3.5	2,097	24.99
Total	**10,074**	**16.34**	**3.3**	**8,118**	**17.22**

ARC recognized compensation expense of $0.5 million and $1.1 million relating to share option plans for the three and six months ended June 30, 2021 ($0.9 million and $1.7 million for the three and six months ended June 30, 2020), respectively. During the three and six months ended June 30, 2021, $0.2 million and $0.3 million of share option compensation charges were capitalized to PP&E ($nil and $0.1 million for the three and six months ended June 30, 2020), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 2021 were as follows:

	Granted Prior to 2020		Granted Subsequent to 2019	
	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2020	781	12.20	218	6.17
Restricted shares granted and purchased	**9**	**7.50**	**6**	**8.51**
Forfeited	**(6)**	**19.52**	**—**	**—**
Balance, June 30, 2021	**784**	**12.09**	**224**	**6.24**

ARC recognized G&A expense of $0.3 million and $0.6 million relating to the LTRSA Plan during the three and six months ended June 30, 2021 ($0.2 million and $0.5 million for the three and six months ended June 30, 2020), respectively.

Performance Warrants

Upon close of the Business Combination, ARC acquired 0.2 million of performance warrants. At June 30, 2021, all performance warrants have expired.

20. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2021:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	134.5	688.3	606.9	587.2	2,016.9
Interest payments (2)	50.0	83.2	66.4	96.0	295.6
Purchase and service commitments	69.7	40.7	23.0	109.5	242.9
Transportation commitments	577.8	813.2	667.4	1,359.9	3,418.3
Total contractual obligations and commitments	**832.0**	**1,625.4**	**1,363.7**	**2,152.6**	**5,973.7**

(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 entered into a purchase and sale agreement (the "ACCEL PSA") and disposed of certain non-core assets to ACCEL Canada Holdings Ltd. ("ACCEL"). In 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 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.

As a result of the Business Combination, ARC has become a party to certain legal claims that arose in the normal course of business. Refer to Note 5 "Business Combination" for further information.

ARC has 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, 2021, 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 $243.8 million.

21. 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	
	2021	2020	**2021**	2020
Operating	**21.7**	6.4	**32.6**	13.9
G&A	**51.9**	16.2	**67.0**	31.0
Total employee compensation expense	**73.6**	22.6	**99.6**	44.9

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	**2021**	2020	**2021**	2020
Accounts receivable	**0.2**	(64.8)	**(20.9)**	(22.9)
Accounts payable and accrued liabilities	**(40.4)**	(38.8)	**10.8**	(39.5)
Inventory	**0.2**	—	**(0.5)**	—
Prepaid expense	**7.4**	(0.2)	**8.9**	1.0
Total change in non-cash working capital	**(32.6)**	(103.8)	**(1.7)**	(61.4)
Relating to:				
Operating activities	**(33.6)**	(57.0)	**(22.5)**	(29.4)
Investing activities	**1.0**	(46.8)	**20.8**	(32.0)
Total change in non-cash working capital	**(32.6)**	(103.8)	**(1.7)**	(61.4)

	Three Months Ended June 30		Six Months Ended June 30	
Other Non-Cash Items	**2021**	2020	**2021**	2020
Share-based compensation expense	**0.6**	1.1	**1.5**	2.2
Other amortization	**1.4**	0.4	**1.6**	0.3
ARO settlements	**(0.8)**	—	**(1.9)**	—
Modified and terminated leases	**(0.3)**	—	**(0.1)**	—
Total other non-cash items	**0.9**	1.5	**1.1**	2.5

	Three Months Ended June 30		Six Months Ended June 30	
Net Change in Other Liabilities	**2021**	2020	**2021**	2020
Long-term incentive compensation liability	**1.9**	4.5	**1.4**	(4.3)
Risk management contracts	**(20.6)**	—	**(20.6)**	—
ARO cash settlements	**(1.6)**	(0.9)	**(7.7)**	(8.9)
Other deferred liabilities	**(29.7)**	0.6	**(29.7)**	12.1
Total net change in other liabilities	**(50.0)**	4.2	**(56.6)**	(1.1)

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

Financing Liabilities	Current Financial Liabilities	Long-Term Financial Liabilities	Total Financial Liabilities from Financing Activities
Balance, December 31, 2019	165.2	758.6	923.8
Cash flows			
Draw and issuance 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
Balance, December 31, 2020	162.0	589.1	751.1
Cash flows			
Draw and issuance of long-term debt	**—**	**3,224.8**	**3,224.8**
Repayment of long-term debt	**(45.0)**	**(3,534.7)**	**(3,579.7)**
Repayment of lease obligations	**(7.8)**	**(15.4)**	**(23.2)**
Debt issuance costs	**—**	**(14.5)**	**(14.5)**
Reclassified to current			
Long-term debt	**36.2**	**(36.2)**	**—**
Lease obligations	**39.6**	**(39.6)**	**—**
Non-cash changes			
Lease obligations acquired upon close of Business Combination (Note 5)	**60.0**	**814.6**	**874.6**
Long-term debt acquired upon close of Business Combination (Note 5)	**—**	**1,712.7**	**1,712.7**
Lease recognition	**—**	**1.5**	**1.5**
Lease modification and termination	**—**	**(0.1)**	**(0.1)**
Unrealized foreign exchange gain	**(3.9)**	**(25.9)**	**(29.8)**
Other	**0.5**	**1.6**	**2.1**
Balance, June 30, 2021	**241.6**	**2,677.9**	**2,919.5**
Lease obligations due within one year	**107.1**	**—**	**107.1**
Lease obligations due beyond one year	**—**	**795.5**	**795.5**
Long-term debt due within one year	**134.5**	**—**	**134.5**
Long-term debt due beyond one year	**—**	**1,882.4**	**1,882.4**

This page left intentionally blank.

Corporate & Shareholder **Information**

Directors

Harold N. Kvisle
Board Chair

Marty L. Proctor (1) (2)
Board Vice-Chair

Farhad Ahrabi (1) (3)

David R. Collyer (2) (4) (5)

Susan C. Jones (2) (4)

William J. McAdam (1) (2)

Michael G. McAllister (2) (4)

Kathleen O'Neill (3) (5)

M. Jacqueline Sheppard (4) (5)

Leontine van Leeuwen-Atkins (1) (3)

Terry M. Anderson

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

Senior Management

Terry M. Anderson
President & CEO

Kris J. Bibby
Senior Vice President & CFO

David B. Holt
Senior Vice President & COO

Lara M. Conrad
Senior Vice President, Development

Armin Jahangiri
Senior Vice President, Capital Projects

Executive Office

ARC Resources Ltd.
1200, 308 – 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900
F 403.503.8609

www.arcresources.com

Transfer Agent

Computershare Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8

T 403.267.6800

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Engineering Consultants

GLJ Ltd.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol:

ARX

Corporate Calendar

November 4, 2021 | Q3 2021 Results

Investor Information

Visit our website at
www.arcresources.com
or contact Investor Relations

T 403.503.8600 or
TOLL FREE 1.888.272.4900
E ir@arcresources.com

JSI JANTZI SOCIAL INDEX
CDP DRIVING SUSTAINABLE ECONOMIES
MSCI
IR magazine Award winner Canada 2020
FSC www.fsc.org MIX Paper from responsible sources FSC® C020157
Design ARTHUR / HUNTER

ARC Resources Ltd.

1200, 308 – 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900
F 403.503.8609

www.arcresources.com