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Third Quarter Report

ARC RESOURCES LTD.

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ARC RESOURCES LTD. REPORTS RECORD THIRD QUARTER 2021 RESULTS, INCREASES DIVIDEND, AND ANNOUNCES 2022 BUDGET

NEWS RELEASE

Calgary, November 4, 2021 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its third quarter 2021 financial and operational results and announced its 2022 budget.

HIGHLIGHTS

Q3 2021 Results — ARC delivered record quarterly production and free funds flow[(1)] per share, exceeding consensus expectations[(2)]. Average production of 353,657 boe[(3)(4)] per day generated funds from operations[(5)] of $765 million ($1.06 per share) and free funds flow of $497 million ($0.69 per share).

- Free funds flow was used to reduce net debt excluding lease obligations[(5)] by $158 million and to return $172 million of capital to shareholders through quarterly dividends of $47 million and share repurchases of $125 million.
- To date, ARC has repurchased approximately 20 million common shares for total consideration of $210 million, representing 2.7 per cent of common shares outstanding.

2022 Capital Budget — ARC's board of directors (the "Board") has approved a preliminary 2022 capital budget of $1.2 to $1.3 billion that is expected to deliver average production in the range of 335,000 to 350,000 boe per day.

- Approximately $1.1 billion is required to sustain production at 335,000 to 350,000 boe per day, with the balance planned for investing in an expansion at Sunrise, long-lead investments for Attachie West Phase I, and progressing several emissions-reduction initiatives.

Free Funds Flow Allocation — ARC plans to return 50 to 80 per cent of free funds flow to shareholders primarily through:

- Sustainable dividend growth as the primary long-term mechanism.
- Share repurchases when Management's view of the intrinsic value of the business exceeds ARC's share price under moderate commodity price scenarios.
- ARC plans to allocate the balance of free funds flow to debt reduction.

Dividend Increase — The Board has approved a 52 per cent increase to ARC's quarterly dividend, from $0.066 per share to $0.10 per share, beginning with its dividend that is expected to be paid on January 17, 2022 to shareholders of record on December 31, 2021.

- ARC now expects to exceed the $160 million of synergies originally identified through the business combination (the "Business Combination") with Seven Generations Energy Ltd. ("Seven Generations") due to greater-than-expected capital synergies. The integration is effectively complete and ARC expects to capture all of the identified synergies by year-end.
- The dividend increase reflects ARC's conviction in its business, increased profitability, and is sustainable in a low commodity price environment.

Long-term Gas Supply Agreement — ARC has entered into a long-term gas supply agreement to deliver approximately 150 MMcf per day of natural gas from ARC's Sunrise facility to an LNG Canada participant. The agreement will commence with the start-up of LNG Canada.

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 nine months ended September 30, 2021, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

Notes:

(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"* in ARC's MD&A for the three and nine months ended September 30, 2021, available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.
(2) Source: Refinitiv Eikon (October 27, 2021).
(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.
(5) 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 nine months ended September 30, 2021, available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts, boe amounts, and common shares outstanding)	Three Months Ended			Nine Months Ended	
	June 30, 2021	**September 30, 2021**	September 30, 2020[1]	**September 30, 2021**	September 30, 2020[1]
FINANCIAL RESULTS					
Net income (loss)	(123.0)	**53.6**	(66.1)	**108.6**	(668.0)
Per share[2]	(0.17)	**0.07**	(0.19)	**0.18**	(1.89)
Cash flow from operating activities	458.9	**615.0**	174.1	**1,352.3**	454.6
Per share[2]	0.63	**0.85**	0.49	**2.25**	1.29
Funds from operations[3]	542.5	**765.4**	144.6	**1,581.8**	455.6
Per share[2]	0.75	**1.06**	0.41	**2.63**	1.29
Free funds flow[4]	249.7	**497.0**	92.0	**894.9**	189.1
Per share[2]	0.35	**0.69**	0.26	**1.49**	0.53
Dividends declared	43.5	**47.1**	21.2	**111.9**	85.0
Per share[2]	0.06	**0.066**	0.06	**0.186**	0.24
Capital expenditures before net property acquisitions (dispositions)	292.8	**268.4**	52.6	**686.9**	266.5
Capital expenditures including net property acquisitions (dispositions)	214.8	**268.4**	52.6	**608.8**	266.5
Net debt[3]	2,986.7	**2,807.9**	867.8	**2,807.9**	867.8
Net debt excluding lease obligations[3]	2,084.1	**1,926.4**	834.2	**1,926.4**	834.2
Common shares outstanding, weighted average diluted (millions)	723.1	**723.1**	353.4	**601.8**	353.4
Common shares outstanding, end of period (millions)	723.9	**711.7**	353.4	**711.7**	353.4
OPERATIONAL RESULTS					
Production					
Crude oil (bbl/day)	11,659	**8,639**	15,373	**11,304**	15,784
Condensate (bbl/day)	73,459	**77,539**	14,831	**55,152**	13,117
Crude oil and condensate (bbl/day)	85,118	**86,178**	30,204	**66,456**	28,901
Natural gas (MMcf/day)	1,203	**1,300**	708	**1,101**	725
NGLs (bbl/day)	50,020	**50,891**	10,208	**37,316**	9,258
Total (boe/day)	335,701	**353,657**	158,444	**287,233**	158,911
Average realized prices, prior to gain or loss on risk management contracts					
Crude oil ($/bbl)	74.01	**77.43**	45.45	**71.09**	40.79
Condensate ($/bbl)	77.93	**85.72**	48.49	**81.11**	45.38
Natural gas ($/Mcf)	3.34	**4.67**	2.16	**4.17**	2.04
NGLs ($/bbl)	22.19	**27.92**	14.85	**25.51**	11.01
Oil equivalent ($/boe)	34.90	**41.88**	19.55	**37.67**	17.74
Netback ($/boe)[4]					
Commodity sales from production	34.90	**41.88**	19.55	**37.67**	17.74
Royalties	(3.02)	**(3.38)**	(0.72)	**(2.90)**	(0.72)
Operating expense	(4.53)	**(3.58)**	(4.13)	**(4.00)**	(3.93)
Transportation expense	(4.49)	**(4.93)**	(3.22)	**(4.52)**	(2.99)
Netback	22.86	**29.99**	11.48	**26.25**	10.10
Realized gain (loss) on risk management contracts	(1.97)	**(4.27)**	1.13	**(2.88)**	1.50
Netback including realized gain (loss) on risk management contracts	20.89	**25.72**	12.61	**23.37**	11.60
TRADING STATISTICS[5]					
High price	10.74	**11.95**	6.94	**11.95**	8.39
Low price	7.26	**7.51**	4.54	**5.88**	2.42
Close price	10.55	**11.87**	5.95	**11.87**	5.95
Average daily volume (thousands of shares)	3,309	**3,034**	1,363	**3,156**	2,249

(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 nine months ended September 30, 2021, available on ARC's website at www.arcresources.com and under ARC's SEDAR profile 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 nine months ended September 30, 2021, available on ARC's website at www.arcresources.com and under ARC's SEDAR profile 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 ("TSX").

BOARD OF DIRECTORS UPDATE

Director Appointment

ARC is pleased to announce that Ms. Carol Banducci has been appointed to the Board, effective immediately. Ms. Banducci is a global finance executive with over 30 years of experience in operational, corporate, and senior leadership roles. Most recently, Ms. Banducci served as Executive Vice President and Chief Financial Officer of IAMGOLD Corporation until her retirement from the company in 2021. Ms. Banducci serves on the board of directors of Hudbay Minerals Inc., is a member of the National Association of Corporate Directors (USA), the Institute of Corporate Directors, and the Financial Executives Institute of Canada, and is a past member of the Canadian Board Diversity Council.

OUTLOOK

2022 Capital Budget

The Board has approved a preliminary capital budget of $1.2 to $1.3 billion, which is expected to deliver production of 335,000 to 350,000 boe per day. Capital discipline and risk management are guiding principles of ARC. The Company will closely monitor and adjust its capital budget based on the outcome of the ongoing negotiations between Blueberry River First Nations and the Government of British Columbia ("BC") regarding continued resource development in the province following the June 29, 2021 BC Supreme Court ruling in *Blueberry First River Nations (Yahey) v. Province of British Columbia*.

The capital budget is designed to sustain production levels in the near term, return additional free funds flow to shareholders to provide a competitive total return, and invest a modest amount of capital to grow free funds flow in the future.

Notably, ARC will invest:

- Approximately $1.1 billion of its capital budget to sustain production between 335,000 and 350,000 boe per day.
    - ARC anticipates continuous efficiency improvement initiatives will largely offset inflationary pressures in 2022.
    - Average drilling and completions costs at Kakwa have been reduced by 12 per cent since 2020, which includes inflationary pressures realized in 2021.
- $115 million to expand natural gas production and processing capacity at Sunrise by 80 MMcf per day, which includes facility capital of approximately $35 million. The expansion is expected to be brought on-stream in late 2022, bringing the area's processing capacity to 360 MMcf per day of low-cost, low-emission natural gas.
    - ARC is pleased to announce that it has entered into a long-term gas supply agreement to deliver approximately 150 MMcf per day of natural gas from ARC's Sunrise facility to an LNG Canada participant. The agreement will commence with the start-up of LNG Canada.
- $75 million to advance Attachie West Phase I ahead of sanctioning.
    - ARC is fully prepared to proceed with Attachie West Phase I. Total capital expenditures required to build the facility and drill the initial wells, including the $75 million, is expected to total approximately $600 million over an 18 to 24-month period.
- $45 million of environmental, social, and governance ("ESG")-related investments to reduce corporate emissions, which includes investment in the electrification of the Dawson Phase III and Phase IV facilities and several other emissions-reduction projects.

Free Funds Flow Allocation

ARC's goal is to deliver a competitive total return to its shareholders through a combination of sustainable return-of-capital measures and capital appreciation from profitable investments. The Company is in a strong financial position and its capital requirements are being met. As net debt excluding lease obligations reaches the low end of the Company's targeted range of 1.0 to 1.5 times annualized funds from operations under moderate commodity price assumptions, ARC intends to accelerate and increase the return-of-capital component of its total return proposition:

- ARC will return 50 to 80 per cent of free funds flow to shareholders.
- A growing dividend remains ARC's primary long-term mechanism of returning capital to shareholders. The dividend is designed to grow with the underlying profitability of the business and be sustainable during extended periods of low commodity prices.
- ARC will repurchase its shares under its normal course issuer bid ("NCIB") when Management's view of the business' intrinsic value exceeds ARC's share price under moderate commodity price scenarios.
- ARC plans to allocate the balance of free funds flow to debt reduction.
- ARC does not believe that the returns currently generated by M&A activities compete with the returns generated by investing in ARC's common shares or by developing ARC's own assets.

2022 Guidance

ARC's 2022 preliminary corporate guidance is based on various commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with commodity price changes and regulatory changes. ARC's guidance provides readers with the information relevant to Management's expectations for financial and operational results for 2022. Readers are cautioned that the guidance estimates may not be appropriate for any other purpose.

	2022 Guidance
Crude oil (bbl/day)	**7,000 - 9,000**
Condensate (bbl/day)	**72,000 - 78,000**
Crude oil and condensate (bbl/day)	**79,000 - 87,000**
Natural gas (MMcf/day)	**1,240 - 1,280**
NGLs (bbl/day)	**49,000 - 51,000**
Total (boe/day)	**335,000 - 350,000**
Expenses ($/boe)	
Operating	**4.00 - 4.50**
Transportation	**4.50 - 5.00**
General and administrative ("G&A") expense before share-based compensation expense	**0.80 - 0.90**
G&A - share-based compensation expense	**0.30 - 0.40**
Interest and financing	**0.55 - 0.65**
Current income tax expense as a per cent of funds from operations	**1 - 6**
Capital expenditures before undeveloped land purchases and net property acquisitions (dispositions) ($ billions)	**1.2 - 1.3**

Full-year 2021 guidance for production, expenses, and capital expenditures remains unchanged. Refer to the section entitled *"Annual Guidance"* in ARC's MD&A for the three and nine months ended September 30, 2021, available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com.

Q3 2021 OPERATIONAL RESULTS

Capital Expenditures

- ARC invested $268 million during the third quarter of 2021 to drill 41 wells and complete 31 wells. In addition, ARC commissioned the Parkland/Tower facility expansion and sour conversion project, which allows for continued development of the lower Montney horizon and is expected to improve the area's overall deliverability and profitability.
- ARC invested $687 million during the nine months ended September 30, 2021, which included drilling 94 wells and completing 103 wells.
- ARC has realized significant capital efficiencies at Kakwa by leveraging the Company's expertise in the Montney.
    - Average drilling and completions costs have been reduced by 12 per cent since 2020, which includes inflationary pressures realized in 2021. Drilling and completions costs per metre have been reduced by 11 per cent and 12 per cent, respectively.
    - Wider well spacing is expected to yield better deliverability per well, which ARC anticipates will result in meaningful capital efficiency improvements and increased profitability.
- ARC expects full-year 2021 capital expenditures to be at the upper end of the Company's guidance range of $950 million to $1.0 billion.

Production and Operating Expenses

- Production averaged 353,657 boe per day during the third quarter of 2021 (61 per cent natural gas and 39 per cent crude oil and liquids), increasing five per cent relative to the second quarter of 2021. Production growth was driven primarily by production at Kakwa as operations recovered from planned turnaround activities conducted in the prior period.
- ARC expects fourth quarter 2021 production to average approximately 340,000 boe per day. Fourth quarter 2021 production was partly impacted by unplanned third-party infrastructure outages at the beginning of the period, which were fully resolved by the end of October 2021.
- ARC's third quarter 2021 operating expense of $3.58 per boe decreased 21 per cent relative to the second quarter of 2021 as a result of the planned turnaround activities that were conducted in the prior period.

Q3 2021 FINANCIAL RESULTS

Financial Position

Net Debt Excluding Lease Obligations

- ARC's net debt excluding lease obligations was $1.9 billion or 0.9 times annualized funds from operations at the end of the third quarter of 2021, decreasing $158 million or eight per cent from the end of the second quarter of 2021.
- ARC has reduced its net debt excluding lease obligations by approximately $0.5 billion or 20 per cent since the closing of the Business Combination.
- Preserving a strong balance sheet through all commodity price cycles is a key tenet of ARC's long-term strategy. Given the volatility of commodity prices, ARC plans its business at conservative pricing levels. ARC plans to maintain its net debt excluding lease obligations at the lower end of its targeted range of 1.0 to 1.5 times annualized funds from operations under pricing assumptions of US$55 per barrel WTI and Cdn$2.50 per GJ AECO.

Private Senior Note Repayments

- During the third quarter of 2021, in order to optimize its capital structure and investment-grade credit rating, ARC repaid the entire principal amount outstanding of the private senior notes outlined in the following table.

Private Senior Notes	Maturity Date	Principal Amount Repaid(1) (US$ millions)	Principal Amount Repaid(1) (Cdn$ millions)
3.72% US$ note(2)	September 25, 2026	150.0	189.7
5.36% US$ note	May 27, 2022	30.0	37.9
3.81% US$ note	August 23, 2024	180.0	227.6
4.49% Cdn$ note	August 23, 2024	N/A	24.0
Total			**479.2**

(1) An additional Cdn$31 million of make-whole payments were incurred as part of the private senior note repayments.
(2) Private senior note issued under ARC's Master Shelf Agreement.

- The repayments were made with ARC's unsecured extendible revolving credit facility (the "Credit Facility"), lowering the Company's overall cost of debt to approximately 2.4 per cent.
- ARC expects interest and financing expenses to exceed full-year 2021 guidance due to the private senior note repayments.

Credit Facility Amendments

- On October 27, 2021, ARC amended and restated its $2.0 billion Credit Facility to improve the Company's overall investment-grade credit profile. The tenor of the Credit Facility was extended from three to four years, and amendments to the financial covenants governing the Credit Facility were executed to align with credit facilities of other investment-grade energy companies.
- ARC currently has approximately $1.2 billion of capacity remaining on the Credit Facility.

Returns to Shareholders

ARC delivered on its commitment to return capital to shareholders during the third quarter of 2021, distributing $172 million ($0.24 per share) through dividends and share repurchases. This represented 35 per cent of free funds flow in the period and included only one month of share repurchases, with ARC's NCIB commencing on September 1, 2021.

Dividends

- ARC declared a quarterly dividend of $47 million or $0.066 per share during the third quarter of 2021, representing a 10 per cent increase from the Company's previous quarterly dividend of $0.06 per share.
- The Board has approved an increase of 52 per cent to ARC's quarterly dividend, from $0.066 per share to $0.10 per share, beginning with its dividend that is expected to be paid on January 17, 2022 to shareholders of record on December 31, 2021. The ex-dividend date is December 30, 2021.

Share Repurchases

- On August 30, 2021, ARC received approval from the TSX to commence an NCIB, allowing the Company to purchase up to 72.2 million of its common shares outstanding or up to 10 per cent of its public float.
- ARC repurchased 12.4 million common shares in September 2021 at a weighted average price of $10.11 per share for total consideration of $125 million.

- Subsequent to quarter end, ARC repurchased an additional 7.2 million common shares at a weighted average price of $11.80 per share for total consideration of $85 million.

Net Income

- ARC recognized net income of $54 million ($0.07 per share) in the third quarter of 2021. Increased commodity sales from production, driven by higher production and higher commodity prices, were partially offset by increased losses on ARC's risk management contracts and a reduced income tax recovery.
- ARC recognized net income of $109 million ($0.18 per share) during the nine months ended September 30, 2021, compared to a net loss of $668 million ($1.89 per share) during the nine months ended September 30, 2020.

Funds from Operations and Free Funds Flow

Funds from Operations

- ARC generated funds from operations of $765 million ($1.06 per share) during the third quarter of 2021, increasing $223 million ($0.31 per share) from the second quarter of 2021. In addition to increased commodity sales from production, lower G&A expense and lower transaction costs helped increase funds from operations in the period. Partially offsetting the increases to funds from operations were higher realized losses on ARC's risk management contracts and $31 million of make-whole payments associated with the private senior note repayments.
- ARC's average realized natural gas price of $4.67 per Mcf during the third quarter of 2021 was $1.13 per Mcf higher than the average AECO 7A Monthly Index price.
- The following table details the change in funds from operations for the third quarter of 2021 relative to the second quarter of 2021.

	$ millions	$/share[1]
Funds from operations for the three months ended June 30, 2021	542.5	0.75
Production volumes		
Crude oil and liquids	**18.2**	**0.02**
Natural gas	**33.8**	**0.05**
Commodity prices		
Crude oil and liquids	**85.1**	**0.13**
Natural gas	**159.3**	**0.22**
Sales of commodities purchased from third parties	**69.5**	**0.10**
Interest income	**(1.6)**	**—**
Other income	**(4.1)**	**(0.01)**
Realized loss on risk management contracts	**(78.7)**	**(0.11)**
Royalties	**(17.2)**	**(0.02)**
Expenses		
Commodities purchased from third parties	**(62.8)**	**(0.09)**
Operating	**21.7**	**0.03**
Transportation	**(23.3)**	**(0.03)**
G&A	**15.3**	**0.02**
Transaction costs	**16.1**	**0.02**
Interest and financing	**(27.2)**	**(0.04)**
Current income tax	**2.5**	**—**
Realized gain (loss) on foreign exchange	**15.2**	**0.02**
Other	**1.1**	**—**
Funds from operations for the three months ended September 30, 2021	**765.4**	**1.06**

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

- ARC generated funds from operations of $1.6 billion ($2.63 per share) during the nine months ended September 30, 2021, compared to funds from operations of $456 million ($1.29 per share) during the nine months ended September 30, 2020.

Free Funds Flow

- Demonstrating the underlying strength of ARC's business and its high-quality assets, ARC generated free funds flow of $497 million ($0.69 per share) during the third quarter of 2021 and free funds flow of $895 million ($1.49 per share) during the nine months ended September 30, 2021.

ESG TARGETS

ARC plays a leadership role within the energy sector with its strong ESG performance and ongoing commitment to responsible resource development. ARC has successfully integrated Seven Generations' sustainability initiatives into its broader ESG strategy, and has maintained or enhanced the Company's existing ESG targets. These targets will continue to evolve as ARC evaluates and pursues numerous opportunities across its assets and the energy value chain to enhance the Company's leadership position as a low-emission and responsible energy producer.

ARC has set the following emissions-reduction targets relative to ARC's and Seven Generations' combined 2019 emissions profiles:

- Reduce its Scope 1 and Scope 2 greenhouse gas emissions intensity by 20 per cent and its absolute emissions by a minimum of 70,000 metric tonnes of carbon dioxide equivalent ("tCO_2e") by 2025, through emissions-reduction projects.

- Reduce its overall methane emissions intensity by 20 per cent by 2025.
- The 2019 baseline has been adjusted to remove emissions associated with ARC's Pembina asset, which was disposed of in the second quarter of 2021 and emitted approximately 165,000 metric tCO_2e in 2019.

ARC will continue its approach of setting meaningful and achievable emissions-reduction targets over shorter timeframes to deliver industry-leading, low-emissions production.

A complete summary of ARC's ESG goals and targets, in addition to ARC's 2020 performance results, can be accessed on ARC's website at www.arcresources.com/responsibility.

CONFERENCE CALL

ARC's management team will be holding a conference call to discuss the Company's third quarter 2021 results and 2022 budget on Friday, November 5, 2021, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, November 5, 2021
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	31080422
Webcast URL	https://produceredition.webcasts.com/starthere.jsp?ei=1507053&tp_key=068b394c79

Callers are encouraged to dial in 15 minutes before the start time to register for the event. A replay will be available on ARC's website at www.arcresources.com for 30 days following the conference call.

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 anticipated investments in an expansion at Sunrise and in Attachie West Phase I; the planned returns to shareholders and the expected ranges of such returns; emissions-reduction targets and the associated timelines; planned ESG initiatives, priorities, and targets, and the anticipated success and timing thereof; ARC's intended approach to emissions-reduction targets and expected results thereof; the continued assessment of dividends and the payment thereof; statements with respect to the 2022 capital budget including the planned investment and allocation of the 2022 capital budget; the estimated total capital expenditures with respect to Attachie West Phase I; the anticipated ability of ARC to remain flexible in adjusting its capital budget and production guidance; ARC's plans to maintain its net debt excluding lease obligations to annualized funds from operations at the lower end of its targeted range; the expectation that ARC will fully fund the capital program and dividend with internally generated funds from operations; the expectation that interest and financing expenses will exceed full-year 2021 guidance due to ARC's private senior note repayments; intentions and strategies regarding free funds flow allocation; ARC's plans to repurchase its shares under the NCIB and the timing and anticipated benefits thereof; adjusting the capital budget based on the outcome of negotiations between Blueberry River First Nations and the Government of BC; plans to accelerate and increase the return-of-capital component or its total return proposition; ARC's 2021 and 2022 guidance estimates; 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. The material assumptions on which the forward-looking information in this news release is based, and the material risks and uncertainties underlying such forward-looking information, include: ARC's ability to successfully integrate and realize the anticipated benefits of the Business Combination as well as other completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities; ARC's ability to meet and maintain certain targets, including with respect to emissions-related and ESG performance; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; the potential implementation of new technologies and the cost thereof; the successful implementation and use of the NCIB; forecast commodity prices and other pricing assumptions with respect to ARC's 2022 capital budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in *Blueberry First River Nations (Yahey) v. Province of British Columbia* on BC and/or federal laws or policies affecting resource development in northeast BC and potential outcomes of the ongoing negotiations between Blueberry River First Nations and the Government of BC; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2021, 2022, and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that ARC will be able to proceed with Attachie West Phase I; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure;

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; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; 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; business interruption, property and casualty losses, or unexpected technical difficulties; 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; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to oil and gas interests and operations on Indigenous lands; 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 assumptions, 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 certain financial outlooks relating to net debt excluding lease obligations and net debt excluding lease obligations to annualized funds from operations. Any financial outlook contained in this news release regarding prospective financial position is based on reasonable assumptions about future events, including those described above, based on an assessment by Management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this news release and ARC disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

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.

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Telephone: (403) 503-8600
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Toll Free: 1-888-272-4900
ARC Resources Ltd.
Suite 1200, 308 - 4 Avenue SW
Calgary, AB T2P 0H7

'21 Q3

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 November 4, 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 nine months ended September 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.

The World Health Organization declared novel coronavirus COVID-19 ("COVID-19") a global pandemic in 2020 and at September 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 in 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 unconventional 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, which includes a network of owned-and-operated infrastructure, allows ARC to deliver strong capital and operating efficiencies. The commodity and geographic optionality within the asset base allows ARC to manage risk. 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 nine months ended September 30, 2021 are shown in Table 1:

Table 1

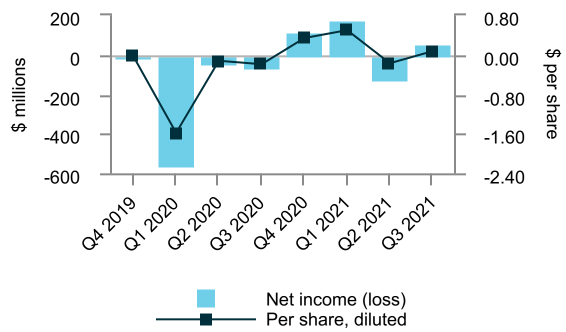
	2021 YTD	2020	2019	2018	2017
Production (1)					
Crude oil (bbl/d)	**11,304**	15,726	17,591	23,460	24,380
Condensate (bbl/d)	**55,152**	13,519	10,066	7,281	5,650
Crude oil and condensate (bbl/d)	**66,456**	29,245	27,657	30,741	30,030
Natural gas (MMcf/d)	**1,101**	739	623	570	526
NGLs (bbl/d)	**37,316**	9,112	7,578	6,955	5,273
Total production (boe/d)	**287,233**	161,564	139,126	132,724	122,937
Average daily production per thousand shares (2)	**0.48**	0.46	0.39	0.38	0.35
Net income (loss)	**108.6**	(547.2)	(27.6)	213.8	388.9
Net income (loss) per share	**0.18**	(1.55)	(0.08)	0.60	1.10
Cash flow from operating activities	**1,352.3**	655.7	638.8	862.8	672.8
Cash flow from operating activities per share	**2.25**	1.86	1.81	2.44	1.90
Funds from operations (3)	**1,581.8**	667.6	697.4	819.0	731.9
Funds from operations per share (3)	**2.63**	1.89	1.97	2.31	2.07
Free funds flow (4)	**894.9**	324.4	5.9	139.6	(97.8)
Free funds flow per share (4)	**1.49**	0.92	0.02	0.39	(0.28)
Capital expenditures (5)	**686.9**	343.2	691.5	679.4	829.7
Net debt (3)	**2,807.9**	742.7	940.2	702.7	728.0
Net debt excluding lease obligations (3)	**1,926.4**	693.5	894.0	702.7	728.0
Net debt to annualized funds from operations (ratio) (3)	**1.3**	1.1	1.3	0.9	1.0
Net debt excluding lease obligations to annualized funds from operations (ratio) (3)	**0.9**	1.0	1.3	0.9	1.0
Return on average capital employed ("ROACE") (%) (4)	**6**	(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 nine months ended September 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.

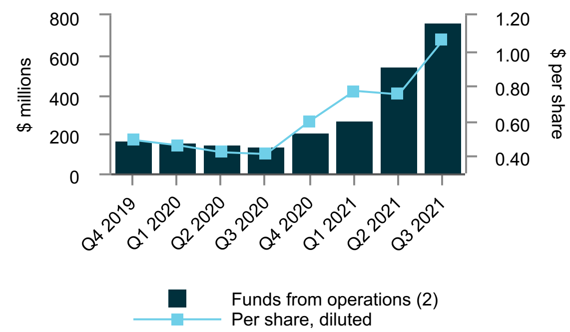
QUARTERLY RESULTS (1)

Exhibit 1

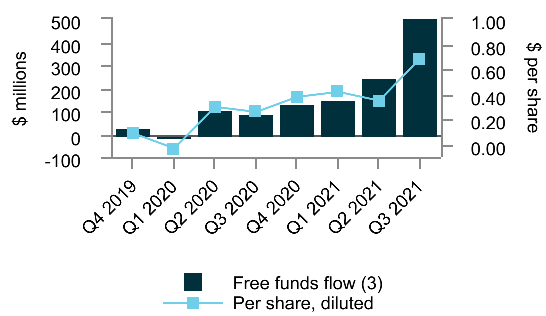
Net Income (Loss)



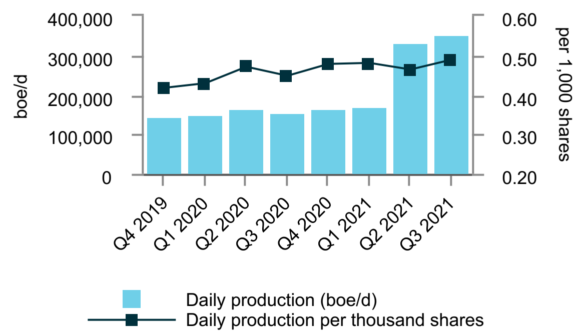
Funds from Operations (2)



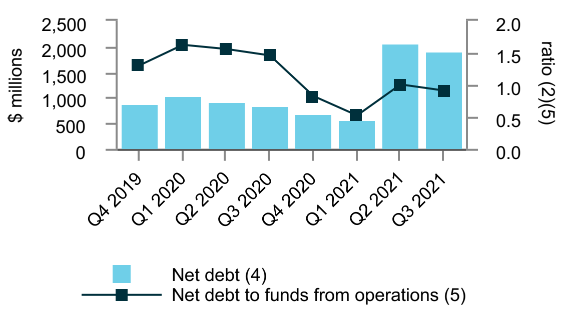
Free Funds Flow (3)



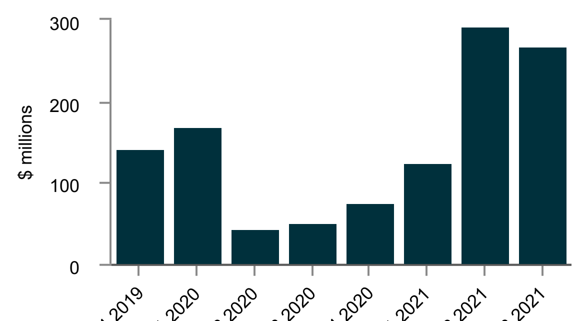
Average Daily Production



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 third quarter of 2021, ARC recognized a loss on risk management contracts of $524.5 million. Partially offsetting this, ARC recognized a reversal of impairment of $39.3 million ($29.9 million net of deferred tax expense) relating to its Northern Alberta cash-generating unit ("CGU"). Refer to Note 9 "Impairment" in the financial statements.
- 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 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.

ANNUAL GUIDANCE

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 YTD Actual	% Variance from 2021 Guidance
Production			
Crude oil (bbl/d)	9,000 - 10,500	**11,304**	8
Condensate (bbl/d)	55,000 - 60,000	**55,152**	—
Crude oil and condensate (bbl/d)	64,000 - 70,500	**66,456**	—
Natural gas (MMcf/d)	1,100 - 1,140	**1,101**	—
NGLs (bbl/d)	40,000 - 42,000	**37,316**	(7)
Total (boe/d)	287,000 - 302,000	**287,233**	—
Expenses ($/boe)			
Operating	3.90 - 4.40	**4.00**	—
Transportation	4.50 - 5.00	**4.52**	—
General and administrative ("G&A") expense before share-based compensation expense (1)	0.90 - 1.00	**1.07**	7
G&A - share-based compensation expense (2)	0.30 - 0.45	**0.47**	4
Transaction costs	0.20 - 0.30	**0.28**	—
Interest and financing	0.70 - 0.80	**1.30**	63
Current income tax expense, as a per cent of funds from operations	1 - 5	**3**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	950 - 1,000	**687**	N/A

(1) Excludes transaction costs of $22.1 million 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 includes 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.

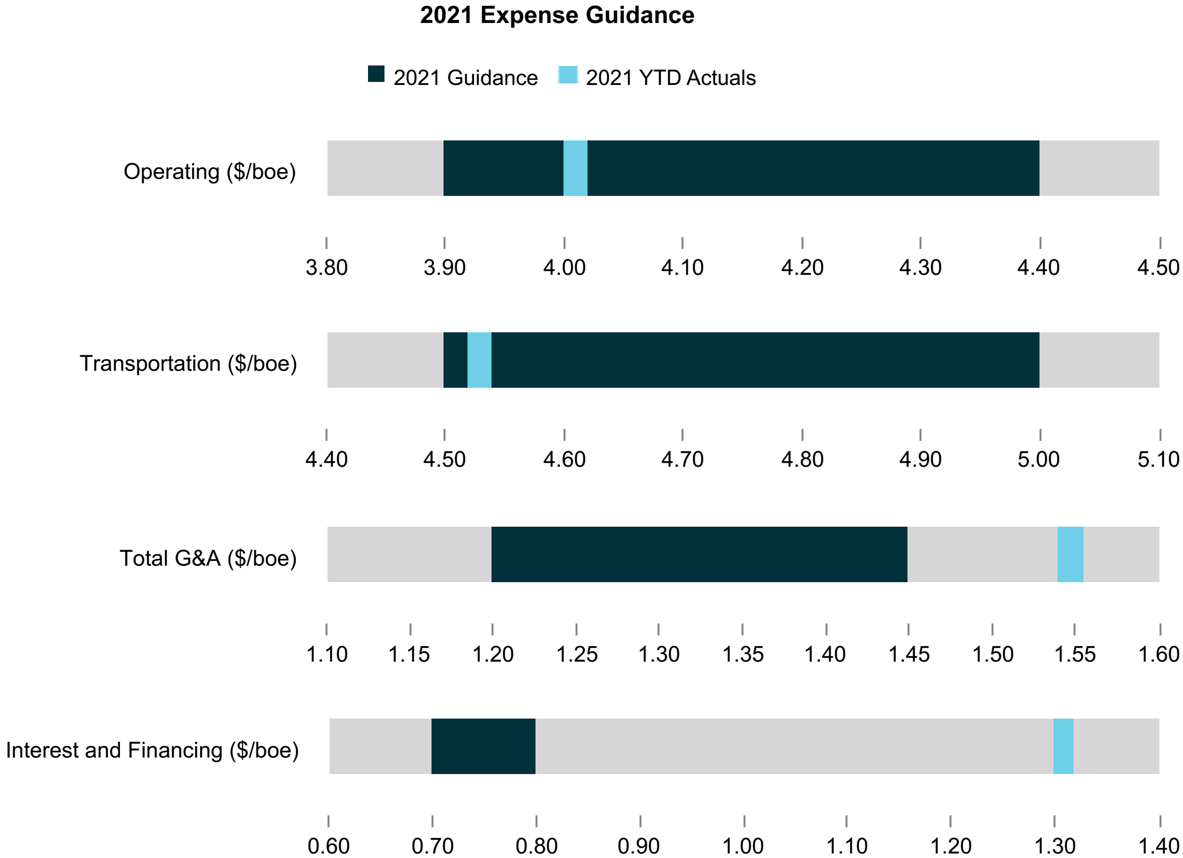
ARC's 2021 guidance is based on full-year estimates; certain variances exist between 2021 year-to-date actual results and 2021 guidance estimates due to the timing of the Business Combination. ARC expects full-year 2021 actual results to closely approximate guidance, with the exception of interest and financing expense due to make-whole payments recognized in the third quarter of 2021 related to the retirement of certain debt instruments. Refer to the section entitled "Interest and Financing" contained within this MD&A. ARC expects full-year 2021 capital expenditures to be at the upper end of the Company's guidance range.

ARC's board of directors (the "Board") has approved a preliminary 2022 capital budget of $1.2 to $1.3 billion, which is expected to deliver production of 335,000 to 350,000 boe per day. ARC remains flexible and may adjust its capital budget depending on the outcome of the ongoing negotiations between Blueberry River First Nations and the Government of British Columbia regarding continued resource development following the June 29, 2021 British Columbia Supreme Court ruling in *Blueberry First River Nations (Yahey) v. Province of British Columbia.* For more information regarding 2022 guidance, refer to the news release dated November 4, 2021 *"ARC Resources Ltd. Reports Record Third Quarter 2021 Results and Announces 2022 Budget"* available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Exhibit 2

2021 Production Guidance
2021 Guidance
2021 YTD Actuals
Total (boe/d)
285,000
290,000
295,000
300,000
305,000
Crude Oil and Condensate (bbl/d)
62,000
64,000
66,000
68,000
70,000
72,000
Natural Gas (MMcf/d)
1,080
1,090
1,100
1,110
1,120
1,130
1,140
1,150
NGLs (bbl/d)
37,000
38,000
39,000
40,000
41,000
42,000
43,000

Exhibit 2a



2021 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

($ millions, except per share and volume data)	Three Months Ended June 30, 2021	Three Months Ended **September 30, 2021**	Three Months Ended September 30, 2020	% Change	Nine Months Ended **September 30, 2021**	Nine Months Ended September 30, 2020	% Change
Net income (loss)	(123.0)	**53.6**	(66.1)	181	**108.6**	(668.0)	116
Net income (loss) per share	(0.17)	**0.07**	(0.19)	137	**0.18**	(1.89)	110
Cash flow from operating activities	458.9	**615.0**	174.1	253	**1,352.3**	454.6	197
Cash flow from operating activities per share	0.63	**0.85**	0.49	73	**2.25**	1.29	74
Funds from operations (1)	542.5	**765.4**	144.6	429	**1,581.8**	455.6	247
Funds from operations per share (1)	0.75	**1.06**	0.41	159	**2.63**	1.29	104
Free funds flow (2)	249.7	**497.0**	92.0	440	**894.9**	189.1	373
Free funds flow per share (2)	0.35	**0.69**	0.26	165	**1.49**	0.54	176
Dividends declared per share (3)	0.06	**0.066**	0.06	10	**0.186**	0.24	(23)
Average daily production (boe/d)	335,701	**353,657**	158,444	123	**287,233**	158,911	81

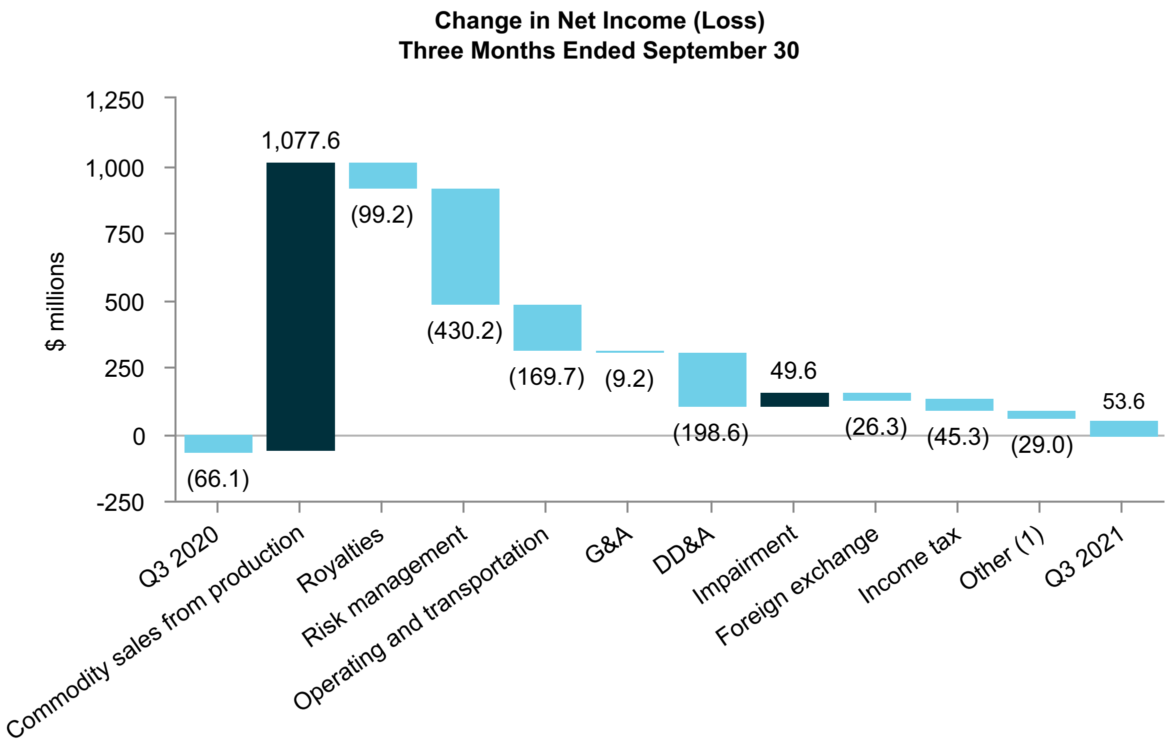
(1) Refer to Note 15 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other 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 nine months ended September 30, 2021, compared with prior periods are primarily due to increased activity resulting from the Business Combination.

In the third quarter of 2021, ARC recognized net income of $53.6 million ($0.07 per share), an increase of $119.7 million from ARC's third quarter 2020 net loss of $66.1 million ($0.19 per share). The increase in net income is primarily due to an increase in commodity sales from production of $1.1 billion, associated with higher average realized commodity prices and higher average production. Partially offsetting this is an increased loss on risk management contracts of $430.2 million, increased royalty expense of $99.2 million, increased operating and transportation expense of $169.7 million, as well as increased depletion, depreciation and amortization ("DD&A") of $198.6 million.

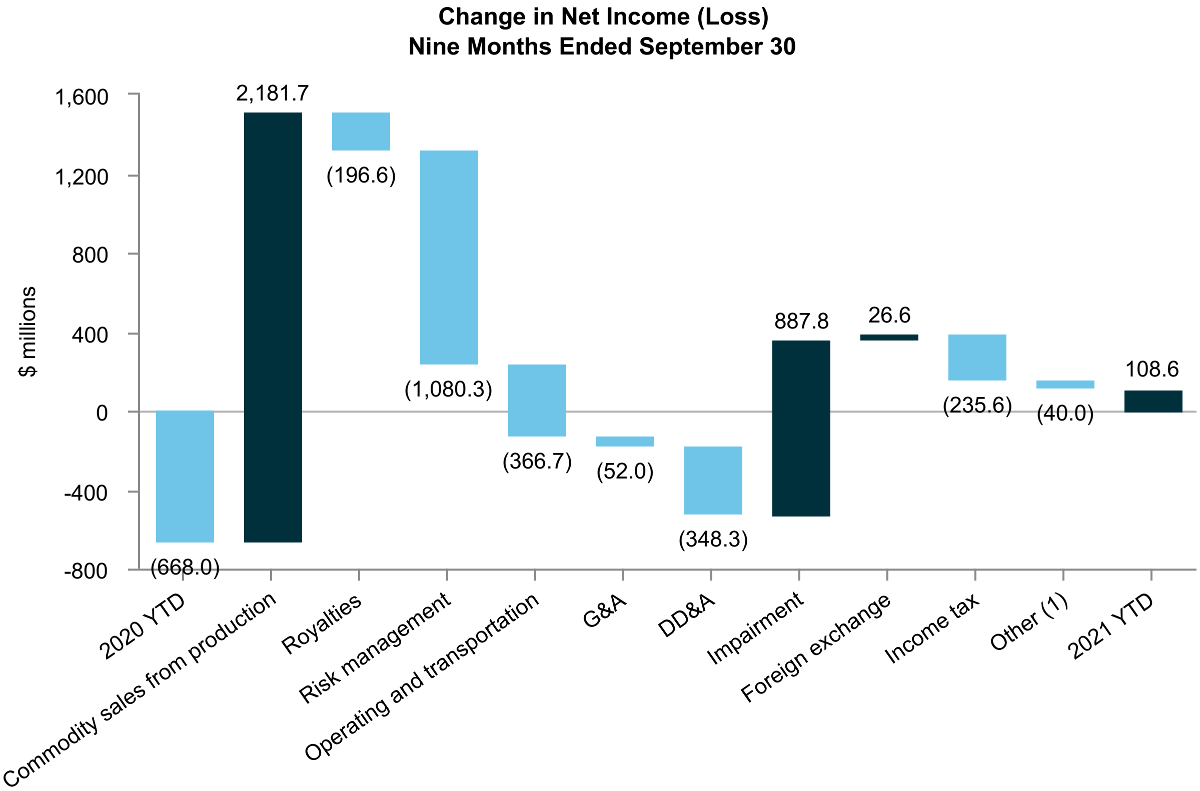
Exhibit 3



(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 nine months ended September 30, 2021, ARC recognized net income of $108.6 million ($0.18 per share) compared to a net loss of $668.0 million ($1.89 per share) for the same period of the prior year. The $776.6 million increase in net income is primarily attributed to an increase in commodity sales from production of $2.2 billion, associated with higher average realized commodity prices and higher average production, as well as a reversal of impairment of $137.5 million compared to a $750.3 million impairment charge in the same period of the prior year. Partially offsetting these items are an increased loss on risk management contracts of $1.1 billion, increased operating and transportation expense of $366.7 million, increased DD&A of $348.3 million, and decreased income tax recovery of $235.6 million.

Exhibit 3a



(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			Nine Months Ended	
($ millions)	June 30, 2021	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Net income (loss)	(123.0)	**53.6**	(66.1)	**108.6**	(668.0)
Adjusted for the following non-cash items:					
Impairment of financial assets	0.6	**0.9**	1.4	**2.0**	13.1
DD&A	291.8	**328.7**	130.1	**743.5**	395.2
Impairment (reversal of impairment)	14.4	**(39.3)**	10.3	**(137.5)**	750.3
Accretion of ARO	3.2	**2.1**	1.4	**6.9**	4.8
Deferred tax expense (recovery)	(77.6)	**16.9**	(28.3)	**(49.0)**	(202.0)
Unrealized loss on risk management contracts	453.4	**385.6**	110.8	**919.1**	130.1
Unrealized loss (gain) on foreign exchange	(21.2)	**14.9**	(16.2)	**(14.9)**	28.4
Other	0.9	**2.0**	1.2	**3.1**	3.7
Funds from operations	542.5	**765.4**	144.6	**1,581.8**	455.6
Net change in other liabilities	(50.0)	**(97.3)**	6.0	**(153.9)**	4.9
Change in non-cash working capital	(33.6)	**(53.1)**	23.5	**(75.6)**	(5.9)
Cash flow from operating activities	458.9	**615.0**	174.1	**1,352.3**	454.6

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

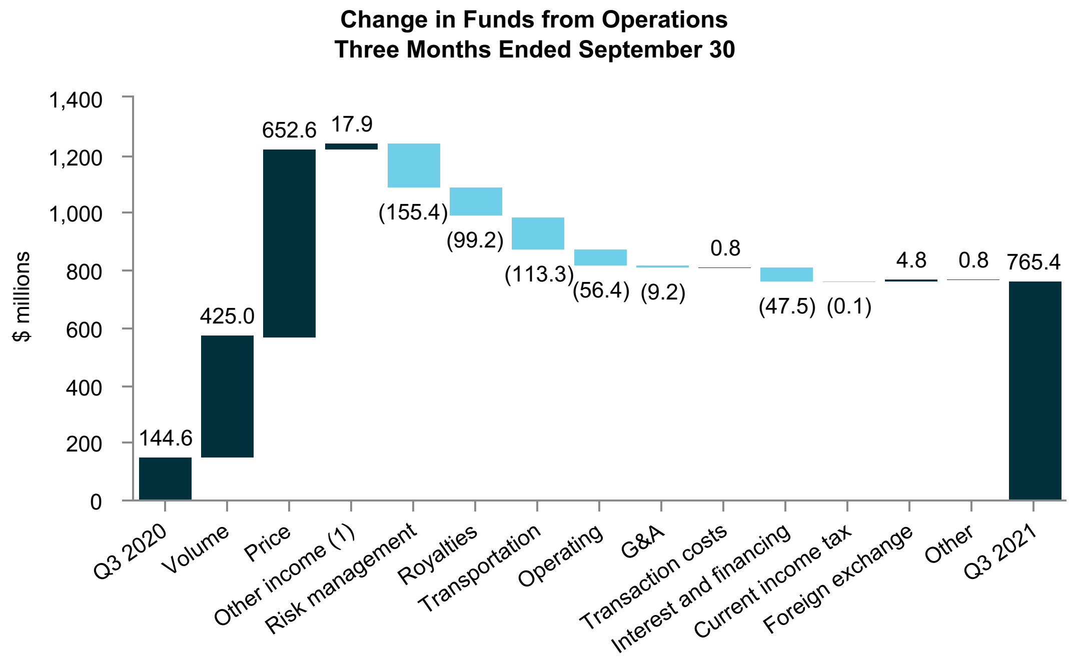
Table 5

	Three Months Ended September 30		Nine Months Ended September 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2020	144.6	0.41	455.6	1.29
Production volume variance				
Crude oil and liquids	**307.1**	**0.87**	**553.8**	**1.57**
Natural gas	**117.9**	**0.33**	**208.4**	**0.59**
Commodity price variance				
Crude oil and liquids	**352.2**	**0.99**	**779.1**	**2.21**
Natural gas	**300.4**	**0.85**	**640.4**	**1.81**
Sales of commodities purchased from third parties	**314.0**	**0.90**	**576.2**	**1.62**
Interest income	**(0.4)**	**—**	**1.1**	**—**
Other income	**(0.4)**	**—**	**8.0**	**0.02**
Realized loss on risk management contracts	**(155.4)**	**(0.44)**	**(291.3)**	**(0.82)**
Royalties	**(99.2)**	**(0.28)**	**(196.6)**	**(0.56)**
Expenses				
Commodities purchased from third parties	**(295.3)**	**(0.83)**	**(548.1)**	**(1.55)**
Operating	**(56.4)**	**(0.16)**	**(142.6)**	**(0.40)**
Transportation	**(113.3)**	**(0.32)**	**(224.1)**	**(0.63)**
G&A	**(9.2)**	**(0.03)**	**(52.0)**	**(0.15)**
Transaction costs	**0.8**	**—**	**(22.1)**	**(0.06)**
Interest and financing	**(47.5)**	**(0.13)**	**(64.1)**	**(0.18)**
Current income tax	**(0.1)**	**—**	**(82.6)**	**(0.23)**
Realized gain (loss) on foreign exchange	**4.8**	**0.01**	**(16.7)**	**(0.05)**
Other	**0.8**	**—**	**(0.6)**	**—**
Weighted average shares, diluted	**—**	**(1.11)**	**—**	**(1.85)**
Funds from operations – 2021	**765.4**	**1.06**	**1,581.8**	**2.63**

Funds from operations generated in the third quarter of 2021 increased by $620.8 million to $765.4 million ($1.06 per share) from $144.6 million ($0.41 per share) generated in the third quarter of 2020. For the nine months ended September 30, 2021, funds from operations increased by $1.1 billion to $1.6 billion ($2.63 per share) from $455.6 million ($1.29 per share) in 2020.

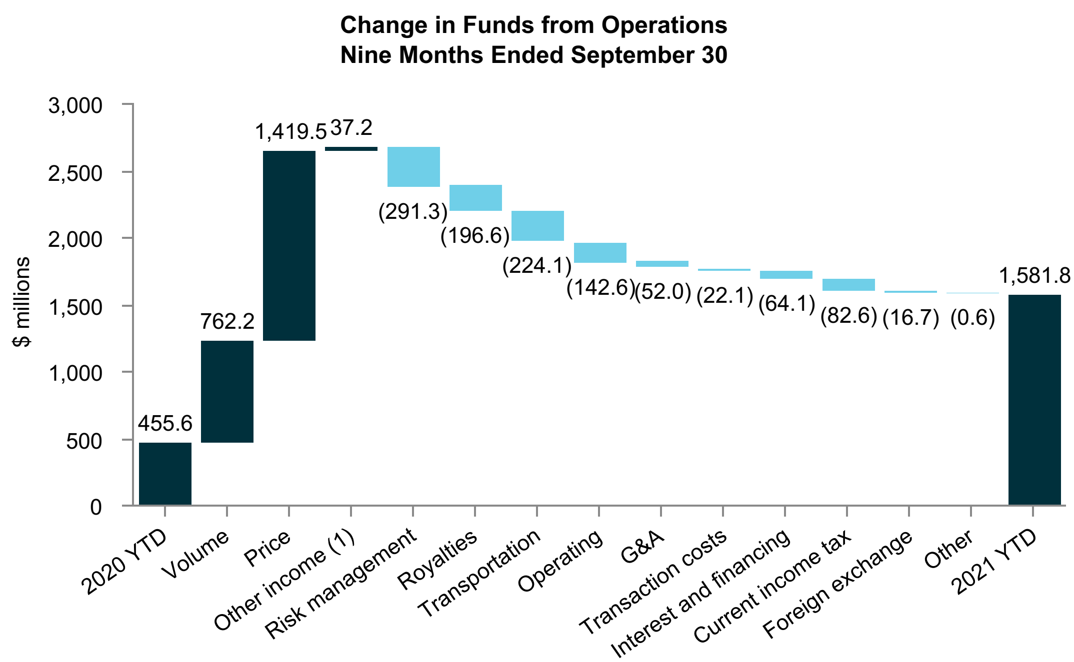
The increase in funds from operations for the three and nine months ended September 30, 2021, is primarily due to higher average realized commodity prices and an increase in production as a result of the Business Combination. This was partially offset by an increased realized loss on risk management contracts as well as increases in royalties, operating, transportation, G&A, and interest and financing, which are reflective of the larger-scale operations created by the Business Combination.

Exhibit 4



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

Exhibit 4a



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

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:

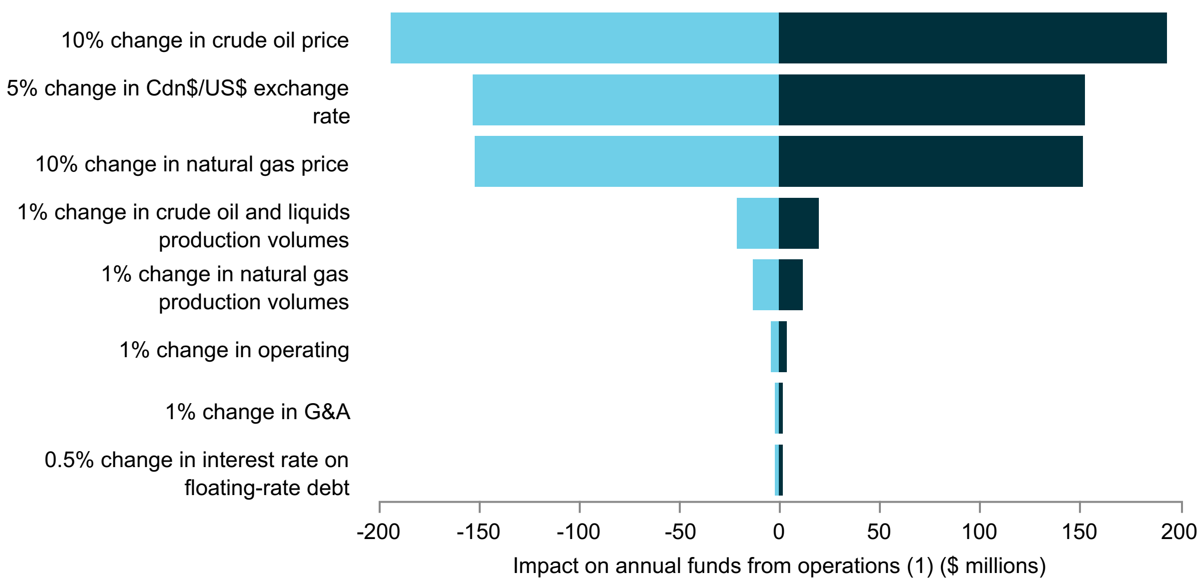
Table 6

			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)	71.09	10 %	194.2	0.323	194.2	0.323
Natural gas price ($/Mcf) (2)	4.17	10 %	151.9	0.253	151.9	0.253
Cdn$/US$ exchange rate (2)(4)	1.25	5 %	153.1	0.255	153.1	0.255
Interest rate on floating-rate debt	1.68 %	0.5 %	1.7	0.003	1.7	0.003
Operational (5)						
Crude oil and liquids production (bbl/d)	103,772	1 %	20.5	0.034	17.5	0.029
Natural gas production (MMcf/d)	1,100.8	1 %	12.5	0.021	7.2	0.012
Operating ($/boe)	4.00	1 %	4.3	0.007	4.2	0.007
G&A ($/boe)	1.54	1 %	1.7	0.003	1.8	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 nine months ended September 30, 2021. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on funds from operations and net income are indicative of changes in the underlying benchmark prices and differentials and 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 nine months ended September 30, 2021 and the calculated impact on funds from operations and net income would only be applicable within a limited range of these amounts.
(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 5

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

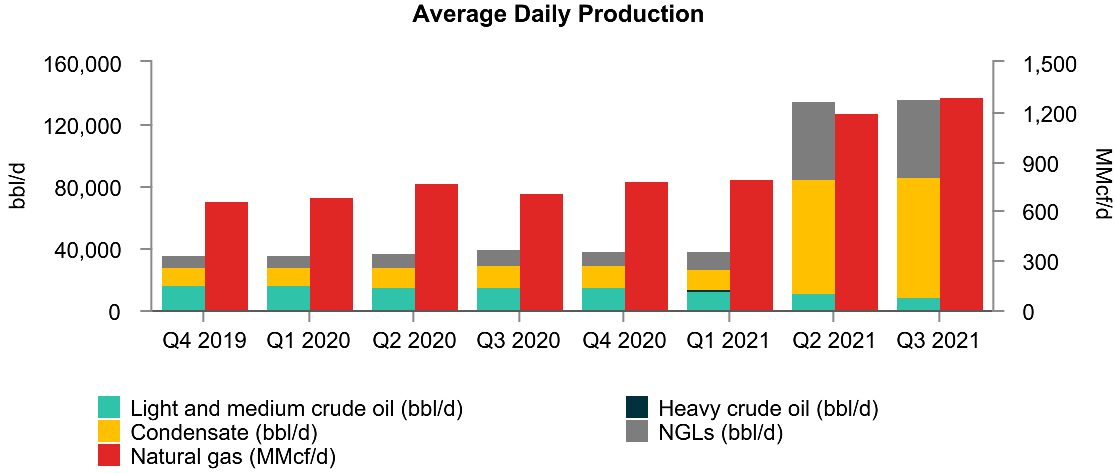
Table 7

	Three Months Ended				Nine Months Ended		
Production	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Light and medium crude oil (bbl/d)	11,411	**8,390**	15,016	(44)	**11,071**	15,521	(29)
Heavy crude oil (bbl/d)	248	**249**	357	(30)	**233**	263	(11)
Condensate (bbl/d)	73,459	**77,539**	14,831	423	**55,152**	13,117	320
NGLs (bbl/d)	50,020	**50,891**	10,208	399	**37,316**	9,258	303
Crude oil and liquids (bbl/d)	135,138	**137,069**	40,412	239	**103,772**	38,159	172
Natural gas (MMcf/d)	1,203	**1,300**	708	83	**1,101**	725	52
Total production (boe/d)	335,701	**353,657**	158,444	123	**287,233**	158,911	81
Natural gas production (%)	60	**61**	74	(13)	**64**	76	(12)
Crude oil and liquids production (%)	40	**39**	26	13	**36**	24	12

For the three and nine months ended September 30, 2021, crude oil and liquids production increased 239 per cent and 172 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 the disposition of certain non-core assets in the second quarter of 2021, in conjunction with natural declines of crude oil-producing properties.

For the three and nine months ended September 30, 2021, natural gas production increased 83 per cent and 52 per cent, respectively, compared to the same periods in the prior year. The increase for the three and nine months months ended September 30, 2021, compared to the same periods of the prior year, was primarily driven by production at the Kakwa area acquired in the Business Combination, increased production from the expansion at the Sunrise Phase I and II facilities, which was completed in the second quarter of 2021, as well as increased production at Greater Dawson from new wells which came on-stream during the second quarter of 2021.

Exhibit 6



Average Daily Production
160,000
120,000
80,000
40,000
0
bbl/d
1,500
1,200
900
600
300
0
MMcf/d
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Light and medium crude oil (bbl/d)
Heavy crude oil (bbl/d)
Condensate (bbl/d)
NGLs (bbl/d)
Natural gas (MMcf/d)

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

Table 8

	Three Months Ended September 30, 2021				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	**(boe/d)**	**(bbl/d)**	**(bbl/d)**	**(MMcf/d)**	**(bbl/d)**
Kakwa	**186,016**	22	65,724	475.1	41,078
Greater Dawson (1)	**96,411**	1,371	9,781	460.9	8,449
Sunrise	**47,698**	—	18	285.9	24
Ante Creek	**18,836**	6,723	551	60.8	1,436
Attachie West	**3,756**	—	1,891	10.3	147
All other	**940**	523	(426)	6.5	(243)
Total	**353,657**	**8,639**	**77,539**	**1,299.5**	**50,891**

	Three Months Ended September 30, 2020				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Greater Dawson (1)	93,127	1,946	10,714	432.9	8,312
Sunrise	33,450	—	7	200.6	14
Ante Creek	17,291	7,612	516	45.4	1,595
Attachie West	5,458	—	3,317	12.0	143
All other	9,118	5,815	277	17.3	144
Total	158,444	15,373	14,831	708.2	10,208

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

Exhibit 7

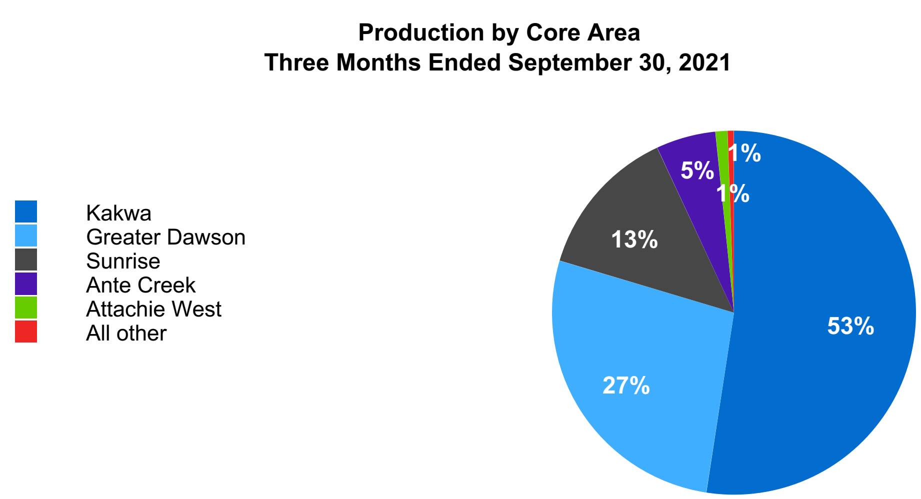


Table 8a summarizes ARC's production by core area for the nine months ended September 30, 2021 and September 30, 2020:

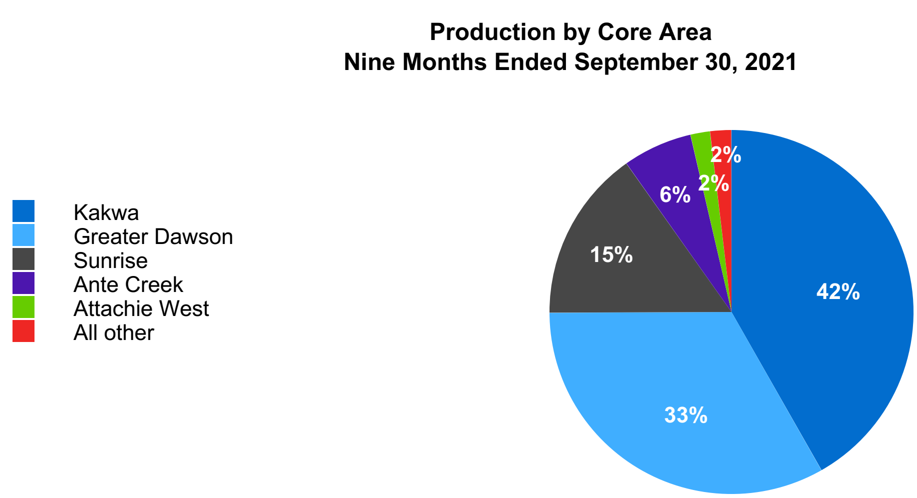
Table 8a

	Nine Months Ended September 30, 2021				
Production Core Area	**Total (boe/d)**	**Crude Oil (bbl/d)**	**Condensate (bbl/d)**	**Natural Gas (MMcf/d)**	**NGLs (bbl/d)**
Kakwa	**120,282**	15	42,237	305.9	27,045
Greater Dawson (1)	**95,535**	1,458	10,193	452.3	8,497
Sunrise	**43,976**	—	14	263.6	28
Ante Creek	**17,762**	6,634	495	55.2	1,440
Attachie West	**4,252**	—	2,205	11.5	138
All other	**5,426**	3,197	8	12.3	168
Total	**287,233**	**11,304**	**55,152**	**1,100.8**	**37,316**

	Nine Months Ended September 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)	89,921	2,407	10,013	420.1	7,486
Sunrise	38,873	—	2	233.1	17
Ante Creek	15,559	6,610	423	43.1	1,347
Attachie West	4,010	—	2,400	9.1	87
All other	10,548	6,767	279	19.1	321
Total	158,911	15,784	13,117	724.5	9,258

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

Exhibit 7a



Commodity Sales from Production

For the three and nine months ended September 30, 2021, commodity sales from production increased by 378 per cent and 282 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				Nine Months Ended		
Commodity Sales from Production ($ millions)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Crude oil	78.5	**61.7**	64.3	(4)	**219.4**	176.4	24
Condensate	520.9	**611.3**	66.2	823	**1,221.2**	163.2	648
Natural gas	365.8	**558.9**	140.6	298	**1,253.7**	404.9	210
NGLs	101.0	**130.7**	13.9	840	**259.8**	27.9	831
Total commodity sales from production	1,066.2	**1,362.6**	285.0	378	**2,954.1**	772.4	282

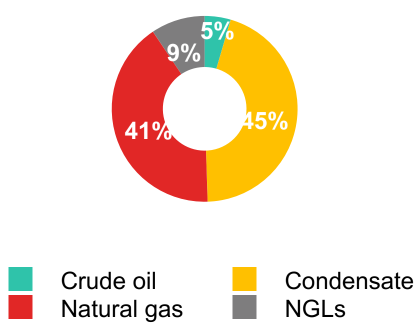
For the three and nine months ended September 30, 2021, crude oil and liquids comprised 59 per cent and 58 per cent of ARC's commodity sales from production, respectively, compared to 51 per cent and 48 per cent for the same periods in 2020. The increase in crude oil and liquids weighting is primarily due to the addition of condensate and NGLs volumes from the Kakwa area acquired through the Business Combination.

Table 10

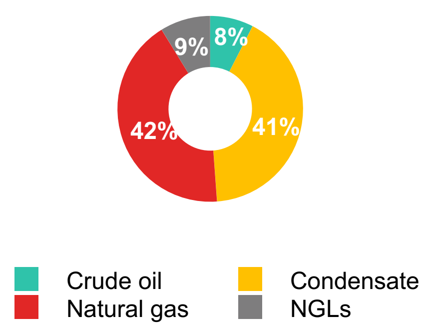
	Three Months Ended			Nine Months Ended	
% of Commodity Sales from Production by Product Type	June 30, 2021	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Crude oil and liquids	66	**59**	51	**58**	48
Natural gas	34	**41**	49	**42**	52
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 8

Commodity Sales from Production by Product Three Months Ended September 30, 2021



Commodity Sales from Production by Product Nine Months Ended September 30, 2021



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				Nine Months Ended		
	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	2.83	**4.01**	1.98	103	**3.18**	1.88	69
Chicago Citygate Monthly Index (US$/MMBtu)	2.74	**3.86**	1.87	106	**3.07**	1.81	70
AECO 7A Monthly Index (Cdn$/Mcf)	2.85	**3.54**	2.15	65	**3.11**	2.07	50
West Texas Intermediate ("WTI") crude oil (US$/bbl)	66.17	**70.52**	40.92	72	**65.04**	38.21	70
Cdn$/US$ exchange rate	1.23	**1.26**	1.33	(5)	**1.25**	1.35	(7)
WTI crude oil (Cdn$/bbl)	81.39	**88.86**	54.42	63	**81.30**	51.58	58
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	77.44	**83.72**	49.84	68	**76.21**	43.95	73
Condensate Stream Price at Edmonton (Cdn$/bbl)	81.67	**87.18**	49.99	74	**81.03**	47.71	70
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	74.01	**77.43**	45.45	70	**71.09**	40.79	74
Condensate ($/bbl)	77.93	**85.72**	48.49	77	**81.11**	45.38	79
Natural gas ($/Mcf)	3.34	**4.67**	2.16	116	**4.17**	2.04	104
NGLs ($/bbl)	22.19	**27.92**	14.85	88	**25.51**	11.01	132
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	34.90	**41.88**	19.55	114	**37.67**	17.74	112

Benchmark Commodity Prices

Average WTI crude oil prices increased seven per cent in the third quarter of 2021 compared to the prior quarter and increased 72 per cent compared to the third quarter of 2020. While uncertainty related to the COVID-19 pandemic persists, data suggests that the global economic recovery remains intact and crude oil demand is nearing pre-pandemic levels. Relative to the demand recovery, growth in global crude oil supply has been modest due to coordinated production curtailments by major crude oil-producing nations, as well as subdued growth capital investment among independent producers. As a result of demand outpacing supply, global inventory levels decreased considerably during the period helping to push WTI to its highest levels since 2014.

Canadian condensate differentials were slightly weaker compared to the prior quarter due to seasonal factors. Overall, strong oil sands production and competition for imported supply continued to support local condensate values relative to WTI.

As compared to the US dollar, the Canadian dollar weakened in the third quarter of 2021 due to moderating economic sentiment and a shift of investment into traditionally lower-risk currencies.

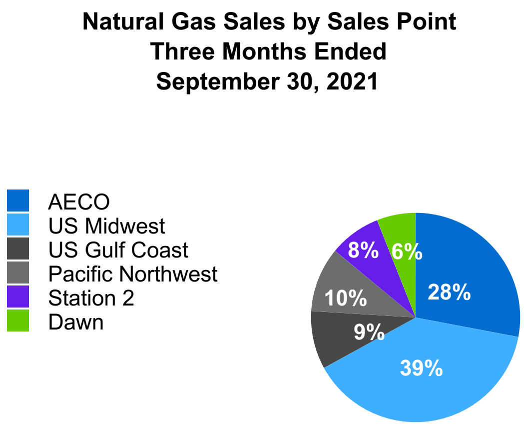
Average NYMEX Henry Hub natural gas prices increased 42 per cent in the third quarter of 2021 compared to the prior quarter and increased 103 per cent compared to the third quarter of 2020. US production decreased during the quarter while demand remained at seasonal highs, resulting in less natural gas available for storage injections. Globally, low inventory levels and competition for supply have led to a significant increase in international natural gas market pricing that continues to provide very strong support to US liquefied natural gas export economics.

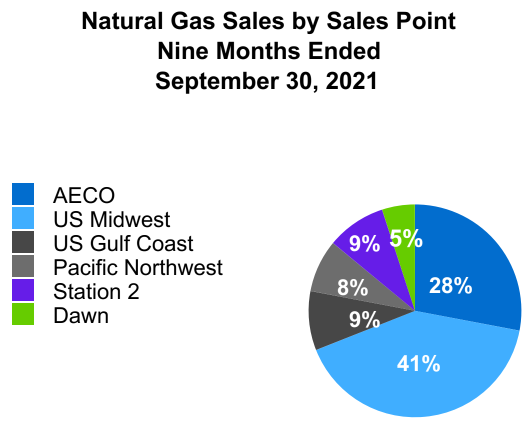
The AECO monthly index increased 24 per cent in the third quarter of 2021 compared to the prior quarter and increased 65 per cent compared to the third quarter of 2020. AECO prices underperformed relative to downstream markets during the period due to localized maintenance and the resultant impact on access to storage and export capacity.

ARC's Average Realized Commodity Prices
For the three and nine months ended September 30, 2021, ARC's average realized crude oil price increased 70 per cent and 74 per cent, respectively, compared to the same periods in 2020. During the same time periods, ARC's average realized condensate price also increased by 77 per cent and 79 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 nine months ended September 30, 2021 increased 116 per cent and 104 per cent, respectively, compared to the same periods in the prior year. The increase is primarily due to an increase in the benchmark NYMEX Henry Hub price. During the three and nine months ended September 30, 2021, physical sales diversification activities increased ARC's average realized natural gas price by $0.43 per Mcf and $0.54 per Mcf, respectively, compared to a reduction of $0.10 per Mcf and $0.11 per Mcf for the same periods in the prior year.

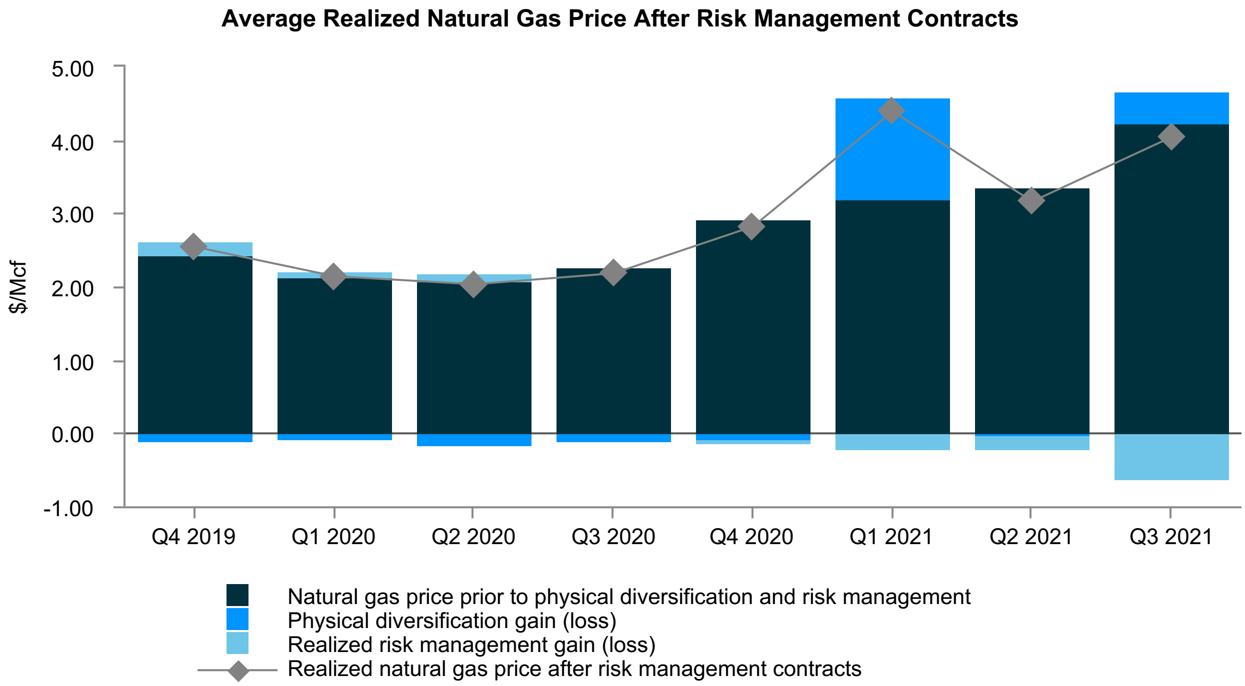
Exhibit 9





ARC's NGLs revenue increased to $130.7 million and $259.8 million for the three and nine months ended September 30, 2021, respectively, compared to $13.9 million and $27.9 million for the same periods of the prior year. Average realized NGLs pricing increased 88 per cent and 132 per cent, respectively, due to strengthening international demand resulting in an increase of North American pricing.

Exhibit 10



Risk Management Contracts

Tables 12 and 12a summarize the total gain or loss on risk management contracts for the three and nine months ended September 30, 2021 compared to the same periods in 2020:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**NGLs and Foreign Currency**	**Q3 2021 Total**	Q3 2020 Total
Realized gain (loss) on contracts (1)	(63.1)	(75.5)	(0.3)	**(138.9)**	16.5
Unrealized loss on contracts (2)	(46.0)	(329.5)	(10.1)	**(385.6)**	(110.8)
Loss on risk management contracts	**(109.1)**	**(405.0)**	**(10.4)**	**(524.5)**	(94.3)

(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)	(125.1)	(110.1)	9.3	**(225.9)**	65.4
Unrealized loss on contracts (2)	(360.1)	(550.8)	(8.2)	**(919.1)**	(130.1)
Gain (loss) on risk management contracts	**(485.2)**	**(660.9)**	**1.1**	**(1,145.0)**	(64.7)

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

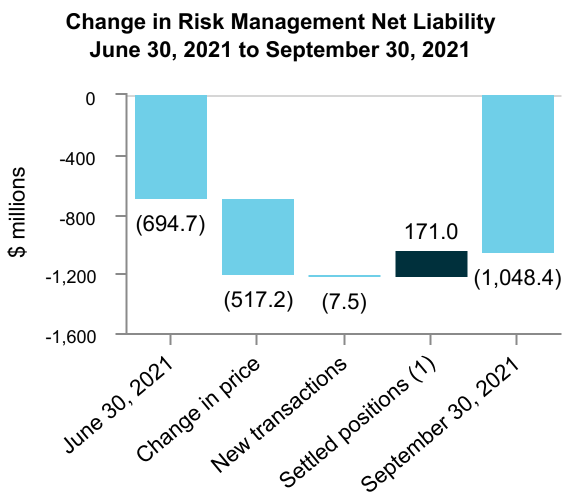
For the three and nine months ended September 30, 2021, ARC's realized loss on risk management contracts primarily reflects cash settlements paid on WTI crude oil contracts, NYMEX Henry Hub natural gas contracts, and AECO natural gas contracts.

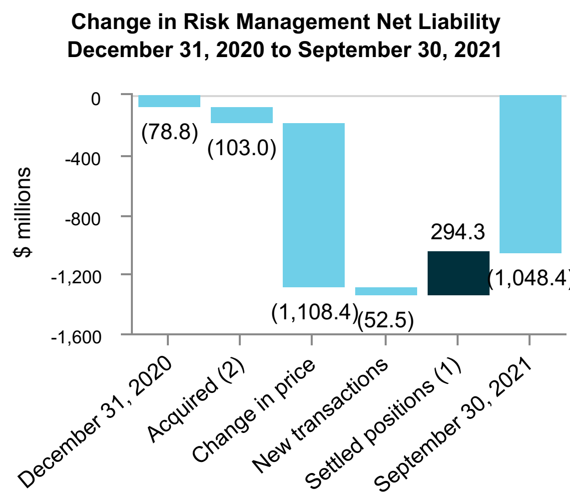
ARC's unrealized loss on crude oil contracts for the three and nine months ended September 30, 2021 reflects higher forward pricing for WTI crude oil contracts outstanding at period end as compared to the same periods in the prior year. ARC's unrealized loss on natural gas contracts for the three and nine months ended September 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 a weakening of the AECO basis forward curve.

The changes in the realized and unrealized gain or loss on risk management contracts are inclusive of contracts acquired both in 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.

The fair value of ARC's risk management contracts at September 30, 2021 was a net liability of $1.0 billion, 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 $426.9 million from crude oil contracts, a net liability of $637.3 million from natural gas contracts, and a net asset of $15.8 million from NGLs and foreign exchange contracts.

Exhibit 11





(1) Includes monthly cash settlements paid by ARC of $32.0 million and $52.6 million, respectively, for the three and nine months ended September 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.

(2) Acquired upon close of the Business Combination.

Netback

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

Table 13

	Three Months Ended				Nine Months Ended		
Netback ($ millions) (1)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Commodity sales from production	1,066.2	**1,362.6**	285.0	378	**2,954.1**	772.4	282
Royalties	(92.5)	**(109.7)**	(10.5)	945	**(228.0)**	(31.4)	626
Operating	(138.3)	**(116.6)**	(60.2)	94	**(313.9)**	(171.3)	83
Transportation	(137.0)	**(160.3)**	(47.0)	241	**(354.1)**	(130.0)	172
Netback	698.4	**976.0**	167.3	483	**2,058.1**	439.7	368
Realized gain (loss) on risk management contracts	(60.2)	**(138.9)**	16.5	(942)	**(225.9)**	65.4	(445)
Netback after realized gain (loss) on risk management contracts	638.2	**837.1**	183.8	355	**1,832.2**	505.1	263

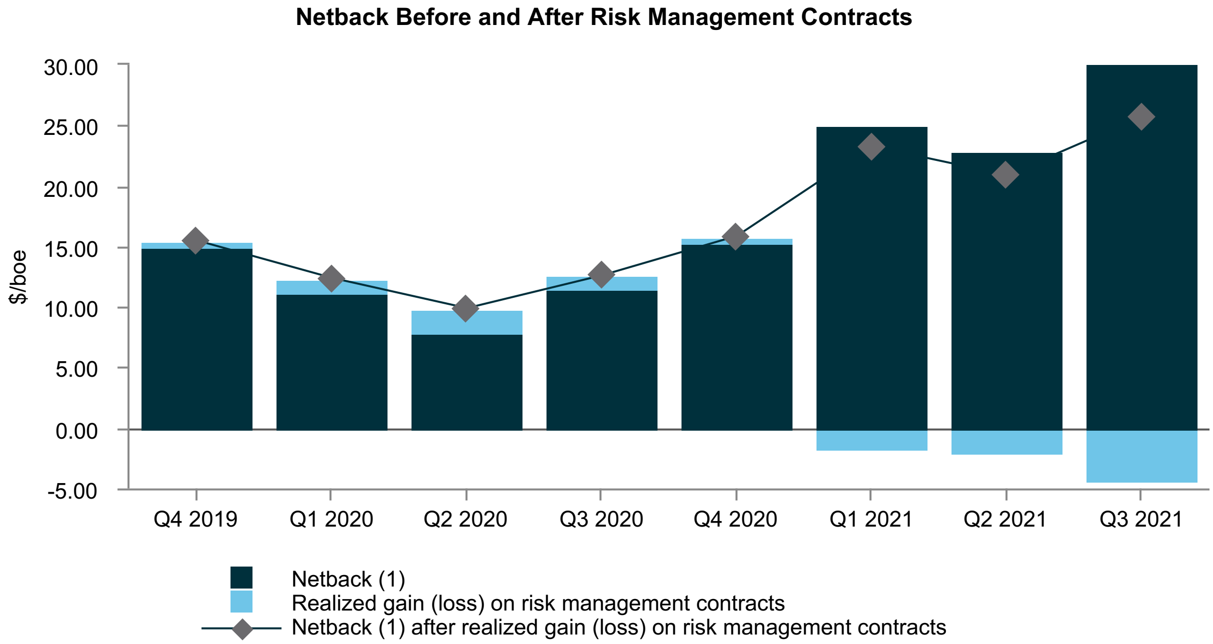
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Table 13a

	Three Months Ended				Nine Months Ended		
Netback ($ per boe) (1)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Commodity sales from production	34.90	**41.88**	19.55	114	**37.67**	17.74	112
Royalties	(3.02)	**(3.38)**	(0.72)	369	**(2.90)**	(0.72)	303
Operating	(4.53)	**(3.58)**	(4.13)	(13)	**(4.00)**	(3.93)	2
Transportation	(4.49)	**(4.93)**	(3.22)	53	**(4.52)**	(2.99)	51
Netback	22.86	**29.99**	11.48	161	**26.25**	10.10	160
Realized gain (loss) on risk management contracts	(1.97)	**(4.27)**	1.13	(478)	**(2.88)**	1.50	(292)
Netback after realized gain (loss) on risk management contracts	20.89	**25.72**	12.61	104	**23.37**	11.60	101

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

Exhibit 12

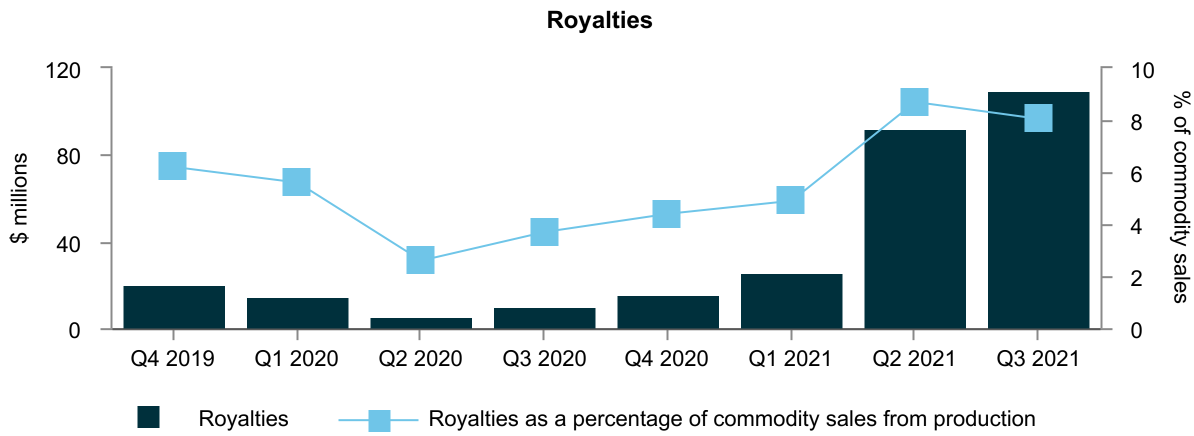


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three and nine months ended September 30, 2021 increased 945 per cent and 626 per cent, respectively, to $109.7 million and $228.0 million ($10.5 million and $31.4 million for the same periods in 2020). As a percentage of commodity sales from production, royalties increased to 8.1 per cent in the third quarter of 2021 from 3.7 per cent in the third quarter of 2020. For the nine months ended September 30, 2021, royalties represented 7.7 per cent of commodity sales from production as compared to 4.1 per cent for the nine months ended September 30, 2020. The increase in total royalties and royalties as a percentage of commodity sales from production for the three and nine months ended September 30, 2021, is reflective of higher average royalty rates due to increased commodity prices for all products 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.

Exhibit 13



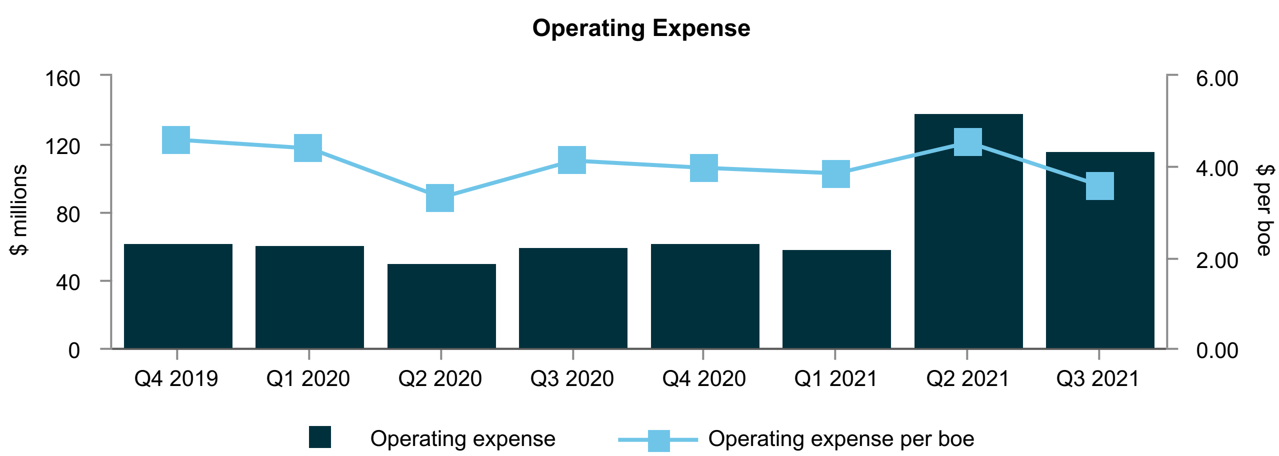
Operating

Operating expense increased by $56.4 million in the third quarter of 2021 to $116.6 million as compared to $60.2 million in the third quarter of 2020. For the nine months ended September 30, 2021, operating expense increased by $142.6 million to $313.9 million as compared to $171.3 million in the prior year. The increase in operating expense for the three and nine months ended September 30, 2021 is reflective of increased activity due to the Business Combination.

On a per boe basis, operating expense decreased $0.55 per boe to $3.58 per boe in the third quarter of 2021 compared to $4.13 per boe in the third quarter of 2020. The decrease in operating expense on a per boe basis for the three months ended September 30, 2021 primarily reflects increased production due to the Business Combination and the disposition of non-core assets in the second quarter of 2021 that had higher average operating costs.

For the nine months ended September 30, 2021, operating expense increased by $0.07 per boe to $4.00 per boe compared to $3.93 per boe for the nine months ended September 30, 2020. The increase in operating expense on a per boe basis for the nine months ended September 30, 2021, primarily reflects higher maintenance costs as a result of turnaround activities at multiple areas during the period.

Exhibit 14

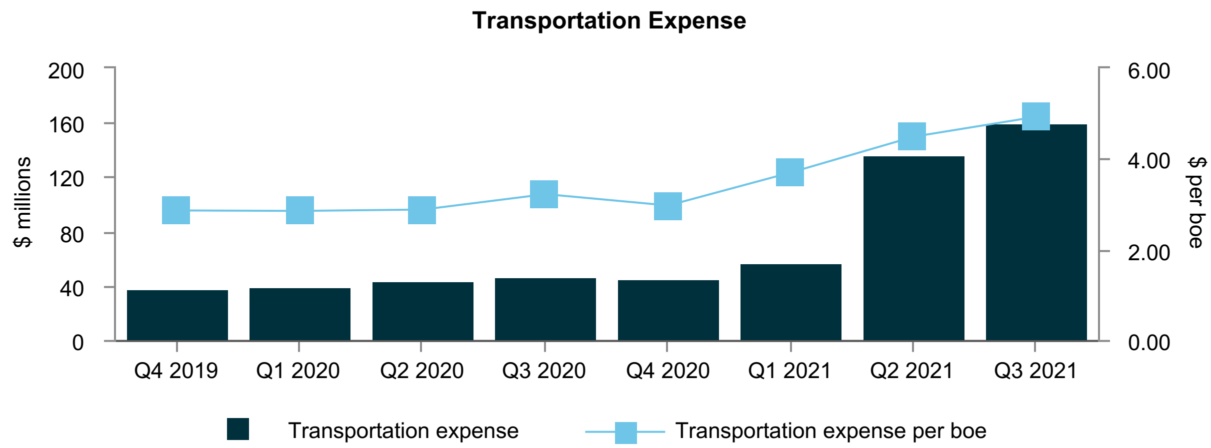


Transportation

Transportation expense for the three and nine months ended September 30, 2021 was $160.3 million and $354.1 million ($47.0 million and $130.0 million for the three and nine months ended September 30, 2020), respectively. On a per boe basis, transportation expense for the three and nine months ended September 30, 2021, was $4.93 per boe and $4.52 per boe ($3.22 per boe and $2.99 per boe for the three and nine months ended September 30, 2020), respectively. The increase in transportation expense on a total and per boe basis for the three and nine months ended September 30, 2021, relative to the same periods in 2020, is primarily due to incremental natural gas pipeline transportation contracts acquired through the Business Combination.

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 September 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 15



G&A Expense and Share-Based Compensation

G&A expense before share-based compensation increased 64 per cent to $28.1 million in the third quarter of 2021 from $17.1 million in the third quarter of 2020. For the nine months ended September 30, 2021, ARC's G&A expense before share-based compensation was $83.9 million, a 68 per cent increase from $50.0 million in 2020. The increase for the three months ended September 30, 2021 primarily reflects an increase in employee compensation due to a larger workforce as well as termination benefits paid in conjunction with the Business Combination. The increase for the nine months ended September 30, 2021 is primarily due to an increase in employee compensation, increased severance payments, and an increase in average director fees due to the share-based component that is revalued when the underlying share price changes.

Not included in G&A are transaction costs associated with the Business Combination which were $22.1 million for the nine months ended September 30, 2021. Transaction costs are primarily composed of advisory and legal fees. Refer to Note 5 "Business Combination" in the financial statements.

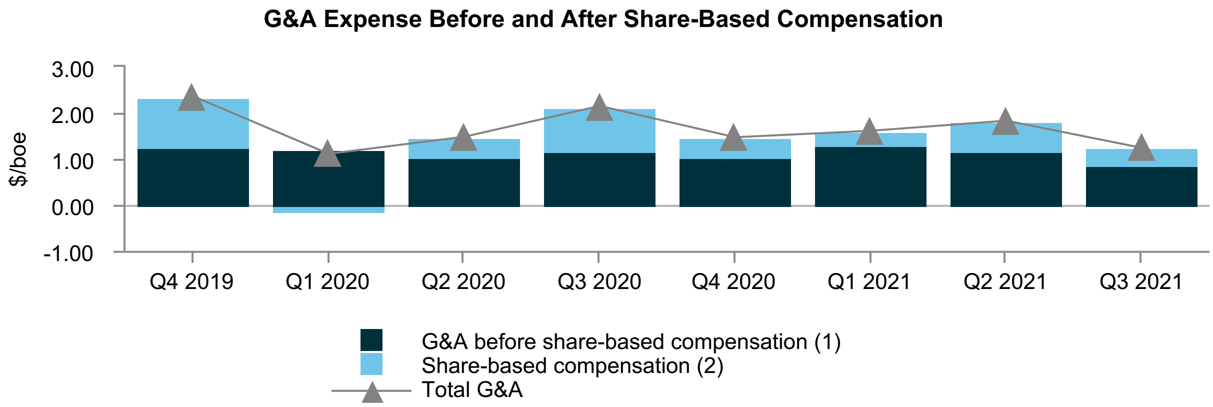
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

		Three Months Ended			Nine Months Ended		
G&A and Share-Based Compensation ($ millions, except per boe)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
G&A expense before share-based compensation expense (1)	35.9	**28.1**	17.1	64	**83.9**	50.0	68
G&A – share-based compensation expense (2)	19.9	**12.4**	14.2	(13)	**37.1**	19.0	95
Total G&A expense	55.8	**40.5**	31.3	29	**121.0**	69.0	75
G&A expense before share-based compensation expense per boe	1.18	**0.86**	1.18	(27)	**1.07**	1.15	(7)
G&A – share-based compensation expense per boe	0.65	**0.38**	0.97	(61)	**0.47**	0.43	9
Total G&A expense per boe	1.83	**1.24**	2.15	(42)	**1.54**	1.58	(3)

(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 16



(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").

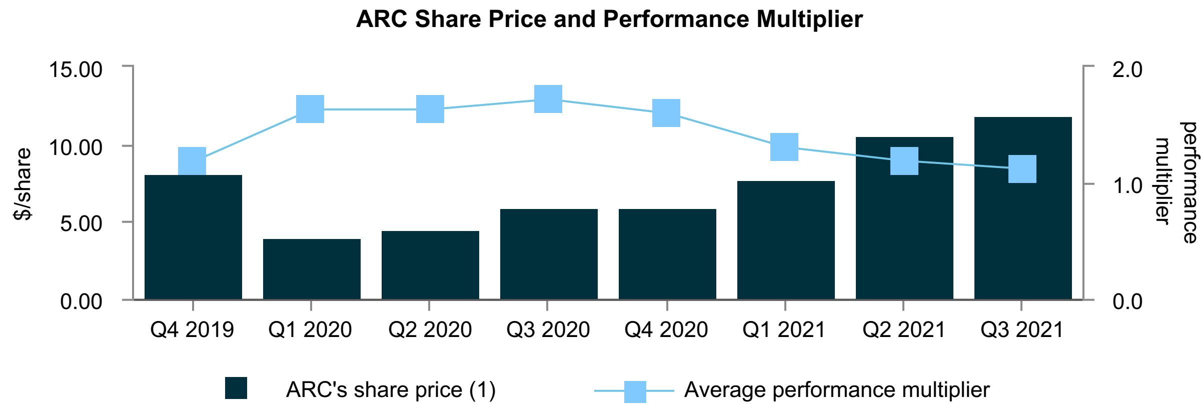
During the three and nine months ended September 30, 2021, ARC recognized G&A expense of $12.4 million and $37.1 million, respectively, associated with its share-based compensation plans, compared to $14.2 million and $19.0 million during the same periods of the prior year.

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 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 vest in 2021 have been predetermined and range from 0.83 to 1.79. Approximately three per cent of remaining RSU and PSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

For the three and nine months ended September 30, 2021, ARC recognized G&A expense in relation to its RSU and PSU Plans of $11.8 million and $34.8 million ($13.3 million and $15.9 million for the three and nine months ended September 30, 2020), respectively. The change in expense recognized for the three and nine months ended September 30, 2021, respectively, reflects the change in valuation of awards outstanding throughout the respective periods.

Exhibit 17



(1) Denotes ARC's closing share price on the Toronto Stock Exchange ("TSX").

During the nine months ended September 30, 2021, ARC made cash payments of $41.7 million in respect of the RSU and PSU Plans ($11.2 million for the nine months ended September 30, 2020). Of these payments, $31.1 million were in respect of amounts recognized as G&A ($8.9 million for the nine months ended September 30, 2020) and $10.6 million were in respect of amounts recognized as operating and capitalized as property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") ($2.3 million for the nine months ended September 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)	**1,585**	**686**	**1,858**	**4,129**
Distributed	**(1,674)**	**(1,673)**	**(199)**	**(3,546)**
Forfeited	**(227)**	**(11)**	**(192)**	**(430)**
Balance, September 30, 2021	**3,520**	**—**	**6,570**	**10,090**

(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.

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**
Granted [3]	**4**	**219**	**223**
Distributed	**(293)**	**(750)**	**(1,043)**
Forfeited	**(12)**	**(8)**	**(20)**
Balance, September 30, 2021	**629**	**559**	**1,188**

(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.
(3) Grants relate to re-invested dividends and additional performance awards for grants that vested in the current period.

Due to the variability in the expected future payments under the plans, ARC estimates that between $49.3 million and $218.5 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 September 30, 2021:

Table 16

Value of RSU and PSU Awards as at September 30, 2021		**Performance Multiplier**	
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest [1]			
RSUs	4,149	4,149	4,149
PSUs [2]	—	7,129	14,258
Total awards	**4,149**	**11,278**	**18,407**
Share price [3]	11.87	11.87	11.87
Value of RSU and PSU awards upon vesting	**49.3**	**133.9**	**218.5**
2021 [2]	0.4	0.6	0.8
2022	25.5	50.7	75.9
2023	17.9	58.1	98.3
2024	5.5	24.5	43.5

(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 September 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 September 30, 2021, ARC had 3.3 million share options outstanding under the Acquired Plans, with a weighted average exercise price of $16.97. All share options under the Acquired Plans were exercisable at September 30, 2021.

At September 30, 2021, ARC had 4.1 million share options outstanding under the Legacy Plans, with a weighted average exercised price of $15.15. Of those, 2.2 million were exercisable at September 30, 2021, with a weighted average exercise price of $17.40.

Under the Legacy and Acquired Plans, ARC had 7.4 million share options outstanding, representing 1.0 per cent of ARC's common shares, with a weighted average exercise price of $15.97. ARC recognized compensation expense of $0.3 million and $1.4 million relating to share option plans for the three and nine months ended September 30, 2021 ($0.6 million and $2.3 million for the three and nine months ended September 30, 2020), respectively.

Long-term Restricted Share Award Plan

At September 30, 2021, ARC had 1.0 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.3 million and $0.9 million relating to the LTRSA Plan during the three and nine months ended September 30, 2021 ($0.3 million and $0.8 million for the three and nine months ended September 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 the Board. Awards are determined by the value of the underlying common share. Approximately 35 per cent of remaining DSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

At September 30, 2021, ARC had 1.2 million DSUs outstanding under the Legacy Plans and 0.4 million DSUs outstanding under the Acquired Plans. For the three and nine months ended September 30, 2021, G&A expense of $0.1 million and $7.5 million was recognized in relation to the DSU Plans ($2.1 million and $0.1 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 nine months ended September 30, 2021, ARC made cash payments of $0.3 million in respect of the DSU Plans ($0.5 million for the nine months ended September 30, 2020).

Performance Warrants

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

Interest and Financing

Interest and financing for the three and nine months ended September 30, 2021 was $59.2 million and $101.9 million, respectively, compared to $11.0 million and $35.7 million for the same periods of the prior year. The increase from the prior year is primarily due to higher debt levels and increased lease obligations acquired from the Business Combination. Additionally, make-whole payments were recognized in the third quarter of 2021 as a result of repaying several of ARC's private placement senior notes in advance of their maturity. For additional information, refer to Note 12 "Long-Term Debt" in the financial statements. A breakdown of interest and financing expense is shown in Table 17:

Table 17

	Three Months Ended				Nine Months Ended		
Interest and Financing ($ millions)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Bank debt and long-term notes	21.1	**39.9**	9.2	334	**68.7**	29.8	131
Lease obligations	8.8	**17.2**	0.4	4,200	**26.3**	1.1	2,291
Accretion on ARO	3.2	**2.1**	1.4	50	**6.9**	4.8	44
Total interest and financing	33.1	**59.2**	11.0	438	**101.9**	35.7	185

Foreign Exchange Gain and Loss

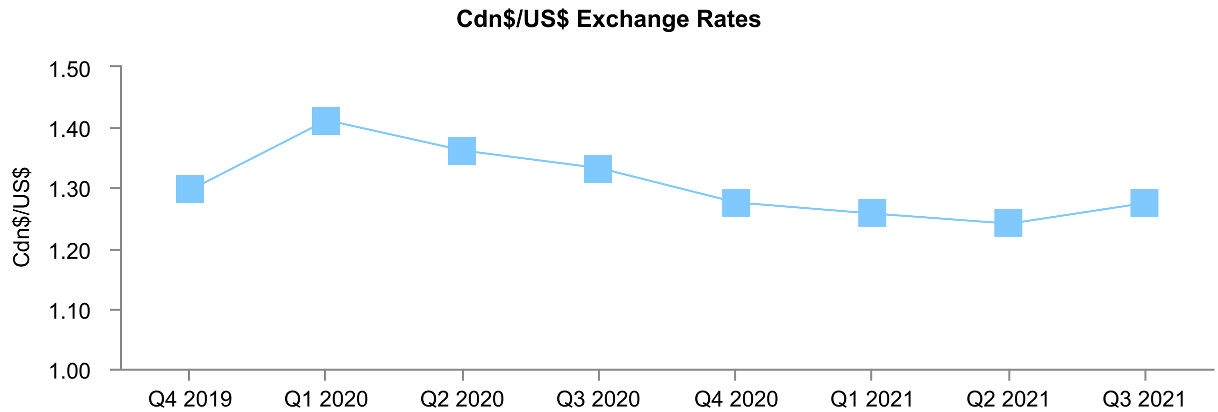
ARC recognized a foreign exchange loss of $10.5 million in the third quarter of 2021 compared to a gain of $15.8 million in the third quarter of 2020 and a foreign exchange gain of $5.8 million for the nine months ended September 30, 2021, compared to a loss of $20.8 million for the nine months ended September 30, 2020. The change in foreign exchange recognized for both the three and nine months ended September 30, 2020, as compared to the same periods in the prior year primarily relates to the revaluation of ARC's US$ denominated debt. Additionally there are increased US$ denominated transactions as a result of the Business Combination which impacts the realized component of ARC's foreign exchange gain and loss.

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

Table 18

		Three Months Ended			Nine Months Ended		
Foreign Exchange Gain and Loss ($ millions)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Unrealized gain (loss) on US dollar-denominated debt and receivables	21.2	**(14.9)**	16.2	(192)	**14.9**	(28.4)	152
Realized gain (loss) on US dollar-denominated transactions	(10.8)	**4.4**	(0.4)	1,200	**(9.1)**	7.6	(220)
Total foreign exchange gain (loss)	10.4	**(10.5)**	15.8	(166)	**5.8**	(20.8)	128

Exhibit 18



Taxes

ARC recognized a current income tax expense of $0.1 million and $47.7 million for the three and nine months ended September 30, 2021, respectively, compared to a current income tax recovery of $nil and $34.9 million for the same periods in 2020. The increase in the current income tax expense for the nine months ended September 30, 2021 reflects higher expected taxable income for 2021 associated with an increase in ARC's average realized commodity prices as compared to the same period in 2020. ARC does not expect to incur any additional current income tax expense for the remainder of 2021 due to the acquisition of $5.2 billion of income tax pools following the Business Combination.

For the three months ended September 30, 2021, deferred income tax expense of $16.9 million was recognized, compared to a deferred income tax recovery of $28.3 million for the same period in 2020. The increase in the deferred income tax expense primarily relates to a reversal of impairment recognized on PP&E as well as an increase in the tax pools claimed relative to DD&A expense during the three months ended September 30, 2021 as compared to 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.

For the nine months ended September 30, 2021, a deferred income tax recovery of $49.0 million was recognized, compared to $202.0 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 nine months ended September 30, 2021, 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)	**September 30, 2021**	**Annual Deductibility**
Canadian oil and gas property expense	1,125.5	10% declining balance
Canadian development expense	1,962.5	30% declining balance
Canadian exploration expense	70.9	100%
Undepreciated capital cost	1,735.8	Primarily 25% declining balance
Non-capital losses, Scientific Research and Experimental Development, and investment tax credits	951.7	100%
Other	105.6	Various rates, 5% declining balance to 20%
Total federal tax pools	**5,952.0**	

DD&A and Impairment of PP&E

For the three and nine months ended September 30, 2021, ARC recognized DD&A related to its PP&E of $328.7 million and $743.5 million, respectively, compared to $130.1 million and $395.2 million for the three and nine months ended September 30, 2020. The increase in DD&A for the three and nine months ended September 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				**Nine Months Ended**		
DD&A Expense ($ millions, except per boe amounts)	June 30, 2021	**September 30, 2021**	September 30, 2020	% Change	**September 30, 2021**	September 30, 2020	% Change
Depletion of crude oil and natural gas assets	269.7	**305.1**	127.3	140	**694.7**	386.3	80
Depreciation of corporate assets	1.5	**3.1**	1.4	121	**6.1**	4.3	42
Depreciation of right-of-use ("ROU") assets under lease	20.6	**20.5**	1.4	1,364	**42.7**	4.6	828
Total DD&A expense	291.8	**328.7**	130.1	153	**743.5**	395.2	88
DD&A expense per boe	9.55	**10.10**	8.93	13	**9.48**	9.08	4

For the three and nine months ended September 30, 2021, ARC recognized a reversal of impairment of $39.3 million and $137.5 million, respectively, compared to an impairment charge of $10.3 million and $750.3 million, for the three and nine months ended September 30, 2020. The impairment charges and reversal of impairment recognized relate to ARC's Northern Alberta CGU. All previous impairment charges that are eligible to be recovered have now been reversed. 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 nine months ended September 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 rich condensate and natural gas.

ARC invested $268.4 million and $686.9 million in capital expenditures, before net property acquisitions and dispositions, during the three and nine months ended September 30, 2021, respectively, compared to $52.6 million and $266.5 million for the three and nine months ended September 30, 2020. The increase in capital expenditures for the three and nine months ended September 30, 2021, is reflective of increased activity in the Kakwa area, which was acquired through the Business Combination. Investments during the period included the drilling of 41 and 94 wells and the completion of 31 and 103 wells across ARC's asset base for the three and nine months ended September 30, 2021, respectively. Infrastructure investment in 2021 has been focused on the Parkland/Tower facility sour conversion project, which came on-stream in the third quarter of 2021, the Sunrise Phase I and II facility expansion, which was completed in the second quarter of 2021, and continuing to advance the Attachie West Phase I facility planning. Corporate assets increased due to higher capitalized compensation costs for the three and nine months ended September 30, 2021, compared to the same periods in the prior year. During the three and nine months ended September 30, 2021, ARC disposed of certain non-core assets in Alberta for proceeds of $0.8 million and $79.0 million, respectively.

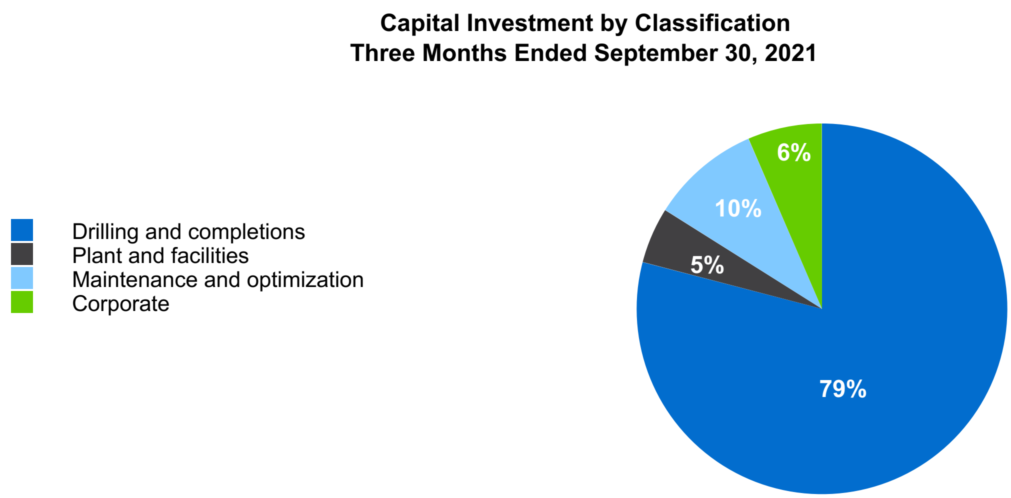
For information regarding ARC's planned capital expenditures for 2022, refer to the news release dated November 4, 2021 *"ARC Resources Ltd. Reports Record Third Quarter 2021 Results and Announces 2022 Budget"* available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

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

Table 21

	Three Months Ended September 30						
	2021			2020			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**1.8**	**1.8**	—	2.4	2.4	(25)
Drilling and completions	**0.5**	**210.3**	**210.8**	0.1	40.7	40.8	417
Plant and facilities	**0.1**	**12.9**	**13.0**	—	5.9	5.9	120
Maintenance and optimization	**—**	**25.5**	**25.5**	—	2.1	2.1	1114
Corporate	**—**	**17.3**	**17.3**	—	1.4	1.4	1,136
Total capital expenditures	**0.6**	**267.8**	**268.4**	0.1	52.5	52.6	410
Acquisitions	**0.4**	**0.4**	**0.8**	—	—	—	—
Dispositions	**—**	**(0.8)**	**(0.8)**	—	—	—	—
Total capital expenditures and net acquisitions and dispositions	**1.0**	**267.4**	**268.4**	0.1	52.5	52.6	410

Exhibit 19

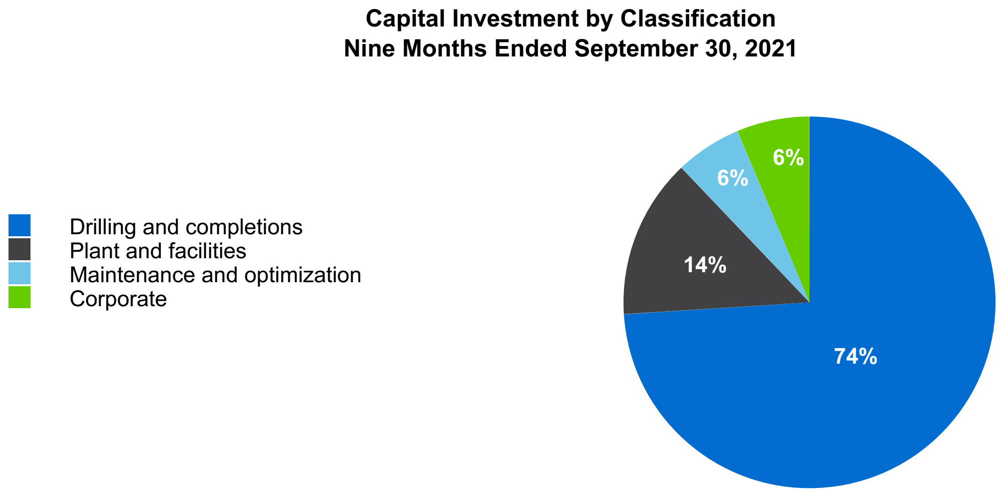


A breakdown of capital expenditures, acquisitions, and dispositions for the nine months ended September 30, 2021 and September 30, 2020 is shown in Table 21a:

Table 21a

	Nine Months Ended September 30						
	2021			2020			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**3.9**	**3.9**	—	12.3	12.3	(68)
Drilling and completions	**1.1**	**504.2**	**505.3**	0.5	203.4	203.9	148
Plant and facilities	**0.5**	**94.7**	**95.2**	—	40.0	40.0	138
Maintenance and optimization	**—**	**39.2**	**39.2**	—	7.9	7.9	396
Corporate	**—**	**43.3**	**43.3**	—	2.4	2.4	1,704
Total capital expenditures	**1.6**	**685.3**	**686.9**	0.5	266.0	266.5	158
Acquisitions	**0.5**	**0.4**	**0.9**	—	3.0	3.0	(70)
Dispositions	**—**	**(79.0)**	**(79.0)**	—	(3.0)	(3.0)	2,533
Total capital expenditures and net acquisitions and dispositions	**2.1**	**606.7**	**608.8**	0.5	266.0	266.5	128

Exhibit 19a

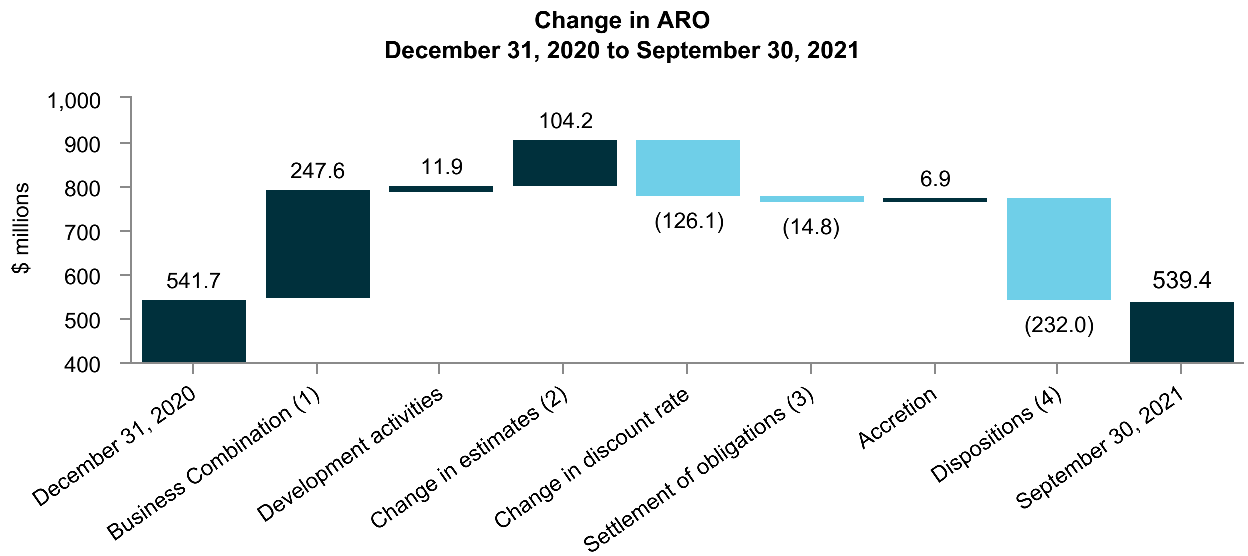


Asset Retirement Obligation

At September 30, 2021, ARC recognized ARO of $539.4 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 nine months ended September 30, 2021, ARC's ARO increased $247.6 million as a result of additional assets acquired through the Business Combination. Additionally, ARC's ARO increased $104.2 million due to increased cost estimates across all assets. This was partially offset by a reduction in ARO of $232.0 million associated with the disposition of certain non-core assets and an increased discount rate compared to December 31, 2020. 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 2.0 per cent (1.2 per cent at December 31, 2020).

Accretion charges of $2.1 million and $6.9 million for the three and nine months ended September 30, 2021 ($1.4 million and $4.8 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 nine months ended September 30, 2021 was $4.9 million and $12.6 million ($0.8 million and $9.7 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 20



(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 ARC. During the nine months ended September 30, 2021, ARC reviewed and updated its cost and timing assumptions based on newly available information.
(3) For the three and nine months ended September 30, 2021, $0.3 million and $2.2 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 nine months ended September 30, 2021.

Capitalization, Financial Resources and Liquidity

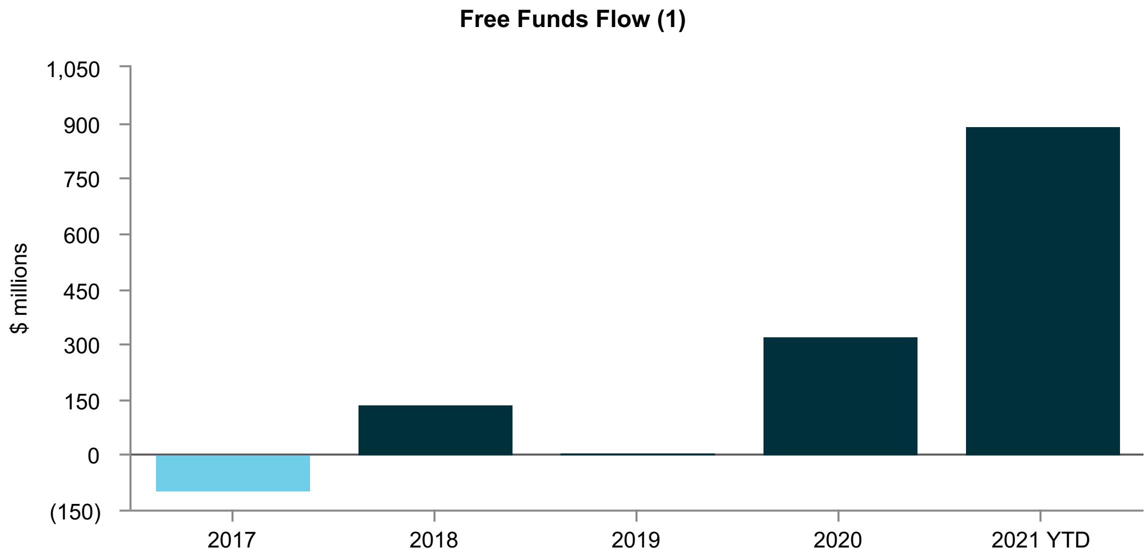
ARC's capital management objective is to fund dividend payments, current period reclamation expenditures, and capital expenditures necessary for the replacement of production declines using only funds from operations. Profitable growth activities will be financed with a combination of funds from operations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

Maintaining targeted 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 takes a portfolio approach by periodically evaluating its capital allocation priorities, considering 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 capital allocation. For the three and nine months ended September 30, 2021, free funds flow was $497.0 million and $894.9 million ($92.0 million and $189.1 million for the three and nine months ended September 30, 2020), respectively. For the calculation of free funds flow, refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

The Board has approved a 52 per cent increase to ARC's quarterly dividend, from $0.066 per share to $0.10 per share. The dividend increase is effective for ARC's fourth quarter 2021 dividend, payable on January 17, 2022, to shareholders of record on December 31, 2021.

Exhibit 21



(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.

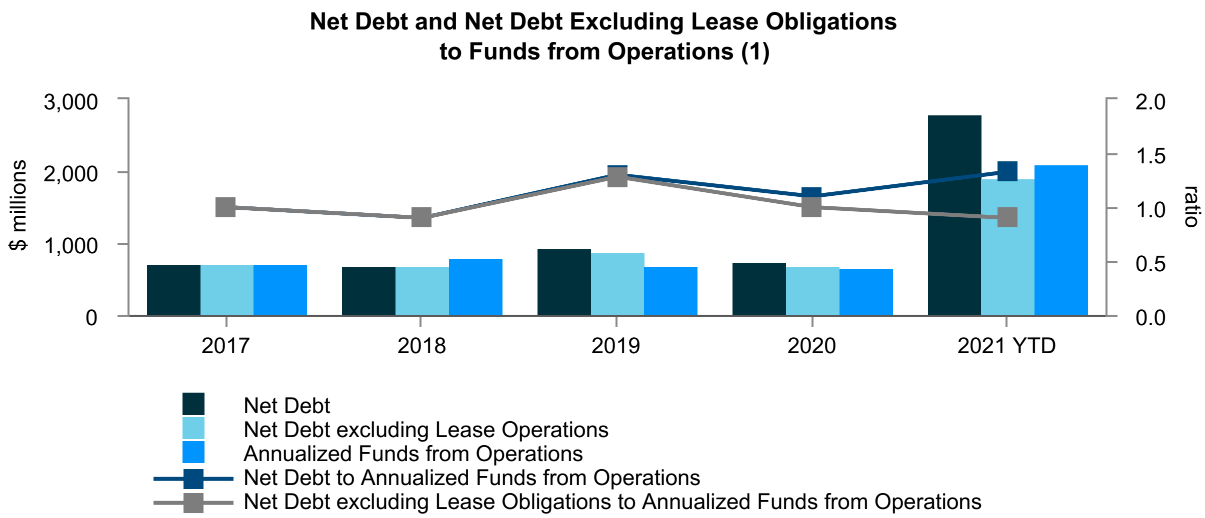
A breakdown of ARC's net debt and net debt excluding lease obligations as at September 30, 2021 and December 31, 2020 is outlined in Table 22:

Table 22

Net Debt and Net Debt Excluding Lease Obligations ($ millions, except ratio amounts)	**September 30, 2021**	December 31, 2020
Long-term debt (1)	**1,849.0**	701.9
Lease obligations (2)	**881.5**	49.2
Accounts payable and accrued liabilities	**645.2**	125.0
Dividends payable	**47.1**	21.3
Cash and cash equivalents, accounts receivable, and prepaid expense	**(614.9)**	(154.7)
Net debt (3)	**2,807.9**	742.7
Lease obligations (2)	**(881.5)**	(49.2)
Net debt excluding lease obligations (3)	**1,926.4**	693.5
Net debt to annualized funds from operations (ratio) (3)	**1.3**	1.1
Net debt excluding lease obligations to annualized funds from operations (ratio) (3)	**0.9**	1.0

(1) Includes a current portion of long-term debt of $nil at September 30, 2021 and $146.7 million at December 31, 2020.
(2) Includes a current portion of lease obligations of $105.4 million at September 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 22



(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 nine months ended September 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 September 30, 2021, ARC had total credit capacity of $3.0 billion, of which $1.9 billion was drawn. During the three months ended September 30, 2021, ARC increased borrowings from its credit facility to repay in full the principal amounts outstanding on several tranches of its private placement notes in advance of their maturity. In doing so, ARC expects a reduction to its future average interest rate. At September 30, 2021, ARC's long-term debt had a weighted average interest rate of 2.4 per cent and 23 per cent (US$330.0 million) of ARC's long-term debt outstanding was denominated in US dollars. For more information, refer to Note 12 "Long-Term Debt" in the financial statements.

Following the repayment of certain private placement notes, ARC's financial debt covenants are limited to the covenants related to the credit facility. At September 30, 2021, ARC was in compliance with the financial covenants related to its credit facility as follows:

Table 23

Covenant Description	Position at September 30, 2021 [1]
Consolidated Senior Debt not to exceed 3.5 times Consolidated EBITDA	0.8
Consolidated Total Debt not to exceed 4.0 times Consolidated EBITDA	0.8
Consolidated Senior Debt not to exceed 55 per cent of Total Capitalization	25 %
Consolidated Tangible Assets of the Restricted Group must exceed 85 per cent of Consolidated Tangible Assets	100 %

(1) Subject to final approval of the syndicate.

Subsequent to September 30, 2021, ARC amended and restated the new credit facility agreement, extending the maturity date to October 2025 and updating the financial covenants to align with the credit facilities of other investment-grade energy companies.

Shareholders’ Equity

On August 30, 2021, ARC announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows ARC to purchase up to 72,236,753 of its outstanding common shares over a 12-month period, commencing September 1, 2021. During the three and nine months ended September 30, 2021, ARC purchased 12,371,300 common shares at a weighted average price of $10.11 for a total cost of $125.1 million.

At September 30, 2021, ARC has recorded a liability of $66.1 million ($nil at September 30, 2020) for share repurchases that may take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker.

At September 30, 2021, there were 711.7 million common shares outstanding and 7.4 million share options outstanding under ARC's share option plans, including 3.3 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 September 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.

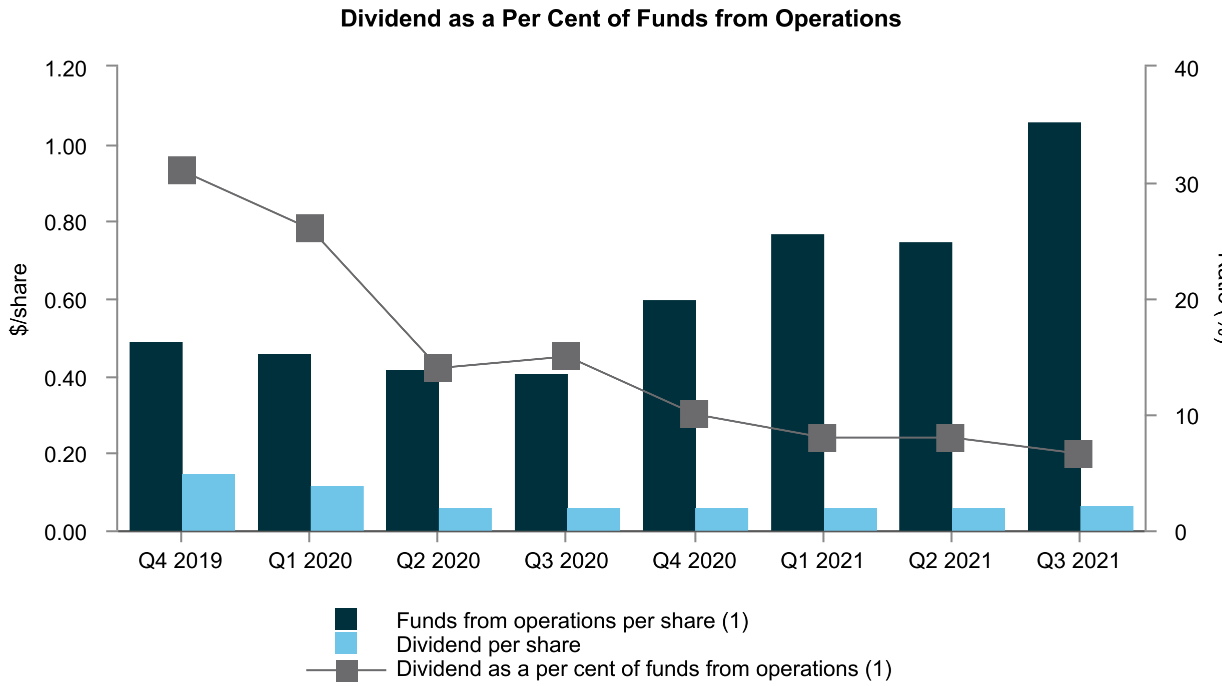
Dividends

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. During the nine months ended September 30, 2021, ARC announced a 10 per cent increase to its quarterly dividend, from $0.06 per share to $0.066 per share. In the third quarter of 2021, ARC declared dividends totaling $47.1 million ($0.066 per share) compared to $21.2 million ($0.06 per share) in the same period of 2020. ARC declared dividends of $111.9 million ($0.186 per share) for the nine months ended September 30, 2021 and $85.0 million ($0.24 per share) for the same period in 2020.

ARC's dividend as a per cent of funds from operations decreased from an average of 15 per cent and 19 per cent, respectively, for the three and nine months ended September 30, 2020, to an average of six per cent and seven per cent for the three and nine months ended September 30, 2021.

On July 29, 2021, ARC announced a 10 per cent increase to its quarterly dividend, from $0.06 per share to $0.066 per share. The Board has approved an additional 52 per cent increase to its quarterly dividend to $0.10 per share. This dividend increase is effective for ARC's fourth quarter 2021 dividend, payable on January 17, 2022, to shareholders of record on December 31, 2021.

Exhibit 23



(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 September 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 September 30, 2021:

Table 24

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments	—	856.1	446.9	546.0	1,849.0
Interest payments (1)	29.7	59.3	54.0	85.8	228.8
Purchase and service commitments	171.0	40.0	22.6	106.7	340.3
Transportation commitments	600.2	740.3	660.9	1,287.0	3,288.4
Total contractual obligations and commitments	**800.9**	**1,695.7**	**1,184.4**	**2,025.5**	**5,706.5**

(1) Fixed interest payments on senior notes.

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. Management does not expect the outcome of any legal actions to result in a material outflow of resources by ARC.

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 September 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 nine months ended September 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 $6.3 billion of ARC's total assets at September 30, 2021 and revenue from commodity sales attributable to Seven Generations represented $1.5 billion of ARC's revenue from commodity sales for the nine months ended September 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. There was not a material impact to ARC's financial statements.

Share Capital
Common shares are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of tax. When ARC repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the purchase price is lower than the average carrying value of the shares the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

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		Nine Months Ended	
Free Funds Flow ($ millions)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Cash flow from operating activities	**615.0**	174.1	**1,352.3**	454.6
Net change in other liabilities	**97.3**	(6.0)	**153.9**	(4.9)
Change in non-cash operating working capital	**53.1**	(23.5)	**75.6**	5.9
Funds from operations [1]	**765.4**	144.6	**1,581.8**	455.6
Capital expenditures [2]	**(268.4)**	(52.6)	**(686.9)**	(266.5)
Free funds flow	**497.0**	92.0	**894.9**	189.1

(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	**September 30, 2021**	2020	2019	2018	2017	2017 - 2020 Average [1]
Net income (loss)	**229.4**	(547.2)	(27.6)	213.8	388.9	7.0
Add: Interest	**103.4**	39.3	41.0	42.6	45.3	42.1
Add: Total income taxes (recovery)	**27.9**	(207.7)	(100.9)	108.0	135.9	(16.2)
Earnings before interest and taxes	**360.7**	(715.6)	(87.5)	364.4	570.1	32.9
Net debt - beginning of period	**867.8**	940.2	702.7	728.0	356.5	356.5
Shareholders' equity - beginning of period	**2,690.2**	3,439.9	3,675.8	3,668.9	3,484.8	3,484.8
Opening capital employed (A)	**3,558.0**	4,380.1	4,378.5	4,396.9	3,841.3	3,841.3
Net debt - end of period	**2,807.9**	742.7	940.2	702.7	728.0	742.7
Shareholders' equity - end of period	**5,521.7**	2,790.6	3,439.9	3,675.8	3,668.9	2,790.6
Closing capital employed (B)	**8,329.6**	3,533.3	4,380.1	4,378.5	4,396.9	3,533.3
Average capital employed (A+B)/2	**5,943.8**	3,956.7	4,379.3	4,387.7	4,119.1	3,687.3
ROACE (%)	**6**	(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: ARC's 2021 guidance, production guidance and expense guidance, the expectation that full-year 2021 actual results will closely approximate guidance, the expectation that full-year 2021 capital expenditures will be at the upper end of the guidance range and ARC's plans to continuously monitor its guidance and provide updates as deemed appropriate under the heading "Annual Guidance"; the expectation of adjusting the capital budget based on the outcome of negotiations between Blueberry River First Nations and the Government of British Columbia; the expectation that values of the RSU and PSU Awards will fluctuate over the vesting periods 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 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"; the expected financing sources of profitable growth activities under the heading "Capitalization, Financial Resources and Liquidity"; the possibility that share repurchases under the NCIB may take place during ARC's internal blackout period under the heading "Shareholders' Equity"; 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: continuing uncertainty of the impact of the June 29, 2021 British Columbia Supreme Court ruling in *Blueberry First River Nations (Yahey) v. Province of British Columbia* on British Columbia and/or federal laws or policies affecting resource development in northeast British Columbia and potential outcomes of the ongoing negotiations between Blueberry River First Nations and the Government of British Columbia; 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 continued success in integrating the business of Seven Generations; the successful implementation and use of the NCIB; 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 continue to realize the anticipated benefits of, and synergies from, the Business Combination and the timing thereof; 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; potential industry changes stemming from the results of court actions affecting regions in which ARC does business; 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

AIF	annual information form
AECO	Alberta Energy Company
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
GHG	greenhouse gas
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank offered rate
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	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Commodity sales from production	**1,362.6**	1,066.2	525.3	363.1	285.0	217.9	269.5	325.1
Per share, basic	**1.89**	1.47	1.49	1.03	0.81	0.62	0.76	0.92
Per share, diluted	**1.88**	1.47	1.48	1.02	0.81	0.62	0.76	0.92
Net income (loss)	**53.6**	(123.0)	178.0	120.8	(66.1)	(43.5)	(558.4)	(10.2)
Per share, basic	**0.07**	(0.17)	0.50	0.34	(0.19)	(0.12)	(1.58)	(0.03)
Per share, diluted	**0.07**	(0.17)	0.50	0.34	(0.19)	(0.12)	(1.58)	(0.03)
Cash flow from operating activities	**615.0**	458.9	278.4	201.1	174.1	97.4	183.1	166.7
Per share, basic	**0.85**	0.63	0.79	0.57	0.49	0.28	0.52	0.47
Per share, diluted	**0.85**	0.63	0.79	0.57	0.49	0.28	0.52	0.47
Funds from operations (1)	**765.4**	542.5	273.9	212.0	144.6	150.2	160.8	172.8
Per share, basic	**1.06**	0.75	0.78	0.60	0.41	0.42	0.46	0.49
Per share, diluted	**1.06**	0.75	0.77	0.60	0.41	0.42	0.46	0.49
Free funds flow (2)	**497.0**	249.7	148.2	135.3	92.0	106.1	(9.0)	31.1
Per share, basic	**0.69**	0.35	0.42	0.38	0.26	0.30	(0.03)	0.09
Per share, diluted	**0.69**	0.35	0.42	0.38	0.26	0.30	(0.03)	0.09
Dividends declared	**47.1**	43.5	21.3	21.3	21.2	21.3	42.5	53.1
Per share (3)	**0.066**	0.06	0.06	0.06	0.06	0.06	0.12	0.15
Total assets	**11,192.9**	11,047.6	6,011.1	4,954.2	4,982.9	5,136.8	5,172.6	5,778.3
Total liabilities	**5,671.2**	5,341.7	3,062.8	2,163.6	2,292.7	2,360.3	2,332.4	2,338.4
Net debt (4)	**2,807.9**	2,986.7	613.6	742.7	867.8	961.1	1,079.7	940.2
Net debt excluding lease obligations (4)	**1,926.4**	2,084.1	568.0	693.5	834.2	923.0	1,037.3	894.0
Weighted average shares, basic	**722.0**	723.1	353.4	353.4	353.4	353.4	353.4	353.4
Weighted average shares, diluted	**723.1**	723.1	354.4	354.3	353.4	353.4	353.4	353.4
Shares outstanding, end of period	**711.7**	723.9	353.4	353.4	353.4	353.4	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**1.8**	0.1	2.0	2.5	2.4	3.4	6.5	0.9
Drilling and completions	**210.8**	204.2	90.3	68.1	40.8	31.8	131.3	86.7
Plant and facilities	**13.0**	60.4	21.8	3.1	5.9	8.3	25.8	47.5
Maintenance and optimization	**25.5**	9.3	4.4	1.5	2.1	1.4	4.4	3.0
Corporate	**17.3**	18.8	7.2	1.5	1.4	(0.8)	1.8	3.6
Total capital expenditures	**268.4**	292.8	125.7	76.7	52.6	44.1	169.8	141.7
Acquisitions	**0.8**	0.1	—	61.6	—	0.5	2.5	—
Dispositions	**(0.8)**	(78.1)	(0.1)	(63.2)	—	(0.6)	(2.4)	(1.1)
Total capital expenditures, and net acquisitions and dispositions	**268.4**	214.8	125.6	75.1	52.6	44.0	169.9	140.6
OPERATING								
Production								
Crude oil (bbl/d)	**8,639**	11,659	13,647	15,554	15,373	14,987	16,997	17,083
Condensate (bbl/d)	**77,539**	73,459	13,812	14,715	14,831	13,239	11,262	10,937
Crude oil and condensate (bbl/d)	**86,178**	85,118	27,459	30,269	30,204	28,226	28,259	28,020
Natural gas (MMcf/d)	**1,299.5**	1,203.3	794.1	783.1	708.2	773.3	692.2	669.0
NGLs (bbl/d)	**50,891**	50,020	10,620	8,678	10,208	9,405	8,152	8,123
Total (boe/d)	**353,657**	335,701	170,430	169,468	158,444	166,510	151,783	147,650
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**77.43**	74.01	64.46	48.14	45.45	25.88	49.69	65.11
Condensate ($/bbl)	**85.72**	77.93	71.59	53.55	48.49	31.54	57.52	68.08
Natural gas ($/Mcf)	**4.67**	3.34	4.60	2.88	2.16	1.92	2.05	2.36
NGLs ($/bbl)	**27.92**	22.19	29.45	18.03	14.85	10.84	6.36	11.69
Oil equivalent ($/boe)	**41.88**	34.90	34.25	23.29	19.55	14.38	19.52	23.93
TRADING STATISTICS (5)								
($, based on intra-day trading)								
High	**11.95**	10.74	8.67	7.20	6.94	6.12	8.39	8.26
Low	**7.51**	7.26	5.88	5.66	4.54	3.64	2.42	5.40
Close	**11.87**	10.55	7.72	6.00	5.95	4.56	4.05	8.18
Average daily volume (thousands)	**3,034**	3,309	3,125	1,582	1,363	2,177	3,207	2,583

(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 Q3

Financial **Statements**

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	**September 30, 2021**	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**27.2**	0.4
Inventory	**1.6**	1.6
Accounts receivable	**534.6**	145.9
Prepaid expense	**53.1**	8.4
Risk management contracts (Note 16)	**0.1**	6.0
	616.6	162.3
Exploration and evaluation assets (Note 6)	**277.1**	214.9
Property, plant and equipment (Notes 7 and 9)	**9,179.3**	4,284.3
Right-of-use assets (Note 8)	**871.7**	44.5
Goodwill	**248.2**	248.2
Total assets	**11,192.9**	4,954.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**645.2**	125.0
Current portion of lease obligations (Note 11)	**105.4**	15.3
Current portion of long-term debt (Note 12)	**—**	146.7
Current portion of other deferred liabilities (Note 13)	**99.8**	—
Current portion of asset retirement obligation (Note 14)	**17.5**	19.0
Dividends payable (Note 17)	**47.1**	21.3
Risk management contracts (Note 16)	**740.6**	40.4
	1,655.6	367.7
Risk management contracts (Note 16)	**307.9**	44.4
Long-term portion of lease obligations (Note 11)	**776.1**	33.9
Long-term debt (Note 12)	**1,849.0**	555.2
Long-term incentive compensation liability (Note 19)	**40.5**	32.0
Other deferred liabilities (Note 13)	**169.7**	16.3
Asset retirement obligation (Note 14)	**521.9**	522.7
Deferred taxes	**350.5**	591.4
Total liabilities	**5,671.2**	2,163.6
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 17)	**7,388.5**	4,658.2
Contributed surplus	**46.4**	36.5
Deficit	**(1,911.6)**	(1,904.1)
Accumulated other comprehensive loss	**(1.6)**	—
Total shareholders' equity	**5,521.7**	2,790.6
Total liabilities and shareholders' equity	**11,192.9**	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 nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions, except per share amounts)	**2021**	2020	**2021**	2020
Commodity sales from production (Note 18)	**1,362.6**	285.0	**2,954.1**	772.4
Royalties	**(109.7)**	(10.5)	**(228.0)**	(31.4)
Sales of commodities purchased from third parties	**329.7**	15.7	**609.0**	32.8
Revenue from commodity sales	**1,582.6**	290.2	**3,335.1**	773.8
Interest income	**0.1**	0.5	**1.8**	0.7
Other income	**1.0**	1.4	**12.1**	4.1
Loss on risk management contracts (Note 16)	**(524.5)**	(94.3)	**(1,145.0)**	(64.7)
Total revenue, interest and other income and loss on risk management contracts	**1,059.2**	197.8	**2,204.0**	713.9
Commodities purchased from third parties	**312.0**	16.7	**581.5**	33.4
Operating	**116.6**	60.2	**313.9**	171.3
Transportation	**160.3**	47.0	**354.1**	130.0
General and administrative	**40.5**	31.3	**121.0**	69.0
Transaction costs (Note 5)	**(0.8)**	—	**22.1**	—
Interest and financing	**59.2**	11.0	**101.9**	35.7
Impairment of financial assets	**0.9**	1.4	**2.0**	13.1
Depletion, depreciation and amortization (Note 7)	**328.7**	130.1	**743.5**	395.2
Impairment (reversal of impairment) (Notes 7 and 9)	**(39.3)**	10.3	**(137.5)**	750.3
Loss (gain) on foreign exchange	**10.5**	(15.8)	**(5.8)**	20.8
Total expenses	**988.6**	292.2	**2,096.7**	1,618.8
Net income (loss) before income taxes	**70.6**	(94.4)	**107.3**	(904.9)
Provision for (recovery of) income taxes				
Current	**0.1**	—	**47.7**	(34.9)
Deferred	**16.9**	(28.3)	**(49.0)**	(202.0)
Total income taxes (recovery)	**17.0**	(28.3)	**(1.3)**	(236.9)
Net income (loss)	**53.6**	(66.1)	**108.6**	(668.0)
Net income (loss) per share (Note 17)				
Basic	**0.07**	(0.19)	**0.18**	(1.89)
Diluted	**0.07**	(0.19)	**0.18**	(1.89)

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2021**	2020	**2021**	2020
Net income (loss)	**53.6**	(66.1)	**108.6**	(668.0)
Net unrealized loss on foreign currency translation adjustment	**(1.5)**	—	**(1.6)**	—
Comprehensive income (loss)	**52.1**	(66.1)	**107.0**	(668.0)

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

ARC RESOURCES LTD.

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

For the nine months ended September 30

(Cdn$ millions)	Shareholders' Capital (Note 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	—	—	(668.0)	—	(668.0)
Recognized under share-based compensation plans (Note 19)	(0.1)	3.4	—	—	3.3
Dividends declared (Note 17)	—	—	(85.0)	—	(85.0)
September 30, 2020	4,658.2	35.6	(2,003.6)	—	2,690.2
December 31, 2020	4,658.2	36.5	(1,904.1)	—	2,790.6
Comprehensive income	**—**	**—**	**108.6**	**(1.6)**	**107.0**
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**	**2.7**	**—**	**—**	**3.0**
Recognized on exercise of share options	**13.5**	**(3.3)**	**—**	**—**	**10.2**
Repurchase of shares for cancellation	**(129.4)**	**4.3**	**—**	**—**	**(125.1)**
Change in liability for share purchase commitment	**(57.6)**	**(4.3)**	**(4.2)**	**—**	**(66.1)**
Dividends declared (Note 17)	**—**	**—**	**(111.9)**	**—**	**(111.9)**
September 30, 2021	**7,388.5**	**46.4**	**(1,911.6)**	**(1.6)**	**5,521.7**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2021**	2020	**2021**	2020
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss)	**53.6**	(66.1)	**108.6**	(668.0)
Add items not involving cash:				
Unrealized loss on risk management contracts	**385.6**	110.8	**919.1**	130.1
Accretion of asset retirement obligation (Note 14)	**2.1**	1.4	**6.9**	4.8
Impairment of financial assets	**0.9**	1.4	**2.0**	13.1
Depletion, depreciation and amortization (Note 7)	**328.7**	130.1	**743.5**	395.2
Impairment (reversal of impairment) (Notes 7 and 9)	**(39.3)**	10.3	**(137.5)**	750.3
Unrealized loss (gain) on foreign exchange	**14.9**	(16.2)	**(14.9)**	28.4
Deferred taxes	**16.9**	(28.3)	**(49.0)**	(202.0)
Other (Note 21)	**2.0**	1.2	**3.1**	3.7
Net change in other liabilities (Note 21)	**(97.3)**	6.0	**(153.9)**	4.9
Change in non-cash working capital (Note 21)	**(53.1)**	23.5	**(75.6)**	(5.9)
Cash flow from operating activities	**615.0**	174.1	**1,352.3**	454.6
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**1,798.7**	607.5	**4,023.5**	1,740.3
Issuance of senior notes (Note 12)	**—**	—	**1,000.0**	—
Repayment of long-term debt	**(1,985.3)**	(709.5)	**(5,565.0)**	(1,820.4)
Proceeds from exercise of share options	**1.2**	—	**10.5**	—
Repurchase of shares	**(111.4)**	—	**(111.4)**	—
Repayment of principal relating to lease obligations	**(20.0)**	(4.5)	**(43.2)**	(14.2)
Cash dividends paid	**(43.5)**	(21.2)	**(86.0)**	(81.4)
Debt issuance costs (Note 12)	**—**	—	**(14.5)**	—
Cash flow used in financing activities	**(360.3)**	(127.7)	**(786.1)**	(175.7)
CASH FLOW USED IN INVESTING ACTIVITIES				
Cash acquired upon close of Business Combination (Note 5)	**—**	—	**4.9**	—
Acquisition of crude oil and natural gas assets	**(0.8)**	—	**(0.9)**	—
Disposal of crude oil and natural gas assets	**0.8**	—	**79.0**	—
Property, plant and equipment development expenditures (Note 7)	**(266.4)**	(50.8)	**(679.8)**	(259.3)
Exploration and evaluation asset expenditures	**(0.6)**	(0.1)	**(1.6)**	(0.5)
Change in non-cash working capital (Note 21)	**38.2**	6.8	**59.0**	(25.2)
Cash flow used in investing activities	**(228.8)**	(44.1)	**(539.4)**	(285.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**25.9**	2.3	**26.8**	(6.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**1.3**	0.1	**0.4**	8.5
CASH AND CASH EQUIVALENTS, END OF PERIOD	**27.2**	2.4	**27.2**	2.4
The following are included in cash flow from operating activities:				
Income taxes paid (received) in cash	**—**	(21.4)	**51.7**	(24.8)
Interest paid in cash	**77.5**	14.8	**104.4**	36.9

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021 and 2020

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 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 November 4, 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. There was not a material impact to ARC's financial statements.

Share Capital
Common shares are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of tax. When ARC repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price, the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

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 effected by the unknown future impact of COVID-19 on the economy. Refer to Note 9 "Impairment". At September 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 one of Canada's largest upstream energy companies, 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 at the time of the Business Combination comprised 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 using a fair value less cost of disposal model 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 nine months ended September 30, 2021, ARC recognized transaction costs of $22.1 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 $4.3 billion and $258.7 million, respectively, for the nine months ended September 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 in respect of these claims.

6. EXPLORATION AND EVALUATION ASSETS

Carrying Amount	
Balance, December 31, 2020	214.9
Acquired upon close of Business Combination (Note 5)	**55.1**
Additions	**1.6**
Acquisitions	**0.5**
Change in asset retirement cost	**5.0**
Balance, September 30, 2021	**277.1**

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	**675.9**	**8.5**	**684.4**
Acquisitions	**0.4**	**—**	**0.4**
Change in asset retirement cost	**127.0**	**—**	**127.0**
Assets reclassified as held for sale and disposed in period	**(1,604.6)**	**—**	**(1,604.6)**
Reclassification of lease payments, net of capitalized depreciation	**(1.5)**	**—**	**(1.5)**
Other	**2.4**	**—**	**2.4**
Balance, September 30, 2021	**13,773.4**	**103.3**	**13,876.7**
Accumulated DD&A and Impairment			
Balance, December 31, 2020	(5,364.0)	(63.1)	(5,427.1)
DD&A	**(696.9)**	**(6.1)**	**(703.0)**
Reversal of impairment, net (Note 9)	**137.5**	**—**	**137.5**
Accumulated DD&A and impairment reclassified as held for sale and disposed in period	**1,295.2**	**—**	**1,295.2**
Balance, September 30, 2021	**(4,628.2)**	**(69.2)**	**(4,697.4)**
Carrying Amounts			
Balance, December 31, 2020	4,266.6	17.7	4,284.3
Balance, September 30, 2021	**9,145.2**	**34.1**	**9,179.3**

For the three and nine months ended September 30, 2021, $18.9 million and $41.1 million of direct and incremental overhead charges were capitalized to PP&E ($4.6 million and $14.6 million for the three and nine months ended September 30, 2020), respectively. Future development costs of $9.4 billion were included in the determination of DD&A for the nine months ended September 30, 2021 ($3.4 billion for the nine months ended September 30, 2020).

During the three and nine months ended September 30, 2021, ARC disposed of certain non-core assets in Alberta for proceeds of $0.8 million and $79.0 million, and recognized related impairment charges in the statements of income of $nil and $23.6 million, respectively.

For the three and nine months ended September 30, 2021, ARC recognized a reversal of impairment of $39.3 million and $161.1 million, respectively. 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**	**2.3**	**—**	**—**	**2.7**
Modifications and terminations	**(1.0)**	**(1.5)**	**—**	**—**	**(2.5)**
Balance, September 30, 2021	**33.3**	**38.1**	**869.2**	**8.2**	**948.8**
Accumulated Depreciation					
Balance, December 31, 2020	(9.8)	(17.0)	—	(2.7)	(29.5)
Depreciation on ROU assets expensed	**(4.9)**	**(1.2)**	**(36.3)**	**(1.0)**	**(43.4)**
Depreciation on ROU assets capitalized to PP&E	**—**	**(4.9)**	**—**	**—**	**(4.9)**
Modifications and terminations	**0.1**	**0.6**	**—**	**—**	**0.7**
Balance, September 30, 2021	**(14.6)**	**(22.5)**	**(36.3)**	**(3.7)**	**(77.1)**
Carrying Amounts					
Balance, December 31, 2020	18.7	20.3	—	5.5	44.5
Balance, September 30, 2021	**18.7**	**15.6**	**832.9**	**4.5**	**871.7**

9. IMPAIRMENT

PP&E

At September 30, 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, 2021. 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, excluding assets that were divested in 2021, and updated for forward commodity price estimates at September 30, 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 nine months ended September 30, 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 September 30, 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	90.19	75.00	4.20	5.70	0.79
2022	85.53	72.00	3.75	4.50	0.80
2023	80.64	69.01	3.20	3.50	0.80
2024	78.27	67.24	2.99	3.15	0.80
2025	79.84	68.58	3.05	3.21	0.80
2026	81.43	69.96	3.12	3.28	0.80
2027	83.06	71.35	3.17	3.34	0.80
2028	84.73	72.78	3.24	3.41	0.80
2029	86.41	74.24	3.31	3.48	0.80
2030	88.15	75.72	3.37	3.55	0.80
Escalate thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.80

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

As a result of its test at September 30, 2021, ARC recognized a reversal of impairment for the Northern Alberta CGU in the amount of $39.3 million ($29.9 million net of deferred tax expense), which was recognized in reversal of impairment in the statements of income. This represents the full amount of previous impairment charges eligible to recover in the Northern Alberta CGU. The Northern Alberta CGU comprises a mixture of crude oil and natural gas-producing assets. The recoverable amount of $668.8 million was determined using a discount rate of 12.0 per cent.

As a result of recognizing the full eligible amount for reversal of impairment, an increase or decrease of one per cent in the discount rate or five per cent in the cash flow estimates would have no impact on the reversal of impairment recognized for the Northern Alberta CGU at September 30, 2021.

The fair value less costs of disposal values used to determine the recoverable amounts of ARC's Northern Alberta CGU at September 30, 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, 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 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.

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 at September 30, 2021 and December 31, 2020:

As at September 30, 2021	**Undiscounted Cash Flows** [3]	**1 Year**	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**
Accounts payable and accrued liabilities [1]	**598.8**	**598.8**	**—**	**—**	**—**
Dividends payable	**47.1**	**47.1**	**—**	**—**	**—**
Risk management contracts [2]	**1,048.5**	**286.4**	**719.3**	**42.8**	**—**
Lease obligations	**1,144.2**	**109.2**	**197.9**	**151.1**	**686.0**
Long-term debt	**1,849.0**	**—**	**849.0**	**450.0**	**550.0**
Interest payments	**228.8**	**29.7**	**59.3**	**54.0**	**85.8**
Total financial liabilities	**4,916.4**	**1,071.2**	**1,825.5**	**697.9**	**1,321.8**

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 September 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	**2.6**
Modifications and terminations	**(1.7)**
Interest	**8.4**
Repayments	**(51.6)**
Balance, September 30, 2021	**881.5**
Lease obligations due within one year	**105.4**
Lease obligations due beyond one year	**776.1**

12. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	September 30, 2021	December 31, 2020	**September 30, 2021**	December 31, 2020
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**441.0**	72.6
US$ denominated	**330.0**	—	**420.8**	—
Total credit facilities	**330.0**	—	**861.8**	72.6
Senior notes				
Master Shelf Agreement				
3.72% US$ note	**—**	150.0	**—**	191.3
2009 note issuance				
8.21% US$ note	**—**	7.0	**—**	8.9
2010 note issuance				
5.36% US$ note	**—**	60.0	**—**	76.5
2012 note issuance				
3.31% US$ note	**—**	12.0	**—**	15.3
3.81% US$ note	**—**	240.0	**—**	306.1
4.49% Cdn$ note	**N/A**	N/A	**—**	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	**—**	469.0	**1,000.0**	630.1
Unamortized debt issuance costs	**—**	(0.7)	**(12.8)**	(0.8)
Total long-term debt outstanding	**330.0**	468.3	**1,849.0**	701.9
Long-term debt due within one year			**—**	146.7
Long-term debt due beyond one year			**1,849.0**	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 $3.0 billion ($1.9 billion at December 31, 2020), of which $1.9 billion was drawn at September 30, 2021 ($703.2 million at December 31, 2020).

During the three months ended September 30, 2021, ARC increased borrowings from the credit facility to repay the following private placement notes and associated make-whole payments:

- US$30.0 million aggregate principal amount of outstanding 5.36 per cent senior notes due 2022;
- US$180.0 million aggregate principal amount of outstanding 3.81 per cent senior notes due 2024;
- US$150.0 million aggregate principal amount of outstanding 3.72 per cent senior notes due 2026; and
- $24.0 million aggregate principal amount of outstanding 4.49 per cent senior notes due 2024.

Following the repayment of the private placement notes listed above, ARC's financial debt covenants are limited to the covenants related to the credit facility. At September 30, 2021, ARC was in compliance with all of its debt covenants.

At September 30, 2021, the fair value of all long-term debt outstanding was $1.9 billion ($748.3 million at December 31, 2020).

Subsequent to September 30, 2021, ARC amended and restated the new credit facility agreement, extending the maturity date to October 2025 and updating the financial covenants to align with the credit facilities of other investment-grade energy companies.

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	**(63.2)**
Balance, September 30, 2021	**269.5**
Expected to be incurred within one year	**99.8**
Expected to be incurred beyond one year	**169.7**

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 $539.4 million at September 30, 2021 ($541.7 million at December 31, 2020) based on a total future undiscounted liability of $962.7 million ($870.1 million at December 31, 2020). Management estimates that these payments are expected to be made over the next 60 years with costs being incurred evenly over those years. The Bank of Canada's long-term risk-free bond rate of 2.0 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 September 30, 2021.

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

	Nine Months Ended September 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 (1)	**142.0**	—
Development activities	**11.9**	3.9
Change in estimates (2)	**104.2**	49.9
Change in discount rate	**(126.1)**	96.1
Settlement of obligations (3)	**(14.8)**	(12.8)
Accretion	**6.9**	6.3
Reclassified as liabilities associated with assets held for sale and disposed in period	**(232.0)**	(11.3)
Balance, end of period	**539.4**	541.7
Expected to be incurred within one year	**17.5**	19.0
Expected to be incurred beyond one year	**521.9**	522.7

(1) The obligations acquired were subsequently remeasured in accordance with ARC's accounting policy at the risk-free discount rate.
(2) Relates to changes in costs of future obligations and anticipated settlement dates of ARC. During the nine months ended September 30, 2021, ARC reviewed and updated its cost and timing assumptions based on newly available information.
(3) For the three and nine months ended September 30, 2021, \$0.3 million and \$2.2 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, repurchasing shares or changing its dividend policy. During the nine months ended September 30, 2021, ARC announced a 10 per cent dividend increase from \$0.06 per share per quarter to \$0.066 per share per quarter and the approval of its normal course issuer bid ("NCIB"). The Board has approved an additional dividend increase to \$0.10 per share per quarter.

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

- fund its development and exploration programs;
- maintain a dividend policy that is sustainable; and
- maintain financial flexibility to execute on strategic opportunities.

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 September 30, 2021, ARC's net debt and net debt excluding lease obligations were 1.3 times and 0.9 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 nine months ended September 30, 2021 and 2020 is calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Cash flow from operating activities	**615.0**	174.1	**1,352.3**	454.6
Net change in other liabilities (Note 21)	**97.3**	(6.0)	**153.9**	(4.9)
Change in non-cash operating working capital (Note 21)	**53.1**	(23.5)	**75.6**	5.9
Funds from operations	**765.4**	144.6	**1,581.8**	455.6

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 September 30, 2021 and 2020:

	September 30, 2021	September 30, 2020
Long-term debt (1)	**1,849.0**	826.8
Lease obligations (2)	**881.5**	33.6
Accounts payable and accrued liabilities	**645.2**	128.5
Dividends payable	**47.1**	21.2
Cash and cash equivalents, accounts receivable, and prepaid expense	**(614.9)**	(142.3)
Net debt	**2,807.9**	867.8
Lease obligations (2)	**(881.5)**	(33.6)
Net debt excluding lease obligations	**1,926.4**	834.2
Net debt to annualized funds from operations (ratio)	**1.3**	1.4
Net debt excluding lease obligations to annualized funds from operations (ratio)	**0.9**	1.4

(1) Includes current portion of long-term debt at September 30, 2021 and 2020 of $nil and $152.8 million, respectively.

(2) Includes current portion of lease obligations at September 30, 2021 and 2020 of $105.4 million and $9.0 million, respectively.

16. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments

At September 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 nine months ended September 30, 2021.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at September 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 September 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 September 30, 2021					
Risk management contracts					
Current asset	**53.0**	**(52.9)**	**0.1**	**—**	**0.1**
Long-term asset	**58.8**	**(58.8)**	**—**	**—**	**—**
Current liability	**(814.8)**	**52.9**	**(761.9)**	**21.3**	**(740.6)**
Long-term liability	**(375.6)**	**58.8**	**(316.8)**	**8.9**	**(307.9)**
Net position	**(1,078.6)**	**—**	**(1,078.6)**	**30.2**	**(1,048.4)**
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 September 30, 2021:

Risk Management Contracts Positions Summary (1)(2)

As at September 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$/bbl	bbl/day
Ceiling	53.31	23,000	60.52	23,767	62.35	12,000	55.82	1,243	—	—
Floor	45.62	23,000	49.42	23,767	51.25	12,000	50.00	1,243	—	—
Sold Floor	40.84	8,000	41.55	13,767	45.00	5,000	—	—	—	—
Swap	48.07	20,000	46.90	10,479	48.99	863	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**43,000**		**34,247**		**12,863**		**1,243**		**—**
Natural Gas – NYMEX Henry Hub (3)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Ceiling	3.11	200,109	3.13	119,932	3.02	60,000	2.74	10,000	—	—
Floor	2.59	200,109	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	2.55	185,000	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$/GJ	GJ/day
Ceiling	2.41	120,000	2.52	160,000	2.47	107,589	2.40	90,000	2.73	20,000
Floor	1.95	120,000	1.99	160,000	1.91	107,589	1.87	90,000	2.00	20,000
Sold Floor	—	—	1.75	20,000	—	—	—	—	—	—
Swap	2.26	70,109	2.23	20,000	2.06	10,000	2.06	10,000	—	—
Sold Calls	4.58	19,891	4.58	7,397	—	—	—	—	—	—
Sold Swaption	—	—	2.00	20,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**565,297**		**435,497**		**223,521**		**104,782**		**18,956**
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.87)	63,315	(0.85)	33,767	(0.91)	70,000	(0.91)	70,000	(0.65)	50,000
Total AECO Basis Volumes (MMBtu/day)		**63,315**		**33,767**		**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		**160,000**		**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$/ US$)
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	—	—	—	—

(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 ($7.7) 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.

17. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Nine Months Ended September 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**	—
Repurchase of shares for cancellation	**(12,371)**	—
Issued on exercise of share options and long-term incentive awards	**1,273**	—
Unvested restricted shares held in trust pursuant to the LTRSA Plan (1)	**(13)**	(257)
Forfeited and cancelled shares pursuant to the LTRSA Plan	**(6)**	—
Restricted shares issued pursuant to the LTRSA Plan	**4**	218
Common shares, end of period	**711,665**	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.

On August 30, 2021, ARC announced the approval of its NCIB. The NCIB allows ARC to purchase up to 72,236,753 of its outstanding common shares over a 12-month period, commencing September 1, 2021. During the three and nine months ended September 30, 2021, ARC purchased 12,371,300 common shares at a weighted average price of $10.11 for a total cost of $125.1 million. Contributed surplus of $4.3 million was recognized, representing the discount realized on share purchases relative to the average carrying value.

At September 30, 2021, ARC has recorded a liability of $66.1 million ($nil at September 30, 2020) for share repurchases that may take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The liability has been recognized as a reduction to share capital of $57.6 million, a reduction to contributed surplus of $4.3 million, and a reduction to retained earnings of $4.2 million.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of shares)	**2021**	2020	**2021**	2020
Weighted average common shares	**721,969**	353,376	**600,828**	353,376
Dilutive impact of share-based compensation (1)	**1,099**	—	**1,020**	—
Weighted average common shares, diluted	**723,068**	353,376	**601,848**	353,376

(1) For the three and nine months ended September 30, 2021, 6.6 million and 7.4 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, respectively, as they were anti-dilutive (4.6 million for the three and nine months ended September 30, 2020).

Dividends declared for the three and nine months ended September 30, 2021 were $0.066 and $0.186 per share ($0.06 and $0.24 for the three and nine months ended September 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, by	Three Months Ended September 30		Nine Months Ended September 30	
Product	**2021**	2020	**2021**	2020
Crude oil	**61.7**	64.3	**219.4**	176.4
Condensate	**611.3**	66.2	**1,221.2**	163.2
Natural gas (1)	**558.9**	140.6	**1,253.7**	404.9
NGLs	**130.7**	13.9	**259.8**	27.9
Total commodity sales from production	**1,362.6**	285.0	**2,954.1**	772.4

(1) Includes $0.5 million and $11.9 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three and nine months ended September 30, 2021 ($5.1 million and $11.7 million for the three and nine months ended September 30, 2020), respectively.

At September 30, 2021, receivables from contracts with customers, which are included in accounts receivable, were $522.6 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 vest in 2021 have been predetermined and range from 0.83 to 1.79. Approximately three per cent of remaining 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 remaining 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 nine months ended September 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)	**1,585**	**686**	**1,858**	**177**
Distributed	**(1,674)**	**(1,673)**	**(199)**	**(271)**
Forfeited	**(227)**	**(11)**	**(192)**	**—**
Balance, September 30, 2021	**3,520**	**—**	**6,570**	**1,176**

(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 nine months ended September 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**
Granted (3)	**4**	**219**	**2**
Distributed	**(293)**	**(750)**	**—**
Forfeited	**(12)**	**(8)**	**—**
Balance, September 30, 2021	**629**	**559**	**422**

(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.
(3) Grants relate to re-invested dividends and additional performance awards for grants that vested in the current period.

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 September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
General and administrative ("G&A")	**11.7**	15.4	**41.8**	16.0
Operating	**0.9**	1.7	**5.6**	1.8
PP&E	**7.0**	1.2	**21.7**	1.5
Total compensation charge	**19.6**	18.3	**69.1**	19.3
Cash payment	**20.5**	6.8	**42.0**	11.7

At September 30, 2021, $50.7 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 $40.5 million was included in long-term incentive compensation liability ($32.0 million at December 31, 2020). A recoverable amount of $nil was included in accounts receivable at September 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 nine months ended September 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	**(43)**	**14.11**
Expired	**(417)**	**28.17**
Balance, September 30, 2021	**4,120**	**15.15**
Exercisable, September 30, 2021	**2,164**	**17.40**

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the nine months ended September 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	**(1,232)**	**8.26**
Forfeited	**(446)**	**17.76**
Expired	**(3,055)**	**17.21**
Balance, September 30, 2021	**3,344**	**16.97**
Exercisable, September 30, 2021	**3,344**	**16.97**

(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 September 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	2,520	10.71	5.0	1,145	9.35
13.07 - 14.07	483	13.93	5.3	483	13.93
14.08 - 17.27	1,535	14.82	3.1	954	14.93
17.28 - 22.11	1,659	18.50	1.4	1,659	18.50
22.12 - 27.89	1,267	25.28	4.8	1,267	25.28
Total	**7,464**	**15.97**	**3.8**	**5,508**	**17.14**

ARC recognized compensation expense of $0.3 million and $1.4 million relating to share option plans for the three and nine months ended September 30, 2021 ($0.6 million and $2.3 million for the three and nine months ended September 30, 2020), respectively. During the three and nine months ended September 30, 2021, $nil and $0.3 million of share option compensation charges were capitalized to PP&E ($0.1 million and $0.2 million for the three and nine months ended September 30, 2020), respectively.

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the nine months ended September 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	**13**	**8.10**	**7**	**8.66**
Forfeited	**(6)**	**19.52**	**—**	**—**
Balance, September 30, 2021	**788**	**12.08**	**225**	**6.25**

ARC recognized G&A expense of $0.3 million and $0.9 million relating to the LTRSA Plan during the three and nine months ended September 30, 2021 ($0.3 million and $0.8 million for the three and nine months ended September 30, 2020), respectively.

Performance Warrants

Upon close of the Business Combination, ARC acquired 0.2 million of performance warrants. At September 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 September 30, 2021:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	856.1	446.9	546.0	1,849.0
Interest payments (1)	29.7	59.3	54.0	85.8	228.8
Purchase and service commitments	171.0	40.0	22.6	106.7	340.3
Transportation commitments	600.2	740.3	660.9	1,287.0	3,288.4
Total contractual obligations and commitments	**800.9**	**1,695.7**	**1,184.4**	**2,025.5**	**5,706.5**

(1) Fixed interest payments on senior notes.

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. Management does not expect the outcome of any legal actions to result in a material outflow of resources by ARC.

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 September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Operating	**6.5**	9.1	**39.1**	23.0
G&A	**27.0**	25.0	**94.0**	56.0
Total employee compensation expense	**33.5**	34.1	**133.1**	79.0

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 September 30		Nine Months Ended September 30	
Change in Non-Cash Working Capital	**2021**	2020	**2021**	2020
Accounts receivable	**(32.3)**	14.2	**(53.2)**	(8.7)
Accounts payable and accrued liabilities	**13.8**	18.1	**24.6**	(21.4)
Inventory	**3.1**	—	**2.6**	—
Prepaid expense	**0.5**	(2.0)	**9.4**	(1.0)
Total change in non-cash working capital	**(14.9)**	30.3	**(16.6)**	(31.1)
Relating to:				
Operating activities	**(53.1)**	23.5	**(75.6)**	(5.9)
Investing activities	**38.2**	6.8	**59.0**	(25.2)
Total change in non-cash working capital	**(14.9)**	30.3	**(16.6)**	(31.1)

	Three Months Ended September 30		Nine Months Ended September 30	
Other Non-Cash Items	**2021**	2020	**2021**	2020
Share-based compensation expense	**0.6**	0.9	**2.3**	3.1
ARO settlements	**(0.3)**	—	**(2.2)**	—
Modified and terminated leases	**—**	—	**(0.2)**	—
Other amortization	**1.7**	0.3	**3.2**	0.6
Total other non-cash items	**2.0**	**1.2**	**3.1**	**3.7**

	Three Months Ended September 30		Nine Months Ended September 30	
Net Change in Other Liabilities	**2021**	2020	**2021**	2020
Long-term incentive compensation liability	**(28.6)**	7.0	**(27.2)**	2.7
Risk management contracts	**(32.0)**	—	**(52.6)**	—
ARO cash settlements	**(4.9)**	(0.8)	**(12.6)**	(9.7)
Other deferred liabilities	**(31.9)**	—	**(61.6)**	12.1
Accrued lease interest	**0.1**	(0.2)	**0.1**	(0.2)
Total net change in other liabilities	**(97.3)**	6.0	**(153.9)**	4.9

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	—	1,740.3	1,740.3
Repayment of long-term debt	(154.3)	(1,666.1)	(1,820.4)
Repayment of lease obligations	(14.2)	—	(14.2)
Reclassified to current			
Long-term debt	154.3	(154.3)	—
Lease obligations	7.2	(7.2)	—
Non-cash changes			
Lease recognition	—	1.9	1.9
Lease modification and termination	(0.1)	—	(0.1)
Accrued lease interest	(0.2)	—	(0.2)
Unrealized foreign exchange loss	3.9	25.3	29.2
Other	—	0.1	0.1
Balance, September 30, 2020	161.8	698.6	860.4
Balance, December 31, 2020	162.0	589.1	751.1
Cash flows			
Draw and issuance of long-term debt	**—**	**5,023.5**	**5,023.5**
Repayment of long-term debt	**(266.0)**	**(5,299.0)**	**(5,565.0)**
Repayment of lease obligations	**(24.6)**	**(18.6)**	**(43.2)**
Debt issuance costs	**—**	**(14.5)**	**(14.5)**
Reclassified to current			
Long-term debt	**120.2**	**(120.2)**	**—**
Lease obligations	**55.0**	**(55.0)**	**—**
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	**—**	**2.6**	**2.6**
Lease modification and termination	**(0.5)**	**(1.2)**	**(1.7)**
Accrued lease interest	**0.1**	**—**	**0.1**
Unrealized foreign exchange gain	**(1.3)**	**(11.5)**	**(12.8)**
Other	**0.5**	**2.6**	**3.1**
Balance, September 30, 2021	**105.4**	**2,625.1**	**2,730.5**
Lease obligations due within one year	**105.4**	**—**	**105.4**
Lease obligations due beyond one year	**—**	**776.1**	**776.1**
Long-term debt due beyond one year	**—**	**1,849.0**	**1,849.0**

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Corporate & Shareholder **Information**

Directors

Harold N. Kvisle
Board Chair

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

Farhad Ahrabi (1) (3)

Carol Banducci (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

Lara M. Conrad
Senior Vice President, Development

Armin Jahangiri
Senior Vice President, Capital Projects

Executive Office

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Auditors

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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

February 10, 2022 | Q4/FY 2021 Results

Investor Information

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