ARC RESOURCES LTD.

2022

First Quarter Report

For the Three Months Ended March 31, 2022

Q1 2022

ARX

Corporate Profile

ARC Resources Ltd. ("ARC") is a leading Canadian oil and gas producer committed to delivering strong operational and financial performance and upholding values of operational excellence and responsible development. With operations focused in the Montney resource play in western Canada, ARC's portfolio is made up of resource-rich properties that provide both near-term and long-term investment opportunities. ARC pays a quarterly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol ARX.

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ARC RESOURCES LTD. REPORTS STRONG FIRST QUARTER 2022 RESULTS AND A 20 PER CENT INCREASE TO ITS DIVIDEND

NEWS RELEASE

Calgary, May 5, 2022 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its first quarter 2022 financial and operational results and provided revisions to its 2022 guidance.

HIGHLIGHTS

- ARC delivered first quarter 2022 production of 344,447 boe(1)(2) per day (62 per cent natural gas and 38 per cent crude oil and liquids).
- Cash flow from operating activities was $759 million and funds from operations was $744 million(3) ($1.08 per share)(4), driven by strong average realized prices across the Company's assets.
  - ARC's average realized natural gas price of $5.98 per Mcf(4) was $1.39 per Mcf higher than the average AECO 7A Monthly Index price. ARC's average realized condensate price was $119.15 per barrel(4).
- Free funds flow was $410 million(5) ($0.60 per share)(6). ARC distributed 64 per cent or $265 million ($0.39 per share)(4) to shareholders, with the balance allocated to debt reduction.
  - ARC declared dividends of $68 million or $0.10 per share(4) and repurchased 13.1 million common shares for $196 million under its normal course issuer bid ("NCIB").
  - Since instituting the NCIB in September 2021, ARC has repurchased 44.7 million common shares or approximately six per cent of total common shares outstanding at an average price of $12.38 per share for $553 million.
  - Since acquiring Seven Generations Energy Ltd. ("Seven Generations") on April 6, 2021, ARC has generated more than $1.6 billion ($2.29 per share) of free funds flow. Over the period, WTI averaged US$77 per barrel and the AECO 7A Monthly Index price averaged $4.00 per Mcf.
- ARC's board of directors (the "Board") has approved an increase of 20 per cent to ARC's quarterly dividend, from $0.10 per share to $0.12 per share, beginning with the dividend that is expected to be paid on July 15, 2022, to shareholders of record on June 30, 2022. The revised dividend is sustainable at approximately US$40 per barrel WTI and $2.00 per gigajoule ("GJ") AECO.
- As of March 31, 2022, ARC's long-term debt balance was $1.6 billion and its net debt balance was $1.7 billion(3) or 0.6 times funds from operations(3).
- Cash flow used in investing activities was $347 million, of which $333 million was invested into capital expenditures(5). During the first quarter of 2022, ARC drilled 31 wells and completed 41 wells across its Alberta and British Columbia ("BC") operations.
- As part of its market diversification strategy, ARC has entered into a long-term natural gas supply agreement with Cheniere Energy, Inc. ("Cheniere"). Leveraging its scale, low-emissions profile, and operational excellence, ARC will supply 140,000 million British thermal units ("MMBtu") per day of natural gas for a term of 15 years commencing with commercial operations of Train 7 of the Corpus Christi Stage III expansion, which is expected to occur in 2027. ARC will deliver natural gas to Cheniere through existing pipeline capacity and will receive a liquefied natural gas

("LNG") price based on Platts JKM™ (Japan Korea Marker), after deductions for fixed LNG shipping costs and a fixed liquefaction fee.

    - This agreement supports the next phase of ARC's diversification and margin expansion strategy, by leveraging the Company's strategic advantages to secure long-term supply deals in support of the transition to a lower carbon economy underpinned by natural gas.

- In April 2022, ARC received certification under Equitable Origin's EO100™ Standard for Responsible Development for its northeast BC assets, including Greater Dawson and Sunrise. Including its existing certification at Kakwa, ARC now holds the largest certified production base under this standard by a Canadian energy producer, with approximately 95 per cent of its current production certified.

ARC's unaudited condensed consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2022, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com. The disclosure under the section "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three months ended March 31, 2022 (the "Q1 2022 MD&A") is incorporated by reference into this news release.

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(1) ARC has adopted the standard six thousand cubic feet ("Mcf") of natural gas 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.

(2) 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.

(3) See Note 10 *"Capital Management"* in the financial statements and *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.

(4) See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(5) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this news release. See *"Non-GAAP and Other Financial Measures"* of this news release for the most directly comparable financial measure disclosed in ARC's current financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.

(6) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn$ millions, except per share amounts[1], boe amounts, and common shares outstanding)	Three Months Ended December 31, 2021	**March 31, 2022**	March 31, 2021[2]
FINANCIAL RESULTS			
Net income (loss)	678.0	**(69.4)**	178.0
Per share	0.96	**(0.10)**	0.50
Cash flow from operating activities	668.7	**758.8**	266.8
Per share[3]	0.95	**1.10**	0.75
Funds from operations	833.6	**743.6**	273.9
Per share	1.19	**1.08**	0.77
Free funds flow	458.7	**410.3**	148.2
Per share	0.65	**0.60**	0.42
Dividends declared	69.5	**68.2**	21.3
Per share	0.10	**0.10**	0.06
Cash flow used in investing activities	268.7	**346.7**	104.1
Capital expenditures	374.9	**333.3**	125.7
Long-term debt	1,705.3	**1,578.7**	1,608.8
Net debt	1,828.7	**1,695.5**	568.0
Common shares outstanding, weighted average diluted (millions)	703.0	**688.8**	354.4
Common shares outstanding, end of period (millions)	693.5	**680.9**	353.4
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day)	7,857	**7,892**	13,647
Condensate (bbl/day)	74,220	**72,956**	13,812
Crude oil and condensate (bbl/day)	82,077	**80,848**	27,459
Natural gas (MMcf/day)	1,293	**1,280**	794
NGLs (bbl/day)	48,299	**50,257**	10,620
Total (boe/day)	345,831	**344,447**	170,430
Average realized price			
Crude oil ($/bbl)[3]	92.11	**111.48**	64.46
Condensate ($/bbl)[3]	96.90	**119.15**	71.59
Natural gas ($/Mcf)[3]	6.45	**5.98**	4.60
NGLs ($/bbl)[3]	27.65	**27.94**	29.45
Average realized price ($/boe)[3]	50.87	**54.10**	34.25
Netback			
Commodity sales from production ($/boe)[3]	50.87	**54.10**	34.25
Royalties ($/boe)[3]	(5.44)	**(7.81)**	(1.69)
Operating expense ($/boe)[3]	(3.50)	**(4.04)**	(3.85)
Transportation expense ($/boe)[3]	(5.47)	**(5.57)**	(3.70)
Netback ($/boe)[4]	36.46	**36.68**	25.01
TRADING STATISTICS[5]			
High price	13.34	**17.50**	8.67
Low price	10.20	**11.66**	5.88
Close price	11.50	**16.74**	7.72
Average daily volume (thousands of shares)	3,173	**4,224**	3,125

(1) Per share amounts, with the exception of dividends, are based on weighted average diluted common shares.
(2) Comparative figures represent ARC's results prior to the closing of the business combination with Seven Generations on April 6, 2021, and therefore do not reflect historical data from Seven Generations.
(3) See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
(4) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.
(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.

OUTLOOK

- ARC's 2022 capital program remains centered around the Company's guiding principles of capital discipline, profitable investment, and financial strength.
    - Planned capital expenditures are unchanged at $1.15 to $1.25 billion.
    - The capital program, including the revised dividend, is expected to be fully funded by funds from operations at approximately US$40 per barrel WTI and $2.00 per GJ AECO.
    - Production guidance is unchanged at 335,000 to 350,000 boe per day.
    - Transportation guidance has been revised upward to reflect an increase in tolls on certain natural gas pipelines, as well as higher fuel gas expense recognized in conjunction with higher natural gas prices. Fuel gas expense is recognized in transportation expense with a corresponding increase to commodity sales from production.
    - General and administrative ("G&A") expense associated with share-based compensation guidance has been revised upward to reflect higher-than-expected expense recognized under ARC's share-based compensation plans during the first quarter of 2022.
    - Current income tax expense guidance has been revised upward to reflect the increase in expected taxable income associated with higher commodity prices.
- Over the balance of year, ARC will re-direct capital to its Kakwa asset. Excess natural gas processing capacity and strong condensate fundamentals will drive higher free funds flow with no changes to total capital expenditures and production guidance.
    - Since acquiring the asset in 2021, ARC has achieved improved capital efficiencies through lower costs and positive well performance. ARC believes the optimal production level to profitably develop the asset over the long term is between 180,000 and 200,000 boe per day. Kakwa production averaged 174,665 boe per day during the first quarter of 2022.
- ARC remains fully prepared to proceed with development of Attachie West Phase I and the Sunrise expansion as soon as the BC regulatory environment supports such investment. The recent receipt of new development permits from the BC Oil and Gas Commission is a positive step towards establishing a solid foundation for future investment in the province.

Market Diversification Strategy

- ARC continues to take a risk-managed approach to building a long-term natural gas strategy that focuses on margin expansion and diversification into key consuming regions. ARC has extensive natural gas price diversification within North America through long-term commitments to sell natural gas into the US Midwest, Henry Hub, Malin, and Dawn.
- The previously announced long-term natural gas supply agreement with an LNG Canada participant was ARC’s first step in directing natural gas to LNG facilities directly, achieving a premium for the Company's natural gas based on North American pricing. The subsequent Cheniere agreement represents the second long-term agreement in the execution of ARC's LNG strategy, achieving internationally benchmarked pricing. As ARC progresses its diversification and margin expansion strategy, the Company is focused on capturing additional opportunities along the value chain in the US Gulf Coast and western Canada. This is consistent with ARC's strategy of creating new markets for its product and competitively diversifying its natural gas sales points.

Free Funds Flow Allocation

- ARC reaffirms its commitment to return between 50 and 80 per cent of free funds flow generated in 2022 to shareholders and the remainder to debt reduction. Currently, the optimal mechanism to return shareholder capital is through a sustainable base dividend that grows over time, and continued share repurchases.
  - The dividend level is designed to grow with the underlying profitability of the business and must be sustainable during extended periods of low commodity prices.
  - Share repurchases will continue to be executed when the intrinsic value of ARC's shares under mid-cycle commodity price assumptions exceeds the current market trading price.

2022 Guidance

	2022 Guidance	**2022 Guidance (May 2022)**
Production		
Crude oil (bbl/day)	7,000 - 9,000	**7,000 - 9,000**
Condensate (bbl/day)	72,000 - 78,000	**72,000 - 78,000**
Crude oil and condensate (bbl/day)	79,000 - 87,000	**79,000 - 87,000**
Natural gas (MMcf/day)	1,240 - 1,280	**1,240 - 1,280**
NGLs (bbl/day)	49,000 - 51,000	**49,000 - 51,000**
Total (boe/day)	335,000 - 350,000	**335,000 - 350,000**
Expenses ($/boe)(1)		
Operating	4.00 - 4.50	**4.00 - 4.50**
Transportation	4.50 - 5.00	**5.35 - 5.75**
G&A expense before share-based compensation expense	0.80 - 0.90	**0.80 - 0.90**
G&A - share-based compensation expense	0.30 - 0.40	**0.60 - 0.70**
Interest and financing(2)	0.55 - 0.65	**0.55 - 0.65**
Current income tax expense as a per cent of funds from operations(1)	1 - 6	**3 - 8**
Capital expenditures ($ billions)(3)	1.15 - 1.25	**1.15 - 1.25**

(1) See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
(2) Excludes accretion of ARC's asset retirement obligation ("ARO").
(3) See *"About ARC Resources Ltd."* in the Q1 2022 MD&A for historical capital expenditures.

- For a summary of ARC's 2022 year-to-date actuals for production, expenses, and capital expenditures, as compared to revised guidance, see *"Annual Guidance"* in the Q1 2022 MD&A.

OPERATIONAL RESULTS

Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was $347 million during the first quarter of 2022, of which $333 million was invested into capital expenditures to drill 31 wells and complete 41 wells.

- The following table details ARC's capital activity by area during the first quarter of 2022.

Area	Three Months Ended March 31, 2022 Wells Drilled[1]	Wells Completed[1]
Kakwa	21	16
Greater Dawson	6	7
Sunrise	—	9
Ante Creek	4	9
Total	**31**	**41**

(1) Wells drilled and completed for operated assets only.

Production and Operating Expense

Production

- ARC's production averaged 344,447 boe per day during the first quarter of 2022 (62 per cent natural gas and 38 per cent crude oil and liquids), unchanged from the fourth quarter of 2021.
- ARC's field operations and production will be affected by planned turnaround activity during the second quarter of 2022. Accordingly, average production is expected to be approximately three per cent lower than in the first quarter of 2022, with growth planned to resume over the second half of the year.

Operating Expense

- ARC's first quarter 2022 operating expense per boe of $4.04 increased 15 per cent or $0.54 per boe from the fourth quarter of 2021, primarily due to a planned increase in maintenance and workover activities.
- Commensurate with the turnaround activity planned, ARC's operating expense per boe in the second quarter of 2022 is expected to increase from the first quarter, before trending lower on a per boe basis over the balance of 2022.

Physical Marketing

Average Realized Prices

- ARC's diversified sales portfolio enhances the Company's ability to manage risk and generate value through its physical marketing activities.
  - During the first quarter of 2022, ARC's average realized natural gas price of $5.98 per Mcf was $1.39 per Mcf, or 30 per cent higher than the average AECO 7A Monthly Index price.
  - Crude oil and liquids pricing strengthened significantly during the period. ARC's average realized condensate price of $119.15 per barrel increased by 23 per cent, and ARC's average realized crude oil price of $111.48 per barrel increased by 21 per cent relative to the fourth quarter of 2021. ARC's average realized NGLs price of $27.94 per barrel was relatively unchanged.

Transportation Expense

- ARC's first quarter 2022 transportation expense per boe of $5.57 increased by two per cent from the fourth quarter of 2021 primarily due to increased tolls on certain natural gas pipelines, as well as increased fuel gas expense resulting from higher natural gas prices.

FINANCIAL RESULTS

Financial Position

- As of March 31, 2022, ARC's long-term debt balance was $1.6 billion, and its net debt balance was $1.7 billion, or 0.6 times funds from operations.
    - Long-term debt comprised $1.0 billion of senior notes outstanding and $0.6 billion in borrowings under the Company's $2.0 billion credit facility.
- ARC targets its net debt to be in the range of 1.0 to 1.5 times funds from operations at mid-cycle commodity prices.
    - The Company continues to strengthen its financial position with excess free funds flow. During the first quarter of 2022, ARC reduced long-term debt and net debt by $127 million and $133 million, respectively.

Returns to Shareholders

- ARC distributed 64 per cent or $265 million ($0.39 per share) of free funds flow to shareholders during the first quarter of 2022 through a combination of dividends and share repurchases.

Dividends

- ARC declared dividends of $68 million or $0.10 per share during the first quarter of 2022.
- The Board has approved an increase of 20 per cent to ARC's quarterly dividend, from $0.10 per share to $0.12 per share, beginning with the dividend that is expected to be paid on July 15, 2022, to shareholders of record on June 30, 2022.
- ARC's dividend continues to serve as the Company's primary mechanism of returning capital to shareholders over the long term and is designed to grow with the underlying profitability of the business.

Share Repurchases

- ARC repurchased 13.1 million common shares under its NCIB during the first quarter of 2022 at a weighted average price of $15.00 per share for $196 million.
- Since its NCIB commenced on September 1, 2021, ARC has repurchased 44.7 million common shares or approximately six per cent of total shares outstanding. The common shares have been repurchased at a weighted average price of $12.38 per share for $553 million.
- ARC will continue to repurchase common shares when the intrinsic value of the Company's common shares under lower commodity price assumptions exceeds the current market trading price.

Net Income (Loss)

- ARC recognized a net loss of $69 million ($0.10 per share) during the first quarter of 2022, compared to net income of $678 million ($0.96 per share) during the fourth quarter of 2021.
    - During the first quarter of 2022, ARC recognized increased losses on its risk management contracts and recorded increased royalties and current income taxes associated with the increase in average realized commodity prices. Additionally, ARC recorded a higher G&A expense during the period, reflecting higher cash payments made under the Company's share-based compensation plans in conjunction with strong share price appreciation.

- Partially offsetting the reductions to earnings during the first quarter of 2022 was the recognition of a deferred income tax recovery.

Cash Flow from Operating Activities, Funds from Operations, and Free Funds Flow

Cash Flow from Operating Activities

- Cash flow from operating activities was $759 million ($1.10 per share) during the first quarter of 2022, increasing by $90 million ($0.15 per share) from the fourth quarter of 2021.

Funds from Operations

- ARC generated funds from operations of $744 million ($1.08 per share) during the first quarter of 2022, representing a decrease of $90 million ($0.11 per share) from the fourth quarter of 2021.
    - Royalties of $242 million ($0.35 per share)(1) increased by $70 million from the fourth quarter of 2021, reflecting the impact of higher average realized commodity prices.
    - ARC's expected taxable income has also increased with the rise in commodity prices, which resulted in ARC recording a current income tax expense of $55 million ($0.08 per share)(1) during the first quarter of 2022.
    - ARC's first quarter 2022 G&A expense of $72 million ($0.10 per share)(1) increased by $26 million from the fourth quarter of 2021. The increase in G&A expense primarily reflects the increase in the fair value of the Company's share-based compensation plans due to ARC's common share price appreciating by 46 per cent since December 31, 2021.
    - Partially offsetting the reductions to funds from operations were increased commodity sales from production and lower realized losses on ARC's risk management.

- The following table details the change in funds from operations for the first quarter of 2022 relative to the fourth quarter of 2021.

Funds from Operations Reconciliation	**$ millions**	**$/share**[2]
Funds from operations for the three months ended December 31, 2021	833.6	1.19
Production volumes		
Crude oil and liquids	**(24.5)**	**(0.04)**
Natural gas	**(24.1)**	**(0.03)**
Commodity prices		
Crude oil and liquids	**161.4**	**0.24**
Natural gas	**(54.3)**	**(0.08)**
Sales of commodities purchased from third parties	**231.9**	**0.33**
Other income	**2.0**	**—**
Realized loss on risk management contracts	**27.2**	**0.04**
Royalties	**(69.6)**	**(0.10)**
Expenses		
Commodities purchased from third parties	**(233.8)**	**(0.33)**
Operating	**(13.8)**	**(0.02)**
Transportation	**1.6**	**—**
G&A	**(25.5)**	**(0.04)**
Interest and financing[3]	**1.5**	**—**
Current income tax	**(69.0)**	**(0.10)**
Realized loss on foreign exchange	**(2.1)**	**—**
Other	**1.1**	**—**
Weighted average shares, diluted	**—**	**0.02**
Funds from operations for the three months ended March 31, 2022	**743.6**	**1.08**

(1) See *"Non-GAAP and Other Financial Measures"* in the Q1 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
(2) Per share amounts are based on weighted average diluted common shares.
(3) Excludes accretion of ARC's ARO.

Free Funds Flow

- ARC generated free funds flow of $410 million ($0.60 per share) during the first quarter of 2022. 64 per cent or $265 million ($0.39 per share) of free funds flow was returned to shareholders, with the remaining free funds flow used to strengthen the Company's financial position.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INITIATIVES

- In April 2022, ARC received certification under Equitable Origin's EO100™ Standard for Responsible Development for its northeast BC assets, including Greater Dawson and Sunrise. ARC now holds the largest certified production base under this standard by a Canadian energy producer, with approximately 95 per cent of its current production certified. This is the second certification for the Company, the first of which was achieved by Seven Generations in 2019 for the Kakwa asset.

- During the quarter, ARC completed a small-scale, emissions-reduction project at its Parkland 03-09 natural gas processing facility. The project included the electrification of the facility's final outstanding natural gas-fired compressor, which is anticipated to reduce greenhouse gas ("GHG") emissions by approximately 6,000 tonnes of carbon dioxide equivalent per year.

BOARD OF DIRECTORS UPDATE

- After 13 years of service, Kathleen O'Neill will be retiring from the Board on May 6, 2022. ARC would like to extend its sincerest gratitude to Ms. O'Neill for the guidance and wisdom she provided to the Board and Management during her tenure.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's first quarter 2022 results on Friday, May 6, 2022, at 7:00 a.m. Mountain Time ("MT").

Date	Friday, May 6, 2022
Time	7:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	89357067
Webcast URL	https://produceredition.webcasts.com/starthere.jsp?ei=1542881&tp_key=230c530d02

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 following the conference call.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release and in other materials disclosed by the Company, ARC employs certain measures to analyze its financial performance, financial position, and cash flow. These non-GAAP and other financial measures are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The non-GAAP and other financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

Non-GAAP Financial Measures

Capital Expenditures

ARC uses capital expenditures to monitor its capital investments compared to the Company’s annually budgeted capital investments. ARC’s capital budget excludes acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under certain lease arrangements. The directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

($ millions)	Three Months Ended **March 31, 2022**	 March 31, 2021
Cash flow used in investing activities	**346.7**	104.1
Acquisition of crude oil and natural gas assets	**(0.8)**	—
Disposal of crude oil and natural gas assets	**7.4**	0.1
Change in non-cash working capital	**(22.7)**	19.8
Other property, plant and equipment ("PP&E")(1)	**2.7**	1.7
Capital expenditures	**333.3**	125.7

(1) Other PP&E comprises non-cash capitalized costs related to the Company's right-of-use asset depreciation and share-based compensation.

Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC’s business, measuring its funds after capital investment available 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. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

($ millions)	Three Months Ended **March 31, 2022**	 March 31, 2021
Cash flow from operating activities	**758.8**	266.8
Net change in other liabilities	**40.8**	18.2
Change in non-cash operating working capital	**(56.0)**	(11.1)
Funds from operations	**743.6**	273.9
Capital expenditures(1)	**(333.3)**	(125.7)
Free funds flow	**410.3**	148.2

(1) Certain additional disclosures for these specified financial measures have been incorporated by reference. See *"Cash Flow Used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions"* in the Q1 2022 MD&A.

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 regarding 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: the declaration and payment of future dividends in the amount of $0.12 per share; the anticipated on-stream date of Cheniere's Corpus Christi Stage III expansion and ARC's ability to deliver 140,000 MMBtu per day of natural gas to the facility; ARC's 2022 guidance, including planned capital expenditures (and the commodity prices at which such capital expenditures are fully funded by funds from operations), production guidance, and expenses; ARC's plans to re-direct capital to the Kakwa asset and the optimal production levels of the same, and to proceed with the development of Attachie West Phase I and the Sunrise expansion once the BC regulatory environment becomes more certain; ARC's ability to capture additional opportunities along the value chain in the US Gulf Coast and western Canada through execution of its market diversification strategy; plans to allocate surplus funds from operations to returns to shareholders and debt reduction; ARC's objectives with respect to growing its dividend and share repurchases under its NCIB; ARC's planned turnaround activities in the second quarter of 2022 and the effects thereof on production and operating expenses; ARC's target net debt to funds from operations ratio over the long term; and ARC's ability to reduce GHG emissions at the Parkland 03-09 natural gas processing facility. Further, statements relating to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

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 are 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 completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities and to repurchase its securities under the NCIB; ARC's ability to meet and maintain certain targets, including with respect to emissions-related reductions 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; forecast commodity prices and other pricing assumptions with respect to ARC's 2022 capital expenditure budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in *Blueberry River First 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 2022 and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that the regulatory environment will be able to support ARC's investment in the execution of Attachie West Phase I and the Sunrise expansion, including that regulatory authorities in BC will resume granting approvals for oil and gas activities relating to drilling, completions, testing, processing facilities, and production and transportation infrastructure in 2022 on time frames, and terms and conditions, consistent with past practice; 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; 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; 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 risk management 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 generally; 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; GLJ Ltd.'s estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of the COVID-19 pandemic 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 contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

About ARC

ARC Resources Ltd. is a 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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ARC Resources Ltd.
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Calgary, AB T2P 0H7

Q1 2022

Management's
Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated May 5, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three months ended March 31, 2022, and the MD&A and audited consolidated financial statements for the year ended December 31, 2021, 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.

On April 6, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") completed a transaction to create a new Canadian crude oil and natural gas company through a plan of arrangement (the "Business Combination"). 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 financial and operational results compared with prior periods are primarily due to the effects of the Business Combination.

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.

Throughout this MD&A and in other materials disclosed by the Company, ARC adheres to generally accepted accounting principles ("GAAP"), however the Company also employs certain non-GAAP measures to analyze financial performance, financial position, and cash flow including, "netback", "capital expenditures", "free funds flow", "adjusted earnings before interest and taxes" ("adjusted EBIT"), and "average capital employed". Additionally, other financial measures are also used to analyze performance including, but not limited to, "funds from operations" and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

Readers are cautioned that the MD&A should be read in conjunction with ARC's disclosure in the sections entitled "Non-GAAP and Other Financial Measures", "Forward-looking Information and Statements", and "Glossary" included at the end of this MD&A.

ABOUT ARC RESOURCES LTD.

ARC is a dividend-paying Canadian energy company headquartered in Calgary, Alberta. ARC's activities focus on the exploration, development, and production of unconventional natural gas, condensate, NGLs, and crude oil in western Canada with an emphasis on the development of properties with a large volume of hydrocarbons in-place, commonly referred to as "resource plays".

The guiding principles upon which ARC conducts its business have created a strong foundation for excellent business performance. ARC's operational excellence, robust risk management program, and strong balance sheet have positioned the Company to prudently manage volatile market conditions. The Company's concentrated Montney asset base, located in premier positions within the Montney fairway and including 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, environmental, social, and governance leadership, long-term corporate profitability, generating free funds flow, 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.

Highlights

Corporate highlights for the annual periods of 2018 through 2021 and the three months ended March 31, 2022 are shown in Table 1:

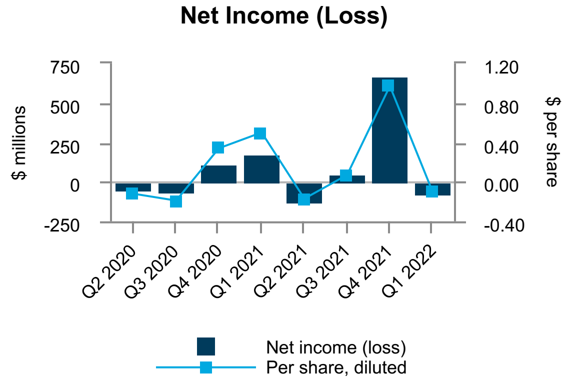
Table 1

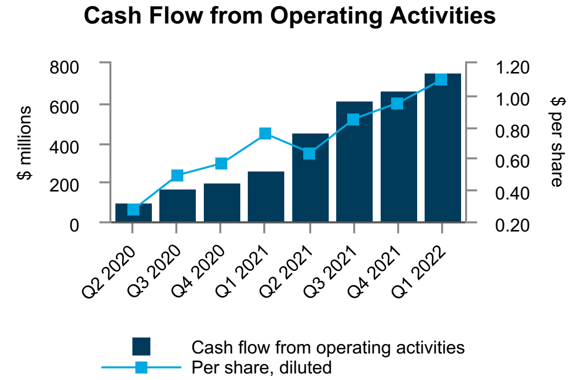
($ millions, except per share amounts, or unless otherwise noted)	2022 YTD	2021	2020	2019	2018
Production (1)					
Crude oil (bbl/d)	**7,892**	10,435	15,726	17,591	23,460
Condensate (bbl/d)	**72,956**	59,958	13,519	10,066	7,281
Crude oil and condensate (bbl/d)	**80,848**	70,393	29,245	27,657	30,741
Natural gas (MMcf/d)	**1,280**	1,149	739	623	570
NGLs (bbl/d)	**50,257**	40,084	9,112	7,578	6,955
Total production (boe/d)	**344,447**	302,003	161,564	139,126	132,724
Average daily production per thousand shares (2)	**0.50**	0.48	0.46	0.39	0.38
Net income (loss)	**(69.4)**	786.6	(547.2)	(27.6)	213.8
Net income (loss) per share	**(0.10)**	1.25	(1.55)	(0.08)	0.60
Cash flow from operating activities	**758.8**	2,006.5	655.7	638.8	862.8
Cash flow from operating activities per share (3)	**1.10**	3.20	1.86	1.81	2.44
Funds from operations (4)	**743.6**	2,415.4	667.6	697.4	819.0
Funds from operations per share (3)	**1.08**	3.85	1.89	1.97	2.31
Free funds flow (5)	**410.3**	1,353.6	324.4	5.9	139.6
Free funds flow per share (6)	**0.60**	2.16	0.92	0.02	0.39
Cash flow used in investing activities	**346.7**	808.1	364.3	673.3	534.7
Capital expenditures (7)	**333.3**	1,061.8	343.2	691.5	679.4
Long-term debt (8)	**1,578.7**	1,705.3	701.9	877.6	909.2
Net debt (4)	**1,695.5**	1,828.7	693.5	894.0	702.7
Net debt to funds from operations (ratio) (4)	**0.6**	0.8	1.0	1.3	0.9
Return on average capital employed ("ROACE") (%) (9)	**14**	18	(18)	(2)	8
Proved plus probable reserves (MMboe) (10)(11)	**n/a**	1,760.6	929.0	909.9	878.9
Proved plus probable reserves per share (boe) (10)(11)	**n/a**	2.8	2.6	2.6	2.5

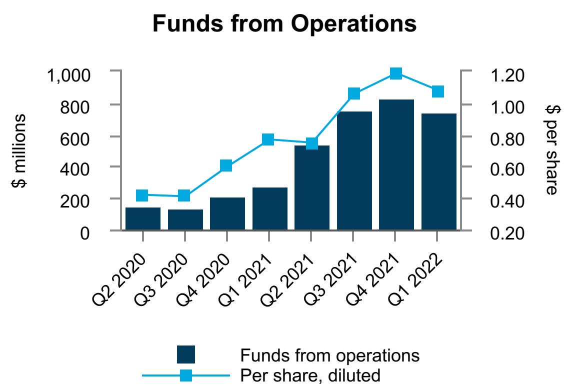
(1) Reported production amount is based on Company's interest before royalty burdens.
(2) Represents average daily production divided by the diluted weighted average common shares outstanding for the three months ended March 31, 2022, and for the respective years ended December 31 2021, 2020, 2019, and 2018.
(3) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(4) Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
(5) 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. The most directly comparable GAAP measure for free funds flow is cash flow from operating activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
(6) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Includes a non-GAAP financial measure component of free funds flow. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(7) 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. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
(8) Refer to Note 7 "Long-term Debt" in the financial statements. Long-term debt includes current and long-term portions.
(9) 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. Includes non-GAAP financial measure components of adjusted EBIT and average capital employed. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(10) 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.
(11) 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.

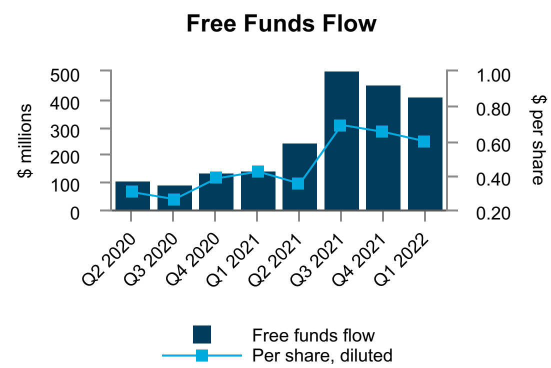
QUARTERLY RESULTS (1)

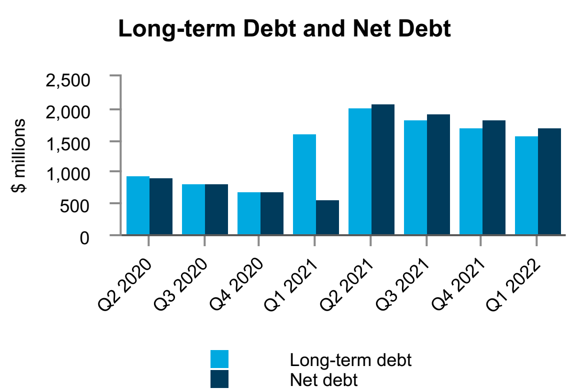
Exhibit 1

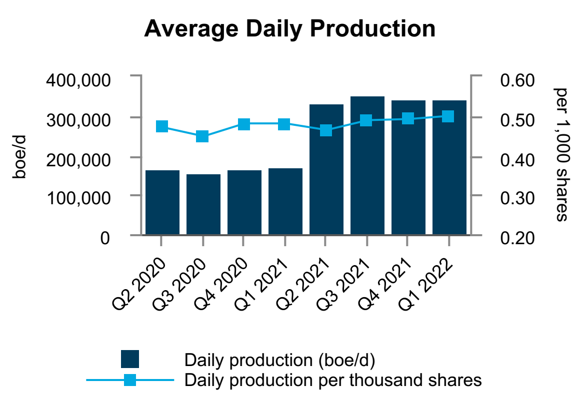












(1) The details contained in the graphs above are included in the section entitled "Quarterly Historical Review" contained within this MD&A.

Trends in earnings, cash flow from operating activities, 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 first quarter of 2022, ARC recognized a loss on risk management contracts of $827.5 million.
- In the fourth quarter of 2021, ARC recognized a gain on risk management contracts of $103.4 million.
- 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 income tax expense) relating to its Northern Alberta cash-generating unit ("CGU").
- In the second quarter of 2021, ARC successfully closed the strategic Business Combination with Seven Generations, substantially increasing the Company's production. 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 income tax expense) relating to its Northern Alberta CGU. 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.

ANNUAL GUIDANCE

ARC's 2022 annual guidance and a review of 2022 year-to-date results are outlined in Table 2. Certain items have been updated to reflect year-to-date results and the anticipated impact of operating in a higher commodity price environment:

- Transportation guidance has been revised upward to reflect an increase in tolls on certain natural gas pipelines, as well as higher fuel gas expense recognized in conjunction with higher natural gas prices. Fuel gas expense is recognized in transportation expense with a corresponding increase to commodity sales from production.
- General and administrative ("G&A") expense - share-based compensation guidance has been increased to reflect higher-than-expected expense recognized under ARC's share-based compensation plans during the first quarter of 2022.
- Current income tax expense guidance has been revised upward to reflect the increase in expected taxable income associated with higher commodity prices.

Table 2

	2022 Guidance	2022 Guidance (May 2022)	2022 YTD Actuals	% Variance from 2022 Guidance (May 2022)
Production				
Crude oil (bbl/d)	7,000 - 9,000	7,000 - 9,000	**7,892**	—
Condensate (bbl/d)	72,000 - 78,000	72,000 - 78,000	**72,956**	—
Crude oil and condensate (bbl/d)	79,000 - 87,000	79,000 - 87,000	**80,848**	—
Natural gas (MMcf/d)	1,240 - 1,280	1,240 - 1,280	**1,280**	—
NGLs (bbl/d)	49,000 - 51,000	49,000 - 51,000	**50,257**	—
Total (boe/d)	335,000 - 350,000	335,000 - 350,000	**344,447**	—
Expenses ($/boe) (1)				
Operating	4.00 - 4.50	4.00 - 4.50	**4.04**	—
Transportation	4.50 - 5.00	5.35 - 5.75	**5.57**	—
General and administrative expense before share-based compensation expense	0.80 - 0.90	0.80 - 0.90	**0.95**	6
G&A - share-based compensation expense (2)	0.30 - 0.40	0.60 - 0.70	**1.36**	94
Interest and financing (3)	0.55 - 0.65	0.55 - 0.65	**0.65**	—
Current income tax expense, as a per cent of funds from operations (1)	1 - 6	3 - 8	**7**	—
Capital expenditures ($ billions) (4)	1.15 - 1.25	1.15 - 1.25	**0.3**	n/a

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(2) Comprises expense recognized under all share-based compensation plans.
(3) Excludes accretion of ARC's asset retirement obligation ("ARO").
(4) Refer to the section entitled "About ARC Resources Ltd." contained within this MD&A for historical capital expenditures.

Both G&A expense before share-based compensation expense and G&A - share-based compensation expense are above their respective guidance ranges, but are expected to trend towards guidance as the year progresses.

Exhibit 2

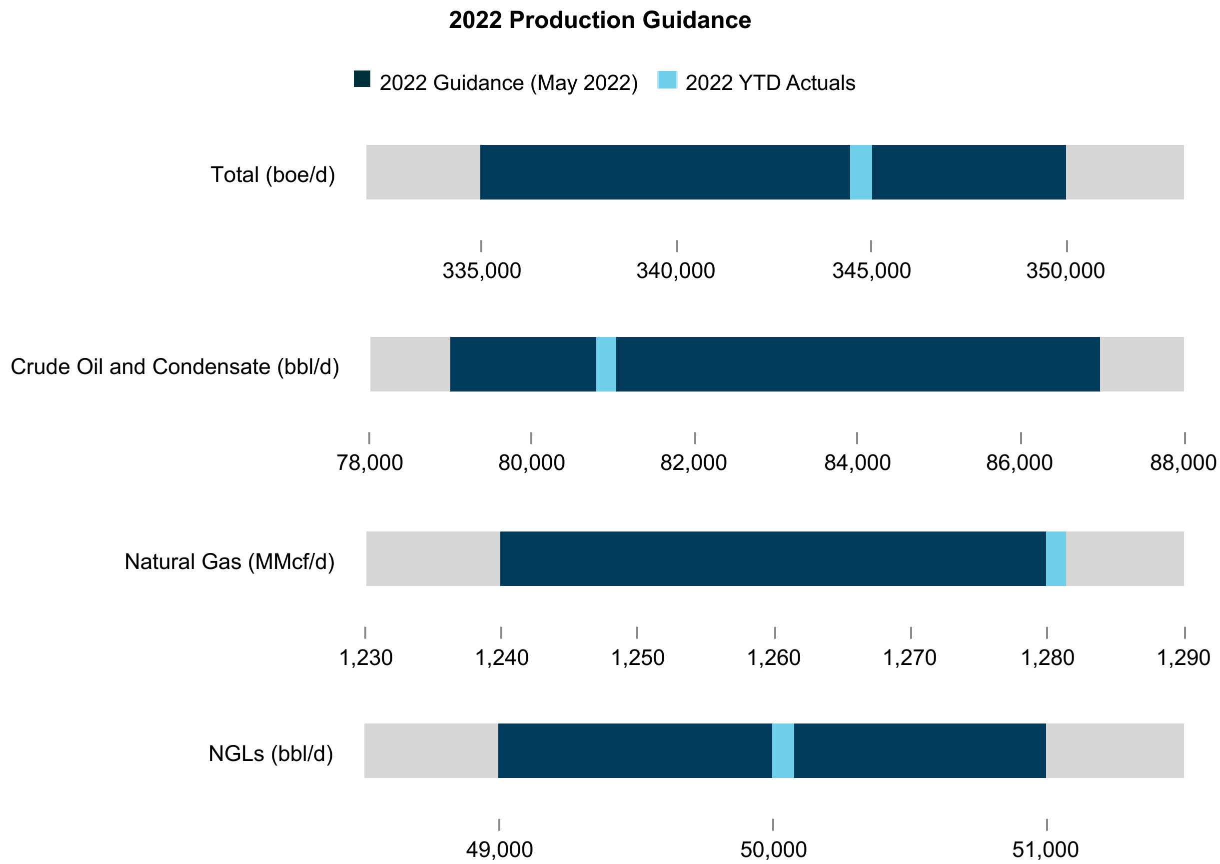
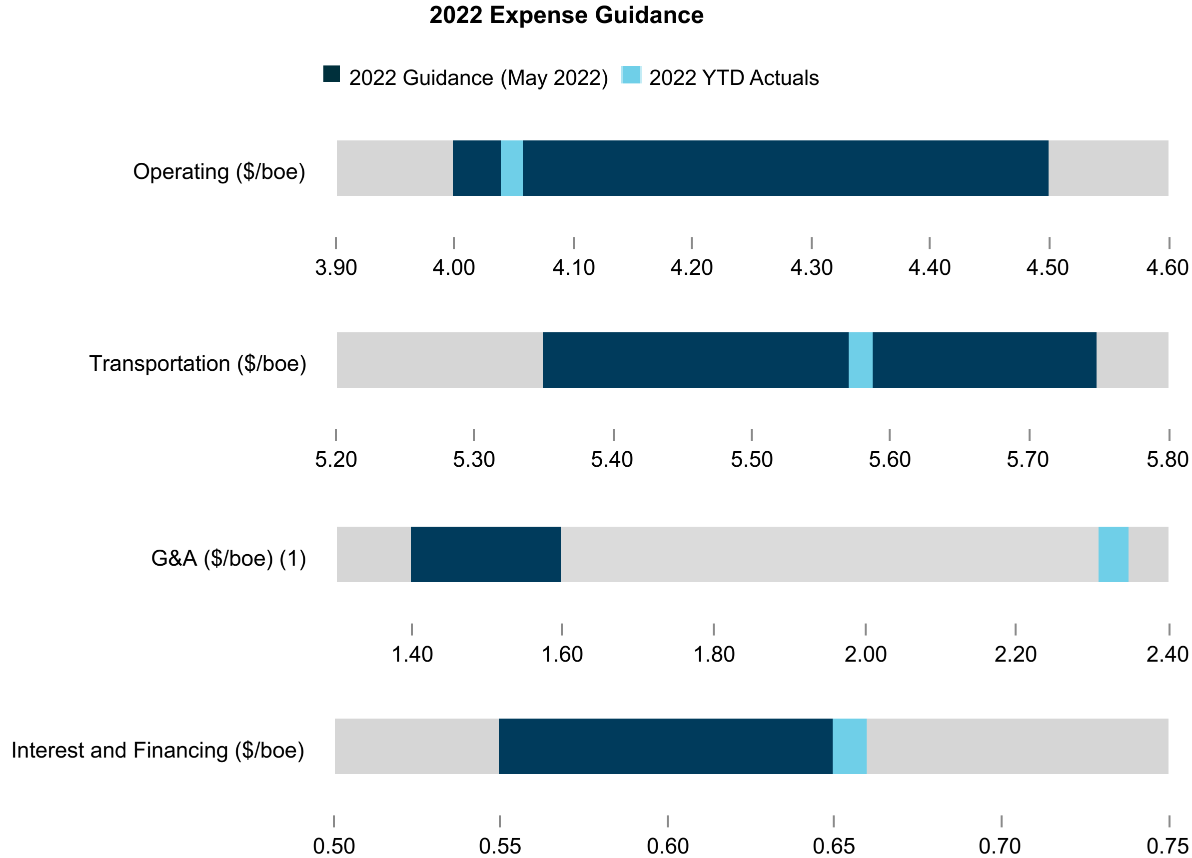

2022 Production Guidance
2022 Guidance (May 2022)
2022 YTD Actuals
Total (boe/d)
335,000
340,000
345,000
350,000
Crude Oil and Condensate (bbl/d)
78,000
80,000
82,000
84,000
86,000
88,000
Natural Gas (MMcf/d)
1,230
1,240
1,250
1,260
1,270
1,280
1,290
NGLs (bbl/d)
49,000
50,000
51,000

Exhibit 2a



(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

2022 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

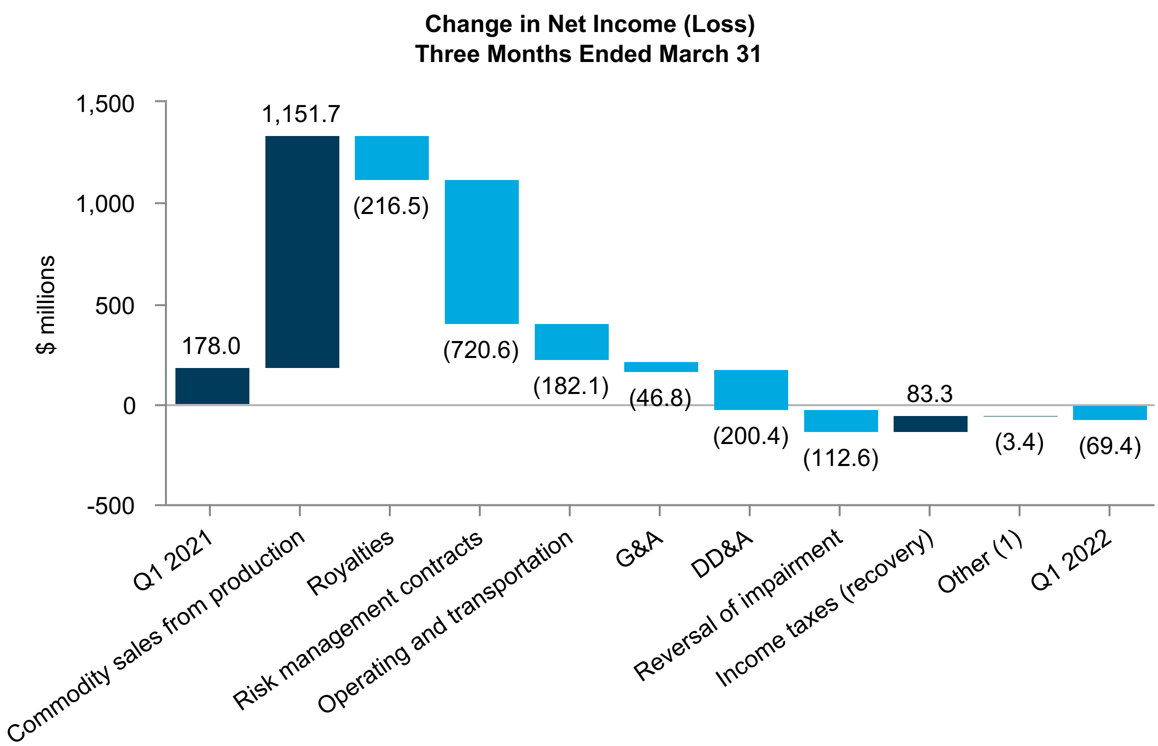
	Three Months Ended			
($ millions, except per share and volume data)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Net income (loss)	678.0	**(69.4)**	178.0	(139)
Net income (loss) per share	0.96	**(0.10)**	0.50	(120)
Cash flow from operating activities	668.7	**758.8**	266.8	184
Cash flow from operating activities per share	0.95	**1.10**	0.75	47
Funds from operations	833.6	**743.6**	273.9	171
Funds from operations per share	1.19	**1.08**	0.77	40
Free funds flow	458.7	**410.3**	148.2	177
Free funds flow per share	0.65	**0.60**	0.42	43
Dividends declared per share (1)	0.10	**0.10**	0.06	67
Average daily production (boe/d)	345,831	**344,447**	170,430	102

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Net Income (Loss)

In the first quarter of 2022, ARC recognized a net loss of $69.4 million ($0.10 per share), a decrease of $247.4 million from ARC's first quarter 2021 net income of $178.0 million ($0.50 per share). ARC's commodity sales from production increased $1.2 billion as a result of significantly increased production volumes following the Business Combination and higher average realized commodity prices. Higher commodity prices also had the effect of increasing the loss on risk management contracts by $720.6 million from the first quarter of 2021 to the first quarter of 2022. In conjunction with increased production volumes, transportation, operating, and depletion, depreciation and amortization ("DD&A") expense all increased. Partially offsetting this, ARC had recognized an impairment of $112.6 million in the first quarter of 2021, but none was recognized in the first quarter of 2022.

Exhibit 3



(1) Includes sales of commodities purchased from third parties, other income, commodities purchased from third parties, transaction costs, interest and financing, impairment of financial assets, foreign exchange, and gain on disposal of crude oil and natural gas assets.

Cash Flow from Operating Activities and Funds from Operations

Cash flow from operating activities for the three months ended March 31, 2022 was $758.8 million, an increase of $492.0 million from ARC's first quarter 2021 cash flow from operating activities of $266.8 million. The increase in cash flow from operating activities for the three months ended March 31, 2022, is primarily due to higher average realized commodity prices and an increase in production volumes resulting from the Business Combination.

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

Refer to Note 10 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A. Table 4 is a reconciliation of ARC's net income (loss) to funds from operations and its most directly comparable GAAP measure, cash flow from operating activities:

Table 4

	Three Months Ended		
($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021
Net income (loss)	678.0	**(69.4)**	178.0
Adjusted for the following non-cash items:			
Impairment (reversal of impairment) of financial assets	2.0	**(0.3)**	0.5
DD&A	320.1	**323.4**	123.0
Reversal of impairment	—	**—**	(112.6)
Accretion of ARO	2.6	**2.4**	1.6
Deferred tax expense (recovery)	223.8	**(81.6)**	11.7
Unrealized loss (gain) on risk management contracts	(384.9)	**573.2**	80.1
Unrealized gain on foreign exchange	(7.3)	**(3.0)**	(8.6)
Gain on disposal of crude oil and natural gas assets	—	**(1.6)**	—
Other	(0.7)	**0.5**	0.2
Funds from operations	833.6	**743.6**	273.9
Net change in other liabilities	(56.4)	**(40.8)**	(18.2)
Change in non-cash working capital	(108.5)	**56.0**	11.1
Cash flow from operating activities	668.7	**758.8**	266.8

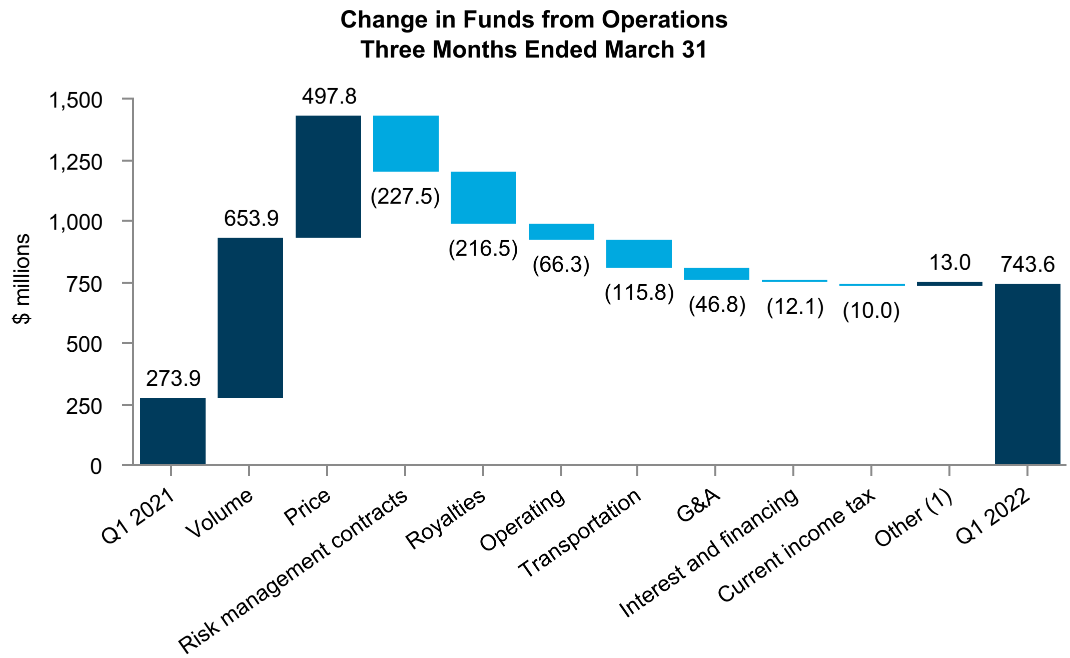
Details of the change in funds from operations from the three months ended March 31, 2021 to the three months ended March 31, 2022 are included in Table 5 below:

Table 5

	Three Months Ended March 31	
	$ millions	$/Share
Funds from operations – 2021	273.9	0.77
Production volume variance		
Crude oil and liquids	**452.8**	**1.29**
Natural gas	**201.1**	**0.57**
Commodity price variance		
Crude oil and liquids	**338.9**	**0.95**
Natural gas	**158.9**	**0.45**
Sales of commodities purchased from third parties	**542.7**	**1.52**
Other income	**(0.5)**	**—**
Realized loss on risk management contracts	**(227.5)**	**(0.64)**
Royalties	**(216.5)**	**(0.61)**
Expenses		
Commodities purchased from third parties	**(535.9)**	**(1.51)**
Operating	**(66.3)**	**(0.19)**
Transportation	**(115.8)**	**(0.33)**
G&A	**(46.8)**	**(0.13)**
Transaction costs	**7.6**	**0.02**
Interest and financing	**(12.1)**	**(0.03)**
Current income tax	**(10.0)**	**(0.03)**
Realized loss on foreign exchange	**(1.2)**	**—**
Other	**0.3**	**—**
Weighted average shares, diluted	**—**	**(1.02)**
Funds from operations – 2022	**743.6**	**1.08**

Funds from operations generated in the first quarter of 2022 increased by $469.7 million to $743.6 million ($1.08 per share) from $273.9 million ($0.77 per share) generated in the first quarter of 2021. The increase in funds from operations for the three months ended March 31, 2022, is primarily due to an increase in production volumes as a result of the Business Combination and higher average realized commodity prices. Partially offsetting this, the higher commodity prices increased the realized loss on risk management contracts. Increases in royalties, transportation, and operating, reflected the larger-scale operations created by the Business Combination. Additionally, ARC's share-based compensation expense, a component of G&A, increased, driven by the appreciation in ARC's share price. For more information, refer to the sections entitled "G&A" and "Share-based Compensation Plans" contained within this MD&A.

Exhibit 4



(1) Includes sales of commodities purchased from third parties, other income, commodities purchased from third parties, transaction costs, and foreign exchange.

Net Income (Loss) Sensitivity

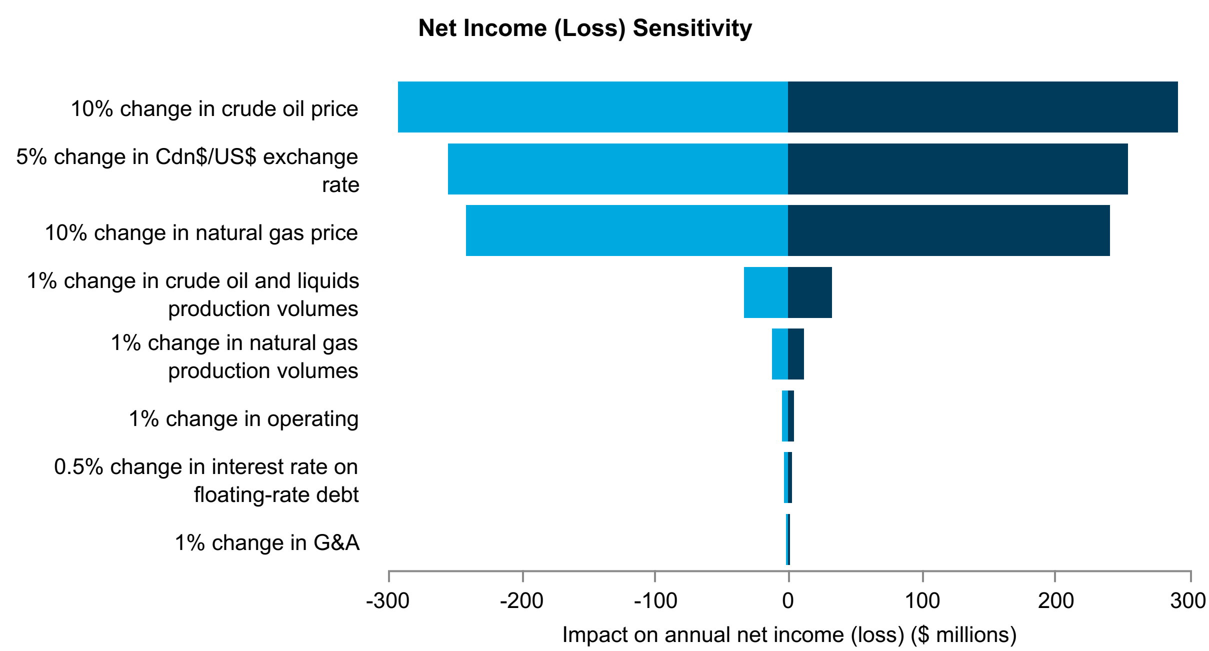
Table 6 illustrates sensitivities of operating items to business environment and operational changes and the resulting impact on net income (loss):

Table 6

			Impact on Annual Net Income (Loss)	
	Assumption	Change	Notional Amount ($ millions)	$/Share
Business Environment (1)				
Crude oil price ($/bbl) (2)(3)	111.48	10 %	292.4	0.425
Natural gas price ($/Mcf) (2)	5.98	10 %	240.9	0.350
Cdn$/US$ exchange rate (2)(4)	1.27	5 %	255.2	0.370
Interest rate on floating-rate debt	1.82 %	0.5 %	2.8	0.004
Operational (5)				
Crude oil and liquids production (bbl/d)	131,105	1 %	29.8	0.043
Natural gas production (MMcf/d)	1,280	1 %	12.1	0.018
Operating ($/boe)	4.04	1 %	3.8	0.006
G&A ($/boe)	2.31	1 %	2.2	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. The subsequent impact on risk management contracts is not included.
(2) Prices and rates are indicative of ARC's average realized prices for the three months ended March 31, 2022. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on net income (loss) is 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 three months ended March 31, 2022 and the calculated impact on net income (loss) would only be applicable within a limited range of these amounts.

Exhibit 5



Production

Table 7

Production		Three Months Ended		
	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Light and medium crude oil (bbl/d)	7,640	**7,754**	13,445	(42)
Heavy crude oil (bbl/d)	217	**138**	202	(32)
Condensate (bbl/d)	74,220	**72,956**	13,812	428
NGLs (bbl/d)	48,299	**50,257**	10,620	373
Crude oil and liquids (bbl/d)	130,376	**131,105**	38,079	244
Natural gas (MMcf/d)	1,293	**1,280**	794	61
Total production (boe/d)	345,831	**344,447**	170,430	102
Natural gas production (%)	62	**62**	78	(16)
Crude oil and liquids production (%)	38	**38**	22	16

For the three months ended March 31, 2022, crude oil and liquids production increased 244 per cent as compared to the same period in the prior year. Increases in condensate and NGLs production were primarily driven by production from the Kakwa area acquired in the Business Combination. The decrease in crude oil production is primarily attributable to the disposition of certain non-core assets in the second quarter of 2021.

For the three months ended March 31, 2022, natural gas production increased 61 per cent compared to the same period in the prior year. The increase was primarily driven by production from the Kakwa area acquired in the Business Combination as well as increased production from the expansion of the Sunrise Phase I and II facilities, which were completed in the second quarter of 2021.

Exhibit 6

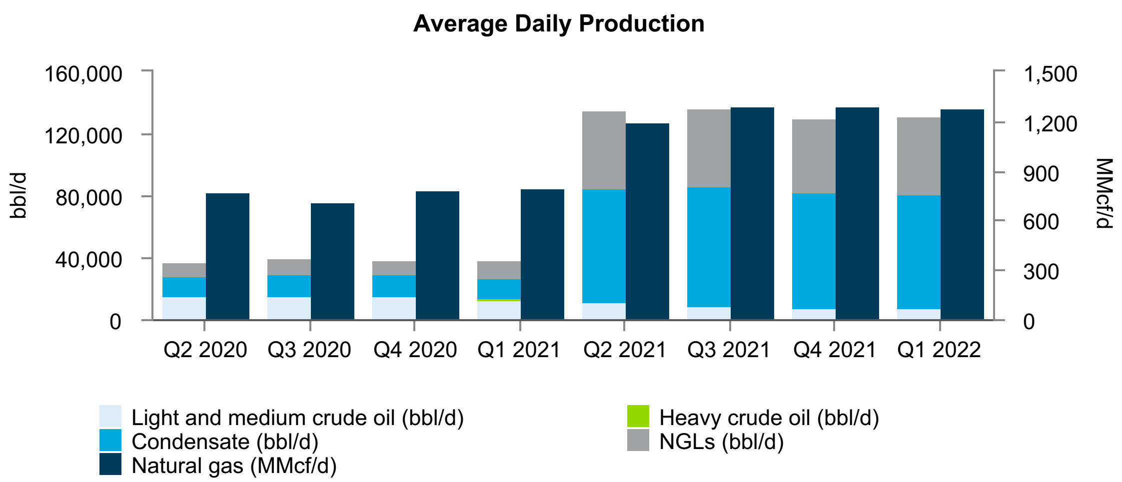


Table 8 summarizes ARC's production by core area for the three months ended March 31, 2022 and March 31, 2021:

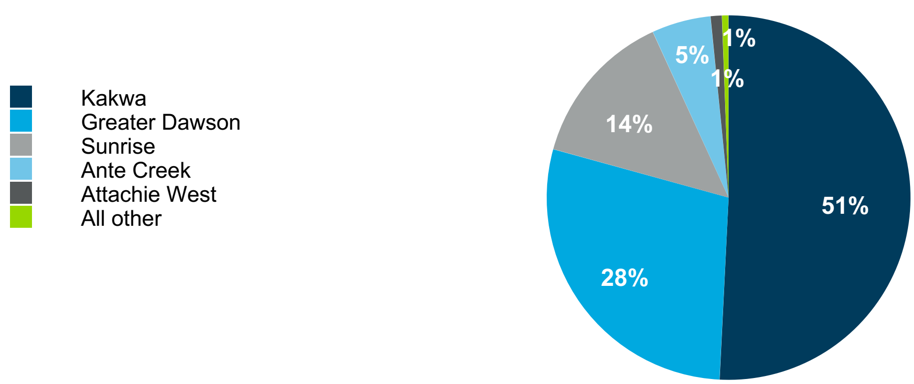
Table 8

	Three Months Ended March 31, 2022				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	**174,665**	22	59,588	456.3	39,009
Greater Dawson	**97,944**	1,324	10,995	463.8	8,320
Sunrise	**47,739**	—	61	286.1	—
Ante Creek	**18,085**	6,391	514	57.2	1,645
Attachie West	**3,422**	—	1,687	9.7	124
All other	**2,592**	155	111	6.9	1,159
Total	**344,447**	**7,892**	**72,956**	**1,280.0**	**50,257**

	Three Months Ended March 31, 2021				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Greater Dawson	99,003	1,663	10,617	468.7	8,605
Sunrise	40,913	—	10	245.2	31
Ante Creek	17,099	6,641	445	51.4	1,448
Attachie West	4,593	—	2,500	11.8	119
All other	8,822	5,343	240	17.0	417
Total	170,430	13,647	13,812	794.1	10,620

Exhibit 7

Production by Core Area
Three Months Ended March 31, 2022



Commodity Sales from Production

For the three months ended March 31, 2022, commodity sales from production increased by 219 per cent as compared to the same period in 2021. The increase is primarily due to increased production volumes resulting from the Business Combination, combined with higher average realized commodity prices.

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

Table 9

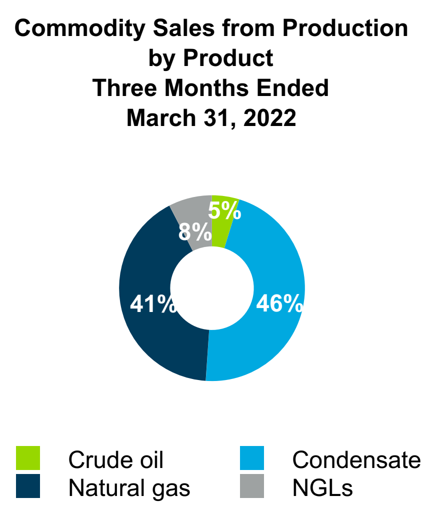
	Three Months Ended			
Commodity Sales from Production ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Crude oil	66.6	**79.2**	79.2	—
Condensate	661.7	**782.4**	89.0	779
Natural gas	767.3	**689.0**	329.0	109
NGLs	122.9	**126.4**	28.1	350
Commodity sales from production	1,618.5	**1,677.0**	525.3	219

For the three months ended March 31, 2022, crude oil and liquids comprised 59 per cent of ARC's commodity sales from production, compared to 37 per cent for the same period in 2021. 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		
% of Commodity Sales from Production by Product Type	December 31, 2021	**March 31, 2022**	March 31, 2021
Crude oil and liquids	53	**59**	37
Natural gas	47	**41**	63
Commodity sales from production	100	**100**	100

Exhibit 8



Commodity Prices

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

Table 11

	Three Months Ended			
	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Average Benchmark Prices				
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	5.83	**4.95**	2.69	84
Chicago Citygate Monthly Index (US$/MMBtu)	5.87	**5.75**	2.62	119
AECO 7A Monthly Index (Cdn$/Mcf)	4.94	**4.59**	2.93	57
West Texas Intermediate ("WTI") crude oil (US$/bbl)	77.10	**95.01**	58.14	63
Cdn$/US$ exchange rate	1.26	**1.27**	1.27	—
WTI crude oil (Cdn$/bbl)	97.15	**120.66**	73.84	63
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	93.23	**116.52**	66.98	74
Condensate Stream Price at Edmonton (Cdn$/bbl)	99.55	**122.56**	73.84	66
ARC Average Realized Commodity Prices (1)				
Crude oil ($/bbl)	92.11	**111.48**	64.46	73
Condensate ($/bbl)	96.90	**119.15**	71.59	66
Natural gas ($/Mcf)	6.45	**5.98**	4.60	30
NGLs ($/bbl)	27.65	**27.94**	29.45	(5)
Average realized commodity price ($/boe)	50.87	**54.10**	34.25	58

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Benchmark Commodity Prices

Average WTI crude oil prices increased 23 per cent in the first quarter of 2022 compared to the prior quarter and increased 63 per cent compared to the first quarter of 2021. Along with supportive underlying supply and demand trends, the outbreak of conflict between Russia and Ukraine helped push WTI to its highest levels since 2008. The possibility of a disruption to Russian crude oil exports has introduced significant risk to global crude oil markets, exacerbating uncertainty around future supply and inventory levels. These geopolitical tensions were countered by rising economic risks and the continuation of a global pandemic, leading to elevated levels of volatility in crude oil prices during the period.

Seasonal factors continued to support Canadian condensate differentials during the first quarter of 2022. Strength in Canadian oil sands production and competition for imported supply continued to support the value of condensate relative to WTI throughout the quarter.

Average NYMEX Henry Hub natural gas prices decreased 15 per cent in the first quarter of 2022 compared to the prior quarter; however, increased 84 per cent compared to the first quarter of 2021. Prices fell throughout the quarter as inventory levels proved sufficient for the balance of winter, while benchmark prices at Henry Hub remained relatively strong given high levels of baseload demand and exports. The events between Russia and Ukraine have had no immediate effect on North American natural gas balances, but the conflict’s impact on competing fuel prices has contributed to a volatile pricing environment. The AECO 7A Monthly Index decreased seven per cent in the first quarter of 2022 compared to the prior quarter, and increased 57 per cent compared to the first quarter of 2021. Low Alberta natural gas inventories, elevated pipeline exports, and record levels of local demand provided support to AECO prices through most of the quarter.

ARC's Average Realized Commodity Prices

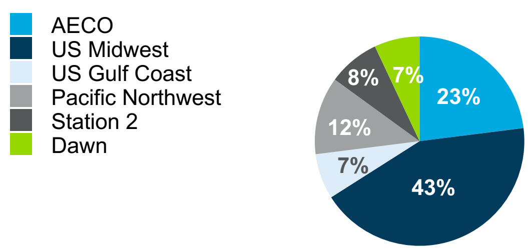
For the three months ended March 31, 2022, ARC's average realized crude oil price increased 73 per cent compared to the same period in 2021. ARC's average realized condensate price increased 66 per cent for the three months ended March 31, 2022 compared to the same period in 2021. For both crude oil 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 within North America with different index-based pricing. ARC's average realized natural gas price for the three months ended March 31, 2022 increased 30 per cent compared to the same period in the prior year. The increase is primarily due to an increase in the benchmark NYMEX Henry Hub price.

As part of its market diversification strategy, ARC has entered into a long-term natural gas supply agreement with Cheniere Energy, Inc. ("Cheniere"). Leveraging its scale, low-emissions profile, and operational excellence, ARC will supply 140,000 million British thermal units ("MMBtu") per day of natural gas for a term of 15 years commencing with commercial operations of Train 7 of the Corpus Christi Stage III expansion, which is expected to occur in 2027. ARC will deliver natural gas to Cheniere through existing pipeline capacity and will receive a liquefied natural gas ("LNG") price based on Platts JKM™ (Japan Korea Marker), after deductions for fixed LNG shipping costs and a fixed liquefaction fee.

Exhibit 9

Natural Gas Sales by Sales Point
Three Months Ended
March 31, 2022



ARC's NGLs revenue increased to $126.4 million for the three months ended March 31, 2022 compared to $28.1 million for the same period of the prior year. Average realized NGLs pricing decreased five per cent compared to the same period in 2021, primarily due to increased exposure to United States NGLs pricing, which was lower relative to Canadian NGLs pricing.

Risk Management Contracts

Table 12 summarizes the gain or loss on risk management contracts for the three months ended March 31, 2022 compared to the same period in 2021:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Condensate**	**Natural Gas**	**NGLs and Foreign Currency**	**Q1 2022 Total**	Q1 2021 Total
Realized loss on risk management contracts (1)	(146.1)	(106.5)	(1.7)	**(254.3)**	(26.8)
Unrealized gain (loss) on risk management contracts (2)	(258.1)	(321.7)	6.6	**(573.2)**	(80.1)
Gain (loss) on risk management contracts	**(404.2)**	**(428.2)**	**4.9**	**(827.5)**	(106.9)

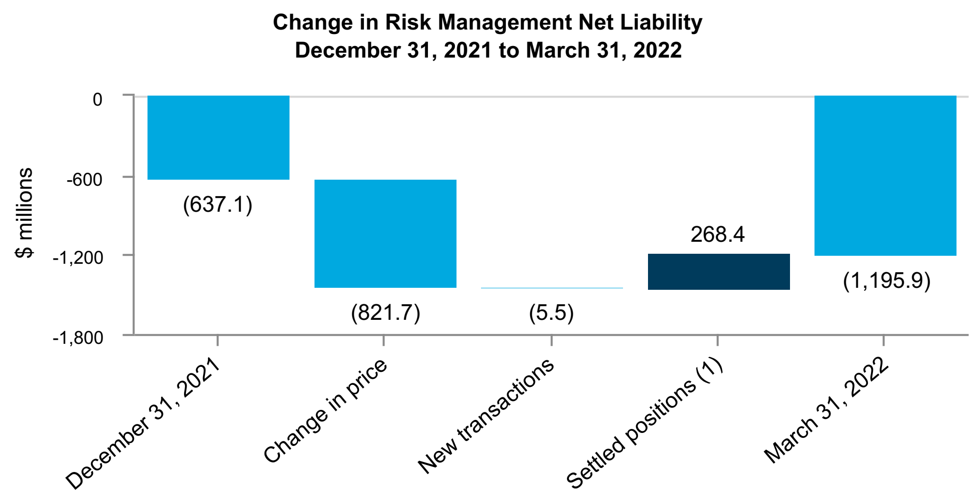
(1) Represents actual cash settlements under the respective contracts recognized in income during the period.
(2) Represents the change in fair value of the contracts during the period.

For the three months ended March 31, 2022, 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. The increase in realized loss on risk management contracts as compared to the same period in 2021, reflects higher commodity prices and additional risk management contracts assumed through the Business Combination.

ARC's unrealized loss on crude oil and natural gas contracts for the three months ended March 31, 2022 primarily reflects higher forward pricing for WTI crude oil contracts, NYMEX Henry Hub natural gas contracts, and AECO natural gas contracts outstanding at period end as compared to the same period in the prior year, as well as additional risk management contracts assumed through the Business Combination.

The fair value of ARC's risk management contracts at March 31, 2022 was a net liability of $1.2 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 $593.8 million from crude oil contracts, a net liability of $612.1 million from natural gas contracts, and a net asset of $10.0 million from foreign currency contracts. For more information, refer to Note 11 "Financial Instruments and Market Risk Management".

Exhibit 10



(1) Includes monthly cash settlements paid by ARC of $14.6 million for the three months ended March 31, 2022, associated with the settlement of the risk management liability recognized as a result of the Business Combination.

Netback

The components of ARC's netback for the three months ended March 31, 2022 compared to the same period in 2021 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended			
Netback ($ millions) [1]	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Commodity sales from production	1,618.5	**1,677.0**	525.3	219
Royalties	(172.7)	**(242.3)**	(25.8)	839
Operating	(111.5)	**(125.3)**	(59.0)	112
Transportation	(174.2)	**(172.6)**	(56.8)	204
Netback	1,160.1	**1,136.8**	383.7	196

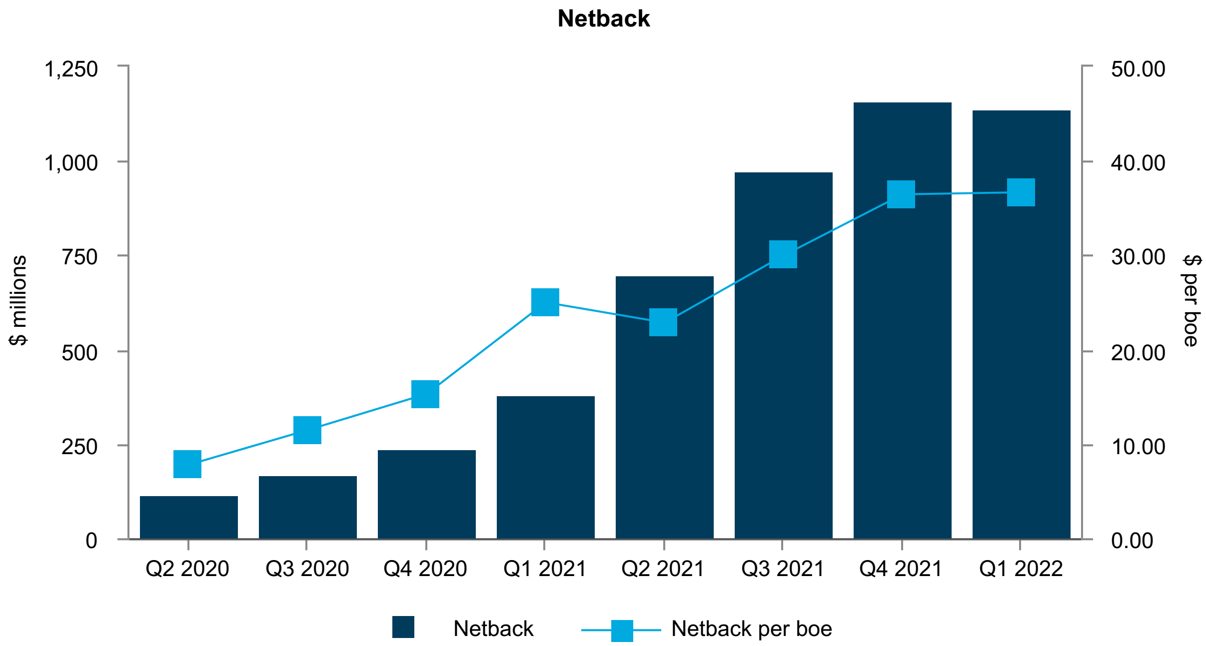
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

Table 13a

	Three Months Ended			
Netback ($ per boe) [1]	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Commodity sales from production	50.87	**54.10**	34.25	58
Royalties	(5.44)	**(7.81)**	(1.69)	362
Operating	(3.50)	**(4.04)**	(3.85)	5
Transportation	(5.47)	**(5.57)**	(3.70)	51
Netback	36.46	**36.68**	25.01	47

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

Exhibit 11

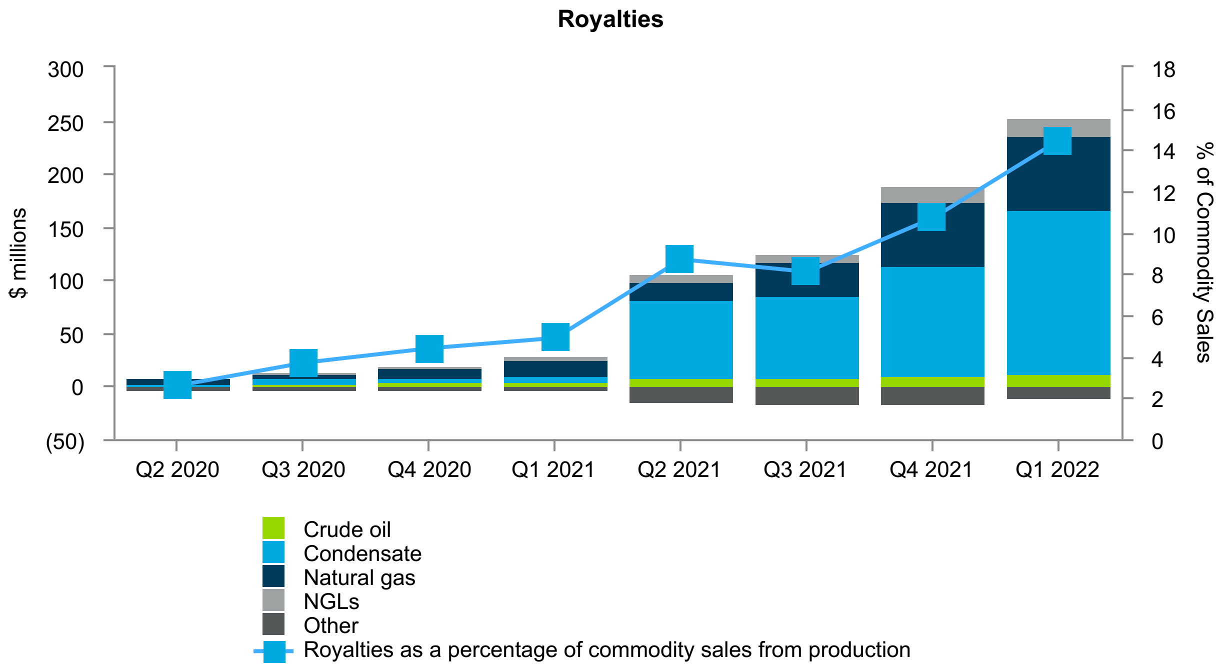


Royalties

Royalties for the three months ended March 31, 2022 increased 839 per cent to $242.3 million from $25.8 million for the same period in 2021. The increase in royalties was primarily due to increased production volumes and a change in the composition of products as a result of the Business Combination. Royalties as a percentage of commodity sales from production(1) increased to 14.4 per cent ($7.81 per boe(1)) in the first quarter of 2022 from 4.9 per cent ($1.69 per boe) in the first quarter of 2021. The increase in royalties as a percentage of commodity sales from production for the three months ended March 31, 2022, is reflective of higher average royalty rates due to increased commodity prices, a higher proportion of condensate and NGLs production volumes as a result of the Business Combination, and a higher proportion of production volumes in Alberta.

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Exhibit 12

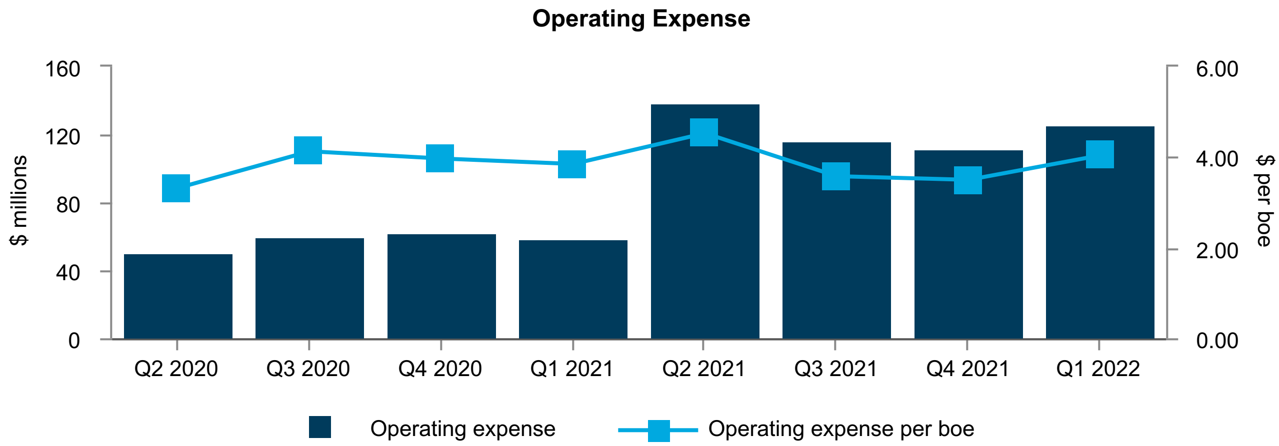


Operating

Operating expense increased by $66.3 million to $125.3 million in the first quarter of 2022 as compared to $59.0 million in the first quarter of 2021. The increase in operating expense for the three months ended March 31, 2022 is reflective of increased activity due to the Business Combination. This was partially offset by the disposition of non-core assets in 2021.

Operating expense per boe increased $0.19 per boe to $4.04 per boe in the first quarter of 2022 compared to $3.85 per boe in the first quarter of 2021. The increase in operating expense per boe for the three months ended March 31, 2022 primarily reflects higher average operating costs at Kakwa, acquired through the Business Combination, which produces a higher proportion of condensate and NGLs compared to natural gas. In addition, operating expense per boe has increased due to the impacts of inflation and an increase in share-based compensation when compared to the first quarter of 2021. This was partially offset by the disposition of non-core assets in 2021 that had higher average operating costs.

Exhibit 13



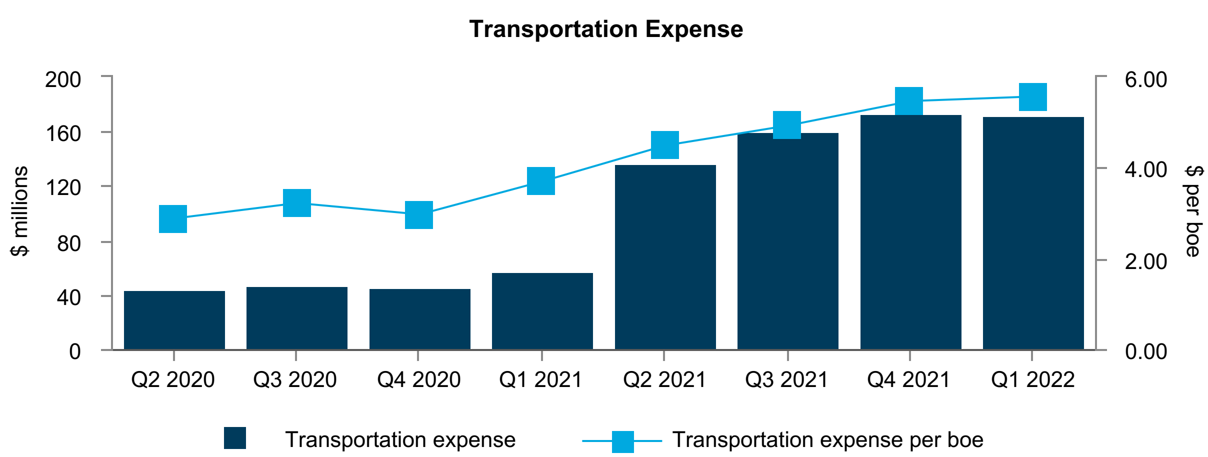
Transportation

Transportation expense for the three months ended March 31, 2022 was $172.6 million, an increase of 204 per cent from $56.8 million for the three months ended March 31, 2021. The increase in transportation expense for the three months ended March 31, 2022, relative to the same period in 2021, is primarily due to additional natural gas, condensate, and NGLs transportation costs associated with increased production volume acquired through the Business Combination.

Transportation expense per boe for the three months ended March 31, 2022 was $5.57 per boe, an increase of 51 per cent from $3.70 per boe for the three months ended March 31, 2021. The increase in transportation expense per boe is due to relatively higher cost transportation commitments assumed with the Business Combination, an increase in tolls on certain natural gas pipelines, as well as higher fuel gas expense recognized in conjunction with higher average realized natural gas prices. Fuel gas expense is recognized in transportation expense with a corresponding increase to commodity sales from production.

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 March 31, 2022. For information regarding ARC's payment obligations under its future transportation commitments, refer to Note 15 "Commitments and Contingencies" in the financial statements.

Exhibit 14



G&A

G&A expense before share-based compensation increased 71 per cent to $29.3 million in the first quarter of 2022 from $17.1 million in the first quarter of 2021. The increase primarily reflects increased employee compensation due to a larger workforce, as well as higher corporate and office-related expenses incurred subsequent to the Business Combination. These increases were partially offset by higher capitalized G&A expenses.

G&A expense before share-based compensation expense per boe decreased 15 per cent to $0.95 per boe in the first quarter of 2022 from $1.12 per boe in the first quarter of 2021 as the increase in expense was exceeded by the increase in production volumes as a result of the Business Combination.

During the three months ended March 31, 2022, ARC recognized G&A expense of $42.2 million associated with its share-based compensation plans, compared to $7.6 million during the same period of the prior year, primarily driven by the appreciation in ARC's share price.

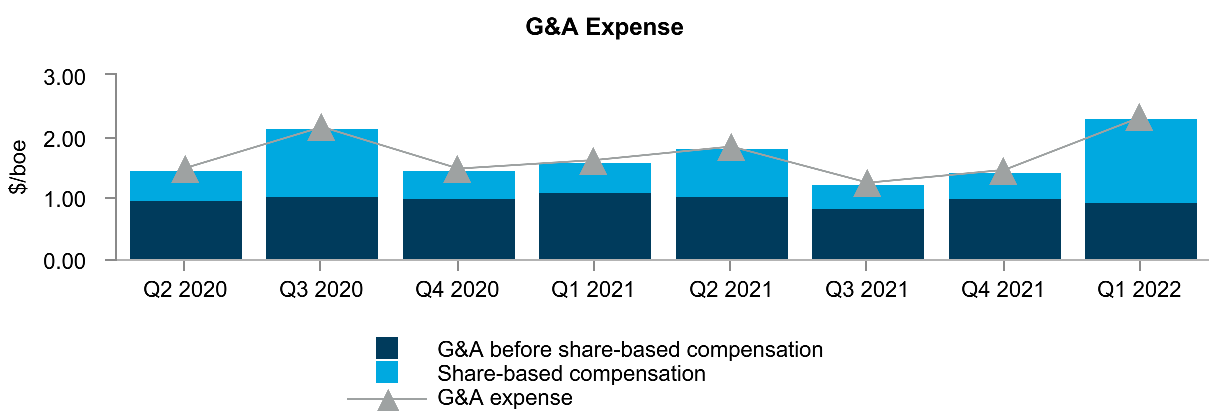
Table 14 is a breakdown of G&A expense:

Table 14

	Three Months Ended			
G&A Expense ($ millions, except per boe)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
G&A expense before share-based compensation expense (1)	32.2	**29.3**	17.1	71
G&A – share-based compensation expense (1)	13.8	**42.2**	7.6	455
G&A expense	46.0	**71.5**	24.7	189
G&A expense before share-based compensation expense per boe	1.01	**0.95**	1.12	(15)
G&A – share-based compensation expense per boe	0.44	**1.36**	0.49	178
G&A expense per boe	1.45	**2.31**	1.61	43

(1) Previously, G&A expense recognized under the Deferred Share Unit ("DSU") plans were presented in G&A expense before share-based compensation expense. At March 31, 2022 and 2021, G&A - share based compensation expense comprises expense recognized under the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), share option, Long-term Restricted Share Award ("LTRSA"), and DSU Plans.

Exhibit 15



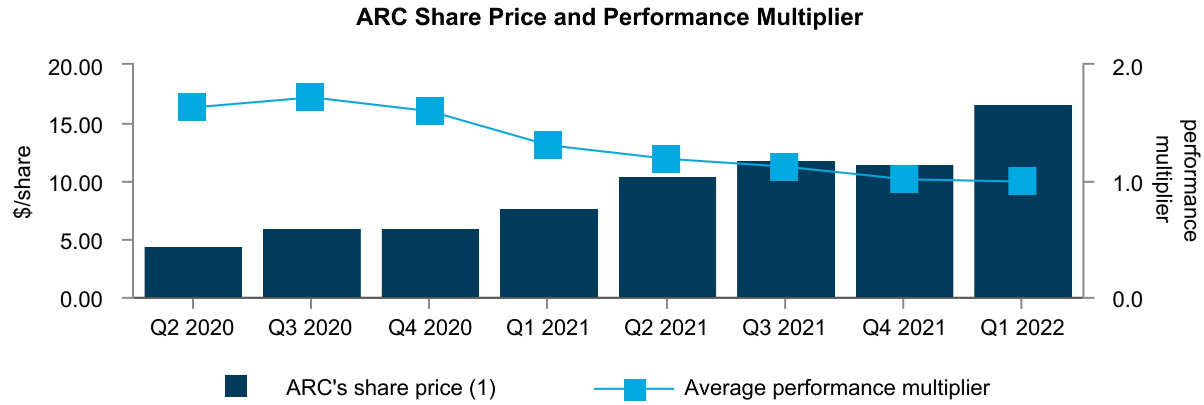
Share-based Compensation Plans

For a description of ARC's various share-based compensation plans, including the plans that existed prior to the Business Combination (the "Legacy Plans") and the plans acquired through the Business Combination (the "Acquired Plans") and related accounting policies, refer to Note 3 "Summary of Accounting Policies" and Note 23 "Share-based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2021.

Restricted Share Unit and Performance Share Unit Plans

At March 31, 2022, ARC had 2.9 million RSUs and 6.3 million PSUs outstanding under these plans. For the three months ended March 31, 2022, ARC recognized G&A expense in relation to its RSU and PSU Plans of $33.4 million ($3.9 million for the three months ended March 31, 2021). The change in expense recognized for the three months ended March 31, 2022 reflects the change in valuation of awards outstanding throughout the respective period.

Exhibit 16



(1) Denotes ARC's closing share price on the Toronto Stock Exchange ("TSX") on the last trading day of each respective quarter.

Tables 15 and 15a show the changes to the outstanding RSU and PSU awards for the Legacy Plans and Acquired Plans during 2022:

Table 15

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs** [1]	**Total RSUs and PSUs**
Balance, December 31, 2021	3,265	6,372	9,637
Granted	**427**	**733**	**1,160**
Distributed	**(1,005)**	**(969)**	**(1,974)**
Forfeited	**(58)**	**(47)**	**(105)**
Balance, March 31, 2022	**2,629**	**6,089**	**8,718**

(1) Based on underlying awards before any effect of the performance multiplier.

Table 15a

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** [1]	**Total RSUs and PSUs**
Balance, December 31, 2021	513	413	926
Granted [2]	**4**	**101**	**105**
Distributed	**(268)**	**(324)**	**(592)**
Forfeited	**(26)**	**(23)**	**(49)**
Balance, March 31, 2022	**223**	**167**	**390**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) 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 $47.5 million and $256.1 million could be paid out in 2022 through 2025 based on the period-end 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 March 31, 2022:

Table 16

Value of RSU and PSU Awards as at March 31, 2022	**Performance Multiplier**		
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	2,852	2,852	2,852
PSUs	—	6,256	12,512
Total awards	**2,852**	**9,108**	**15,364**
Share price (2)	16.74	16.74	16.74
Value of RSU and PSU awards upon vesting	**47.5**	**151.8**	**256.1**
2022	11.5	29.2	46.9
2023	24.3	78.0	131.6
2024	9.5	34.1	58.8
2025	2.2	10.5	18.8

(1) Includes additional estimated awards to be issued under the Legacy RSU and PSU Plans for dividends accrued to-date.
(2) 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 March 31, 2022.

Share Option Plans

At March 31, 2022, ARC had 3.8 million share options outstanding under the Legacy Plans, with a weighted average exercise price of $15.00. Of those, 2.0 million were exercisable at March 31, 2022, with a weighted average exercise price of $17.27.

At March 31, 2022, ARC had 1.7 million share options outstanding under the Acquired Plans, with a weighted average exercise price of $18.57. All share options under the Acquired Plans were exercisable at March 31, 2022.

Under the Legacy and Acquired Plans, ARC had 5.6 million share options outstanding, representing 0.8 per cent of ARC's common shares, with a weighted average exercise price of $16.10. ARC recognized a nominal amount of compensation expense relating to share option plans for the three months ended March 31, 2022 ($0.6 million for the three months ended March 31, 2021).

Long-term Restricted Share Award Plan

At March 31, 2022, ARC had 1.0 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2022 ($0.3 million for the three months ended March 31, 2021).

Deferred Share Unit Plans

At March 31, 2022, ARC had 0.9 million DSUs outstanding under the Legacy Plans and 0.4 million DSUs outstanding under the Acquired Plans. For the three months ended March 31, 2022, G&A expense of $8.5 million was recognized in relation to the DSU Plans ($2.9 million for the same period in 2021).

Interest and Financing

Interest and financing for the three months ended March 31, 2022 was $22.5 million compared to $9.6 million for the same period of the prior year. Interest and financing per boe for the three months ended March 31, 2022 was $0.73 per boe ($0.63 per boe for the same period of the prior year). The increase from the prior year is primarily due to higher interest expense associated with increased debt levels and higher lease obligations, both due to the Business

Combination. For additional information, refer to Note 7 "Long-Term Debt" in the financial statements. A breakdown of interest and financing expense is shown in Table 17:

Table 17

		Three Months Ended		
Interest and Financing ($ millions, except per boe amounts)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Bank debt and long-term notes	13.1	**12.0**	7.7	56
Lease obligations	8.5	**8.1**	0.3	2,600
Accretion on ARO	2.6	**2.4**	1.6	50
Interest and financing	24.2	**22.5**	9.6	134
Interest and financing per boe	0.76	**0.73**	0.63	16

Foreign Exchange Gain and Loss

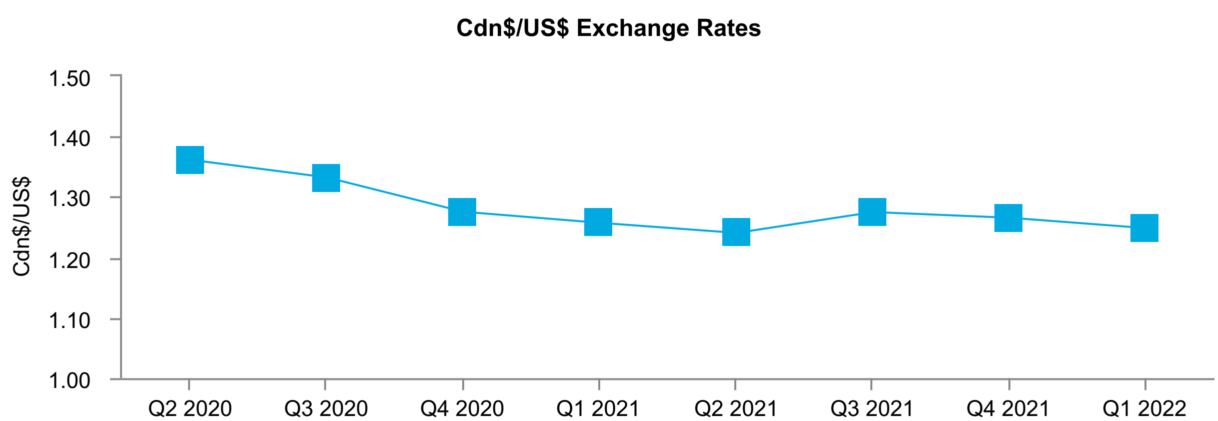
ARC recognized a foreign exchange loss of $0.9 million in the first quarter of 2022 compared to a gain of $5.9 million in the first quarter of 2021. The change in foreign exchange recognized for the three months ended March 31, 2022, as compared to the same period in the prior year, primarily relates to a decrease in the amount of US$ denominated debt outstanding at period end. Additionally, ARC increased its amount of US$ denominated transactions following 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		
Foreign Exchange Gain and Loss ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Unrealized gain on US dollar-denominated debt and receivables	7.3	**3.0**	8.6	(65)
Realized loss on US dollar-denominated transactions	(1.8)	**(3.9)**	(2.7)	(44)
Foreign exchange gain (loss)	5.5	**(0.9)**	5.9	(115)

Exhibit 17



For the three months ended March 31, 2022, ARC recognized an unrealized loss on foreign currency translation adjustment in other comprehensive income of $2.0 million ($nil for the same period in 2021).

Taxes

ARC recognized a current income tax expense of $55.0 million for the three months ended March 31, 2022 compared to $45.0 million for the same period in 2021. The increase in the current income tax expense is primarily due to higher expected taxable income for the period due to increased average realized commodity prices, as well as increased production volumes, as compared to the same period in the prior year.

For the three months ended March 31, 2022, a deferred income tax recovery of $81.6 million was recognized compared to a deferred income tax expense of $11.7 million for the same period in 2021. The increase in the deferred income tax recovery primarily relates to the tax effect of an increased loss on risk management contracts during the three months ended March 31, 2022, as compared to the same period of 2021.

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

Table 19

Income Tax Pool Type ($ millions)	**March 31, 2022**	**Annual Deductibility**
Canadian oil and gas property expense	1,063.6	10% declining balance
Canadian development expense	1,943.1	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	1,647.9	Primarily 25% declining balance
Non-capital losses, scientific research and experimental development, and investment tax credits	618.3	100%
Other	93.8	Various rates, 5% declining balance to 20%
Total federal tax pools	**5,366.7**	

DD&A and Impairment of Property, Plant and Equipment ("PP&E")

For the three months ended March 31, 2022, ARC recognized DD&A related to its PP&E of $323.4 million compared to $123.0 million for the three months ended March 31, 2021. The increase in DD&A for the three months ended March 31, 2022, compared to the same period in the prior year, is related 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 higher relative DD&A rate per boe.

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

Table 20

	Three Months Ended			
DD&A Expense ($ millions, except per boe amounts)	December 31, 2021	**March 31, 2022**	March 31, 2021	% Change
Depletion of crude oil and natural gas assets	296.0	**299.5**	119.9	150
Depreciation of corporate assets	3.6	**3.7**	1.5	147
Depreciation of right-of-use ("ROU") assets under lease	20.5	**20.2**	1.6	1,163
DD&A expense	320.1	**323.4**	123.0	163
DD&A expense per boe (1)	10.06	**10.43**	8.02	30

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

No impairment or reversal of impairment was recognized during the three months ended March 31, 2022. All previously recognized impairment charges that were eligible have been reversed. For the three months ended March 31, 2021, ARC recognized a reversal of impairment of $121.8 million related to its Northern Alberta CGU.

Cash Flow Used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions

ARC's cash flow used in investing activities was $346.7 million during the three months ended March 31, 2022 compared to $104.1 million for the three months ended March 31, 2021. In addition to cash flow used in investing activities, Management uses capital expenditures to monitor its capital investments relative to the Company's annually budgeted capital investments. ARC excludes acquisition and disposition activities from its annual capital budget, as well as the accounting impact of any accrual changes or payments under certain lease arrangements. Table 21 is a reconciliation of ARC's cash flow used in investing activities to capital expenditures:

Table 21

	Three Months Ended		
Capital expenditures ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021
Cash flow used in investing activities	268.7	**346.7**	104.1
Adjusted for the following items:			
Acquisition of crude oil and natural gas assets	(0.2)	**(0.8)**	—
Disposal of crude oil and natural gas assets	0.7	**7.4**	0.1
Change in non-cash working capital	105.7	**(22.7)**	19.8
Other (1)	—	**2.7**	1.7
Capital expenditures	374.9	**333.3**	125.7

(1) Comprises non-cash capitalized costs related to the Company's ROU asset depreciation and share-based compensation.

Capital expenditures were $333.3 million for the three months ended March 31, 2022 compared to $125.7 million for the three months ended March 31, 2021. The increase in capital expenditures for the three months ended March 31, 2022, reflects increased activity in the Kakwa area, which was acquired through the Business Combination. Capital expenditures during the period included the drilling of 31 wells and the completion of 41 wells across ARC's asset base. Infrastructure investment in 2022 has been focused on the Sunrise facility expansion and continuing to advance the Attachie West Phase 1 facility planning.

During the three months ended March 31, 2022, ARC disposed of certain non-core assets in Alberta for cash proceeds of $7.4 million. Additionally, ARC entered into an asset exchange agreement for certain assets in British Columbia to enable greater operational efficiency over a portion of ARC's assets.

For information regarding ARC's planned capital expenditures for 2022, refer to the news releases dated November 4, 2021, February 10, 2022, and May 5, 2022, entitled *"ARC Resources Ltd. Reports Record Third Quarter 2021 Results, Increases Dividend, and Announces 2022 Budget"*, *"ARC Resources Ltd. Reports Record Year-end 2021 Results and Reserves"*, and *"ARC Resources Ltd. Reports Strong First Quarter 2022 Results and a 20 Per Cent Increase to Its Dividend"* respectively, available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

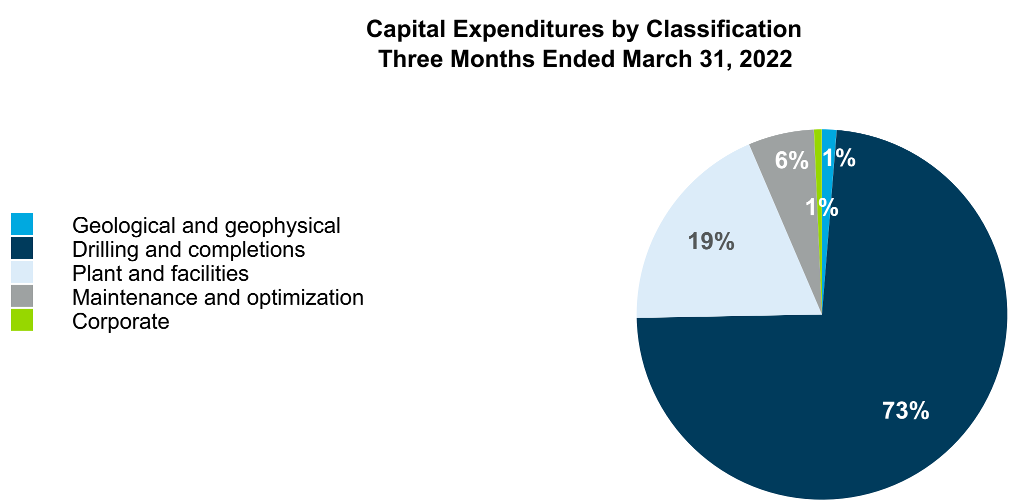
A breakdown of capital expenditures, acquisitions, and dispositions for the three months ended March 31, 2022 and March 31, 2021 is shown in Table 22:

Table 22

	Three Months Ended March 31						
	2022			2021			
Capital Expenditures ($ millions)	**E&E** [1]	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**4.2**	**4.2**	—	2.0	2.0	110
Drilling and completions	**(2.4)**	**247.7**	**245.3**	0.5	89.8	90.3	172
Plant and facilities	**0.5**	**62.1**	**62.6**	0.3	21.5	21.8	187
Maintenance and optimization	**—**	**18.9**	**18.9**	—	4.4	4.4	330
Corporate	**—**	**2.3**	**2.3**	—	7.2	7.2	(68)
Capital expenditures	**(1.9)**	**335.2**	**333.3**	0.8	124.9	125.7	165
Acquisitions	**0.2**	**4.0**	**4.2**	—	—	—	—
Dispositions	**—**	**(10.8)**	**(10.8)**	—	(0.1)	(0.1)	10,700
Capital expenditures and net acquisitions and dispositions	**(1.7)**	**328.4**	**326.7**	0.8	124.8	125.6	160

(1) Exploration and evaluation ("E&E").

Exhibit 18

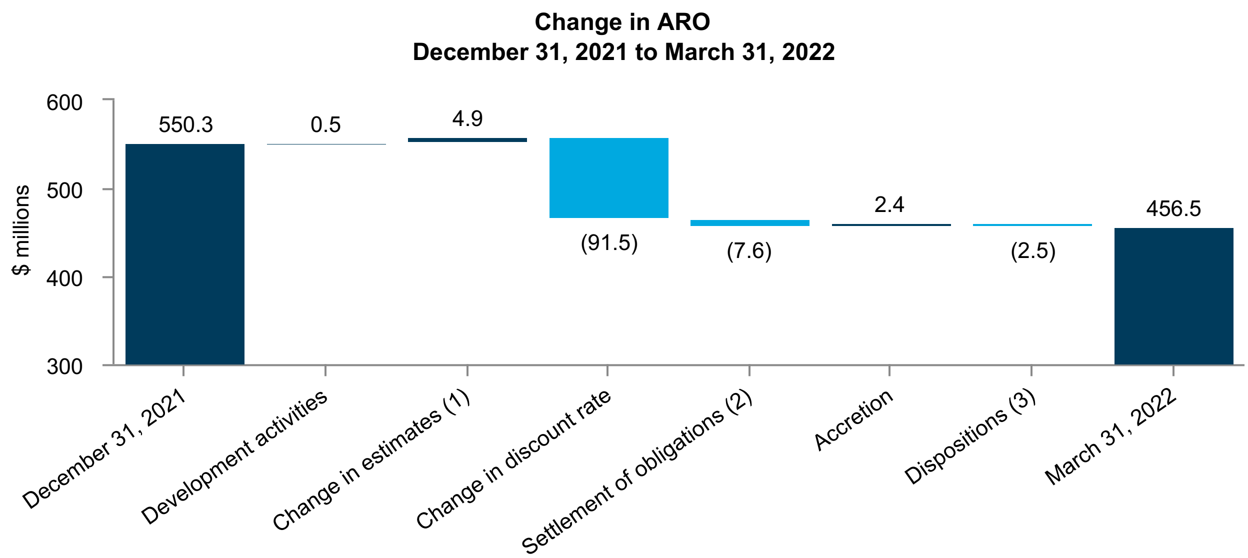


Asset Retirement Obligation

At March 31, 2022, ARC recognized ARO of $456.5 million ($550.3 million at December 31, 2021), for the future abandonment and reclamation of ARC's crude oil and natural gas assets, of which $16.0 million is classified as current and $440.5 million is classified as long-term ($15.0 million and $535.3 million at December 31, 2021, respectively). The estimated ARO includes assumptions in respect of actual future costs to abandon wells and decommission and reclaim 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 2.4 per cent (1.7 per cent at December 31, 2021).

Accretion charges of $2.4 million for the three months ended March 31, 2022 ($1.6 million for the same period in 2021), 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 months ended March 31, 2022 was $7.3 million ($6.1 million for the same period in 2021). Environmental stewardship remains a core value at ARC and the Company maintains a planned and scheduled approach to its abandonment and reclamation activities.

Exhibit 19



(1) Relates to changes in costs of future obligations and anticipated settlement dates of ARO.
(2) For the three months ended March 31, 2022, $0.3 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC ($1.1 million for the three months ended March 31, 2021).
(3) Liabilities associated with assets held for sale and disposed during the three months ended March 31, 2022.

Capitalization, Financial Resources and Liquidity

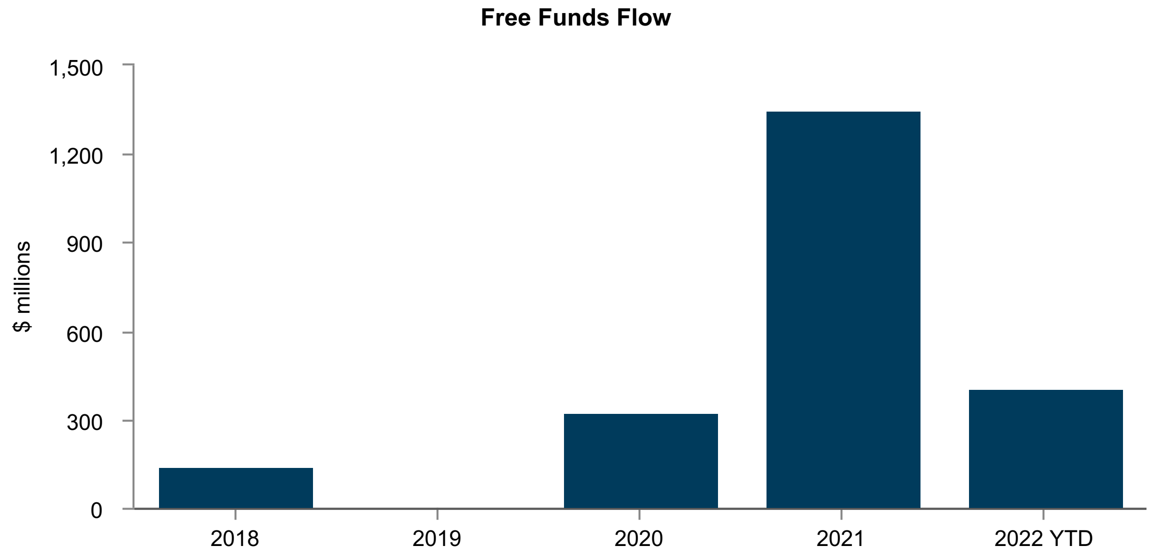
ARC's capital management objective is to fund dividend payments, current period reclamation expenditures, and capital expenditures necessary for the replacement of production declines using only funds from operations. Profitable growth activities will be financed with a combination of funds from operations 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 months ended March 31, 2022, free funds flow was $410.3 million ($148.2 million for the three months ended March 31, 2021). For the calculation of free funds flow, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

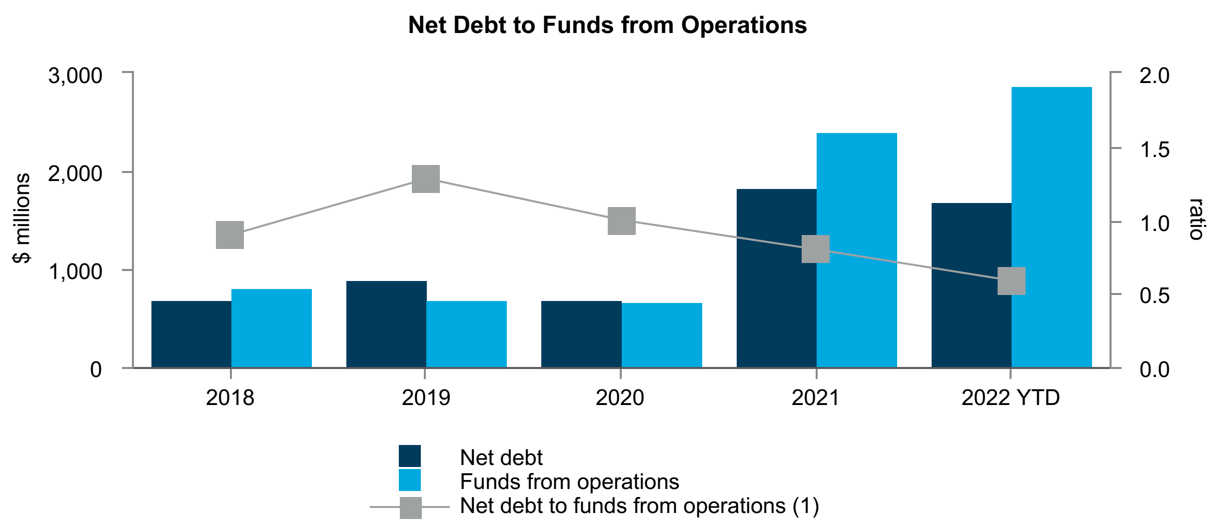
ARC reaffirms its commitment to return between 50 and 80 per cent of free funds flow generated in 2022 to shareholders and the remainder to debt reduction. Currently, the optimal mechanism to return shareholder capital is through a sustainable base dividend that grows over time, and continued share repurchases.

Exhibit 20



ARC maintains financial flexibility through its strong balance sheet. Management targets its net debt to be between 1.0 and 1.5 times funds from operations and manages its capital structure to achieve that target over the long term. At March 31, 2022, ARC's net debt was 0.6 times its funds from operations.

Exhibit 21



(1) Composed of 12-month trailing funds from operations.

At March 31, 2022, ARC had total credit capacity of $3.0 billion, of which $1.6 billion was outstanding. At March 31, 2022, ARC's long-term debt had a weighted average interest rate of 2.7 per cent, and 14.6 per cent (US$185.0 million) of ARC's long-term debt outstanding was denominated in US dollars. For more information, refer to Note 7 "Long-term Debt" in the financial statements.

At March 31, 2022, ARC was in compliance with the financial covenants related to its credit facility as follows:

Table 23

Covenant Description	Position at March 31, 2022 [1]
Consolidated Debt not to exceed 60 per cent of Total Capitalization	22 %
Consolidated Tangible Assets of the Restricted Group must exceed 80 per cent of Consolidated Tangible Assets	100 %

(1) Subject to final approval of the syndicate.

Shareholders' Equity

During the three months ended March 31, 2022, ARC repurchased 13,076,000 common shares under its normal course issuer bid ("NCIB") at a weighted average price of $15.00 for a total cost of $196.3 million. Shares were cancelled upon repurchase.

At March 31, 2022, ARC has recorded a liability of $28.9 million ($51.9 million at December 31, 2021) for share repurchases estimated to take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker.

At March 31, 2022, there were 680.9 million common shares outstanding and 5.6 million share options outstanding under ARC's share option plans, including 1.7 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 March 31, 2022, ARC had 1.0 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

Dividends

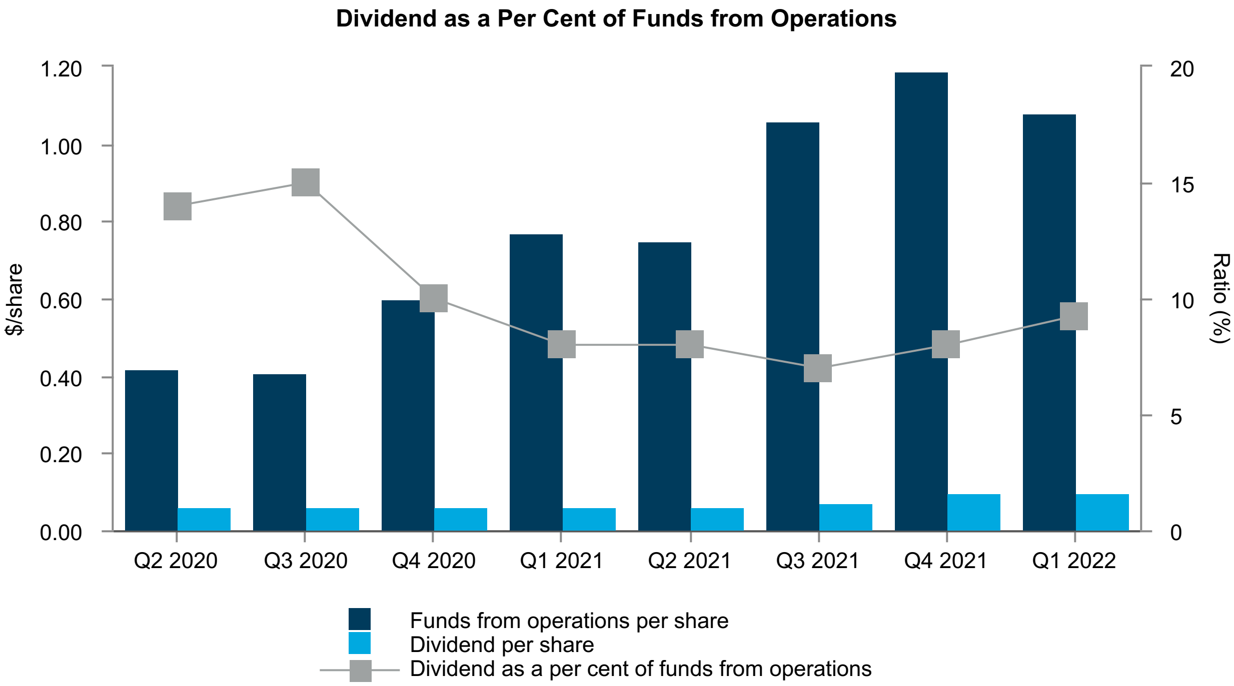
ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In the first quarter of 2022, ARC declared dividends totaling $68.2 million ($0.10 per share) compared to $21.3 million ($0.06 per share) in the same period of 2021.

ARC's dividend as a per cent of funds from operations[1] increased from an average of eight per cent for the three months ended March 31, 2021, to an average of nine per cent for the three months ended March 31, 2022, as a result of a higher quarterly dividend per share. ARC also delivered returns to shareholders through share repurchases during the three months ended March 31, 2022.

ARC's board of directors (the "Board") has approved a 20 per cent increase to its quarterly dividend, from $0.10 per share to $0.12 per share. This dividend increase is effective for ARC's second quarter dividend, payable on July 15, 2022, to shareholders of record on June 30, 2022.

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Exhibit 22



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 2022.

Environmental Regulation Impacting ARC

ARC is in compliance with all environmental laws and regulations as of the date of this MD&A. The management of ARC's closure and liability programs meets or exceeds the regulatory requirements of the provinces in which it operates. There are currently no security requirements being requested or held as a result of liability management issues.

For additional information refer to ARC's AIF available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Contractual Obligations and Commitments

At March 31, 2022, ARC's total contractual obligations and commitments were $6.5 billion. These include obligations and commitments in place at December 31, 2021, less payments made during the three months ended March 31, 2022, as well as additional transportation commitments.

Off-Balance Sheet Financing

ARC does not have any guarantees or off-balance sheet arrangements that have been excluded from the balance sheets other than commitments disclosed in Note 15 "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, 2021.

CONTROL ENVIRONMENT

Internal Control over Financial Reporting ("ICFR")

ARC is required to comply with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). The certification of interim filings for the interim period ended March 31, 2022 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 months ended March 31, 2022.

FINANCIAL REPORTING UPDATE

New Accounting Policies

Amendments to IAS 16 *Property, Plant and Equipment*

On January 1, 2022, ARC adopted *Property, Plant and Equipment - Proceeds before Intended Use* issued by the International Accounting Standards Board (the "IASB") which made amendments to IAS 16 *Property, Plant and Equipment.* The amendments prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. There was not a material impact to ARC's financial statements.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

On January 1, 2022, ARC adopted *Onerous Contracts - Cost of Fulfilling a Contract* issued by the IASB which made amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. There was not a material impact to ARC's financial statements.

Non-GAAP and Other Financial Measures

Throughout this MD&A and in other materials disclosed by the Company, ARC employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

Non-GAAP Financial Measures

Capital Expenditures

ARC uses capital expenditures to monitor its capital investments compared to the Company's annually budgeted capital investments. ARC's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes or payments under certain lease arrangements. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Table 24 details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

Table 24

	Three Months Ended		
Capital Expenditures ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021
Cash flow used in investing activities	268.7	**346.7**	104.1
Acquisition of crude oil and natural gas assets	(0.2)	**(0.8)**	—
Disposal of crude oil and natural gas assets	0.7	**7.4**	0.1
Change in non-cash working capital	105.7	**(22.7)**	19.8
Other PP&E (1)	—	**2.7**	1.7
Capital expenditures	374.9	**333.3**	125.7

(1) Other PP&E comprises non-cash capitalized costs related to the Company's ROU asset depreciation and share-based compensation.

Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. Table 25 details the calculation of free funds flow and the reconciliation of cash flow from operating activities to free funds flow.

Table 25

	Three Months Ended		
Free Funds Flow ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021
Cash flow from operating activities	668.7	**758.8**	266.8
Net change in other liabilities	56.4	**40.8**	18.2
Change in non-cash operating working capital	108.5	**(56.0)**	(11.1)
Funds from operations	833.6	**743.6**	273.9
Capital expenditures	(374.9)	**(333.3)**	(125.7)
Free funds flow	458.7	**410.3**	148.2

Netback

ARC computes netback as commodity sales from production less royalties, operating, and transportation expense. Management believes that netback is a key industry performance indicator and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. ARC's netback is disclosed in Table 13 within this MD&A which includes its most directly comparable GAAP measure, commodity sales from production.

Adjusted EBIT

ARC calculates adjusted EBIT as net income (loss) plus interest and financing, less accretion of ARO, plus total income taxes (recovery). ARC uses adjusted EBIT as a measure of long-term operating performance and as a component in the calculation for ROACE, which is calculated by ARC for the 12 months preceding the period end, on an annual basis, and a four-year basis. Table 26 contains a reconciliation of adjusted EBIT to the most directly comparable GAAP measure, net income (loss).

Table 26

	Twelve Months Ended	Twelve Months Ended December 31				
Adjusted EBIT ($ millions)	**March 31, 2022**	2021	2020	2019	2018	2018 - 2021 Average(1)
Net income (loss)	**539.2**	786.6	(547.2)	(27.6)	213.8	106.4
Add interest and financing	**139.0**	126.1	45.6	48.3	53.9	68.5
Less accretion of ARO	**(10.2)**	(9.5)	(6.3)	(7.3)	(11.3)	(8.6)
Add income taxes (recovery)	**125.2**	208.5	(207.7)	(100.9)	108.0	2.0
Adjusted EBIT	**793.2**	1,111.7	(715.6)	(87.5)	364.4	168.3

(1) Average for the years ended December 31, 2018, 2019, 2020, and 2021.

Average Capital Employed

ARC calculates average capital employed as the total of net debt plus current and long-term portions of lease obligations and shareholders' equity. ARC uses average capital employed as a measure of long-term capital management and operating performance, and as a component in the calculation for ROACE. Table 27 contains a reconciliation of average capital employed to the most directly comparable GAAP measure, shareholders' equity.

Table 27

	Twelve Months Ended	Twelve Months Ended December 31				
Average Capital Employed ($ millions)	**March 31, 2022**	2021	2020	2019	2018	2018 - 2021 Average(1)
Net debt - beginning of period	**568.0**	693.5	894.0	702.7	728.0	728.0
Current portion of lease obligations	**15.4**	15.3	16.3	—	—	—
Long-term portion of lease obligations	**30.2**	33.9	29.9	—	—	—
Shareholders' equity - beginning of period	**2,948.3**	2,790.6	3,439.9	3,675.8	3,668.9	3,668.9
Opening capital employed (A)	**3,561.9**	3,533.3	4,380.1	4,378.5	4,396.9	4,396.9
Net debt - end of period	**1,695.5**	1,828.7	693.5	894.0	702.7	1,828.7
Current portion of lease obligations	**108.3**	109.3	15.3	16.3	—	109.3
Long-term portion of lease obligations	**740.7**	760.0	33.9	29.9	—	760.0
Shareholders' equity - end of period	**5,620.2**	5,927.5	2,790.6	3,439.9	3,675.8	5,927.5
Closing capital employed (B)	**8,164.7**	8,625.5	3,533.3	4,380.1	4,378.5	8,625.5
Average capital employed (A+B)/2	**5,863.3**	6,079.4	3,956.7	4,379.3	4,387.7	6,511.2

(1) Average for the years ended December 31, 2018, 2019, 2020, and 2021.

Non-GAAP Financial Ratios

Netback per boe

ARC calculates netback per boe as netback divided by weighted average daily production. Netback is a non-GAAP financial measure component of netback per boe. Management believes that netback per boe is a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. ARC's netback per boe is disclosed in Table 13a within this MD&A.

Free Funds Flow per Share

ARC presents free funds flow per share by dividing free funds flow by the Company's diluted or basic weighted average common shares outstanding. Free funds flow is a non-GAAP financial measure. Management believes that free funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Return on Average Capital Employed

ARC calculates ROACE, expressed as a percentage, as adjusted EBIT divided by the average capital employed. The components adjusted EBIT and average capital employed are non-GAAP financial measures. ARC uses ROACE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital it has been provided and to demonstrate to shareholders the returns generated 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 28:

Table 28

	Twelve Months Ended	Twelve Months Ended December 31				
ROACE ($ millions)	**March 31, 2022**	2021	2020	2019	2018	2018 - 2021 Average[1]
Adjusted EBIT	**793.2**	1,111.7	(715.6)	(87.5)	364.4	168.3
Divided by average capital employed	**5,863.3**	6,079.4	3,956.7	4,379.3	4,387.7	6,511.2
ROACE (%)	**14**	18	(18)	(2)	8	3

(1) Average for the years ended December 31, 2018, 2019, 2020, and 2021.

Capital Management Measures

Funds from Operations

ARC considers funds from operations to be a key measure of capital management as it demonstrates ARC's ability to generate the necessary funds to maintain production at current levels and fund future growth through capital investment. 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, of which the nature and timing of expenditures are discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Funds from operations for the three months ended March 31, 2022 and 2021 is calculated as follows in Table 29:

Table 29

	Three Months Ended		
Funds from Operations ($ millions)	December 31, 2021	**March 31, 2022**	March 31, 2021
Cash flow from operating activities	668.7	**758.8**	266.8
Net change in other liabilities	56.4	**40.8**	18.2
Change in non-cash operating working capital	108.5	**(56.0)**	(11.1)
Funds from operations	833.6	**743.6**	273.9

Net Debt and Net Debt to Funds from Operations

Net debt and net debt to funds from operations are used by Management as key measures to assess the Company's liquidity position at a point in time. Net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Table 30 details the composition of ARC's net debt and net debt to funds from operations as at March 31, 2022 and December 31, 2021:

Table 30

Net Debt ($ millions, except ratio amounts)	**March 31, 2022**	December 31, 2021
Long-term debt [1]	**1,578.7**	1,705.3
Accounts payable and accrued liabilities	**894.2**	761.5
Dividends payable	**68.2**	69.5
Cash and cash equivalents, accounts receivable, and prepaid expense	**(845.6)**	(707.6)
Net debt	**1,695.5**	1,828.7
Funds from operations	**2,885.1**	2,415.4
Net debt to funds from operations (ratio) [2]	**0.6**	0.8

(1) Refer to Note 7 "Long-term Debt" in the financial statements.
(2) Composed of net debt divided by 12-month trailing funds from operations.

Supplementary Financial Measures

"Average realized commodity price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.

"Average realized condensate price" is comprised of condensate commodity sales from production, as determined in accordance with IFRS, divided by the Company's condensate production.

"Average realized crude oil price" is comprised of crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's crude oil production.

"Average realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Average realized NGLs price" is comprised of NGLs commodity sales from production, as determined in accordance with IFRS, divided by the Company's NGLs production.

"Cash flow from operating activities per basic share" is comprised of cash flow from operating activities, as determined in accordance with IFRS, divided by basic weighted average common shares outstanding.

"Cash flow from operating activities per diluted share" is comprised of cash flow from operating activities, as determined in accordance with IFRS, divided by diluted weighted average common shares outstanding.

"Commodity sales from production per basic share" is comprised of commodity sales from production, as determined in accordance with IFRS, divided by basic weighted average common shares.

"Commodity sales from production per diluted share" is comprised of commodity sales from production, as determined in accordance with IFRS, divided by diluted weighted average common shares.

"Current income tax expense (recovery), as a per cent of funds from operations" is comprised of current income tax expense (recovery), as determined in accordance with IFRS, divided by funds from operations.

"Current income tax expense (recovery) per share" is comprised of current income tax expense (recovery), as determined in accordance with IFRS, divided by diluted weighted average common shares.

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Dividend as a per cent of funds from operations" is comprised of dividends declared, as determined in accordance with IFRS, divided by funds from operations.

"Dividends declared per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Funds from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.

"Funds from operations per diluted share" is comprised of funds from operations divided by diluted weighted average common shares.

"G&A expense per boe" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"G&A expense before share-based compensation expense per boe" is comprised of G&A expense as determined in accordance with IFRS, excluding share-based compensation expense, divided by the Company's total production.

"G&A – share-based compensation expense per boe" is comprised of G&A expense as determined in accordance with IFRS, excluding G&A expense not attributable to share-based compensation plans, divided by the Company's total production.

"Interest and financing expense per boe" is comprised of interest and financing expense, as determined in accordance with IFRS, divided by the Company's total production.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Royalties as a percentage of commodity sales from production" is comprised of royalties, as determined in accordance with IFRS, divided by commodity sales from production as determined in accordance with IFRS.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

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 2022 annual guidance, production guidance and expense guidance, anticipated 2022 budget for capital expenditures, guidance with respect to current income tax expense, as a per cent of funds from operations; expected sensitivities of operating items to business environment and operational changes; the anticipated vesting of RSUs and PSUs, expected variability of future payments under the RSU and PSU Plans and the estimated range of future expected payments under such plans under the heading "Restricted Share Unit and Performance Share Unit Plans"; 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, annual inflation factors, and the intention to maintain a planned and scheduled approach to abandonment and reclamation activities under the heading "Asset Retirement Obligation"; ARC's capital management objectives, the anticipated sources of financing for profitable growth activities, ARC's belief that investing in development activities that prioritize profitability over production growth creates significant long-term shareholder value, ARC's target net debt to funds from operations, and similar statements.

The forward-looking information and statements contained in this MD&A reflect material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; anticipated future impacts of COVID-19 on demand for commodities, the subsequent impact on commodity prices and the effect on ARC's business; ARC's continued success in integrating the business of Seven Generations and that ARC will realize the anticipated benefits from the Business Combination; the successful implementation and use of the NCIB; 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; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2022 and in the future; 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 regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to crude oil and natural gas interests and operations on Indigenous lands; suspension of or changes to guidance, and the associated impact to production; 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. Readers should also carefully consider the risks discussed in the section entitled "Risk Factors" contained within the MD&A for the year ended December 31, 2021.

The internal projections, expectations, or beliefs are based on the 2022 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations and the operational and financial results for the year ended 2021. 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

AECO	Alberta Energy Company
AIF	annual information form
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)	2022	2021				2020		
FINANCIAL	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Commodity sales from production	**1,677.0**	1,618.5	1,362.6	1,066.2	525.3	363.1	285.0	217.9
Per share, basic (1)	**2.43**	2.31	1.89	1.47	1.49	1.03	0.81	0.62
Per share, diluted (1)	**2.43**	2.30	1.88	1.47	1.48	1.02	0.81	0.62
Net income (loss)	**(69.4)**	678.0	53.6	(123.0)	178.0	120.8	(66.1)	(43.5)
Per share, basic	**(0.10)**	0.97	0.07	(0.17)	0.50	0.34	(0.19)	(0.12)
Per share, diluted	**(0.10)**	0.96	0.07	(0.17)	0.50	0.34	(0.19)	(0.12)
Cash flow from operating activities	**758.8**	668.7	615.0	458.9	266.8	201.1	174.1	97.4
Per share, basic (1)	**1.10**	0.95	0.85	0.63	0.75	0.57	0.49	0.28
Per share, diluted (1)	**1.10**	0.95	0.85	0.63	0.75	0.57	0.49	0.28
Funds from operations	**743.6**	833.6	765.4	542.5	273.9	212.0	144.6	150.2
Per share, basic (1)	**1.08**	1.19	1.06	0.75	0.78	0.60	0.41	0.42
Per share, diluted (1)	**1.08**	1.19	1.06	0.75	0.77	0.60	0.41	0.42
Free funds flow	**410.3**	458.7	497.0	249.7	148.2	135.3	92.0	106.1
Per share, basic (1)	**0.60**	0.65	0.69	0.35	0.42	0.38	0.26	0.30
Per share, diluted (1)	**0.60**	0.65	0.69	0.35	0.42	0.38	0.26	0.30
Cash flow used in investing activities	**346.7**	268.7	228.8	206.5	104.1	79.3	44.1	87.5
Dividends declared	**68.2**	69.5	47.1	43.5	21.3	21.3	21.2	21.3
Per share	**0.10**	0.10	0.066	0.06	0.06	0.06	0.06	0.06
Total assets	**11,421.1**	11,380.3	11,192.9	11,047.6	6,011.1	4,954.2	4,982.9	5,136.8
Total liabilities	**5,800.9**	5,452.8	5,671.2	5,341.7	3,062.8	2,163.6	2,292.7	2,360.3
Net debt	**1,695.5**	1,828.7	1,926.4	2,084.1	568.0	693.5	834.2	923.0
Weighted average shares, basic	**688.8**	701.8	722.0	723.1	353.4	353.4	353.4	353.4
Weighted average shares, diluted	**688.8**	703.0	723.1	723.1	354.4	354.3	353.4	353.4
Shares outstanding, end of period	**680.9**	693.5	711.7	723.9	353.4	353.4	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**4.2**	3.5	1.8	0.1	2.0	2.5	2.4	3.4
Drilling and completions	**245.3**	241.8	210.8	204.2	90.3	68.1	40.8	31.8
Plant and facilities	**62.6**	106.7	13.0	60.4	21.8	3.1	5.9	8.3
Maintenance and optimization	**18.9**	16.8	25.5	9.3	4.4	1.5	2.1	1.4
Corporate	**2.3**	6.1	17.3	18.8	7.2	1.5	1.4	(0.8)
Capital expenditures	**333.3**	374.9	268.4	292.8	125.7	76.7	52.6	44.1
Acquisitions	**4.2**	21.5	0.8	0.1	—	61.6	—	0.5
Dispositions	**(10.8)**	(22.0)	(0.8)	(78.1)	(0.1)	(63.2)	—	(0.6)
Capital expenditures, and net acquisitions and dispositions	**326.7**	374.4	268.4	214.8	125.6	75.1	52.6	44.0
OPERATING								
Production								
Crude oil (bbl/d)	**7,892**	7,857	8,639	11,659	13,647	15,554	15,373	14,987
Condensate (bbl/d)	**72,956**	74,220	77,539	73,459	13,812	14,715	14,831	13,239
Crude oil and condensate (bbl/d)	**80,848**	82,077	86,178	85,118	27,459	30,269	30,204	28,226
Natural gas (MMcf/d)	**1,280**	1,293	1,300	1,203	794	783	708	773
NGLs (bbl/d)	**50,257**	48,299	50,891	50,020	10,620	8,678	10,208	9,405
Total (boe/d)	**344,447**	345,831	353,657	335,701	170,430	169,468	158,444	166,510
Average realized commodity prices								
Crude oil ($/bbl)	**111.48**	92.11	77.43	74.01	64.46	48.14	45.45	25.88
Condensate ($/bbl)	**119.15**	96.90	85.72	77.93	71.59	53.55	48.49	31.54
Natural gas ($/Mcf)	**5.98**	6.45	4.67	3.34	4.60	2.88	2.16	1.92
NGLs ($/bbl)	**27.94**	27.65	27.92	22.19	29.45	18.03	14.85	10.84
Oil equivalent ($/boe)	**54.10**	50.87	41.88	34.90	34.25	23.29	19.55	14.38
TRADING STATISTICS (2)								
($, based on intra-day trading)								
High	**17.50**	13.34	11.95	10.74	8.67	7.20	6.94	6.12
Low	**11.66**	10.20	7.51	7.26	5.88	5.66	4.54	3.64
Close	**16.74**	11.50	11.87	10.55	7.72	6.00	5.95	4.56
Average daily volume (thousands)	**4,224**	3,173	3,034	3,309	3,125	1,582	1,363	2,177

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
(2) Trading statistics denote trading activity on the TSX only.

Q1 2022

Financial **Statements**

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

As at

(Cdn$ millions)	**March 31, 2022**	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**6.7**	—
Inventory	**6.2**	22.3
Accounts receivable	**801.6**	672.0
Prepaid expense	**37.3**	35.6
Risk management contracts (Note 11)	**—**	0.1
	851.8	730.0
Long-term investment	**2.5**	2.5
Exploration and evaluation assets	**275.3**	277.9
Property, plant and equipment (Note 4)	**9,209.4**	9,265.6
Right-of-use assets (Note 5)	**833.9**	856.1
Goodwill	**248.2**	248.2
Total assets	**11,421.1**	11,380.3
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**894.2**	761.5
Current portion of lease obligations (Note 6)	**108.3**	109.3
Current portion of other deferred liabilities (Note 8)	**80.3**	90.5
Current portion of asset retirement obligation (Note 9)	**16.0**	15.0
Dividends payable (Note 12)	**68.2**	69.5
Risk management contracts (Note 11)	**937.9**	465.3
	2,104.9	1,511.1
Risk management contracts (Note 11)	**258.0**	171.9
Long-term portion of lease obligations (Note 6)	**740.7**	760.0
Long-term debt (Note 7)	**1,578.7**	1,705.3
Long-term incentive compensation liability (Note 14)	**32.9**	40.8
Other deferred liabilities (Note 8)	**152.6**	154.2
Asset retirement obligation (Note 9)	**440.5**	535.3
Deferred taxes	**492.6**	574.2
Total liabilities	**5,800.9**	5,452.8
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 12)	**7,110.0**	7,221.1
Contributed surplus	**45.6**	46.3
Deficit	**(1,530.9)**	(1,337.4)
Accumulated other comprehensive loss	**(4.5)**	(2.5)
Total shareholders' equity	**5,620.2**	5,927.5
Total liabilities and shareholders' equity	**11,421.1**	11,380.3
Commitments and contingencies (Note 15)		

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

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions, except per share amounts)	**2022**	2021
Commodity sales from production (Note 13)	**1,677.0**	525.3
Royalties	**(242.3)**	(25.8)
Sales of commodities purchased from third parties	**561.8**	19.1
Revenue from commodity sales	**1,996.5**	518.6
Other income	**5.5**	6.0
Loss on risk management contracts (Note 11)	**(827.5)**	(106.9)
Total revenue, other income, and loss on risk management contracts	**1,174.5**	417.7
Commodities purchased from third parties	**556.2**	20.3
Operating	**125.3**	59.0
Transportation	**172.6**	56.8
General and administrative	**71.5**	24.7
Transaction costs	**—**	7.6
Interest and financing	**22.5**	9.6
Impairment of financial assets	**(0.3)**	0.5
Depletion, depreciation and amortization (Note 4)	**323.4**	123.0
Reversal of impairment	**—**	(112.6)
Loss (gain) on foreign exchange	**0.9**	(5.9)
Gain on disposal of crude oil and natural gas assets	**(1.6)**	—
Total expenses	**1,270.5**	183.0
Net income (loss) before income taxes	**(96.0)**	234.7
Provision for (recovery of) income taxes		
Current	**55.0**	45.0
Deferred	**(81.6)**	11.7
Total income taxes (recovery)	**(26.6)**	56.7
Net income (loss)	**(69.4)**	178.0
Net income (loss) per share (Note 12)		
Basic	**(0.10)**	0.50
Diluted	**(0.10)**	0.50

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 months ended March 31

(Cdn$ millions)	**2022**	2021
Net income (loss)	**(69.4)**	178.0
Items that may be reclassified to the consolidated statements of income in subsequent periods:		
Net unrealized loss on foreign currency translation adjustment	**(2.0)**	—
Comprehensive income (loss)	**(71.4)**	178.0

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 three months ended March 31

(Cdn$ millions)	Shareholders' Capital (Note 12)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
December 31, 2020	4,658.2	36.5	(1,904.1)	—	2,790.6
Comprehensive income	—	—	178.0	—	178.0
Recognized under share-based compensation plans (Note 14)	—	1.0	—	—	1.0
Dividends declared (Note 12)	—	—	(21.3)	—	(21.3)
March 31, 2021	4,658.2	37.5	(1,747.4)	—	2,948.3
December 31, 2021	7,221.1	46.3	(1,337.4)	(2.5)	5,927.5
Comprehensive loss	**—**	**—**	**(69.4)**	**(2.0)**	**(71.4)**
Recognized under share-based compensation plans (Note 14)	**—**	**0.3**	**—**	**—**	**0.3**
Recognized on exercise of share options (Note 14)	**6.7**	**(1.0)**	**—**	**—**	**5.7**
Repurchase of shares for cancellation (Note 12)	**(136.9)**	**—**	**(59.4)**	**—**	**(196.3)**
Change in liability for share purchase commitment (Note 12)	**19.1**	**—**	**3.5**	**—**	**22.6**
Dividends declared (Note 12)	**—**	**—**	**(68.2)**	**—**	**(68.2)**
March 31, 2022	**7,110.0**	**45.6**	**(1,530.9)**	**(4.5)**	**5,620.2**

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 months ended March 31

(Cdn$ millions)	**2022**	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	**(69.4)**	178.0
Add items not involving cash:		
Unrealized loss on risk management contracts	**573.2**	80.1
Accretion of asset retirement obligation (Note 9)	**2.4**	1.6
Impairment of financial assets	**(0.3)**	0.5
Depletion, depreciation and amortization (Note 4)	**323.4**	123.0
Reversal of impairment	**—**	(112.6)
Unrealized gain on foreign exchange	**(3.0)**	(8.6)
Gain on disposal of crude oil and natural gas assets	**(1.6)**	—
Deferred taxes	**(81.6)**	11.7
Other (Note 16)	**0.5**	0.2
Net change in other liabilities (Note 16)	**(40.8)**	(18.2)
Change in non-cash working capital (Note 16)	**56.0**	11.1
Cash flow from operating activities	**758.8**	266.8
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Draw of long-term debt under revolving credit facilities	**1,923.7**	182.8
Issuance of senior notes	**—**	1,000.0
Repayment of long-term debt	**(2,047.4)**	(255.8)
Proceeds from exercise of share options	**5.7**	—
Repurchase of shares	**(196.6)**	—
Repayment of principal relating to lease obligations	**(21.3)**	(3.9)
Cash dividends paid	**(69.5)**	(21.3)
Cash flow from (used in) financing activities	**(405.4)**	901.8
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of crude oil and natural gas assets	**(0.8)**	—
Disposal of crude oil and natural gas assets	**7.4**	0.1
Property, plant and equipment development expenditures (Note 4)	**(332.5)**	(123.2)
Exploration and evaluation asset expenditures	**1.9**	(0.8)
Change in non-cash working capital (Note 16)	**(22.7)**	19.8
Cash flow used in investing activities	**(346.7)**	(104.1)
INCREASE IN CASH AND CASH EQUIVALENTS	**6.7**	1,064.5
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**—**	0.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6.7**	1,064.9
The following are included in cash flow from operating activities:		
Income taxes paid (received) in cash	**(3.3)**	45.0
Interest paid in cash	**26.7**	11.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

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 assets.

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1200, 308 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0H7. ARC's common shares are traded on the Toronto Stock Exchange under the symbol ARX.

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("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, 2021. 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, 2021. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except as noted in Note 3 "New Accounting Policies", and for income taxes. Income taxes on net income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss).

All inter-entity transactions have been eliminated upon consolidation between ARC and any subsidiaries in these financial statements. 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.

On April 6, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") completed a business combination through a plan of arrangement (the "Business Combination"), making Seven Generations a wholly-owned subsidiary of ARC, which was subsequently amalgamated with ARC on May 1, 2021.

These financial statements were authorized for issue by ARC's board of directors (the "Board") on May 5, 2022.

3. New Accounting Policies

Amendments to IAS 16 *Property, Plant and Equipment*

On January 1, 2022, ARC adopted *Property, Plant and Equipment - Proceeds before Intended Use* issued by the IASB which made amendments to IAS 16 *Property, Plant and Equipment.* The amendments prohibit a company from deducting from the cost of property, plant, and equipment ("PP&E") amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. There was not a material impact to ARC's financial statements.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

On January 1, 2022, ARC adopted *Onerous Contracts - Cost of Fulfilling a Contract* issued by the IASB which made amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. There was not a material impact to ARC's financial statements.

4. Property, Plant and Equipment

Cost	Development and Production Assets	Corporate Assets	Total
Balance, December 31, 2021	14,124.5	108.5	14,233.0
Additions	**335.2**	**0.9**	**336.1**
Acquisitions	**4.0**	**—**	**4.0**
Change in asset retirement cost	**(87.6)**	**—**	**(87.6)**
Assets reclassified as held for sale and disposed in period	**(9.8)**	**—**	**(9.8)**
Reclassification of lease payments, net of capitalized depreciation	**(0.9)**	**—**	**(0.9)**
Balance, March 31, 2022	**14,365.4**	**109.4**	**14,474.8**
Accumulated Depletion, Depreciation, and Amortization ("DD&A") and Impairment			
Balance, December 31, 2021	(4,894.6)	(72.8)	(4,967.4)
DD&A	**(294.9)**	**(3.7)**	**(298.6)**
Accumulated DD&A reclassified as held for sale and disposed in period	**0.6**	**—**	**0.6**
Balance, March 31, 2022	**(5,188.9)**	**(76.5)**	**(5,265.4)**
Carrying Amounts			
Balance, December 31, 2021	9,229.9	35.7	9,265.6
Balance, March 31, 2022	**9,176.5**	**32.9**	**9,209.4**

For the three months ended March 31, 2022, $18.4 million direct and incremental overhead charges were capitalized to PP&E ($13.4 million for the three months ended March 31, 2021). Future development costs of $7.4 billion were included in the determination of DD&A for the three months ended March 31, 2022 ($3.2 billion for the three months ended March 31, 2021).

During the three months ended March 31, 2022, ARC disposed of certain non-core assets in Alberta for cash proceeds of $7.4 million and recognized a gain on disposal of $1.6 million in the condensed interim consolidated statements of income ("statements of income").

During the three months ended March 31, 2021, ARC disposed of certain non-core assets in Alberta for cash proceeds of $0.1 million and a related impairment charge of $9.2 million was recognized in the statements of income.

5. Right-of-use Assets

	Leases			Other	
Cost	**Buildings and Land Use Rights**	**Equipment and Vehicles**	**Facilities**	**Service Contracts**	**Total**
Balance, December 31, 2021	33.3	45.5	869.2	8.2	956.2
Additions	**0.2**	**0.4**	**—**	—	**0.6**
Modifications and terminations	**0.4**	**(0.1)**	**—**	**—**	**0.3**
Balance, March 31, 2022	**33.9**	**45.8**	**869.2**	**8.2**	**957.1**
Accumulated Depreciation					
Balance, December 31, 2021	(16.4)	(25.4)	(54.3)	(4.0)	(100.1)
Depreciation on ROU assets expensed	**(1.8)**	**(0.4)**	**(18.0)**	**(0.2)**	**(20.4)**
Depreciation on ROU assets capitalized to PP&E	**—**	**(2.7)**	**—**	**—**	**(2.7)**
Balance, March 31, 2022	**(18.2)**	**(28.5)**	**(72.3)**	**(4.2)**	**(123.2)**
Carrying Amounts					
Balance, December 31, 2021	16.9	20.1	814.9	4.2	856.1
Balance, March 31, 2022	**15.7**	**17.3**	**796.9**	**4.0**	**833.9**

6. Lease Obligations

Carrying Amount	
Balance, December 31, 2021	869.3
Additions	**0.6**
Modifications and terminations	**0.4**
Repayments	**(21.3)**
Balance, March 31, 2022	**849.0**
Lease obligations due within one year	**108.3**
Lease obligations due beyond one year	**740.7**

7. Long-term Debt

	US$ Denominated		Canadian $ Amount	
	March 31, 2022	December 31, 2021	**March 31, 2022**	December 31, 2021
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**360.0**	345.8
US$ denominated	**185.0**	294.5	**231.0**	372.7
Total credit facilities	**185.0**	294.5	**591.0**	718.5
Senior notes				
2.354% Cdn$ note	**N/A**	N/A	**450.0**	450.0
3.465% Cdn$ note	**N/A**	N/A	**550.0**	550.0
Total senior notes	**—**	—	**1,000.0**	1,000.0
Unamortized debt issuance costs	**—**	—	**(12.3)**	(13.2)
Total long-term debt outstanding	**185.0**	294.5	**1,578.7**	1,705.3

ARC's available credit capacity is $3.0 billion ($3.0 billion at December 31, 2021), of which $1.6 billion was outstanding at March 31, 2022 ($1.7 billion at December 31, 2021). At March 31, 2022, ARC was in compliance with all of its debt covenants.

At March 31, 2022, the fair value of all long-term debt outstanding was $1.5 billion ($1.7 billion at December 31, 2021).

8. Other Deferred Liabilities

Carrying Amount	
Balance, December 31, 2021	244.7
Additions	**1.0**
Amortization	**(12.8)**
Balance, March 31, 2022	**232.9**
Expected to be incurred within one year	**80.3**
Expected to be incurred beyond one year	**152.6**

9. Asset Retirement Obligation ("ARO")

ARC has estimated the net present value of its total ARO to be $456.5 million at March 31, 2022 ($550.3 million at December 31, 2021) based on a total future undiscounted liability of $501.9 million ($505.1 million at December 31, 2021). 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 2.4 per cent (1.7 per cent at December 31, 2021) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2021) were used to calculate the present value of ARO at March 31, 2022.

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

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
Balance, beginning of period	550.3	541.7
Acquired upon close of Business Combination	—	105.6
Revaluation of obligations acquired in Business Combination (1)	—	142.0
Development activities	**0.5**	18.5
Change in estimates (2)	**4.9**	75.6
Change in discount rate	**(91.5)**	(89.5)
Settlement of obligations (3)	**(7.6)**	(21.1)
Accretion	**2.4**	9.5
Reclassified as liabilities associated with assets held for sale and disposed in period	**(2.5)**	(232.0)
Balance, end of period	**456.5**	550.3
Expected to be incurred within one year	**16.0**	15.0
Expected to be incurred beyond one year	**440.5**	535.3

(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 ARO.
(3) For the three months ended March 31, 2022, $0.3 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC ($1.1 million for the three months ended March 31, 2021).

10. 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 manage its capital structure by issuing new shares or new debt, repurchasing shares, or changing its dividend policy. On March 15, 2022, ARC declared a quarterly dividend of $0.10 per share and the Board has also approved a 20 per cent dividend increase to $0.12 per share per quarter, effective for ARC's dividend payable on July 15, 2022. During the three months ended March 31, 2022, ARC repurchased 13.1 million common shares under its normal course issuer bid ("NCIB").

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 sustainable, meaningful returns of capital to shareholders through dividends and share repurchases; and
- maintain financial flexibility to execute on strategic opportunities.

Funds from Operations

ARC considers funds from operations to be a key measure of capital management as it demonstrates ARC's ability to generate the necessary funds to maintain production at current levels and fund future growth through capital investment. 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, of which the nature and timing of expenditures are discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Funds from operations for the three months ended March 31, 2022 and 2021 is calculated as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flow from operating activities	**758.8**	266.8
Net change in other liabilities (Note 16)	**40.8**	18.2
Change in non-cash operating working capital (Note 16)	**(56.0)**	(11.1)
Funds from operations	**743.6**	273.9

Net Debt and Net Debt to Funds from Operations

Net debt and net debt to funds from operations are used by Management as key measures to assess the Company's liquidity position at a point in time. The determination of net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Management targets its net debt to be between 1.0 and 1.5 times funds from operations and manages its capital structure to achieve that target over the long term. At March 31, 2022, ARC's net debt was 0.6 times its funds from operations.

The following table details the composition of ARC's net debt and net debt to funds from operations as at March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Current portion of long-term debt	**—**	144.7
Long-term debt	**1,578.7**	1,464.1
Accounts payable and accrued liabilities	**894.2**	176.2
Dividends payable	**68.2**	21.3
Cash and cash equivalents, accounts receivable, and prepaid expense	**(845.6)**	(1,238.3)
Net debt	**1,695.5**	568.0
Funds from operations (1)	**2,885.1**	780.7
Net debt to funds from operations (ratio) (2)	**0.6**	0.7

(1) 12-month trailing funds from operations.
(2) Composed of net debt divided by 12-month trailing funds from operations.

11. Financial Instruments and Market Risk Management

Financial Instruments

At March 31, 2022, ARC's financial instruments include cash and cash equivalents, accounts receivable, long-term investment, risk management contracts, accounts payable and accrued liabilities, dividends payable, lease obligations, and long-term debt.

ARC's financial instruments that are carried at fair value on the unaudited condensed interim consolidated balance sheets (the "balance sheets") include cash and cash equivalents and risk management contracts. All of ARC's financial instruments carried at fair value are transacted in active markets.

ARC’s cash and cash equivalents are classified as Level 1 measurements and its risk management contracts and fair value disclosure for its long-term debt are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 7 "Long-Term Debt". ARC does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy for the three months ended March 31, 2022.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at March 31, 2022 approximate their fair values due to the short-term nature of these instruments.

Financial Assets and Financial Liabilities Subject to Offsetting

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at March 31, 2022 and December 31, 2021:

	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 March 31, 2022					
Risk management contracts					
Current asset	**34.2**	**(34.2)**	**—**	**—**	**—**
Long-term asset	**38.3**	**(38.3)**	**—**	**—**	**—**
Current liability	**(1,012.3)**	**34.2**	**(978.1)**	**40.2**	**(937.9)**
Long-term liability	**(307.4)**	**38.3**	**(269.1)**	**11.1**	**(258.0)**
Net position	**(1,247.2)**	**—**	**(1,247.2)**	**51.3**	**(1,195.9)**
As at December 31, 2021					
Risk management contracts					
Current asset	48.2	(48.1)	0.1	—	0.1
Long-term asset	53.6	(53.6)	—	—	—
Current liability	(527.6)	48.1	(479.5)	14.2	(465.3)
Long-term liability	(230.8)	53.6	(177.2)	5.3	(171.9)
Net position	(656.6)	—	(656.6)	19.5	(637.1)

Risk Management Contracts

The following table summarizes ARC's risk management contracts as at March 31, 2022:

Risk Management Contracts Positions Summary (1)(2)

As at March 31, 2022	2022 (remainder)		2023		2024		2025	
Crude Oil – WTI	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	60.23	27,000	67.44	14,000	55.82	1,243	—	—
Floor	49.50	27,000	53.93	14,000	50.00	1,243	—	—
Sold Floor	41.62	17,000	46.43	7,000	—	—	—	—
Swap	45.23	7,000	48.99	863	—	—	—	—
Sold Swaption (3)	—	—	70.00	2,000	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**34,000**		**14,863**		**1,243**		**—**
Natural Gas – NYMEX Henry Hub (4)	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Ceiling	3.13	115,000	3.95	100,000	2.74	10,000	—	—
Floor	2.60	115,000	2.79	100,000	2.50	10,000	—	—
Sold Floor	2.19	85,000	2.40	50,000	2.10	10,000	—	—
Swap	2.53	143,309	2.53	52,068	—	—	—	—
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	2.52	160,000	2.47	107,589	2.40	90,000	2.73	20,000
Floor	1.99	160,000	1.91	107,589	1.87	90,000	2.00	20,000
Sold Floor	1.75	20,000	—	—	—	—	—	—
Swap	2.12	40,000	2.06	10,000	2.06	10,000	—	—
Total Natural Gas Volumes (MMBtu/day)		**447,872**		**263,521**		**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
Sold Swap	(0.88)	7,764	(0.91)	70,000	(0.91)	70,000	(0.65)	50,000
Total AECO Basis Volumes (MMBtu/day)		**7,764**		**70,000**		**70,000**		**50,000**
Natural Gas - Other Basis (Differential to NYMEX Henry Hub)		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		**149,964**		**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$/US$)
Swap	75.5	1.3199	—	—	—	—	—	—
Ceiling	92.5	1.3447	48.0	1.3602	—	—	—	—
Floor	92.5	1.2849	48.0	1.3070	—	—	—	—

(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 for 2022 with a fair value deficiency of $5.1 million.
(3) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
(4) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

12. Shareholders' Capital

(thousands of shares)	**Three Months Ended March 31, 2022**	Year Ended December 31, 2021
Common shares, beginning of period	693,516	353,372
Issued upon close of Business Combination	—	369,406
Repurchase of shares for cancellation	**(13,076)**	(30,888)
Issued on exercise of share options and long-term incentive awards	**489**	1,645
Unvested restricted shares held in trust pursuant to the LTRSA Plan [1]	**(5)**	24
Forfeited and cancelled shares pursuant to the LTRSA Plan	—	(47)
Restricted shares issued pursuant to the LTRSA Plan	—	4
Common shares, end of period	**680,924**	693,516

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

During the three months ended March 31, 2022, ARC repurchased 13,076,000 common shares under its NCIB at a weighted average price of $15.00 for a total cost of $196.3 million.

At March 31, 2022, ARC has recorded a liability of $28.9 million ($51.9 million at December 31, 2021) for share repurchases estimated to 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 $18.1 million and a reduction to retained earnings of $10.8 million.

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

(thousands of shares)	**Three Months Ended March 31, 2022**	Three Months Ended March 31, 2021
Weighted average common shares	**688,778**	353,366
Dilutive impact of share-based compensation [1]	—	1,004
Weighted average common shares, diluted	**688,778**	354,370

(1) For the three months ended March 31, 2022, 3.4 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (4.6 million for the three months ended March 31, 2021).

Dividends declared for the three months ended March 31, 2022 were $0.10 per share ($0.06 for the three months ended March 31, 2021).

13. Commodity Sales from Production

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

Commodity Sales from Production, by Product	**Three Months Ended March 31, 2022**	Three Months Ended March 31, 2021
Crude oil	**79.2**	79.2
Condensate	**782.4**	89.0
Natural gas [1]	**689.0**	329.0
NGLs	**126.4**	28.1
Total commodity sales from production	**1,677.0**	525.3

(1) Includes $0.9 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three months ended March 31, 2022 ($7.9 million for the three months ended March 31, 2021).

At March 31, 2022, receivables from contracts with customers, which are included in accounts receivable, were $772.4 million ($634.8 million at December 31, 2021).

14. Share-based Compensation Plans

Long-term Incentive Plans

The following table summarizes the changes in the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") awards under the plans that existed prior to the Business Combination (the "Legacy Plans") for the three months ended March 31, 2022:

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**DSUs**
Balance, December 31, 2021	3,265	6,372	1,103
Granted	**427**	**733**	**40**
Distributed	**(1,005)**	**(969)**	**(214)**
Forfeited	**(58)**	**(47)**	**—**
Balance, March 31, 2022	**2,629**	**6,089**	**929**

(1) Based on underlying awards before any effect of the performance multiplier.

The following table summarizes the changes in the RSU, PSU, and DSU awards under the plans acquired through the Business Combination (the "Acquired Plans") for the three months ended March 31, 2022:

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**DSUs**
Balance, December 31, 2021	513	413	425
Granted (2)	**4**	**101**	**3**
Distributed	**(268)**	**(324)**	**—**
Forfeited	**(26)**	**(23)**	**—**
Balance, March 31, 2022	**223**	**167**	**428**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) 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 March 31, 2022	Three Months Ended March 31, 2021
General and administrative ("G&A")	**41.9**	6.7
Operating	**3.2**	2.2
PP&E	**12.0**	9.7
Total compensation charge	**57.1**	18.6
Cash payment	**41.2**	16.5

At March 31, 2022, $75.1 million of compensation amounts payable was included in accounts payable and accrued liabilities on the balance sheets ($51.3 million at December 31, 2021) and $32.9 million was included in long-term incentive compensation liability ($40.8 million at December 31, 2021).

Share Option Plans

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Legacy Plans for the three months ended March 31, 2022 were as follows:

Legacy Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2021	3,978	15.10
Exercised	**(56)**	**13.30**
Forfeited	**(81)**	**16.08**
Balance, March 31, 2022	**3,841**	**15.00**
Exercisable, March 31, 2022	**2,015**	**17.27**

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the three months ended March 31, 2022 were as follows:

Acquired Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2021	2,447	18.01
Exercised	**(433)**	**11.44**
Forfeited	**(305)**	**24.23**
Balance, March 31, 2022	**1,709**	**18.57**
Exercisable, March 31, 2022	**1,709**	**18.57**

The following table summarizes information regarding share options outstanding at March 31, 2022:

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 - 11.00	436	8.90	6.4	436	8.90
11.01 - 14.00	1,560	12.00	3.6	275	13.52
14.01 - 18.00	1,161	14.54	2.4	620	14.62
18.01 - 22.00	1,551	18.34	0.9	1,551	18.34
22.01 - 27.89	842	25.43	4.7	842	25.43
Total	**5,550**	**16.10**	**3.0**	**3,724**	**17.86**

During the three months ended March 31, 2022, ARC recognized a nominal amount of compensation expense related to share options and capitalized share option compensation charges to PP&E ($0.6 million and $0.1 million for the three months ended March 31, 2021, respectively).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2022 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, 2021	763	12.08	213	6.28
Restricted shares granted and purchased	4	14.08	1	14.08
Balance, March 31, 2022	**767**	**12.09**	**214**	**6.32**

ARC recognized G&A expense of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2022 ($0.3 million for the three months ended March 31, 2021).

15. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2022:

	Payments Due by Period				
	1 Year	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**	**Total**
Debt repayments	—	585.1	447.4	546.2	1,578.7
Interest payments [(1)]	29.7	59.3	54.0	85.7	228.7
Purchase and service commitments	152.5	51.8	22.9	103.9	331.1
Transportation commitments	647.1	1,173.8	1,035.8	1,546.7	4,403.4
Total contractual obligations and commitments	**829.3**	**1,870.0**	**1,560.1**	**2,282.5**	**6,541.9**

(1) Fixed interest payments on senior notes.

16. Supplemental Disclosures

Presentation in the Statements of Income

ARC's statements of income are prepared primarily by nature of item, with the exception of employee compensation expense which is included in both operating and G&A expense line items.

The following table details the amount of total employee compensation expense included in operating and G&A expense line items in the statements of income:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating	**11.1**	10.9
G&A	**58.9**	15.1
Total employee compensation expense	**70.0**	26.0

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:

Change in Non-cash Working Capital	**Three Months Ended March 31, 2022**	Three Months Ended March 31, 2021
Accounts receivable	**(131.4)**	(21.1)
Accounts payable and accrued liabilities	**154.9**	51.2
Inventory	**11.5**	(0.7)
Prepaid expense	**(1.7)**	1.5
Total change in non-cash working capital	**33.3**	30.9
Relating to:		
Operating activities	**56.0**	11.1
Investing activities	**(22.7)**	19.8
Total change in non-cash working capital	**33.3**	30.9

Other Non-cash Items	**Three Months Ended March 31, 2022**	Three Months Ended March 31, 2021
Share-based compensation expense	**0.3**	0.9
ARO settlements	**(0.3)**	(1.1)
Modified and terminated leases	**—**	0.2
Other amortization	**0.5**	0.2
Total other non-cash items	**0.5**	0.2

Net Change in Other Liabilities	**Three Months Ended March 31, 2022**	Three Months Ended March 31, 2021
Long-term incentive compensation liability	**(7.9)**	(0.5)
Risk management contracts	**(14.6)**	—
ARO cash settlements	**(7.3)**	(6.1)
Other deferred liabilities	**(11.0)**	—
Debt issuance costs	**—**	(11.6)
Total net change in other liabilities	**(40.8)**	(18.2)

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, 2020	162.0	589.1	751.1
Cash flows			
Draw and issuance of long-term debt	—	1,182.8	1,182.8
Repayment of long-term debt	—	(255.8)	(255.8)
Repayment of lease obligations	(3.9)	—	(3.9)
Reclassified to current			
Lease obligations	4.0	(4.0)	—
Non-cash changes			
Lease recognition	—	0.2	0.2
Lease modification and termination	—	0.2	0.2
Unrealized foreign exchange gain	(2.0)	(6.6)	(8.6)
Other changes		(11.6)	(11.6)
Balance, March 31, 2021	160.1	1,494.3	1,654.4
Balance, December 31, 2021	109.3	2,465.3	2,574.6
Cash flows			
Draw and issuance of long-term debt	**—**	**1,923.7**	**1,923.7**
Repayment of long-term debt	**—**	**(2,047.4)**	**(2,047.4)**
Repayment of lease obligations	**(21.3)**	**—**	**(21.3)**
Reclassified to current			
Lease obligations	**20.3**	**(20.3)**	**—**
Non-cash changes			
Lease recognition	**—**	**0.6**	**0.6**
Lease modification and termination	**—**	**0.4**	**0.4**
Unrealized foreign exchange gain	**—**	**(3.8)**	**(3.8)**
Other	**—**	**0.9**	**0.9**
Balance, March 31, 2022	**108.3**	**2,319.4**	**2,427.7**
Lease obligations due within one year	**108.3**	**—**	**108.3**
Lease obligations due beyond one year	**—**	**740.7**	**740.7**
Long-term debt due beyond one year	**—**	**1,578.7**	**1,578.7**

17. Subsequent Event

ARC has entered into a long-term natural gas supply agreement with Cheniere Energy, Inc. ("Cheniere"). ARC will supply 140,000 million British thermal units per day of natural gas for a term of 15 years commencing with commercial operations of Train 7 of the Corpus Christi Stage III expansion, which is expected to occur in 2027. ARC will deliver natural gas to Cheniere through existing pipeline capacity and will receive a liquefied natural gas ("LNG") price based on Platts JKM™ (Japan Korea Marker), after deductions for fixed LNG shipping costs and a fixed liquefaction fee.

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GLJ Ltd.

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Legal Counsel

Burnet, Duckworth & Palmer LLP

Corporate Calendar

July 28, 2022 | Q2 2022 Results

Stock Exchange Listing

ARC Resources Ltd. shares are traded on the Toronto Stock Exchange under the symbol **ARX.**

Shareholder Inquiries

ARC's financial reports, annual regulatory filings and news releases are available on **www.arcresources.com.**

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