ARC RESOURCES LTD.

2023

First Quarter Report

For the Three Months Ended March 31, 2023

Q1 2023

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 FIRST QUARTER 2023 RESULTS AND ANNOUNCES THE SANCTION OF ATTACHIE AND DIVIDEND INCREASE

NEWS RELEASE

Calgary, May 4, 2023 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its first quarter 2023 financial and operational results, announced the sanctioning of Attachie Phase I, provided revisions to its 2023 guidance, and increased the dividend.

HIGHLIGHTS

Attachie Phase I Sanction and Revised Guidance

- The Board has approved the sanction of Attachie Phase I. The capital costs to construct and fill the facility are approximately $740 million. Attachie Phase I is expected to deliver approximately 40,000 boe per day, and includes a 90 MMcf per day natural gas processing facility and 25,000 barrels per day of liquids-handling infrastructure. ARC anticipates achieving full productive capacity in the first half of 2025.
- ARC has updated its 2023 guidance to incorporate the sanction of Attachie Phase I. The revised total capital budget is largely unchanged at $1.8 billion to $1.9 billion(1) ($1.8 billion previously), and includes $250 million to $300 million at Attachie Phase I. Offsetting the Attachie Phase I capital expenditures is lower capital investment on ARC's base assets due to stronger production performance, and the removal of certain infrastructure projects.
- ARC increased production guidance in 2023 to average between 350,000 and 355,000 boe per day (previously 345,000 to 350,000 boe per day). The increase reflects stronger than forecast production from its base assets.

First Quarter Highlights and Dividend Increase

- ARC delivered first quarter 2023 average production of 338,377 boe(2) per day (62 per cent natural gas and 38 per cent crude oil and liquids(3)). Stronger than forecast base production more than offset third-party downtime resulting in an upward revision to 2023 production guidance.
- ARC generated funds from operations of $717 million(4) ($1.16 per share)(5) and free funds flow of $230 million(6) ($0.37 per share)(7). ARC recognized cash flow from operating activities of $540 million and net income of $575 million ($0.93 per share).
    - Market diversification resulted in an average realized natural gas price of $5.89 per Mcf(5), 36 per cent greater than the average AECO 7A Monthly Index price.
- ARC's Board of Directors (the "Board") has approved a 13 per cent increase to the quarterly dividend, from $0.15 per share to $0.17 per share. This is a continuation of ARC's strategy to sustainably grow the dividend with the underlying profitability of the business, and on a per share basis as the share count is reduced.
- ARC distributed 106 per cent or $243 million ($0.39 per share) of free funds flow for the period to shareholders through base dividends and share repurchases. Net debt was maintained at 1.3 billion(4) or 0.3 times funds from operations(4) as ARC disposed of non-core assets for cash proceeds of $74 million and dedicated the proceeds to repurchasing shares.
    - ARC repurchased 10 million shares during the first quarter. Since renewing its Normal Course Issuer Bid ("NCIB") on September 1, 2022, ARC has repurchased 44 million common shares, representing 16 per cent of total outstanding shares.

- Capital expenditures in the first quarter registered at $485 million[(6)], while cash flow from investing activities of $397 million included the proceeds from the disposition of non-core assets. ARC drilled 46 wells and completed 34 wells across its Alberta and British Columbia ("BC") assets.

- ARC entered into a non-binding Memorandum of Understanding for a 20-year agreement to supply and liquefy approximately 200 MMcf per day of natural gas with the Cedar LNG Project in BC. This represents the equivalent of 1.5 million tonnes per annum of LNG or approximately one half of the facility's total production capacity. ARC is advancing a binding agreement and continues to pursue LNG offtake arrangements to increase its anticipated total exposure to internationally linked natural gas pricing.

ARC's 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, 2023, are available on ARC's website at www.arcresources.com and under ARC's SEDAR profile at www.sedar.com. The disclosures under the sections entitled "Netback" and "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three months ended March 31, 2023 (the "Q1 2023 MD&A") are incorporated by reference in this news release.

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(1) Refer to the section entitled *"About ARC Resources Ltd."* contained within the Q1 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

(2) 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.

(3) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). 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.

(4) See Note 10 *"Capital Management"* in the financial statements and *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.

(5) See *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(6) 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 2023 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.

(7) Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar ratios disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP 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, 2022	**March 31, 2023**	March 31, 2022
FINANCIAL RESULTS			
Net income (loss)	741.0	**574.9**	(69.4)
Per share	1.18	**0.93**	(0.10)
Cash flow from operating activities	878.3	**540.3**	758.8
Per share[2]	1.39	**0.87**	1.10
Funds from operations	986.2	**717.4**	743.6
Per share	1.56	**1.16**	1.08
Free funds flow	602.9	**230.0**	410.3
Per share	0.96	**0.37**	0.60
Dividends declared	93.4	**91.9**	68.2
Per share	0.15	**0.15**	0.10
Cash flow used in investing activities	350.7	**397.4**	346.7
Capital expenditures	383.3	**487.4**	333.3
Long-term debt	990.0	**1,056.0**	1,578.7
Net debt	1,301.5	**1,264.7**	1,695.5
Common shares outstanding, weighted average diluted (millions)	630.3	**619.2**	688.8
Common shares outstanding, end of period (millions)	620.9	**611.2**	680.9
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day)	7,280	**7,884**	7,892
Condensate (bbl/day)	82,855	**71,085**	72,956
Crude oil and condensate (bbl/day)	90,135	**78,969**	80,848
Natural gas (MMcf/day)	1,310	**1,264**	1,280
NGLs (bbl/day)	51,311	**48,800**	50,257
Total (boe/day)	359,730	**338,377**	344,447
Average realized price			
Crude oil ($/bbl)[2]	103.58	**92.78**	111.48
Condensate ($/bbl)[2]	107.24	**104.10**	119.15
Natural gas ($/Mcf)	8.31	**5.89**	5.98
NGLs ($/bbl)[2]	28.86	**28.59**	27.94
Average realized price ($/boe)[2]	61.17	**50.16**	54.10
Netback			
Commodity sales from production ($/boe)[2]	61.17	**50.16**	54.10
Royalties ($/boe)[2]	(10.18)	**(7.96)**	(7.81)
Operating expense ($/boe)[2]	(4.37)	**(4.50)**	(4.04)
Transportation expense ($/boe)[2]	(5.70)	**(5.61)**	(5.57)
Netback ($/boe)[3]	40.92	**32.09**	36.68
TRADING STATISTICS[4]			
High price	20.49	**18.07**	17.50
Low price	17.05	**14.33**	11.66
Close price	18.25	**15.33**	16.74
Average daily volume (thousands of shares)	4,259	**5,949**	4,224

(1) Per share amounts, with the exception of dividends, are based on weighted average diluted common shares.
(2) See *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
(3) Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar ratios disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See "*Netback*" and *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.
(4) 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 strategic priorities are to deliver sustainable free funds flow per share growth adhering to longstanding principles of capital discipline, profitability, and financial strength. To achieve this, ARC has put forth a strategy that balances organic investment in its highest return assets with a meaningful capital return that includes a growing base dividend and share repurchases when deemed a profitable investment. A milestone in achieving these goals includes advancing the development of Attachie in northeast BC ("NEBC").

Attachie Phase I Sanction

ARC is pleased to announce that Attachie Phase I has been sanctioned by the Board. Attachie is a multi-phase development that spans approximately 300 net sections in NEBC, providing a multi-decade development runway for condensate and low-emission natural gas. Attachie Phase I is a 40,000 boe per day project with a capital cost of approximately $740 million to build and fill the facility. ARC has secured access to critical services and has taken steps to mitigate inflation across critical parts of the supply chain. Long-term takeaway capacity for all products has been secured to retain operational flexibility, maintain a low cost structure, and maximize profitability.

The development plan put forth aligns with the principles of the agreements reached between the BC government and Treaty 8 First Nations, which address the cumulative impacts of development of the neighbouring Treaty 8 territories. These recent agreements, combined with ARC's collaboration with the Treaty 8 First Nations, has provided confidence to proceed with the Attachie development. Through continued partnership and engagement, ARC is committed to advancing the project in a manner that protects the environmental and cultural values and contributes to the economic prosperity of Treaty 8 First Nations, while creating value for its shareholders and the Province.

Attributes of Attachie Phase I:

Capital expenditures to develop Attachie Phase I are estimated at $740 million. This includes the capital investment to construct the facility and drill approximately 39 wells to fill the facility. Included in the capital expenditures is approximately $65 million of investments for subsequent phases at Attachie.

Attachie Phase I is estimated to deliver annual average production of approximately 40,000 boe per day (60 per cent crude oil and natural gas liquids and 40 per cent natural gas). Production is expected to commence in late 2024, with full productive capacity anticipated in the first half of 2025.

- Total facility capacity includes a 90 MMcf per day natural gas processing facility and 25,000 barrels per day of liquids-handling capacity.
- In its first full-year of operations, ARC anticipates that Attachie Phase I will contribute approximately $450 million to funds from operations(1), based on the April 20, 2023 forward curve(2).
- Estimated capital to sustain production is approximately $150 million per year over the initial five years after achieving productive capacity.

Consistent with its NEBC operations, ARC plans to electrify the natural gas processing facility upon commissioning. This will reduce ARC's emissions intensity and contribute meaningfully towards achieving its emissions intensity reduction targets. As part of the Attachie development program, ARC is investing in water recycling infrastructure that will significantly reduce fresh water use.

(1) Refer to the section entitled *"About ARC Resources Ltd."* contained within the Q1 2023 MD&A for historical funds from operations, which information is incorporated by reference into this news release.
(2) Forward curve as at April 20, 2023 (US$WTI $65.00 per barrel and US$4.25/Mcf NYMEX).

2023 Guidance

ARC has updated its 2023 guidance to reflect stronger production and incorporate the sanction of Attachie Phase I.

ARC intends to invest between $1.8 billion and $1.9 billion in capital expenditures (previously $1.8 billion). The company plans to invest $250 million to $300 million at Attachie Phase I in 2023. The majority of the Attachie Phase I investment in 2023 will be allocated towards long-lead items and infrastructure construction. Revised guidance includes approximately $70 million of capital inflation that has been realized year-to-date.

Offsetting the investment for Attachie Phase I is lower capital investment required to sustain base production due to stronger than forecast well performance, and the removal of approximately $120 million of capital previously allocated for water infrastructure at Kakwa. In its place, ARC has secured a long-term agreement with a third-party for water infrastructure and disposal at competitive terms. The agreement is expected to decrease associated operating costs by between $30 million and $60 million per year beginning in 2024.

Other guidance revisions include a three per cent decrease to operating costs per boe, and slight revisions to the production mix to reflect a higher natural gas weight as a result of the third-party downtime in the first quarter, and updated timing of new well pads at Kakwa. All other expenses are unchanged.

ARC's 2023 preliminary annual guidance, 2023 revised annual guidance, and a review of 2023 year-to-date results are outlined below:

	2023 Preliminary Guidance	2023 Revised Guidance	2023 YTD Actual	% Variance from 2023 Revised Guidance
Crude oil (bbl/day)	8,500 - 9,000	**8,500 - 9,000**	7,884	(7)
Condensate (bbl/day)	79,000 - 81,000	**76,000 - 78,000**	71,085	(8)
Crude oil and condensate (bbl/day)	87,500 - 90,000	**84,500 - 87,000**	78,969	(8)
Natural gas (MMcf/day)	1,260 - 1,270	**1,295 - 1,305**	1,264	(2)
NGLs (bbl/day)	47,000 - 49,000	**49,000 - 51,000**	48,800	—
Total (boe/day)	345,000 - 350,000	**350,000 - 355,000**	338,377	(3)
Expenses ($/boe)(1)				
Operating	4.60 - 5.00	**4.45 - 4.85**	4.50	—
Transportation	5.50 - 6.00	**5.50 - 6.00**	5.61	—
General and administrative ("G&A") expense before share-based compensation expense	0.85 - 0.95	**0.85 - 0.95**	1.18	24
G&A - share-based compensation expense	0.25 - 0.35	**0.25 - 0.35**	(0.03)	(112)
Interest and financing(2)	0.65 - 0.75	**0.65 - 0.75**	0.59	(9)
Current income tax expense as a per cent of funds from operations(1)	10 - 15	**10 - 15**	11	—
Capital expenditures ($ billions)(3)	1.8	**1.8 - 1.9**	0.5	n/a

(1) See *"Non-GAAP and Other Financial Measures"* in the Q1 2023 MD&A for an explanation of the composition of these supplementary financial measures, which information is incorporated by reference into this news release.
(2) Excludes accretion of ARC's asset retirement obligation.
(3) Refer to the section entitled *"About ARC Resources Ltd."* contained within the Q1 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

Investor Day

ARC will host an Investor Update on Thursday, June 22, 2023 in Toronto. The live event will feature presentations from the executive leadership team and will provide greater insight into ARC's long-term strategy, including asset-level detail and details of the Attachie Phase I development.

FINANCIAL AND OPERATIONAL RESULTS

Production

- First quarter production averaged 338,377 boe per day (62 per cent natural gas and 38 per cent crude oil and liquids).
- Strong base production more than offset the previously announced unplanned third-party downtime. The total impact from the unplanned third-party outages was approximately 7,000 boe per day in the quarter with production fully restored in late February.
- Kakwa delivered first quarter 2023 average production of 181,867 boe per day. Since acquiring the asset in 2021, Kakwa has contributed $3.7 billion to ARC's free funds flow.

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

Funds from Operations and Cash Flow from Operating Activities

- First quarter 2023 funds from operations was $717 million ($1.16 per share), representing a decrease of $269 million from the fourth quarter of 2022. This decrease was primarily driven by lower production and lower commodity prices. Partially offsetting these items were as follows:
  - G&A expense of $35 million ($0.06 per share) decreased by 38 per cent or $21 million from the fourth quarter of 2022 and was in-line with guidance. The decrease in G&A expense quarter over quarter primarily reflects the decrease in the fair value of share-based compensation liabilities.
  - Realized losses on risk management contracts of $151 million decreased $128 million from the fourth quarter of 2022. ARC has approximately 25 per cent of its natural gas hedged in 2023, primarily through collars and weighted to the summer months.
- First quarter 2023 cash flow from operating activities was $540 million.

Free Funds Flow & Shareholder Returns

- ARC generated free funds flow of $230 million ($0.37 per share) during the first quarter of 2023.
- ARC distributed 106 per cent or $243 million ($0.39 per share) of free funds flow to shareholders through a combination of dividends and share repurchases under its NCIB.
- With net debt approaching the bottom end of ARC's debt targets, ARC intends to return essentially all free funds flow to shareholders in 2023.

Dividends

- During the first quarter 2023, ARC declared dividends of $92 million ($0.15 per share).
- The Board approved a 13 per cent increase to the quarterly dividend, from $0.15 per share to $0.17 per share. The dividend increase is effective with the second quarter dividend payable on July 17, 2023 to shareholders of record on June 30, 2023.

Share Repurchases

- During the first quarter of 2023, ARC repurchased 10 million common shares under its NCIB at a weighted average price of $15.51 per share.

- ARC has repurchased 44 million common shares since renewing its NCIB on September 1, 2022, representing 67 per cent of its current NCIB allotment.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 16 per cent of total outstanding shares, or 116 million common shares, at a weighted average price of $15.54 per share.

The following table details the change in funds from operations for the first quarter of 2023 relative to the fourth quarter of 2022.

Funds from Operations Reconciliation	$ millions	$/share(1)
Funds from operations for the three months ended December 31, 2022	986.2	1.56
Production volumes		
Crude oil and liquids	**(136.7)**	**(0.22)**
Natural gas	**(56.0)**	**(0.09)**
Commodity prices		
Crude oil and liquids	**(29.0)**	**(0.04)**
Natural gas	**(275.2)**	**(0.45)**
Sales of commodities purchased from third parties	**(89.5)**	**(0.14)**
Interest and other income	**(0.2)**	—
Realized loss on risk management contracts	**127.5**	**0.20**
Royalties	**94.7**	**0.15**
Expenses		
Commodities purchased from third parties	**67.8**	**0.11**
Operating	**7.6**	**0.01**
Transportation	**17.7**	**0.03**
G&A	**21.0**	**0.03**
Interest and financing	**4.5**	**0.01**
Current income tax	**(8.5)**	**(0.01)**
Realized loss on foreign exchange	**(17.0)**	**(0.03)**
Other	**2.5**	—
Weighted average shares, diluted	—	**0.04**
Funds from operations for the three months ended March 31, 2023	**717.4**	**1.16**

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

Operating and Transportation Expense

Operating Expense

- ARC's first quarter 2023 operating expense was $4.50 per boe, slightly below the Company's guidance range of $4.60 to $5.00 per boe.
- ARC revised its 2023 guidance to include a decrease in operating expenses to $4.45 to $4.85 (previously $4.60 - $5.00).
- ARC executed a third-party agreement for water disposal and related infrastructure at Kakwa. The agreement is expected to reduce operating costs by between $30 million and $60 million per year beginning in 2024.

Transportation Expense

- ARC's first quarter 2023 transportation expense per boe of $5.61 decreased by two per cent from the fourth quarter of 2022 and was in-line with ARC's guidance range of $5.50 to $6.00 per boe. The decrease is primarily related to lower fuel gas expense.

Cash Flow Used in Investing Activities and Capital Expenditures

- In the first quarter 2023, ARC's cash flow used in investing activities was $397 million. Of this, ARC invested $485 million in capital expenditures to drill 46 wells and complete 34 wells.

- ARC disposed of certain non-core assets for cash proceeds of $74 million. These proceeds were subsequently used to repurchase ARC shares.

The following table details ARC's capital activity by area during the first quarter of 2023.

	Three Months Ended March 31, 2023	
Area	**Wells Drilled**[1][2]	**Wells Completed**[1]
Kakwa	**28**	**21**
Greater Dawson	**8**	**—**
Sunrise	**6**	**5**
Ante Creek	**4**	**8**
Total	**46**	**34**

(1) Wells drilled and completed for operated assets only.
(2) Excludes disposal wells.

Physical Marketing and LNG

- During the first quarter, ARC's infrastructure and committed takeaway capacity played a critical role in mitigating price volatility at AECO while capturing additional margin during periods of price volatility at various points in North America.

- ARC's first quarter average realized natural gas price was $5.89 per Mcf, 36 per cent higher than the average AECO 7A Monthly Index price for the period.

  - ARC's 170,000 MMBtu per day of physical exposure to Malin represented approximately 13 per cent of its total production. During the first quarter, the PG&E Malin daily price averaged US$9.39 per Mcf.

- ARC entered into a non-binding Memorandum of Understanding for a 20-year agreement to supply and liquefy approximately 200 MMcf per day of natural gas with the Cedar LNG Project in BC. This represents the equivalent of 1.5 million tonnes per annum of LNG or approximately one half of the facility's total production. ARC is advancing a binding agreement and continues to pursue LNG offtake arrangements to increase its anticipated total exposure to internationally linked natural gas pricing.

Net Debt

- As of March 31, 2023, ARC's long-term debt balance was $1.1 billion, and its net debt balance was $1.3 billion, or 0.3 times funds from operations.

  - 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.

  - Long-term debt is comprised of $1.0 billion of senior notes outstanding and $0.1 billion in borrowings under the Company's $1.8 billion credit facility.

- ARC holds an investment-grade credit rating, which allows the Company to have access to capital and to manage a low-cost capital structure. ARC is committed to protecting its strong financial position by maintaining significant financial flexibility with its balance sheet.

Net Income

- ARC recognized net income of $575 million ($0.93 per share) during the first quarter of 2023, a decrease of $166 million ($0.25 per share) from the fourth quarter 2022.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's first quarter 2023 results on Friday, May 5, 2023, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, May 5, 2023
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	96684414
Webcast URL	https://app.webinar.net/BRjv830OJ7k

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, 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 relative to those budgeted by the Company on an annual basis. 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 most 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 December 31, 2022	 **March 31, 2023**	 March 31, 2022
Cash flow used in investing activities	350.7	**397.4**	346.7
Acquisition of crude oil and natural gas assets	(0.1)	**(0.5)**	(0.8)
Disposal of crude oil and natural gas assets	—	**73.6**	7.4
Long-term investments	(3.3)	**(1.2)**	—
Change in non-cash investing working capital	30.1	**16.0**	(22.7)
Other (1)	5.9	**2.1**	2.7
Capital expenditures	383.3	**487.4**	333.3

(1) 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 through 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. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

Free Funds Flow ($ millions)	Three Months Ended December 31, 2022	 **March 31, 2023**	 March 31, 2022
Cash flow from operating activities	878.3	**540.3**	758.8
Net change in other liabilities	13.9	**13.7**	40.8
Change in non-cash operating working capital	94.0	**163.4**	(56.0)
Funds from operations	986.2	**717.4**	743.6
Capital expenditures(1)	(383.3)	**(487.4)**	(333.3)
Free funds flow	602.9	**230.0**	410.3

(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 2023 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: ARC's 2023 guidance, including planned capital expenditures (and the commodity prices at which such capital expenditures are fully funded by funds from operations), production guidance, production estimates and expenses; the expectation that transportation costs will decrease over the balance of the year; statements with respect to the 2023 capital budget including the planned investment and allocation of the 2023 capital budget; the long-term natural gas supply agreement with Cheniere and the anticipated timing and benefits thereof; the anticipated timing of development of Attachie Phase I and the anticipated benefits therefrom; the ability of the Attachie asset to drive production and reserve growth; the anticipated recovery of capital and annual production form the Attachie asset; ARC's plans to electrify the natural gas facility through BC Hydro and the anticipated benefits therefrom; the anticipated operation expenses per boe in 2023; the anticipated reduction in corporate operating expense as a result of the water infrastructure investment at Kakwa and the anticipated timing thereof; plans to allocate surplus funds from operations to returns to shareholders; the anticipated increase in free funds flow allocations to shareholders; the continued assessment of dividends and payment thereof; ARC's plans with respect to growing its dividend and increasing the dividend on a per share basis as shares are retired through the NCIB or other means; ARC's target net debt to funds from operations ratio at mid-cycle commodity prices; ARC's 2023 guidance estimates and 2023 outlook; and other statements. 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 2023 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 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 2023, 2024 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 Phase I, 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 2023 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; 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.
Suite 1200, 308 - 4 Avenue SW
Calgary, AB T2P 0H7

Q1 2023

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 4, 2023 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, 2023, and the MD&A and audited consolidated financial statements for the year ended December 31, 2022, as well as ARC’s Annual Information Form ("AIF"), each of which is available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

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

Throughout this MD&A and in other materials disclosed by the Company, ARC presents financial measures that adhere to Canadian generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"), however the Company also employs certain non-GAAP financial 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 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, 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 the sections entitled "Non-GAAP and Other Financial Measures", "Forward-looking Information and Statements", and "Glossary" 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 business performance. ARC's standards of 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 deliberate 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 with a large inventory of future drilling locations, and high-performance people and culture, these principles make ARC a differentiated company.

Highlights

Corporate highlights for the annual periods of 2019 through 2022 and the three months ended March 31, 2023 are shown in Table 1:

Table 1

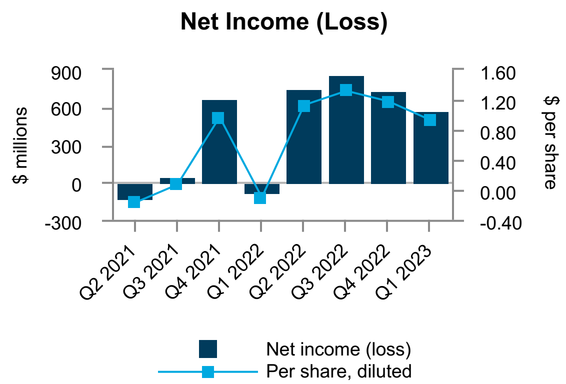
($ millions, except per share amounts, or unless otherwise noted)	**2023 YTD**	2022	2021	2020	2019
Production (1)					
Crude oil (bbl/d)	**7,884**	7,904	10,435	15,726	17,591
Condensate (bbl/d)	**71,085**	78,489	59,958	13,519	10,066
Crude oil and condensate (bbl/d)	**78,969**	86,393	70,393	29,245	27,657
Natural gas (MMcf/d)	**1,264**	1,259	1,149	739	623
NGLs (bbl/d)	**48,800**	49,385	40,084	9,112	7,578
Total production (boe/d)	**338,377**	345,613	302,003	161,564	139,126
Average daily production per thousand shares (2)	**0.55**	0.52	0.48	0.46	0.39
Net income (loss)	**574.9**	2,302.3	786.6	(547.2)	(27.6)
Net income (loss) per share	**0.93**	3.47	1.25	(1.55)	(0.08)
Cash flow from operating activities	**540.3**	3,833.3	2,006.5	655.7	638.8
Cash flow from operating activities per share (3)	**0.87**	5.78	3.20	1.86	1.81
Funds from operations (4)	**717.4**	3,712.5	2,415.4	667.6	697.4
Funds from operations per share (3)	**1.16**	5.60	3.85	1.89	1.97
Free funds flow (5)	**230.0**	2,270.6	1,353.6	324.4	5.9
Free funds flow per share (6)	**0.37**	3.42	2.16	0.92	0.02
Cash flow used in investing activities	**397.4**	1,413.2	808.1	364.3	673.3
Capital expenditures (7)	**487.4**	1,441.9	1,061.8	343.2	691.5
Long-term debt (8)	**1,056.0**	990.0	1,705.3	701.9	877.6
Net debt (4)	**1,264.7**	1,301.5	1,828.7	693.5	894.0
Net debt to funds from operations (ratio) (4)	**0.3**	0.4	0.8	1.0	1.3
Return on average capital employed ("ROACE") (%) (9)	**45**	35	18	(18)	(2)
Proved plus probable reserves (MMboe) (10)(11)	**n/a**	1,828.6	1,760.6	929.0	909.9
Proved plus probable reserves per share (boe) (10)(11)	**n/a**	2.8	2.8	2.6	2.6

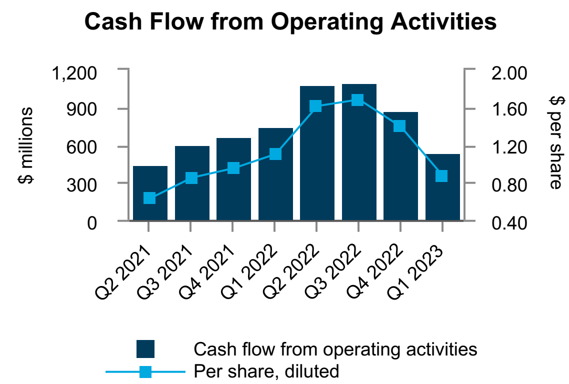
(1) Reported production amount is based on Company's interest before royalty burdens.
(2) Represents average daily production divided by the diluted weighted average common shares outstanding for the three months ended March 31, 2023, and for the respective years ended December 31, 2022, 2021, 2020, and 2019.
(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 financial 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 ratios 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 financial 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 ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar ratios 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.

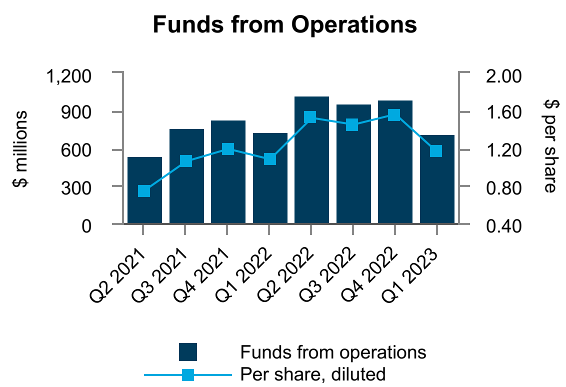
QUARTERLY RESULTS (1)

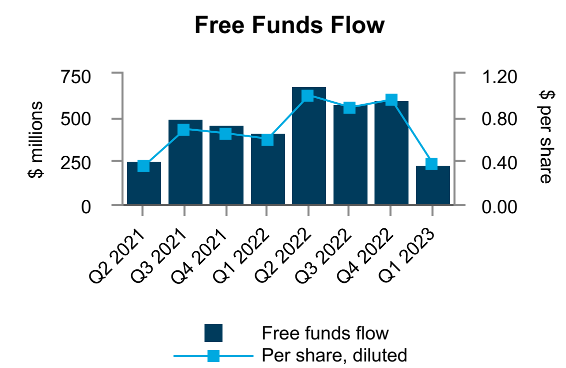
Trends in net income (loss), cash flow from operating activities, and funds from operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices. Net income (loss) is also impacted by changes in the value of risk management contracts and impairment or reversal of impairment of property, plant and equipment ("PP&E").

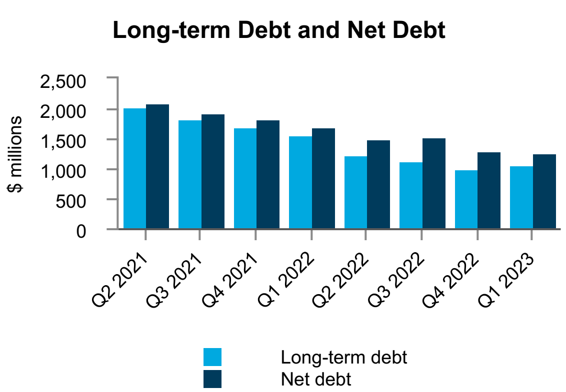
Exhibit 1

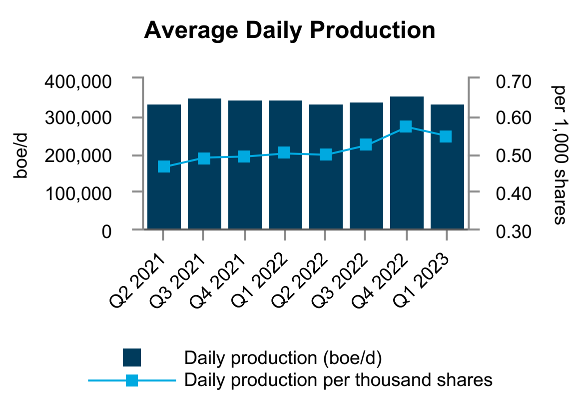












(1) The details contained in the graphs above are included in the section entitled "Quarterly Historical Review" contained within this MD&A.

ANNUAL GUIDANCE

ARC's board of directors (the "Board") has approved the sanction of the Attachie Phase I (“Attachie Phase I”) project. The capital costs to construct and fill the facility are approximately $740 million. Attachie Phase I is expected to deliver approximately 40,000 boe per day, and includes a 90 MMcf per day natural gas processing facility and 25,000 barrels per day of liquids-handling infrastructure.

ARC has updated its 2023 guidance to reflect stronger production and incorporate the sanction of Attachie Phase I.

ARC intends to invest between $1.8 billion and $1.9 billion in capital expenditures (previously $1.8 billion). The company plans to invest $250 million to $300 million at Attachie Phase I in 2023. The majority of the Attachie Phase I investment in 2023 will be allocated towards long-lead items and infrastructure construction. Revised guidance includes approximately $70 million of capital inflation that has been realized year-to-date.

Offsetting the investment for Attachie Phase I is lower capital investment required to sustain base production due to stronger than forecast well performance, and the removal of approximately $120 million of capital previously allocated for water infrastructure at Kakwa. In its place, ARC has secured a long-term agreement with a third-party for water infrastructure and disposal at competitive terms. The agreement is expected to decrease associated operating costs by between $30 million and $60 million per year beginning in 2024.

Other guidance revisions include a three per cent decrease to operating costs per boe, and slight revisions to the production mix to reflect a higher natural gas weight as a result of the third-party downtime in the first quarter, and updated timing of new well pads at Kakwa. All other expenses are unchanged. Refer to the news release dated May 4, 2023, entitled "*ARC Resources Ltd. Reports First Quarter 2023 Results and Announces the Sanction of Attachie and Dividend Increase*".

ARC's 2023 preliminary annual guidance, 2023 revised annual guidance, and a review of 2023 year-to-date results are outlined below:

Table 2

	2023 Preliminary Guidance	2023 Revised Guidance	2023 YTD Actual	% Variance from 2023 Revised Guidance
Production				
Crude oil (bbl/d)	8,500 - 9,000	8,500 - 9,000	**7,884**	(7)
Condensate (bbl/d)	79,000 - 81,000	76,000 - 78,000	**71,085**	(8)
Crude oil and condensate (bbl/d)	87,500 - 90,000	84,500 - 87,000	**78,969**	(8)
Natural gas (MMcf/d)	1,260 - 1,270	1,295 - 1,305	**1,264**	(2)
NGLs (bbl/d)	47,000 - 49,000	49,000 - 51,000	**48,800**	—
Total (boe/d)	345,000 - 350,000	350,000 - 355,000	**338,377**	(3)
Expenses ($/boe) (1)				
Operating	4.60 - 5.00	4.45 - 4.85	**4.50**	—
Transportation	5.50 - 6.00	5.50 - 6.00	**5.61**	—
General and administrative ("G&A") expense before share-based compensation expense	0.85 - 0.95	0.85 - 0.95	**1.18**	24
G&A - share-based compensation expense	0.25 - 0.35	0.25 - 0.35	**(0.03)**	(112)
Interest and financing (2)	0.65 - 0.75	0.65 - 0.75	**0.59**	(9)
Current income tax expense, as a per cent of funds from operations (1)	10 - 15	10 - 15	**11**	—
Capital expenditures ($ billions) (3)	1.8	1.8 - 1.9	**0.5**	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) Excludes accretion of ARC's asset retirement obligation ("ARO").
(3) Refer to the section entitled "About ARC Resources Ltd." contained within this MD&A for historical capital expenditures.

Production, G&A - share-based compensation expense, and interest and financing are all currently below their respective guidance ranges, but are expected to trend towards the guidance ranges through the remainder of the year. G&A expense before share-based compensation expense is currently above the guidance range, but is expected to trend towards the guidance range through the remainder of the year.

Exhibit 2

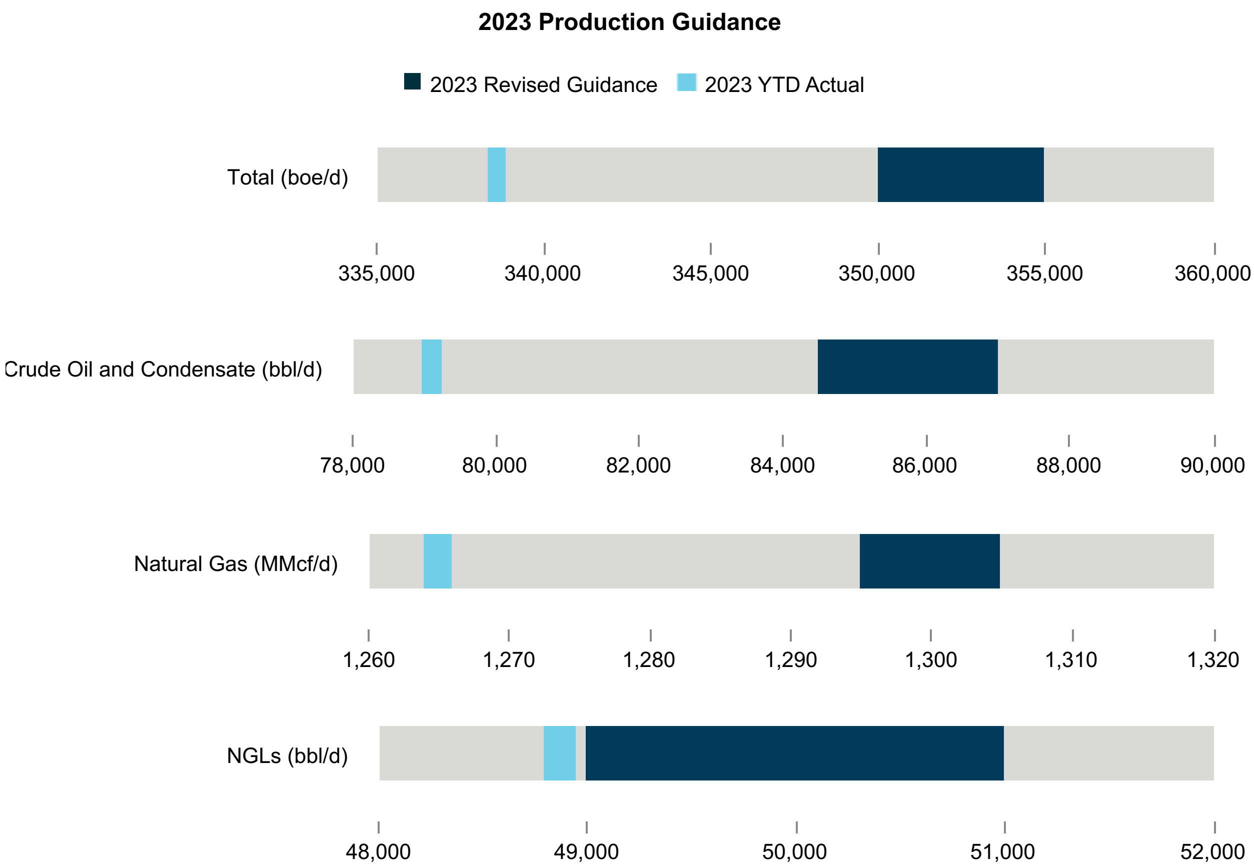
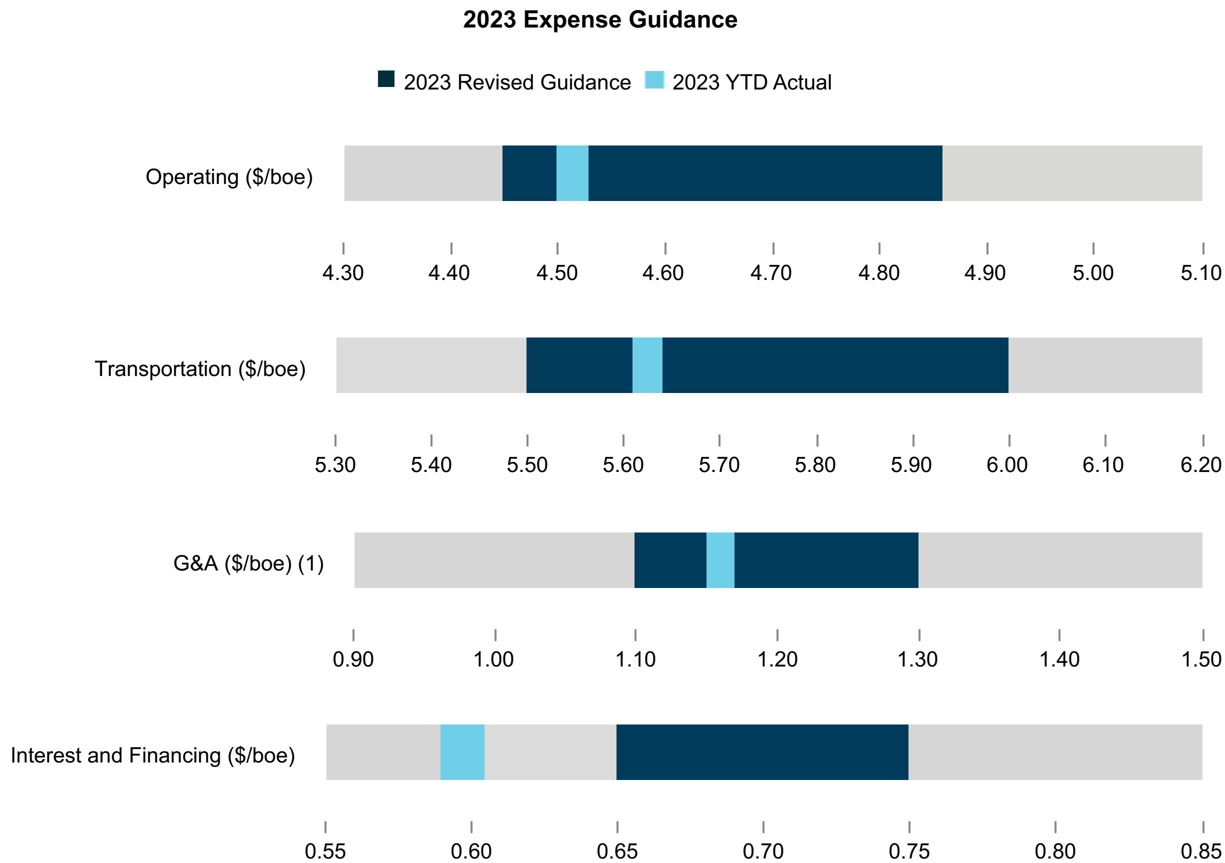

2023 Production Guidance
2023 Revised Guidance
2023 YTD Actual
Total (boe/d)
335,000
340,000
345,000
350,000
355,000
360,000
Crude Oil and Condensate (bbl/d)
78,000
80,000
82,000
84,000
86,000
88,000
90,000
Natural Gas (MMcf/d)
1,260
1,270
1,280
1,290
1,300
1,310
1,320
NGLs (bbl/d)
48,000
49,000
50,000
51,000
52,000

Exhibit 2a



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

2023 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

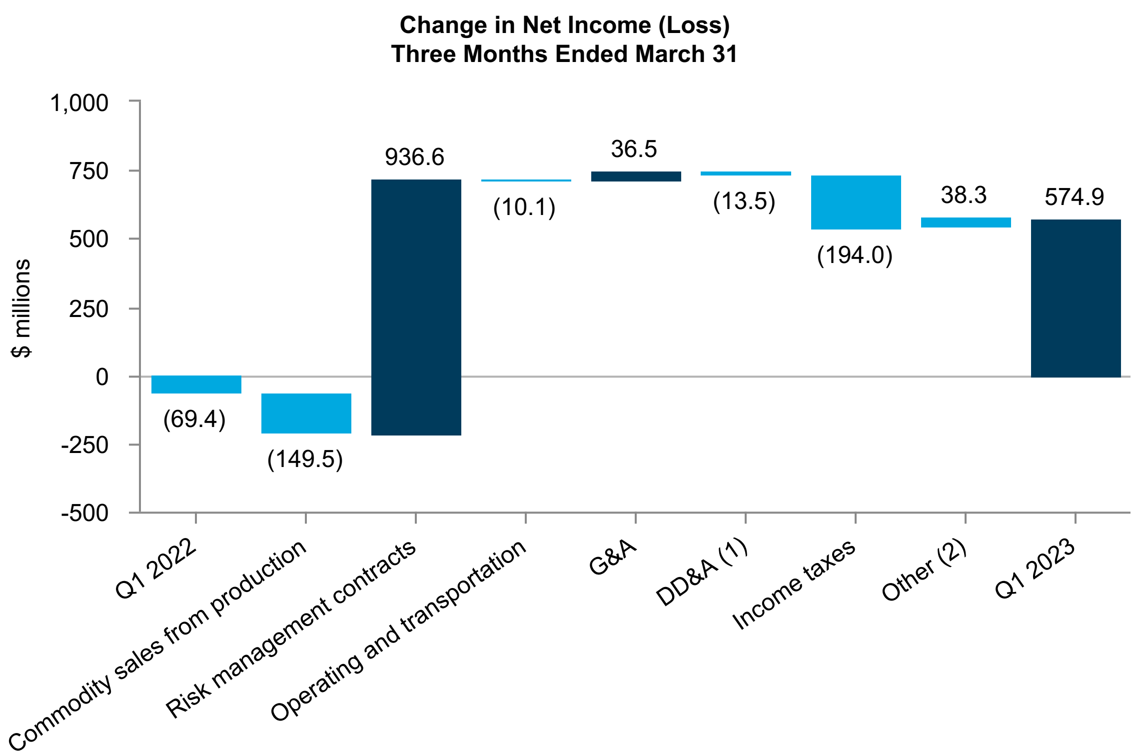
	Three Months Ended			
($ millions, except per share and volume data)	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
Net income (loss)	741.0	**574.9**	(69.4)	928
Net income (loss) per share	1.18	**0.93**	(0.10)	1,030
Cash flow from operating activities	878.3	**540.3**	758.8	(29)
Cash flow from operating activities per share	1.39	**0.87**	1.10	(21)
Funds from operations	986.2	**717.4**	743.6	(4)
Funds from operations per share	1.56	**1.16**	1.08	7
Free funds flow	602.9	**230.0**	410.3	(44)
Free funds flow per share	0.96	**0.37**	0.60	(38)
Dividends declared per share [(1)]	0.15	**0.15**	0.10	50
Average daily production (boe/d)	359,730	**338,377**	344,447	(2)

(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 2023, ARC recognized net income of $574.9 million ($0.93 per share), an increase of $644.3 million from ARC's first quarter 2022 net loss of $69.4 million ($0.10 per share). The increase in net income compared to the same period of the prior year is primarily attributed to a gain on risk management contracts of $109.1 million compared to a loss of $827.5 million. This was partially offset by a decrease in commodity sales from production of $149.5 million, due to lower average realized commodity prices and a decrease in production volumes, and an income tax expense of $167.4 million compared to an income tax recovery of $26.6 million.

Exhibit 3



(1) Depletion, depreciation and amortization ("DD&A").
(2) Includes royalties, sales of commodities purchased from third parties, interest and other income, commodities purchased from third parties, interest and financing, reversal of impairment of financial assets, impairment of PP&E, and foreign exchange.

Cash Flow from Operating Activities and Funds from Operations

Cash flow from operating activities for the three months ended March 31, 2023, was $540.3 million, a decrease of $218.5 million from ARC's first quarter 2022 cash flow from operating activities of $758.8 million. The decrease in cash flow from operating activities for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, is primarily due to lower funds from operations and the difference in changes in non-cash working capital related to operating activities.

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 financial performance 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 to funds from operations and its most directly comparable GAAP measure, cash flow from operating activities:

Table 4

		Three Months Ended	
($ millions)	December 31, 2022	**March 31, 2023**	March 31, 2022
Net income (loss)	741.0	**574.9**	(69.4)
Adjusted for the following non-cash items:			
Impairment (reversal of impairment) of financial assets	4.2	**(7.9)**	(0.3)
DD&A	364.2	**336.9**	323.4
Impairment of PP&E	—	**2.1**	—
Accretion of ARO	3.1	**3.2**	2.4
Deferred taxes	169.2	**90.4**	(81.6)
Unrealized loss (gain) on risk management contracts	(317.6)	**(259.6)**	573.2
Unrealized loss (gain) on foreign exchange	21.2	**(0.1)**	(3.0)
Gain on disposal of crude oil and natural gas assets	—	**(25.9)**	(1.6)
Other	0.9	**3.4**	0.5
Funds from operations	986.2	**717.4**	743.6
Net change in other liabilities	(13.9)	**(13.7)**	(40.8)
Change in non-cash working capital	(94.0)	**(163.4)**	56.0
Cash flow from operating activities	878.3	**540.3**	758.8

Details of the change in funds from operations from the three months ended March 31, 2022 to the three months ended March 31, 2023 are included in Table 5 below:

Table 5

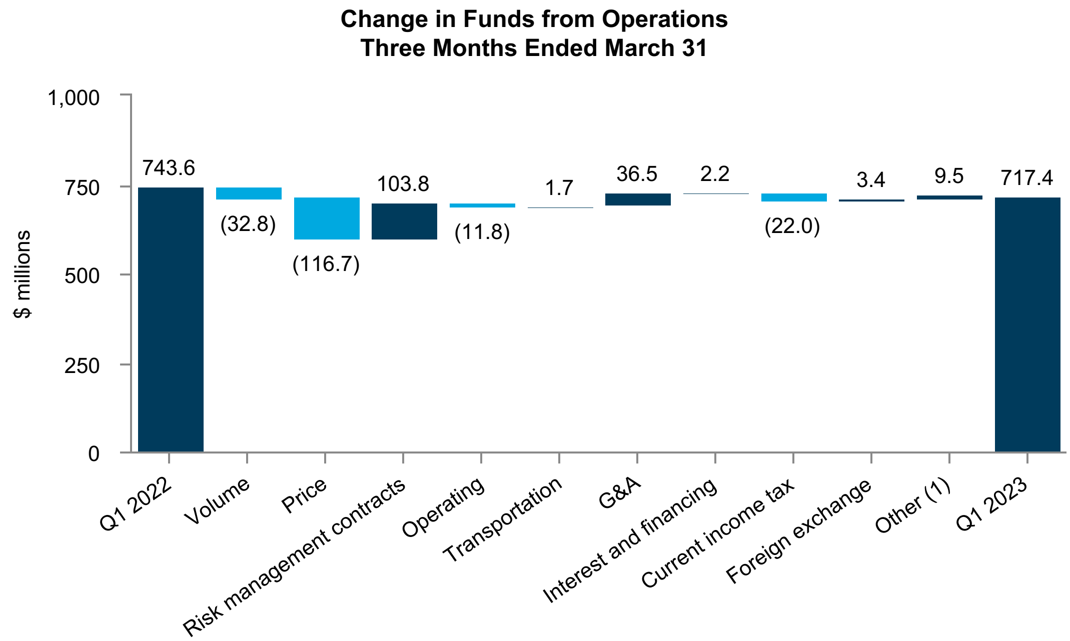
	Three Months Ended March 31	
	$ millions	$/Share
Funds from operations – 2022	743.6	1.08
Production volume variance		
Crude oil and liquids	**(24.0)**	**(0.03)**
Natural gas	**(8.8)**	**(0.01)**
Commodity price variance		
Crude oil and liquids	**(106.6)**	**(0.16)**
Natural gas	**(10.1)**	**(0.01)**
Sales of commodities purchased from third parties	**(193.2)**	**(0.28)**
Interest and other income	**(2.0)**	**—**
Realized loss on risk management contracts	**103.8**	**0.15**
Royalties	**0.2**	**—**
Expenses		
Commodities purchased from third parties	**201.6**	**0.29**
Operating	**(11.8)**	**(0.02)**
Transportation	**1.7**	**—**
G&A	**36.5**	**0.05**
Interest and financing	**2.2**	**—**
Current income tax	**(22.0)**	**(0.03)**
Realized loss on foreign exchange	**3.4**	**—**
Other	**2.9**	**—**
Weighted average shares, diluted	**—**	**0.13**
Funds from operations – 2023	**717.4**	**1.16**

Funds from operations generated in the first quarter of 2023 decreased by $26.2 million to $717.4 million ($1.16 per share) from $743.6 million ($1.08 per share) generated in the first quarter of 2022.

The decrease in funds from operations for the three months March 31, 2023, is primarily due to lower commodity sales from production, resulting from lower average realized commodity prices. This was partially offset by a decrease in the realized loss on risk management contracts, also attributed to lower commodity prices.

Funds from operations per share increased for the three months ended March 31, 2023, as compared to the same period of the prior year, reflecting fewer shares outstanding as a result of share repurchases under a normal course issue bid ("NCIB"). Refer to the section entitled "Shareholders' Equity" contained within this MD&A.

Exhibit 4



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

Net Income Sensitivity

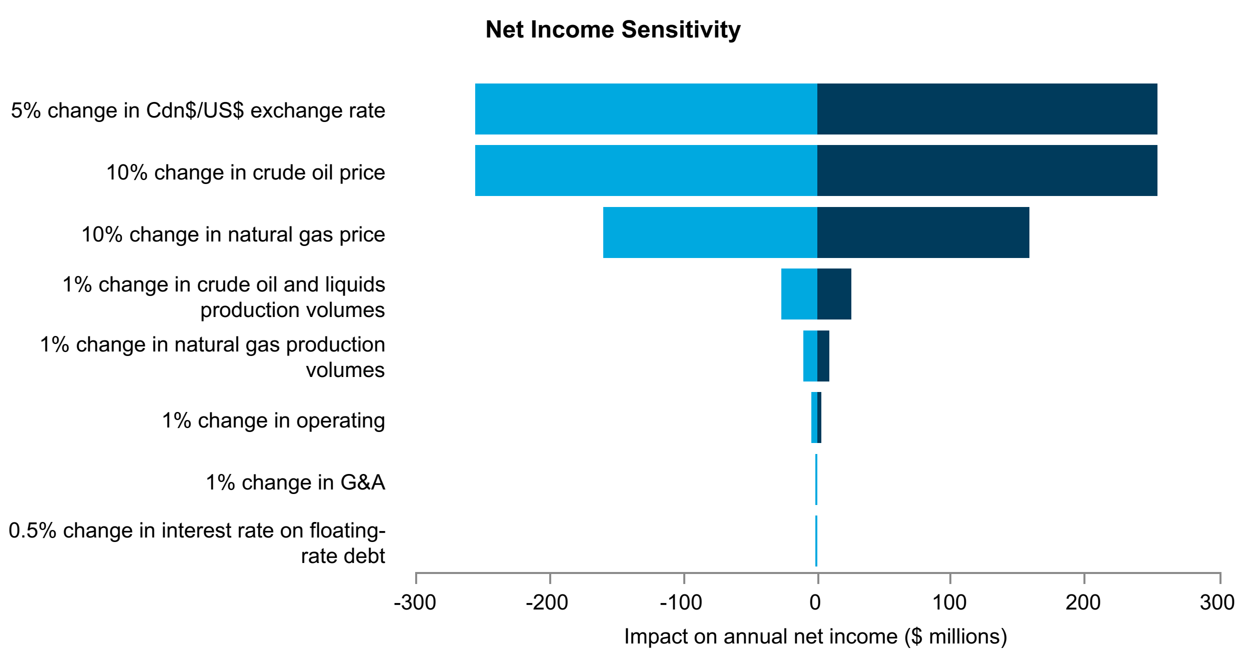
Table 6 illustrates sensitivities of operating items to business environment and operational changes and the resulting impact on net income:

Table 6

			Impact on Annual Net Income	
	Assumption	Change	Notional Amount ($ millions)	$/Share
Business Environment [1]				
Crude oil price ($/bbl) [2][3]	92.78	10 %	255.1	0.412
Natural gas price ($/Mcf) [2]	5.89	10 %	159.6	0.258
Cdn$/US$ exchange rate [2][4]	1.35	5 %	255.5	0.413
Interest rate on floating-rate debt	6.24 %	0.5 %	0.3	0.001
Operational [5]				
Crude oil and liquids production (bbl/d)	127,769	1 %	25.7	0.042
Natural gas production (MMcf/d)	1,264	1 %	10.4	0.017
Operating ($/boe)	4.50	1 %	4.2	0.007
G&A ($/boe)	1.15	1 %	1.1	0.002

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time. 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, 2023. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on net income 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 realized in US dollars.
(5) Operational assumptions are based upon results for the three months ended March 31, 2023 and the calculated impact on net income would only be applicable within a limited range of these amounts.

Exhibit 5



Production

Table 7

Production		Three Months Ended		
	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
Crude oil (bbl/d)	7,280	**7,884**	7,892	—
Condensate (bbl/d)	82,855	**71,085**	72,956	(3)
NGLs (bbl/d)	51,311	**48,800**	50,257	(3)
Crude oil and liquids (bbl/d)	141,446	**127,769**	131,105	(3)
Natural gas (MMcf/d)	1,310	**1,264**	1,280	(1)
Total production (boe/d)	359,730	**338,377**	344,447	(2)
Natural gas production (%)	61	**62**	62	—
Crude oil and liquids production (%)	39	**38**	38	—

For the three months ended March 31, 2023, crude oil and liquids production decreased three per cent as compared to the same period in the prior year. Decreases in condensate and NGLs production were primarily driven by declining well production in the Greater Dawson area, as well as a third-party pipeline outage that restricted transportation capacity during the quarter. These decreases were partially offset by increased production from new wells coming on-stream in the Kakwa area.

For the three months ended March 31, 2023, natural gas production decreased one per cent as compared to the same period in the prior year. The decrease was primarily driven by declining well production in the Greater Dawson and Sunrise areas, as well as some production shut-in in the Greater Dawson area due to a third-party pipeline outage. The decrease was largely offset by increased production from new wells coming on-stream in the Kakwa area.

Exhibit 6

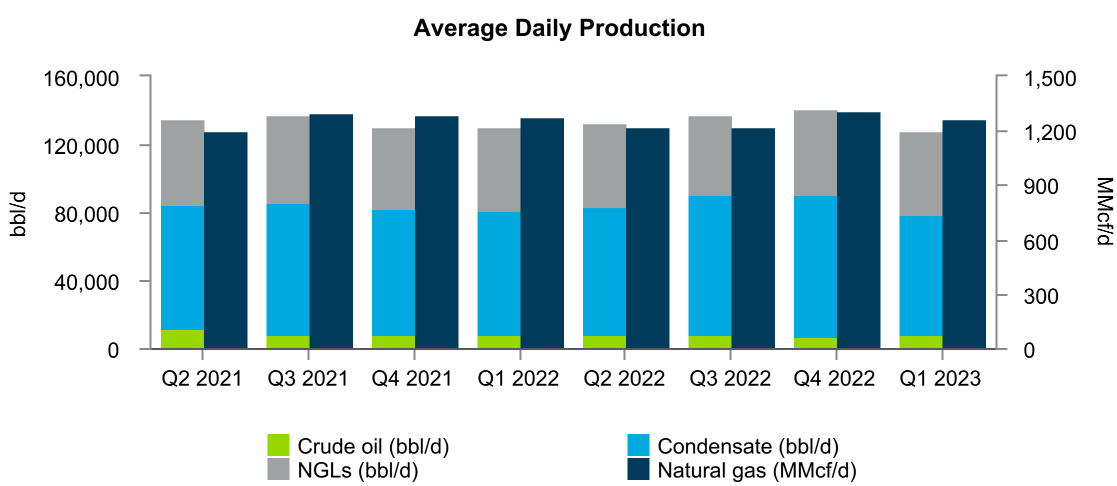


Table 8 summarizes ARC's production by core area for the three months ended March 31, 2023 and March 31, 2022:

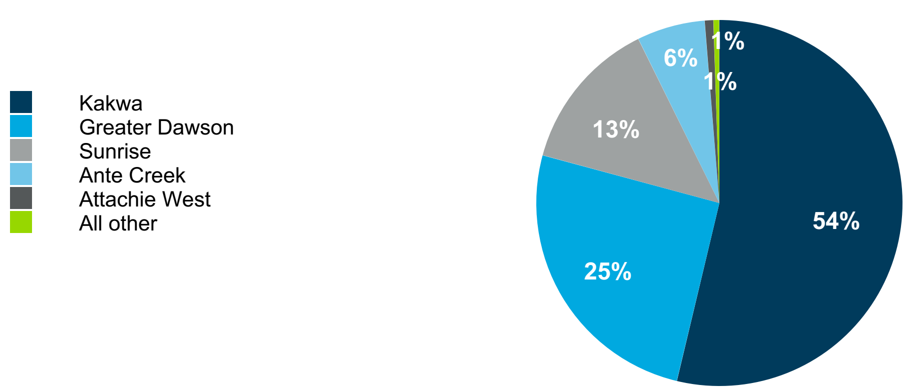
Table 8

	Three Months Ended March 31, 2023				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	**181,867**	15	61,596	481.2	40,061
Greater Dawson	**86,182**	975	7,348	429.9	6,205
Sunrise	**45,665**	—	246	272.5	—
Ante Creek	**20,314**	6,634	597	68.0	1,741
Attachie West	**2,613**	—	1,241	7.9	57
All other	**1,736**	260	57	4.1	736
Total	**338,377**	**7,884**	**71,085**	**1,263.6**	**48,800**

	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

Exhibit 7

Production by Core Area
Three Months Ended March 31, 2023



Commodity Sales from Production

For the three months ended March 31, 2023, commodity sales from production decreased by nine per cent as compared to the same period in 2022. The decrease for the three months ended March 31, 2023 is due to lower average realized commodity prices and decreased production volumes.

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

Table 9

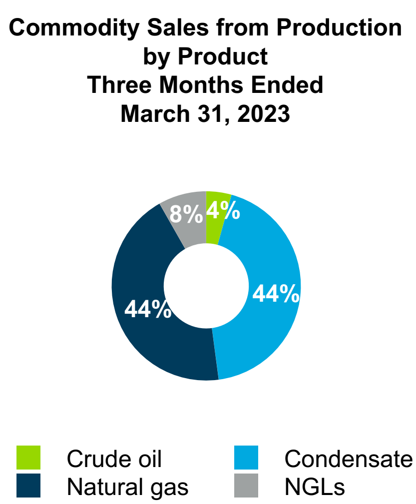
	Three Months Ended			
Commodity Sales from Production ($ millions)	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
Crude oil	69.3	**65.8**	79.2	(17)
Condensate	817.4	**666.0**	782.4	(15)
Natural gas	1,001.3	**670.1**	689.0	(3)
NGLs	136.4	**125.6**	126.4	(1)
Commodity sales from production	2,024.4	**1,527.5**	1,677.0	(9)

For the three months ended March 31, 2023, crude oil and liquids comprised 56 per cent of ARC's commodity sales from production, compared to 59 per cent for the same period in 2022. The decrease in crude oil and liquids weighting for the three months ended March 31, 2023 reflects lower crude oil and liquids production volumes and average realized crude oil and liquids prices depreciating relatively more than average realized natural gas prices.

Table 10

	Three Months Ended		
% of Commodity Sales from Production by Product Type	December 31, 2022	**March 31, 2023**	March 31, 2022
Crude oil and liquids	51	**56**	59
Natural gas	49	**44**	41
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, 2022	**March 31, 2023**	March 31, 2022	% Change
Average Benchmark Prices				
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	6.26	**3.42**	4.95	(31)
Chicago Citygate Monthly Index (US$/MMBtu)	5.86	**4.32**	5.75	(25)
AECO 7A Monthly Index (Cdn$/Mcf)	5.58	**4.34**	4.59	(5)
West Texas Intermediate ("WTI") crude oil (US$/bbl)	82.64	**75.99**	95.01	(20)
Cdn$/US$ exchange rate	1.36	**1.35**	1.27	6
WTI crude oil (Cdn$/bbl)	112.39	**102.59**	120.66	(15)
Peace Sour ("PSO") Price at Edmonton (Cdn$/bbl)	99.10	**89.90**	111.92	(20)
Condensate Stream Price at Edmonton (Cdn$/bbl)	113.20	**107.88**	122.56	(12)
ARC Average Realized Commodity Prices (1)				
Crude oil ($/bbl)	103.58	**92.78**	111.48	(17)
Condensate ($/bbl)	107.24	**104.10**	119.15	(13)
Natural gas ($/Mcf)	8.31	**5.89**	5.98	(2)
NGLs ($/bbl)	28.86	**28.59**	27.94	2
Average realized commodity price ($/boe)	61.17	**50.16**	54.10	(7)

(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 decreased eight per cent in the first quarter of 2023 compared to the prior quarter and decreased 20 per cent compared to the first quarter of 2022. With the lifting of most pandemic restrictions in China, the global crude oil demand outlook improved while global supply growth continued at a modest pace. Despite constructive underlying crude oil market fundamentals, concerns surrounding the global economy weighed on crude oil prices during the quarter. Macroeconomic risks were heightened as failures in the banking sector led to growing concern of financial contagion, negatively impacting many asset classes including energy commodities.

Canadian condensate differentials strengthened during the first quarter of 2023, relative to the prior quarter, due to seasonally strong demand from oil sands operations, combined with third-party infrastructure outages that impacted local condensate supply. The loss of domestic supply during a high demand period resulted in increased reliance on imported supply from the US, lending further support to Canadian condensate pricing during the period.

Average NYMEX Henry Hub natural gas prices decreased 45 per cent in the first quarter of 2023 compared to the prior quarter and decreased 31 per cent compared to the first quarter of 2022. Natural gas prices fell with US inventory levels trending above expectations as a result of steady supply and lower than expected demand. US demand for natural gas was negatively impacted by mild winter temperatures which limited heating demand, as well as a large US liquefied natural gas (“LNG”) facility remained offline or operated at reduced rates for the majority of the quarter.

The AECO 7A Monthly Index decreased 22 per cent in the first quarter of 2023 compared to the prior quarter and decreased five per cent compared to the first quarter of 2022. Similar to most other North American benchmark prices, AECO prices decreased during the quarter; however, record levels of local demand along with high export pipeline utilization resulted in a narrowing of AECO basis differentials relative to the Henry Hub benchmark, as compared to the prior quarter.

ARC's Average Realized Commodity Prices

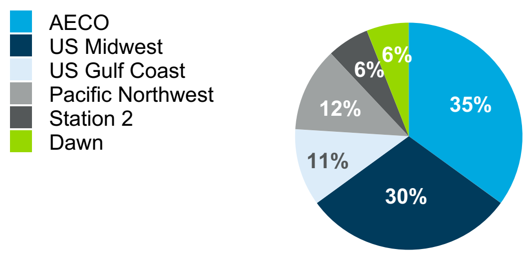
For the three months ended March 31, 2023, ARC's average realized crude oil price decreased 17 per cent compared to the same period in 2022. The decrease reflects a decline in the WTI benchmark price and wider differentials in the current period. For the three months ended March 31, 2023, ARC's average realized condensate price decreased 13 per cent compared to the same period in 2022. The decrease reflects a decline in the WTI benchmark price, partially offset by stronger differentials in the current period.

ARC's natural gas sales are physically diversified to multiple sales points within North America, each with different index-based pricing. ARC's average realized natural gas price for the three months ended March 31, 2023 decreased two per cent compared to the same period in the prior year. The decrease is primarily due to declines in the NYMEX Henry Hub and AECO 7A Monthly Index benchmark prices, partially offset by strong pricing at the Pacific Northwest sales point.

In March 2023, ARC entered into a non-binding Memorandum of Understanding for a 20-year agreement to supply and liquify approximately 200 MMcf per day of natural gas with the Cedar LNG Project in British Columbia. The parties are working towards finalizing a definitive agreement in support of the project proponents making a final investment decision on the project.

Exhibit 9

Natural Gas Sales by Sales Point
Three Months Ended
March 31, 2023



ARC's average realized NGLs price increased two per cent for the three months ended March 31, 2023 compared to the same period in 2022. The increase compared to the same period of the prior year is primarily a result of modifications to certain NGLs sales contracts.

Risk Management Contracts

Table 12 summarizes the gain or loss on risk management contracts for the three months ended March 31, 2023 compared to the same period in 2022:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Condensate**	**Natural Gas**	**NGLs and Foreign Currency**	**Q1 2023 Total**	Q1 2022 Total
Realized loss on risk management contracts (1)	(30.4)	(118.6)	(1.5)	**(150.5)**	(254.3)
Unrealized gain (loss) on risk management contracts (2)	69.5	190.3	(0.2)	**259.6**	(573.2)
Gain (loss) on risk management contracts	**39.1**	**71.7**	**(1.7)**	**109.1**	(827.5)

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

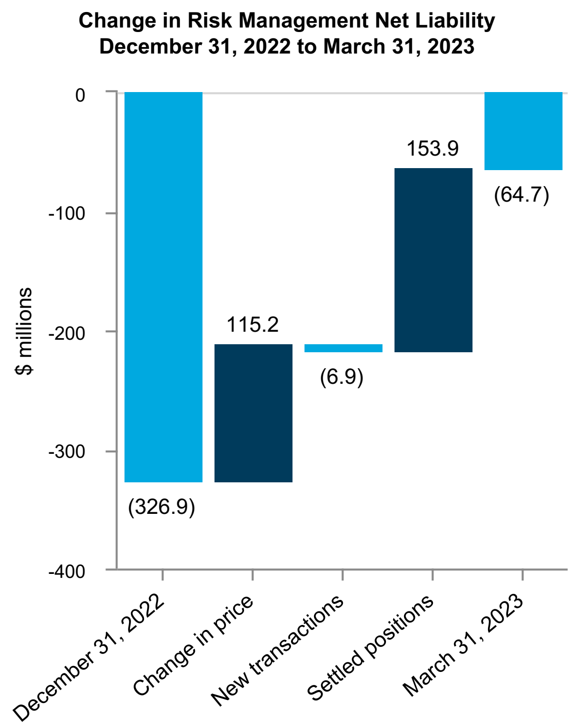
ARC's realized loss on risk management contracts results from cash settlements paid on WTI crude oil contracts, NYMEX Henry Hub natural gas contracts, AECO natural gas contracts, and natural gas basis differential contracts. The decrease in realized loss on risk management contracts for the three months ended March 31, 2023, compared to the same period of the prior year, is primarily a result of lower average commodity prices relative to contract prices.

ARC's unrealized gain on risk management contracts for the three months ended March 31, 2023, reflects the revaluation of WTI crude oil, NYMEX Henry Hub natural gas, and AECO natural gas contracts following settlements throughout the period as well as contracts outstanding with lower forward pricing as compared to the same period of the prior year.

The fair value of ARC's risk management contracts at March 31, 2023 was a net liability of $64.7 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after adjustments for credit risk. This comprises a net liability of $57.8 million from crude oil contracts, $4.6 million from natural gas contracts, and $2.3

million from foreign currency contracts, respectively. For more information, refer to Note 11 "Financial Instruments and Market Risk Management" in the financial statements.

Exhibit 10



Natural Gas - Embedded Derivative

ARC has a natural gas supply agreement that contains an embedded derivative as a result of a pricing formula that is reliant on Japan Korea Marker ("JKM") index pricing. For the three months ended March 31, 2023, the change in fair value of the embedded derivative resulted in an unrealized gain on risk management contracts of $11.0 million ($nil for the three months ended March 31, 2022). At March 31, 2023, the fair value of the embedded derivative was $7.0 million ($nil at March 31, 2022). The fair value reflects the estimated differential between JKM and Chicago Citygate forward pricing over the term of the agreement. Due to the long-term nature of the agreement and multiple variables impacting the estimated valuation, it is anticipated that the estimated fair value of the natural gas embedded derivative may fluctuate over time as the agreement matures. For further information, refer to Note 11 "Financial Instruments and Market Risk Management" in the financial statements.

Netback

The components of ARC's netback for the three months ended March 31, 2023 compared to the same period in 2022 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended			
Netback ($ millions) [1]	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
Commodity sales from production	2,024.4	**1,527.5**	1,677.0	(9)
Royalties	(336.8)	**(242.1)**	(242.3)	—
Operating	(144.7)	**(137.1)**	(125.3)	9
Transportation	(188.6)	**(170.9)**	(172.6)	(1)
Netback	1,354.3	**977.4**	1,136.8	(14)

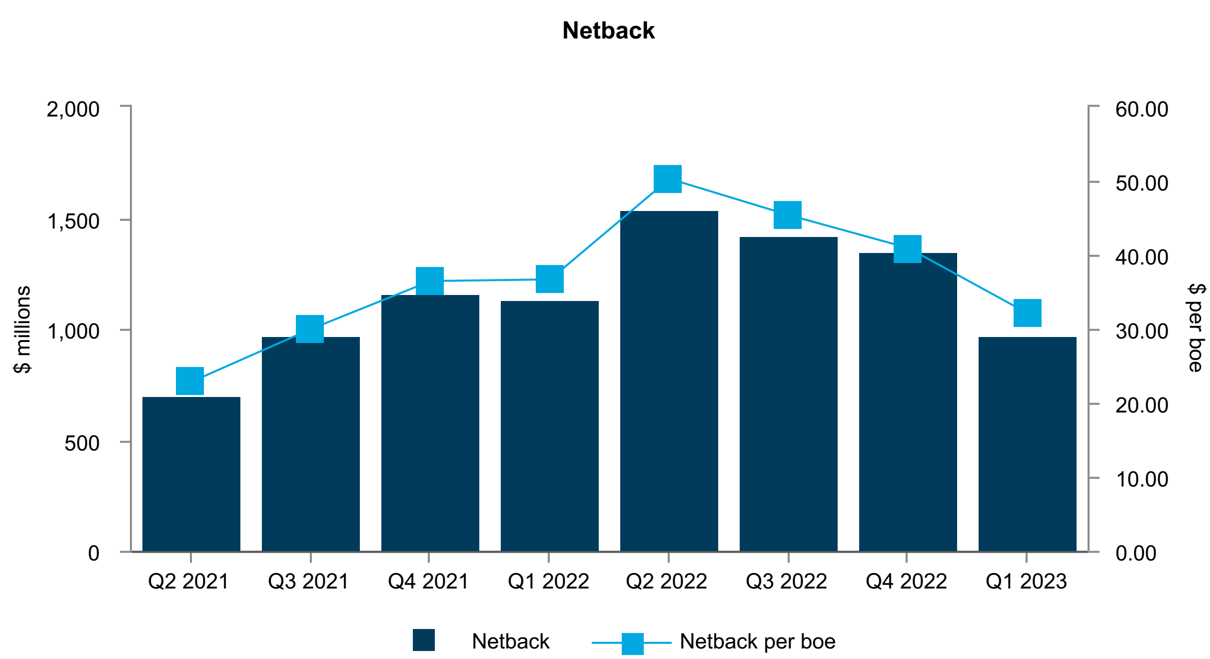
(1) Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

Table 13a

	Three Months Ended			
Netback ($ per boe) [1]	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
Commodity sales from production	61.17	**50.16**	54.10	(7)
Royalties[2]	(10.18)	**(7.96)**	(7.81)	2
Operating	(4.37)	**(4.50)**	(4.04)	11
Transportation	(5.70)	**(5.61)**	(5.57)	1
Netback	40.92	**32.09**	36.68	(13)

(1) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar ratios 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.
(2) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Exhibit 11

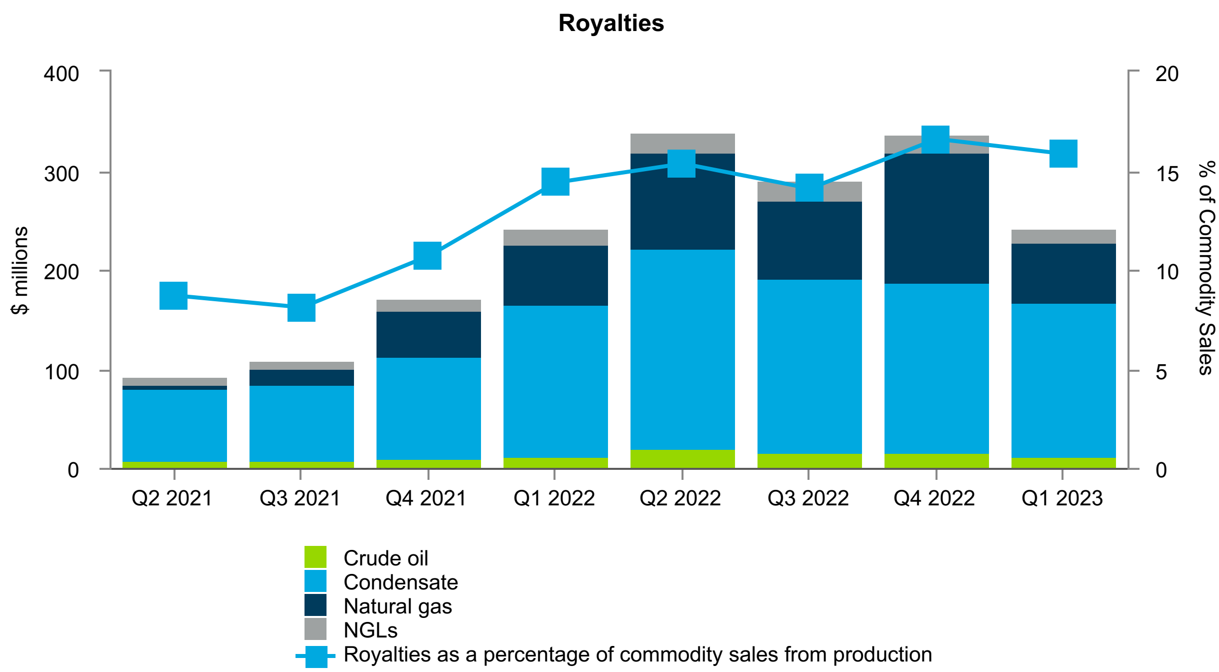


Royalties

Royalties for the three months ended March 31, 2023 were $242.1 million ($242.3 million for the same period in 2022). Royalties as a percentage of commodity sales from production[1] increased to 16 per cent ($7.96 per boe) in the first quarter of 2023 from 14 per cent ($7.81 per boe) in the first quarter of 2022. Royalties were relatively unchanged for the three months ended March 31, 2023 due to lower production volumes offset by an increase in royalty reference prices resulting from a reduction in certain royalty incentives realized, as compared to the same period in 2022. These factors also increased royalties as a percentage of commodity sales from production as compared to the same period in 2022.

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

Exhibit 12



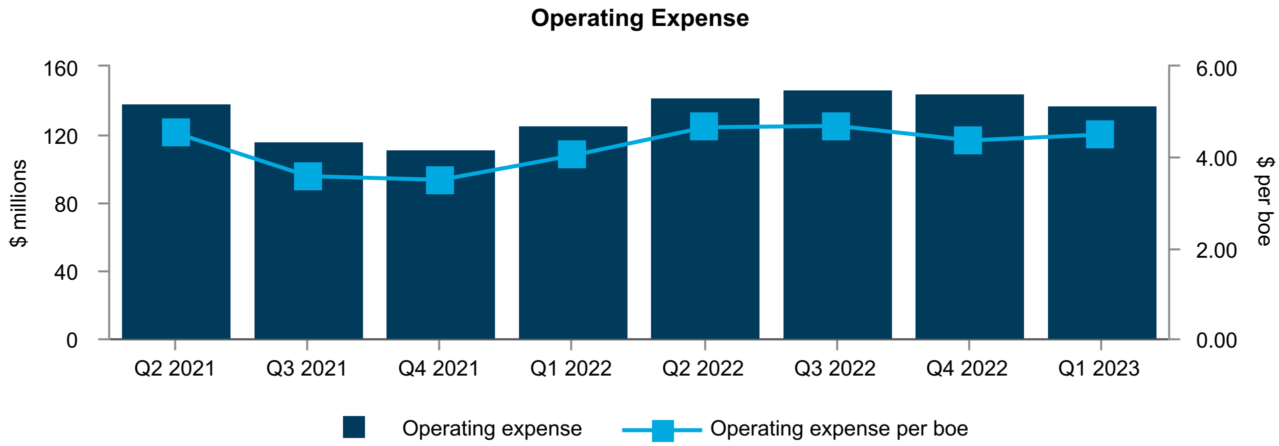
Operating

Operating expense for the three months ended March 31, 2023 was $137.1 million, an increase of nine per cent from $125.3 million for the three months ended March 31, 2022.

Operating expense per boe for the three months ended March 31, 2023 was $4.50 per boe, an increase of 11 per cent from $4.04 per boe for the three months ended March 31, 2022.

The increase in operating expense for the three months ended March 31, 2023, as compared to the same period of the prior year, reflects increased gas processing fees, increased scheduled maintenance activity, and higher chemical costs, primarily in the Kakwa area, as well as increased NGL extraction fees across all areas.

Exhibit 13



Transportation

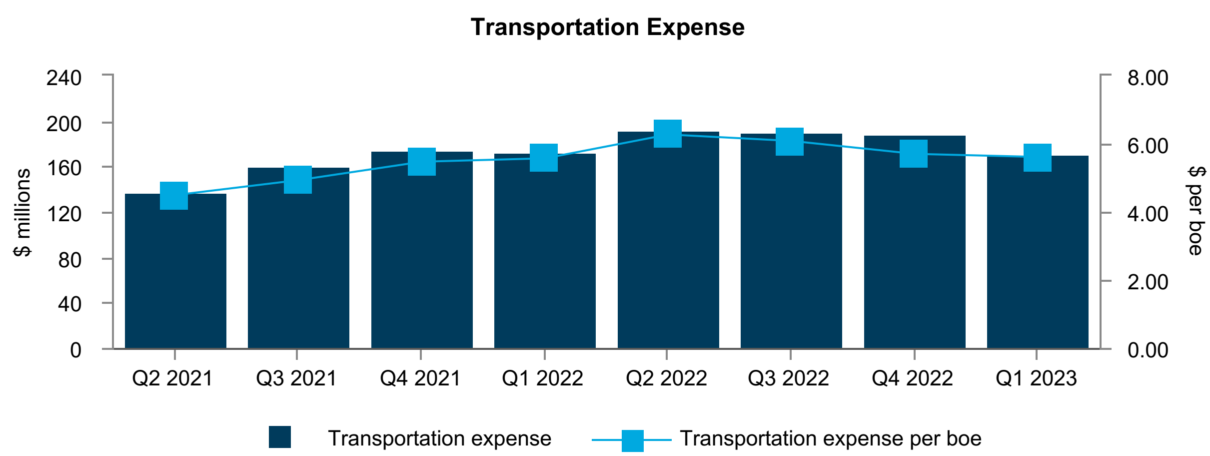
Transportation expense for the three months ended March 31, 2023 was $170.9 million, a decrease of one per cent from $172.6 million for the three months ended March 31, 2022.

Transportation expense per boe for the three months ended March 31, 2023 was $5.61 per boe, an increase of one per cent from $5.57 per boe for the three months ended March 31, 2022.

The decrease in transportation expense for the three months ended March 31, 2023, relative to the same period in 2022, reflects modifications to certain natural gas transportation contracts and lower fuel gas expense, partially offset by an increase in pipeline tariffs and trucking costs associated with crude oil and liquids transportation. The cost of fuel gas is recognized in transportation expense with a corresponding offset to commodity sales from production.

ARC enters into 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, 2023. 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 23 per cent to $36.0 million in the first quarter of 2023 from $29.3 million in the first quarter of 2022. The increase for the three months ended March 31, 2023 is primarily due to an increase in ARC's workforce size, increased employee compensation costs, and increased corporate expenses. This was partially offset by an increase in capitalized G&A.

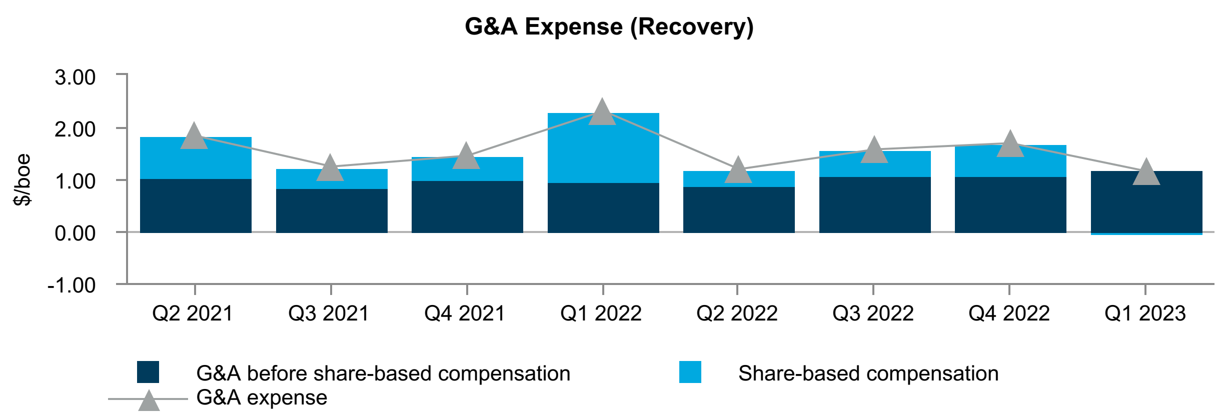
During the three months ended March 31, 2023, ARC recognized a G&A recovery of $1.0 million associated with its share-based compensation plans, compared to an expense of $42.2 million during the same period of the prior year. The decrease for the three months ended March 31, 2023 is primarily due to a decrease in ARC's share price compared to an increase in the same period of the prior year, impacting the revaluation of the liability associated with ARC's share-based compensation plans.

Table 14 is a breakdown of G&A expense:

Table 14

		Three Months Ended		
G&A Expense ($ millions, except per boe)	December 31, 2022	**March 31, 2023**	March 31, 2022	% Change
G&A expense before share-based compensation expense	36.2	**36.0**	29.3	23
G&A – share-based compensation expense (recovery)	19.8	**(1.0)**	42.2	(102)
G&A expense	56.0	**35.0**	71.5	(51)
G&A expense before share-based compensation expense per boe	1.09	**1.18**	0.95	24
G&A – share-based compensation expense (recovery) per boe	0.60	**(0.03)**	1.36	(102)
G&A expense per boe	1.69	**1.15**	2.31	(50)

Exhibit 15



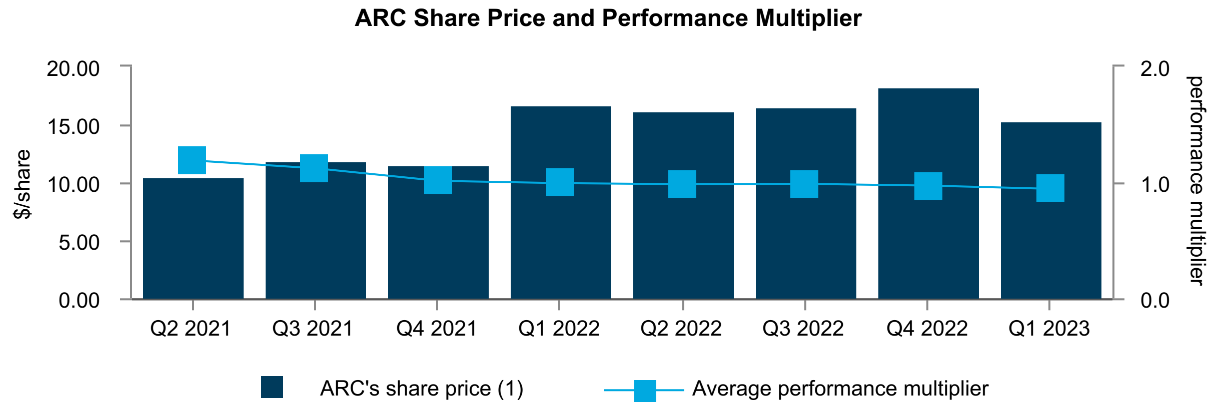
Share-based Compensation Plans

For a description of ARC's various share-based compensation plans and related accounting policies, refer to Note 3 "Summary of Accounting Policies" and Note 21 "Share-based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2022.

Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans

At March 31, 2023, ARC had 2.3 million RSUs and 3.9 million PSUs outstanding under these plans. For the three months ended March 31, 2023, ARC recognized G&A in relation to its RSU and PSU Plans of $1.4 million ($33.4 million for the three months ended March 31, 2022). The change in expense recognized for the three months ended March 31, 2023 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 plans that existed prior to a business combination (the "Legacy Plans") and plans acquired through a business combination (the "Acquired Plans") during the three months ended March 31, 2023:

Table 15

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**Total RSUs and PSUs**
Balance, December 31, 2022	2,687	5,560	8,247
Granted	**470**	**618**	**1,088**
Distributed	**(838)**	**(2,316)**	**(3,154)**
Forfeited	**(18)**	**(14)**	**(32)**
Balance, March 31, 2023	**2,301**	**3,848**	**6,149**

(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, 2022	191	126	317
Granted (2)	**2**	**1**	**3**
Distributed	**(173)**	**(113)**	**(286)**
Forfeited	**(1)**	**—**	**(1)**
Balance, March 31, 2023	**19**	**14**	**33**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) Grants relate to 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 $35.6 million and $154.0 million could be paid out in 2023 through 2026 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, 2023:

Table 16

Value of RSU and PSU Awards as at March 31, 2023	**Performance Multiplier**		
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	2,320	2,320	2,320
PSUs	—	3,862	7,724
Total awards	**2,320**	**6,182**	**10,044**
Share price (2)	15.33	15.33	15.33
Value of RSU and PSU awards upon vesting	**35.6**	**94.8**	**154.0**
2023	10.5	23.5	36.6
2024	14.7	37.2	59.8
2025	8.1	23.0	37.8
2026	2.3	11.1	19.8

(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, 2023.

Share Option Plans

At March 31, 2023, ARC had 2.6 million share options outstanding under the Legacy Plans, with a weighted average exercise price of $13.36. Of those, 2.0 million share options were exercisable at March 31, 2023, with a weighted average exercise price of $14.07.

At March 31, 2023, ARC had 1.2 million share options outstanding under the Acquired Plans, with a weighted average exercise price of $19.17. All share options under the Acquired Plans were exercisable at March 31, 2023.

ARC recognized $0.1 million of compensation expense relating to share option plans for the three months ended March 31, 2023 (nominal for the three months ended March 31, 2022).

Long-term Restricted Share Award ("LTRSA") Plan

At March 31, 2023, ARC had 1.0 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2023 ($0.3 million for the three months ended March 31, 2022).

Deferred Share Unit ("DSU") Plans

At March 31, 2023, ARC had 0.8 million DSUs outstanding under the Legacy Plans and 0.4 million DSUs outstanding under the Acquired Plans. For the three months ended March 31, 2023, a G&A recovery of $2.8 million was recognized in relation to the DSU Plans (G&A expense of $8.5 million for the same period in 2022).

Interest and Financing

Interest and financing for the three months ended March 31, 2023 was $21.1 million, compared to $22.5 million for the same period of the prior year. Interest and financing per boe for the three months ended March 31, 2023 was $0.69 per boe ($0.73 per boe for the same period of the prior year). The decrease for the three months ended March 31, 2023, as compared to the same period of the prior year, is primarily the result of a decrease in the amount of long-term debt outstanding. 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, 2022	**March 31, 2023**	March 31, 2022	% Change
Bank debt and long-term notes	13.8	**10.5**	12.0	(13)
Lease obligations	8.6	**7.4**	8.1	(9)
Accretion on ARO	3.1	**3.2**	2.4	33
Interest and financing	25.5	**21.1**	22.5	(6)
Interest and financing per boe	0.77	**0.69**	0.73	(5)

Foreign Exchange Gain and Loss

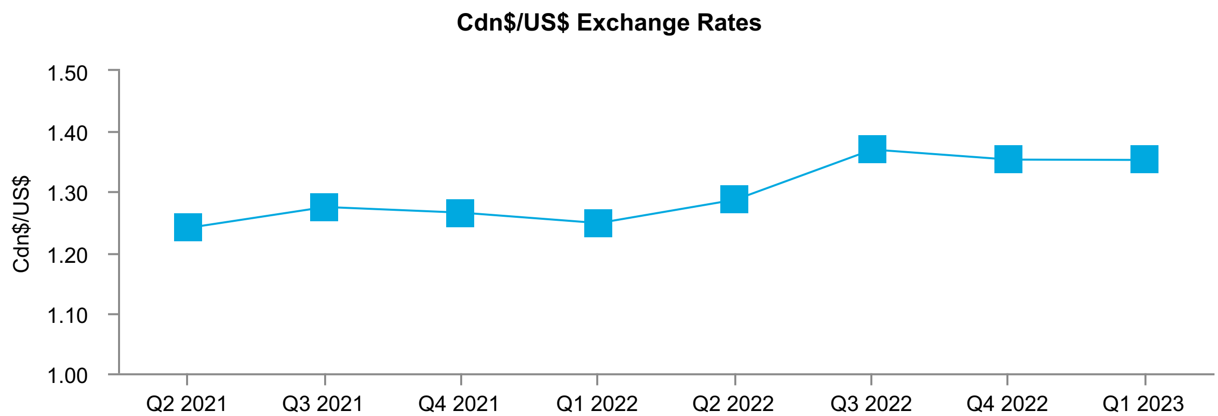
ARC recognized a loss on foreign exchange of $0.4 million in the first quarter of 2023 compared to a loss of $0.9 million in the first quarter of 2022. The change in foreign exchange recognized for the three months ended March 31, 2023, as compared to the same period in the prior year, primarily reflects the settlement of US$ denominated transactions. At March 31, 2023, ARC did not have any US$ denominated debt outstanding, as compared to US$185.0 million outstanding at March 31, 2022.

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, 2022	**March 31, 2023**	March 31, 2022	% Change
Unrealized gain (loss) on US dollar-denominated debt and accounts receivable	(21.2)	**0.1**	3.0	(97)
Realized gain (loss) on US dollar-denominated transactions	16.5	**(0.5)**	(3.9)	87
Foreign exchange loss	(4.7)	**(0.4)**	(0.9)	56

Exhibit 17



For the three months ended March 31, 2023, ARC recognized an unrealized gain on foreign currency translation adjustment in other comprehensive income of $1.3 million (loss of $2.0 million for the three months ended March 31, 2022).

Taxes

ARC recognized current income tax expense of $77.0 million for the three months ended March 31, 2023, compared to $55.0 million for the same period in 2022. The increase in current income tax expense for the three months ended March 31, 2023, is primarily due to higher expected taxable income for the period as a result of less income tax pools available to claim against taxable income compared to the same period of 2022.

For the three months ended March 31, 2023, deferred income tax expense of $90.4 million was recognized, compared to a deferred income tax recovery of $81.6 million for the same period in 2022. The increase in deferred income tax expense primarily relates to an unrealized gain on risk management contracts for the three months ended March 31, 2023, as compared to an unrealized loss on risk management contracts for the same period of 2022.

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, 2023**	**Annual Deductibility**
Canadian oil and gas property expense	892.0	10% declining balance
Canadian development expense	1,901.0	30% declining balance
Undepreciated capital cost	1,681.5	Primarily 25% declining balance
Other	66.2	Various rates, 5% declining balance to 20%
Total federal tax pools	**4,540.7**	

DD&A and Impairment of PP&E

For the three months ended March 31, 2023, ARC recognized DD&A related to its PP&E of $336.9 million compared to $323.4 million for the three months ended March 31, 2022. The increase in DD&A for the three months ended March 31, 2023, compared to the same period in the prior year, is due to a higher DD&A rate reflecting increased future development costs associated with certain assets, partially offset by a decrease in production volumes.

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, 2022	**March 31, 2023**	March 31, 2022	% Change
Depletion of crude oil and natural gas assets	340.6	**313.5**	299.5	5
Depreciation of corporate assets	4.7	**5.0**	3.7	35
Depreciation of right-of-use ("ROU") assets under lease	18.9	**18.4**	20.2	(9)
DD&A expense	364.2	**336.9**	323.4	4
DD&A expense per boe [1]	11.00	**11.06**	10.43	6

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

For the three months ended March 31, 2023, ARC recognized an impairment charge of $2.1 million related to the disposal of certain non-core assets. There was no impairment or reversal of impairment recognized for the three months ended March 31, 2022. All previous impairment charges that were eligible have been reversed. For further information, refer to Note 4 "Property, Plant and Equipment" in the financial statements.

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

ARC's cash flow used in investing activities was $397.4 million during the three months ended March 31, 2023, compared to $346.7 million for the three months ended March 31, 2022. In addition to cash flow used in investing activities, Management uses the non-GAAP financial measure of capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. 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, 2022	**March 31, 2023**	March 31, 2022
Cash flow used in investing activities	350.7	**397.4**	346.7
Adjusted for the following items:			
Acquisition of crude oil and natural gas assets	(0.1)	**(0.5)**	(0.8)
Disposal of crude oil and natural gas assets	—	**73.6**	7.4
Long-term investments	(3.3)	**(1.2)**	—
Change in non-cash investing working capital	30.1	**16.0**	(22.7)
Other (1)	5.9	**2.1**	2.7
Capital expenditures	383.3	**487.4**	333.3

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

Capital expenditures were $487.4 million for the three months ended March 31, 2023 compared to $333.3 million for the three months ended March 31, 2022. Capital expenditures for the three months ended March 31, 2023 included the drilling of 46 crude oil and natural gas wells and the completion of 34 crude oil and natural gas wells across ARC's asset base. Additional investment during the three months ended March 31, 2023 has been focused on the Sunrise facility expansion and the electrification of the Dawson Phase III and IV facilities, all of which are expected to be completed in 2023.

During the three months ended March 31, 2023, ARC disposed of certain non-core assets across its portfolio for cash proceeds of $73.6 million.

On May 4, 2023, the Board approved the sanction of the Attachie Phase I project. For more information regarding ARC's planned capital expenditures for 2023, including capital expenditures in relation to Attachie Phase 1, refer to the news releases dated May 4, 2023, February 9, 2023, and November 3, 2022, entitled "*ARC Resources Ltd. Reports First Quarter 2023 Results and Announces the Sanction of Attachie and Dividend Increase*", "*ARC Resources Ltd. Reports Record Year-end 2022 Results and Reserves*", and "*ARC Resources Ltd. Reports Third Quarter 2022 Results, Dividend Increase, and Announces 2023 Budget*", available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

A breakdown of capital expenditures, acquisitions, and dispositions for the three months ended March 31, 2023 and March 31, 2022 is shown in Table 22:

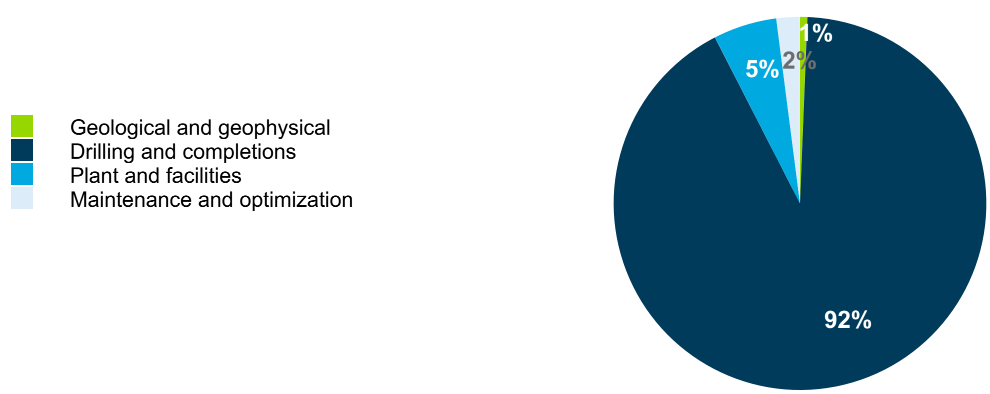
Table 22

	Three Months Ended March 31						
	2023			2022			
Capital Expenditures ($ millions)	**E&E** [1]	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**3.1**	**3.1**	—	4.2	4.2	(26)
Drilling and completions	**0.4**	**452.0**	**452.4**	(2.4)	247.7	245.3	84
Plant and facilities	**0.7**	**28.5**	**29.2**	0.5	62.1	62.6	(53)
Maintenance and optimization	**—**	**10.0**	**10.0**	—	18.9	18.9	(47)
Corporate	**—**	**(7.3)**	**(7.3)**	—	2.3	2.3	(417)
Capital expenditures	**1.1**	**486.3**	**487.4**	(1.9)	335.2	333.3	46
Acquisitions	**0.5**	**3.0**	**3.5**	0.2	4.0	4.2	(17)
Dispositions	**—**	**(76.5)**	**(76.5)**	—	(10.8)	(10.8)	608
Capital expenditures and net acquisitions and dispositions	**1.6**	**412.8**	**414.4**	(1.7)	328.4	326.7	27

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

Exhibit 18

Capital Expenditures by Classification
Three Months Ended March 31, 2023



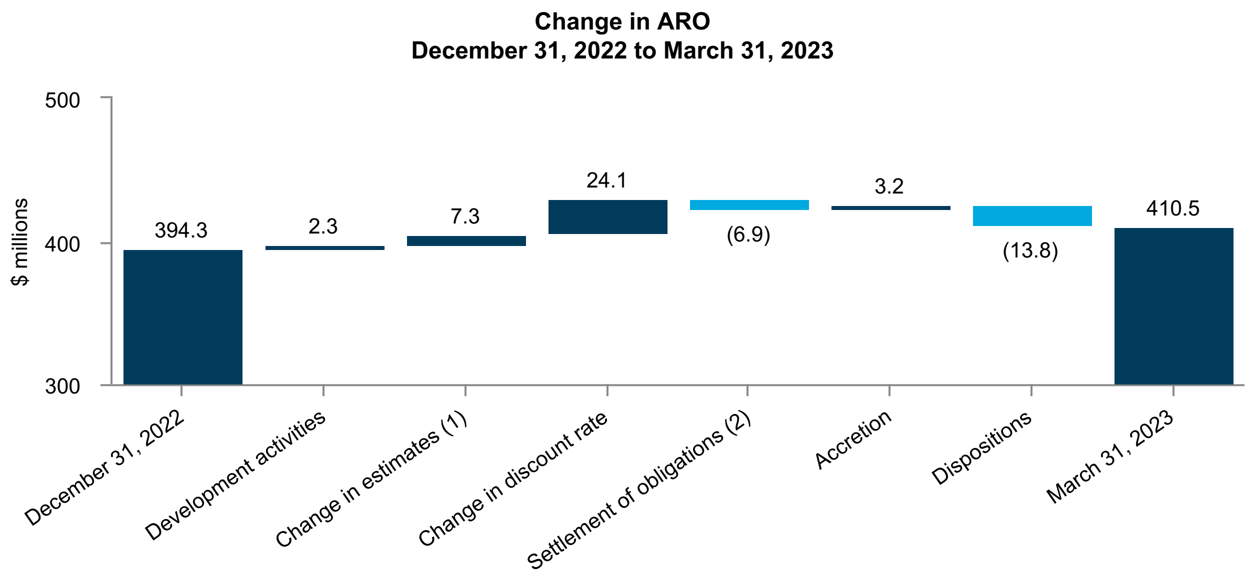
Asset Retirement Obligation

At March 31, 2023, ARC recognized ARO of $410.5 million ($394.3 million at December 31, 2022), 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 $394.5 million is classified as long-term ($16.0 million and $378.3 million at December 31, 2022, 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 3.0 per cent (3.3 per cent at December 31, 2022).

Accretion charges of $3.2 million for the three months ended March 31, 2023 ($2.4 million for the same period in 2022), have been recognized in interest and financing in the unaudited condensed interim 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, 2023 was $6.5 million ($7.3 million for the same period in 2022).

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 cost estimates of future obligations and anticipated settlement dates of ARO.
(2) For the three months ended March 31, 2023, $0.4 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC ($0.3 million for the three months ended March 31, 2022).

Capitalization, Financial Resources and Liquidity

ARC's capital management objective is to fund dividend payments, current period abandonment and 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.

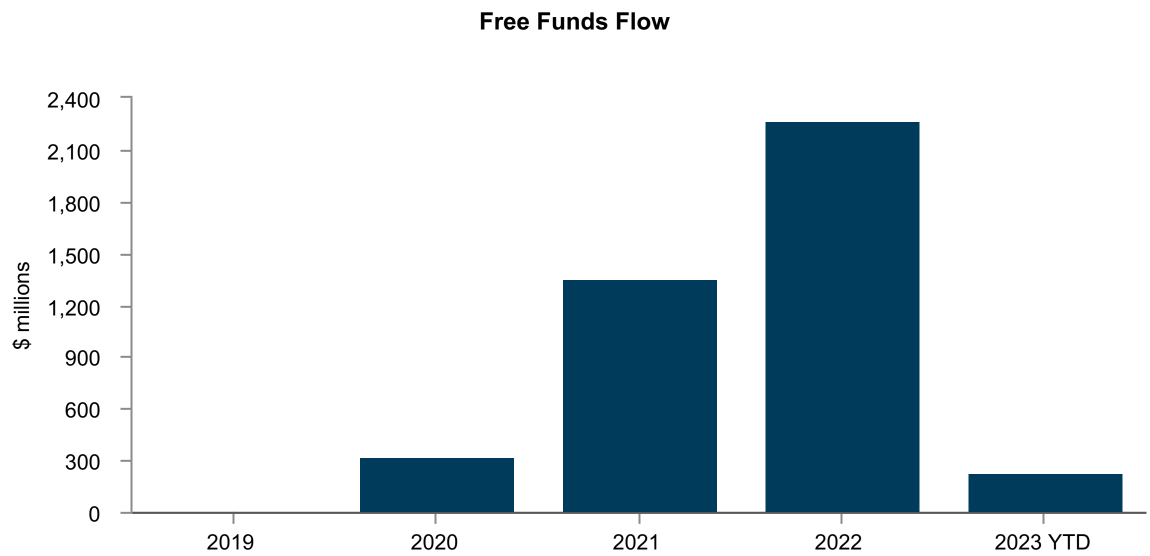
Maintaining targeted debt levels, paying a sustainable dividend, and exercising capital discipline to manage a moderate pace of development and control its corporate decline rate are the basis for ARC's current capital allocation. ARC takes a portfolio approach by periodically evaluating its capital 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, 2023, free funds flow was $230.0 million ($410.3 million for the three months ended March 31, 2022). For the calculation of free funds flow, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

ARC is committed to returning between 50 and 100 per cent of free funds flow to shareholders and directing any remainder to debt reduction. ARC intends to return essentially all free funds flow to shareholders in 2023. During the three months ended March 31, 2023, ARC distributed 106 per cent of free funds flow to shareholders. Currently, the optimal mechanism to return shareholder capital is through a sustainable base dividend that grows over time, and continued share repurchases.

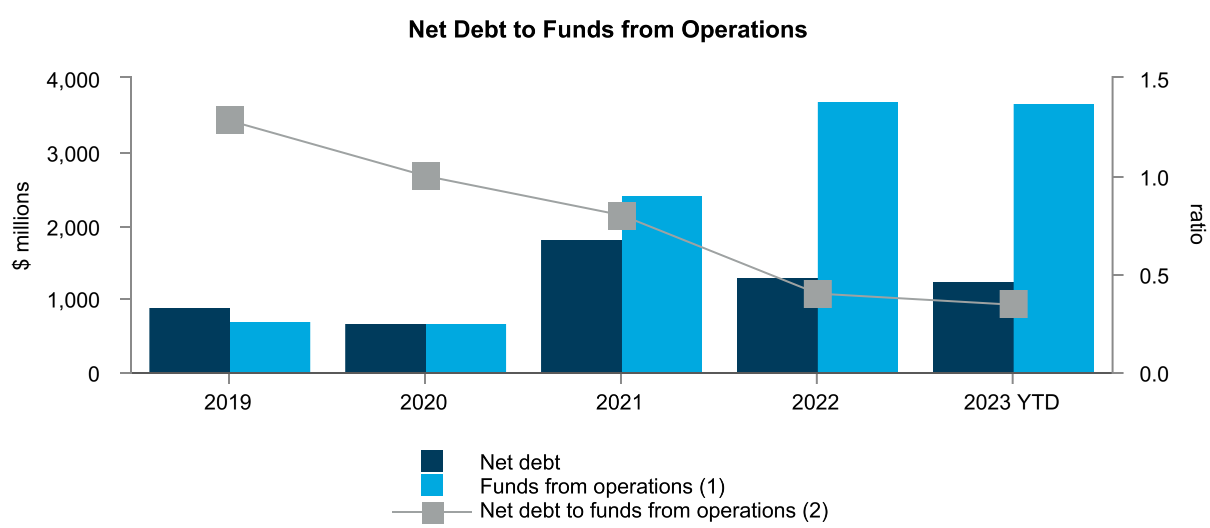
On March 15, 2023, ARC declared a quarterly dividend of $0.15 per share. The Board has approved a 13 per cent increase to its quarterly dividend, from $0.15 per share to $0.17 per share. During the three months ended March 31, 2023, ARC repurchased 9.7 million common shares under NCIB.

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, 2023, ARC's net debt was 0.3 times its funds from operations.

Exhibit 21



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

At March 31, 2023, ARC had total credit capacity of $2.8 billion, of which $1.1 billion was outstanding. At March 31, 2023, ARC's long-term debt had a weighted average interest rate of 3.2 per cent. For more information, refer to Note 7 "Long-term Debt" in the financial statements.

At March 31, 2023, ARC was in compliance with the financial covenants related to its credit facility which are as follows:

Table 23

Covenant Description	Position at March 31, 2023
Consolidated Debt not to exceed 60 per cent of Total Capitalization	13 %
Consolidated Tangible Assets of the Restricted Group must exceed 80 per cent of Consolidated Tangible Assets	100 %

Shareholders' Equity

During the three months ended March 31, 2023, ARC repurchased 9.7 million common shares under its NCIB at a weighted average price of $15.51 for a total cost of $149.7 million. Shares were cancelled upon repurchase.

At March 31, 2023, ARC has recognized a liability of $18.3 million ($24.8 million at December 31, 2022) 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, 2023, there were 611.2 million common shares outstanding and 3.8 million share options outstanding under ARC's share option plans. For more information, refer to the section entitled "Share Option Plans" contained within this MD&A.

At March 31, 2023, 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

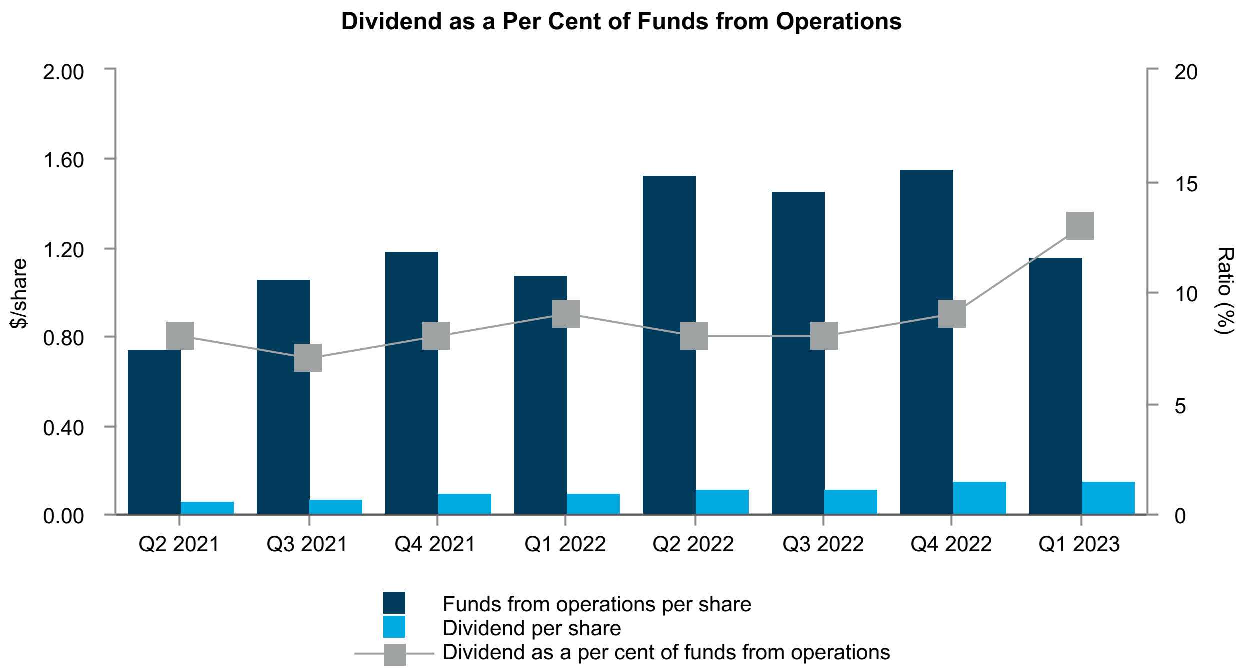
ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In the first quarter of 2023, ARC declared dividends totaling $91.9 million ($0.15 per share) compared to $68.2 million ($0.10 per share) in the same period of 2022.

ARC's dividend as a per cent of funds from operations[1] increased from an average of nine per cent for the three months ended March 31, 2022, to an average of 13 per cent for the three months ended March 31, 2023, as a result of a higher quarterly dividend per share.

The Board has approved an increase to its quarterly dividend of 13 per cent, from $0.15 per share to $0.17 per share. The dividend increase is effective with the second quarter dividend, payable on July 17, 2023, to shareholders of record on June 30, 2023.

(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 2023.

Contractual Obligations and Commitments

At March 31, 2023, ARC's total contractual obligations and commitments were $6.8 billion. These include obligations and commitments in place at December 31, 2022, less payments made during the three months ended March 31, 2023, as well as additional purchase and service 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, including embedded derivatives;
- 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, 2022.

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, 2023 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, 2023.

FINANCIAL REPORTING UPDATE

New Accounting Policies

Amendments to IAS 12 *Income Taxes*

On January 1, 2023, ARC adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* issued by the IASB which made amendments to IAS 12 *Income Taxes.* The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. 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, 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 relative to those budgeted by the Company on an annual basis. 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

Capital Expenditures ($ millions)	Three Months Ended December 31, 2022	**March 31, 2023**	March 31, 2022
Cash flow used in investing activities	350.7	**397.4**	346.7
Acquisition of crude oil and natural gas assets	(0.1)	**(0.5)**	(0.8)
Disposal of crude oil and natural gas assets	—	**73.6**	7.4
Long-term investments	(3.3)	**(1.2)**	—
Change in non-cash investing working capital	30.1	**16.0**	(22.7)
Other (1)	5.9	**2.1**	2.7
Capital expenditures	383.3	**487.4**	333.3

(1) 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 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

Free Funds Flow ($ millions)	Three Months Ended December 31, 2022	**March 31, 2023**	March 31, 2022
Cash flow from operating activities	878.3	**540.3**	758.8
Net change in other liabilities	13.9	**13.7**	40.8
Change in non-cash operating working capital	94.0	**163.4**	(56.0)
Funds from operations	986.2	**717.4**	743.6
Capital expenditures	(383.3)	**(487.4)**	(333.3)
Free funds flow	602.9	**230.0**	410.3

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, 2023**	2022	2021	2020	2019	2019 - 2022 Average(1)
Net income (loss)	**2,946.6**	2,302.3	786.6	(547.2)	(27.6)	628.5
Add interest and financing	**95.8**	97.2	126.1	45.6	48.3	79.3
Less accretion of ARO	**(11.8)**	(11.0)	(9.5)	(6.3)	(7.3)	(8.5)
Add income taxes (recovery)	**869.9**	675.9	208.5	(207.7)	(100.9)	144.0
Adjusted EBIT	**3,900.5**	3,064.4	1,111.7	(715.6)	(87.5)	843.3

(1) Average for the years ended December 31, 2019, 2020, 2021, and 2022.

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, 2023**	2022	2021	2020	2019	2019 - 2022 Average(1)
Net debt - beginning of period	**1,695.5**	1,828.7	693.5	894.0	702.7	702.7
Current portion of lease obligations	**108.3**	109.3	15.3	16.3	—	—
Long-term portion of lease obligations	**740.7**	760.0	33.9	29.9	—	—
Shareholders' equity - beginning of period	**5,620.2**	5,927.5	2,790.6	3,439.9	3,675.8	3,675.8
Opening capital employed (A)	**8,164.7**	8,625.5	3,533.3	4,380.1	4,378.5	4,378.5
Net debt - end of period	**1,264.7**	1,301.5	1,828.7	693.5	894.0	1,301.5
Current portion of lease obligations	**84.3**	92.4	109.3	15.3	16.3	92.4
Long-term portion of lease obligations	**788.4**	702.9	760.0	33.9	29.9	702.9
Shareholders' equity - end of period	**6,995.0**	6,653.5	5,927.5	2,790.6	3,439.9	6,653.5
Closing capital employed (B)	**9,132.4**	8,750.3	8,625.5	3,533.3	4,380.1	8,750.3
Average capital employed (A+B)/2	**8,648.6**	8,687.9	6,079.4	3,956.7	4,379.3	6,564.4

(1) Average for the years ended December 31, 2019, 2020, 2021, and 2022.

Non-GAAP 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, 2023**	2022	2021	2020	2019	2019 - 2022 Average(1)
Adjusted EBIT	**3,900.5**	3,064.4	1,111.7	(715.6)	(87.5)	843.3
Divided by average capital employed	**8,648.6**	8,687.9	6,079.4	3,956.7	4,379.3	6,564.4
ROACE (%)	**45**	35	18	(18)	(2)	13

(1) Average for the years ended December 31, 2019, 2020, 2021, and 2022.

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 financial performance 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, 2023 and 2022 is calculated as follows in Table 29:

Table 29

	Three Months Ended		
Funds from Operations ($ millions)	December 31, 2022	**March 31, 2023**	March 31, 2022
Cash flow from operating activities	878.3	**540.3**	758.8
Net change in other liabilities	13.9	**13.7**	40.8
Change in non-cash operating working capital	94.0	**163.4**	(56.0)
Funds from operations	986.2	**717.4**	743.6

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, 2023 and December 31, 2022:

Table 30

Net Debt ($ millions, except ratio amounts)	**March 31, 2023**	December 31, 2022
Long-term debt	**1,056.0**	990.0
Accounts payable and accrued liabilities	**722.4**	1,190.9
Dividends payable	**91.9**	93.4
Cash and cash equivalents, accounts receivable, and prepaid expense	**(605.6)**	(972.8)
Net debt	**1,264.7**	1,301.5
Funds from operations (1)	**3,686.3**	3,712.5
Net debt to funds from operations (ratio) (2)	**0.3**	0.4

(1) 12-month trailing funds from operations.
(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, as a per cent of funds from operations" is comprised of current income tax expense, as determined in accordance with IFRS, divided by funds from operations.

"Current income tax expense per share" is comprised of current income tax expense, 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 revised 2023 annual guidance, production guidance and expense guidance, guidance with respect to current income tax expense, as a per cent of funds from operations; 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"; expectations regarding the value of RSUs and PSUs upon vesting; expectations regarding the anticipated decline in ARC's tax pools; the estimated ARO including assumptions in respect of future costs to abandon wells and decommission and reclaim assets, the time frame in which such costs will be incurred, and annual inflation factors under the heading "Asset Retirement Obligation"; expectations regarding ARC's embedded derivative contract and the impacts thereof; the anticipated fluctuations in the estimated fair value of the embedded derivative; the delivery of natural gas under ARC's long-term natural gas supply agreement and the anticipated timing and benefits thereof; the estimated share repurchases under the NCIB that may take place during ARC's internal blackout period under the heading "Shareholders' Equity"; 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 under the heading "Capitalization, Financial Resources and Liquidity"; ARC's target net debt to funds from operations; ARC's plans to allocate funds from operations to returns to shareholders and debt reduction; and similar statements.

The forward-looking information and statements contained in this MD&A reflect material factors, expectations, and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; assumptions regarding ARC's share price; assumptions regarding the successful implementation of future agreements; 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 2023 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 success of business integration; changes in commodity prices; inflation; changes in the demand for or supply of ARC's products; public health crises, 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, 2022.

The internal projections, expectations, or beliefs are based on the 2023 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information contained in this MD&A speak only as of the date of this MD&A, and ARC does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

GLOSSARY

The following is a list of abbreviations that may be used in this MD&A:

Measurement

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe [1]	barrels of oil equivalent
boe/d [1]	barrels of oil equivalent per day
Mboe [1]	thousands of barrels of oil equivalent
MMboe [1]	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
Bcf	billion cubic feet
MMBtu	million British thermal units
GJ	gigajoule

(1) ARC has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

Financial and Business Environment

AECO	Alberta Energy Company
AIF	annual information form
ARO	asset retirement obligation
CGU	cash-generating unit
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
IFRS	International Financial Reporting Standards
JKM	Japan Korea Marker
LNG	liquefied natural gas
LTRSA	Long-term Restricted Share Award
PSO	Peace Sour
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)	2023	2022				2021		
FINANCIAL	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Commodity sales from production	**1,527.5**	2,024.4	2,056.9	2,211.6	1,677.0	1,618.5	1,362.6	1,066.2
Per share, basic (1)	**2.47**	3.22	3.15	3.28	2.43	2.31	1.89	1.47
Per share, diluted (1)	**2.47**	3.21	3.14	3.27	2.43	2.30	1.88	1.47
Net income (loss)	**574.9**	741.0	867.8	762.9	(69.4)	678.0	53.6	(123.0)
Per share, basic	**0.93**	1.18	1.33	1.13	(0.10)	0.97	0.07	(0.17)
Per share, diluted	**0.93**	1.18	1.32	1.13	(0.10)	0.96	0.07	(0.17)
Cash flow from operating activities	**540.3**	878.3	1,103.6	1,092.6	758.8	668.7	615.0	456.0
Per share, basic (1)	**0.87**	1.40	1.69	1.62	1.10	0.95	0.85	0.63
Per share, diluted (1)	**0.87**	1.39	1.68	1.61	1.10	0.95	0.85	0.63
Funds from operations	**717.4**	986.2	953.0	1,029.7	743.6	833.6	765.4	542.5
Per share, basic (1)	**1.16**	1.57	1.46	1.53	1.08	1.19	1.06	0.75
Per share, diluted (1)	**1.16**	1.56	1.45	1.52	1.08	1.19	1.06	0.75
Free funds flow	**230.0**	602.9	580.1	677.3	410.3	458.7	497.0	249.7
Per share, basic (1)	**0.37**	0.96	0.89	1.00	0.60	0.65	0.69	0.35
Per share, diluted (1)	**0.37**	0.96	0.89	1.00	0.60	0.65	0.69	0.35
Cash flow used in investing activities	**397.4**	350.7	351.9	363.9	346.7	268.7	228.8	206.5
Dividends declared	**91.9**	93.4	76.7	79.9	68.2	69.5	47.1	43.5
Per share	**0.15**	0.15	0.12	0.12	0.10	0.10	0.066	0.06
Total assets	**11,513.4**	11,623.9	11,520.7	11,468.8	11,421.1	11,380.3	11,192.9	11,047.6
Total liabilities	**4,518.4**	4,970.4	5,300.0	5,537.3	5,800.9	5,452.8	5,671.2	5,341.7
Net debt	**1,264.7**	1,301.5	1,541.3	1,511.4	1,695.5	1,828.7	1,926.4	2,084.1
Weighted average shares, basic	**617.6**	628.3	653.7	674.9	688.8	701.8	722.0	723.1
Weighted average shares, diluted	**619.2**	630.3	655.4	676.8	688.8	703.0	723.1	723.1
Shares outstanding, end of period	**611.2**	620.9	637.6	663.7	680.9	693.5	711.7	723.9
CAPITAL EXPENDITURES								
Geological and geophysical	**3.1**	1.3	3.9	0.1	4.2	3.5	1.8	0.1
Drilling and completions	**452.4**	338.6	304.9	239.2	245.3	241.8	210.8	204.2
Plant and facilities	**29.2**	27.0	55.9	86.8	62.6	106.7	13.0	60.4
Maintenance and optimization	**10.0**	10.7	11.5	16.9	18.9	16.8	25.5	9.3
Corporate	**(7.3)**	5.7	(3.3)	9.4	2.3	6.1	17.3	18.8
Capital expenditures	**487.4**	383.3	372.9	352.4	333.3	374.9	268.4	292.8
Acquisitions	**3.5**	0.3	1.1	0.8	4.2	21.5	0.8	0.1
Dispositions	**(76.5)**	(0.1)	(4.6)	—	(10.8)	(22.0)	(0.8)	(78.1)
Capital expenditures, and net acquisitions and dispositions	**414.4**	383.5	369.4	353.2	326.7	374.4	268.4	214.8
OPERATING								
Production								
Crude oil (bbl/d)	**7,884**	7,280	8,149	8,297	7,892	7,857	8,639	11,659
Condensate (bbl/d)	**71,085**	82,855	82,203	75,793	72,956	74,220	77,539	73,459
Crude oil and condensate (bbl/d)	**78,969**	90,135	90,352	84,090	80,848	82,077	86,178	85,118
Natural gas (MMcf/d)	**1,264**	1,310	1,227	1,219	1,280	1,293	1,300	1,203
NGLs (bbl/d)	**48,800**	51,311	47,108	48,877	50,257	48,299	50,891	50,020
Total (boe/d)	**338,377**	359,730	342,034	336,112	344,447	345,831	353,657	335,701
Average realized commodity prices								
Crude oil ($/bbl)	**92.78**	103.58	111.41	134.52	111.48	92.11	77.43	74.01
Condensate ($/bbl)	**104.10**	107.24	110.35	137.91	119.15	96.90	85.72	77.93
Natural gas ($/Mcf)	**5.89**	8.31	9.29	9.08	5.98	6.45	4.67	3.34
NGLs ($/bbl)	**28.59**	28.86	20.72	34.16	27.94	27.65	27.92	22.19
Oil equivalent ($/boe)	**50.16**	61.17	65.37	72.31	54.10	50.87	41.88	34.90
TRADING STATISTICS (2)								
($, based on intra-day trading)								
High	**18.07**	20.49	19.51	22.88	17.50	13.34	11.95	10.74
Low	**14.33**	17.05	13.12	14.81	11.66	10.20	7.51	7.26
Close	**15.33**	18.25	16.59	16.23	16.74	11.50	11.87	10.55
Average daily volume (thousands)	**5,949**	4,259	5,315	9,208	4,224	3,173	3,034	3,309

(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 2023

Financial **Statements**

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

As at

(Cdn$ millions)	**March 31, 2023**	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**4.4**	57.1
Inventory	**12.5**	6.7
Accounts receivable	**547.0**	863.2
Prepaid expense	**54.2**	52.5
Risk management contracts (Note 11)	**31.3**	0.9
Assets held for sale	**—**	6.1
	649.4	986.5
Risk management contracts (Note 11)	**18.4**	13.3
Long-term investments	**15.7**	14.5
Exploration and evaluation assets	**293.1**	290.9
Property, plant and equipment (Note 4)	**9,448.0**	9,300.3
Right-of-use assets (Note 5)	**840.6**	770.2
Goodwill	**248.2**	248.2
Total assets	**11,513.4**	11,623.9
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**722.4**	1,190.9
Current portion of lease obligations (Note 6)	**84.3**	92.4
Current portion of other deferred liabilities (Note 8)	**21.9**	20.0
Current portion of asset retirement obligation (Note 9)	**16.0**	16.0
Dividends payable (Note 12)	**91.9**	93.4
Risk management contracts (Note 11)	**91.8**	303.0
	1,028.3	1,715.7
Risk management contracts (Note 11)	**22.6**	38.1
Long-term portion of lease obligations (Note 6)	**788.4**	702.9
Long-term debt (Note 7)	**1,056.0**	990.0
Long-term incentive compensation liability (Note 14)	**33.8**	48.1
Other deferred liabilities (Note 8)	**142.8**	135.7
Asset retirement obligation (Note 9)	**394.5**	378.3
Deferred taxes	**1,052.0**	961.6
Total liabilities	**4,518.4**	4,970.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 12)	**6,400.5**	6,497.6
Contributed surplus	**40.3**	39.9
Retained earnings	**576.0**	139.1
Accumulated other comprehensive loss	**(21.8)**	(23.1)
Total shareholders' equity	**6,995.0**	6,653.5
Total liabilities and shareholders' equity	**11,513.4**	11,623.9
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)	**2023**	2022
Commodity sales from production (Note 13)	**1,527.5**	1,677.0
Royalties	**(242.1)**	(242.3)
Sales of commodities purchased from third parties	**368.6**	561.8
Revenue from commodity sales	**1,654.0**	1,996.5
Interest and other income	**29.4**	7.1
Gain (loss) on risk management contracts (Note 11)	**109.1**	(827.5)
Total revenue, interest and other income, and gain (loss) on risk management contracts	**1,792.5**	1,176.1
Commodities purchased from third parties	**354.6**	556.2
Operating	**137.1**	125.3
Transportation	**170.9**	172.6
General and administrative	**35.0**	71.5
Interest and financing	**21.1**	22.5
Reversal of impairment of financial assets	**(7.9)**	(0.3)
Depletion, depreciation and amortization (Note 4)	**336.9**	323.4
Impairment of property, plant and equipment (Note 4)	**2.1**	—
Loss on foreign exchange	**0.4**	0.9
Total expenses	**1,050.2**	1,272.1
Net income (loss) before income taxes	**742.3**	(96.0)
Provision for (recovery of) income taxes		
Current	**77.0**	55.0
Deferred	**90.4**	(81.6)
Total income taxes (recovery)	**167.4**	(26.6)
Net income (loss)	**574.9**	(69.4)
Net income (loss) per share (Note 12)		
Basic	**0.93**	(0.10)
Diluted	**0.93**	(0.10)

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)	**2023**	2022
Net income (loss)	**574.9**	(69.4)
Items that may be reclassified to the consolidated statements of income in subsequent periods:		
Net unrealized gain (loss) on foreign currency translation adjustment	**1.3**	(2.0)
Comprehensive income (loss)	**576.2**	(71.4)

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	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
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
December 31, 2022	6,497.6	39.9	139.1	(23.1)	6,653.5
Comprehensive income	**—**	**—**	**574.9**	**1.3**	**576.2**
Recognized under share-based compensation plans (Note 14)	**(0.1)**	**0.4**	**—**	**—**	**0.3**
Recognized on exercise of share options (Note 14)	**0.1**	**—**	**—**	**—**	**0.1**
Repurchase of shares for cancellation (Note 12)	**(101.1)**	**—**	**(48.6)**	**—**	**(149.7)**
Change in liability for share purchase commitment (Note 12)	**4.0**	**—**	**2.5**	**—**	**6.5**
Dividends declared (Note 12)	**—**	**—**	**(91.9)**	**—**	**(91.9)**
March 31, 2023	**6,400.5**	**40.3**	**576.0**	**(21.8)**	**6,995.0**

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)	**2023**	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	**574.9**	(69.4)
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	**(259.6)**	573.2
Accretion of asset retirement obligation (Note 9)	**3.2**	2.4
Reversal of impairment of financial assets	**(7.9)**	(0.3)
Depletion, depreciation and amortization (Note 4)	**336.9**	323.4
Impairment of property, plant and equipment (Note 4)	**2.1**	—
Unrealized gain on foreign exchange	**(0.1)**	(3.0)
Gain on disposal of crude oil and natural gas assets	**(25.9)**	(1.6)
Deferred taxes	**90.4**	(81.6)
Other (Note 16)	**3.4**	0.5
Net change in other liabilities (Note 16)	**(13.7)**	(40.8)
Change in non-cash working capital (Note 16)	**(163.4)**	56.0
Cash flow from operating activities	**540.3**	758.8
CASH FLOW USED IN FINANCING ACTIVITIES		
Draw of long-term debt under revolving credit facilities	**737.1**	1,923.7
Repayment of long-term debt	**(672.1)**	(2,047.4)
Proceeds from exercise of share options	**0.1**	5.7
Repurchase of shares	**(150.8)**	(196.6)
Repayment of principal relating to lease obligations	**(16.5)**	(21.3)
Cash dividends paid	**(93.4)**	(69.5)
Cash flow used in financing activities	**(195.6)**	(405.4)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of crude oil and natural gas assets	**(0.5)**	(0.8)
Disposal of crude oil and natural gas assets	**73.6**	7.4
Property, plant and equipment development expenditures (Note 4)	**(484.2)**	(332.5)
Exploration and evaluation asset expenditures	**(1.1)**	1.9
Long-term investments	**(1.2)**	—
Change in non-cash working capital (Note 16)	**16.0**	(22.7)
Cash flow used in investing activities	**(397.4)**	(346.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(52.7)**	6.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**57.1**	—
CASH AND CASH EQUIVALENTS, END OF PERIOD	**4.4**	6.7
The following are included in cash flow from operating activities:		
Income taxes paid (received) in cash	**305.8**	(3.3)
Interest paid in cash	**24.1**	26.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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, 2022. 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 those items that are presented at fair value 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, 2022. 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 in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income.

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.

These financial statements were authorized for issue by ARC's board of directors (the "Board") on May 4, 2023.

3. New Accounting Policies

Amendments to IAS 12 *Income Taxes*

On January 1, 2023, ARC adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* issued by the IASB which made amendments to IAS 12 *Income Taxes.* The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact to ARC's financial statements.

4. Property, Plant and Equipment ("PP&E")

Cost	Development and Production Assets	Corporate Assets	Total
Balance, December 31, 2022	15,382.7	117.6	15,500.3
Additions	**483.3**	**1.8**	**485.1**
Acquisitions	**3.0**	**—**	**3.0**
Change in asset retirement cost	**24.0**	**—**	**24.0**
Assets disposed in period	**(117.1)**	**—**	**(117.1)**
Reclassification of lease payments, net of capitalized depreciation	**1.2**	**—**	**1.2**
Balance, March 31, 2023	**15,777.1**	**119.4**	**15,896.5**
Accumulated Depletion, Depreciation and Amortization ("DD&A") and Impairment			
Balance, December 31, 2022	(6,110.7)	(89.3)	(6,200.0)
DD&A	**(309.1)**	**(5.0)**	**(314.1)**
Accumulated DD&A and impairment disposed in period	**65.6**	**—**	**65.6**
Balance, March 31, 2023	**(6,354.2)**	**(94.3)**	**(6,448.5)**
Carrying Amounts			
Balance, December 31, 2022	9,272.0	28.3	9,300.3
Balance, March 31, 2023	**9,422.9**	**25.1**	**9,448.0**

For the three months ended March 31, 2023, $6.3 million of direct and incremental overhead charges were capitalized to PP&E ($18.4 million for the three months ended March 31, 2022). Future development costs of $9.1 billion were included in the determination of DD&A for the three months ended March 31, 2023 ($7.4 billion for the three months ended March 31, 2022).

During the three months ended March 31, 2023, ARC disposed of certain non-core assets across its portfolio for total cash proceeds of $73.6 million and recognized both an impairment charge and gain on disposal of $2.1 million and $25.9 million, respectively, in the condensed interim consolidated statements of income ("statements of income").

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 statements of income.

5. Right-of-Use ("ROU") Assets

	Leases			Other	
Cost	Buildings and Land Use Rights	Equipment and Vehicles	Facilities	Service Contracts	Total
Balance, December 31, 2022	41.4	48.1	868.1	8.2	965.8
Modifications and terminations	**(6.3)**	**(1.7)**	**96.9**	**—**	**88.9**
Balance, March 31, 2023	**35.1**	**46.4**	**965.0**	**8.2**	**1,054.7**
Accumulated Depreciation					
Balance, December 31, 2022	(22.7)	(42.6)	(125.5)	(4.8)	(195.6)
Depreciation on ROU assets	**(0.4)**	**(2.6)**	**(17.5)**	**(0.2)**	**(20.7)**
Modifications and terminations	**0.4**	**1.8**	**—**	**—**	**2.2**
Balance, March 31, 2023	**(22.7)**	**(43.4)**	**(143.0)**	**(5.0)**	**(214.1)**
Carrying Amounts					
Balance, December 31, 2022	18.7	5.5	742.6	3.4	770.2
Balance, March 31, 2023	**12.4**	**3.0**	**822.0**	**3.2**	**840.6**

6. Lease Obligations

Carrying Amount	
Balance, December 31, 2022	795.3
Modifications and terminations	**93.9**
Repayments	**(16.5)**
Balance, March 31, 2023	**872.7**
Lease obligations due within one year	**84.3**
Lease obligations due beyond one year	**788.4**

7. Long-term Debt

	March 31, 2023	December 31, 2022
Syndicated credit facilities	**65.0**	—
Senior notes		
2.354% Cdn$ note	**450.0**	450.0
3.465% Cdn$ note	**550.0**	550.0
Total senior notes	**1,000.0**	1,000.0
Unamortized debt issuance costs	**(9.0)**	(10.0)
Total long-term debt outstanding	**1,056.0**	990.0

ARC's available credit capacity is $2.8 billion ($2.8 billion at December 31, 2022), of which $1.1 billion was outstanding at March 31, 2023 ($1.0 billion at December 31, 2022). At March 31, 2023, ARC was in compliance with all of its debt covenants.

At March 31, 2023, the fair value of all long-term debt outstanding was $1.0 billion ($0.9 billion at December 31, 2022).

8. Other Deferred Liabilities

Carrying Amount	
Balance, December 31, 2022	155.7
Additions	**11.6**
Amortization	**(2.6)**
Balance, March 31, 2023	**164.7**
Expected to be settled within one year	**21.9**
Expected to be settled beyond one year	**142.8**

9. Asset Retirement Obligation ("ARO")

ARC has estimated the net present value of its total ARO to be $410.5 million at March 31, 2023 ($394.3 million at December 31, 2022) based on a total future undiscounted liability of $523.2 million ($537.1 million at December 31, 2022). Management estimates that these payments are expected to be made over the next 59 years with costs being incurred evenly over those years. The Bank of Canada's long-term risk-free bond rate of 3.0 per cent (3.3 per cent at December 31, 2022) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2022) were used to calculate the present value of ARO at March 31, 2023.

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

	Three Months Ended March 31, 2023	Year Ended December 31, 2022
Balance, beginning of period	394.3	550.3
Development activities	**2.3**	10.0
Change in estimates (1)	**7.3**	28.6
Change in discount rate	**24.1**	(181.6)
Settlement of obligations (2)	**(6.9)**	(21.0)
Accretion	**3.2**	11.0
Assets disposed in period	**(13.8)**	(3.0)
Balance, end of period	**410.5**	394.3
Expected to be incurred within one year	**16.0**	16.0
Expected to be incurred beyond one year	**394.5**	378.3

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

(2) For the three months ended March 31, 2023, $0.4 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC ($0.3 million for the three months ended March 31, 2022).

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, 2023, ARC declared a quarterly dividend of $0.15 per share. On May 4, 2023, the Board approved a 13 per cent dividend increase to $0.17 per share per quarter, effective for ARC's dividend payable on July 17, 2023. During the three months ended March 31, 2023, ARC repurchased 9.7 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 financial performance 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, 2023 and 2022 is calculated as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flow from operating activities	**540.3**	758.8
Net change in other liabilities (Note 16)	**13.7**	40.8
Change in non-cash operating working capital (Note 16)	**163.4**	(56.0)
Funds from operations	**717.4**	743.6

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, 2023, ARC's net debt was 0.3 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, 2023 and 2022:

	March 31, 2023	March 31, 2022
Long-term debt	**1,056.0**	1,578.7
Accounts payable and accrued liabilities	**722.4**	894.2
Dividends payable	**91.9**	68.2
Cash and cash equivalents, accounts receivable, and prepaid expense	**(605.6)**	(845.6)
Net debt	**1,264.7**	1,695.5
Funds from operations (1)	**3,686.3**	2,885.1
Net debt to funds from operations (ratio) (2)	**0.3**	0.6

(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, 2023, ARC's financial instruments include cash and cash equivalents, accounts receivable, long-term investments, 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, with the exception of ARC's natural gas embedded derivative.

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". There were no transfers between levels in the fair value hierarchy for the three months ended March 31, 2023.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at March 31, 2023 approximate their fair values due to the short-term nature of these instruments.

Natural Gas - Embedded Derivative

ARC's natural gas embedded derivative contract is classified as Level 3 within the fair value hierarchy, as the fair value is determined using internal models which incorporate significant unobservable inputs. These include energy price assumptions for unobservable periods for Japan Korea Marker ("JKM") and Chicago Citygate prices.

ARC recognizes a gain (loss) on risk management contracts in the statements of income related to the natural gas embedded derivative. The gain (loss) is determined by the relative movements in the JKM and Chicago Citygate price forecasts compared to the prior period balance sheet date. For the three months ended March 31, 2023, the natural gas embedded derivative resulted in an unrealized gain on risk management contracts of $11.0 million ($nil for the three months ended March 31, 2022). At March 31, 2023, the fair value of the natural gas embedded derivative was an asset of $7.0 million (liability of $4.0 million at December 31, 2022).

The following table includes information regarding the fair value of the natural gas embedded derivative as at March 31, 2023:

Embedded Derivative	Net Asset (Liability) Fair Value	Valuation Approach	Significant Unobservable Input	Range of Significant Unobservable Input (US$/MMBtu)
Natural gas	7.0	Market approach incorporating present value techniques	The differential between JKM index and Chicago Citygate pricing (the "Differential")	$4.88 - $5.84

The following table demonstrates the sensitivity of the fair value of the natural gas embedded derivative at March 31, 2023, from reasonably possible changes in unobservable inputs inherent in the estimate.

Sensitivity of Embedded Derivative	Increase in Discount Rate of 1 Per Cent	Decrease in Discount Rate of 1 Per Cent	Increase in the Differential of 5 Per Cent	Decrease in the Differential of 5 Per Cent
Increase (decrease) in fair value	(0.4)	0.5	61.7	(61.7)

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, 2023 and December 31, 2022:

	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, 2023					
Risk management contracts					
Current asset	**131.4**	**(99.9)**	**31.5**	**(0.2)**	**31.3**
Long-term asset	**115.2**	**(96.8)**	**18.4**	**—**	**18.4**
Current liability	**(196.2)**	**99.9**	**(96.3)**	**4.5**	**(91.8)**
Long-term liability	**(120.5)**	**96.8**	**(23.7)**	**1.1**	**(22.6)**
Net position	**(70.1)**	**—**	**(70.1)**	**5.4**	**(64.7)**
As at December 31, 2022					
Risk management contracts					
Current asset	97.3	(96.4)	0.9	—	0.9
Long-term asset	131.7	(118.3)	13.4	(0.1)	13.3
Current liability	(415.7)	96.4	(319.3)	16.3	(303.0)
Long-term liability	(158.2)	118.3	(39.9)	1.8	(38.1)
Net position	(344.9)	—	(344.9)	18.0	(326.9)

Risk Management Contracts

The following table summarizes ARC's risk management contracts as at March 31, 2023:

Risk Management Contracts Positions Summary [1]

As at March 31, 2023	2023 (remainder)		2024		2025	
Crude Oil – WTI	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	76.52	20,338	123.86	5,243	—	—
Floor	60.17	20,338	69.07	5,243	—	—
Sold Floor	49.13	13,338	55.00	4,000	—	—
Swap	70.00	662	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**21,000**		**5,243**		**—**
Natural Gas – NYMEX Henry Hub [2]	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Ceiling	3.95	100,000	2.74	10,000	—	—
Floor	2.79	100,000	2.50	10,000	—	—
Sold Floor	2.40	50,000	2.10	10,000	—	—
Swap	2.56	28,200	—	—	—	—
Sold Ceiling	—	—	—	—	7.60	50,000
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	3.93	222,255	4.13	250,000	4.97	120,000
Floor	2.84	222,255	3.12	250,000	2.85	120,000
Sold Floor	2.00	15,564	—	—	—	—
Swap	2.06	10,000	3.59	30,000	—	—
Total Natural Gas Volumes (MMBtu/day)		**348,335**		**275,389**		**113,738**
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Sold Swap	(0.91)	70,000	(0.91)	70,000	(0.83)	150,000
Natural Gas - Other Basis (Differential to NYMEX Henry Hub)		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		**85,527**		**—**		**—**
Foreign Exchange	Notional (US$ Millions)	Rate (Cdn$/US$)	Notional (US$ Millions)	Rate (Cdn$/US$)	Notional (US$ Millions)	Rate (Cdn$/US$)
Ceiling	618.0	1.3788	720.0	1.3812	—	—
Floor	618.0	1.3038	720.0	1.3142	—	—

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

12. Shareholders' Capital

(thousands of shares)	**Three Months Ended March 31, 2023**	Year Ended December 31, 2022
Common shares, beginning of period	620,888	693,516
Repurchase of shares for cancellation	**(9,650)**	(74,574)
Issued on exercise of share options and long-term incentive awards	**7**	1,963
Unvested restricted shares held in trust pursuant to the LTRSA Plan [1]	**(6)**	(17)
Common shares, end of period	**611,239**	620,888

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

During the three months ended March 31, 2023, ARC repurchased 9.7 million common shares under its NCIB at a weighted average price of $15.51 for a total cost of $149.7 million.

At March 31, 2023, ARC has recognized a liability of $18.3 million ($24.8 million at December 31, 2022) for share repurchases estimated to take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The transaction has been recognized as a reduction to share capital of $12.5 million and a reduction to retained earnings of $5.8 million.

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

(thousands of shares)	**Three Months Ended March 31, 2023**	Three Months Ended March 31, 2022
Weighted average common shares	**617,643**	688,778
Dilutive impact of share-based compensation (1)	**1,584**	—
Weighted average common shares, diluted	**619,227**	688,778

(1) For the three months ended March 31, 2023, 1.2 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (3.4 million for the three months ended March 31, 2022).

Dividends declared for the three months ended March 31, 2023 were $0.15 per share ($0.10 for the three months ended March 31, 2022).

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, 2023**	Three Months Ended March 31, 2022
Crude oil	**65.8**	79.2
Condensate	**666.0**	782.4
Natural gas	**670.1**	689.0
NGLs	**125.6**	126.4
Total commodity sales from production	**1,527.5**	1,677.0

At March 31, 2023, accounts receivable from contracts with customers, which are included in accounts receivable, were $517.0 million ($835.3 million at December 31, 2022).

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 plans that existed prior to a business combination (the "Legacy Plans") for the three months ended March 31, 2023:

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs** (1)	**DSUs**
Balance, December 31, 2022	2,687	5,560	726
Granted	**470**	**618**	**38**
Distributed	**(838)**	**(2,316)**	**—**
Forfeited	**(18)**	**(14)**	**—**
Balance, March 31, 2023	**2,301**	**3,848**	**764**

(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 plans acquired through a business combination (the "Acquired Plans") for the three months ended March 31, 2023:

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** [1]	**DSUs**
Balance, December 31, 2022	191	126	437
Granted [2]	**2**	**1**	**4**
Distributed	**(173)**	**(113)**	**—**
Forfeited	**(1)**	**—**	**—**
Balance, March 31, 2023	**19**	**14**	**441**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) Grants relate to additional performance awards for grants that vested in the current period.

Compensation charges (recovery) 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, 2023	Three Months Ended March 31, 2022
General and administrative ("G&A")	**(1.4)**	41.9
Operating	**(0.7)**	3.2
PP&E	**(1.1)**	12.0
Total compensation charge (recovery)	**(3.2)**	57.1
Cash payment	**52.9**	41.2

At March 31, 2023, compensation amounts of $28.6 million were recognized in accounts payable and accrued liabilities on the balance sheets ($70.3 million at December 31, 2022) and $33.8 million was included in long-term incentive compensation liability ($48.1 million at December 31, 2022).

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, 2023 were as follows:

Legacy Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2022	2,599	13.51
Forfeited	**(3)**	**11.18**
Balance, March 31, 2023	**2,596**	**13.36**
Exercisable, March 31, 2023	**1,961**	**14.07**

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, 2023 were as follows:

Acquired Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2022	1,182	19.12
Exercised	**(7)**	**10.99**
Balance, March 31, 2023	**1,175**	**19.17**
Exercisable, March 31, 2023	**1,175**	**19.17**

The following table summarizes information regarding share options outstanding at March 31, 2023:

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	282	8.90	5.3	282	8.90
11.01 - 14.00	2,257	12.42	2.0	1,622	12.90
14.01 - 18.00	551	17.59	0.7	551	17.59
18.01 - 22.00	60	20.49	4.0	60	20.49
22.01 - 27.89	621	25.38	3.7	621	25.38
Total	**3,771**	**15.17**	**2.4**	**3,136**	**15.98**

During the three months ended March 31, 2023, ARC recognized $0.1 million of compensation expense relating to share option plans (nominal for the three months ended March 31, 2022) and recognized a nominal amount of capitalized share option compensation charges to PP&E (nominal for the three months ended March 31, 2022).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2023 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, 2022	776	12.15	217	6.45
Restricted shares purchased	**5**	**16.86**	**1**	**16.86**
Balance, March 31, 2023	**781**	**12.18**	**218**	**6.51**

ARC recognized G&A expense of $0.3 million relating to the LTRSA Plan during the three months ended March 31, 2023 ($0.3 million for the three months ended March 31, 2022).

15. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2023:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	515.0	—	550.0	1,065.0
Interest payments [1]	29.7	59.3	38.1	57.1	184.2
Purchase and service commitments	165.4	90.4	83.2	318.6	657.6
Transportation commitments	637.9	1,269.9	981.6	2,008.6	4,898.0
Total contractual obligations and commitments	**833.0**	**1,934.6**	**1,102.9**	**2,934.3**	**6,804.8**

(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, 2023	Three Months Ended March 31, 2022
Operating	**11.0**	11.1
G&A	**23.0**	58.9
Total employee compensation expense	**34.0**	70.0

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, 2023**	Three Months Ended March 31, 2022
Accounts receivable	**325.3**	(131.4)
Accounts payable and accrued liabilities	**(460.8)**	154.9
Inventory	**(10.2)**	11.5
Prepaid expense	**(1.7)**	(1.7)
Total change in non-cash working capital	**(147.4)**	33.3
Relating to:		
Operating activities	**(163.4)**	56.0
Investing activities	**16.0**	(22.7)
Total change in non-cash working capital	**(147.4)**	33.3

Other Non-cash Items	**Three Months Ended March 31, 2023**	Three Months Ended March 31, 2022
Share-based compensation expense	**0.4**	0.3
ARO settlements	**(0.4)**	(0.3)
Modified and terminated leases	**(0.4)**	—
Other amortization	**3.8**	0.5
Total other non-cash items	**3.4**	0.5

Net Change in Other Liabilities	**Three Months Ended March 31, 2023**	Three Months Ended March 31, 2022
Long-term incentive compensation liability	**(14.3)**	(7.9)
Risk management contracts	**(2.6)**	(14.6)
ARO cash settlements	**(6.5)**	(7.3)
Other deferred liabilities	**9.7**	(11.0)
Total net change in other liabilities	**(13.7)**	(40.8)

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, 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
Balance, December 31, 2022	92.4	1,692.9	1,785.3
Cash flows			
Draw and issuance of long-term debt	**—**	**737.1**	**737.1**
Repayment of long-term debt	**—**	**(672.1)**	**(672.1)**
Repayment of lease obligations	**(16.5)**	**—**	**(16.5)**
Reclassified to current			
Lease obligations	**10.0**	**(10.0)**	**—**
Non-cash changes			
Lease modification and termination	**(1.6)**	**95.5**	**93.9**
Other	**—**	**1.0**	**1.0**
Balance, March 31, 2023	**84.3**	**1,844.4**	**1,928.7**
Lease obligations due within one year	**84.3**	**—**	**84.3**
Lease obligations due beyond one year	**—**	**788.4**	**788.4**
Long-term debt due beyond one year	**—**	**1,056.0**	**1,056.0**

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Independent Reserves Evaluator

GLJ Ltd.

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Burnet, Duckworth & Palmer LLP

Corporate Calendar

Aug 2, 2023 | Q2 2023 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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