MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To ensure the integrity of our financial statements, we carefully select and train qualified personnel. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities. Our policies and procedures are communicated throughout the organization including a written ethics and integrity policy that applies to all employees including the Chief Executive Officer and Chief Financial Officer.

The Board of Directors approves the consolidated financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable, and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the internal control over financial reporting for ARC Resources Ltd. The assessment was based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

/s/ Terry M. Anderson

Terry M. Anderson

President and Chief Executive Officer

/s/ Kristen J. Bibby

Kristen J. Bibby

Senior Vice President and Chief Financial Officer

Calgary, Alberta

February 8, 2024

Independent auditor's report

To the Shareholders of ARC Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ARC Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, ca_calgary_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of crude oil, condensate, natural gas and natural gas liquids reserves on net Development and Production (D&P) assets *Refer to note 3 – Summary of material accounting policies, note 5 – Management judgments and estimation uncertainty and note 8 – Property, plant and equipment to the consolidated financial statements.* The Company had $9,816.7 million of net D&P assets as at December 31, 2023. Depletion, depreciation and amortization (DD&A) expense was $1,306.9 million for the year then ended. D&P assets are depleted on a unit-of-production basis over the life of the associated proved plus probable reserves. Reserve estimates are based on forward price estimates, expected future rates of production and the timing and amount of future development expenditures. Reserves are evaluated by the Company's independent qualified reserve evaluator (management's expert). Key assumptions developed by management used to determine proved plus probable reserves include forward price estimates, expected future rates of production and the timing and amount of future development expenditures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the total proved plus probable reserves, which included the following: – The work of management's expert was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves used to determine the DD&A expense. As a basis for using this work, the competence, capabilities and objectivity of management's expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's expert, tests of data used by management's expert and an evaluation of their findings. – Evaluated the reasonableness of key assumptions used, including expected future rates of production and the timing and amount of future development expenditures by considering current and past performance of the Company and whether these assumptions were

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the proved plus probable reserves and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions.	consistent with evidence obtained in other areas of the audit, as applicable. – Evaluated the reasonableness of forward price estimates by comparing those forecasts with third-party industry forecasts. • Recalculated DD&A expense

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Don Althen.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 8, 2024

ARC RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

As at

(Cdn$ millions)	**December 31, 2023**	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**1.1**	57.1
Inventory	**29.1**	6.7
Accounts receivable (Note 6)	**583.0**	863.2
Prepaid expense	**102.7**	52.5
Risk management contracts (Note 16)	**177.5**	0.9
Assets held for sale (Note 8)	**—**	6.1
	893.4	986.5
Risk management contracts (Note 16)	**61.5**	13.3
Long-term investments	**19.7**	14.5
Exploration and evaluation assets (Note 7)	**307.6**	290.9
Property, plant and equipment (Note 8)	**9,836.5**	9,300.3
Right-of-use assets (Note 9)	**1,016.0**	770.2
Goodwill (Note 8)	**248.2**	248.2
Total assets	**12,382.9**	11,623.9
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**753.3**	1,190.9
Current portion of lease obligations (Note 11)	**85.2**	92.4
Current portion of other deferred liabilities (Note 13)	**20.8**	20.0
Current portion of asset retirement obligation (Note 14)	**17.0**	16.0
Dividends payable (Note 18)	**101.7**	93.4
Risk management contracts (Note 16)	**3.6**	303.0
	981.6	1,715.7
Risk management contracts (Note 16)	**10.5**	38.1
Long-term portion of lease obligations (Note 11)	**974.6**	702.9
Long-term debt (Note 12)	**1,148.9**	990.0
Long-term incentive compensation liability (Note 20)	**58.4**	48.1
Other deferred liabilities (Note 13)	**125.9**	135.7
Asset retirement obligation (Note 14)	**434.3**	378.3
Deferred taxes (Note 17)	**1,220.9**	961.6
Total liabilities	**4,955.1**	4,970.4
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 18)	**6,268.2**	6,497.6
Contributed surplus	**36.1**	39.9
Retained earnings	**1,141.4**	139.1
Accumulated other comprehensive loss	**(17.9)**	(23.1)
Total shareholders' equity	**7,427.8**	6,653.5
Total liabilities and shareholders' equity	**12,382.9**	11,623.9
Commitments and contingencies (Note 21)		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

/s/ Harold N. Kvisle

Harold N. Kvisle
Chair of the Board of Directors and Director

/s/ Leontine van Leeuwen-Atkins

Leontine van Leeuwen-Atkins
Chair of the Audit Committee and Director

ARC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31

(Cdn$ millions, except per share amounts)	**2023**	2022
Commodity sales from production (Note 19)	**5,260.4**	7,969.9
Royalties	**(706.8)**	(1,209.2)
Sales of commodities purchased from third parties	**1,101.5**	1,880.5
Revenue from commodity sales	**5,655.1**	8,641.2
Interest and other income	**12.3**	18.1
Gain (loss) on risk management contracts (Note 16)	**354.4**	(999.0)
Total revenue, interest and other income, and gain (loss) on risk management contracts	**6,021.8**	7,660.3
Commodities purchased from third parties	**1,076.3**	1,783.3
Operating	**589.8**	559.9
Transportation	**656.0**	744.2
General and administrative	**212.2**	213.2
Interest and financing	**105.5**	97.2
Impairment (reversal of impairment) of financial assets (Note 6)	**(7.3)**	6.7
Depletion, depreciation and amortization and impairment of property, plant and equipment (Note 8)	**1,405.8**	1,313.7
Loss (gain) on foreign exchange	**10.6**	(34.1)
Gain on disposal of crude oil and natural gas assets (Notes 7 and 8)	**(84.4)**	(2.0)
Total expenses	**3,964.5**	4,682.1
Net income before income taxes	**2,057.3**	2,978.2
Provision for income taxes (Note 17)		
Current	**201.5**	288.5
Deferred	**259.3**	387.4
Total income taxes	**460.8**	675.9
Net income	**1,596.5**	2,302.3
Net income per share (Note 18)		
Basic	**2.62**	3.48
Diluted	**2.61**	3.47

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(Cdn$ millions)	**2023**	2022
Net income	**1,596.5**	2,302.3
Items that may be reclassified to the consolidated statements of income in subsequent periods:		
Net unrealized gain (loss) on foreign currency translation adjustment	**5.2**	(20.6)
Comprehensive income	**1,601.7**	2,281.7

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

(Cdn$ millions)	Shareholders' Capital (Note 18)	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
January 1, 2022	7,221.1	46.3	(1,337.4)	(2.5)	5,927.5
Comprehensive income	—	—	2,302.3	(20.6)	2,281.7
Recognized under share-based compensation plans (Note 20)	(0.3)	1.5	—	—	1.2
Recognized on exercise of share options (Note 20)	37.3	(7.9)	—	—	29.4
Repurchase of shares for cancellation (Note 18)	(781.1)	—	(513.7)	—	(1,294.8)
Change in liability for share purchase commitment (Note 18)	20.6	—	6.1	—	26.7
Dividends declared (Note 18)	—	—	(318.2)	—	(318.2)
December 31, 2022	6,497.6	39.9	139.1	(23.1)	6,653.5
Comprehensive income	**—**	**—**	**1,596.5**	**5.2**	**1,601.7**
Recognized under share-based compensation plans (Note 20)	**0.2**	**1.0**	**—**	**—**	**1.2**
Recognized on exercise of share options (Note 20)	**21.4**	**(4.8)**	**—**	**—**	**16.6**
Repurchase of shares for cancellation (Note 18)	**(264.6)**	**—**	**(199.5)**	**—**	**(464.1)**
Change in liability for share purchase commitment (Note 18)	**13.6**	**—**	**5.6**	**—**	**19.2**
Dividends declared (Note 18)	**—**	**—**	**(400.3)**	**—**	**(400.3)**
December 31, 2023	**6,268.2**	**36.1**	**1,141.4**	**(17.9)**	**7,427.8**

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(Cdn$ millions)	**2023**	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**1,596.5**	2,302.3
Add items not involving cash:		
Unrealized gain on risk management contracts	**(556.2)**	(280.5)
Accretion of asset retirement obligation (Note 14)	**13.2**	11.0
Impairment (reversal of impairment) of financial assets (Note 6)	**(7.3)**	6.7
Depletion, depreciation and amortization and impairment of property, plant and equipment (Note 8)	**1,405.8**	1,313.7
Unrealized loss (gain) on foreign exchange	**7.1**	(28.8)
Gain on disposal of crude oil and natural gas assets (Notes 7 and 8)	**(84.4)**	(2.0)
Deferred taxes (Note 17)	**259.3**	387.4
Other (Note 23)	**5.6**	2.7
Net change in other liabilities (Note 23)	**(9.3)**	(129.2)
Change in non-cash working capital (Note 23)	**(236.0)**	250.0
Cash flow from operating activities	**2,394.3**	3,833.3
CASH FLOW USED IN FINANCING ACTIVITIES		
Draw of long-term debt under revolving credit facilities	**4,247.9**	7,027.0
Repayment of long-term debt	**(4,092.9)**	(7,748.2)
Proceeds from exercise of share options	**16.6**	29.4
Repurchase of shares	**(469.3)**	(1,292.3)
Repayment of principal relating to lease obligations	**(69.9)**	(84.6)
Cash dividends paid	**(392.0)**	(294.3)
Cash flow used in financing activities	**(759.6)**	(2,363.0)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of crude oil and natural gas assets	**(0.5)**	(2.7)
Disposal of crude oil and natural gas assets	**117.8**	11.9
Property, plant and equipment development expenditures (Note 8)	**(1,826.0)**	(1,419.7)
Exploration and evaluation asset expenditures (Note 7)	**(11.8)**	(6.4)
Long-term investments	**(5.4)**	(12.0)
Change in non-cash working capital (Note 23)	**35.2**	15.7
Cash flow used in investing activities	**(1,690.7)**	(1,413.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(56.0)**	57.1
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**57.1**	—
CASH AND CASH EQUIVALENTS, END OF YEAR	**1.1**	57.1
The following are included in cash flow from operating activities:		
Income taxes paid (received) in cash	**510.2**	(1.8)
Interest paid in cash	**88.1**	82.8

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 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 ("TSX") under the symbol ARX.

2. Basis of Preparation

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") up to February 8, 2024. 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 Material Accounting Policies".

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.

The preparation of financial statements requires Management to use judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated. Significant estimates and judgments used in the preparation of the financial statements are detailed in Note 5 "Management Judgments and Estimation Uncertainty".

These financial statements were authorized for issue by ARC's board of directors (the "Board") on February 8, 2024.

3. Summary of Material Accounting Policies

Fair Value Measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At each reporting date, ARC determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements based on the lowest level of input that is significant to the fair value measurement as a whole. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Financial Instruments

Classification and Measurement of Financial Instruments

ARC's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in ARC's business model and by the characteristics of the financial asset's contractual cash flows. ARC does not classify any of its financial instruments as Fair Value through Other Comprehensive Income.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price, unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

- *Amortized Cost*

  Cash and cash equivalents, accounts receivable, long-term investment, accounts payable and accrued liabilities, dividends payable, lease obligations, other deferred liabilities, and long-term debt are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

- *FVTPL*

  Risk management contracts, all of which are derivatives, are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately charged to the consolidated statements of income (the "statements of income").

Embedded Derivatives

Embedded derivatives are separated from the host contract and accounted for as a derivative when a separate item with the same terms would meet the definition of a derivative, the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and the combined instrument is not measured at fair value with changes recognized in FVTPL.

Impairment of Financial Assets

Impairment of financial assets carried at amortized cost is determined by measuring the assets' expected credit loss ("ECL"). Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable and if credit risk increases significantly subsequent to initial recognition, a further lifetime ECL is required to be recognized. ECL allowances have not been recognized for cash and cash equivalents due to the virtual certainty associated with their collection.

The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to ARC and the cash flows the Company expects to receive, including cash flows expected from collateral and other credit enhancements that are a part of contractual terms. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized as an impairment of financial assets in the statements of income.

Based on industry experience, the Company considers its accounts receivable to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, ARC derecognizes the gross carrying amount of the financial asset and the associated allowance from the consolidated balance sheets (the "balance sheets").

Derecognition of Financial Liabilities

If an amendment to a contract or agreement comprises a substantial modification, ARC will derecognize the existing financial liability and recognize a new financial liability, with the difference recognized as a gain or loss in the statements of income. To determine whether a modification is substantial, ARC performs quantitative and qualitative tests. Quantitatively, if the present value of the cash flows under the new terms is at least 10 per cent different than the remaining cash flows of the original liability, the modification is deemed to be substantial.

Qualitatively, the change is evaluated based on its impact to the economic risk associated with the liability and would be specific to the contract.

If the modification results in the derecognition of a liability any associated fees are recognized as part of the gain or loss. If the modification is not deemed to be substantial, any associated fees adjust the liability's carrying amount and are amortized over the remaining term.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits, and similar-type instruments with an original maturity of three months or less at the time of purchase.

Inventories

Product inventories are valued at the lower of cost or net realizable value on a weighted average cost basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, an impairment is recognized. The impairment may be reversed in a subsequent period if the circumstances which caused it no longer exist and the inventory is still on hand.

Emission credits that are held for sale in the ordinary course of business are recognized as inventory and are measured at the lower of cost or net realizable value. The cost of emission credits are those required to register and make available for sale in a liquid market. Similar to product inventories, if the carrying amount exceeds net realizable value, an impairment is recognized.

Capitalization of Exploration and Development Costs

ARC capitalizes all costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by Management. These costs include certain overhead charges including cash and share-based compensation paid to ARC personnel dedicated to capital projects.

Exploration and Evaluation ("E&E") Assets

E&E costs are capitalized until the technical feasibility and commercial viability, or otherwise, of the relevant projects have been determined. Technical feasibility and commercial viability of E&E assets is dependent upon the assignment of a sufficient amount of economically recoverable crude oil, condensate, natural gas, and natural gas liquids reserves ("reserves") relative to the estimated potential resources available and available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals. E&E costs may include costs of seismic and land acquisitions, technical services and studies, exploratory drilling and testing, and the estimate of any related asset retirement costs. Costs incurred prior to obtaining the legal right to explore are expensed as incurred. Assets classified as E&E may have sales of crude oil and natural gas associated with production from test wells. These operating results are recognized in the statements of income. A depletion charge, recognized as E&E expense, is recognized on these wells. Non-producing assets classified as E&E are not depleted.

When a project classified as E&E is determined to be technically feasible and commercially viable, the cost is transferred from E&E to property, plant and equipment ("PP&E") on the balance sheets. The assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the assets' fair value less costs of disposal or value in use. If a decision is made by Management not to continue an E&E project, the E&E is derecognized and all associated costs are charged to the statements of income in E&E expense at that time.

Property, Plant and Equipment

Items of PP&E, which include crude oil and natural gas development and production assets and corporate assets, are measured at cost less accumulated depletion, depreciation and amortization ("DD&A") and accumulated impairment charges.

Business Combinations and Goodwill

ARC accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets and liabilities assumed are measured and recognized at their fair value at the date of the acquisition, with the exception of income taxes, right-of-use ("ROU") assets, and lease obligations. Any deferred tax asset or liability arising from a business combination is recognized at the acquisition date.

Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the financial statements from the closing date of the acquisition. Any excess of purchase price over the fair value of net assets is recognized as goodwill. Subsequent measurement of goodwill is stated at cost less any accumulated impairment charges.

Impairment of Non-Financial Assets

PP&E

ARC's PP&E is grouped into cash-generating units ("CGUs") for the purpose of assessing impairment. A CGU is a grouping of assets that generate cash inflows independently of other assets held by the Company.

CGUs are reviewed at each reporting date for indicators of potential impairment and, in the case of previously impaired CGUs, reversal of impairment. If such indicators exist, an impairment test is performed by comparing the CGU's carrying value to its recoverable amount, defined as the greater of a CGU's fair value less costs of disposal and its value in use. Any excess of carrying value over the recoverable amount is recognized in the statements of income as impairment of property, plant and equipment.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant CGU is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated DD&A, if no impairment charge had been recognized. A reversal of impairment of PP&E is recognized in the statements of income as reversal of impairment of property, plant and equipment.

E&E

E&E assets are assessed for impairment at the operating segment level and are reviewed at each reporting date for indicators of potential impairment, or in the case of previously impaired E&E assets, reversal of impairment. An impairment charge on E&E assets is recognized if the carrying value of the E&E assets exceeds the recoverable amount. Impairment of E&E assets is recognized in the statements of income as E&E expense.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant E&E asset is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated DD&A if applicable, if no impairment charge had been recognized. A reversal of impairment of E&E assets is recognized in the statements of income as a recovery of E&E expense.

Goodwill

Goodwill is assessed for impairment at the operating segment level. Goodwill has not been attributed to individual CGUs as ARC believes the goodwill it has acquired enhances the value of all of its pre-existing CGUs through operational efficiencies. Goodwill is reviewed at each reporting date for indicators of potential impairment. If such indicators exist, an impairment test is performed. Additionally, goodwill is tested for impairment annually. An impairment on goodwill is recognized if the combined carrying amount of the CGUs, including goodwill, exceeds the aggregate recoverable amount of the CGUs, determined as the greater of the combined fair value less costs of disposal and its value in use. Impairment of goodwill is recognized in the statements of income as impairment of goodwill. Once recognized, impairment of goodwill is not eligible for reversal.

Lease Arrangements

As lessee, ARC recognizes an ROU asset and a corresponding lease obligation on the balance sheets on the date that a leased asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase to the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Depreciation on ROU assets is recognized in the statements of income as DD&A. Where appropriate, depreciation charges to ROU assets may be capitalized as additions to either E&E or PP&E.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments, variable lease payments based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if ARC is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before,

the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

ROU assets and lease obligations are remeasured when there is a modification to the underlying contract terms, a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase extension or termination option.

Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the statements of income as incurred. For certain classes of leases, ARC does not separate lease and non-lease components, accounting for these leases as a single lease component.

As lessor, ARC determines at the inception of each lease whether it is a finance lease or an operating lease. The classification is dependent on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset; if this is the case, then the lease is a finance lease. When ARC acts as an intermediate lessor, ARC's interest in the head lease is accounted for separately from the sub-lease. ARC assesses the sub-lease classification as a finance or an operating lease with reference to the ROU asset arising from the head lease, rather than the underlying asset. ARC's current lessor arrangements are classified as operating leases and lease payments received are recognized in interest and other income.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, Management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Immediately before PP&E and E&E are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their carrying amount and recoverable amount, with any impairment charge or reversal of impairment recognized in the statements of income. Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the balance sheets. Assets held for sale are not depleted, depreciated, or amortized.

Dispositions

When assets are disposed, the proceeds from disposal are compared to the carrying amount of the assets held for sale. When the proceeds from disposal exceed the carrying amount, a gain on disposal, or reversal of previously recognized impairment, is recognized separately in the statements of income.

Exchanges of assets are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reasonably measured, in which case the assets are measured at the carrying value of the asset being disposed.

Asset Retirement Obligation ("ARO")

Provisions for decommissioning and restoration obligations associated with ARC's E&E and PP&E assets are recognized as ARO. ARO is measured at its present value at the balance sheet date, as Management's best estimate of expenditures required to settle the liability, at the end of the asset's useful life. On a periodic basis, Management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount in PP&E is depreciated on a unit-of-production basis over the life of the associated proved plus probable reserves. The long-term liability is increased each reporting period with the passage of time and the associated accretion charge is recognized in the statements of income. Periodic revisions to the liability-specific risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the obligation are recorded against the ARO to the extent of the liability recognized.

Provisions and Contingent Liabilities

Provisions are recognized when ARC has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for onerous contracts is recognized when the expected economic benefits to be derived by ARC from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the present value of the expected net cost of the remaining term of the contract. Before a provision is established, ARC first recognizes any impairment charge on assets associated with the onerous contract.

A contingent liability is disclosed when ARC has a possible obligation arising from a past event and whose existence will be confirmed only by the occurence or non-occurence of one or more future events not wholly under its control, or when ARC has a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Share Capital

Common shares are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of tax. When ARC repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price including any associated fees and taxes, the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, any previous contributed surplus related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

Revenue Recognition

ARC principally generates revenue from the sale of commodities, which include crude oil, natural gas, condensate, and natural gas liquids ("NGLs"). Revenue associated with the sale of commodities is recognized when control is transferred from ARC to its customers. ARC’s commodity sale contracts represent a series of distinct transactions. ARC considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- ARC has transferred title and physical possession of the commodity to the buyer;
- ARC has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- ARC has the present right to payment.

Revenue represents ARC’s share of commodity sales net of royalty obligations to governments and other mineral interest owners. ARC sells its production pursuant to fixed and variable-priced contracts. The transaction price for variable-priced contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under these contracts, the Company is required to deliver a fixed volume of crude oil, natural gas, condensate, or NGLs to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company’s efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of ARC's variable revenue is considered to be constrained.

ARC also purchases commodity products from third parties to fulfill sales commitments and to utilize in blending activities and subsequently sells these products to its customers. These transactions are presented as separate revenue and expense items in the statements of income.

At times, ARC may exchange like commodities with other entities to facilitate ARC’s sales to its customers. These non-monetary exchanges lack commercial substance and do not give rise to separate recognition of revenue and expense items in the statements of income.

ARC also generates income from activities other than from the sale of commodities. These could include lessor income, income from the sale of emission credits, and income from gathering and processing third-party products through the Company's infrastructure. Collectively, these are recognized as other income in the statements of income.

Depletion, Depreciation and Amortization

PP&E and, where applicable, E&E is organized into groups of assets with similar useful lives for the purposes of performing DD&A calculations. Depletion expense is measured using the unit-of-production method based on:

- total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101");
- total capitalized costs plus estimated future development costs of proved plus probable reserves, including future estimated asset retirement costs; and
- relative volumes of reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

Depreciation and amortization of corporate assets is recognized on a straight-line basis over the estimated useful lives of the related assets, which range from three to 20 years.

Share-based Compensation Plans

ARC's share-based compensation plans include both cash-settled awards and equity-settled awards.

Liabilities associated with cash-settled awards are determined based on the fair value of the award at grant date and are subsequently revalued at each period end. This valuation incorporates the period-end share price, dividends declared during the period, the number of awards outstanding at each period end, and certain Management estimates, such as a performance multiplier and estimated forfeiture. Compensation expense is recognized in the statements of income over the relevant service period with a corresponding increase or decrease in accrued liabilities. Classification of the associated short-term and long-term liabilities is dependent on the expected payout dates of the individual awards.

Compensation expense associated with equity-settled awards is determined based on the fair value of the award at grant date and is recognized over the period that the awards vest, with a corresponding increase to contributed surplus. At the time the awards are exercised, the associated contributed surplus is recognized in shareholders' capital.

Income Taxes

Provision for, or recovery of, income tax comprise current and deferred income taxes and is recognized in the statements of income, except to the extent that it relates to a business combination or items recognized directly in equity or in Other Comprehensive Income ("OCI").

Current tax is the expected tax payable on taxable income for the year, using enacted or substantively enacted tax rates at the reporting date, and any adjustment to tax payable in respect of previous years. ARC recognizes the financial statement impact of a tax filing position when it is probable that the position will be sustained upon audit. The liability is measured based on an assessment of possible outcomes and their associated probabilities. Claims made for scientific research and experimental development ("SR&ED") tax credits are offset against current tax expense.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Government Grants

Government grants are recognized when there is reasonable assurance that ARC will comply with the conditions attached to them and the grants will be received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant relate to income or expense, it is recognized in the statements of income. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset.

Joint Arrangements

ARC may conduct its crude oil and natural gas production activities through jointly controlled operations and the financial statements reflect only ARC's proportionate interest in such activities. Joint control exists for contractual arrangements governing ARC's assets whereby ARC has less than 100 per cent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associated risks. ARC does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

Earnings per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive common shares related to the company's share-based compensation plans which could have a dilutive impact on net income during the year. The number of shares included is computed using the treasury stock method, whereby the common shares are assumed to be purchased at the average market price.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the period average rates of exchange. Translation gains and losses are recognized in the statements of income in the period in which they arise.

The financial statements of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars. The assets and liabilities are translated at the exchange rates at the reporting date. The revenue and expenses are translated at the exchange rates that approximate the dates of those transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve, unless or until such time as the subsidiary is disposed or liquidated, upon which the cumulative translation adjustment is recognized in the statements of income.

ARC's functional and presentation currency is Canadian dollars.

4. Changes in Accounting Policies

New Accounting Policies

Amendments to IAS 12 *Income Taxes*

ARC adopted the following amendments to IAS 12 *Income Taxes* ("IAS 12") that were effective for annual periods beginning on or after January 1, 2023. There was not a material impact to ARC's financial statements.

On January 1, 2023, ARC adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* issued by the International Accounting Standards Board ("IASB") which made amendments to IAS 12. 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.

On January 1, 2023, ARC adopted the measurement and disclosure aspects of the amendment to *IAS 12 International Tax Reform - Pillar Two Model Rules* which provides an exception to the requirements for income tax accounting that an entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Future Accounting Pronouncements

ARC plans to adopt the following amendments to IFRS Accounting Standards that are effective for annual periods beginning on or after January 1, 2024. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2024.

In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. This will be effective on January 1, 2024.

5. Management Judgments and Estimation Uncertainty

The timely preparation of financial statements in accordance with IFRS Accounting Standards requires Management to use judgments, estimates, and assumptions. These estimates and judgments are subject to change and actual results could differ from those estimated. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingencies are discussed below.

Crude Oil, Condensate, Natural Gas, and Natural Gas Liquids Reserves

There are a number of inherent uncertainties associated with estimating reserves. Reserve estimates are based on forward price estimates, expected future rates of production, and the timing and amount of future development expenditures, all of which are subject to many uncertainties, interpretations, and judgments. Estimates reflect market and regulatory conditions existing at December 31, 2023 and 2022, which could differ significantly from other points in time throughout the year, or future periods. Reserves have been evaluated at December 31, 2023 and 2022 by ARC's independent qualified reserve evaluator.

Determination of Cash-Generating Units

Determination of what constitutes a CGU is subject to Management judgment. The recoverability of development and production asset carrying values are assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein. Geological formation, shared infrastructure and marketing arrangements, product type, geographic location, and internal management are key factors considered when grouping ARC’s crude oil and natural gas assets into CGUs.

Recoverability of Asset Carrying Values

Management applies judgment in assessing the existence of indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as the greater of its fair value less costs of disposal and its value in use. The key input estimates ARC applies in determining an acceptable range of recoverable amounts include forward price estimates of crude oil and natural gas, volume of reserves and associated assumptions, including future production costs, required capital expenditures and reserve life, and discount rate.

In estimating the recoverable amount of a CGU and operating segment, the following information is incorporated:

- The net present value of the after-tax cash flows from proved plus probable reserves of each CGU based on reserves estimated by ARC’s independent qualified reserve evaluator. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years.
- The fair value of undeveloped land based on estimates provided by ARC’s independent land evaluator at period end.
- Data pertaining to ongoing and completed transactions within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, future production costs, future development expenditures, or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised. Additionally, the evolving worldwide demand for energy and the global advancement of alternative sources of energy could result in a change in assumptions used to determine the recoverable amount and could affect the carrying value of certain assets. The timing of when, and the degree to which, global energy markets transition from carbon-based sources to alternative energy sources is highly uncertain. Other factors could impact the following key input estimates:

- Crude oil and natural gas prices – Forward price estimates of crude oil and natural gas prices are used in the discounted cash flow model. These prices are adjusted for quality differentials, heat content, and distance to market. Commodity prices may be impacted by multiple factors including supply and demand fundamentals, which also could be impacted by the rate at which global energy markets transition to a lower carbon-based economy, inventory levels, exchange rates, weather, economic, geopolitical factors, and a global pandemic or natural disaster and the respective responses from various levels of government.

- Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital as appropriate for each CGU being tested. Changes in the general economic environment could result in significant changes to this estimate.

Depletion of Crude Oil and Natural Gas Assets

Depletion of crude oil and natural gas assets is determined based on total proved plus probable reserves as well as future development costs as estimated by ARC's independent qualified reserve evaluator.

Crude Oil and Natural Gas Investments

Management applies judgment when classifying the nature of crude oil and natural gas investments as E&E or PP&E, and when determining whether capitalization of the initial costs of these investments is appropriate. Management uses historical drilling results, project economics, resource quantities, production technology expectations, production costs, and future development costs to make judgments about future events and circumstances.

E&E Assets

The accounting for E&E assets requires Management to make judgments as to whether E&E investments have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such reserves to be estimated and could be impacted by a shift in demand as global energy markets transition to a lower carbon-based economy. Previous estimates can be revised as new information becomes available.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the reserves is technically feasible and commercially viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have E&E assets remain classified as such for several years while additional E&E activities are carried out or the Company seeks government, regulatory, or internal approval for development plans. E&E assets are subject to ongoing Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. When Management is making this assessment, changes to project economics, expected capital investments and production costs, results of other operators in the region, and access to infrastructure and potential infrastructure expansions are important factors considered.

Lease Arrangements

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further Management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Where the discount rate implicit in a lease obligation is not readily determinable, the rate is estimated using ARC's company-specific incremental borrowing rate. This rate represents the rate that ARC would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Provisions and Contingent Liabilities

The determination of provisions and disclosure of contingent liabilities involves Management judgments about the probability of outcomes of future events and estimates on timing and amount of expected future cash flows. Such disclosure could relate to predicted outcomes of ongoing legal matters, ongoing or completed asset dispositions, and current regulatory processes.

Asset Retirement Obligation

The provision for site restoration and abandonment for ARC's PP&E and E&E assets is based on estimated inflation and discount rates, current legal requirements, technology, cost of services, and expected plans for remediation expenditures. Actual costs and timing of cash outflows can differ from estimates because of changes in laws and regulations, public expectations, and market conditions, all of which could be influenced by the rate at which global energy markets transition to a lower carbon-based economy. Additionally, further discovery, analysis of site conditions, and changes in technology could also cause estimates to differ from actual costs.

Financial Instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves, and risk of non-performance. A change in any one of these factors could result in a change to the overall estimated valuation of the instrument.

Management applies judgment in assessing and determining when an embedded derivative exists within a host contract, if the embedded derivative is clearly and closely related to the host contract, and the unobservable inputs used to determine the fair value of an embedded derivative if it is not clearly and closely related to the host contract.

Additionally, estimates must be made with respect to impairment of financial assets and the provision of ECL recognized. In making an assessment as to whether financial assets are credit-impaired, Management considers historically realized bad debts, any applicable public credit ratings, evidence of a debtor’s present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will, or has entered bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable.

Share-based Compensation

Compensation expense accrued for Performance Share Units ("PSUs") awarded under ARC’s Performance Share Unit Plan (“PSU Plan”) is dependent on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier that is estimated by Management. Large fluctuations in compensation expense may occur due to changes in the underlying share price or revised Management estimates of relevant performance factors.

Compensation expense recognized for ARC’s Share Option Plan is based on a binomial-lattice option pricing model. The inputs to this model, including dividend yield, expected volatility, forfeitures, and discount rates, rely on Management judgment. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual forfeitures.

Compensation expense recognized for ARC's Long-term Restricted Share Award Plan ("LTRSA Plan") is dependent on Management's estimate of the number of restricted shares that will ultimately vest.

Income Taxes

Tax regulations and legislation are subject to change and there are differing interpretations requiring Management judgment. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods, which requires Management judgment. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods, which requires Management judgment. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances, and interpretations of the standards may result in a material increase or decrease in the Company’s provision for income taxes.

Business Combinations

Management judgment may be required to identify one of the combining entities as the acquirer for accounting purposes and then to determine the fair value of the acquired entity. The determination of fair value is estimated

based on information available at the date of acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets using a fair value less cost of disposal model generally require significant judgment and include forward price estimates of crude oil and natural gas, volume of reserves and associated assumptions, including future production costs, required capital investments and reserve life, and discount rate. Assumptions are also required to determine the fair value of the ARO associated with the assets, the ROU assets and associated lease obligations, other deferred liabilities, and the long-term incentive compensation liability.

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

6. Financial Assets and Credit Risk

Credit risk is the risk of financial loss to ARC if a counterparty to a product sales contract, financial instrument, jointly controlled operation, or other financial transaction fails to meet its contractual obligations. At December 31, 2023, ARC was exposed to credit risk with respect to its accounts receivable and risk management contracts.

Credit risk is typically considered to be very low for the Company's trade accounts receivable and risk management contracts due to ARC's processes for selecting only credit-worthy counterparties and continuously monitoring its credit exposure. Most of ARC’s accounts receivable relate to commodity sales and are subject to typical industry credit risks.

ARC manages its credit risk by:

- entering into sales contracts with only established, credit-worthy counterparties as verified by a third-party rating agency, through internal evaluation or by requiring security such as letters of credit or parental guarantees;
- maintaining a credit policy that limits excessive exposure to any one counterparty at a given time;
- restricting cash equivalent investments and risk management transactions to counterparties that are not less than investment-grade;
- subjecting all counterparties to regular credit reviews; and
- continuously monitoring its credit exposure.

The majority of credit exposure on accounts receivable at December 31, 2023 pertains to accrued commodity sales of December 2023 production volumes. ARC transacts with a number of crude oil and natural gas marketing companies and commodity end users ("commodity purchasers"), the majority of which have investment-grade credit rating. Commodity purchasers typically settle their obligations to ARC by the 25th day of the month following production. Joint interest receivables are typically collected within one to three months following production.

Approximately 87 per cent of ARC's commodity sales accounts receivable at December 31, 2023 (86 per cent at December 31, 2022) were with customers who were considered to be investment-grade and approximately nine per cent (five per cent at December 31, 2022) were with customers who are not considered to be investment-grade, but for which ARC held security. The remaining four per cent (nine per cent at December 31, 2022) of commodity sales accounts receivable were with non-investment grade customers for which ARC holds no security.

For the year ended December 31, 2023, ARC had two external customers that each constituted more than 10 per cent of commodity sales from production, with sales to these customers totaling $634.6 million and $603.7 million, respectively. For the year ended December 31, 2022, ARC had one external customer that constituted more than 10 per cent of commodity sales from production, with sales to this customer totaling $892.5 million.

The following table details the composition of ARC's accounts receivable at December 31, 2023 and December 31, 2022:

Accounts Receivable Composition [(1)]	December 31, 2023	December 31, 2022
Commodity sales	**500.8**	835.3
Joint interest	**4.2**	3.7
Other [(2)]	**78.0**	24.2
Balance	**583.0**	863.2

(1) Net of provision for ECL.
(2) Other receivables primarily consist of amounts owed for income taxes and inventory sales.

The total ECL provision recognized in ARC's accounts receivable balance at December 31, 2023 was $4.6 million ($12.7 million at December 31, 2022).

The aging of ARC's accounts receivable net of provision for ECL at December 31, 2023 and December 31, 2022 is as follows:

Accounts Receivable Aging	December 31, 2023	December 31, 2022
Current (less than 30 days)	**571.3**	862.1
31 - 60 days	**6.5**	0.3
61 - 90 days	**5.1**	0.5
Past due (more than 90 days)	**0.1**	0.3
Balance	**583.0**	863.2

Maximum credit risk is calculated as the total recorded value, before an ECL provision, of accounts receivable and risk management contracts at the balance sheet date. For additional information on financial instruments, refer to Note 16 "Financial Instruments and Market Risk Management".

7. Exploration and Evaluation Assets

Carrying Amount	
Balance, January 1, 2022	277.9
Additions	6.4
Acquisitions	0.3
Change in asset retirement cost	6.3
Balance, December 31, 2022	290.9
Additions	**11.8**
Acquisitions	**8.5**
Dispositions	**(4.6)**
Change in asset retirement cost	**1.0**
Balance, December 31, 2023	**307.6**

During the year ended December 31, 2023, ARC disposed of certain E&E assets for cash proceeds of $44.0 million plus other non-cash consideration and recognized a gain on disposal of $49.1 million in the statements of income.

8. Property, Plant and Equipment

Cost	Development and Production Assets	Corporate Assets	Total
Balance, January 1, 2022	14,124.5	108.5	14,233.0
Additions	1,426.0	9.1	1,435.1
Acquisitions	6.1	—	6.1
Change in asset retirement cost	(152.3)	—	(152.3)
Assets disposed in period	(11.2)	—	(11.2)
Assets reclassified as held for sale	(6.1)	—	(6.1)
Reclassification of lease payments, net of capitalized depreciation	0.4	—	0.4
Other	(4.7)	—	(4.7)
Balance, December 31, 2022	15,382.7	117.6	15,500.3
Additions	**1,823.8**	**13.7**	**1,837.5**
Acquisitions	**17.0**	**—**	**17.0**
Change in asset retirement cost	**65.6**	**—**	**65.6**
Assets disposed in period	**(121.9)**	**—**	**(121.9)**
Reclassification of lease payments, net of capitalized depreciation	**0.5**	**—**	**0.5**
Balance, December 31, 2023	**17,167.7**	**131.3**	**17,299.0**

Accumulated DD&A and Impairment			
Balance, January 1, 2022	(4,894.6)	(72.8)	(4,967.4)
DD&A	(1,220.9)	(16.5)	(1,237.4)
Reversal of impairment	3.6	—	3.6
Accumulated DD&A disposed in period	1.2	—	1.2
Balance, December 31, 2022	(6,110.7)	(89.3)	(6,200.0)
DD&A	**(1,306.9)**	**(22.2)**	**(1,329.1)**
Accumulated DD&A and impairment disposed in period	**66.6**	**—**	**66.6**
Balance, December 31, 2023	**(7,351.0)**	**(111.5)**	**(7,462.5)**

Carrying Amounts			
Balance, December 31, 2022	9,272.0	28.3	9,300.3
Balance, December 31, 2023	**9,816.7**	**19.8**	**9,836.5**

For the year ended December 31, 2023, $43.4 million of direct and incremental overhead charges were capitalized to PP&E ($45.5 million for the year ended December 31, 2022). Future development costs of $10.0 billion were included in the determination of DD&A for the year ended December 31, 2023 ($9.1 billion for the year ended December 31, 2022).

During the year ended December 31, 2023, ARC disposed of certain non-core assets across its portfolio for total cash proceeds of $73.8 million. The transactions resulted in an impairment charge of $2.9 million and gain on disposal of $35.3 million, respectively, in the statements of income.

During the year ended December 31, 2022, ARC completed dispositions of various non-core assets in Alberta for cash proceeds of $8.2 million, and recognized a gain on disposal of $2.0 million in the statements of income.

Goodwill

At December 31, 2023 and 2022, ARC conducted impairment tests of its goodwill. The carrying value of goodwill at December 31, 2023 and 2022 was not determined to be impaired as the combined recoverable amount of ARC's CGUs exceeded the combined carrying value of ARC's operating segment using discount rates of 12.0 per cent and 13.0 per cent, respectively.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's operating segment at December 31, 2023:

	Edmonton Light Crude Oil	**WTI Crude Oil**	**AECO Natural Gas**	**NYMEX Henry Hub Natural Gas**	**Exchange Rates**
Year	(Cdn$/bbl) (1)	(US$/bbl) (1)	(Cdn$/MMBtu) (1)	(US$/MMBtu) (1)	Cdn$/US$ (1)
2024	89.40	72.50	2.01	2.75	0.76
2025	94.04	75.00	3.42	3.85	0.76
2026	95.31	76.99	4.30	4.16	0.77
2027	97.22	78.53	4.39	4.25	0.77
2028	99.16	80.10	4.47	4.33	0.77
2029	101.14	81.70	4.56	4.42	0.77
2030	103.16	83.34	4.65	4.50	0.77
2031	105.23	85.00	4.75	4.60	0.77
2032	107.33	86.70	4.84	4.69	0.77
2033	109.48	88.44	4.94	4.78	0.77
Escalate thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.77

(1) Source: GLJ Ltd. price forecast at January 1, 2024.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's operating segment at December 31, 2022:

	Edmonton Light Crude Oil	**WTI Crude Oil**	**AECO Natural Gas**	**NYMEX Henry Hub Natural Gas**	**Exchange Rates**
Year	(Cdn$/bbl) (1)	(US$/bbl) (1)	(Cdn$/MMBtu) (1)	(US$/MMBtu) (1)	Cdn$/US$ (1)
2023	97.96	75.00	4.36	4.71	0.74
2024	95.30	75.00	4.77	4.50	0.75
2025	94.50	75.43	4.47	4.27	0.76
2026	95.14	76.94	4.49	4.35	0.77
2027	95.79	78.48	4.53	4.44	0.78
2028	97.70	80.05	4.62	4.53	0.78
2029	99.66	81.65	4.71	4.62	0.78
2030	101.65	83.28	4.80	4.71	0.78
2031	103.68	84.95	4.89	4.80	0.78
2032	104.31	86.65	4.99	4.90	0.78
Escalate thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.78

(1) Source: GLJ Ltd. price forecast at January 1, 2023.

9. Right-of-Use Assets

	Leases			Other	
Cost	**Buildings and Land Use Rights**	**Equipment and Vehicles**	**Facilities**	**Service Contracts**	**Total**
Balance, January 1, 2022	33.3	45.5	869.2	8.2	956.2
Additions	0.5	2.8	—	—	3.3
Modifications and terminations	7.6	(0.2)	(1.1)	—	6.3
Balance, December 31, 2022	41.4	48.1	868.1	8.2	965.8
Additions	**5.1**	**38.0**	**—**	—	**43.1**
Modifications and terminations	**(6.3)**	**2.8**	**289.8**	**—**	**286.3**
Balance, December 31, 2023	**40.2**	**88.9**	**1,157.9**	**8.2**	**1,295.2**
Accumulated Depreciation					
Balance, January 1, 2022	(16.4)	(25.4)	(54.3)	(4.0)	(100.1)
Depreciation	(6.3)	(17.4)	(71.2)	(0.8)	(95.7)
Modifications and terminations	—	0.2	—	—	0.2
Balance, December 31, 2022	(22.7)	(42.6)	(125.5)	(4.8)	(195.6)
Depreciation	**(1.6)**	**(13.9)**	**(69.5)**	**(0.8)**	**(85.8)**
Modifications and terminations	**0.4**	**1.8**	**—**	**—**	**2.2**
Balance, December 31, 2023	**(23.9)**	**(54.7)**	**(195.0)**	**(5.6)**	**(279.2)**
Carrying Amounts					
Balance, December 31, 2022	18.7	5.5	742.6	3.4	770.2
Balance, December 31, 2023	**16.3**	**34.2**	**962.9**	**2.6**	**1,016.0**

During the year ended December 31, 2023, ARC added ROU assets related to equipment used in ARC's operations and corporate office space. ARC also modified its ROU assets primarily related to a third-party processing facility.

10. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that ARC will not be able to meet its financial obligations as they become due. ARC actively manages its liquidity at a reasonable cost through strategies such as continuously monitoring forecast and actual cash flows from operating, financing, and investing activities, and available credit and working capital facilities under existing banking arrangements. Management believes that future cash flows generated from these sources will be adequate to settle ARC’s financial liabilities. Refer to Note 12 "Long-Term Debt" for further details on available amounts under existing banking arrangements and Note 15 "Capital Management" for further details on ARC's capital management objectives and policies.

The following tables detail the undiscounted cash flows and contractual maturities of ARC's financial liabilities at December 31, 2023 and December 31, 2022:

As at December 31, 2023	**Undiscounted Cash Flows [1]**	**1 Year**	**2-3 Years**	**4-5 Years**	**Beyond 5 Years**
Accounts payable and accrued liabilities [2]	**689.0**	**689.0**	—	—	—
Dividends payable	**101.7**	**101.7**	—	—	—
Share-based compensation [3]	**113.8**	**55.4**	**58.4**	—	—
Risk management contracts [4]	**14.1**	**3.6**	**1.7**	**8.8**	—
Lease obligations	**1,409.0**	**138.1**	**237.9**	**226.0**	**807.0**
Long-term debt	**1,155.0**	—	**605.0**	—	**550.0**
Interest payments	**169.4**	**29.7**	**54.0**	**38.1**	**47.6**
Total financial liabilities	**3,652.0**	**1,017.5**	**957.0**	**272.9**	**1,404.6**

As at December 31, 2022	Undiscounted Cash Flows [1]	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities [2]	1,111.8	1,111.8	—	—	—
Dividends payable	93.4	93.4	—	—	—
Share-based compensation [3]	118.4	70.3	48.1	—	—
Risk management contracts [4]	341.1	303.0	34.1	—	4.0
Lease obligations	1,017.0	94.0	169.8	146.1	607.1
Long-term debt	1,000.0	—	—	450.0	550.0
Interest payments	199.1	29.7	59.3	43.4	66.7
Total financial liabilities	3,880.8	1,702.2	311.3	639.5	1,227.8

(1) The undiscounted cash flows equal the carrying value, with the exception of lease obligations and long-term debt.
(2) Excludes the portion of accrued cash obligations associated with share-based compensation anticipated to be settled within one year, as well as interest payable at December 31, 2023 and December 31, 2022.
(3) Accrued cash obligations associated with share-based compensation.
(4) Risk management contracts are derivatives. All other financial liabilities contained in this table are non-derivative liabilities.

11. Lease Arrangements

The following table details the movement in ARC's lease obligations for the years ended December 31, 2023 and 2022:

Carrying Amount	
Balance, January 1, 2022	869.3
Additions	3.3
Modifications and terminations	7.1
Interest	0.2
Repayments	(84.6)
Balance, December 31, 2022	795.3
Additions	**43.1**
Modifications and terminations	**291.3**
Repayments	**(69.9)**
Balance, December 31, 2023	**1,059.8**
Lease obligations due within one year	**85.2**
Lease obligations due beyond one year	**974.6**

During the year ended December 31, 2023, ARC added lease obligations related to equipment used in ARC's operations and corporate office space. ARC also modified its lease obligations primarily related to a third-party processing facility.

Payments recognized in the financial statements relating to short-term leases and leases of low-value assets for the year ended December 31, 2023 were $51.1 million ($28.5 million for the year ended December 31, 2022). ARC's short-term leases and leases of low-value assets consist of leased equipment for operations and office equipment. Variable lease payments not included in the calculation of ARC's lease obligations were $3.0 million for the year ended December 31, 2023 ($2.6 million for the year ended December 31, 2022).

The majority of ARC's lease arrangements are effective for periods of one to 13 years but may have extension options. Potential future undiscounted cash outflows of $795.8 million have not been included in the measurement of ARC's lease obligations at December 31, 2023 ($742.4 million at December 31, 2022) because it is not reasonably certain that the leases will be extended.

To optimize lease costs during the contract period, ARC may provide residual value guarantees in relation to certain leases. At December 31, 2023, $5.1 million of guaranteed residual value is not expected to be payable at the end of the contract term ($4.7 million at December 31, 2022) and has been excluded from the estimated value of applicable lease obligations.

Leases are negotiated on an individual basis and contain a wide range of differing terms and conditions. The Company's lease agreements do not impose any covenants, however leased assets are not to be used as security for borrowing purposes.

ARC acts as a lessor of corporate office space and these leases are recognized as operating leases. Income from operating leases for the year ended December 31, 2023 was $2.0 million ($1.9 million for the year ended December 31, 2022).

12. Long-term Debt

	December 31, 2023	December 31, 2022
Syndicated credit facilities	**155.0**	—
Senior notes		
2.354% note	**450.0**	450.0
3.465% note	**550.0**	550.0
Total senior notes	**1,000.0**	1,000.0
Unamortized debt issuance costs	**(6.1)**	(10.0)
Total long-term debt outstanding	**1,148.9**	990.0

At December 31, 2023, the fair value of all long-term debt outstanding was $1.1 billion ($888.7 million at December 31, 2022).

Credit Facility

At December 31, 2023, ARC has a $1.8 billion unsecured extendible revolving credit facility (the "facility"), with a maturity date of October 2026. Subsequent to December 31, 2023, the maturity date of the facility was extended to February 2028 and the capacity was reduced to $1.7 billion from $1.8 billion.

Borrowings under the amended facility bear interest at Canadian bank prime or US base rate, or at ARC's option, Canadian Overnight Repo Rate Average or Secured Overnight Financing Rate, plus applicable margin and stamping fees. The total stamping fees range between zero basis points and 125 basis points on Canadian bank prime and US base rate borrowings and between 100 basis points and 225 basis points on Canadian dollar bankers' acceptance and US dollar borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 20 basis points to 45 basis points. ARC also has in place a $40.0 million demand working capital facility and letters of credit from two lenders totaling $40.0 million.

The following are the financial covenants governing the facility, all capitalized terms are as defined in the respective agreements:

- Consolidated Debt not to exceed 60 per cent of Total Capitalization; and
- Consolidated Tangible Assets of the Restricted Group must exceed 80 per cent of Consolidated Tangible Assets.

Senior Notes

At December 31, 2023, ARC has two tranches of senior unsecured notes issued by way of private placement. The terms and rates are summarized below:

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

Credit Capacity

The following table summarizes ARC's available credit capacity and the current amounts drawn as at December 31, 2023:

($ millions)	Credit Capacity	Drawn	Remaining
Syndicated credit facility	1,760.0	155.0	1,605.0
Working capital facility	40.0	—	40.0
Senior notes	1,000.0	1,000.0	—
Total	**2,800.0**	**1,155.0**	**1,645.0**

At December 31, 2023, ARC had $20.7 million in letters of credit ($13.5 million at December 31, 2022), no subordinated debt, and was in compliance with all of its debt covenants.

13. Other Deferred Liabilities

Carrying Amount	
Balance, January 1, 2022	244.7
Additions	1.0
Amortization	(90.0)
Balance, December 31, 2022	155.7
Additions	**11.9**
Amortization	**(20.9)**
Balance, December 31, 2023	**146.7**
Expected to be settled within one year	**20.8**
Expected to be settled beyond one year	**125.9**

ARC has certain contracts related to transportation service and processing of NGLs which are amortized into income through transportation and operating expense over their remaining lives to 2035.

14. Asset Retirement Obligation

The total ARO was estimated by Management based on ARC's net ownership interest in all wells, facilities, and pipelines; estimated costs to reclaim and abandon the wells, facilities, and pipelines; and the estimated timing of the costs to be incurred in future periods. ARC has estimated the net present value of its total ARO to be $451.3 million at December 31, 2023 ($394.3 million at December 31, 2022) based on a total future undiscounted liability of $576.8 million ($537.1 million at December 31, 2022). Management estimates that these payments are expected to be made over the next 58 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 December 31, 2023.

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance, beginning of year	394.3	550.3
Development activities	**6.4**	10.0
Change in estimates [1]	**38.1**	28.6
Change in discount rate	**31.4**	(181.6)
Settlement of obligations [2]	**(17.9)**	(21.0)
Accretion	**13.2**	11.0
Assets disposed in year	**(14.2)**	(3.0)
Balance, end of year	**451.3**	394.3
Expected to be incurred within one year	**17.0**	16.0
Expected to be incurred beyond one year	**434.3**	378.3

(1) Relates to changes in cost estimates of future obligations and anticipated settlement dates of ARO.
(2) For the year ended December 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 ($1.7 million for the year ended December 31, 2022).

15. Capital Management

ARC actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. ARC has the ability to manage its capital structure by issuing new shares or new debt, repurchasing shares, or changing its dividend policy. During the year ended December 31, 2023, ARC increased its dividend by 13 per cent from $0.15 per share per quarter to $0.17 per share per quarter, repurchased 25.3 million common shares under its normal course issuer bid ("NCIB"), and announced the renewal of its 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 years ended December 31, 2023 and 2022 is calculated as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flow from operating activities	**2,394.3**	3,833.3
Net change in other liabilities (Note 23)	**9.3**	129.2
Change in non-cash operating working capital (Note 23)	**236.0**	(250.0)
Funds from operations	**2,639.6**	3,712.5

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.

ARC manages its capital structure for the long term, with the objective of having its net debt at, or below, 1.0 times funds from operations. At December 31, 2023, ARC's net debt was 0.5 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 December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Long-term debt	**1,148.9**	990.0
Accounts payable and accrued liabilities	**753.3**	1,190.9
Dividends payable	**101.7**	93.4
Cash and cash equivalents, accounts receivable, and prepaid expense	**(686.8)**	(972.8)
Net debt	**1,317.1**	1,301.5
Funds from operations	**2,639.6**	3,712.5
Net debt to funds from operations (ratio) (1)	**0.5**	0.4

(1) Composed of net debt divided by funds from operations.

16. Financial Instruments and Market Risk Management

Financial Instruments

At December 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 balance sheets include 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 derivatives.

Risk management contracts and fair value disclosure for ARC's long-term debt are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 12 "Long-term Debt". There were no transfers between levels in the fair value hierarchy for the year ended December 31, 2023.

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

Embedded Derivatives

During the year ended December 31, 2023, ARC entered into a long-term natural gas supply agreement to supply 140,000 MMbtu/d of natural gas for a term of 15 years, which delivery is expected to commence in 2029, subject to a positive final investment decision by the counterparty. Under the terms of the agreement, ARC will deliver natural gas to its counterparty at a delivery point in Louisiana, USA and receive a Title Transfer Facility ("TTF") index price less deductions for transport, liquefaction, and regasification (the "2023 Agreement"). The contract contains an embedded derivative as a result of the TTF pricing formula. ARC has identified the host contract as a natural gas sales agreement with a New York Mercantile Exchange ("NYMEX") Henry Hub price.

During the year ended December 31, 2022, ARC entered into a long-term natural gas supply agreement to supply 140,000 MMbtu/d of natural gas for a term of 15 years, which delivery is expected to commence in 2027. Under the terms of the agreement, ARC will deliver natural gas to its counterparty at a delivery point in Illinois, USA and receive a Japan Korea Marker ("JKM") index price less deductions for transport and liquefaction (the

"2022 Agreement"). The contract contains an embedded derivative as a result of the JKM pricing formula. ARC has defined the host contract as a natural gas sales agreement with a Chicago Citygate price.

ARC's natural gas embedded derivative contracts are classified as Level 3 within the fair value hierarchy, as the fair values have been determined using a discounted cash flow valuation technique, which models incorporate significant unobservable inputs.

The following table details the significant unobservable inputs for the 2023 Agreement and the sensitivity of the fair value of the embedded derivative from reasonably possible changes in the unobservable inputs:

2023 Agreement	**December 31, 2023**	**December 31, 2022**
Net asset (liability) fair value	2.8	—
Significant unobservable inputs:		
Forward prices	A blend of observable and constructed forward curves for NYMEX Henry Hub and TTF prices.	
	US$5.43/MMBtu - US$10.11/MMBtu	—
Discount rate	A weighted average cost of capital.	
	12%	—
Increase (decrease) in fair value:		
Forward prices [1]		
Increase of five per cent	0.8	—
Decrease of five per cent	(0.8)	—
Discount rate		
Increase of one per cent	(0.2)	—
Decrease of one per cent	0.2	—

(1) The sensitivity of forward prices refers to an increase and decrease in the differential between NYMEX and TTF forward prices.

The following table details the significant unobservable inputs for the 2022 Agreement and the sensitivity of the fair value of the embedded derivative from reasonably possible changes in the unobservable inputs:

2022 Agreement	**December 31, 2023**	**December 31, 2022**
Net asset (liability) fair value	(8.8)	(4.0)
Significant unobservable inputs:		
Forward prices	A blend of observable and constructed forward curves for Chicago Citygate and JKM prices.	A blend of observable and constructed forward curves for Chicago Citygate and JKM prices.
	US$5.01/MMBtu - US$5.99/MMBtu	US$4.93/MMBtu - US$6.03/MMBtu
Discount rate	A weighted average cost of capital.	A weighted average cost of capital.
	12%	12%
Increase (decrease) in fair value:		
Forward prices [1]		
Increase of five per cent	67.2	62.9
Decrease of five per cent	(67.2)	(62.9)
Discount rate		
Increase of one per cent	1.7	0.4
Decrease of one per cent	(2.0)	(0.5)

(1) The sensitivity of forward prices refers to an increase and decrease in the differential between JKM and Chicago Citygate forward prices.

In addition to the significant unobservable inputs detailed above, ARC assesses the risk of non-performance in its embedded derivative contracts. A material non-performance risk factor was applied to the valuation of the 2023 Agreement as the contract contains various outstanding conditions precedent, including a positive final investment decision by the counterparty. The term of the contract is long-dated, introducing significant risk of changing market conditions that could negatively impact the commercial viability. A less significant non-performance risk factor was applied to the valuation of the 2022 Agreement as the counterparty had already made a positive final investment decision and construction of their liquefied natural gas facility is underway. With respect to both agreements, upon initial recognition the fair value was deemed to be $nil, as there was no initial transaction price and the unobservable inputs were calibrated to yield this result.

ARC recognizes a gain (loss) on risk management contracts in the statements of income related to its natural gas embedded derivatives. The gain (loss) is determined by the relative movements in fair value compared to the prior period balance sheet date. For the year ended December 31, 2023, ARC recognized an unrealized loss on risk management contracts of $2.0 million ($4.0 million for the year ended December 31, 2022). At December 31, 2023, the fair value of the natural gas embedded derivatives was a liability of $6.0 million ($4.0 million at December 31, 2022).

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 December 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 December 31, 2023					
Risk management contracts					
Current asset	**218.5**	**(39.9)**	**178.6**	**(1.1)**	**177.5**
Long-term asset	**121.6**	**(59.7)**	**61.9**	**(0.4)**	**61.5**
Current liability	**(43.7)**	**39.9**	**(3.8)**	**0.2**	**(3.6)**
Long-term liability	**(70.3)**	**59.7**	**(10.6)**	**0.1**	**(10.5)**
Net position	**226.1**	**—**	**226.1**	**(1.2)**	**224.9**
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)

Market Risk Management

ARC is exposed to a number of market risks that are part of its normal course of business. Market risks that could adversely affect the value of the Company’s financial assets, liabilities, and expected future cash flows include commodity price risk, foreign exchange risk, and interest rate risk. ARC has a risk management program in place that includes financial instruments as disclosed in the "Risk Management Contracts" section of this note.

ARC’s Management oversees the Company’s risk management program and the program is governed by certain guidelines approved by the Board. The objective of the risk management program is to support ARC’s business plan by mitigating adverse changes in commodity prices, foreign exchange rates, and interest rates in order to reduce the volatility of commodity sales, increase the certainty of cash flows from operating activities, and to protect acquisition and development economics. All risk management contracts are executed by specialist teams that have the appropriate skills, experience, and supervision.

The following sensitivity analyses demonstrate the potential impact that a change in these market risk factors could have on the fair value of ARC's risk management contracts and subsequently the impact of net income. For

the purposes of the sensitivity analyses, the effect of a variation in a particular variable is calculated independently of any change in another variable. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. The assumptions made to derive the changes in the relevant risk variables in each sensitivity analysis are based on Management's assessment of reasonably possible changes that could occur at December 31, 2023. The results of the sensitivity analyses should not be considered to be predictive of future performance.

Commodity Price Risk

ARC's operational results and financial condition are largely dependent on the commodity prices received for its crude oil and natural gas production. Commodity prices may be impacted by multiple factors including supply and demand fundamentals, which also could be impacted by the rate at which global energy markets transition to a lower carbon-based economy and nations approach to energy security, inventory levels, exchange rates, weather, economic and geopolitical factors, and a global pandemic or natural disaster and the respective responses from various levels of government. Movement in commodity prices could have a significant positive or negative impact on ARC's net income.

The guidelines for ARC's risk management program currently restrict the amount of risk management contracts to a maximum of 60 per cent of anticipated production over the next two years and 30 per cent of anticipated production beyond two years and up to five years where a specific commodity (crude oil or natural gas) cannot exceed a maximum of 70 per cent over the next two years and 35 per cent for years three through five. ARC's risk management program guidelines allow for further risk management contracts on anticipated volumes associated with new production arising from specific capital projects and acquisitions or to further protect cash flows for a specific period with approval of the Board.

ARC manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts (refer to section of this note entitled "Risk Management Contracts"). The following table illustrates the effects of movement in commodity prices on net income due to changes in the fair value of risk management contracts in place at December 31, 2023.

Sensitivity of Commodity Price on Risk Management Contracts [1]	Increase in Commodity Price				Decrease in Commodity Price			
	Crude Oil [2]		Natural Gas [3]		Crude Oil [2]		Natural Gas [3]	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Net income	**(44.9)**	(68.7)	**(50.2)**	(75.7)	**47.9**	67.8	**52.6**	76.3

(1) Excludes any sensitivity related to ARC's embedded derivatives. Refer to the table contained within the "Embedded Derivatives" section of this note.
(2) Crude oil sensitivities are based on a US$10 per barrel increase and decrease in the price of West Texas Intermediate ("WTI").
(3) Natural gas sensitivities are based on a US$0.50 per MMBtu increase and decrease in the price of NYMEX Henry Hub.

ARC enters into physical commodity contracts in the normal course of business. These contracts are treated as executory contracts, which are recognized at cost at the time of transaction.

Foreign Exchange Risk

North American crude oil and natural gas prices are based upon US dollar-denominated commodity prices. As a result, the price received by Canadian producers is affected by the Cdn$/US$ foreign exchange rate that may fluctuate over time.

The following table demonstrates the effect of exchange rate movements on net income due to changes in the fair value of risk management contracts in place at December 31, 2023, and the unrealized gain or loss on revaluation of outstanding US dollar-denominated payables and receivables. The sensitivity is based on a $0.10 increase and decrease in the Cdn$/US$ foreign exchange rate.

Sensitivity of Foreign Exchange Exposure	Increase in Cdn$/US$ Rate		Decrease in Cdn$/US$ Rate	
	2023	2022	**2023**	2022
Risk management contracts	**71.7**	53.7	**(57.5)**	(61.7)
US dollar-denominated payables and receivables	**0.2**	(7.9)	**(0.2)**	7.9
Net income	**71.9**	45.8	**(57.7)**	(53.8)

Interest Rate Risk

ARC may manage its interest cost by issuing debt bearing a mix of both fixed and variable interest rates. Changes in interest rates could result in an increase or decrease in the amount ARC pays to service variable interest rate debt. At December 31, 2023, ARC is exposed to interest rate risk with respect to drawing debt under its credit facility. If interest rates were to increase or decrease by 50 basis points, the impact on interest expense in the statements of income would be $1.0 million ($2.4 million for the year ended December 31, 2022).

Risk Management Contracts

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

Risk Management Contracts Positions Summary [1]

As at December 31, 2023	**2024**		**2025**		**2026**		**2027**		**2028**	
Crude Oil – WTI	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	100.26	19,000	88.96	7,000	—	—	—	—	—	—
Floor	69.74	19,000	70.00	7,000	—	—	—	—	—	—
Sold Floor	55.00	17,757	55.00	7,000	—	—	—	—	—	—
Swap	75.12	215	—	—	—	—	—	—	—	—
Sold Swaption [2]	—	—	90.50	5,000	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**19,215**		**7,000**		**—**		**—**		**—**
Natural Gas – NYMEX Henry Hub [3]	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Ceiling	—	—	7.60	50,000	—	—	—	—	—	—
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	4.13	250,000	4.93	170,000	4.91	100,000	—	—	—	—
Floor	3.12	250,000	2.90	170,000	3.00	100,000	—	—	—	—
Swap	3.25	80,000	—	—	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		**312,780**		**161,129**		**94,782**		**—**		**—**
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day	US$/ MMBtu	MMBtu/ day
Sold Swap	(0.91)	70,000	(0.89)	200,000	(1.03)	15,000	(1.03)	15,000	(1.03)	15,000
Foreign Exchange	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)	Notional (US$ Millions)	Rate (Cdn$/ US$)
Ceiling	840.0	1.3839	300.0	1.3992	—	—	—	—	—	—
Floor	840.0	1.3157	300.0	1.3350	—	—	—	—	—	—

(1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.
(2) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
(3) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

17. Income Taxes

The major components of income tax expense for the years ended December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Current	**201.5**	288.5
Deferred:		
Origination and reversal of temporary differences	**251.1**	407.8
Adjustments for prior years	**11.9**	(10.8)
Changes in tax rates and legislation	**(3.7)**	(9.6)
	259.3	387.4
Total income tax expense	**460.8**	675.9

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to net income before income taxes as follows:

	December 31, 2023	December 31, 2022
Net income before tax	**2,057.3**	2,978.2
Canadian statutory rate [1]	**23.32 %**	23.41 %
Expected income tax expense at statutory rates	**479.7**	697.2
Effect on income tax of:		
Change in corporate tax rate	**(3.7)**	(9.6)
Change in estimated pool balances [2]	**(16.1)**	(12.8)
Other	**0.9**	1.1
Total income tax expense	**460.8**	675.9

(1) The tax rate consists of the combined federal and provincial statutory tax rates for the Company for the years ended December 31, 2023 and 2022. The combined federal and provincial rate decrease to 23.32 per cent in 2023 from 23.41 per cent in 2022 reflects changes made to the 2023 provincial income allocation, resulting in increased income allocated to Alberta which has a relatively lower corporate tax rate of eight per cent.
(2) Change in estimated pool balances primarily consists of recognition of SR&ED and related Investment Tax Credits.

	December 31, 2023	December 31, 2022
Deferred tax liabilities:		
PP&E in excess of tax basis	**1,350.2**	1,200.8
Risk management contracts	**55.7**	3.3
ROU assets	**237.0**	179.5
Other	**—**	6.4
Deferred tax assets:		
ARO	**(105.3)**	(92.3)
Risk management contracts	**(3.3)**	(79.8)
Long-term incentive compensation expense	**(26.5)**	(27.7)
Lease obligations	**(247.1)**	(186.2)
Other deferred liabilities	**(28.5)**	(32.9)
Other	**(11.3)**	(9.5)
Deferred taxes	**1,220.9**	961.6

At December 31, 2023, the crude oil and natural gas assets owned by ARC have an approximate federal tax basis of $4.4 billion ($4.5 billion at December 31, 2022) available for future use as deductions from taxable income.

The following is a summary of ARC's estimated tax pools as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Canadian oil and gas property expense	**862.5**	977.0
Canadian development expense	**1,835.3**	1,834.0
Undepreciated capital cost	**1,653.1**	1,652.0
Other	**48.5**	72.7
Total federal tax pools	**4,399.4**	4,535.7

18. Shareholders' Capital

ARC is authorized to issue an unlimited number of no par value common shares and 50 million preferred shares without nominal or par value. Common shares carry one vote per share and the right to any dividends declared. Preferred shares may be issued in series with rights and conditions to be determined by the Board prior to issuance and subject to the Company’s articles. There are no preferred shares outstanding at December 31, 2023 or 2022.

(thousands of shares)	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Common shares, beginning of year	620,888	693,516
Repurchase of shares for cancellation	**(25,252)**	(74,574)
Issued on exercise of share options and long-term incentive awards	**1,206**	1,963
Unvested restricted shares held in trust pursuant to the LTRSA Plan [(1)]	**(22)**	(17)
Restricted shares vested pursuant to the LTRSA Plan	**33**	—
Common shares, end of year	**596,853**	620,888

(1) Unvested restricted shares held in trust pursuant to the LTRSA Plan includes restricted shares purchased.

In August 2023, ARC announced the renewal of its NCIB. The renewed NCIB allows ARC to purchase up to 60.7 million of its outstanding common shares over a 12-month period, commencing September 1, 2023. During the year ended December 31, 2023, ARC repurchased 25.3 million common shares under its NCIB at a weighted average price of $18.34 for a total cost of $464.1 million.

At December 31, 2023, ARC has recognized a liability of $5.6 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 $3.0 million and a reduction to retained earnings of $2.6 million.

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

(thousands of shares)	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Weighted average common shares	**608,836**	661,232
Dilutive impact of share-based compensation [(1)]	**1,812**	1,912
Weighted average common shares, diluted	**610,648**	663,144

(1) For the year ended December 31, 2023, 0.6 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (1.2 million for the year ended December 31, 2022).

Dividends declared for the year ended December 31, 2023 were $0.66 per share ($0.49 for the year ended December 31, 2022).

19. 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	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Crude oil	**290.2**	333.6
Condensate	**2,754.1**	3,385.5
Natural gas [(1)]	**1,818.7**	3,746.4
NGLs	**397.4**	504.4
Total commodity sales from production	**5,260.4**	7,969.9

(1) Includes $3.8 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the year ended December 31, 2023 ($3.7 million for the year ended December 31, 2022).

At December 31, 2023, accounts receivable from contracts with customers, which are included in accounts receivable, were $500.8 million ($835.3 million at December 31, 2022).

ARC enters into contracts with customers that can have performance obligations that are unsatisfied, or partially unsatisfied, at the reporting date. At December 31, 2023, the company has a number of unfulfilled performance obligations including fixed volume and index-based commodity sales contracts. These contracts have varying durations, with the Company's longest individual commodity sales contract ending in 2044.

ARC does not adjust its revenue transactions for the time value of money as it does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

20. Share-based Compensation Plans

ARC's share-based, long-term incentive plans result in employees, officers and directors (the "plan participants") receiving cash compensation in relation to the value of a specified number of underlying notional share awards. ARC has certain share-based compensation plans that existed prior to a business combination (the "Legacy Plans") and share-based compensation plans acquired through a business combination that are eligible for continuation and exercise (the "Acquired Plans").

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

RSU and PSU awards outstanding under the Legacy Plans consists of RSUs for which the number of share awards is fixed and will vest evenly over a period of three years and PSUs for which the number of share awards is variable and will vest at the end of three years.

Upon vesting of the RSUs, the plan participant receives a cash payment based on the fair value of the underlying share awards plus all dividends accrued since the grant date. The cash compensation of the PSUs issued upon vesting is further dependent upon an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier. The performance multiplier is determined using two criteria: 50 per cent of the performance multiplier is based on ARC's relative total shareholder return performance compared to a defined peer group, and 50 per cent of the performance multiplier is dependent on an overall assessment of achievements based on a predetermined corporate scorecard.

The performance multiplier is calculated at the time of payment and can result in cash compensation issued upon vesting of the PSUs ranging from zero to two times the value of the PSU awards originally granted.

RSU and PSU awards outstanding under the Acquired Plans are the same as those under the Legacy Plans, with the exception that no dividends accrue and both RSUs and PSUs of the Acquired Plans vest annually over three years. All of the remaining RSU and PSU awards under the Acquired Plans are eligible to be settled in equity.

Deferred Share Unit ("DSU") Plans

ARC offers a DSU Plan to non-employee directors, under which each director receives a minimum of 60 per cent of their total annual remuneration in the form of DSUs. DSU awards under the Legacy and Acquired Plans fully vest on the date of grant, but are available for redemption when the director ceases to be a member of the Board. Awards are settled in cash and are determined by the value of the underlying common shares. Approximately 38 per cent of remaining DSU awards under the Acquired Plans are eligible to be settled in equity, with the remainder to be settled in cash.

Long-term Incentive Plans

The following table summarizes the changes in the RSU, PSU, and DSU awards under the Legacy Plans for the years ended December 31, 2023 and 2022:

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs** [1]	**DSUs**
Balance, January 1, 2022	3,265	6,372	1,103
Granted	1,227	1,708	149
Distributed	(1,656)	(2,391)	(526)
Forfeited	(149)	(129)	—
Balance, December 31, 2022	2,687	5,560	726
Granted	**876**	**1,169**	**134**
Distributed	**(1,507)**	**(3,160)**	**(19)**
Forfeited	**(71)**	**(53)**	**—**
Balance, December 31, 2023	**1,985**	**3,516**	**841**

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

The following table summarizes the changes in the RSU, PSU, and DSU awards under the Acquired Plans for the years ended December 31, 2023 and 2022:

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs** [1]	**DSUs**
Balance, January 1, 2022	513	413	425
Granted [2]	9	104	12
Distributed	(295)	(361)	—
Forfeited	(36)	(30)	—
Balance, December 31, 2022	191	126	437
Granted [2]	**2**	**1**	**15**
Distributed	**(185)**	**(127)**	**(36)**
Forfeited	**(1)**	**—**	**—**
Balance, December 31, 2023	**7**	**—**	**416**

(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 relating to the RSUs, PSUs, and DSUs granted under the Legacy Plans and Acquired Plans are reconciled as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
General and administrative ("G&A")	**59.3**	85.4
Operating	**5.1**	7.1
PP&E	**17.3**	21.4
Total compensation charge	**81.7**	113.9
Cash payment	**86.3**	87.6

At December 31, 2023, compensation amounts of $55.4 million were recognized in accounts payable and accrued liabilities on the balance sheets ($70.3 million at December 31, 2022) and $58.4 million was included in long-term incentive compensation liability ($48.1 million at December 31, 2022).

Share Option Plans

Granting of new share option awards under the Legacy Plans was suspended in 2019. Share options previously granted to officers and certain employees of ARC vest evenly on the fourth and fifth anniversary of their grant date and have a maximum term of seven years. The option holder has the right to exercise the options and purchase one common share per option at the original grant price or at a reduced exercise price, equal to the grant price less all dividends paid subsequent to the grant date and prior to the exercise date.

Share options granted under the Acquired Plans vest annually over three years and expire 10 years after the date of grant. The final grant was in 2019. The option holder has the right to exercise the options and purchase one common share per option at the original grant price. The original grant price under both the Legacy and Acquired Plans is calculated as the weighted average trading price of ARC common shares for the five days immediately preceding the grant date.

At December 31, 2023, all share options outstanding under the Legacy Plans and Acquired Plans were vested and exercisable. The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Legacy Plans for the years ended December 31, 2023 and 2022 were as follows:

Legacy Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price ($)
Balance, January 1, 2022	3,978	15.10
Exercised	(1,224)	17.12
Forfeited	(100)	15.19
Expired	(55)	17.78
Balance, December 31, 2022	2,599	13.51
Exercised	**(1,013)**	**14.13**
Forfeited	**(7)**	**10.69**
Expired	**(235)**	**17.41**
Balance, December 31, 2023	**1,344**	**11.49**

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the years ended December 31, 2023 and 2022 were as follows:

Acquired Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price ($)
Balance, January 1, 2022	2,447	18.01
Exercised	(739)	11.42
Forfeited	(526)	24.79
Balance, December 31, 2022	1,182	19.12
Exercised	**(195)**	**11.85**
Forfeited	**(60)**	**25.61**
Balance, December 31, 2023	**927**	**20.22**

The following table summarizes information regarding share options outstanding at December 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)
5.98 - 11.00	1,159	10.38	2.0
11.01 - 14.00	450	13.53	1.0
14.01 - 18.00	45	15.29	3.5
18.01 - 22.00	56	20.61	3.2
22.01 - 27.89	561	25.35	2.9
Total	**2,271**	**15.05**	**2.1**

LTRSA Plan

Issuance of new awards under the LTRSA plan were suspended in 2021. Previously granted LTRSA consist of restricted common shares that were awarded at the date of grant and a cash payment made equal to the estimated personal tax obligation associated with the total award. The restricted shares issued on the grant date of the award are held in trust until the vesting conditions have been met. In 2020, the LTRSA Plan was amended to extend the vesting schedule from three years to five years and to adjust the calculation of the service period.

While in trust, the restricted shares earn cash dividends that are reinvested into the purchase of ARC common shares. These re-invested common shares issued are also held in trust until vested. LTRSA awards granted prior to 2020 vest evenly on the eighth, ninth, and tenth anniversaries of their respective grant dates. LTRSA awards granted subsequent to 2019 vest evenly on the sixth, seventh, eighth, ninth, and tenth anniversaries of their respective grant dates. Restricted shares and any accrued dividends that are subject to forfeiture will be redeemed and cancelled by ARC.

The estimated fair value of LTRSAs is determined as the weighted average trading price of ARC common shares on the TSX for the five days immediately preceding the grant date. The changes in total LTRSA outstanding and related fair value per restricted share for the years ended December 31, 2023 and 2022 were as follows:

	Granted Prior to 2020		Granted Subsequent to 2019	
	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)
Balance, January 1, 2022	763	12.08	213	6.28
Restricted shares purchased	13	16.16	4	16.16
Balance, December 31, 2022	776	12.15	217	6.45
Restricted shares purchased	**17**	**18.47**	**5**	**18.52**
Distributed	**(33)**	**18.27**	**—**	**—**
Forfeited	**—**	**—**	**(10)**	**6.17**
Balance, December 31, 2023	**760**	**12.03**	**212**	**6.75**

ARC recognized G&A expense of $1.1 million relating to the LTRSA Plan for the year ended December 31, 2023 ($1.2 million for the year ended December 31, 2022).

21. Commitments and Contingencies

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

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	605.0	—	550.0	1,155.0
Interest payments [(1)]	29.7	54.0	38.1	47.6	169.4
Purchase and service commitments [(2)]	161.0	44.1	38.3	114.2	357.6
Transportation commitments	663.9	1,300.8	866.9	2,233.8	5,065.4
Total contractual obligations and commitments	**854.6**	**2,003.9**	**943.3**	**2,945.6**	**6,747.4**

(1) Fixed interest payments on senior notes.
(2) Includes variable operating costs associated with the Company's lease obligations.

ARC enters into commitments for purchases of goods and services in the normal course of operations in advance of expenditures being made. At a given point in time, ARC has committed to a portion of its capital budget by means of giving the necessary authorizations to incur the expenditures in a future period.

ARC is involved in other litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on ARC's results of operations or cash flows.

22. Related Parties

Key Management Personnel Compensation

ARC's key management personnel consists of its officers and directors. Short-term benefits are composed of salaries and directors' fees, annual bonuses, and other benefits. In addition, the Company provides share-based compensation to its key management personnel under the RSU, PSU, DSU, LTRSA, and Share Option Plans. The compensation relating to key management personnel is as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Short-term benefits	**9.1**	9.6
Share-based compensation	**32.7**	35.1
Total key management personnel compensation	**41.8**	44.7

23. 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:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating	**44.4**	38.4
G&A	**138.7**	141.1
Total employee compensation expense	**183.1**	179.5

Presentation in the Statements of Cash Flows

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

Change in Non-cash Working Capital	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Accounts receivable	**292.7**	(218.7)
Accounts payable and accrued liabilities	**(420.1)**	485.1
Inventory	**(23.3)**	16.2
Prepaid expense	**(50.1)**	(16.9)
Total change in non-cash working capital	**(200.8)**	265.7
Relating to:		
Operating activities	**(236.0)**	250.0
Investing activities	**35.2**	15.7
Total change in non-cash working capital	**(200.8)**	265.7

Other Non-cash Items	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Share-based compensation expense	**1.2**	1.2
ARO settlements	**(0.4)**	(1.7)
Modified and terminated leases	**(0.3)**	0.5
Other amortization	**5.1**	2.7
Total other non-cash items	**5.6**	2.7

Net Change in Other Liabilities	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Long-term incentive compensation liability	**10.3**	7.3
Risk management contracts	**4.4**	(29.8)
ARO cash settlements	**(17.5)**	(19.3)
Other deferred liabilities	**(6.5)**	(87.2)
Debt issuance costs	**—**	(0.4)
Accrued lease interest	**—**	0.2
Total net change in other liabilities	**(9.3)**	(129.2)

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

Financing Liabilities	Current Financial Liabilities	Long-term Financial Liabilities	Total Financial Liabilities from Financing Activities
Balance, January 1, 2022	109.3	2,465.3	2,574.6
Cash flows			
Draw of long-term debt	—	7,027.0	7,027.0
Repayment of long-term debt	—	(7,748.2)	(7,748.2)
Repayment of lease obligations	(84.6)	—	(84.6)
Reclassified to current			
Lease obligations	68.2	(68.2)	—
Non-cash changes			
Lease recognition	—	3.3	3.3
Lease modification and termination	(0.7)	7.8	7.1
Accrued lease interest	0.2	—	0.2
Unrealized foreign exchange loss	—	2.7	2.7
Other	—	3.6	3.6
Other changes	—	(0.4)	(0.4)
Balance, December 31, 2022	92.4	1,692.9	1,785.3
Cash flows			
Draw of long-term debt	**—**	**4,247.9**	**4,247.9**
Repayment of long-term debt	**—**	**(4,092.9)**	**(4,092.9)**
Repayment of lease obligations	**(69.9)**	**—**	**(69.9)**
Reclassified to current			
Lease obligations	**64.4**	**(64.4)**	**—**
Non-cash changes			
Lease recognition	**—**	**43.1**	**43.1**
Lease modification and termination	**(1.7)**	**293.0**	**291.3**
Other	**—**	**3.9**	**3.9**
Balance, December 31, 2023	**85.2**	**2,123.5**	**2,208.7**
Lease obligations due within one year	**85.2**	**—**	**85.2**
Lease obligations due beyond one year	**—**	**974.6**	**974.6**
Long-term debt due beyond one year	**—**	**1,148.9**	**1,148.9**