

Q4

2025

FOURTH QUARTER REPORT
For the Three Months Ended December 31, 2025

ARX



Corporate Profile

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

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ARC RESOURCES LTD. REPORTS YEAR-END 2025 RESULTS AND RESERVES

NEWS RELEASE

Calgary, February 5, 2026 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its fourth quarter and year-end 2025 financial and operational results as well as its year-end 2025 reserves.

CORPORATE HIGHLIGHTS

Fourth Quarter Results

- Fourth quarter production averaged a record 408,382 boe⁽¹⁾ per day (58 per cent natural gas and 42 per cent crude oil and liquids⁽²⁾), which included 118,898 barrels per day of crude oil and condensate production, the highest in ARC's 30-year history. Production per share⁽³⁾ increased 10 per cent compared to the fourth quarter of 2024.
- ARC generated funds from operations of \$874 million⁽⁴⁾ (\$1.52 per share⁽⁴⁾) and cash flow from operating activities of \$668 million (\$1.16 per share⁽⁴⁾).
 - ARC realized an average natural gas price of \$3.77 per Mcf⁽⁴⁾, which is \$1.43 greater than the average AECO 7A Monthly Index price.
- Free funds flow was \$415 million⁽⁴⁾ (\$0.72 per share⁽⁴⁾), and net income was \$260 million or \$0.45 per share. ARC distributed \$257 million (\$0.45 per share) to shareholders through the base dividend and share repurchases, and allocated the remainder to debt reduction.
 - ARC declared dividends of \$120 million (\$0.21 per share⁽⁴⁾) and repurchased 5.1 million common shares for \$137 million under its normal course issuer bid ("NCIB").
- ARC invested \$459 million in capital expenditures⁽⁴⁾ during the fourth quarter, which contributed to total capital expenditures of \$1.9 billion in 2025, which was within Company guidance.
- Subsequent to December 31, 2025, ARC executed an agreement to purchase assets in the Kakwa area of Alberta for approximately \$160 million. The transaction is expected to close in February 2026.
- Net debt⁽⁴⁾ decreased by \$191 million compared to the third quarter of 2025. As at December 31, 2025, net debt was \$2.9 billion or 0.9 times funds from operations⁽⁴⁾.

Year-end 2025 Highlights

- ARC generated record annual average production of 374,336 boe per day (59 per cent natural gas and 41 per cent crude oil and liquids), an increase of 10 per cent per share compared to 2024.
- ARC recognized funds from operations of \$3.2 billion (\$5.48 per share), and generated free funds flow of \$1.3 billion (\$2.20 per share) in 2025.
 - ARC distributed 75 per cent of free funds flow to shareholders through its base dividend and share repurchases. The remainder was allocated to debt reduction, allowing ARC to further strengthen its balance sheet.
 - ARC increased its base dividend for the fifth consecutive year. ARC's Board of Directors (the "Board") approved an 11 per cent increase to the quarterly dividend, from \$0.19 to \$0.21 per share (\$0.84 per share, per annum).
- ARC's annual average realized natural gas price of \$3.51 per Mcf was 89 per cent or \$1.65 per

Mcf greater than the average AECO 7A Monthly Index price. This marks the 13th consecutive year that ARC's market diversification strategy resulted in a realized natural gas price that exceeded AECO by 20 per cent or greater.

- Natural gas curtailments at Sunrise due to low natural gas prices during the third and fourth quarters of 2025 reduced full-year average production by approximately 12,000 boe per day (approximately 70 MMcf per day). The curtailments preserved resource for periods when prices were higher, and allowed ARC to defer approximately \$50 million of capital.
- In July 2025, ARC completed the acquisition of condensate-rich Montney assets in the Kakwa area of Alberta from Strathcona Resources Ltd. in an all-cash transaction valued at approximately \$1.6 billion⁽⁵⁾ (the "Kakwa Acquisition").
- ARC executed an agreement for the earning and development of up to 36 new contiguous sections in the Montney with the Tsaa Dunne Za Energy Limited Partnership – a limited partnership owned by Halfway River First Nation.
- In March 2025, ARC announced a long-term sale and purchase agreement with ExxonMobil LNG Asia Pacific ("EMLAP"), an ExxonMobil affiliate, for the supply of liquefied natural gas ("LNG"). Under the agreement, EMLAP will purchase ARC's LNG offtake from the Cedar LNG Project, approximately 1.5 million tonnes per annum at international pricing. The agreement commences with commercial operations at the Cedar LNG Facility, expected in late 2028.

2025 Reserves⁽¹⁾⁽⁶⁾

- ARC reported record reserves across all categories in 2025. Proved developed producing ("PDP") and total proved plus probable ("2P") reserves increased by 15 per cent and nine per cent, respectively, compared to 2024.
 - For the 18th consecutive year, ARC replaced greater than 120 per cent of 2P reserves.
 - For the 20th consecutive year, ARC reported positive technical revisions on a total proved ("1P") and 2P basis.
- ARC's before-tax net present value ("NPV") of 2P reserves, discounted at 10 per cent was \$38.71 per share⁽⁴⁾ at December 31, 2025. The 2P NPV considers the development of 23 per cent of ARC's internally identified inventory⁽⁷⁾, providing a long runway for future development and reserve growth.
- ARC's reserve life index ("RLI") increased across all three categories. ARC's RLI increased to 4.8 years on a PDP basis, 9.6 years on a 1P, and 15.1 years on a 2P basis.

ARC's consolidated financial statements and notes thereto (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three months and year ended December 31, 2025, are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca. The disclosure under the section entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three months and year ended December 31, 2025 (the "2025 Annual MD&A") is incorporated by reference into this news release.

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

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

(3) Represents average daily production divided by the diluted weighted average common shares outstanding for the three months ended December 31.

(4) This is a specified financial measure. See "*Non-GAAP and Other Financial Measures*" of this news release and in the 2025 Annual MD&A for additional disclosure, which is incorporated by reference.

(5) The purchase price was approximately \$1.6 billion for the assets acquired in the Kakwa Acquisition before purchase price adjustments and unrelated equipment and land.

(6) GLJ Ltd. ("GLJ") conducted an Independent Qualified Reserves Evaluation ("Reserves Evaluation"), dated February 3, 2026 and effective December 31, 2025, which was prepared in accordance with definitions, standards, and procedures in the Canadian Oil and Gas Evaluation ("COGE") Handbook and NI 51-101. The Reserves Evaluation was based on the GLJ Ltd., Sproule ERCE, McDaniel & Associates Consultants Ltd. Three Consultant Average ("3CA") forecast pricing and foreign exchange rates at January 1, 2026.

(7) Internally identified inventory refers to drilling locations identified by ARC based on its own internal evaluation and which were not independently verified by GLJ. Such inventory does not constitute reserves or resources as defined under NI 51-101.

FINANCIAL AND OPERATIONAL RESULTS

(Cdn\$ millions, except per share amounts ⁽¹⁾ , boe amounts, and common shares outstanding)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
FINANCIAL RESULTS					
Net income	214.4	259.9	370.3	1,275.1	1,124.1
Per share	0.37	0.45	0.63	2.19	1.88
Cash flow from operating activities	713.3	668.1	650.9	3,093.5	2,348.6
Per share	1.23	1.16	1.10	5.31	3.94
Funds from operations	779.0	874.3	770.4	3,192.4	2,472.5
Per share	1.34	1.52	1.30	5.48	4.15
Free funds flow	282.6	415.4	420.4	1,283.7	627.0
Per share	0.49	0.72	0.71	2.20	1.05
Dividends declared	109.6	120.0	112.2	451.8	416.2
Per share	0.19	0.21	0.19	0.78	0.70
Cash flow used in investing activities	2,160.0	475.5	423.3	3,536.0	1,906.2
Capital expenditures ⁽²⁾	496.4	458.9	350.0	1,908.7	1,845.5
Long-term debt	2,784.8	2,878.1	1,387.4	2,878.1	1,387.4
Net debt	3,056.6	2,866.1	1,335.6	2,866.1	1,335.6
Common shares outstanding, weighted average diluted (millions)	581.5	574.1	592.3	582.6	596.4
Common shares outstanding, end of period (millions)	575.7	570.6	589.6	570.6	589.6
OPERATIONAL RESULTS					
Production					
Crude oil and condensate (bbl/day)	113,959	118,898	102,977	106,984	87,266
Natural gas (MMcf/day)	1,172	1,410	1,418	1,324	1,307
NGLs (bbl/day)	50,014	54,500	42,998	46,625	42,787
Total (boe/day)	359,236	408,382	382,341	374,336	347,908
Average realized price					
Crude oil (\$/bbl) ⁽³⁾	82.75	73.63	91.46	81.75	91.46
Condensate (\$/bbl) ⁽³⁾	84.66	78.45	95.52	86.21	97.00
Natural gas (\$/Mcf) ⁽³⁾	2.75	3.77	2.58	3.51	2.37
NGLs (\$/bbl) ⁽³⁾	17.47	18.97	26.83	21.81	24.59
Average realized price (\$/boe) ⁽³⁾	38.23	38.30	38.25	39.68	36.15
Netback per boe					
Commodity sales from production (\$/boe) ⁽³⁾	38.23	38.30	38.25	39.68	36.15
Royalties (\$/boe) ⁽³⁾	(4.18)	(3.07)	(4.07)	(3.93)	(4.12)
Operating expense (\$/boe) ⁽³⁾	(6.36)	(5.18)	(4.18)	(5.39)	(4.68)
Transportation expense (\$/boe) ⁽³⁾	(4.46)	(4.83)	(5.03)	(5.04)	(5.21)
Netback per boe (\$/boe) ⁽³⁾	23.23	25.22	24.97	25.32	22.14
TRADING STATISTICS⁽⁴⁾					
High price	29.27	27.20	27.40	31.56	27.40
Low price	23.67	23.54	22.48	22.63	19.44
Close price	25.38	25.75	26.07	25.75	26.07
Average daily volume (thousands of shares)	5,046	5,431	3,747	4,431	3,610

(1) Per share amounts, with the exception of dividends, are based on weighted average diluted common shares.

(2) Refer to the section entitled "About ARC Resources Ltd." contained within the 2025 Annual MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

(3) This is a specified financial measure. See "Non-GAAP and Other Financial Measures" of this news release and in the 2025 Annual MD&A for additional disclosure, which information is incorporated by reference.

(4) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

OUTLOOK

ARC remains committed to delivering on its strategy to deliver sustainable free funds flow per share growth to provide shareholders with a durable and attractive return. Consistent with previous years, the strategy is underpinned by its longstanding principles of safety, capital discipline, and preserving a strong balance sheet.

Operations Update

Attachie

At over 360 net sections, Attachie is a large condensate-rich asset and remains in the early stages of development. In 2025, its first year of operations, ARC focused on capturing and applying learnings to deliver repeatable well performance and improved capital efficiencies to ensure long-term profitability at the asset.

The early production results from the most recent Upper Montney pads at Attachie, brought on stream in late 2025 and early 2026, have been variable and below expectations. In response, ARC has adjusted its development schedule to further evaluate well performance and determine an appropriate development plan for Attachie going forward. As a result, ARC is removing asset-level production guidance at Attachie for 2026.

ARC remains confident in the long-term potential of the resource at Attachie. The Company will continue to advance the asset in a disciplined manner, allocating capital to further refine well design and apply operational learnings.

2026 Guidance

Corporate guidance for 2026 remains unchanged. Asset-level production contribution and capital allocation may shift throughout the year as the development plan for Attachie evolves.

- Average annual production of between 405,000 and 420,000 boe per day (61 per cent natural gas and 39 per cent crude oil and liquids).
- Planned capital expenditures of between \$1.8 to \$1.9 billion⁽¹⁾.
- Based on the current forward curve and Company guidance, ARC estimates 2026 free funds flow of approximately \$1.2 billion⁽²⁾, essentially all of which is earmarked for shareholder returns via the base dividend and share repurchases.

ARC's 2026 corporate guidance is based on various commodity price scenarios and economic conditions. Production guidance does not include any assumption for possible natural gas production curtailments due to low natural gas prices. Certain guidance estimates may fluctuate with commodity price changes and regulatory changes. ARC's guidance provides readers with the information relevant to Management's expectations for financial and operational results for 2026.

ARC's 2025 and 2026 annual guidance and a review of 2025 actual results are outlined below:

	2025 Guidance	2025 Actual	% Variance from 2025 Guidance	2026 Guidance
Production				
Crude oil and condensate (bbl/day)	107,000 - 112,000	106,984	—	105,000 - 115,000
Natural gas (MMcf/day)	1,290 - 1,310	1,324	1	1,500 - 1,520
NGLs (bbl/day)	43,000 - 45,000	46,625	4	48,000 - 52,000
Total (boe/day)	365,000 - 375,000	374,336	—	405,000 - 420,000
Expenses (\$/boe) ⁽³⁾				
Operating	5.00 - 5.50	5.39	—	5.40 - 5.90
Transportation	5.00 - 5.50	5.04	—	5.25 - 5.75
General and administrative ("G&A") expense before share-based compensation expense	1.00 - 1.10	1.10	—	1.00 - 1.10
G&A - share-based compensation expense	0.30 - 0.40	0.18	(40)	0.25 - 0.35
Interest and financing ⁽⁴⁾	0.90 - 1.00	0.98	—	1.10 - 1.20
Current income tax expense as a per cent of funds from operations ⁽³⁾	5 - 10	8	—	5 - 10
Capital expenditures (\$ billions)	1.85 - 1.95	1.91	—	1.8 - 1.9

(1) Refer to the section entitled "*About ARC Resources Ltd.*" contained within the 2025 Annual MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

(2) Based on forward pricing as of January 22, 2026 of US\$59 per barrel WTI; C\$2.70 per Mcf AECO.

(3) This is a specified financial measure. See "Non-GAAP and Other Financial Measures" of this news release and in the 2025 Annual MD&A for additional disclosure, which information is incorporated by reference.

(4) Excludes accretion expense.

FINANCIAL AND OPERATIONAL RESULTS

Production

Fourth Quarter 2025

- ARC generated record average production during the fourth quarter of 408,382 boe per day (58 per cent natural gas and 42 per cent crude oil and liquids). Production increased seven per cent compared to the fourth quarter of 2024 and 10 per cent on a per share basis.
 - The increase year-over-year was driven primarily by the Kakwa Acquisition. During the fourth quarter, production at Kakwa averaged 215,073 boe per day (42 per cent natural gas and 58 per cent crude oil and liquids), which included 124,505 barrels per day of condensate and natural gas liquids.
 - Attachie production averaged 28,286 boe per day during the fourth quarter (41 per cent natural gas and 59 per cent crude oil and liquids), and included 13,182 barrels per day of condensate.
 - Natural gas production at Sunrise was restored in the fourth quarter when AECO natural gas prices recovered.

Full-Year 2025

- Full-year production averaged 374,336 boe per day (59 per cent natural gas and 41 per cent crude oil and liquids), which was in line with Company guidance.
 - This included record average crude oil and condensate production of 106,984 barrels per day, driven primarily by Attachie and the Kakwa Acquisition that closed on July 2, 2025.
 - The natural gas production curtailments at Sunrise that occurred from July through October reduced full-year average production by approximately 12,000 boe per day. This allowed ARC to defer approximately \$50 million of capital expenditures earmarked to sustain production at Sunrise.

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

Fourth Quarter 2025

- ARC generated \$874 million (\$1.52 per share) of funds from operations in the fourth quarter. This represents a 13 per cent increase (\$104 million or \$0.22 per share) compared to the same quarter of the prior year, driven primarily by higher production at Kakwa and Attachie.
- ARC reported free funds flow of \$415 million (\$0.72 per share) in the fourth quarter.

Full-Year 2025

- In 2025, ARC generated funds from operations of \$3.2 billion (\$5.48 per share) and cash from operating activities of \$3.1 billion (\$5.31 per share).
- Free funds flow totalled \$1.3 billion (\$2.20 per share) for the year.

The following table details the change in funds from operations for the fourth quarter of 2025 relative to the third quarter of 2025.

Funds from Operations Reconciliation	\$ millions	\$/share⁽¹⁾
Funds from operations for the three months ended September 30, 2025	779.0	1.34
Production volumes		
Crude oil and liquids	45.6	0.08
Natural gas	60.1	0.10
Commodity prices		
Crude oil and liquids	(62.5)	(0.11)
Natural gas	132.1	0.23
Sales of third-party purchases	66.2	0.11
Interest and other income	1.4	—
Realized gain on risk management contracts	(11.1)	(0.02)
Royalties	22.7	0.04
Expenses		
Operating	15.6	0.03
Transportation	(34.2)	(0.06)
Third-party purchases	(65.3)	(0.11)
G&A	(23.0)	(0.04)
Interest and financing	(1.4)	—
Realized loss on foreign exchange	(3.8)	(0.01)
Current income tax	(47.0)	(0.08)
Other	(0.1)	—
Weighted average shares, diluted	—	0.02
Funds from operations for the three months ended December 31, 2025	874.3	1.52

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

The following table details the change in funds from operations for the fourth quarter of 2025 relative to the fourth quarter of 2024.

Funds from Operations Reconciliation	\$ millions	\$/share ⁽¹⁾
Funds from operations for the three months ended December 31, 2024	770.4	1.30
Production volumes		
Crude oil and liquids	167.9	0.28
Natural gas	(2.2)	—
Commodity prices		
Crude oil and liquids	(226.7)	(0.39)
Natural gas	154.3	0.26
Sales of third-party purchases	100.4	0.17
Interest and other income	(1.5)	—
Realized gain on risk management contracts	21.8	0.04
Royalties	27.8	0.05
Expenses		
Operating	(47.9)	(0.08)
Transportation	(4.6)	(0.01)
Third-party purchases	(96.0)	(0.16)
G&A	18.5	0.03
Interest and financing	(10.5)	(0.02)
Realized loss on foreign exchange	(5.8)	(0.01)
Current income tax	6.4	0.01
Other	2.0	—
Weighted average shares, diluted	—	0.05
Funds from operations for the three months ended December 31, 2025	874.3	1.52

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

Shareholder Returns

- In 2025, ARC distributed 75 per cent of free funds flow or \$966 million (\$1.66 per share) to shareholders through a combination of dividends and share repurchases under its NCIB. The remainder was allocated to debt reduction to preserve ARC's financial strength.
 - In the third quarter of 2025, the Board approved an increase of 11 per cent to the Company's quarterly dividend, from \$0.19 per share to \$0.21 per share (\$0.76 per share to \$0.84 per share, per annum).
 - During the fourth quarter, ARC declared dividends of \$120 million (\$0.21 per share) and repurchased 5.1 million common shares under its NCIB at a weighted average price of \$26.86 per share.
 - In 2025, ARC repurchased 19.7 million common shares under its NCIB at a weighted average price of \$26.09 per share throughout the year.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 22 per cent (159 million common shares) of its total outstanding shares at a weighted average price of \$17.74 per share.
- ARC intends to distribute essentially all free funds flow to shareholders in 2026 through its growing base dividend and continued share repurchases.

Operating, Transportation, and General and Administrative Expense

Operating Expense

- ARC's fourth quarter 2025 operating expense of \$5.18 per boe was 19 per cent or \$1.18 per boe lower than the previous quarter. The decrease in operating costs per boe is primarily due to Sunrise volumes being restored and the completion of planned maintenance activity.
- Full-year 2025 operating expense of \$5.39 per boe was in line with Company guidance.

Transportation Expense

- ARC's fourth quarter 2025 transportation expense per boe of \$4.83 decreased by four per cent or \$0.20 per boe compared to the same period in the prior year.
- ARC's full-year 2025 transportation expense of \$5.04 per boe was at the low end of ARC's guidance range of \$5.00 to \$5.50 per boe.

General and Administrative Expense

- ARC's fourth quarter 2025 general and administrative expense per boe of \$1.26 decreased 33 per cent from the same period of the prior year, primarily due to the revaluation of the liability associated with ARC's share-based compensation plans.
- ARC's full-year 2025 general and administrative expense of \$1.28 per boe decreased 34 per cent compared to the prior year and was slightly lower than the Company guidance range of \$1.30 to \$1.50 per boe.

Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$476 million during the fourth quarter of 2025. ARC invested \$459 million in capital expenditures to drill 39 wells and complete 32 wells. Drilling activity was focused primarily at Kakwa, Ante Creek, and Attachie.
- Cash flow from investing activities was \$3.5 billion and capital expenditures were \$1.9 billion. ARC drilled 144 wells and completed 157 wells across its asset base in 2025.

The following table details ARC's 2025 drilling and completions activities by area.

Area	Year ended December 31, 2025	
	Wells Drilled	Wells Completed
Kakwa	83	80
Attachie	25	33
Greater Dawson	22	25
Ante Creek	13	12
Sunrise	1	7
Total	144	157

Physical Natural Gas Marketing

- ARC's infrastructure ownership and committed takeaway capacity to U.S. markets played a critical role in capturing higher realized natural gas prices relative to local benchmarks throughout 2025.
 - ARC's average realized natural gas price during the fourth quarter of 2025 was \$3.77 per Mcf, which was \$1.43 per Mcf, or 61 per cent, greater than the average AECO 7A Monthly Index price.
 - Full-year 2025 market diversification activities resulted in an average realized natural gas price of \$3.51 per Mcf, \$1.65 per Mcf higher than the average AECO 7A Monthly Index price.

Net Debt

- As at December 31, 2025, ARC's long-term debt balance was \$2.9 billion, and its net debt balance was \$2.9 billion, or 0.9 times funds from operations.
 - ARC targets its net debt to be less than 1.5 times funds from operations and manages its capital structure to achieve that target over the long-term.
- In conjunction with the Kakwa Acquisition, ARC issued \$1.0 billion aggregate principal amount of senior unsecured notes, obtained a new \$500 million two-year term loan and increased the borrowing capacity under its existing credit facility to \$2.0 billion from \$1.7 billion.
- ARC holds an investment-grade credit rating, which allows the Company to access capital and manage a low-cost capital structure. ARC is committed to maintaining its strong financial position.

Net Income

- ARC recognized net income of \$260 million (\$0.45 per share) during the fourth quarter of 2025, a 30 per cent, or \$110 million decrease compared to the same quarter in the prior year. The decrease in net income compared to the prior year was primarily due to unrealized losses on risk management contracts in the fourth quarter of 2025. This was partially offset by an increase in commodity sales from production, driven by an increase in production volumes.
- In 2025, ARC recognized net income of \$1.3 billion (\$2.19 per share), compared to net income of \$1.1 billion (\$1.88 per share) in 2024. The increase in net income compared to the prior year was primarily due to an increase in production volumes partially offset by an increase in unrealized losses on risk management contracts.

2025 RESERVES

Highlights

- ARC reported record reserves in 2025 across all categories, including PDP, 1P, and 2P. PDP and 2P reserves increased by 15 per cent and nine per cent, respectively, compared to 2024.
- ARC's before-tax NPV for 2P reserves of \$22.1 billion (discounted at 10 per cent) equates to \$38.71 per share. ARC's 2P NPV includes the development of 23 per cent of ARC's internal estimate of drilling inventory.
 - ARC's before-tax PDP NPV of \$17.54 per share, discounted at 10 per cent, increased six per cent year-over-year.
 - ARC's NPV was determined using 3CA forecast pricing and foreign exchange rates at January 1, 2026, with a 10-year average WTI price of US\$73.01 per barrel and a 10-year average AECO price of \$3.64 per MMBtu.
- In 2025, ARC replaced 121 per cent of its 2P reserves. For the 18th consecutive year, 2P reserve replacement from development has been 120 per cent of produced reserves or greater.
- 2P reserves of 2,277 MMboe were a Company record, driven by the Kakwa Acquisition and organic reserve growth.
 - ARC booked an additional 151 MMboe of 2P reserves as a result of the Kakwa Acquisition.
- PDP finding, development and acquisition ("FD&A") costs, including future development capital ("FDC") of \$15.77 per boe⁽¹⁾ equated to a 1.6 times⁽¹⁾ PDP FD&A recycle ratio.
- FDC for 2P reserves totalled \$11.3 billion at December 31, 2025 compared to \$10.3 billion at December 31, 2024. Total FDC equates to 6.1 times ARC's 2025 capital expenditure guidance, or approximately 3.5 times ARC's estimated 2026 funds from operations based on current forward pricing.
- ARC's RLI is 4.8 years on a PDP basis and 15.1 years on a 2P basis.

(1) This is a specified financial measure. See "Non-GAAP and Other Financial Measures" of this news release and in the 2025 Annual MD&A for additional disclosure, which information is incorporated by reference.

Reserves Reconciliation

Reserves Reconciliation Company Gross ⁽¹⁾	Tight Oil ⁽²⁾ (Mbbl)	NGLs ⁽³⁾ (Mbbl)	Total Oil and NGLs ⁽⁴⁾ (Mbbl)	Natural Gas ⁽⁵⁾ (MMcf)	Oil Equivalent (Mboe)
Proved Developed Producing					
Opening Balance, December 31, 2024	10,790	192,383	203,172	2,513,596	622,105
Extensions and Improved Recovery ⁽⁶⁾	3,034	58,051	61,084	446,386	135,482
Technical Revisions	843	29,247	30,090	282,008	77,091
Acquisitions	467	28,137	28,605	172,653	57,380
Dispositions	—	—	—	—	—
Economic Factors	(748)	(17,037)	(17,785)	(125,841)	(38,758)
Production	(3,485)	(52,578)	(56,063)	(483,389)	(136,628)
Ending Balance, December 31, 2025	10,900	238,203	249,103	2,805,413	716,672
Total Proved					
Opening Balance, December 31, 2024	19,695	420,856	440,551	5,303,400	1,324,451
Extensions and Improved Recovery ⁽⁶⁾	1,200	36,864	38,064	535,726	127,352
Technical Revisions	2,905	23,918	26,824	288,416	74,893
Acquisitions	471	52,916	53,388	277,452	99,630
Dispositions	—	—	—	—	—
Economic Factors	(773)	(22,165)	(22,937)	(136,849)	(45,746)
Production	(3,485)	(52,578)	(56,063)	(483,389)	(136,628)
Ending Balance, December 31, 2025	20,014	459,811	479,825	5,784,757	1,443,951
Proved plus Probable					
Opening Balance, December 31, 2024	32,299	672,051	704,350	8,363,031	2,098,188
Extensions and Improved Recovery ⁽⁶⁾	1,757	67,569	69,325	621,094	172,841
Technical Revisions	2,123	(5,009)	(2,886)	99,472	13,693
Acquisitions	577	83,479	84,056	402,498	151,139
Dispositions	—	—	—	—	—
Economic Factors	(660)	(13,280)	(13,940)	(46,958)	(21,766)
Production	(3,485)	(52,578)	(56,063)	(483,389)	(136,628)
Ending Balance, December 31, 2025	32,611	752,231	784,842	8,955,748	2,277,467

(1) Amounts may not add due to rounding.

(2) Tight Oil includes immaterial amounts of Light, Medium, and Heavy Crude Oil.

(3) Condensate and pentanes plus represented 69 per cent of PDP NGLs reserves, 72 per cent of total TP NGLs reserves, and 72 per cent of 2P NGLs reserves for the respective opening balances at December 31, 2024. Condensate and pentanes plus represent 64 per cent of PDP NGLs reserves, 67 per cent of TP NGLs reserves, and 68 per cent of 2P NGLs reserves for the respective ending balances at December 31, 2025.

(4) Total Oil and NGLs represents the summation of Light, Medium, Heavy Oil, and Tight Oil, and NGLs.

(5) Natural Gas includes shale gas and conventional natural gas product types, as conventional natural gas makes up less than two per cent of total gas and is therefore considered to be immaterial.

(6) Reserves additions for discoveries, infill drilling, improved recovery, and extensions are combined and reported as "Extensions and Improved Recovery".

Net Present Value Summary

For a summary of the 3CA forecast pricing and foreign exchange rates used to evaluate ARC's reserves, see "2025 Independent Qualified Reserves Evaluation" of this news release.

(\$ millions)	Undiscounted	Discounted at 10%
Before-tax NPV⁽¹⁾⁽²⁾		
Proved Developed Producing	13,265	10,007
Proved Developed Non-producing	422	299
Proved Undeveloped	10,398	4,242
Total Proved	24,085	14,548
Probable	19,334	7,540
Proved plus Probable	43,418	22,088
After-tax NPV⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾		
Proved Developed Producing	11,061	8,600
Proved Developed Non-producing	322	228
Proved Undeveloped	7,916	3,008
Total Proved	19,299	11,835
Probable	14,851	5,705
Proved plus Probable	34,150	17,540

(1) Amounts may not add due to rounding.

(2) Based on NI 51-101 company net interest reserves and 3CA forecast pricing and foreign exchange rates and costs at January 1, 2026.

(3) Based on ARC's estimated tax pools at December 31, 2025.

(4) The after-tax NPV of the future net revenue attributed to ARC's crude oil and natural gas properties reflects the tax burden on the properties on a standalone basis and does not necessarily reflect the business entity tax-level situation or tax planning. For information at the business entity level, see the section entitled *Taxes* in the 2025 Annual MD&A.

Finding, Development and Acquisition Costs

- ARC continues to demonstrate the profitability and durability of its Montney assets through low finding and development ("F&D") costs.
 - ARC delivered a 2P F&D cost, including FDC, of \$13.49 per boe⁽¹⁾ (\$11.58 per boe excluding FDC), compared to 2024 2P F&D of \$9.19 per boe (\$7.98 per boe excluding FDC).
 - Including net acquisitions and dispositions, ARC's 2P FD&A cost, including FDC, was \$14.71 per boe⁽¹⁾ (\$11.50 per boe excluding FDC), compared to 2024 2P FD&A of \$8.90 per boe (\$7.70 per boe excluding FDC).
- ARC delivered a F&D including FDC recycle ratio of 2.3 times on a PDP basis, and between 1.9 and 2.0 times on a 1P and 2P basis.

(1) This is a specified financial measure. See "Non-GAAP and Other Financial Measures" of this news release and in the 2025 Annual MD&A for additional disclosure, which information is incorporated by reference.

FD&A costs are provided including and excluding the change in FDC in the table below.

Including FDC	F&D Cost⁽¹⁾ (\$/boe)	FD&A Cost⁽¹⁾ (\$/boe)	F&D Recycle Ratio⁽¹⁾	FD&A Recycle Ratio⁽¹⁾
Proved Developed Producing⁽²⁾				
2025	10.95	15.77	2.3	1.6
2024	11.87	11.45	1.9	1.9
2023	10.34	9.81	2.5	2.6
Three-year Average ⁽³⁾	11.03	12.73	2.2	1.9
Total Proved⁽²⁾				
2025	12.71	15.92	2.0	1.6
2024	13.42	12.99	1.6	1.7
2023	11.33	11.04	2.3	2.3
Three-year Average ⁽³⁾	12.33	13.51	2.0	1.8
Proved plus Probable⁽²⁾				
2025	13.49	14.71	1.9	1.7
2024	9.19	8.90	2.4	2.5
2023	9.17	9.03	2.8	2.9
Three-year Average ⁽³⁾	10.19	11.13	2.4	2.2

Excluding FDC	F&D Cost⁽¹⁾ (\$/boe)	FD&A Cost⁽¹⁾ (\$/boe)	F&D Recycle Ratio⁽¹⁾	FD&A Recycle Ratio⁽¹⁾
Proved Developed Producing⁽²⁾				
2025	10.98	15.72	2.3	1.6
2024	11.69	11.27	1.9	2.0
2023	10.64	10.12	2.4	2.5
Three-year Average ⁽³⁾	11.09	12.75	2.2	1.9
Total Proved⁽²⁾				
2025	12.20	14.19	2.1	1.8
2024	12.01	11.58	1.8	1.9
2023	8.19	7.97	3.1	3.2
Three-year Average ⁽³⁾	10.45	11.39	2.3	2.1
Proved plus Probable⁽²⁾				
2025	11.58	11.50	2.2	2.2
2024	7.98	7.70	2.8	2.9
2023	5.98	5.89	4.3	4.4
Three-year Average ⁽³⁾	7.94	8.49	3.1	2.9

(1) F&D and FD&A costs and recycle ratios take into account reserves revisions during the year on a per boe basis, and include FDC.

(2) The aggregate of the exploration and development costs incurred in the financial year and the changes during that year in estimated FDC may not reflect the total F&D and FD&A costs related to reserves additions for that year.

(3) Three-year average F&D and FD&A costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions over the three prior years. The three-year average recycle ratio is calculated as the three-year F&D or FD&A costs divided by the three-year average netback per boe.

BOARD OF DIRECTORS UPDATE

ARC is pleased to announce the appointment of Jonathan Wright to the Company's Board of Directors, effective immediately. Mr. Wright has more than 35 years of global oil and gas experience with expertise in strategy, operations, engineering, subsurface, marketing and business development. Most recently, Mr. Wright served as President and Chief Executive Officer of NuVista Energy Ltd. where he led the company's transformation to becoming a pure-play Montney producer. Mr. Wright continued to serve on the board of directors of NuVista after his retirement as CEO, until the company was successfully sold to a larger corporation in 2026. He also currently serves on the boards of two private oil and gas companies.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's fourth quarter and full-year 2025 results on Friday, February 6, 2026, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, February 6, 2026
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	403-910-0389
Toronto	437-900-0527
Toll-free	1-888-510-2154
Conference ID	68346
Webcast URL	https://app.webinar.net/qB0xyKMDEKp

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

CONSOLIDATED BALANCE SHEETS (unaudited)

As at

Cdn\$ millions	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	7.0	—
Inventory	17.9	12.4
Accounts receivable	749.2	691.0
Prepaid expense	136.6	107.4
Risk management contracts	135.6	190.1
	1,046.3	1,000.9
Risk management contracts	56.4	154.1
Long-term investments	30.2	27.7
Exploration and evaluation assets	442.4	338.1
Property, plant and equipment	12,514.4	10,373.9
Right-of-use and other long-term assets	972.4	956.8
Goodwill	248.2	248.2
Total assets	15,310.3	13,099.7
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	760.8	634.4
Current portion of lease obligations	112.1	92.8
Current portion of long-term debt	450.0	—
Current portion of other deferred liabilities	28.6	23.3
Current portion of asset retirement obligation	20.0	17.0
Dividends payable	120.0	112.2
Risk management contracts	—	1.0
	1,491.5	880.7
Risk management contracts	138.9	37.1
Long-term portion of lease obligations	922.1	908.5
Long-term debt	2,428.1	1,387.4
Long-term incentive compensation liability	28.1	76.2
Other deferred liabilities	113.0	95.8
Asset retirement obligation	473.9	414.4
Deferred taxes	1,450.7	1,351.4
Total liabilities	7,046.3	5,151.5
SHAREHOLDERS' EQUITY		
Shareholders' capital	5,990.6	6,194.3
Contributed surplus	28.4	31.6
Retained earnings	2,247.0	1,728.5
Accumulated other comprehensive loss	(2.0)	(6.2)
Total shareholders' equity	8,264.0	7,948.2
Total liabilities and shareholders' equity	15,310.3	13,099.7

Refer to the accompanying notes to ARC's audited consolidated financial statements as at and for the year ended December 31, 2025, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months and years ended December 31

(Cdn\$ millions, except per share amounts)	Three Months Ended		Year Ended	
	2025	2024	2025	2024
Commodity sales from production	1,438.8	1,345.5	5,421.7	4,603.7
Royalties	(115.3)	(143.1)	(536.8)	(524.9)
Sales of third-party purchases	322.3	221.9	1,190.8	1,020.2
Total revenue	1,645.8	1,424.3	6,075.7	5,099.0
Interest and other income	4.3	5.8	20.4	20.2
Gain (loss) on risk management contracts	(72.5)	59.2	11.0	272.7
Total revenue, interest and other income, and gain (loss) on risk management contracts	1,577.6	1,489.3	6,107.1	5,391.9
Operating	194.8	146.9	735.8	596.4
Transportation	181.6	177.0	689.1	662.9
Third-party purchases	313.5	217.5	1,164.9	1,011.4
General and administrative	47.4	65.9	175.6	248.1
Interest and financing	48.3	36.2	151.3	133.8
Impairment (reversal of impairment) of financial assets	(1.5)	0.6	(2.8)	2.3
Depletion, depreciation and amortization and impairment of property, plant and equipment	447.1	372.4	1,547.2	1,360.7
Loss (gain) on foreign exchange	2.3	(6.2)	16.1	1.3
Gain on disposal of assets	—	—	(4.0)	(80.0)
Total expenses	1,233.5	1,010.3	4,473.2	3,936.9
Net income before income taxes	344.1	479.0	1,633.9	1,455.0
Provision for income taxes				
Current	66.0	72.4	260.0	200.4
Deferred	18.2	36.3	98.8	130.5
Total income taxes	84.2	108.7	358.8	330.9
Net income	259.9	370.3	1,275.1	1,124.1
Other comprehensive income				
Items that may be reclassified to net income in subsequent periods:				
Net unrealized gain (loss) on foreign currency translation adjustment	0.2	(0.5)	4.2	11.7
Comprehensive income	260.1	369.8	1,279.3	1,135.8
Net income per share				
Basic	0.45	0.63	2.19	1.89
Diluted	0.45	0.63	2.19	1.88

Refer to the accompanying notes to ARC's audited consolidated financial statements as at and for the year ended December 31, 2025, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the years ended December 31

(Cdn\$ millions)	Shareholders' Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
January 1, 2024	6,268.2	36.1	1,141.4	(17.9)	7,427.8
Comprehensive income	—	—	1,124.1	11.7	1,135.8
Share-based compensation plans	1.1	(0.2)	—	—	0.9
Exercise of share options	20.8	(4.3)	—	—	16.5
Repurchase of shares for cancellation	(93.2)	—	(113.9)	—	(207.1)
Change in liability for share purchase commitment	(2.6)	—	(6.9)	—	(9.5)
Dividends declared	—	—	(416.2)	—	(416.2)
December 31, 2024	6,194.3	31.6	1,728.5	(6.2)	7,948.2
Comprehensive income	—	—	1,275.1	4.2	1,279.3
Share-based compensation plans	2.6	(1.9)	—	—	0.7
Exercise of share options	11.7	(1.3)	—	—	10.4
Repurchase of shares for cancellation	(216.8)	—	(306.1)	—	(522.9)
Change in liability for share purchase commitment	(1.2)	—	1.3	—	0.1
Dividends declared	—	—	(451.8)	—	(451.8)
December 31, 2025	5,990.6	28.4	2,247.0	(2.0)	8,264.0

Refer to the accompanying notes to ARC's audited consolidated financial statements as at and for the year ended December 31, 2025, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months and years ended December 31

(Cdn\$ millions)	Three Months Ended		Year Ended	
	2025	2024	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	259.9	370.3	1,275.1	1,124.1
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	144.0	(9.5)	253.0	(82.4)
Depletion, depreciation and amortization and impairment of property, plant and equipment	447.1	372.4	1,547.2	1,360.7
Unrealized loss (gain) on foreign exchange	—	(2.7)	3.3	5.1
Gain on disposal of assets	—	—	(4.0)	(80.0)
Deferred taxes	18.2	36.3	98.8	130.5
Other	5.1	3.6	19.0	14.5
Net change in other liabilities	(7.8)	3.2	(95.4)	(19.9)
Change in non-cash working capital	(198.4)	(122.7)	(3.5)	(104.0)
Cash flow from operating activities	668.1	650.9	3,093.5	2,348.6
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	668.5	2,188.5	6,095.9	7,348.0
Issuance of senior notes	—	—	1,000.0	—
Issuance of term loan	—	—	500.0	—
Repayment of long-term debt	(575.9)	(2,241.7)	(6,099.9)	(7,111.0)
Proceeds from exercise of share options	0.4	1.5	10.4	16.5
Repurchase of shares	(136.9)	(52.2)	(514.0)	(202.4)
Repayment of principal relating to lease obligations	(28.8)	(25.6)	(103.8)	(93.6)
Cash dividends paid	(109.6)	(100.8)	(444.0)	(405.7)
Change in non-cash working capital	(6.3)	2.7	4.9	4.7
Cash flow from (used in) financing activities	(188.6)	(227.6)	449.5	(443.5)
CASH FLOW USED IN INVESTING ACTIVITIES				
Business combination	—	—	(1,672.1)	—
Acquisition of assets	(2.4)	(8.8)	(17.8)	(13.9)
Disposal of assets	—	—	4.0	80.0
Property, plant and equipment development expenditures	(438.8)	(339.0)	(1,819.1)	(1,787.8)
Exploration and evaluation asset expenditures	(11.0)	(2.5)	(53.6)	(31.2)
Long-term investments	(1.5)	(2.1)	(3.5)	(6.8)
Change in non-cash working capital	(21.8)	(70.9)	26.1	(146.5)
Cash flow used in investing activities	(475.5)	(423.3)	(3,536.0)	(1,906.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	4.0	—	7.0	(1.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3.0	—	—	1.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	7.0	—	7.0	—
The following are included in cash flow from operating activities:				
Income taxes paid in cash	55.1	57.4	183.3	199.7
Interest paid in cash	44.5	24.8	129.5	117.4

Refer to the accompanying notes to ARC's audited consolidated financial statements as at and for the year ended December 31, 2025, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

Capital Expenditures

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

Capital Expenditures (\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow used in investing activities	2,160.0	475.5	423.3	3,536.0	1,906.2
Business combination	(1,672.1)	—	—	(1,672.1)	0
Acquisition of assets	(10.6)	(2.4)	(8.8)	(17.8)	(13.9)
Disposal of assets	—	—	—	4.0	80.0
Long-term investments	(0.8)	(1.5)	(2.1)	(3.5)	(6.8)
Change in non-cash investing working capital	9.6	(21.8)	(70.9)	26.1	(146.5)
Capitalized right-of-use asset depreciation	10.3	9.1	8.5	36.0	26.5
Capital expenditures	496.4	458.9	350.0	1,908.7	1,845.5

Free Funds Flow

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

Free Funds Flow (\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow from operating activities	713.3	668.1	650.9	3,093.5	2,348.6
Net change in other liabilities	32.5	7.8	(3.2)	95.4	19.9
Change in non-cash operating working capital	33.2	198.4	122.7	3.5	104.0
Funds from operations	779.0	874.3	770.4	3,192.4	2,472.5
Capital expenditures	(496.4)	(458.9)	(350.0)	(1,908.7)	(1,845.5)
Free funds flow	282.6	415.4	420.4	1,283.7	627.0

Adjusted Net Capital Acquisitions

Adjusted net capital acquisitions is a non-GAAP financial measure used in the determination of FD&A costs, which is a non-GAAP ratio. Adjusted net capital acquisitions is useful as it provides a measure of cash, debt, and share consideration used to acquire crude oil and natural gas assets during the period, net of cash provided by the disposal of any crude oil and natural gas assets during the period. The most directly comparable GAAP measure to adjusted net capital acquisitions is acquisition of crude oil and natural gas assets. The following table details the calculation of adjusted net capital acquisitions and its reconciliation to acquisition of crude oil and natural gas assets.

Adjusted Net Capital Acquisitions (\$ millions)	Year Ended	
	December 31, 2025	December 31, 2024
Acquisition of assets	(17.8)	(13.9)
Remove:		
Disposal of assets	4.0	80.0
Adjusted net capital acquisitions	(13.8)	66.1

Non-GAAP Ratios

Free Funds Flow per Share

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

Finding and Development Costs

ARC calculates F&D costs as capital expenditures divided by the change in reserves within the applicable reserves category. ARC calculates F&D costs, including FDC, as the sum of capital expenditures and the change in FDC required to bring the reserves on production, divided by the change in reserves within the applicable reserves category. Capital expenditures, a non-GAAP financial measure, is used as a component of F&D costs. Management uses F&D costs as a measure of capital efficiency for organic reserves development.

Finding, Development and Acquisition Costs

ARC calculates FD&A costs as the sum of capital expenditures and adjusted net capital acquisitions divided by the change in reserves within the applicable reserves category, inclusive of changes due to acquisitions and dispositions. ARC calculates FD&A costs, including FDC, as the sum of capital expenditures, adjusted net capital acquisitions, and the change in FDC required to bring the reserves on production, divided by the change in reserves within the applicable reserves category, inclusive of changes due to acquisitions and dispositions. Capital expenditures and adjusted net capital acquisitions,

both non-GAAP financial measures, are used as components of FD&A costs. Management uses FD&A costs as a measure of capital efficiency for organic and acquired reserves development.

Recycle Ratio

ARC calculates recycle ratio by dividing the netback per boe by F&D or FD&A costs. Netback per boe is a non-GAAP ratio that uses netback, a non-GAAP financial measure, as a component. Capital expenditures, a non-GAAP financial measure, is used as a component of F&D costs. Capital expenditures and adjusted net capital acquisitions, both non-GAAP financial measures, are used as components of FD&A costs. Management uses recycle ratio to relate the cost of adding reserves to the expected cash flows to be generated.

Supplementary Financial Measures

Before-tax Proved plus Probable Net Present Value per Share

Before-tax 2P NPV per share is comprised of the before-tax NPV for 2P reserves, discounted at 10 per cent, as determined in accordance with NI 51-101, divided by common shares outstanding at the end of the period.

Capital Management Measures

Funds from operations, net debt, and net debt to funds from operations are capital management measures. See Note 16 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the 2025 Annual MD&A for information additional disclosures, which information is incorporated by reference into this news release.

2025 INDEPENDENT QUALIFIED RESERVES EVALUATION

GLJ conducted a Reserves Evaluation, effective December 31, 2025, which was prepared in accordance with definitions, standards, and procedures in the COGE Handbook and NI 51-101. The Reserves Evaluation was based on the 3CA forecast pricing and foreign exchange rates at January 1, 2026, as outlined in the table below. These forecasts reflect current market conditions as defined by current forward commodity prices as at December 31, 2025. This aligns with the COGE Handbook, effective April 1, 2021, which states that major benchmark commodity price forecasts, up to and including the second full forecast year, should not deviate from current forward commodity prices by more than 20 per cent.

Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without the inclusion of any royalty interest) unless otherwise noted.

ARC's crude oil and natural gas reserves statement for the year ended December 31, 2025, including complete disclosure of the Company's crude oil and natural gas reserves and other crude oil and natural gas information in accordance with NI 51-101, will be disclosed in ARC's Annual Information Form for the year ended December 31, 2025, which will be available on or before March 31, 2026 on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca.

Summary of the 3CA January 1, 2026 Forecast Prices and Inflation Rate Assumptions

3CA Price Forecast ⁽¹⁾	WTI Crude Oil (US\$/bbl)		Edmonton Light Oil (Cdn\$/bbl)		NYMEX Henry Hub Natural Gas (US\$/MMBtu)		AECO Natural Gas (Cdn\$/MMBtu)		Foreign Exchange (US\$/Cdn\$)	
	2026	2025 ⁽²⁾	2026	2025 ⁽²⁾	2026	2025 ⁽²⁾	2026	2025 ⁽²⁾	2026	2025 ⁽²⁾
2026	59.92	74.48	77.54	97.04	3.74	3.73	3.00	3.33	0.73	0.73
2027	65.10	75.81	83.60	97.37	3.78	3.85	3.30	3.48	0.74	0.74
2028	70.28	77.66	90.18	99.80	3.85	3.93	3.49	3.69	0.74	0.74
2029	71.93	79.22	92.32	101.79	3.93	4.01	3.58	3.76	0.74	0.74
2030	73.37	80.80	94.17	103.83	4.01	4.09	3.65	3.83	0.74	0.74
2031	74.84	82.42	96.06	105.91	4.09	4.17	3.72	3.91	0.74	0.74
2032	76.34	84.06	97.98	108.02	4.17	4.26	3.80	3.99	0.74	0.74
2033	77.87	85.75	99.93	110.19	4.26	4.34	3.88	4.07	0.74	0.74
2034	79.42	87.46	101.93	112.39	4.34	4.43	3.95	4.15	0.74	0.74
2035	81.01		103.97		4.43		4.03		0.74	
Escalate thereafter at ⁽³⁾	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.74	0.74

(1) GLJ assigns a value to ARC's existing physical diversification contracts for natural gas to consuming markets across North America based upon 3CA forecast differential to NYMEX Henry Hub, contracted volumes, and transportation expense. No incremental value was assigned to potential future contracts that were not in place on December 31, 2025.

(2) GLJ assigns a value to ARC's existing physical diversification contracts for natural gas to consuming markets across North America based upon GLJ's forecast differential to NYMEX Henry Hub, contracted volumes, and transportation expense. No incremental value was assigned to potential future contracts that were not in place on December 31, 2024.

(3) Escalated at two per cent per year starting in 2036 in the January 1, 2026 3CA price forecast with the exception of foreign exchange, which remains flat.

Definitions of Oil and Gas Reserves

Reserves are estimated remaining quantities of crude oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates as follows:

- **Proved Reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **Probable Reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Information Regarding Disclosure on Crude Oil and Natural Gas Reserves and Operational Information

In accordance with Canadian practice, production volumes and revenues are reported on a company gross basis, before deduction of Crown and other royalties, and without including any royalty interests, unless otherwise stated. Unless otherwise specified, all reserves volumes in this news release (and all information derived therefrom) are based on company gross reserves using forecast prices and costs.

This news release contains metrics commonly used in the crude oil and natural gas industry. These metrics do not have standardized meanings and may not be comparable to similar metrics disclosed by other issuers. See "Non-GAAP and Other Financial Measures" of this news release and the definitions of reserve replacement, reserves life index and finding and development costs below. Management uses these metrics for its own performance measurements and to provide shareholders with measures to compare ARC's performance over time; however, such measures are not reliable indicators of ARC's future performance and future performance may not compare to the performance in previous periods:

- **Reserves replacement** is calculated by dividing the annual reserves additions, in boe, by ARC's annual production, in boe. Management uses this measure to determine the relative change of its reserves base over a period of time.
- **Reserves life index ("RLI")** is calculated by dividing the reserves by the average annual production for that period. Management uses this measure to determine the relative change of its reserves base over a period of time. PDP RLI is calculated by dividing the proved developed producing reserves by the average annual production for that period. 2P RLI is calculated by dividing the proved plus probable reserves by the average annual production for that period. Management uses this measure to determine the relative change of its reserves base over a period of time.
- **Finding and development costs** are calculated as capital expenditures divided by the change in reserves within the applicable reserves category. See "Non-GAAP and Other Financial Measures" for additional information about this metric.

This news release contains estimates of the NPV of the Company's future net revenue from reserves associated with ARC's assets. Such amounts do not represent the fair market value of such reserves. The recovery and reserve estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. The NPV of the assets' base production is a snapshot in time and is based on the reserves evaluated using applicable pricing assumptions. It should not be assumed that the undiscounted or discounted NPV of future net revenue attributable to the assets represents the fair market value of those assets. The estimates for reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves are estimates

only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates relied upon for NPV calculations, herein.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations regarding the future based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions, and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: ARC's plans to distribute essentially all free funds flow to shareholders in 2026 through a combination of the base dividend and share repurchases; ARC's 2026 capital budget and guidance including, among others, planned capital expenditures, anticipated average annual production in 2026 and the components thereof, operating expenses, transportation expenses, G&A expenses before share-based compensation expense, G&A expenses – share-based compensation expense, interest and financing expenses and current income tax expense as a per cent of funds from operations; estimated 2026 free funds flow and that essentially all of it is earmarked for shareholder returns; the anticipated closing date of the agreement ARC entered into after December 31, 2025 to acquire certain assets in the Kakwa area of Alberta; the anticipated timing of commencement and duration of and volumes under the long-term LNG sale and purchase agreement with EMLAP and commencement of commercial operations at the Cedar LNG Project; ARC's strategy to deliver sustainable free funds flow per share growth to provide shareholders with a durable and attractive return; that ARC's strategy is underpinned by its longstanding principles of safety, capital discipline, and preserving a strong balance sheet; Attachie's stage of development; ARC's plans to evaluate well performance and determine an appropriate development plan for Attachie; ARC's expectations regarding the long-term potential of the resource at Attachie; ARC's goal to continue advancing Attachie in a disciplined manner, allocating capital prudently to further refine well design and apply operational learnings; the possibility that the asset-level production contribution and capital allocation estimates included in ARC's 2026 corporate guidance may shift throughout the year as the development plan for Attachie evolves; net debt targets; the anticipated runway for future reserve growth; and other similar statements. Further, statements relating to reserves and resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. The material assumptions on which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: the ability to shift capital allocation among ARC's assets; forward pricing assumptions; risks and assumptions related to potential natural gas curtailments due to low natural gas prices; volatility of commodity prices; adverse economic conditions; political uncertainty; lack of capacity in, and/or regulatory constraints and uncertainty regarding, gathering and processing facilities, pipeline systems, and railway lines; indigenous land and rights claims; compliance with environmental regulations; risks relating to climate change, including transition and physical risks; ARC's ability to recruit and retain a skilled workforce and key personnel; development and production risks; project risks; risks relating to failure to obtain regulatory approvals; reputational risks; risks relating to a changing investor sentiment; asset concentration; risks relating to information

technology systems and cyber security; risks related to hydraulic fracturing (including risks with respect to water production and disposal); liquidity; inflation, cost management and interest rates; third-party credit risks; variations in foreign exchange rates; risks relating to royalty regimes; the impact of competitors; risks related to potential or ongoing litigation; lack of adequate insurance coverage; inaccurate estimation of ARC's reserve volumes; risks related to derivative risk management contracts; limited, unfavorable or a lack of access to capital markets; market access constraints or transportation interruptions, unanticipated operating results or production declines; increased debt levels or debt service requirements; increased costs; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; ARC's ability to successfully close, integrate and realize the anticipated benefits of completed, contemplated, or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; the risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S., will trigger a broader global trade war which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Company, including by decreasing demand for (and the price of) oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the impacts of the ongoing Middle-East conflicts, Russia-Ukraine war and geopolitical developments in Venezuela (and any associated sanctions) on the global economy and commodity prices; forecast commodity prices and other pricing assumptions with respect to ARC's 2026 capital expenditure budget; ARC's ability to repurchase its securities under the NCIB; that the previously announced LNG agreements will commence on the timelines anticipated and maintain volumes and pricing as expected; that counterparties to ARC's various agreements will comply with their contractual obligations; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2026; suspension of or changes to or withdrawals of guidance, and the associated impact to production and capital expenditures; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the Board; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; cash flows, cash balances on hand, and access to ARC's credit facility and other long-term debt being sufficient to fund capital investments; the ability of ARC's existing pipeline commitments and financial risk management transactions to partially mitigate a portion of ARC's risks against wider price differentials; business interruption, property and casualty losses, or unexpected technical difficulties; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; future use and development of technology and associated expected future results; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; estimates with respect to commodity pricing; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities, including those risks contained under the heading "Risk Factors" in the 2025 Annual MD&A.

The key assumption underlying ARC's asset-level guidance at Attachie that has been withdrawn in this news release is the anticipated well productivity of Upper Montney pads brought on stream by ARC, primarily in early 2026, and ARC's initial planned pace of development at Attachie in 2026.

ARC's future shareholder distributions, including but not limited to the payment of dividends, if any, and the level thereof is uncertain. Any decision to pay dividends on ARC's shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) will be subject to the discretion of the Board and may depend on a variety of factors, including, without limitation, ARC's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on ARC under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that ARC will pay dividends in the future.

The forward-looking information in this news release also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC, including, but not limited to: production, capital expenditures, operating expenses, transportation expenses, G&A expenses before share-based compensation expense, G&A expenses – share based compensation expense, interest and financing expenses, current income tax as a per cent of funds from operations and free funds flow. The internal projections, expectations, or beliefs are based on the 2026 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations. The financial outlook and other related forward-looking statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Any financial outlook and forward-looking information implied by such forward-looking statements are described in the 2025 Annual MD&A, and ARC's most recent annual information form, which are available on ARC's website at www.arcresources.com and under ARC's SEDAR+ profile at www.sedarplus.ca and are incorporated by reference herein.

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

About ARC

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

ARC RESOURCES LTD.

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Management's
Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated February 5, 2026, and should be read in conjunction with the audited consolidated financial statements (the "financial statements") as at and for the year ended December 31, 2025, and the MD&A and unaudited condensed interim consolidated financial statements for the periods ended March 31, 2025, June 30, 2025, and September 30, 2025, as well as ARC's 2024 Annual Information Form ("AIF"), each of which is available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

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

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

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

ABOUT ARC RESOURCES LTD.

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

The guiding principles upon which ARC conducts its business have created a strong foundation for the Company's performance. ARC's standard of operational excellence, robust risk management program, and strong balance sheet have positioned the Company to effectively manage volatile market conditions. The Company's concentrated asset base, located in premier positions within the Montney fairway and network of owned-and-operated infrastructure, allows ARC to deliver strong capital and operating efficiencies. The commodity and geographic optionality within the asset base allows ARC to manage risk. ARC exercises capital discipline and maintains a deliberate pace of development to manage its corporate decline rate. ARC's business model is focused on a strong balance sheet, with ample liquidity, social and governance leadership, long-term corporate profitability, free funds flow generation, and paying a dividend to shareholders. Together with the Company's premier land position in the Montney, significant resource in-place, large inventory of future drilling locations, and high-performance people and culture, these principles make ARC a differentiated company.

Highlights

Corporate highlights for the years 2021 through 2025 are shown in Table 1:

Table 1

(\$ millions, except per share amounts, or unless otherwise noted)	2025	2024	2023	2022	2021
Production ⁽¹⁾					
Crude oil and condensate (bbl/d)	106,984	87,266	83,880	86,393	70,393
Natural gas (MMcf/d)	1,324	1,307	1,322	1,259	1,149
NGLs (bbl/d)	46,625	42,787	47,760	49,385	40,084
Total production (boe/d)	374,336	347,908	351,954	345,613	302,003
Average daily production per thousand shares ⁽²⁾	0.64	0.58	0.58	0.52	0.48
Net income	1,275.1	1,124.1	1,596.5	2,302.3	786.6
Net income per share	2.19	1.88	2.61	3.47	1.25
Cash flow from operating activities	3,093.5	2,348.6	2,394.3	3,833.3	2,006.5
Cash flow from operating activities per share ⁽³⁾	5.31	3.94	3.92	5.78	3.20
Funds from operations ⁽⁴⁾	3,192.4	2,472.5	2,639.6	3,712.5	2,415.4
Funds from operations per share ⁽³⁾	5.48	4.15	4.32	5.60	3.85
Free funds flow ⁽⁵⁾	1,283.7	627.0	789.8	2,270.6	1,353.6
Free funds flow per share ⁽⁶⁾	2.20	1.05	1.29	3.42	2.16
Cash flow used in investing activities	3,536.0	1,906.2	1,690.7	1,413.2	808.1
Capital expenditures ⁽⁷⁾	1,908.7	1,845.5	1,849.8	1,441.9	1,061.8
Long-term debt ⁽⁸⁾	2,878.1	1,387.4	1,148.9	990.0	1,705.3
Net debt ⁽⁴⁾	2,866.1	1,335.6	1,317.1	1,301.5	1,828.7
Net debt to funds from operations (ratio) ⁽⁴⁾	0.9	0.5	0.5	0.4	0.8
Return on average capital employed ("ROACE") (%) ⁽⁹⁾	16	16	23	35	18
Proved plus probable reserves (MMboe) ⁽¹⁰⁾⁽¹¹⁾	2,277.5	2,098.2	1,994.3	1,828.6	1,760.6
Proved plus probable reserves per share (boe) ⁽¹⁰⁾⁽¹¹⁾	3.9	3.5	3.3	2.8	2.8

(1) Reported production amount is based on Company's interest before royalty burdens.

(2) Represents average daily production divided by the diluted weighted average common shares outstanding for the respective years ended December 31.

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

(4) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

(5) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for free funds flow is cash flow from operating activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

(6) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar ratios presented by other entities. Includes the non-GAAP financial measure component of free funds flow. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

(7) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

(8) Refer to Note 13 "Long-term Debt" in the financial statements. Long-term debt includes current and long-term portions.

(9) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar ratios presented by other entities. Includes non-GAAP financial measure components of adjusted EBIT and average capital employed. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

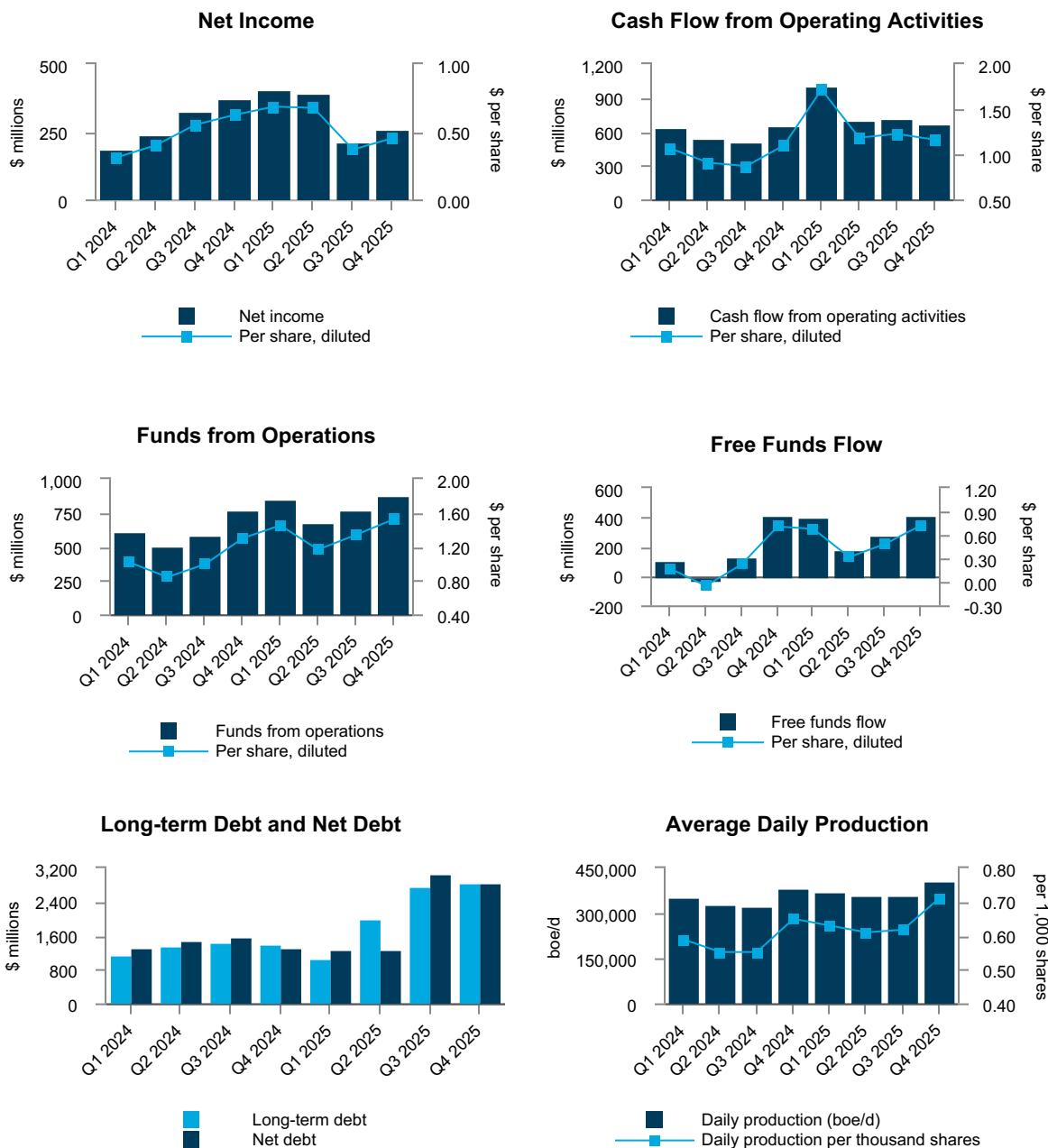
(10) Crude oil, condensate, natural gas, and NGLs reserves ("reserves") as determined by ARC's independent qualified reserves evaluator ("IQRE") with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation Handbook and NI 51-101.

(11) Reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF and the news release entitled "ARC Resources Ltd. Reports Year-end 2025 Results and Reserves" dated February 5, 2026, available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca.

QUARTERLY RESULTS ⁽¹⁾

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

Exhibit 1



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

ANNUAL GUIDANCE

ARC's 2025 and 2026 annual guidance and a review of 2025 results are outlined in Table 2:

Table 2

	2025 Guidance	2025 Actual	% Variance from 2025 Guidance	2026 Guidance
Production				
Crude oil and condensate (bbl/d)	107,000 - 112,000	106,984	—	105,000 - 115,000
Natural gas (MMcf/d)	1,290 - 1,310	1,324	1	1,500 - 1,520
NGLs (bbl/d)	43,000 - 45,000	46,625	4	48,000 - 52,000
Total (boe/d)	365,000 - 375,000	374,336	—	405,000 - 420,000
Expenses (\$/boe) ⁽¹⁾				
Operating	5.00 - 5.50	5.39	—	5.40 - 5.90
Transportation	5.00 - 5.50	5.04	—	5.25 - 5.75
General and administrative ("G&A") expense before share-based compensation expense	1.00 - 1.10	1.10	—	1.00 - 1.10
G&A - share-based compensation expense	0.30 - 0.40	0.18	(40)	0.25 - 0.35
Interest and financing ⁽²⁾	0.90 - 1.00	0.98	—	1.10 - 1.20
Current income tax expense, as a per cent of funds from operations ⁽¹⁾	5 - 10	8	—	5 - 10
Capital expenditures (\$ billions) ⁽³⁾	1.85 - 1.95	1.91	—	1.8 - 1.9

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

(2) Excludes accretion expense.

(3) Refer to the section entitled "About ARC Resources Ltd." contained within this MD&A for historical capital expenditures.

2025 results are within stated guidance ranges, with the exception of G&A - share-based compensation expense, which was below the guidance range due to the relative depreciation of ARC's share price as well as a decrease in the performance multiplier associated with certain of ARC's share-based compensation plans.

ARC's priority is to provide an attractive total shareholder return by balancing profitable reinvestment in the Company's assets with a meaningful return of capital through dividends and share repurchases. In 2025, ARC invested \$1.9 billion in capital expenditures. In 2026, ARC has developed a capital budget of between \$1.8 to \$1.9 billion. The planned changes from 2025 to 2026 reflect production growth with a focus on well-related capital investment. The 2026 budget is expected to deliver average annual production of between 405,000 to 420,000 boe per day. For more information regarding 2026 guidance, refer to the news releases dated November 6, 2025 and February 5, 2026, entitled "ARC Resources Ltd. Reports Third Quarter 2025 Results, Announces 2026 Budget and 11 per cent Dividend Increase" and "ARC Resources Ltd. Reports Year-end 2025 Results and Reserves", available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca.

Exhibit 2

2025 Production Guidance

■ 2025 Guidance ■ 2025 Actual

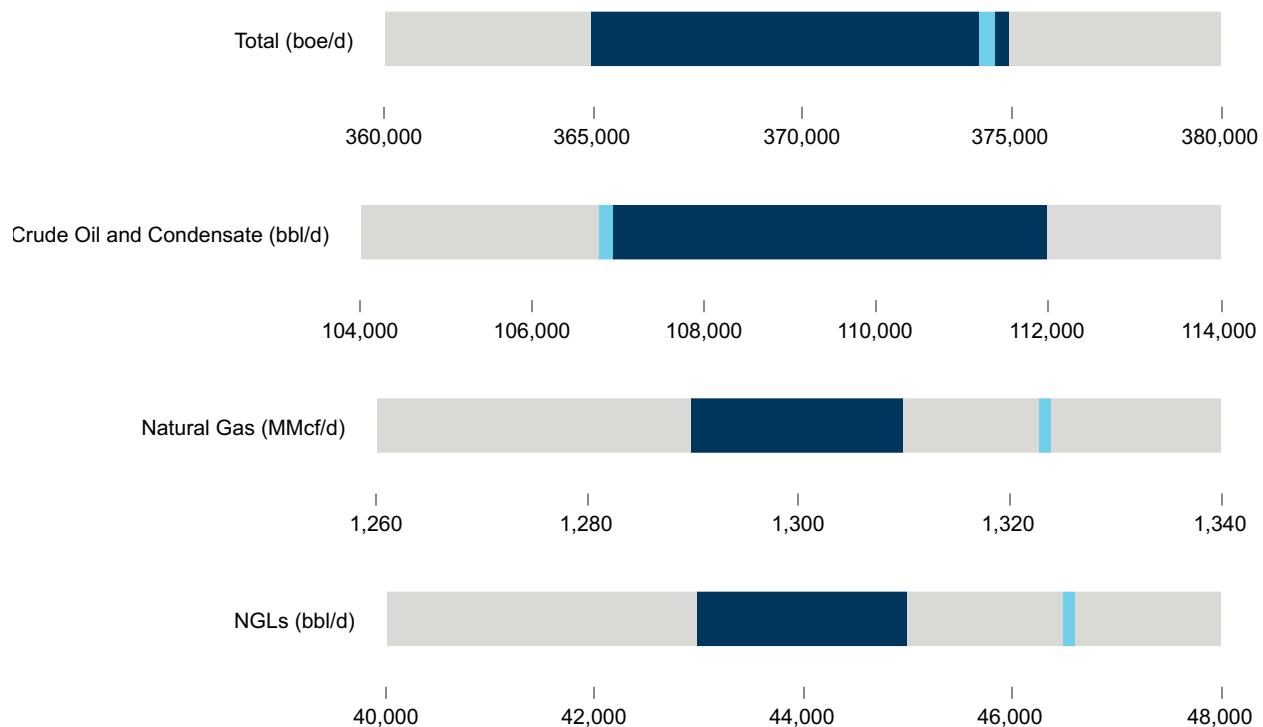


Exhibit 2a**2025 Expense Guidance**

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

2025 FOURTH QUARTER FINANCIAL AND OPERATIONAL RESULTS

During the year ended December 31, 2025, ARC completed an acquisition of condensate-rich Montney assets in the Kakwa region in Alberta (the "Kakwa Assets") from Strathcona Resources Ltd. (the "Transaction"). For more information refer to Note 6 "Business Combination" in the financial statements.

The Transaction expands ARC's holdings in its core Kakwa region, increases its drilling inventory in the area, increases ARC's owned-and-operated infrastructure which reinforces a low cost structure and operational flexibility, and presents operational and financial synergies with ARC's contiguous operations. The Transaction reinforces ARC's position as Canada's largest Montney and condensate producer.

Financial Highlights

Table 3

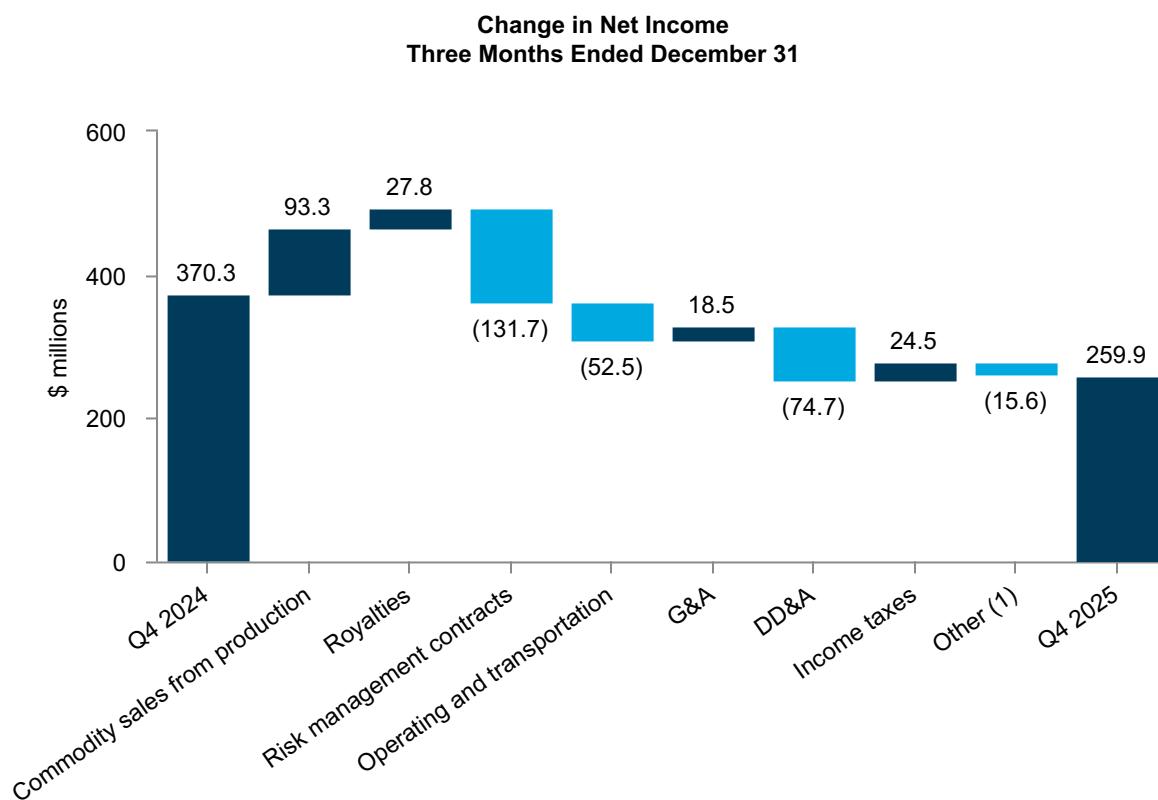
(\$ millions, except per share and production data)	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Net income	214.4	259.9	370.3	(30)	1,275.1	1,124.1	13
Net income per share	0.37	0.45	0.63	(29)	2.19	1.88	16
Cash flow from operating activities	713.3	668.1	650.9	3	3,093.5	2,348.6	32
Cash flow from operating activities per share	1.23	1.16	1.10	5	5.31	3.94	35
Funds from operations	779.0	874.3	770.4	13	3,192.4	2,472.5	29
Funds from operations per share	1.34	1.52	1.30	17	5.48	4.15	32
Free funds flow	282.6	415.4	420.4	(1)	1,283.7	627.0	105
Free funds flow per share	0.49	0.72	0.71	1	2.20	1.05	110
Dividends declared per share ⁽¹⁾	0.19	0.21	0.19	11	0.78	0.70	11
Average daily production (boe/d)	359,236	408,382	382,341	7	374,336	347,908	8

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

Net Income

In the fourth quarter of 2025, ARC recognized net income of \$259.9 million (\$0.45 per share), a decrease of \$110.4 million from ARC's fourth quarter 2024 net income of \$370.3 million (\$0.63 per share). The decrease in net income is primarily attributed to a loss on risk management contracts of \$72.5 million, as compared to a gain of \$59.2 million in the same period of the prior year, and increased depletion, depreciation, and amortization ("DD&A") of \$74.7 million. This was partially offset by an increase in commodity sales from production of \$93.3 million, driven by an increase in production.

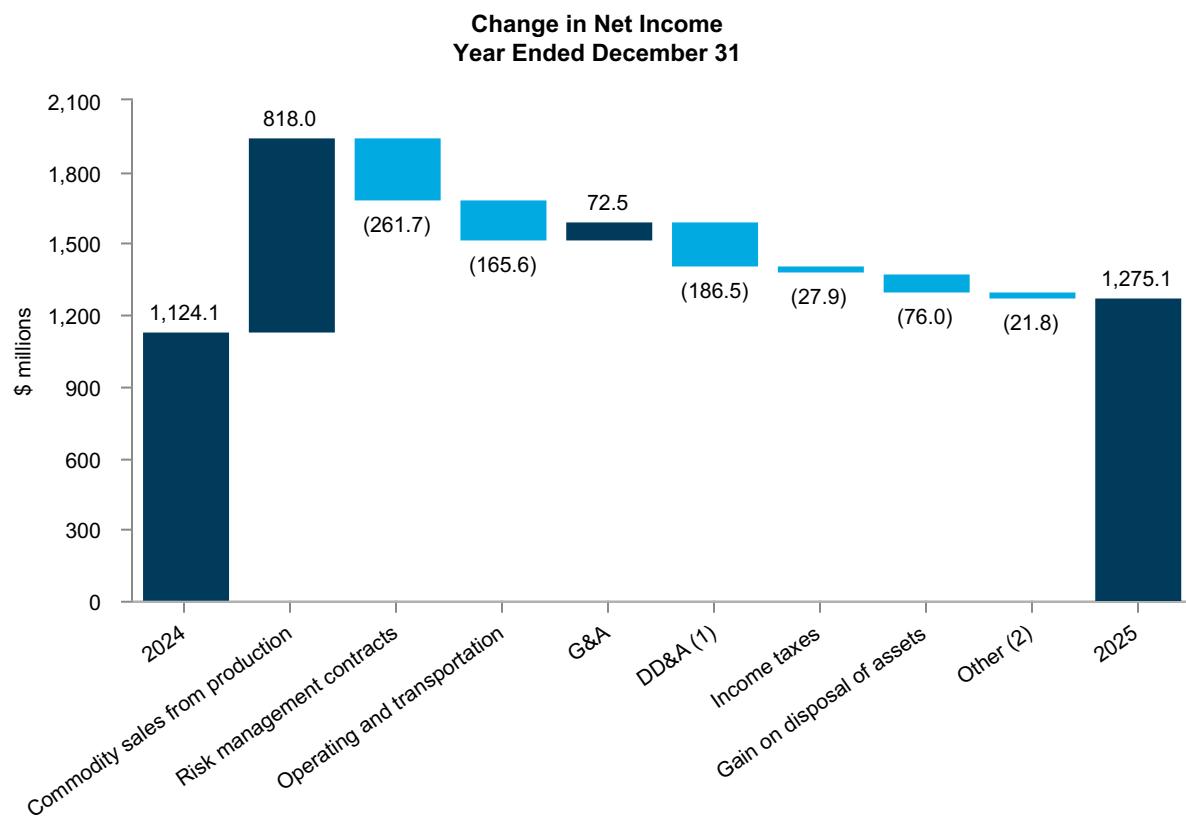
Exhibit 3



(1) Includes sales of third-party purchases, interest and other income, third-party purchases, interest and financing, impairment (reversal of impairment) of financial assets, and foreign exchange.

For the year ended December 31, 2025, ARC recognized net income of \$1.3 billion (\$2.19 per share) compared to \$1.1 billion (\$1.88 per share) for the prior year. The \$151.0 million increase in net income is primarily attributed to an increase in commodity sales from production of \$818.0 million, driven by increased production and a higher average realized natural gas price. This was partially offset by a decreased gain on risk management contracts of \$261.7 million, increased DD&A of \$186.5 million, and increased operating and transportation expense of \$165.6 million.

Exhibit 3a



(1) Includes DD&A and impairment of PP&E.

(2) Includes royalties, sales of third-party purchases, interest and other income, third-party purchases, interest and financing, impairment (reversal of impairment) of financial assets, and foreign exchange.

Cash Flow from Operating Activities and Funds from Operations

Cash flow from operating activities for the three months ended December 31, 2025, was \$668.1 million, an increase of \$17.2 million from ARC's fourth quarter 2024 cash flow from operating activities of \$650.9 million. For the year ended December 31, 2025, cash flow from operating activities increased to \$3.1 billion from \$2.3 billion for the year ended December 31, 2024. The increase in cash flow from operating activities for the three months and year ended December 31, 2025, compared to the same periods in the prior year, primarily reflects higher funds from operations.

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

Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A. Table 4 is a reconciliation of ARC's net income to funds from operations and its most directly comparable GAAP measure, cash flow from operating activities:

Table 4

(\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Net income	214.4	259.9	370.3	1,275.1	1,124.1
Adjusted for the following non-cash items:					
Unrealized loss (gain) on risk management contracts	111.0	144.0	(9.5)	253.0	(82.4)
DD&A and impairment of PP&E	401.8	447.1	372.4	1,547.2	1,360.7
Unrealized loss (gain) on foreign exchange	0.3	—	(2.7)	3.3	5.1
Gain on disposal of assets	—	—	—	(4.0)	(80.0)
Deferred taxes	43.5	18.2	36.3	98.8	130.5
Other	8.0	5.1	3.6	19.0	14.5
Funds from operations	779.0	874.3	770.4	3,192.4	2,472.5
Net change in other liabilities	(32.5)	(7.8)	3.2	(95.4)	(19.9)
Change in non-cash operating working capital	(33.2)	(198.4)	(122.7)	(3.5)	(104.0)
Cash flow from operating activities	713.3	668.1	650.9	3,093.5	2,348.6

Details of the change in funds from operations from the three months and year ended December 31, 2024 to the three months and year ended December 31, 2025 are included in Table 5 below:

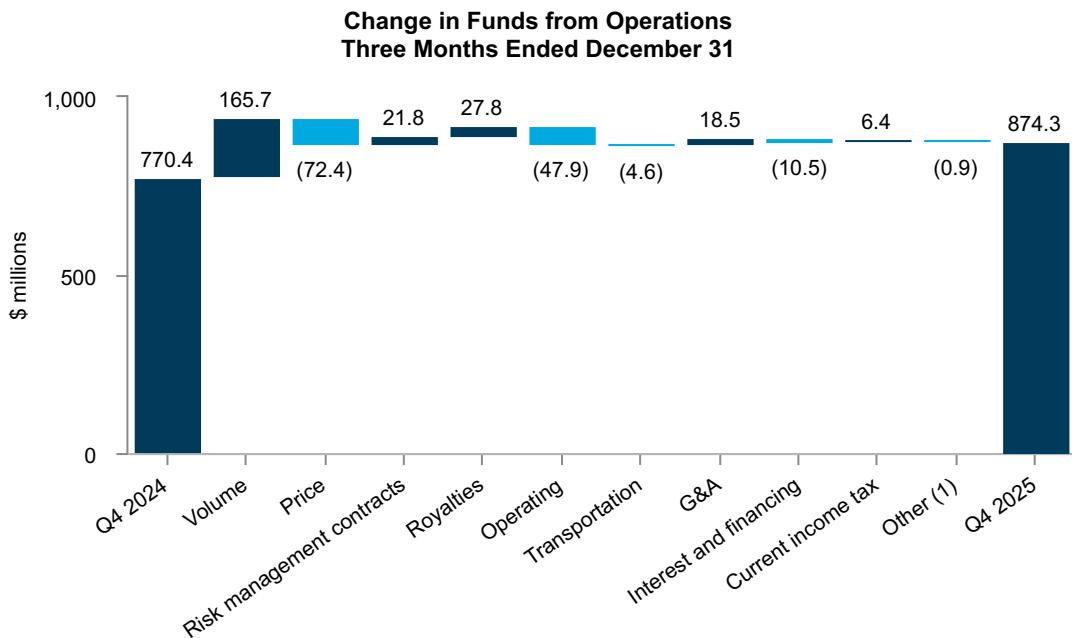
Table 5

	Three Months Ended December 31		Year Ended December 31	
	\$ millions	\$/share	\$ millions	\$/share
Funds from operations – 2024	770.4	1.30	2,472.5	4.15
Production volume variance				
Crude oil and liquids	167.9	0.28	720.4	1.21
Natural gas	(2.2)	—	11.9	0.02
Commodity price variance				
Crude oil and liquids	(226.7)	(0.39)	(465.4)	(0.78)
Natural gas	154.3	0.26	551.1	0.92
Sales of third-party purchases	100.4	0.17	170.6	0.29
Interest and other income	(1.5)	—	0.2	—
Realized gain on risk management contracts	21.8	0.04	73.7	0.12
Royalties	27.8	0.05	(11.9)	(0.02)
Expenses				
Operating	(47.9)	(0.08)	(139.4)	(0.23)
Transportation	(4.6)	(0.01)	(26.2)	(0.05)
Third-party purchases	(96.0)	(0.16)	(153.5)	(0.26)
G&A	18.5	0.03	72.5	0.12
Interest and financing	(10.5)	(0.02)	(14.5)	(0.02)
Realized loss on foreign exchange	(5.8)	(0.01)	(16.6)	(0.03)
Current income tax	6.4	0.01	(59.6)	(0.10)
Other	2.0	—	6.6	0.01
Weighted average shares, diluted	—	0.05	—	0.13
Funds from operations – 2025	874.3	1.52	3,192.4	5.48

Funds from operations for the three months ended December 31, 2025, was \$874.3 million (\$1.52 per share), an increase of \$103.9 million from \$770.4 million (\$1.30 per share) for the three months ended December 31, 2024. For the year ended December 31, 2025, funds from operations was \$3.2 billion (\$5.48 per share), an increase of \$719.9 million from \$2.5 billion (\$4.15 per share) for the year ended December 31, 2024.

The increase in funds from operations for the three months ended December 31, 2025, is primarily due to an increase in production, partially offset by a decrease in average realized crude oil and liquids prices.

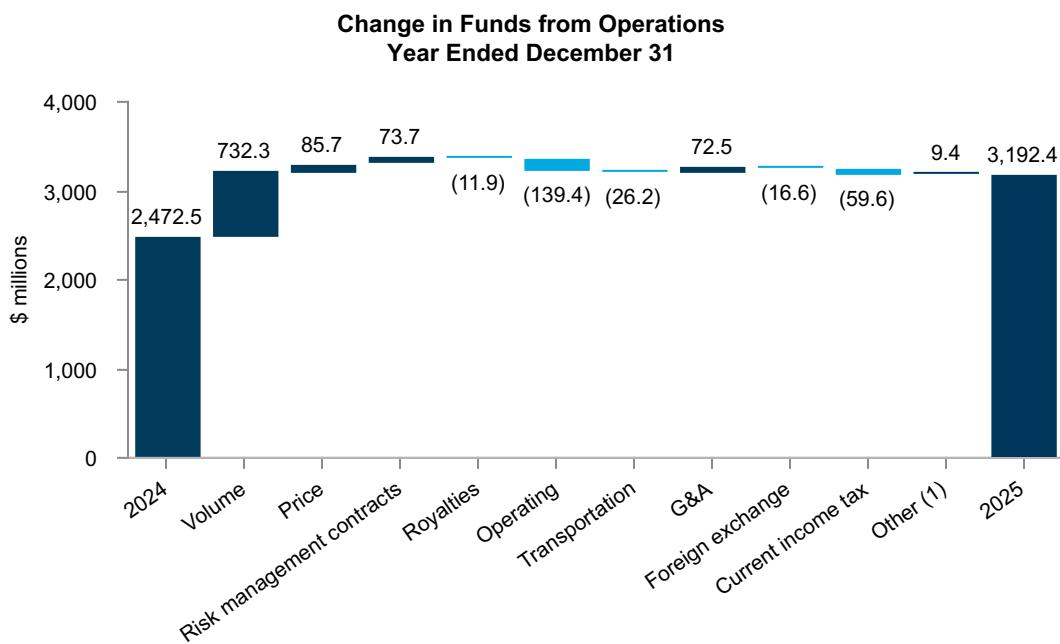
Exhibit 4



(1) Includes sales of third-party purchases, interest and other income, third-party purchases, foreign exchange, and other non-cash items.

The increase in funds from operations for the year ended December 31, 2025, is primarily due to an increase in production and an increase in average realized natural gas prices, partially offset by an increase in operating expense.

Exhibit 4a



(1) Includes sales of third-party purchases, interest and other income, third-party purchases, interest and financing, and other non-cash items.

Net Income Sensitivity

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

Table 6

	Assumption	Change	Impact on Annual Net Income	
			Notional Amount (\$ millions)	\$/share
Business Environment ⁽¹⁾				
Crude oil price (\$/bbl) ⁽²⁾⁽³⁾	81.75	10 %	235.6	0.40
Natural gas price (\$/Mcft) ⁽²⁾	3.51	10 %	169.9	0.29
Cdn\$/US\$ exchange rate ⁽²⁾⁽⁴⁾	1.40	5 %	170.4	0.29
Interest rate on floating-rate debt (%)	4.52	1 %	4.6	0.01
Operational ⁽⁵⁾				
Crude oil and liquids production (bbl/d)	153,609	5 %	104.9	0.18
Natural gas production (MMcf/d)	1,324	5 %	1.6	—
Royalties (\$/boe)	3.93	5 %	20.6	0.04
Operating (\$/boe)	5.39	5 %	28.2	0.05
Transportation (\$/boe)	5.04	5 %	26.4	0.05
G&A (\$/boe)	1.28	5 %	6.7	0.01

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time. The subsequent impact on risk management contracts is not included.

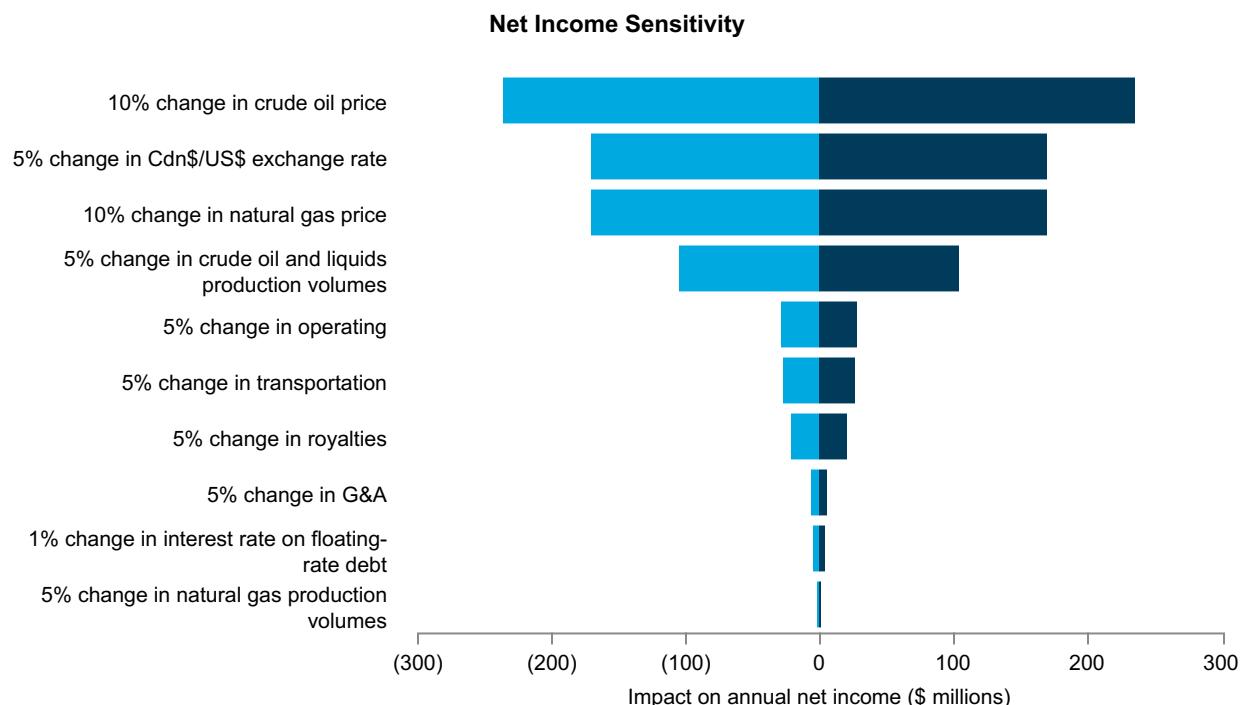
(2) Prices and rates are indicative of ARC's average realized commodity prices for the year ended December 31, 2025. Refer to Table 10 contained within this MD&A for additional details. The calculated impact on net income is indicative of changes in the underlying benchmark prices and differentials and would only be applicable within a limited range of these amounts.

(3) Includes the impact on crude oil, condensate, and NGLs prices.

(4) Includes impact of foreign exchange on crude oil, condensate, natural gas, and NGLs prices that are realized in US dollars.

(5) Operational assumptions are based upon results for the year ended December 31, 2025 and the calculated impact on net income would only be applicable within a limited range of these amounts.

Exhibit 5



Production

A breakdown of production by product type and percentage of production by product type is outlined in Table 7:

Table 7

Production	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Crude oil (bbl/d)	7,977	7,872	6,589	19	8,322	6,972	19
Condensate (bbl/d)	105,982	111,026	96,388	15	98,662	80,294	23
NGLs (bbl/d)	50,014	54,500	42,998	27	46,625	42,787	9
Crude oil and liquids (bbl/d)	163,973	173,398	145,975	19	153,609	130,053	18
Natural gas (MMcf/d)	1,172	1,410	1,418	(1)	1,324	1,307	1
Total production (boe/d)	359,236	408,382	382,341	7	374,336	347,908	8
Natural gas production (%)	54	58	62	(4)	59	63	(4)
Crude oil and liquids production (%)	46	42	38	4	41	37	4

For the three months and year ended December 31, 2025, total production increased seven per cent and eight per cent, respectively, as compared to the same periods of the prior year.

For the three months and year ended December 31, 2025, crude oil and liquids production increased 19 per cent and 18 per cent, respectively, as compared to the same periods in the prior year. The increase for the three months and year ended December 31, 2025, was primarily due to new production from ARC's Attachie Phase I facility and incremental production in the Kakwa area as a result of acquiring the Kakwa Assets.

For the three months ended December 31, 2025, natural gas production decreased one per cent as compared to the same period in the prior year. The decrease for the three months ended December 31, 2025, was primarily due to the deliberate curtailment of production from the Sunrise area in response to low western Canadian natural gas prices, partially offset by new production from ARC's Attachie Phase I facility.

For the year ended December 31, 2025, natural gas production increased one per cent, as compared to the prior year. The increase for the year ended December 31, 2025, was due to new production from ARC's Attachie Phase 1 facility and incremental production in the Kakwa area as a result of acquiring the Kakwa Assets, partially offset by the curtailment of production in the Sunrise area.

Exhibit 6

Average Daily Production

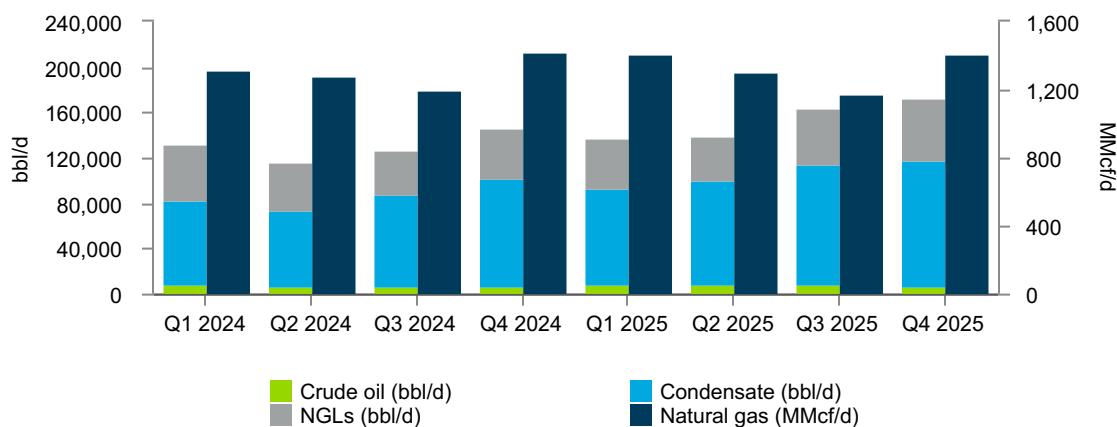


Table 8 summarizes ARC's production by core area for the three months ended December 31, 2025 and December 31, 2024:

Table 8

		Three Months Ended December 31, 2025			
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	215,073	1,039	84,942	537.2	39,563
Greater Dawson	96,826	497	12,077	453.8	8,612
Sunrise	48,644	—	203	290.3	60
Attachie	28,286	—	13,182	69.4	3,530
Ante Creek	18,565	6,335	621	59.1	1,765
All other	988	1	1	0.1	970
Total	408,382	7,872	111,026	1,409.9	54,500

Three Months Ended December 31, 2024					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	195,362	20	74,497	543.4	30,276
Greater Dawson	98,149	776	12,466	459.0	8,412
Sunrise	52,545	—	452	311.8	134
Attachie	16,950	—	8,305	40.2	1,952
Ante Creek	18,821	5,675	667	63.6	1,874
All other	514	118	1	0.2	350
Total	382,341	6,589	96,388	1,418.2	42,998

Exhibit 7

Average Daily Production by Core Area
Three Months Ended December 31, 2025

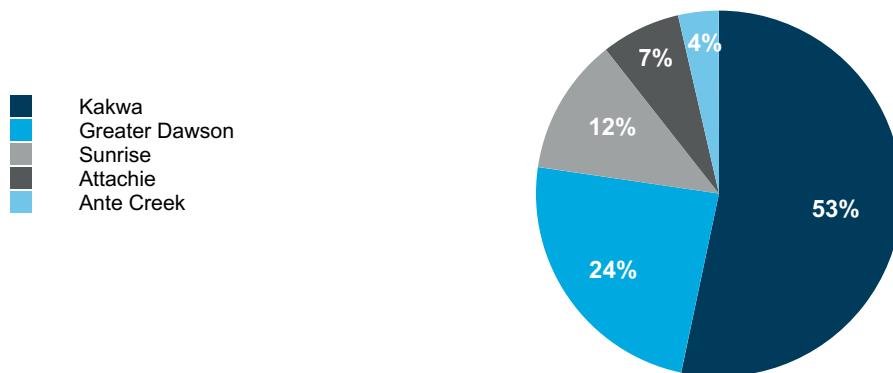


Table 8a summarizes ARC's production by core area for the years ended December 31, 2025 and December 31, 2024:

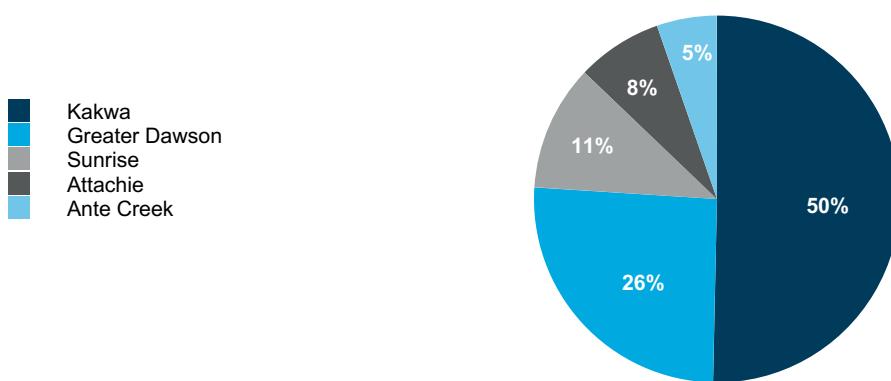
Table 8a

		Year Ended December 31, 2025			
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	188,511	329	72,436	496.7	32,962
Greater Dawson	96,134	562	11,943	451.3	8,417
Sunrise	41,522	—	208	247.5	67
Attachie	28,370	—	13,463	68.6	3,470
Ante Creek	19,839	7,430	612	60.2	1,767
All other	(40)	1	—	0.1	(58)
Total	374,336	8,322	98,662	1,324.4	46,625

Year Ended December 31, 2024					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	177,852	19	64,555	486.3	32,228
Greater Dawson	93,556	607	11,452	441.3	7,941
Sunrise	49,997	—	333	297.4	105
Attachie	6,659	—	3,327	16.6	558
Ante Creek	19,517	6,237	626	65.0	1,821
All other	327	109	1	0.5	134
Total	347,908	6,972	80,294	1,307.1	42,787

Exhibit 7a

Average Daily Production by Core Area
Year Ended December 31, 2025



Commodity Sales from Production

For the three months and year ended December 31, 2025, commodity sales from production increased by seven per cent and 18 per cent, respectively, as compared to the same periods in 2024. The increases for the three months and year ended December 31, 2025 are primarily due to an increase in crude oil and liquids production volumes, driven by condensate production, and an increase in natural gas prices.

A breakdown of commodity sales from production by product type and percentage of commodity sales from production by product type is outlined in Tables 9 and 9a:

Table 9

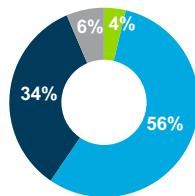
Commodity Sales from Production, by Product Type (\$ millions)	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Crude oil	60.8	53.3	55.5	(4)	248.3	233.4	6
Condensate	825.5	801.4	847.0	(5)	3,104.7	2,850.7	9
Natural gas	296.8	489.0	336.9	45	1,697.6	1,134.6	50
NGLs	80.4	95.1	106.1	(10)	371.1	385.0	(4)
Commodity sales from production	1,263.5	1,438.8	1,345.5	7	5,421.7	4,603.7	18

Table 9a

% of Commodity Sales from Production by Product Type	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Crude oil and liquids	77	66	75	(9)	69	75	(6)
Natural gas	23	34	25	9	31	25	6
Commodity sales from production	100	100	100	—	100	100	—

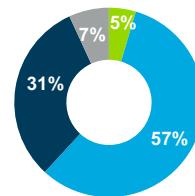
Exhibit 8

**Commodity Sales from Production
by Product
Three Months Ended
December 31, 2025**



Crude oil
Natural gas
Condensate
NGLs

**Commodity Sales from Production
by Product
Year Ended
December 31, 2025**



Crude oil
Natural gas
Condensate
NGLs

Commodity Prices

A listing of benchmark commodity prices and ARC's average realized commodity prices are outlined in Table 10:

Table 10

	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Average Benchmark Prices							
WTI crude oil (US\$/bbl)	64.97	59.14	70.32	(16)	64.73	75.76	(15)
Cdn\$/US\$ exchange rate	1.38	1.39	1.40	(1)	1.40	1.37	2
WTI crude oil (Cdn\$/bbl)	89.66	82.20	98.45	(17)	90.62	103.79	(13)
Peace Sour Price at Edmonton (Cdn\$/bbl)	83.20	73.42	92.16	(20)	82.58	93.13	(11)
Condensate Stream Price at Edmonton (Cdn\$/bbl)	87.16	79.87	99.37	(20)	88.75	100.36	(12)
NYMEX Henry Hub Last Day Settlement (US\$/MMBtu)	3.07	3.55	2.79	27	3.43	2.27	51
Chicago Citygate Monthly Index (US\$/MMBtu)	2.70	3.43	2.71	27	3.26	2.14	52
AECO 7A Monthly Index (Cdn\$/McF)	1.00	2.34	1.46	60	1.86	1.44	29
ARC Average Realized Commodity Prices ⁽¹⁾							
Crude oil (\$/bbl)	82.75	73.63	91.46	(19)	81.75	91.46	(11)
Condensate (\$/bbl)	84.66	78.45	95.52	(18)	86.21	97.00	(11)
Natural gas (\$/McF)	2.75	3.77	2.58	46	3.51	2.37	48
NGLs (\$/bbl)	17.47	18.97	26.83	(29)	21.81	24.59	(11)
Average realized commodity price (\$/boe)	38.23	38.30	38.25	—	39.68	36.15	10

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

Benchmark Commodity Prices

Average WTI crude oil prices decreased nine per cent in the fourth quarter of 2025 compared to the prior quarter and 16 per cent compared to the fourth quarter of 2024. Crude oil prices declined as global supply outpaced demand, resulting in rising inventory levels across most regions. While geopolitical risks among certain crude oil-producing countries remain elevated, recent escalations had a limited impact on crude oil prices.

The Edmonton condensate benchmark price decreased eight per cent in the fourth quarter of 2025 compared to the prior quarter and 20 per cent compared to the fourth quarter of 2024. With limited change in local market fundamentals and pricing differentials, western Canadian condensate pricing corresponded with declining WTI crude oil pricing in the quarter.

Average NYMEX Henry Hub natural gas prices increased 16 per cent in the fourth quarter of 2025 compared to the prior quarter and 27 per cent compared to the fourth quarter of 2024. Natural gas prices increased during the quarter due to higher early winter domestic heating demand and record levels of US liquefied natural gas ("LNG") exports.

The AECO 7A Monthly Index increased 134 per cent in the fourth quarter of 2025 compared to the prior quarter and 60 per cent compared to the fourth quarter of 2024. Prices increased during the quarter as concerns related to elevated local inventory levels eased with the transition into winter demand season and higher pipeline and LNG export activity out of Western Canada.

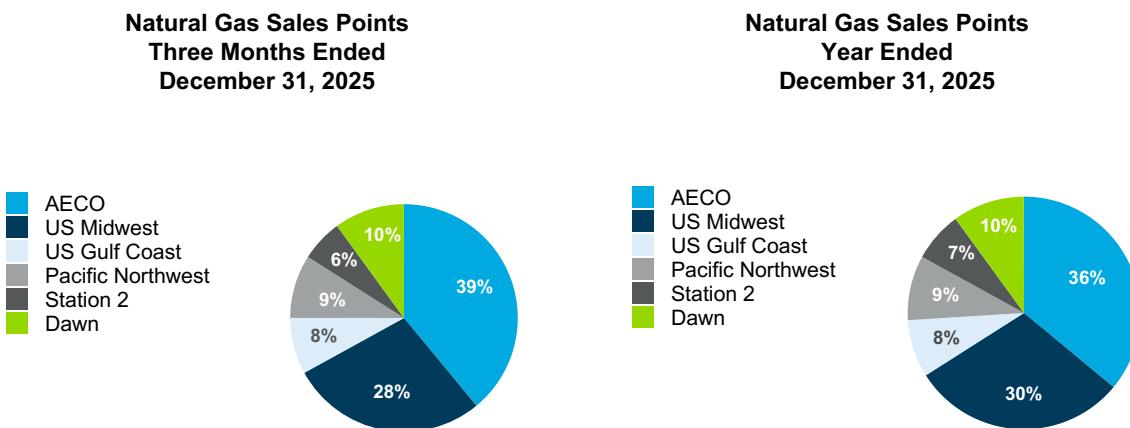
ARC's Average Realized Commodity Prices

For the three months ended December 31, 2025, ARC's average realized crude oil and condensate prices decreased 19 per cent and 18 per cent, respectively, compared to the same period in the prior year. For the year ended December 31, 2025, both ARC's average realized crude oil and condensate prices decreased 11 per cent compared to the prior year. The decreases for the three months and year ended December 31, 2025, primarily reflect a weaker WTI benchmark price.

ARC's natural gas sales are physically diversified to multiple sales points within North America, each with different index-based pricing. All of ARC's natural gas sold in the United States complies with the rules of origin under the Canada-United States-Mexico Agreement.

ARC's average realized natural gas price increased 46 per cent and 48 per cent for the three months and year ended December 31, 2025, respectively, compared to the same periods of the prior year. The increases are primarily due to stronger benchmark prices in most North American markets.

Exhibit 9

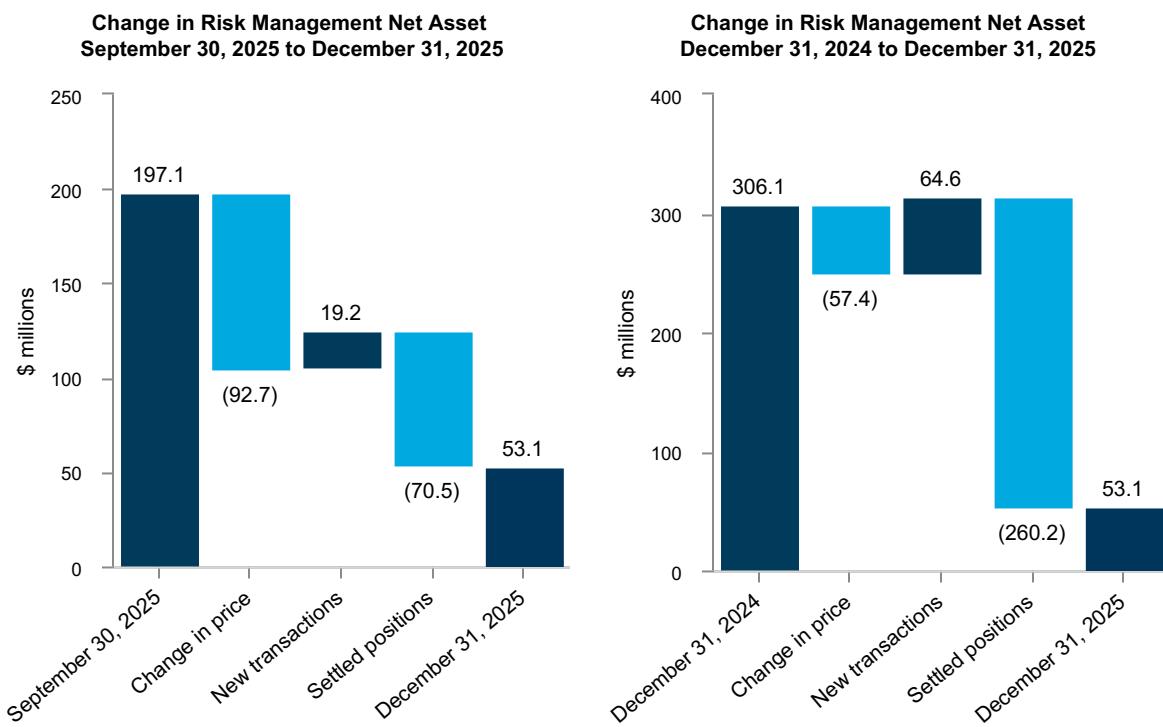


During the year ended December 31, 2025, ARC entered into a long-term LNG sale and purchase agreement (the "Agreement") with ExxonMobil LNG Asia Pacific ("EMLAP"). Under the Agreement, EMLAP will purchase all of ARC's LNG offtake from the Cedar LNG Project, approximately 1.5 million tonnes per annum, at international LNG pricing. For additional information, refer to the news release dated March 11, 2025, entitled "*ARC Resources Ltd. Announces Long-Term Sale and Purchase Agreement with ExxonMobil*", available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca.

Risk Management Contracts

The fair value of ARC's risk management contracts at December 31, 2025 was a net asset of \$53.1 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after adjustments for credit risk. This comprises a net asset of \$40.8 million from crude oil contracts, a net asset of \$6.2 million from natural gas contracts, and a net asset of \$6.1 million from foreign currency contracts.

Exhibit 10



Tables 11 and 11a summarize the gain or loss on risk management contracts for the three months and year ended December 31, 2025 compared to the same periods in 2024:

Table 11

Risk Management Contracts (\$ millions)	Crude Oil & Condensate	Natural Gas	Embedded Derivative ⁽¹⁾	Foreign Currency	Q4 2025 Total	Q4 2024 Total
Realized gain (loss) on risk management contracts ⁽²⁾	33.2	38.5	—	(0.2)	71.5	49.7
Unrealized gain (loss) on risk management contracts ⁽³⁾	(4.6)	16.9	(160.2)	3.9	(144.0)	9.5
Gain (loss) on risk management contracts	28.6	55.4	(160.2)	3.7	(72.5)	59.2

(1) Represents the change in fair value of embedded derivatives contained within certain natural gas sales contracts.

(2) Represents actual cash settlements under the respective contracts recognized in net income during the period.

(3) Represents the change in fair value of the contracts recognized in net income during the period.

Table 11a

Risk Management Contracts (\$ millions)	Crude Oil & Condensate	Natural Gas	Embedded Derivative ⁽¹⁾	Foreign Currency	2025 Total	2024 Total
Realized gain (loss) on risk management contracts ⁽²⁾	68.5	198.7	—	(3.2)	264.0	190.3
Unrealized gain (loss) on risk management contracts ⁽³⁾	3.4	(115.5)	(163.5)	22.6	(253.0)	82.4
Gain (loss) on risk management contracts	71.9	83.2	(163.5)	19.4	11.0	272.7

(1) Represents the change in fair value of embedded derivatives contained within certain natural gas sales contracts.

(2) Represents actual cash settlements under the respective contracts recognized in net income during the period.

(3) Represents the change in fair value of the contracts recognized in net income during the period.

ARC's realized gain on risk management contracts for the three months and year ended December 31, 2025, primarily reflects cash settlements received on WTI crude oil, AECO, and AECO basis natural gas contracts. As compared to the same periods of the prior year, the increase in realized gain on risk management contracts for the three months and year ended December 31, 2025, is primarily the result of lower WTI crude oil prices and a wider AECO basis differential relative to contract prices.

ARC's unrealized loss on risk management contracts for the three months ended December 31, 2025, compares to an unrealized gain for the same period of the prior year and primarily reflects revaluation of the embedded derivative positions with narrower differentials between North American and international gas prices. ARC's unrealized loss for the year ended December 31, 2025, compares to an unrealized gain for the prior year and primarily reflects the revaluation of the embedded derivative positions with narrower differentials between North American and international gas prices, as well as AECO and AECO basis natural gas contracts settlements received throughout the period.

Embedded Derivatives

ARC is party to two separate long-term natural gas supply agreements whereby ARC will deliver natural gas to specified North American delivery points and receive international pricing in exchange. These contracts have been determined to contain embedded derivatives that are required by IFRS Accounting Standards to be valued separately from their host contracts. Table 12 summarizes the details of the agreements:

Table 12

	Volume (MMBtu/d)	Term	Delivery Point	Pricing Formula	Anticipated Commencement
JKM Agreement	140,000	15 years	Chicago	JKM less transport and liquefaction	2027
TTF Agreement	140,000	15 years	Gulf Coast	TTF less transport, liquefaction and regasification	2029

In respect of these contracts, ARC recognized an unrealized loss on risk management contracts of \$160.2 million and \$163.5 million for the three months and year ended December 31, 2025 (unrealized gain of \$5.2 million and \$31.2 million for the three months and year ended December 31, 2024), respectively. At December 31, 2025, the fair value of the embedded derivatives was a liability of \$138.3 million (asset of \$25.2 million at December 31, 2024). The fair value reflects the estimated differentials between forward pricing at the respective delivery points and those contained in the pricing formulas. Due to the long-term nature of these agreements and multiple variables impacting the estimated valuations, it is anticipated that the estimated fair value of the embedded derivatives will fluctuate over time as the agreements mature. For further information, refer to Note 17 "Financial Instruments and Market Risk Management" in the financial statements.

Netback and Netback per boe

The components of ARC's netback and netback per boe for the three months and year ended December 31, 2025 compared to the same periods in 2024 are summarized in Tables 13 and 13a:

Table 13

Netback (\$ millions) ⁽¹⁾	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Commodity sales from production	1,263.5	1,438.8	1,345.5	7	5,421.7	4,603.7	18
Royalties	(138.0)	(115.3)	(143.1)	(19)	(536.8)	(524.9)	2
Operating	(210.4)	(194.8)	(146.9)	33	(735.8)	(596.4)	23
Transportation	(147.4)	(181.6)	(177.0)	3	(689.1)	(662.9)	4
Netback	767.7	947.1	878.5	8	3,460.0	2,819.5	23

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

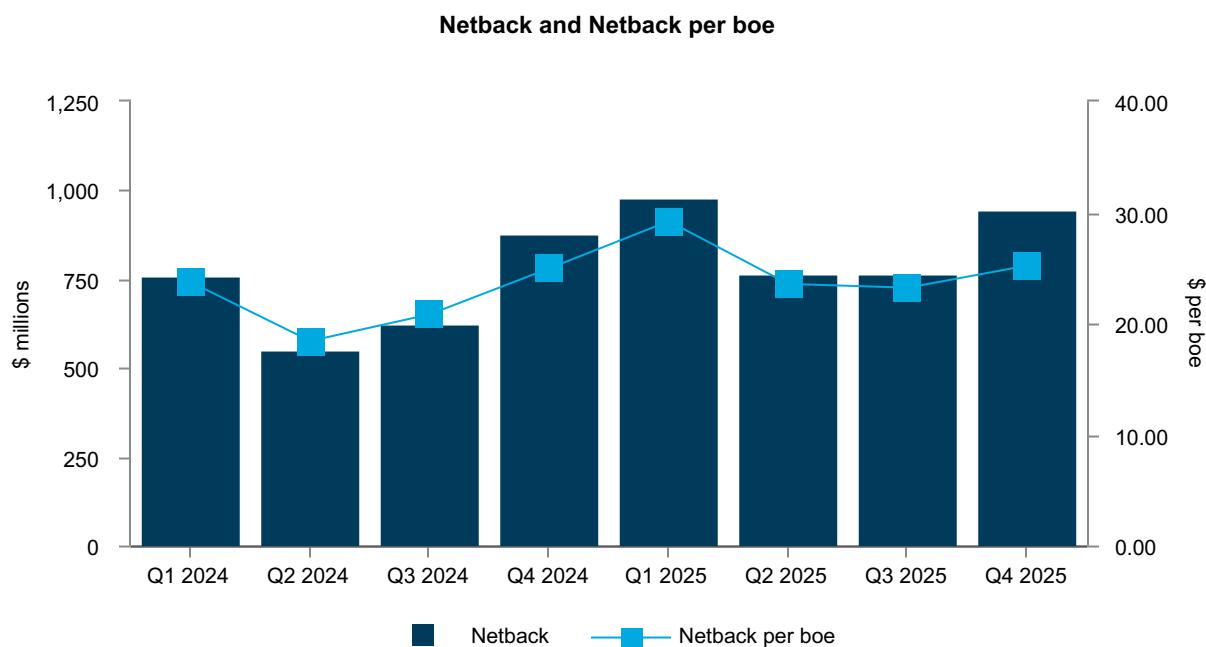
Table 13a

Netback per boe (\$ per boe) ⁽¹⁾	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Commodity sales from production ⁽²⁾	38.23	38.30	38.25	—	39.68	36.15	10
Royalties ⁽²⁾	(4.18)	(3.07)	(4.07)	(25)	(3.93)	(4.12)	(5)
Operating	(6.36)	(5.18)	(4.18)	24	(5.39)	(4.68)	15
Transportation	(4.46)	(4.83)	(5.03)	(4)	(5.04)	(5.21)	(3)
Netback per boe	23.23	25.22	24.97	1	25.32	22.14	14

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

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

Exhibit 11



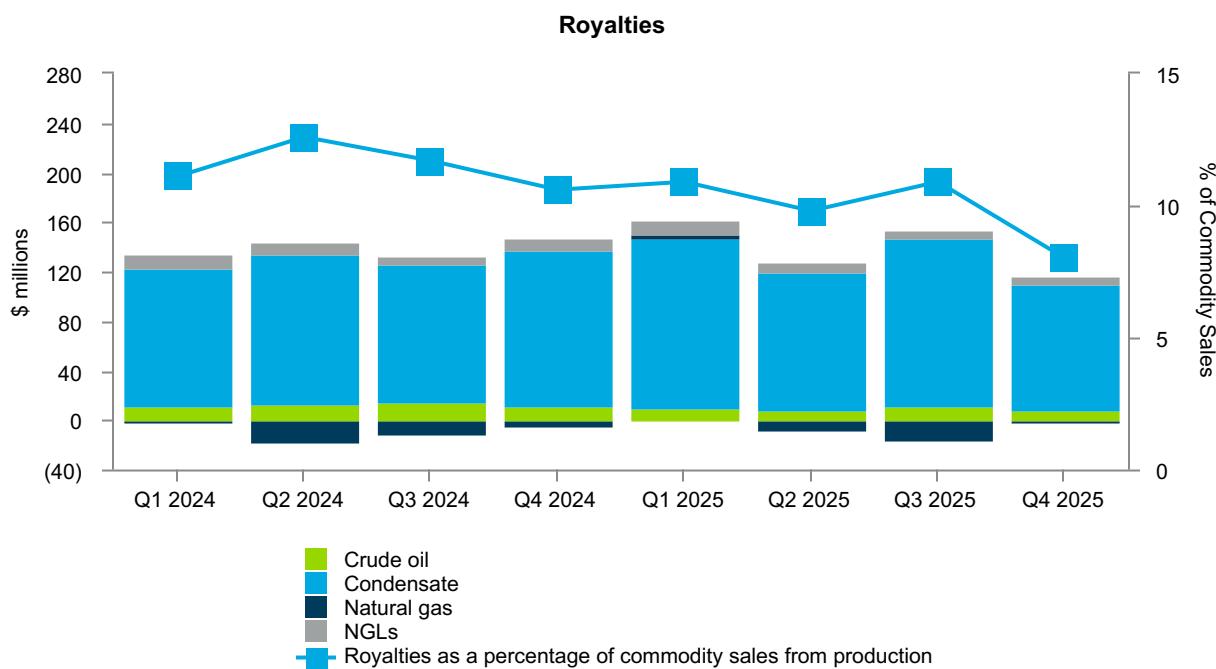
Royalties

Royalties for the three months ended December 31, 2025, decreased 19 per cent to \$115.3 million from \$143.1 million for the same period in 2024. Royalties for the year ended December 31, 2025 increased two per cent to \$536.8 million from \$524.9 million for the year ended December 31, 2024. The decrease in royalties for the three months ended December 31, 2025, as compared to the same period of the prior year, is primarily due to a decrease in average realized crude oil and liquids prices, partially offset by an increase in production. The increase for the year ended December 31, 2025, as compared to the prior year, is primarily due to an increase in production, partially offset by a decrease in average realized crude oil and liquids prices.

Royalties as a percentage of commodity sales from production⁽¹⁾ decreased to eight per cent (\$3.07 per boe) in the fourth quarter of 2025, from 11 per cent (\$4.07 per boe) in the fourth quarter of 2024. Royalties as a percentage of commodity sales from production decreased to 10 per cent (\$3.93 per boe) for the year ended December 31, 2025 from 11 per cent (\$4.12 per boe) for the prior year. The decrease in royalties as a percentage of commodity sales for the three months and year ended December 31, 2025, primarily reflects lower average royalty rates due to decreased average realized crude oil and liquids prices, as compared to 2024.

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

Exhibit 12



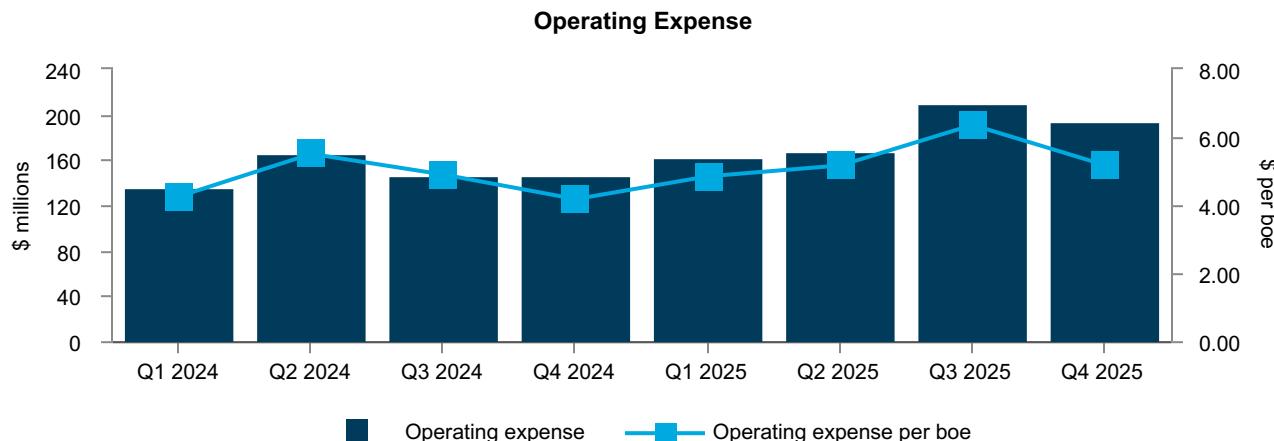
Operating

Operating expense for the three months ended December 31, 2025 was \$194.8 million, an increase of 33 per cent from \$146.9 million for the three months ended December 31, 2024. For the year ended December 31, 2025, operating expense was \$735.8 million, an increase of 23 per cent from \$596.4 million for the year ended December 31, 2024.

Operating expense for the three months and year ended December 31, 2025 increased compared to the same periods of the prior year with the addition of ARC's Attachie Phase I facility, the acquisition of the Kakwa Assets, and increased water-handling costs in the Kakwa area. For the year ended December 31, 2025, the increase in operating expense was partially offset by a decrease in maintenance costs, with less scheduled maintenance required compared to the prior year.

Operating expense per boe for the three months ended December 31, 2025 was \$5.18 per boe, an increase of 24 per cent from \$4.18 per boe for the three months ended December 31, 2024. For the year ended December 31, 2025, operating expense was \$5.39 per boe, an increase of 15 per cent from \$4.68 per boe in the prior year.

Exhibit 13



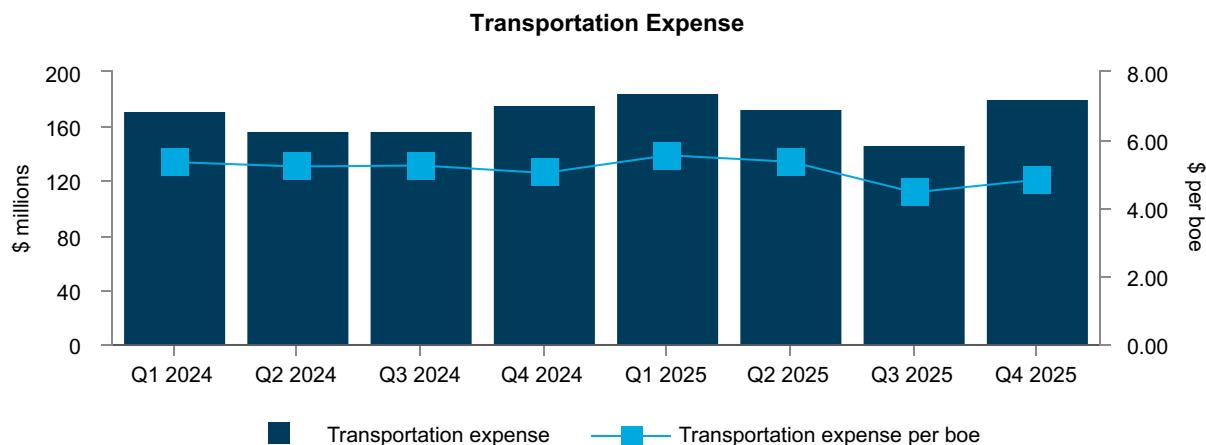
Transportation

Transportation expense for the three months and year ended December 31, 2025 was \$181.6 million and \$689.1 million, an increase of three per cent and four per cent, from \$177.0 million and \$662.9 million for the three months and year ended December 31, 2024, respectively.

The increase in transportation expense for the three months and year ended December 31, 2025, relative to the same periods in 2024, is primarily due to increased crude oil and liquids transportation costs, reflecting the increase in crude oil and liquids production.

Transportation expense per boe for the three months and year ended December 31, 2025 was \$4.83 per boe and \$5.04 per boe, a decrease of four per cent and three per cent, from \$5.03 per boe and \$5.21 per boe for the three months and year ended December 31, 2024, respectively.

Exhibit 14



G&A

G&A expense before share-based compensation expense for the three months ended December 31, 2025 was \$41.0 million, a five per cent decrease from \$43.3 million for the three months ended December 31, 2024. For the year ended December 31, 2025, ARC's G&A expense before share-based compensation expense was \$150.4 million, an eight per cent decrease from \$163.3 million for the prior year. The decrease for the three months and year ended December 31, 2025, is primarily due to a decrease in consulting and information technology costs associated with an enterprise system implementation project that concluded in 2024.

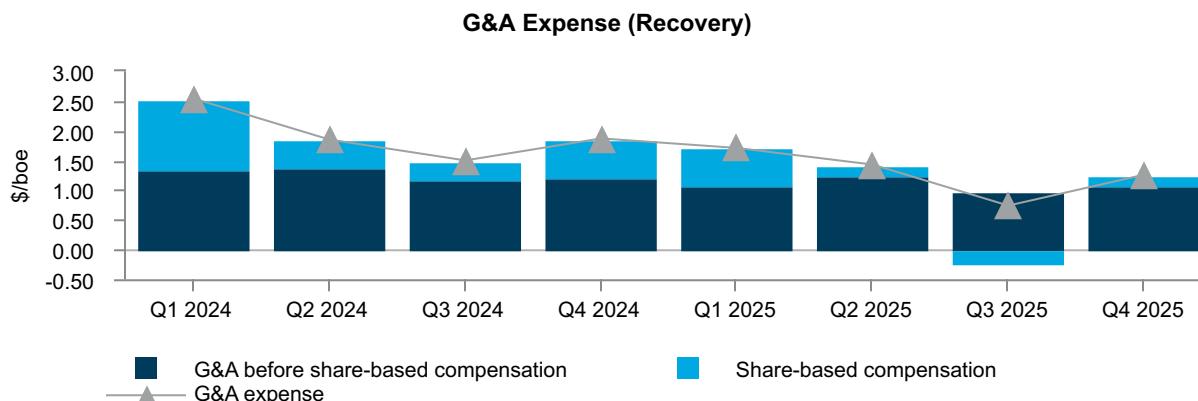
During the three months and year ended December 31, 2025, ARC recognized G&A expense of \$6.4 million and \$25.2 million, respectively, associated with its share-based compensation plans, compared to \$22.6 million and \$84.8 million during the same periods of the prior year. The change for the three months and year ended December 31, 2025, compared to the same periods of the prior year, reflects the revaluation of the liability associated with ARC's share-based compensation plans, based on the movement of ARC's share price and the average performance multiplier associated with certain of its plans.

Table 14 is a breakdown of G&A expense:

Table 14

G&A Expense (\$ millions, except per boe)	September 30, 2025	Three Months Ended			Year Ended		
		December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
G&A expense before share-based compensation expense	32.3	41.0	43.3	(5)	150.4	163.3	(8)
G&A – share-based compensation expense (recovery)	(7.9)	6.4	22.6	(72)	25.2	84.8	(70)
G&A expense	24.4	47.4	65.9	(28)	175.6	248.1	(29)
G&A expense before share-based compensation expense per boe	0.98	1.09	1.23	(11)	1.10	1.28	(14)
G&A – share-based compensation expense (recovery) per boe	(0.24)	0.17	0.64	(73)	0.18	0.67	(73)
G&A expense per boe	0.74	1.26	1.87	(33)	1.28	1.95	(34)

Exhibit 15



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. Collectively, ARC's long-term incentive plans are comprised of Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") plans. ARC also has certain share-based compensation plans that were acquired through a business combination which are eligible for continuation and exercise (the "Acquired Plans").

RSU and PSU Plans

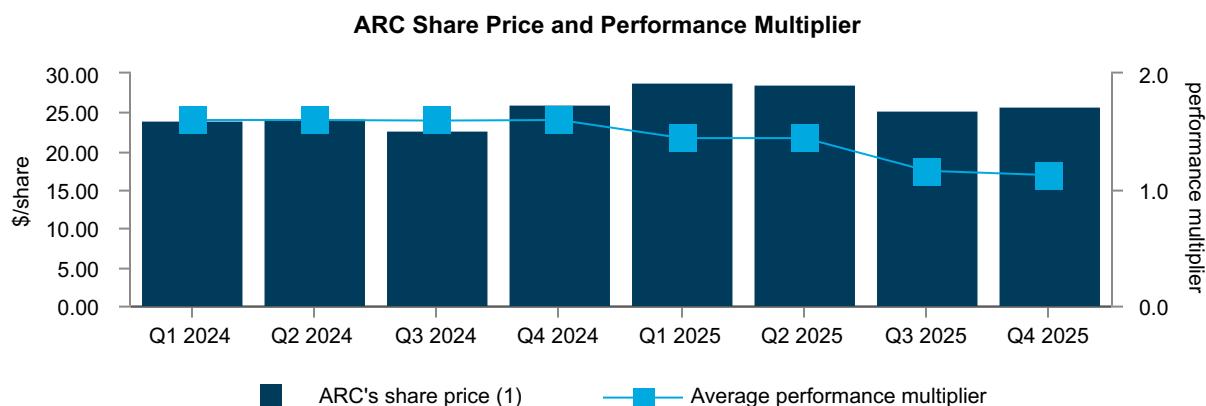
Awards under the RSU and PSU plans consist of RSUs for which the number of share awards is fixed and will vest evenly over a period of three years and PSUs for which the number of share awards is variable and will vest at the end of three years.

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 through the assessment of a corporate scorecard, which occurs at the end of the three-year performance period and includes a weighting of 50 per cent based on ARC's relative total shareholder return performance compared to a defined peer group.

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.

At December 31, 2025, ARC had 1.3 million RSUs and 2.7 million PSUs outstanding under these plans. For the three months and year ended December 31, 2025, ARC recognized G&A in relation to its RSU and PSU plans of \$5.0 million and \$21.9 million (\$18.4 million and \$73.7 million for the three months and year ended December 31, 2024), respectively. The change in expense recognized for the three months and year ended December 31, 2025 reflects the change in valuation of awards outstanding throughout the respective periods.

Exhibit 16



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

Table 15 shows the changes to the outstanding RSU and PSU awards during the year ended December 31, 2025:

Table 15

RSU and PSU Plans (number of awards, thousands)	RSUs	PSUs ⁽¹⁾	Total RSUs and PSUs
Balance, December 31, 2024	1,557	2,862	4,419
Granted	683	1,735	2,418
Distributed	(854)	(1,772)	(2,626)
Forfeited	(52)	(147)	(199)
Balance, December 31, 2025	1,334	2,678	4,012

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

Due to the variability in the expected future payments under the plans, ARC estimates that between \$34.4 million and \$172.3 million could be paid out in 2026 through 2028 based on possible future changes to ARC's period-end share price, accrued dividends, market performance relative to peers, and corporate scorecard results. Table 16 is a summary of the range of future expected payments under the RSU and PSU plans based on variability of the performance multiplier and awards outstanding under the RSU and PSU plans as at December 31, 2025:

Table 16

Value of RSU and PSU Awards as at December 31, 2025 (awards thousands and \$ millions, except per share)	—	Performance Multiplier 1.0	2.0
Estimated awards to vest ⁽¹⁾			
RSUs	1,334	1,334	1,334
PSUs	—	2,678	5,356
Total awards	1,334	4,012	6,690
Share price ⁽²⁾	25.75	25.75	25.75
Value of RSU and PSU awards upon vesting	34.4	103.3	172.3
2026	17.7	43.3	68.9
2027	11.2	32.9	54.6
2028	5.5	27.1	48.8

(1) Includes additional estimated awards to be issued under the RSU and PSU plans for dividends accrued to-date.

(2) Per share outstanding. Values will fluctuate over the vesting period based on the volatility of the underlying share price. Assumes a future share price equal to the TSX closing price at December 31, 2025.

Share Option Plans

ARC has certain share options remaining under the Acquired Plans which 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.

At December 31, 2025, ARC had 0.5 million share options outstanding with a weighted average exercise price of \$20.74. All share options were exercisable at December 31, 2025.

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

Issuance of new awards under the LTRSA plan were suspended in 2021. Previously granted LTRSAs 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.

Compensation expense associated with cash payment is recognized at the fair value on the grant date, while expense associated with the restricted common shares is estimated as the fair value of the award equal to the previous five-day weighted average trading price of ARC shares on the TSX on the grant date and is recognized over the vesting period.

At December 31, 2025, ARC had 0.7 million restricted shares outstanding under the LTRSA plan. ARC recognized G&A of \$0.2 million and \$0.7 million relating to the LTRSA plan during the three months and year ended December 31, 2025 (\$0.1 million and \$0.9 million for the three months and year ended December 31, 2024), respectively.

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 fully vest on the date of grant, but are only available for redemption when the director ceases to be a member of ARC's board of directions (the "Board"). Awards are settled in cash and are determined by the value of the underlying common shares at the time of settlement.

Remaining DSU awards outstanding under the Acquired Plans are vested, but are available for redemption when the director ceases to be a member of the Board. Approximately 35 per cent of these awards are eligible to be settled in equity, with the remainder to be settled in cash.

At December 31, 2025, ARC had 1.2 million DSUs outstanding. For the three months and year ended December 31, 2025, G&A of \$1.2 million and \$2.6 million was recognized in relation to the DSU plans (\$4.1 million and \$10.2 million for the three months and year ended December 31, 2024), respectively.

Interest and Financing

Interest and financing expense for the three months and year ended December 31, 2025 was \$48.3 million and \$151.3 million (\$1.29 per boe and \$1.11 per boe), respectively, compared to \$36.2 million and \$133.8 million (\$1.03 per boe and \$1.05 per boe) for the same periods of the prior year. The increase for the three months and year ended December 31, 2025, as compared to the same periods of the prior year, is primarily due to an increase in long-term debt, in conjunction with the acquisition of the Kakwa Assets. For additional information, refer to Note 6 "Business Combination" and Note 13 "Long-term Debt" in the financial statements.

A breakdown of interest and financing expense is shown in Table 17:

Table 17

Interest and Financing (\$ millions, except per boe amounts)	September 30, 2025	Three Months Ended			Year Ended		
		December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Bank debt and long-term notes	28.7	29.6	19.5	52	82.8	65.7	26
Lease obligations	13.0	13.5	13.1	3	51.4	54.0	(5)
Accretion expense	4.8	5.2	3.6	44	17.1	14.1	21
Interest and financing	46.5	48.3	36.2	33	151.3	133.8	13
Interest and financing per boe	1.41	1.29	1.03	25	1.11	1.05	6

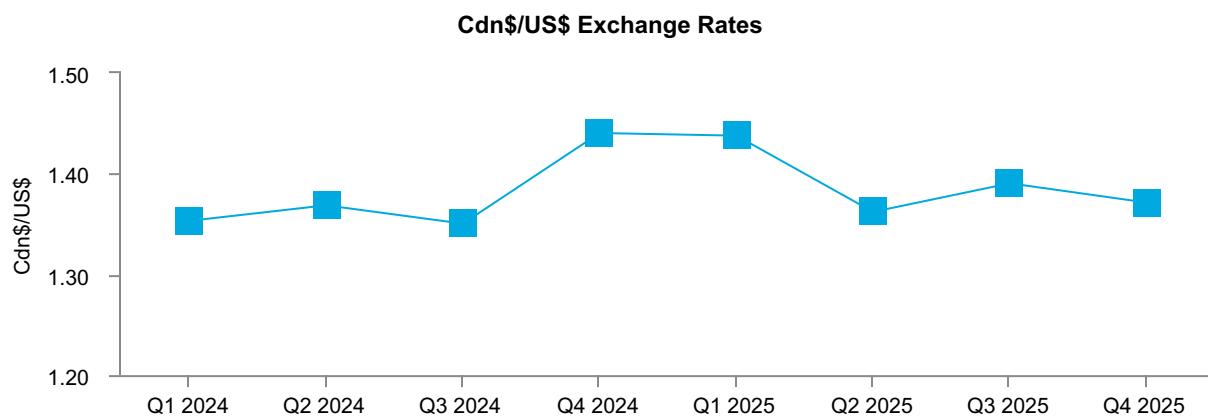
Foreign Exchange Gain and Loss

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

Table 18

Foreign Exchange Gain and Loss (\$ millions)	September 30, 2025	Three Months Ended			Year Ended		
		December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Unrealized gain (loss) on US dollar-denominated balances	(0.3)	—	2.7	(100)	(3.3)	(5.1)	35
Realized gain (loss) on US dollar-denominated transactions	1.5	(2.3)	3.5	(166)	(12.8)	3.8	(437)
Foreign exchange gain (loss)	1.2	(2.3)	6.2	(137)	(16.1)	(1.3)	(100)

Exhibit 17



For the three months and year ended December 31, 2025, ARC recognized an unrealized gain on foreign currency translation adjustment in other comprehensive income of \$0.2 million and \$4.2 million (unrealized loss of \$0.5 million and an unrealized gain of \$11.7 million for the three months and year ended December 31, 2024), respectively.

Taxes

ARC recognized current income tax of \$66.0 million for the three months ended December 31, 2025, compared to \$72.4 million for the same period in 2024. The decrease for the three months ended December 31, 2025, as compared to the same period of the prior year, is primarily due to additional tax pool claims available to offset taxable income from the acquisition of the Kakwa Assets.

ARC recognized current income tax of \$260.0 million for the year ended December 31, 2025, compared to \$200.4 million for the year ended December 31, 2024. The increase for the year ended December 31, 2025, as compared to the prior year, reflects higher expected taxable income as a result of increased production volumes and higher average realized natural gas prices.

For the three months and year ended December 31, 2025, ARC recognized deferred income tax of \$18.2 million and \$98.8 million, compared to \$36.3 million and \$130.5 million for the same periods in 2024. The decrease for the three months and year ended December 31, 2025, primarily relates to an unrealized loss on risk management contracts as compared to an unrealized gain on risk management contracts for the same periods in 2024.

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

Table 19

Income Tax Pool Type (\$ millions)	December 31, 2025	Annual Deductibility
Canadian oil and gas property expense	1,891.4	10% declining balance
Canadian development expense	2,098.8	30% declining balance
Undepreciated capital cost	1,969.0	Primarily 25% declining balance
Other	25.6	Various rates, 5% declining balance to 20%
Total federal tax pools	5,984.8	

Depletion, Depreciation and Amortization

For the three months and year ended December 31, 2025, ARC recognized DD&A expense of \$447.1 million and \$1.5 billion, respectively, compared to \$372.4 million and \$1.4 billion for the three months and year ended December 31, 2024. The increase in DD&A expense for the three months and year ended December 31, 2025, compared to the same periods in the prior year, is primarily due to the acquisition of the Kakwa Assets, with an increase in DD&A rate reflecting increases in reserves and future development costs, and increased production volumes.

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

Table 20

DD&A Expense (\$ millions, except per boe amounts)	Three Months Ended			Year Ended			
	September 30, 2025	December 31, 2025	December 31, 2024	% Change	December 31, 2025	December 31, 2024	% Change
Depletion of crude oil and natural gas assets	376.3	419.8	349.3	20	1,447.3	1,263.0	15
Depreciation of corporate assets	2.6	2.8	1.7	65	9.5	9.1	4
Depreciation of right-of-use ("ROU") assets	22.9	24.5	21.4	14	90.4	85.4	6
DD&A expense	401.8	447.1	372.4	20	1,547.2	1,357.5	14
DD&A expense per boe ⁽¹⁾	12.16	11.90	10.59	12	11.32	10.66	6

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

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

ARC's cash flow used in investing activities was \$475.5 million and \$3.5 billion during the three months and year ended December 31, 2025, respectively, compared to \$423.3 million and \$1.9 billion for the three months and year ended December 31, 2024. In addition to cash flow used in investing activities, Management uses the non-GAAP financial measure of capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC excludes acquisition and disposition activities from its annual capital expenditure budget, as well as the accounting impact of any accrual changes or payments under certain lease arrangements. Refer to Table 24 in the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for a reconciliation of ARC's capital expenditures to its most directly comparable GAAP measure, cash flow used in investing activities.

Capital expenditures were \$458.9 million and \$1.9 billion for the three months and year ended December 31, 2025, respectively, compared to \$350.0 million and \$1.8 billion for the three months and year ended December 31, 2024. Capital expenditures for the three months and year ended December 31, 2025, primarily pertain to ARC's drilling and completions activities, which included the drilling of 39 and 144 crude oil and natural gas wells and the completion of 32 and 157 crude oil and natural gas wells, respectively, primarily in the Kakwa and Attachie areas.

During the year ended December 31, 2025, ARC executed an agreement for the earning and development of land in the Attachie area, for which the consideration has been recognized as exploration and evaluation ("E&E").

During the year ended December 31, 2025, ARC completed the Transaction pursuant to which it acquired the Kakwa Assets. This has been accounted for as a business combination. For additional information, refer to Note 6 "Business Combination" in the financial statements and the news release dated July 2, 2025 entitled "ARC Resources Ltd. Announces the Closing of its Montney Acquisition", available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca.

Subsequent to December 31, 2025, ARC executed an agreement to purchase assets in the Kakwa area of Alberta for approximately \$160.0 million. The transaction is expected to close in February 2026.

For information regarding ARC's planned capital expenditures for 2026, refer to the news releases dated November 6, 2025 and February 5, 2026, entitled "ARC Resources Ltd. Reports Third Quarter 2025 Results, Announces 2026 Budget and 11 per cent Dividend Increase" and "ARC Resources Ltd. Reports Year-end 2025 Results and Reserves", available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca.

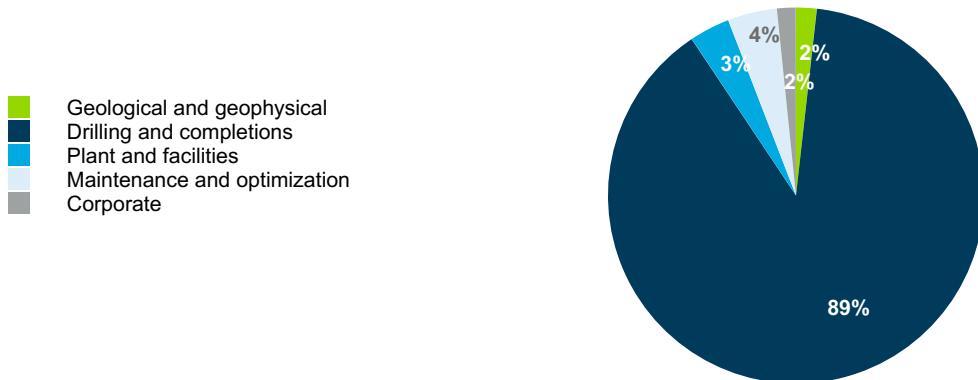
A breakdown of capital expenditures, acquisitions, and dispositions for the three months ended December 31, 2025 and December 31, 2024 is shown in Table 21:

Table 21

Capital Expenditures (\$ millions)	Three Months Ended December 31						
	2025			2024			% Change
	E&E	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	—	8.2	8.2	—	2.3	2.3	257
Drilling and completions	—	407.8	407.8	4.1	260.2	264.3	54
Plant and facilities	11.0	5.0	16.0	7.1	49.9	57.0	(72)
Maintenance and optimization	—	19.4	19.4	—	9.7	9.7	100
Corporate	—	7.5	7.5	—	16.7	16.7	(55)
Capital expenditures	11.0	447.9	458.9	11.2	338.8	350.0	31
Acquisitions	0.1	2.3	2.4	—	16.4	16.4	(85)
Dispositions	—	—	—	—	(7.6)	(7.6)	(100)
Capital expenditures and net acquisitions and dispositions	11.1	450.2	461.3	11.2	347.6	358.8	29

Exhibit 18

**Capital Expenditures by Classification
Three Months Ended December 31, 2025**

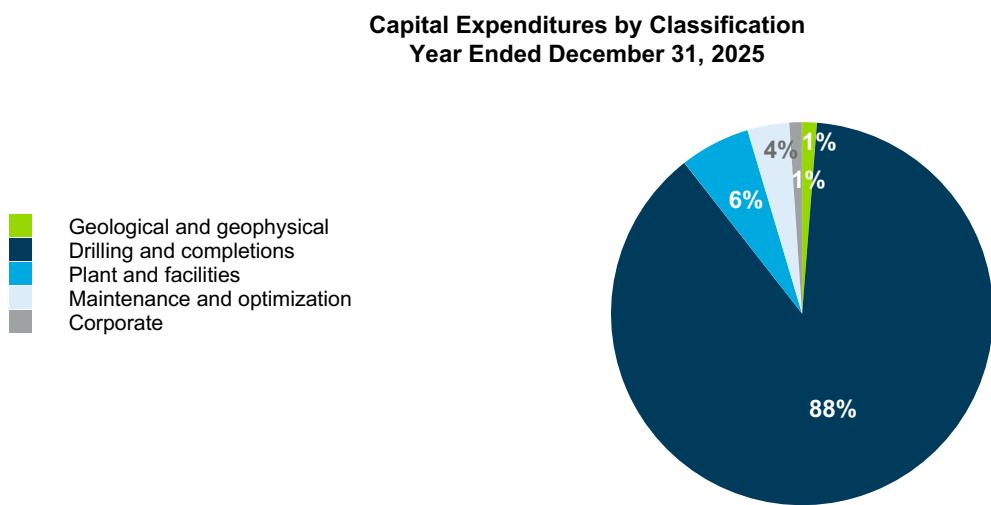


A breakdown of capital expenditures, acquisitions, and dispositions for the years ended December 31, 2025 and December 31, 2024 is shown in Table 21a:

Table 21a

Capital Expenditures (\$ millions)	Year Ended December 31						
	2025			2024			% Change
	E&E	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	—	23.7	23.7	0.1	11.0	11.1	114
Drilling and completions	—	1,685.1	1,685.1	11.6	1,493.3	1,504.9	12
Plant and facilities	53.6	60.1	113.7	19.5	203.5	223.0	(49)
Maintenance and optimization	—	65.6	65.6	—	76.5	76.5	(14)
Corporate	—	20.6	20.6	—	30.0	30.0	(31)
Capital expenditures	53.6	1,855.1	1,908.7	31.2	1,814.3	1,845.5	3
Acquisitions	49.7	7.1	56.8	—	21.5	21.5	164
Dispositions	—	(4.0)	(4.0)	—	(87.6)	(87.6)	(95)
Capital expenditures and net acquisitions and dispositions	103.3	1,858.2	1,961.5	31.2	1,748.2	1,779.4	10

Exhibit 18a



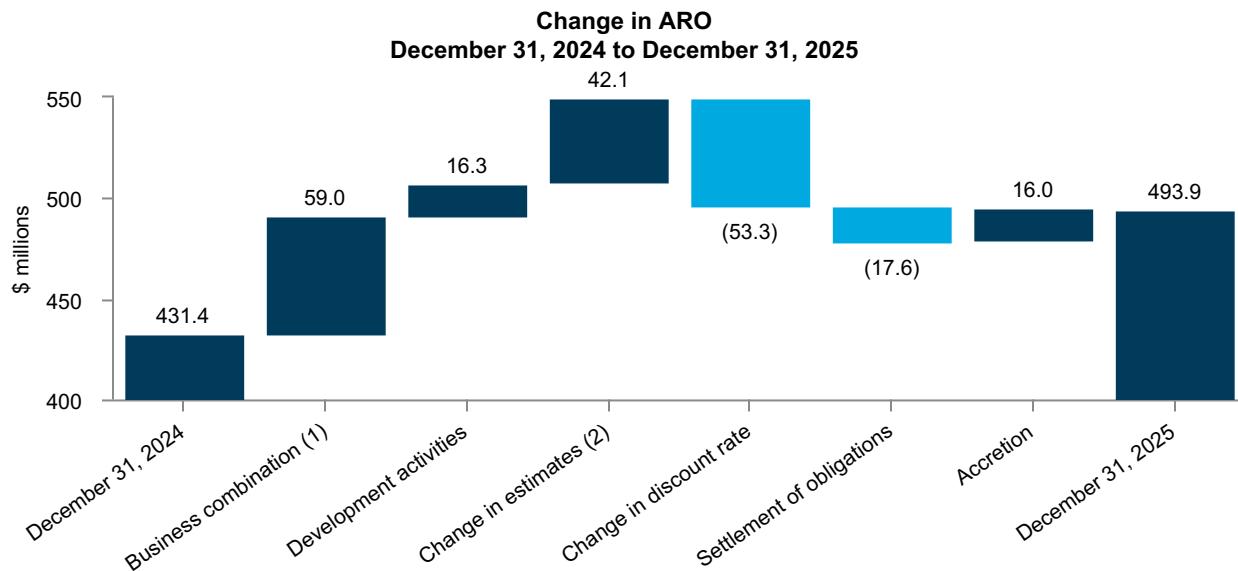
Asset Retirement Obligation

ARC maintains a planned and scheduled approach to its abandonment and reclamation activities. At December 31, 2025, ARC recognized ARO of \$493.9 million (\$431.4 million at December 31, 2024), for the future abandonment and reclamation of its crude oil and natural gas assets, of which \$20.0 million is classified as current and \$473.9 million is classified as long-term (\$17.0 million and \$414.4 million at December 31, 2024, respectively). During the year ended December 31, 2025, ARC's ARO increased \$59.0 million with the acquisition of the Kakwa Assets. For more information, refer to Note 6 "Business Combination" and Note 15 "Asset Retirement Obligation" in the financial statements.

The estimated ARO includes assumptions in respect of actual future costs to abandon wells and decommission and reclaim assets, the time frame in which such costs will be incurred, and annual inflation factors. The future liability has been discounted at a liability-specific risk-free rate of 3.9 per cent (3.3 per cent at December 31, 2024).

Accretion charges of \$4.6 million and \$16.0 million for the three months and year ended December 31, 2025 (\$3.6 million and \$14.1 million for the same periods in 2024), respectively, have been recognized in interest and financing in the consolidated statements of comprehensive income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's program for the three months and year ended December 31, 2025 was \$5.1 million and \$17.6 million (\$1.8 million and \$16.2 million for the same periods in 2024), respectively.

Exhibit 19



(1) For additional information, refer to Note 6 "Business Combination" and Note 15 "Asset Retirement Obligation" in the financial statements.
 (2) Relates to changes in cost estimates of future obligations and anticipated settlement dates of ARO.

Capitalization, Financial Resources and Liquidity

Capital Management

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

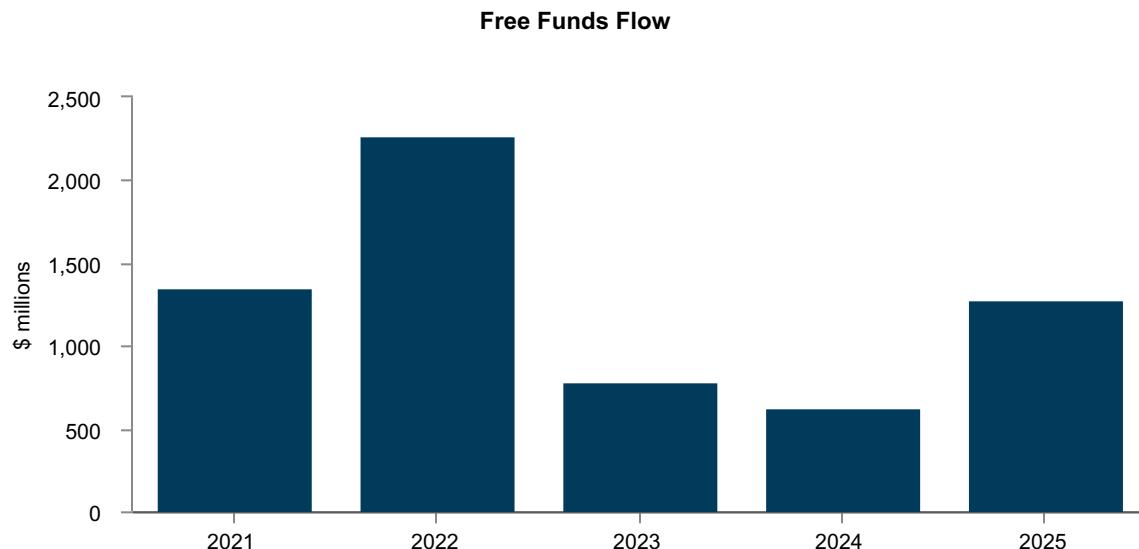
Maintaining targeted debt levels, paying a sustainable dividend, and exercising capital discipline to manage a moderate pace of development and control its corporate decline rate are the basis for ARC's current capital allocation framework. ARC takes a portfolio approach by periodically evaluating its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

ARC uses free funds flow, defined as funds from operations less capital expenditures, as an indicator of the funds available for capital allocation. For the three months and year ended December 31, 2025, ARC generated free funds flow of \$415.4 million and \$1.3 billion (\$420.4 million and \$627.0 million for the three months and year ended December 31, 2024), respectively. For the calculation of free funds flow, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

During the year ended December 31, 2025, ARC distributed 75 per cent of free funds flow to shareholders. ARC plans to distribute essentially all free funds flow in 2026 to shareholders through dividends and share repurchases. Currently, ARC believes that the optimal mechanism to return shareholder capital is through the combination of a sustainable base dividend that grows over time and continued share repurchases.

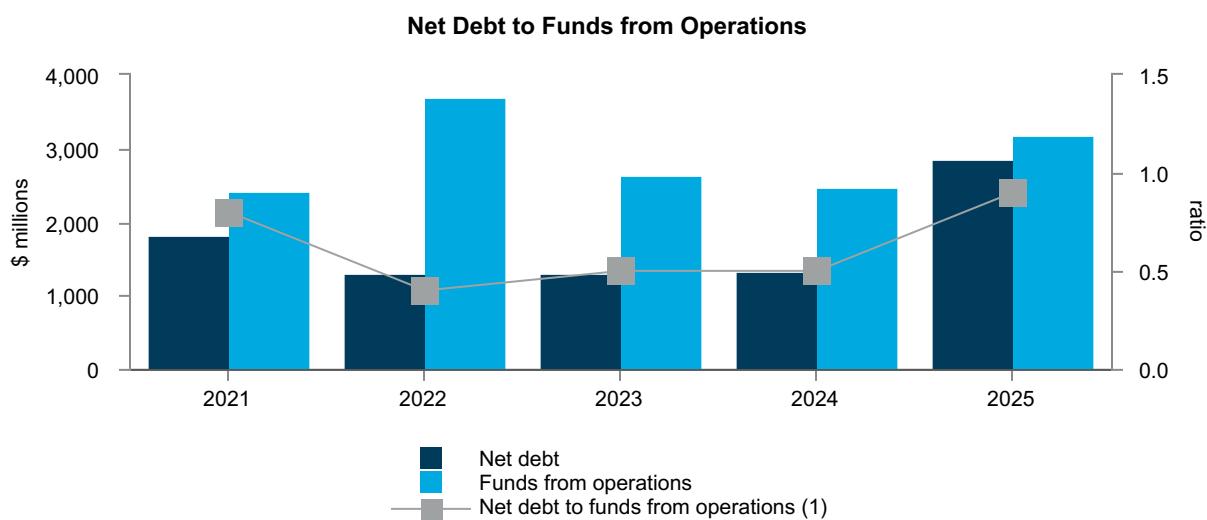
During the year ended December 31, 2025, ARC declared dividends totaling \$0.78 per share and repurchased 19.7 million common shares under its normal course issuer bid ("NCIB") while also renewing its NCIB. During the year ended December 31, 2025, ARC increased its dividend by 11 per cent from \$0.19 per share per quarter to \$0.21 per share per quarter.

Exhibit 20



ARC maintains financial flexibility through its strong balance sheet. ARC manages its capital structure for the long term, with the objective of having its net debt less than 1.5 times funds from operations. At December 31, 2025, ARC's net debt was 0.9 times its funds from operations.

Exhibit 21



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

Long-term Debt

During the year ended December 31, 2025, ARC issued \$1.0 billion aggregate principal amount of senior unsecured notes (the "2025 Notes"), obtained a \$500.0 million two-year term loan, and increased the borrowing capacity of its revolving credit facility to \$2.0 billion from \$1.7 billion, which the maturity date was extended to March 2029 from February 2028. For more information, refer to Note 13 "Long-Term Debt" in the financial statements.

At December 31, 2025, ARC's total available credit capacity, including its credit facility, term loan, and senior notes, was \$4.5 billion, of which \$2.9 billion was drawn. ARC's long-term debt balance includes a current portion of \$450.0 million at December 31, 2025 (\$nil at December 31, 2024), reflecting the principal payment that is due to be paid within the next 12 months. ARC intends to finance this obligation by using cash on hand or drawing on its syndicated credit facility at the time the payment is due. At December 31, 2025, ARC's long-term debt had a weighted average interest rate of 3.7 per cent. For more information, refer to Note 13 "Long-term Debt" in the financial statements.

There are no financial covenants associated with the 2025 Notes and there were no changes to any existing debt covenants during the year ended December 31, 2025. At December 31, 2025, ARC was in compliance with the financial covenants related to its credit facility as follows:

Table 22

Covenant Description	Position at December 31, 2025
Consolidated Debt not to exceed 60 per cent of Total Capitalization	26 %
Consolidated Tangible Assets of the Restricted Group must exceed 80 per cent of Consolidated Tangible Assets	100 %

Lease Obligations

At December 31, 2025, ARC had lease obligations of \$1.0 billion (\$1.0 billion at December 31, 2024), of which \$112.1 million is due within one year (\$92.8 million at December 31, 2024). ARC's lease obligations comprise office space, equipment used in operations including drilling rigs and camps, vehicles, and third-party processing facilities and gathering infrastructure. ARC assumed additional lease obligations through its acquisition of the Kakwa Assets. For further information, refer to Note 6 "Business Combination" and Note 12 "Lease Obligations" in the financial statements.

Shareholders' Equity

During the year ended December 31, 2025, ARC repurchased 19.7 million common shares under its NCIB at a weighted average price of \$26.54 per share for a total of \$522.9 million, inclusive of all costs. Shares were cancelled upon repurchase.

At December 31, 2025, ARC has recognized a liability of \$15.0 million (\$15.1 million at December 31, 2024) in accounts payable and accrued liabilities on the consolidated balance sheets for share repurchases that may 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 \$6.8 million and a reduction to retained earnings of \$8.2 million (\$5.6 million and \$9.5 million at December 31, 2024, respectively).

At December 31, 2025, there were 570.6 million common shares outstanding and 0.5 million share options outstanding under the Acquired Plans. For more information, refer to the section entitled "Share Option Plans" contained within this MD&A.

At December 31, 2025, ARC had 0.7 million restricted shares outstanding under its LTRSA plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

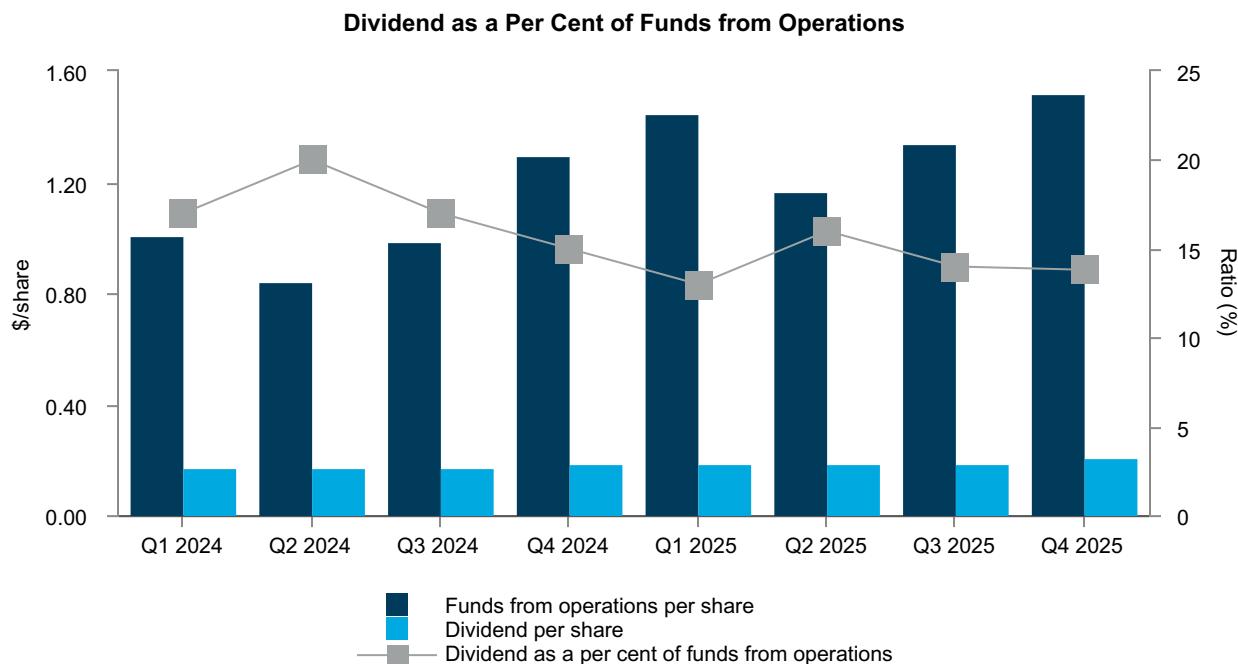
Dividends

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. During the year ended December 31, 2025, ARC increased its quarterly dividend by 11 per cent from \$0.19 per share to \$0.21 per share. In the fourth quarter of 2025, ARC declared dividends totaling \$120.0 million (\$0.21 per share) compared to \$112.2 million (\$0.19 per share) in the same period of 2024. ARC declared dividends of \$451.8 million (\$0.78 per share) for the year ended December 31, 2025 compared to \$416.2 million (\$0.70 per share) for the year ended December 31, 2024.

ARC's dividend as a per cent of funds from operations⁽¹⁾ decreased from an average of 15 per cent and 17 per cent for the three months and year ended December 31, 2024, respectively, to an average of 14 per cent for both the three months and year ended December 31, 2025. The decrease in dividend as a per cent of funds from operations for the three months and year ended December 31, 2025, as compared to the same periods of the prior year, reflects the increase in funds from operations.

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

Exhibit 22



The actual amount of future quarterly dividends is proposed by Management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operational results.

Please refer to ARC's website at www.arcresources.com for details of the estimated quarterly dividend amounts and dividend dates for 2026.

Contractual Obligations and Commitments

The following is a summary of ARC's contractual obligations and commitments as at December 31, 2025:

Table 23

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	450.0	1,438.0	—	1,000.0	2,888.0
Interest payments ⁽¹⁾	63.9	107.3	77.8	39.3	288.3
Purchase and service commitments ⁽²⁾	170.6	314.4	878.3	7,174.5	8,537.8
Transportation commitments	721.2	1,334.6	1,180.0	4,820.4	8,056.2
Total contractual obligations and commitments	1,405.7	3,194.3	2,136.1	13,034.2	19,770.3

(1) Fixed interest payments on senior notes.

(2) Includes variable operating costs associated with the Company's lease obligations.

At December 31, 2025, ARC's total contractual obligations and commitments were \$19.8 billion, compared to \$17.6 billion at December 31, 2024. The increase during the year ended December 31, 2025, primarily relates to principal and interest amounts associated with the 2025 Notes and additional transportation commitments.

Off-Balance Sheet Financing

ARC does not have any guarantees or off-balance sheet arrangements that have been excluded from the consolidated balance sheets other than commitments disclosed in Note 22 "Commitments and Contingencies" of the financial statements.

Related Parties

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 and LTRSA plans, as well as through share options under the Acquired Plans. For the year ended December 31, 2025, ARC recognized G&A of \$24.8 million related to total key management personnel compensation (\$73.3 million for the year ended December 31, 2024).

Critical Accounting Estimates

ARC continuously refines and documents its management and internal reporting systems to ensure that accurate and timely internal and external information is gathered and disseminated.

ARC's financial and operational results incorporate certain estimates including:

- estimated commodity sales from production at a specific reporting date for which actual revenues have not yet been received, including associated estimated credit losses;
- estimated royalty obligations, transportation, and operating expenses at a specific reporting date for which costs have been incurred but have not yet been settled;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of reserves that ARC expects to recover in the future;
- estimated future recoverable value of PP&E, E&E, and goodwill and any associated impairment charges or reversals;
- estimated fair values of financial instruments, including embedded derivatives, that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves, and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated value of ROU assets and lease obligations that are dependent upon estimates of discount rates and timing of lease payments;
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the PSU plans that are dependent on the final number of PSU awards that eventually vest based on a performance multiplier; and
- estimated fair values of assets acquired and liabilities assumed in a business combination.

ARC has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements, refer to Note 5 "Management Judgments and Estimation Uncertainty" in the financial statements.

RISK FACTORS

Management is focused on long-term strategic planning and has identified the key risks, uncertainties, and opportunities associated with ARC's business that can impact its financial results. These include, but are not limited to:

Volatility of Commodity Prices

The prices of crude oil and liquids and natural gas are volatile, outside of ARC's control and affect ARC's financial condition, financial performance, cash flows, and future rate of growth.

ARC's revenues, profitability, cash flows, and future rate of growth are highly dependent on commodity prices. Commodity prices may fluctuate widely in response to relatively minor changes in the supply of and demand for crude oil and liquids and natural gas, market uncertainty, and a variety of additional factors that are beyond ARC's control, such as:

- domestic and global supply of and demand for crude oil and liquids and natural gas, as impacted by economic factors that affect gross domestic product growth rates of countries around the world, including impacts from international trade, pandemics, and related concerns;
- market expectations with respect to future supply of crude oil and liquids and natural gas demand and price changes;
- global crude oil and liquids and natural gas inventory levels;
- volatility and trading patterns in the commodity-futures markets;
- the proximity, capacity, cost, and availability of pipelines and other transportation facilities;
- the capacity of refiners to utilize available supplies of crude oil and liquids;
- weather conditions affecting supply and demand;
- overall domestic and global political and economic conditions;
- actions of the Organization of Petroleum Exporting Countries, its members and other state-controlled crude oil companies relating to crude oil price and production controls;
- fluctuations in the value of the US dollar;
- the price and quantity of crude oil and liquids and LNG imports to and exports from the US and other countries;
- the development of new hydrocarbon exploration, production, and transportation methods or technological advancements in existing methods, including hydraulic fracturing;
- capital investments by crude oil and natural gas companies relating to the exploration, development, and production of hydrocarbons;
- social attitudes or policies affecting energy consumption and energy supply;
- domestic and foreign governmental regulations, including environmental regulations, climate change regulations and taxation;
- shareholder activism or activities by non-governmental organizations to limit certain sources of capital for the energy sector or restrict the exploration, development, and production of crude oil and liquids and natural gas; and
- the effect of energy conservation efforts and the price, availability, and acceptance of alternative energies, including renewable energy.

Commodity prices have historically been, and continue to be, volatile. ARC expects this volatility to continue. ARC makes price assumptions that are used for planning purposes. A significant portion of its cash outflows, including transportation commitments, are largely fixed in nature while certain capital expenditures must be committed early in a project schedule. Accordingly, if commodity prices are below the expectations on which these commitments were based, ARC's financial results are likely to be adversely and disproportionately affected because these cash outflows are not variable in the short term and cannot always be quickly reduced to respond to unanticipated decreases in commodity prices. ARC's risk management arrangements will not fully mitigate the effects of price volatility.

Significant or extended price declines could also materially and adversely affect the amount of crude oil and liquids and natural gas that ARC can economically produce, require ARC to make significant downward adjustments to its reserve estimates, or result in deferral or cancellation of ARC's growth projects. A reduction in production could also result in a shortfall in expected cash flows and require ARC to reduce capital spending or borrow funds or access capital markets to cover any such shortfall. Any of these factors could negatively affect ARC's ability to replace its production and its future rate of growth.

Adverse Economic Conditions

Adverse general economic, business, and industry conditions could have a material adverse effect on ARC's results of operations and cash flow.

The demand for energy, including crude oil and liquids and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments across the globe, there could be a significant adverse effect on global financial markets and commodity prices. In addition, geopolitical instability and the escalation and expansion of conflict in the Middle East, Europe, South America, and the South China Sea region, and the occurrence or threat of terrorist attacks in the US or other countries, could involve other nations, potentially increasing existing tensions between the US, China, and Russia, and may adversely affect the global economy, financial markets, and shipping and supply chains. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect ARC by (i) reducing global economic activity thereby resulting in lower demand for crude oil and liquids and natural gas, (ii) impairing its supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in ARC's operations, and (iii) affecting the health of its workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere in this MD&A that generally affect the global economy and the supply and demand for crude oil and liquids and natural gas, and ARC's business and industry, could ultimately have an adverse impact on ARC's financial condition, financial performance, and cash flows.

Political Uncertainty

Political and legal developments in Canada, the US, and elsewhere may adversely affect ARC's business.

Political, legal, and regulatory changes in Canada, the US, and other countries can impact ARC's operations and business performance. The political leadership in many of the world's largest economies has changed in recent years, resulting in substantially different political, social, and economic policy priorities than previous governments on both domestic and foreign policy matters, including the environment, trade and tariffs, and energy.

These political shifts have created uncertainty about government policies, regulations, and trade relationships between major global economies resulting in broad-based volatility and decreased investor confidence. Adverse changes to the trade relations between the governments of the United States, Canada, and Mexico on matters related to energy could have a material adverse effect on ARC and its business considering the physical and economic integration of North American energy markets.

Political risks faced by ARC that could impact its operations or planned projects include:

- changes in government policy and regulations;
- new interpretations of existing laws;
- implementation of new, or expansion of existing, tariffs on exported and/or imported products;
- opposition from government or other political actors to industrial activities;
- extended regulatory review periods and third-party consultation requirements;
- delays or denials of necessary permits and licenses; and
- disruption of critical third-party infrastructure and supply chains.

Changing environmental regulations pose additional challenges. Changes in assessment processes and expanding stakeholder consultation requirements and expectations, including with Indigenous stakeholders, may extend project timelines, increase compliance costs, increase project execution risk, and limit business opportunities.

In recent years there has been an increase in both federal and provincial government involvement in Canadian infrastructure projects, creating investment uncertainty.

Other potential governmental impacts include:

- tax increases;
- higher government royalty rates, including possible retroactive claims;
- new efficiency standards;
- alternative fuel mandates;
- tax and other subsidies for competing energy sources; and
- government support for research into, and mandated uses of, alternative energy technologies.

These government initiatives, particularly those promoting emissions reductions and alternative energy sources, could reduce demand for ARC's products.

Gathering and Processing Facilities, Pipeline Systems, and Rail

Lack of capacity on, and/or regulatory constraints and uncertainty regarding, gathering and processing facilities, pipeline systems, and railway lines may have a negative impact on ARC's ability to produce and sell its crude oil and liquids and natural gas.

ARC delivers its products through gathering and processing facilities, pipeline systems, and in certain circumstances, by rail. The amount of crude oil and liquids and natural gas that ARC can produce and sell is subject to the accessibility, availability, proximity, and capacity of these gathering and processing facilities and pipeline systems. The lack of firm pipeline capacity, production limits, and limits on availability of capacity in gathering and processing facilities continues to affect the crude oil and natural gas industry and may limit the ability for ARC to transport produced crude oil and liquids and natural gas to domestic and international markets. Unexpected shut-downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators or governments related to trade disputes, export controls or other protectionist economic policies could also affect ARC's access to markets, production, operations, and financial results.

A portion of ARC's production may, from time to time, be processed through facilities owned by third parties and over which ARC does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on ARC's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Indigenous Land and Rights Claims

Opposition by Indigenous groups to the conduct of ARC's operations, development, or exploratory activities may negatively impact ARC.

Opposition by Indigenous groups to the conduct of ARC's operations, development, or exploratory activities in any of the jurisdictions in which ARC conducts business may negatively impact it in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact ARC's progress and ability to explore and develop assets.

Some Indigenous groups have established or asserted Indigenous treaty, title, and rights to portions of Canada. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on lands where ARC operates, and such claims, if successful, could have a material adverse impact on its operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances,

accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect ARC's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, regulatory authorities in British Columbia ceased granting approvals, and, in some cases, revoked existing approvals, for, among other things crude oil and natural gas activities relating to drilling, completions, testing, production, and transportation infrastructure following a British Columbia Supreme Court decision that the cumulative impacts of government-sanctioned industrial development on the traditional territories of an Indigenous group in northeast British Columbia breached that group's treaty rights. Following that decision, the Government of British Columbia signed an implementation agreement with that Indigenous group to address cumulative effects of development on that group's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. These measures, which have and are expected to continue to form the basis of similar arrangements with other Indigenous groups in British Columbia, are expected to remain in place while a long-term cumulative effects management regime is implemented. The long-term impacts of, and associated risks with, the court decision and arrangements with Indigenous groups to address the cumulative effects of development on claimed lands on the Canadian crude oil and natural gas industry and ARC remain uncertain and subject to ongoing legal actions by Indigenous groups.

In addition, in 2021, the federal government introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). Other Canadian jurisdictions have also introduced or passed similar legislation, including British Columbia, or begun considering the principles and objectives of UNDRIP, or may do so in the future. Such legislation generally requires that the governments implementing UNDRIP take measures necessary to ensure the laws of those jurisdictions are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. In certain cases, existing laws may be changed to ensure such consistency, including laws relevant to ARC's business and operations. Indigenous groups in Canada have increasingly commenced legal proceedings to hold the federal and British Columbia governments accountable for their obligations under legislation passed to implement UNDRIP. The means and more detailed timelines associated with UNDRIP's implementation by federal and provincial governments, and the extent to which Indigenous groups will continue to hold governments accountable for UNDRIP related obligations, is uncertain. With a view to implementing UNDRIP, additional processes may be created and legislation associated with project development and operations and environmental matters affecting Indigenous health and communities may be amended or introduced, further increasing uncertainty with respect to project regulatory approval timelines and requirements.

Environmental

Compliance with environmental regulations requires the dedication of a portion of ARC's financial and operational resources.

All phases of the crude oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release, or emission of various substances produced in association with crude oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste-handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment, and reclamation of well and facility sites.

Compliance with environmental legislation can require expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of crude oil and liquids, natural gas, or other pollutants into the air, soil, or water may give rise to liabilities to governments and third parties and may require ARC to incur costs to remedy such discharge.

Climate Change

Climate change concerns could result in increased operating costs and reduced demand for ARC's products while the potential physical effects of climate change could disrupt ARC's production and cause it to incur significant costs in preparing for or responding to those effects.

Reports, such as the Fourth, Fifth, and Sixth Assessment Reports of the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. Public, government, and investor attention often focuses on the emission of greenhouse gases ("GHG"), including emissions of carbon dioxide and methane from the production and use of crude oil and liquids and

natural gas. The majority of countries, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement.

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting GHG emissions and promoting the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may influence the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, it is possible that future climate change regulations will have the effect of increasing ARC's operating expense and potentially reducing the demand for crude oil and liquids and natural gas in the long-term, resulting in a decrease in ARC's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from crude oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against crude oil and natural gas companies, including ARC, for alleged personal injury, property damage, or other potential liabilities. While ARC is not currently a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect ARC's cost of capital, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products.

Along with government policy and regulations, sustainability reporting requirements continue to evolve at a varying pace across the globe. ARC considers existing standards such as the Global Reporting Initiative Sustainability Reporting Standards, the Sustainability Accounting Standards Board's documentation, and recommendations issued by the Task Force for Climate Related Financial Disclosures when evaluating its sustainability performance. If ARC is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Physical risks

The potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Certain experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict ARC's ability to access its assets and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of ARC's assets are in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to ARC's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

Skilled Workforce

An inability to recruit and retain a skilled workforce and key personnel may negatively impact ARC.

The operations and management of ARC require the recruitment and retention of a skilled workforce, including engineers, technical personnel, and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement ARC's business plans which could have a material adverse effect on ARC's business, financial condition, results of operations, and prospects.

Competition for qualified personnel in the crude oil and natural gas industry is intense and there can be no assurance that ARC will be able to continue to attract and retain all personnel necessary for the development and operation of its business. ARC does not have any key personnel insurance in effect. Contributions of the existing management team to the immediate and near-term operations of ARC are likely to be of central importance. In addition, certain of ARC's current employees have significant institutional knowledge that must be transferred to other employees prior to their departure from ARC. If ARC is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, ARC could be negatively impacted. In addition, ARC could experience increased costs to retain and recruit these professionals.

Development and Production Risks

ARC's future performance may be affected by the financial, operational, environmental, and safety risks associated with the exploration, development, and production of crude oil and liquids and natural gas.

Crude oil and natural gas operations involve many risks that even a combination of experience, knowledge, and careful evaluation may not be able to overcome. Drilling hazards, environmental damage, and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Adverse field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow to varying degrees.

Restrictions on the availability and cost of materials and equipment may impede ARC's exploration, development, and operating activities as crude oil and natural gas exploration, development, and operating activities are dependent on the availability and cost of specialized materials and equipment (typically sourced from third parties) in the areas where such activities are conducted. The availability of such material and equipment is limited. An increase in demand or cost, or a decrease in the availability of such materials and equipment may impede ARC's exploration, development, and operating activities.

ARC's business is subject to all the risks and hazards typically associated with crude oil and natural gas exploration, development, and production operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills, and other environmental hazards. These typical risks and hazards could result in substantial damage to crude oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, ARC may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life, or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to ARC.

Crude oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs, and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on ARC's business, financial condition, results of operations, and prospects.

ARC's long-term commercial success depends on its ability to find, acquire, develop, and commercially produce crude oil and liquids and natural gas reserves. Without the continual addition of new reserves, ARC's existing reserves, and the production from them, will decline over time as ARC produces from such reserves. A future increase in ARC's reserves will depend on both the ability of ARC to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that ARC will be able to continue to find satisfactory properties to acquire or participate in. Moreover, Management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that ARC will discover or acquire further commercial quantities of crude oil and liquids and natural gas.

Future crude oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient quantities to return a profit after drilling, completing (including hydraulic fracturing), operating, and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion, and operating costs.

Project Risks

The success of ARC's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns.

ARC manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. ARC's ability to execute projects and to market crude oil and liquids and natural gas depends upon numerous factors beyond ARC's control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing or ARC's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- effects of inclement and severe weather events, including fire, drought and flooding;
- availability of equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- availability and productivity of skilled labour; and
- regulation of the crude oil and natural gas industry by various levels of government and governmental agencies.

If cash flow from operating activities and funds from external financing sources are not sufficient to cover ARC's capital expenditure requirements, ARC may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays to, or cancellation of, certain projects or deferral of certain capital expenditures. Any change to ARC's capital expenditure plans could, in turn, have a material adverse effect on ARC's growth objectives and its business, financial position, and results of operations. Because of these factors, ARC could be unable to execute projects on time, on budget, or at all.

Regulatory Approvals

Failure to obtain applicable regulatory approvals or satisfy regulatory conditions on a timely basis could result in delays, abandonment, or restructuring of projects and increased costs.

ARC's operations require it to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licences, permits, and other approvals that may be required to carry out certain exploration, development, and operating activities on ARC's assets. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments, and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions including, but not limited to: security deposit obligations; ongoing regulatory oversight of projects; mitigating or avoiding project impacts; environmental and habitat assessments; and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects, and increased costs.

Reputational Risk

ARC relies on its reputation to continue its operations and to attract and retain employees and capital.

ARC's business, operations, or financial condition may be negatively impacted by negative public opinion toward ARC or as a result of any negative sentiment toward, or in respect of, ARC's reputation with stakeholders, special interest groups, political leadership, the media, or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which ARC operates as well as their opposition to certain crude oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns. ARC's reputation and public opinion could also be impacted by

the actions and activities of other companies operating in the crude oil and natural gas industry, particularly other producers, over which ARC has no control. Similarly, ARC's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and the environment caused by ARC's operations. In addition, if ARC develops a reputation of having an unsafe work site, this may impact the ability of ARC to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to crude oil and natural gas development and the possibility of climate-related litigation against governments and natural resource companies may impact ARC's reputation.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory, and legal risks, among others, must all be managed effectively to safeguard ARC's reputation. Damage to ARC's reputation could result in negative investor sentiment toward ARC, which may result in limiting ARC's access to capital and increasing the cost of capital.

Changing Investor Sentiment

Changing investor sentiment toward the crude oil and natural gas industry may impact ARC's access to, and cost of, capital.

A number of factors, including the concerns of the effects of the use of hydrocarbons on climate change, the impact of crude oil and natural gas operations on the environment, environmental damage relating to spills of crude oil products during production and transportation, and Indigenous rights, have affected certain investors' sentiments toward investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail, and governmental investors have announced that they are no longer funding or investing in crude oil and natural gas assets or companies, or are reducing the amount of such investments over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust environmental, social, and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, Management and employees of ARC. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in ARC, or not investing in ARC at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry and more specifically, ARC, may limit ARC's access to capital and increase the cost of capital, even if ARC's operating results, underlying asset values, or prospects have not changed.

Asset Concentration

ARC's operations and drilling activities are concentrated in the Montney basin in British Columbia and Alberta. Such concentration may make ARC vulnerable to risks associated with operating in a limited geographic area.

ARC's producing properties are geographically concentrated in the Montney basin in British Columbia and Alberta, an area comprising approximately 130,000 square kilometres, stretching from northeast British Columbia into northwest Alberta. Industry activity is high in the Montney basin and the demand for, and costs of, personnel, equipment, power, services, and resources remains high. Any delay or inability to secure the personnel, equipment, power, services, and resources could result in crude oil and liquids and natural gas production volumes being below ARC's forecasted production volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on ARC's financial conditions, results of operations, cash flow, and profitability.

As a result of this geographical concentration, ARC may be disproportionately exposed to the impact of delays or interruptions of operations or production in this area caused by external factors such as governmental regulation, provincial and inter-provincial politics, Indigenous rights claims, market limitations, supply shortages, or extreme weather-related conditions.

Information Technology Systems and Cyber-security

Breaches of ARC's cyber-security and loss of, or unauthorized access to, electronic data may adversely impact ARC's operations and financial position.

ARC is dependent upon the confidentiality, integrity, and availability of our information technology infrastructure and our ability to maintain this infrastructure to conduct daily operations. ARC depends on various information technology systems to estimate reserve quantities, process and record financial data, manage ARC's land base, manage financial resources, analyze seismic information, administer contracts with operators and lessees, and communicate with employees and third-party partners.

Further, ARC is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of ARC's information technology systems by third parties or insiders.

Along with general cyber-security risks, additional risks are emerging specifically related to artificial intelligence ("AI"). ARC currently approaches its use and integration of AI in accordance with three pillars: user enablement, business process optimization and strategic projects. Each of these introduces risks such as operational disruptions, cyber-security and data privacy threats, an evolving regulatory landscape, ethical and reputational concerns, and additional reliance on third-party providers.

State-sponsored cyber programs pose strategic cyber threats to Canada, the United States, and other crude oil and natural gas producing and consuming nations. Critical infrastructure providers and partners in the energy and associated industries are known to be targeted, or possible targets, for both cybercriminals and state-sponsored actors alike. With increased geopolitical instability there may be a rise in the frequency of state-sponsored cyber activity and risk affecting ARC or third-party infrastructure that ARC relies upon in connection with its business. Unauthorized access to ARC's systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities, or ARC's competitive position. In addition, cyber-phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, credit card and banking details, or approval of wire transfer requests by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years.

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to penetrate ARC's systems and obtain confidential information. ARC provides employees with social media guidelines that align with its Business Code of Conduct and Ethics Policy. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that ARC may not be able to properly regulate social media use and preserve adequate records of business activities.

If ARC becomes a victim to a cyber-phishing attack it could result in a loss or theft of ARC's financial resources or critical data and information, or could result in a loss of control of ARC's technological infrastructure or financial resources. ARC's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent emails to misappropriate information or to introduce viruses or other malware to ARC's computers. These emails appear to be legitimate, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

ARC mitigates these risks through its use of governance frameworks, adhering to responsible practices and oversight from the Board. Specifically, ARC maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts regular cyber-security risk assessments and training and education programs for its employees. ARC also employs encryption protection of its confidential information on all computers and other electronic devices.

Despite ARC's efforts to mitigate such cyber-phishing attacks through education and training, cyber-phishing activities remain a serious problem that may damage its information technology infrastructure. ARC applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on ARC's performance and earnings, as well as its reputation, and any damages sustained may not be adequately covered by ARC's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on ARC's business, financial condition, and results of operations.

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting ARC's financial position; ARC's operations are dependent upon the availability of water and its ability to dispose of produced water.

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations to stimulate the production of crude oil and liquids and natural gas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and/or third-party or governmental claims, and could increase ARC's costs of compliance and doing business, as well as delay the development of crude oil and liquids and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and liquids and natural gas that ARC is ultimately able to produce from its reserves.

Water is an essential component of ARC's drilling and hydraulic fracturing processes. Limitations or restrictions on ARC's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If ARC is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to ARC's sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling, which ultimately would have a detrimental effect on ARC's financial condition, results of operations, and cash flows.

ARC must dispose of the fluids produced from crude oil and liquids and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities.

Government authorities may issue orders to temporarily shut down hydraulic fracturing operations or to curtail the injection depth of existing wells in the vicinity of seismic events. Another consequence of seismic events may be lawsuits alleging that operations have caused damage to neighbouring properties or otherwise violated laws and regulations. These developments could result in additional regulation and restrictions on the use of injection wells by ARC or by commercial disposal well vendors that ARC may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit hydraulic fracturing operations or crude oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in ARC or its vendors having to limit disposal well volumes, disposal rates, pressures or locations, or require ARC or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on ARC's business, financial condition, and results of operations.

Liquidity

ARC's ability to fund current and future capital projects and carry out the business plan is dependent on its ability to generate cash flow and raise capital.

ARC's ability to fund current and future capital projects and carry out the business plan is dependent on its ability to generate cash flow, as well as raise capital in a timely manner under favourable terms and conditions and is impacted by the Company's credit ratings and the condition of the capital and credit markets. In addition, changes in credit ratings may affect the ability to, and the associated costs of, entering into derivative or hedging transactions, as well as entering into and maintaining certain contracts with customers and suppliers on acceptable terms. For example, if ARC experiences a downgrade in its credit ratings, it may be required to post collateral, letters of credit, cash or other forms of security as financial assurance for its performance under certain contractual arrangements with third parties. The occurrence of any of the foregoing could adversely impact ARC's ability to execute portions of its business strategy, including hedging, and could have a material adverse effect on ARC's liquidity and capital position. Management of liquidity risk requires ARC to maintain sufficient cash and cash equivalents, along with other sources of capital consisting of cash flow from operating activities, available credit facilities, commercial paper, and access to debt capital markets, to meet its obligations as they become due.

Inflation, Cost Management, and Interest Rates

A failure to secure the services and equipment necessary to ARC's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on ARC's financial performance and cash flows.

ARC may experience inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, as well as escalating supply costs and commodity prices. These factors could increase ARC's operating costs. ARC's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of crude oil and natural gas field equipment may adversely affect ARC's ability to undertake exploration, development and construction projects. The crude oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects, and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to ARC's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on ARC's financial performance and cash flows.

An increase in interest rates could result in a significant increase in the amount ARC pays to service debt, resulting in a reduced amount of funds available to finance its exploration and development activities, and if applicable, the cash available for dividends and/or share repurchases.

An increase in borrowing costs, and the volatility of interest rates in the future, may impact project returns and future development decisions, which could have a material adverse effect on ARC's financial performance and cash flows. Rising interest rates could also result in a recession in Canada, the United States, or other countries. A recession may have a negative impact on demand for crude oil and natural gas, causing a decrease in commodity prices.

Third-Party Credit Risk

ARC is exposed to credit risk of third-party customers, counterparties to ARC's derivative risk management contracts, and purchasers of assets from ARC.

ARC may be exposed to third-party credit risk through its contractual arrangements with its current or future customers of its crude oil and liquids and natural gas sales and counterparties to ARC's derivative risk management contracts. In addition, ARC may be exposed to third-party credit risk from purchasers' of assets from ARC for various liabilities, including well abandonment and reclamation obligations assumed by the purchasers. If such third parties fail to meet their contractual obligations to ARC, such failures may have a material adverse effect on ARC's business, financial condition, results of operations, and prospects.

The use of derivative risk management contracts involves the risk that the counterparties will be unable to meet the financial terms of such transactions. ARC is unable to predict changes in a counterparty's creditworthiness or ability to perform. Even if ARC accurately predicts the sudden changes, ARC's ability to negate this risk may be limited depending upon market conditions and the contractual terms of the agreements. During periods of declining commodity prices, ARC's derivative receivable positions generally increase, which increases ARC's counterparty credit exposure.

To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in ARC being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect ARC's financial and operational results.

Variations in Foreign Exchange Rates

Variations in foreign exchange rates and interest rates could adversely affect ARC's financial condition.

Global crude oil and natural gas prices are quoted in US dollars. The Canadian/US dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of crude oil and natural gas. Material increases in the value of the Canadian dollar relative to the US dollar will negatively affect ARC's production revenues. Accordingly, exchange rates between Canada and the US could affect the future value of ARC's reserves as determined by the Company's IQRE. Although a low value of the Canadian dollar relative to the US dollar may positively affect the price ARC receives for its crude oil and liquids and natural gas production, it could also result in an increase in the price for certain goods used in ARC's operations, which may have a negative impact on ARC's financial results.

ARC may maintain certain debt arrangements denominated in US dollars. As such, an increased value of the US dollar relative to the Canadian dollar may increase Canadian dollar equivalent payments of interest and debt.

Royalty Regimes

Changes to royalty regimes may negatively impact ARC's cash flows.

The governments of Alberta and British Columbia may adopt new royalty regimes, or modify the existing royalty regimes, which may impact the economics of ARC's projects. An increase in royalties reduces ARC's earnings and could make future capital investments, or ARC's operations, less economic.

Industry Competition

ARC competes with other crude oil and natural gas companies, some of which have greater financial and operational resources or other competitive advantages.

The crude oil and natural gas industry is competitive in all of its phases. ARC competes with numerous other entities in the exploration for, and the development, production, and marketing of, crude oil and liquids and natural gas. ARC's competitors include crude oil and natural gas companies that may have substantially greater financial resources, staff, and facilities than those of ARC and as such, ARC may be at a competitive disadvantage in the identification,

acquisition and development of assets that complement ARC's operations. Some of these companies not only explore for, develop and produce crude oil and liquids and natural gas, but also carry on refining operations and market third-party crude oil and liquids and natural gas. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than ARC and less volatility in their earnings. ARC's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of crude oil and liquids and natural gas include price, process, methods and reliability of delivery and storage. To a lesser extent, ARC also faces competition from companies that supply alternative sources of energy, such as wind or solar power. Other factors that could affect competition in the marketplace include additional discoveries of hydrocarbon reserves by ARC's competitors, the cost of production, and political and economic factors and other factors outside of ARC's control.

The crude oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies that may increase the viability of reserves or reduce production costs. Other companies may have greater financial, technical, and personnel resources that allow them to implement and benefit from such technological advantages. There can be no assurance that ARC will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If ARC does implement such technologies, there is no assurance that ARC will do so successfully. One or more of the technologies currently utilized by ARC or implemented in the future may become obsolete. If ARC is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, and results of operations could also be adversely affected in a material way.

Litigation

ARC may be involved in litigation in the course of its normal operations and the outcome of any such litigation may adversely affect ARC and its reputation.

In the normal course of ARC's operations, it may become involved in, be named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings, or legal actions. Potential litigation may develop in relation to personal injuries including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights or environmental issues, including claims relating to contamination or natural resource damages, and contract disputes. The outcome with respect to outstanding, pending, or future proceedings cannot be predicted with certainty and may be determined adversely to ARC and could have a material adverse effect on ARC's assets, liabilities, business, financial condition, and results of operations. Even if ARC prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of Management and key personnel from business operations, which could have an adverse effect on ARC's financial condition.

Insurance Coverage

Not all risks of conducting crude oil and natural gas activities are insurable and insurance may become unavailable or only available on reduced amounts of coverage, the occurrence of which would increase ARC's overall risk exposure.

ARC maintains insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances, nor are all such risks insurable. ARC self-insures some risks, and its insurance coverage does not cover all the costs arising out of the allocation of liabilities and risk of loss arising from ARC's operations. ARC's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead ARC to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, ARC's overall risk exposure could be increased and ARC could incur significant costs.

Reserves Estimates

ARC's estimated reserves are based on numerous factors and assumptions which may prove incorrect.

There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document, or any other documents published by ARC, are estimates only. Generally, estimates of economically recoverable crude oil and liquids and

natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- commodity prices;
- historical production from properties;
- production rates;
- future production costs;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of crude oil and liquids and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable crude oil and liquids and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery, and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. ARC's actual production, revenues, taxes, and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved and probable reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, an IQRE has used forecast prices and costs in estimating ARC's reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for crude oil and liquids and natural gas, curtailments or increases in consumption by crude oil and natural gas purchasers, changes in governmental regulation or taxation, and the impact of inflation on costs.

Actual production and cash flows derived from ARC's crude oil and liquids and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities ARC intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in ARC's reserves since that date.

Derivative Risk Management Contracts

Risk management activities expose ARC to the risk of financial loss and counter-party risk.

From time to time, ARC may enter into physical or financial agreements to receive fixed prices on its crude oil and liquids and natural gas production intended to mitigate the effect of commodity price volatility and to support ARC's capital budgeting and expenditure plans. However, to the extent that ARC engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, ARC's risk management arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the contracted volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the arrangement;

- the counterparties to the arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts crude oil and liquids or natural gas prices.

On the other hand, failure to protect against a decline in commodity prices exposes ARC to reduced liquidity when prices decline. A sustained lower commodity price environment would result in lower realized prices for unprotected volumes and reduce the prices at which ARC would enter into derivative contracts on future volumes. This could make such transactions unattractive, and, as a result, some or all of ARC's future production volumes forecasted may not be protected by derivative arrangements.

Similarly, from time to time, ARC may enter into agreements to fix the exchange rate of Canadian dollars to US dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, ARC will not benefit from the fluctuating exchange rate.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

As of December 31, 2025, ARC conducted an internal evaluation of the effectiveness of ARC's disclosure controls and procedures as defined in Canada by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Based on that evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports that ARC files or submits under securities legislation is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms therein. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by ARC in the reports that it files or submits under securities legislation is accumulated and communicated to ARC's Management, including the senior executive and financial officers, as appropriate to allow timely decisions regarding the required disclosure.

Internal Control over Financial Reporting ("ICFR")

ICFR is a set of processes designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and facilitate the preparation of relevant, reliable, and timely information. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Management has assessed the effectiveness of ARC's ICFR as defined in Canada by NI 52-109. 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 ARC's ICFR was effective as of December 31, 2025. No changes were made to ARC's ICFR during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the ICFR.

FINANCIAL REPORTING UPDATE

Future Accounting Pronouncements

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the International Accounting Standards Board (the "IASB") issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but will not have a material impact on ARC's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals, and categories for income and expenses in the statements of comprehensive income, as well as classification changes to the consolidated statements of cash flows. IFRS 18 also requires disclosure for management-defined performance measures ("MPMs") and adds requirements regarding the aggregation and disaggregation of certain information. The standard will be effective on January 1, 2027 and it must be adopted on a retrospective basis.

ARC is currently assessing the required adjustments to its chart of accounts, along with other enterprise system change requirements. Draft financial statements are being prepared to quantify the impact of changes, as are draft MPMs and the related disclosures. Throughout 2026, ARC will finalize its drafted disclosures, prepare retrospective disclosures for the comparative period, and continue communication with Management and other stakeholders.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

Capital Expenditures

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

Table 24

Capital Expenditures (\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow used in investing activities	2,160.0	475.5	423.3	3,536.0	1,906.2
Business combination	(1,672.1)	—	—	(1,672.1)	—
Acquisition of assets	(10.6)	(2.4)	(8.8)	(17.8)	(13.9)
Disposal of assets	—	—	—	4.0	80.0
Long-term investments	(0.8)	(1.5)	(2.1)	(3.5)	(6.8)
Change in non-cash investing working capital	9.6	(21.8)	(70.9)	26.1	(146.5)
Capitalized ROU asset depreciation	10.3	9.1	8.5	36.0	26.5
Capital expenditures	496.4	458.9	350.0	1,908.7	1,845.5

Free Funds Flow

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

Table 25

Free Funds Flow (\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow from operating activities	713.3	668.1	650.9	3,093.5	2,348.6
Net change in other liabilities	32.5	7.8	(3.2)	95.4	19.9
Change in non-cash operating working capital	33.2	198.4	122.7	3.5	104.0
Funds from operations	779.0	874.3	770.4	3,192.4	2,472.5
Capital expenditures	(496.4)	(458.9)	(350.0)	(1,908.7)	(1,845.5)
Free funds flow	282.6	415.4	420.4	1,283.7	627.0

Netback

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

Adjusted EBIT

ARC calculates adjusted EBIT as net income plus interest and financing, less accretion expense, plus total income taxes. ARC uses adjusted EBIT as a measure of long-term operating performance and as a component in the calculation for ROACE, which is calculated by ARC on an annual and five-year basis. Table 26 contains a reconciliation of adjusted EBIT to the most directly comparable GAAP measure, net income.

Table 26

Adjusted EBIT (\$ millions)	2025	2024	2023	2022	2021	Five Year
Net income	1,275.1	1,124.1	1,596.5	2,302.3	786.6	1,416.9
Add interest and financing	151.3	133.8	105.5	97.2	126.1	122.8
Less accretion expense	(17.1)	(14.1)	(13.2)	(11.0)	(9.5)	(13.0)
Add income taxes	358.8	330.9	460.8	675.9	208.5	407.0
Adjusted EBIT	1,768.1	1,574.7	2,149.6	3,064.4	1,111.7	1,933.7

Average Capital Employed

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

Table 27

Average Capital Employed (\$ millions)	2025	2024	2023	2022	2021	Five Year
Net debt - beginning of period	1,335.6	1,317.1	1,301.5	1,828.7	693.5	693.5
Current portion of lease obligations	92.8	85.2	92.4	109.3	15.3	15.3
Long-term portion of lease obligations	908.5	974.6	702.9	760.0	33.9	33.9
Shareholders' equity - beginning of period	7,948.2	7,427.8	6,653.5	5,927.5	2,790.6	2,790.6
Opening capital employed (A)	10,285.1	9,804.7	8,750.3	8,625.5	3,533.3	3,533.3
Net debt - end of period	2,866.1	1,335.6	1,317.1	1,301.5	1,828.7	2,866.1
Current portion of lease obligations	112.1	92.8	85.2	92.4	109.3	112.1
Long-term portion of lease obligations	922.1	908.5	974.6	702.9	760.0	922.1
Shareholders' equity - end of period	8,264.0	7,948.2	7,427.8	6,653.5	5,927.5	8,264.0
Closing capital employed (B)	12,164.3	10,285.1	9,804.7	8,750.3	8,625.5	12,164.3
Average capital employed (A+B)/2	11,224.7	10,044.9	9,277.5	8,687.9	6,079.4	7,848.8

Non-GAAP Ratios

Netback per boe

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

Free Funds Flow per Share

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

Return on Average Capital Employed

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

Table 28

ROACE (\$ millions)	2025	2024	2023	2022	2021	Five Year
Adjusted EBIT	1,768.1	1,574.7	2,149.6	3,064.4	1,111.7	1,933.7
Divided by average capital employed	11,224.7	10,044.9	9,277.5	8,687.9	6,079.4	7,848.8
ROACE (%)	16	16	23	35	18	25

Capital Management Measures

Funds from Operations

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

Funds from operations is calculated as follows in Table 29:

Table 29

Funds from Operations (\$ millions)	Three Months Ended			Year Ended	
	September 30, 2025	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow from operating activities	713.3	668.1	650.9	3,093.5	2,348.6
Net change in other liabilities	32.5	7.8	(3.2)	95.4	19.9
Change in non-cash operating working capital	33.2	198.4	122.7	3.5	104.0
Funds from operations	779.0	874.3	770.4	3,192.4	2,472.5

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. Net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Table 30 details the composition of ARC's net debt and net debt to funds from operations as at December 31, 2025 and December 31, 2024:

Table 30

Net Debt (\$ millions, except ratio amounts)	December 31, 2025	December 31, 2024
Long-term debt ⁽¹⁾	2,878.1	1,387.4
Accounts payable and accrued liabilities	760.8	634.4
Dividends payable	120.0	112.2
Cash and cash equivalents, accounts receivable, and prepaid expense	(892.8)	(798.4)
Net debt	2,866.1	1,335.6
Funds from operations	3,192.4	2,472.5
Net debt to funds from operations (ratio) ⁽²⁾	0.9	0.5

(1) Includes current portion of long-term debt of \$450.0 million at December 31, 2025 (\$nil at December 31, 2024).

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

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

"Commodity sales from production per boe" is comprised of commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forward-looking Information and Statements

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: ARC's 2026 annual guidance, including production guidance, expense guidance and guidance with respect to current income tax expense as a per cent of funds from operations and ARC's expectations related thereto, the approved 2026 capital budget of between \$1.8 and \$1.9 billion, with planned changes from 2025 intending to reflect production growth and a focus on well-related capital investment, and the expectation that it will deliver average annual production of 405,000 to 420,000 boe per day under the heading "Annual Guidance"; ARC's previously announced LNG agreement with EMLAP and the anticipated volumes and terms associated therewith under the heading "Commodity Prices"; the terms, including the anticipated timing of commencement, volumes, terms, delivery points, and pricing formulas, under certain of ARC's long-term natural gas supply agreements and the expectation that the estimated fair value of such contracts may fluctuate over time under the heading "Risk Management Contracts"; the anticipated vesting of RSUs and PSUs, expected variability of future payments under the RSU and PSU plans, the estimated range of future expected payments under such plans and the timing range of such payments, expectations regarding the value of RSUs and PSUs upon vesting and that restricted shares and any accrued dividends that are subject to forfeiture will be redeemed and cancelled by ARC under the heading "Share-based Compensation Plans"; expectations regarding ARC's available tax pools under the heading "Taxes"; expectations regarding the timing of closing the transaction to purchase certain assets in the Kakwa area entered into after December 31, 2025 under the heading "Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions"; ARC's estimated ARO under the heading "Asset Retirement Obligation"; ARC's capital management objectives, the anticipated sources of financing for profitable growth activities, ARC's belief that investing in development activities that prioritize profitability over production growth creates significant long-term shareholder value, ARC's plans to allocate free funds flow to shareholders through dividends and the repurchase of shares, and ARC's target net debt to funds from operations under the heading "Capitalization, Financial Resources and Liquidity"; ARC's intentions regarding ARC's long-term debt, its sources of financing for repayment and the anticipated timing thereof under the heading "Long-term Debt"; ARC's estimated value of lease obligations and the portion of its lease obligations that is due within one year under the heading "Lease Obligations"; ARC's expectations regarding share repurchases during its internal blackout period under the heading "Shareholders' Equity"; ARC's intentions to continue paying dividends under the heading "Dividends"; expectations with respect to ARC's commitments under its contracts including the timing and value thereof under the heading "Contractual Obligations and Commitments"; ARC's intentions to assess required adjustments, finalize draft disclosure, prepare retrospective disclosure and continue to communicate with management and other stakeholders with respect to the IASB changes under the heading "Financial Reporting Update"; and similar statements.

The forward-looking information and statements contained in this MD&A reflect material factors, expectations, and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; assumptions regarding ARC's share price; assumptions with respect to natural gas curtailments; ARC's ability to issue securities and to repurchase its securities under its NCIB; that counterparties to ARC's various agreements will comply with their contractual obligations; assumptions regarding the successful implementation of future agreements; the duration and impact of tariffs that are currently in effect on goods exported from or imported into Canada, and that other than the tariffs that are currently in effect, neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, reenacts tariffs that are currently suspended, or imposes new tariffs, on the import of goods from one country to the other, including on crude oil and natural gas, and/or (ii) imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other, including on crude oil and natural gas; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability and cost of labour and interest, exchange and effective tax rates; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2026 and in the future; the general continuance of current industry conditions; the continuance of existing tax, royalty, tariff, and regulatory regimes; the accuracy of the estimates of ARC's reserve volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations, and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-

looking information or statements including, without limitation: volatility of commodity prices; adverse economic conditions; political uncertainty; the risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, including on crude oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other, including on crude oil and natural gas, and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S., will trigger a broader global trade war which could have a material adverse effect on the Canadian, U.S., and global economies, and by extension the Canadian crude oil and natural gas industry and the Company, including by decreasing demand for (and the price of) crude oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the impacts of the ongoing Middle-East conflicts, Russia-Ukraine war and geopolitical developments in Venezuela (and any associated sanctions) on the global economy and commodity prices; lack of capacity on, and/or regulatory constraints and uncertainty regarding, gathering and processing facilities, pipeline systems, and railway lines; Indigenous land and rights claims; compliance with environmental regulations; risks relating to climate change, including transition and physical risks; ARC's ability to recruit and retain a skilled workforce and key personnel; development and production risks; project risks; risks relating to failure to obtain regulatory approvals; reputational risks; risks relating to a changing investor sentiment; asset concentration; risks relating to information technology systems and cyber security; risks related to hydraulic fracturing (including risks with respect to water production and disposal); liquidity; inflation, cost management, and interest rates; third-party credit risks; variations in foreign exchange rates; risks relating to royalty regimes; the impact of competitors; risks related to potential or ongoing litigation; lack of adequate insurance coverage; inaccurate estimation of ARC's reserve volumes; risks related to derivative risk management contracts; limited, unfavorable or a lack of access to capital markets; market access constraints or transportation interruptions; unanticipated operating results or production declines; increased debt levels or debt service requirements; increased costs; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; ARC's ability to successfully close, integrate and realize the anticipated benefits of completed, contemplated, or future acquisitions and divestitures; and certain other risks detailed in ARC's public disclosure documents. Readers should also carefully consider the risks discussed in the section entitled "Risk Factors" contained within this MD&A.

ARC's future shareholder distributions, including but not limited to the payment of dividends, if any, and the level thereof is uncertain. Any decision to pay dividends on ARC's shares (including the actual amount, the declaration date, the record date, and the payment date in connection therewith) will be subject to the discretion of the Board and may depend on a variety of factors, including, without limitation, ARC's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on ARC under applicable corporate law. Further, the actual amount, the declaration date, the record date, and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that ARC will pay dividends in the future.

The forward-looking information in this MD&A also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC, including, but not limited to: the expectations of ARC regarding production, capital expenditures, operating expenses, transportation expenses, G&A expenses before share-based compensation expense, G&A expenses - share-based compensation expense, interest and financing expenses, and current income tax as a per cent of funds from operations. The internal projections, expectations, or beliefs are based on the 2026 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations. These financial outlook and other related forward-looking statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted, and as such, undue reliance should not be placed on financial outlook and/or forward-looking statements. The financial outlook and forward-looking information contained in this MD&A is as of the date of this MD&A, and ARC does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

GLOSSARY

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

Measurement

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

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

Financial and Business Environment

AECO	Alberta Energy Company
AIF	annual information form
ARO	asset retirement obligation
DD&A	depletion, depreciation and amortization
DSU	Deferred Share Unit
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IASB	International Accounting Standards Board
ICFR	Internal Control over Financial Reporting
IFRS	International Financial Reporting Standards
IQRE	independent qualified reserves evaluator
JKM	Japan Korea Marker
LNG	liquefied natural gas
LTRSA	Long-term Restricted Share Award
NCIB	normal course issuer bid
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
PP&E	property, plant and equipment
PSU	Performance Share Unit
ROU	right-of-use
RSU	Restricted Share Unit
TSX	Toronto Stock Exchange
TTF	Title Transfer Facility
WTI	West Texas Intermediate

ANNUAL HISTORICAL REVIEW

For the year ended December 31 (\$ millions, except per share amounts)	2025	2024	2023	2022	2021
FINANCIAL					
Commodity sales from production	5,421.7	4,603.7	5,260.4	7,969.9	4,572.6
Per share, basic ⁽¹⁾	9.32	7.74	8.64	12.05	7.30
Per share, diluted ⁽¹⁾	9.31	7.72	8.61	12.02	7.29
Net income	1,275.1	1,124.1	1,596.5	2,302.3	786.6
Per share, basic	2.19	1.89	2.62	3.48	1.26
Per share, diluted	2.19	1.88	2.61	3.47	1.25
Cash flow from operating activities	3,093.5	2,348.6	2,394.3	3,833.3	2,006.5
Per share, basic ⁽¹⁾	5.32	3.95	3.93	5.80	3.20
Per share, diluted ⁽¹⁾	5.31	3.94	3.92	5.78	3.20
Funds from operations	3,192.4	2,472.5	2,639.6	3,712.5	2,415.4
Per share, basic ⁽¹⁾	5.49	4.16	4.34	5.61	3.86
Per share, diluted ⁽¹⁾	5.48	4.15	4.32	5.60	3.85
Free funds flow	1,283.7	627.0	789.8	2,270.6	1,353.6
Per share, basic ⁽¹⁾	2.21	1.05	1.30	3.43	2.16
Per share, diluted ⁽¹⁾	2.20	1.05	1.29	3.42	2.16
Cash flow used in investing activities	3,536.0	1,906.2	1,690.7	1,413.2	808.1
Dividends declared	451.8	416.2	400.3	318.2	181.4
Per share	0.78	0.70	0.66	0.49	0.29
Total assets	15,310.3	13,099.7	12,382.9	11,623.9	11,380.3
Total liabilities	7,046.3	5,151.5	4,955.1	4,970.4	5,452.8
Net debt	2,866.1	1,335.6	1,317.1	1,301.5	1,828.7
Weighted average shares, basic	581.5	594.9	608.8	661.2	626.3
Weighted average shares, diluted	582.6	596.4	610.6	663.1	627.3
Shares outstanding, end of period	570.6	589.6	596.9	620.9	693.5
CAPITAL EXPENDITURES					
Geological and geophysical	23.7	11.1	8.3	9.5	7.4
Drilling and completions	1,685.1	1,504.9	1,552.6	1,128.0	747.1
Plant and facilities	113.7	223.0	227.8	232.3	201.9
Maintenance and optimization	65.6	76.5	42.6	58.0	56.0
Corporate assets	20.6	30.0	18.5	14.1	49.4
Capital expenditures	1,908.7	1,845.5	1,849.8	1,441.9	1,061.8
Acquisitions	56.8	21.5	25.5	6.4	22.4
Dispositions	(4.0)	(87.6)	(142.9)	(15.5)	(101.0)
Capital expenditures, and net acquisitions and dispositions	1,961.5	1,779.4	1,732.4	1,432.8	983.2
OPERATING					
Production					
Crude oil and condensate (bbl/d)	106,984	87,266	83,880	86,393	70,393
Natural gas (MMcf/d)	1,324	1,307	1,322	1,259	1,149
NGLs (bbl/d)	46,625	42,787	47,760	49,385	40,084
Total (boe/d)	374,336	347,908	351,954	345,613	302,003
Average realized commodity prices					
Crude oil (\$/bbl)	81.75	91.46	95.05	115.66	75.08
Condensate (\$/bbl)	86.21	97.00	99.92	118.17	86.04
Natural gas (\$/Mcf)	3.51	2.37	3.77	8.15	4.82
NGLs (\$/bbl)	21.81	24.59	22.79	27.98	26.16
Oil equivalent (\$/boe)	39.68	36.15	40.95	63.18	41.48
RESERVES (company gross) ⁽²⁾					
Proved plus probable reserves					
Crude oil and liquids (Mbbl)	784,842	704,349	672,082	643,978	607,616
Natural gas (Bcf)	8,956	8,363	7,933	7,107	6,918
Total (MMboe)	2,277	2,098	1,994	1,829	1,761
TRADING STATISTICS (\$, based on intra-day trading) ⁽³⁾					
High	31.56	27.40	23.77	22.88	13.34
Low	22.63	19.44	14.33	11.66	5.88
Close	25.75	26.07	19.67	18.25	11.50
Average daily volume (thousands)	4,431	3,610	4,488	6,563	3,160

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

(2) Company gross reserves are the gross interest reserves before deduction of royalties and without including any royalty interests.

(3) Trading statistics denote trading activity on the TSX only.

QUARTERLY HISTORICAL REVIEW

(\$ millions, except per share amounts)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FINANCIAL								
Commodity sales from production	1,438.8	1,263.5	1,229.2	1,490.2	1,345.5	1,054.4	1,001.7	1,202.1
Per share, basic	2.51	2.18	2.10	2.53	2.28	1.77	1.68	2.01
Per share, diluted	2.51	2.17	2.10	2.53	2.27	1.77	1.67	2.01
Net income	259.9	214.4	396.1	404.7	370.3	328.9	239.5	185.4
Per share, basic	0.45	0.37	0.68	0.69	0.63	0.55	0.40	0.31
Per share, diluted	0.45	0.37	0.68	0.69	0.63	0.55	0.40	0.31
Cash flow from operating activities	668.1	713.3	699.1	1,013.0	650.9	518.4	543.0	636.3
Per share, basic	1.17	1.23	1.20	1.72	1.10	0.87	0.91	1.07
Per share, diluted	1.16	1.23	1.19	1.72	1.10	0.87	0.91	1.06
Funds from operations	874.3	779.0	682.1	857.0	770.4	592.4	502.8	606.9
Per share, basic	1.53	1.34	1.17	1.46	1.30	1.00	0.84	1.02
Per share, diluted	1.52	1.34	1.17	1.45	1.30	0.99	0.84	1.01
Free funds flow	415.4	282.6	185.8	399.9	420.4	133.8	(29.5)	102.3
Per share, basic	0.72	0.49	0.32	0.68	0.71	0.22	(0.05)	0.17
Per share, diluted	0.72	0.49	0.32	0.68	0.71	0.22	(0.05)	0.17
Cash flow used in investing activities	475.5	2,160.0	471.2	429.3	423.3	339.7	643.4	499.8
Dividends declared	120.0	109.6	110.9	111.3	112.2	100.8	101.6	101.6
Per share	0.21	0.19	0.19	0.19	0.19	0.17	0.17	0.17
Total assets	15,310.3	15,181.3	14,177.9	13,040.2	13,099.7	12,901.2	12,593.4	12,325.5
Total liabilities	7,046.3	6,977.1	5,881.9	4,942.1	5,151.5	5,172.2	4,965.4	4,827.1
Net debt	2,866.1	3,056.6	1,289.2	1,260.5	1,335.6	1,560.6	1,477.9	1,336.1
Weighted average shares, basic	573.2	580.6	584.0	588.5	591.0	595.1	596.6	596.7
Weighted average shares, diluted	574.1	581.5	585.0	589.7	592.3	596.4	598.2	598.4
Shares outstanding, end of period	570.6	575.7	582.5	585.0	589.6	591.7	596.7	596.7
CAPITAL EXPENDITURES								
Geological and geophysical	8.2	3.2	1.8	10.5	2.3	4.6	1.5	2.7
Drilling and completions	407.8	445.5	436.1	400.4	264.3	390.3	470.2	380.1
Plant and facilities	16.0	25.1	29.4	38.5	57.0	52.7	11.4	101.9
Maintenance and optimization	19.4	25.2	15.3	5.7	9.7	17.0	35.7	14.1
Corporate	7.5	(2.6)	13.7	2.0	16.7	(6.0)	13.5	5.8
Capital expenditures	458.9	496.4	496.3	457.1	350.0	458.6	532.3	504.6
Acquisitions	2.4	49.6	0.8	4.0	16.4	—	5.0	0.1
Dispositions	—	—	(4.0)	—	(7.6)	(80.0)	—	—
Capital expenditures, and net acquisitions and dispositions	461.3	546.0	493.1	461.1	358.8	378.6	537.3	504.7
OPERATING								
Production								
Crude oil and condensate (bbl/d)	118,898	113,959	100,399	94,334	102,977	88,517	74,713	82,672
Natural gas (MMcf/d)	1,410	1,172	1,307	1,411	1,418	1,203	1,286	1,322
NGLs (bbl/d)	54,500	50,014	38,999	42,821	42,998	37,797	40,994	49,411
Total (boe/d)	408,382	359,236	357,228	372,265	382,341	326,768	330,046	352,328
Average realized commodity prices								
Crude oil (\$/bbl)	73.63	82.75	82.56	87.90	91.46	92.22	100.28	83.83
Condensate (\$/bbl)	78.45	84.66	85.35	99.28	95.52	95.38	103.73	94.58
Natural gas (\$/Mcf)	3.77	2.75	3.19	4.19	2.58	1.78	1.86	3.19
NGLs (\$/bbl)	18.97	17.47	20.39	31.98	26.83	23.77	21.69	25.65
Oil equivalent (\$/boe)	38.30	38.23	37.81	44.48	38.25	35.07	33.35	37.49
TRADING STATISTICS ⁽¹⁾								
(\$, based on intra-day trading)								
High	27.20	29.27	31.56	29.05	27.40	26.45	26.18	24.32
Low	23.54	23.67	22.63	23.85	22.48	21.44	23.45	19.44
Close	25.75	25.38	28.71	28.93	26.07	22.86	24.41	24.15
Average daily volume (thousands)	5,431	5,046	3,559	3,674	3,747	3,696	3,648	3,343

1) Trading statistics denote trading activity on the TSX only.

Q42025

Financial
Statements

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 ("IFRS Accounting Standards"), 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, 2025.



Terry M. Anderson

President and Chief Executive Officer

Calgary, Alberta

February 5, 2026



Kristen J. Bibby

Senior Vice President and Chief Financial Officer

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, 2025 and 2024, 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, 2025 and 2024;
- 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.

PricewaterhouseCoopers LLP
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Calgary, Alberta, Canada T2P 5L3
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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.

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, 2025. 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 9 – Property, plant and equipment to the consolidated financial statements. The Company had \$12.5 billion of net D&P assets as at December 31, 2025. Depletion, depreciation and amortization (DD&A) expense related to D&P assets was \$1.4 billion 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. 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 commodity price estimates, expected future rates of production, future production costs and future development expenditures.	Our approach to addressing the matter included the following procedures, among others: <ul style="list-style-type: none">• Tested how management determined the proved plus probable reserves used to determine the DD&A expense, which included the following:<ul style="list-style-type: none">– The work of management's expert was used in performing the procedures to evaluate the reasonableness of the proved plus probable reserves. 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 key assumptions used by management's expert, tests of data used by management's expert and an evaluation

Key audit matter	How our audit addressed the key audit matter
<p>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; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge in the field of petroleum engineering and reserves estimation.</p>	<p>of their findings for certain properties. Professionals with specialized skill and knowledge in the field of petroleum engineering and reserves estimation assisted in this evaluation, as applicable.</p> <ul style="list-style-type: none"> – Evaluated the reasonableness of key assumptions used, including expected future rates of production, future production costs and future development expenditures, by considering current and past performance of the Company and whether these assumptions were consistent with evidence obtained in other areas of the audit for certain properties, as applicable. – Evaluated the reasonableness of forward commodity price estimates by comparing those forecasts with third party industry forecasts. • Recalculated DD&A expense.

Valuation of D&P assets acquired in the Kakwa acquisition

Refer to note 3 – Summary of material accounting policies, note 5 – Management judgments and estimation uncertainty and note 6 – Business combination to the consolidated financial statements.

On July 2, 2025, the Company completed an acquisition of Montney assets in the Kakwa region in Alberta for total cash consideration of \$1.67 billion. The assets acquired included D&P assets that were valued at \$1.70 billion by management. This transaction was recognized as a business combination and accounted for using the acquisition method, which requires that identifiable assets acquired and liabilities assumed are recognized at their fair value at the date of the acquisition. Management determined the fair value of D&P assets acquired in the transaction using a fair value less cost of disposal model based on the after-tax cash flows from the acquired oil and gas

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair value of the D&P assets acquired, which included the following:
 - The work of management's expert was used in performing the procedures to evaluate the reasonableness of the acquired oil and gas reserves used to determine the fair value of the D&P assets. 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

Key audit matter	How our audit addressed the key audit matter
<p>reserves. Key assumptions developed by management in determining the fair value of the D&P assets acquired include forward commodity price estimates, expected future rates of production, future production costs, future development expenditures and discount rate. Management utilized the Company's independent qualified reserve evaluator (management's expert) in estimating the acquired oil and gas reserves.</p> <p>We considered this a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the acquired oil and gas reserves used to determine the fair value of the acquired D&P assets; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge in the fields of valuation and petroleum engineering and reserves estimation.</p>	<p>data used by management's expert and an evaluation of their findings. Professionals with specialized skill and knowledge in the field of petroleum engineering and reserves estimation assisted in this evaluation, as applicable.</p> <ul style="list-style-type: none"> – Evaluated the appropriateness of the method used by management to determine the fair value of the acquired D&P assets. – Tested the data used in determining the fair value of the acquired D&P assets. – Evaluated the reasonableness of key assumptions used by management in determining the fair value of the acquired D&P assets by: <ul style="list-style-type: none"> ○ considering whether expected future rates of production, future production costs and future development expenditures were consistent with current performance of the acquired assets and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable; ○ comparing forward commodity price estimates to third party industry forecasts; and ○ using professionals with specialized skill and knowledge in the field of valuation, who assisted us in assessing the reasonableness of the discount rate.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Ryan McKay.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta

February 5, 2026

ARC RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

As at

(Cdn\$ millions)	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	7.0	—
Inventory	17.9	12.4
Accounts receivable (Note 7)	749.2	691.0
Prepaid expense	136.6	107.4
Risk management contracts (Note 17)	135.6	190.1
	1,046.3	1,000.9
Risk management contracts (Note 17)	56.4	154.1
Long-term investments	30.2	27.7
Exploration and evaluation assets (Note 8)	442.4	338.1
Property, plant and equipment (Notes 6 and 9)	12,514.4	10,373.9
Right-of-use and other long-term assets (Notes 6 and 10)	972.4	956.8
Goodwill (Note 9)	248.2	248.2
Total assets	15,310.3	13,099.7
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	760.8	634.4
Current portion of lease obligations (Notes 6 and 12)	112.1	92.8
Current portion of long-term debt (Notes 6 and 13)	450.0	—
Current portion of other deferred liabilities (Note 14)	28.6	23.3
Current portion of asset retirement obligation (Notes 6 and 15)	20.0	17.0
Dividends payable (Note 19)	120.0	112.2
Risk management contracts (Note 17)	—	1.0
	1,491.5	880.7
Risk management contracts (Note 17)	138.9	37.1
Long-term portion of lease obligations (Notes 6 and 12)	922.1	908.5
Long-term debt (Notes 6 and 13)	2,428.1	1,387.4
Long-term incentive compensation liability (Note 21)	28.1	76.2
Other deferred liabilities (Note 14)	113.0	95.8
Asset retirement obligation (Notes 6 and 15)	473.9	414.4
Deferred taxes (Note 18)	1,450.7	1,351.4
Total liabilities	7,046.3	5,151.5
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 19)	5,990.6	6,194.3
Contributed surplus	28.4	31.6
Retained earnings	2,247.0	1,728.5
Accumulated other comprehensive loss	(2.0)	(6.2)
Total shareholders' equity	8,264.0	7,948.2
Total liabilities and shareholders' equity	15,310.3	13,099.7
Commitments and contingencies (Note 22)		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

/s/ Harold N. Kvistle

/s/ Leontine van Leeuwen-Atkins

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

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

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(Cdn\$ millions, except per share amounts)	2025	2024
Commodity sales from production (Note 20)	5,421.7	4,603.7
Royalties	(536.8)	(524.9)
Sales of third-party purchases (Note 20)	1,190.8	1,020.2
Total revenue	6,075.7	5,099.0
Interest and other income	20.4	20.2
Gain on risk management contracts (Note 17)	11.0	272.7
Total revenue, interest and other income, and gain on risk management contracts	6,107.1	5,391.9
Operating	735.8	596.4
Transportation	689.1	662.9
Third-party purchases (Note 24)	1,164.9	1,011.4
General and administrative	175.6	248.1
Interest and financing	151.3	133.8
Impairment (reversal of impairment) of financial assets (Note 7)	(2.8)	2.3
Depletion, depreciation and amortization and impairment of property, plant and equipment (Notes 9 and 10)	1,547.2	1,360.7
Loss on foreign exchange	16.1	1.3
Gain on disposal of assets	(4.0)	(80.0)
Total expenses	4,473.2	3,936.9
Net income before income taxes	1,633.9	1,455.0
Provision for income taxes (Note 18)		
Current	260.0	200.4
Deferred	98.8	130.5
Total income taxes	358.8	330.9
Net income	1,275.1	1,124.1
Other comprehensive income		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized gain on foreign currency translation adjustment	4.2	11.7
Comprehensive income	1,279.3	1,135.8
Net income per share (Note 19)		
Basic	2.19	1.89
Diluted	2.19	1.88

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 19)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
January 1, 2024	6,268.2	36.1	1,141.4	(17.9)	7,427.8
Comprehensive income	—	—	1,124.1	11.7	1,135.8
Share-based compensation plans (Note 21)	1.1	(0.2)	—	—	0.9
Exercise of share options (Note 21)	20.8	(4.3)	—	—	16.5
Repurchase of shares for cancellation (Note 19)	(93.2)	—	(113.9)	—	(207.1)
Change in liability for share purchase commitment (Note 19)	(2.6)	—	(6.9)	—	(9.5)
Dividends declared (Note 19)	—	—	(416.2)	—	(416.2)
December 31, 2024	6,194.3	31.6	1,728.5	(6.2)	7,948.2
Comprehensive income	—	—	1,275.1	4.2	1,279.3
Share-based compensation plans (Note 21)	2.6	(1.9)	—	—	0.7
Exercise of share options (Note 21)	11.7	(1.3)	—	—	10.4
Repurchase of shares for cancellation (Note 19)	(216.8)	—	(306.1)	—	(522.9)
Change in liability for share purchase commitment (Note 19)	(1.2)	—	1.3	—	0.1
Dividends declared (Note 19)	—	—	(451.8)	—	(451.8)
December 31, 2025	5,990.6	28.4	2,247.0	(2.0)	8,264.0

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(Cdn\$ millions)	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	1,275.1	1,124.1
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts (Note 17)	253.0	(82.4)
Depletion, depreciation and amortization and impairment of property, plant and equipment (Notes 9 and 10)	1,547.2	1,360.7
Unrealized loss on foreign exchange	3.3	5.1
Gain on disposal of assets	(4.0)	(80.0)
Deferred taxes (Note 18)	98.8	130.5
Other (Note 24)	19.0	14.5
Net change in other liabilities (Note 24)	(95.4)	(19.9)
Change in non-cash working capital (Note 24)	(3.5)	(104.0)
Cash flow from operating activities	3,093.5	2,348.6
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Draw of long-term debt under credit facilities (Note 13)	6,095.9	7,348.0
Issuance of senior notes (Notes 6 and 13)	1,000.0	—
Issuance of term loan (Notes 6 and 13)	500.0	—
Repayment of long-term debt	(6,099.9)	(7,111.0)
Proceeds from exercise of share options	10.4	16.5
Repurchase of shares	(514.0)	(202.4)
Repayment of principal relating to lease obligations	(103.8)	(93.6)
Cash dividends paid	(444.0)	(405.7)
Change in non-cash working capital (Note 24)	4.9	4.7
Cash flow from (used in) financing activities (Note 24)	449.5	(443.5)
CASH FLOW USED IN INVESTING ACTIVITIES		
Business combination (Note 6)	(1,672.1)	—
Acquisition of assets (Notes 9 and 10)	(17.8)	(13.9)
Disposition of assets	4.0	80.0
Property, plant and equipment development expenditures (Note 9)	(1,819.1)	(1,787.8)
Exploration and evaluation asset expenditures (Note 8)	(53.6)	(31.2)
Long-term investments	(3.5)	(6.8)
Change in non-cash working capital (Note 24)	26.1	(146.5)
Cash flow used in investing activities	(3,536.0)	(1,906.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7.0	(1.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	1.1
CASH AND CASH EQUIVALENTS, END OF YEAR	7.0	—
The following are included in cash flow from operating activities:		
Income taxes paid in cash	183.3	199.7
Interest paid in cash	129.5	117.4

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

1. Structure of the Business

The principal undertakings of ARC Resources Ltd. and its 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 1500, 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"). 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 its 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 5, 2026.

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 categorization 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, 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*

Long-term investments and risk management contracts are measured at FVTPL with subsequent changes in fair value charged to the consolidated statements of comprehensive income (the "statements of comprehensive 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. 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 comprehensive income.

In alignment with industry practices, the Company considers its accounts receivable to be in default when the receivable is greater than 90 days past due. If the Company has pursued collection activities but has 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 comprehensive 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. If the difference in cash flows is less than 10 per cent, the change is evaluated qualitatively based on its specific impact to the economic risk associated with the liability.

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.

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 them 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 comprehensive 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 asset is derecognized and all associated costs are charged to the statements of comprehensive 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 comprehensive 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 comprehensive 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 comprehensive 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 comprehensive 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 enhanced 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 comprehensive 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 when 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 comprehensive 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 comprehensive 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.

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 as the present value of 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 comprehensive 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 occurrence or non-occurrence 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 commodity volume 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 and subsequently sells these products to its customers. These transactions are presented as separate revenue and expense items in the statements of comprehensive 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 comprehensive income.

Depletion, Depreciation and Amortization

PP&E and, where applicable, E&E assets are 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 are primarily cash-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 comprehensive 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.

Income Taxes

Provision for, or recovery of, income tax comprise current and deferred income taxes and is recognized in the statements of comprehensive 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.

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 reporting date. Revenues and expenses are translated at the period average rates of exchange. Translation gains and losses are recognized in the statements of comprehensive 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 comprehensive income.

ARC's functional and presentation currency is Canadian dollars.

4. Future Accounting Pronouncements

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments are effective on January 1, 2026, but will not have a material impact on ARC's financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals, and categories for income and expenses in the statements of comprehensive income, as well as classification changes to the consolidated statements of cash flows. IFRS 18 also requires disclosure of management-defined performance measures ("MPMs") and adds requirements regarding the aggregation and disaggregation of certain information. The standard will be effective on January 1, 2027 and it must be adopted on a retrospective basis.

ARC is currently assessing the required adjustments to its chart of accounts, along with other enterprise system change requirements. Draft financial statements are being prepared to quantify the impact of changes, as are draft MPMs and the related disclosures. Throughout 2026, ARC will finalize its drafted disclosures, prepare retrospective disclosures for the comparative period, and continue communication with Management and other stakeholders.

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 commodity price estimates, expected future rates of production, future production costs, and future development expenditures, all of which are subject to many uncertainties, interpretations, and judgments. Estimates reflect market and regulatory conditions existing at December 31, 2025 and 2024, which could differ significantly from other points in time throughout the year, or future periods. Reserves have been evaluated at December 31, 2025 and 2024 by ARC's independent qualified reserves evaluator ("IQRE").

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 commodity price estimates, expected future rates of production, future production costs, future development expenditures, 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 IQRE. 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 commodity price estimates, future production costs, future development expenditures, or expected future rates of production 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 commodity price estimates 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, inventory levels, exchange rates, weather, economic, geopolitical factors, tariffs, a global pandemic or

natural disaster and the respective responses from various levels of government, and the rate at which global energy markets transition to a lower carbon-based economy. Pricing assumptions incorporate the legislated carbon tax based on prevailing market conditions.

- 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 expenditures as estimated by ARC's IQRE.

E&E Assets

The accounting for E&E assets requires Management to make judgments as to whether these investments have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such reserves to be estimated. 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 derivative 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 also applies judgment in assessing and determining when an embedded derivative exists within a host contract, if the embedded derivative is closely related to the host contract, and if determined not to be closely related, the unobservable inputs used to determine its fair value.

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 and legislation 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 net assets acquired. 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 commodity price estimates, expected future rates of production, future production costs, future development expenditures, and discount rate. Assumptions are also required to determine the fair value of the ARO associated with the assets, as well as any ROU assets and associated lease obligations, other deferred liabilities, and 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. Business Combination

On July 2, 2025, ARC completed an acquisition of condensate-rich Montney assets in the Kakwa region in Alberta (the "Kakwa Assets") from Strathcona Resources Ltd. for total cash consideration of \$1.7 billion (the "Transaction"). The Transaction has been recognized as a business combination using the acquisition method in accordance with the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies".

The Transaction expands ARC's holdings in its core Kakwa region, increases its drilling inventory in the area, increases ARC's owned-and-operated infrastructure, and presents operational and financial synergies with ARC's contiguous operations.

Purchase Price Allocation

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

Cash consideration	1,672.1
Identifiable net assets	
Property, plant and equipment	1,702.6
Right-of-use asset	50.8
Lease obligation	(50.8)
Asset retirement obligation	(30.5)
Total identifiable net assets	1,672.1

Liquidity and Commitments

The Transaction was financed with proceeds from the offering of \$1.0 billion aggregate principal amount of senior unsecured notes that closed in June 2025, a \$500.0 million two-year term loan, and borrowings under ARC's revolving credit facility, for which the borrowing capacity was increased from \$1.7 billion to \$2.0 billion. There are no new financial covenants and no changes to ARC's existing debt covenants. For more information, refer to Note 13 "Long-term Debt".

Upon closing of the Transaction, ARC assumed approximately \$190.0 million of additional commitments relating to transportation and natural gas processing.

Revenue and Net Income Contribution

As a result of the Transaction, ARC's total revenue and net income increased by \$205.7 million and \$8.5 million, respectively, for the year ended December 31, 2025.

If the Transaction had occurred on January 1, 2025, pro forma total revenue and net income from the Kakwa Assets is estimated to be approximately \$445.0 million and \$55.0 million, respectively, for the year ended December 31, 2025; however, these estimates may not be representative of actual results. The pro forma net income estimates DD&A based on ARC's reserve estimates for the acquired assets, and assumes that financing of the acquisition would have occurred on January 1, 2025.

Transaction costs were not significant and were recognized in general and administrative expense in the statements of comprehensive income.

7. 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, 2025, 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. ARC's accounts receivable primarily 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, 2025 pertains to accrued commodity sales of December 2025 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.

At December 31, 2025, 87 per cent of ARC's commodity sales accounts receivable were with customers who had a public investment-grade rating (84 per cent at December 31, 2024). Nine per cent (nine per cent at December 31, 2024) were with customers who do not have a public debt rating, but whom ARC regards as financially equivalent to investment-grade. The remaining four per cent (seven per cent at December 31, 2024) of commodity sales accounts receivable were with customers who do not hold a public investment-grade rating.

For both the years ended December 31, 2025 and 2024, ARC had two external customers that each constituted more than 10 per cent of commodity sales from production. Sales to these customers were \$735.3 million and \$707.9 million for the year ended December 31, 2025 (\$679.3 million and \$596.9 for the year ended December 31, 2024), respectively.

The following table details the composition of ARC's accounts receivable at December 31, 2025 and December 31, 2024:

Accounts Receivable Composition ⁽¹⁾	December 31, 2025	December 31, 2024
Commodity sales	676.7	607.1
Joint interest	2.5	2.2
Other ⁽²⁾	70.0	81.7
Balance	749.2	691.0

(1) Net of provision for ECL.

(2) Other receivables primarily consist of income taxes and reimbursement of certain expenditures.

The total ECL provision recognized in ARC's accounts receivable balance at December 31, 2025 was \$4.1 million (\$6.9 million at December 31, 2024).

The aging of ARC's accounts receivable net of provision for ECL at December 31, 2025 and December 31, 2024 is as follows:

Accounts Receivable Aging	December 31, 2025	December 31, 2024
Current (less than 30 days)	712.1	675.0
31 - 60 days	2.5	0.6
61 - 90 days	8.8	9.5
Past due (greater than 90 days) ⁽¹⁾	25.8	5.9
Balance	749.2	691.0

(1) Amounts greater than 90 days at December 31, 2025, primarily relate to a reimbursement of natural gas transportation costs and are still considered collectible.

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 17 "Financial Instruments and Market Risk Management".

8. Exploration and Evaluation Assets

Carrying Amount	
Balance, January 1, 2024	307.6
Additions	31.2
Change in asset retirement cost	(0.7)
Balance, December 31, 2024	338.1
Additions	53.6
Acquisitions	49.7
Change in asset retirement cost	1.0
Balance, December 31, 2025	442.4

During the year ended December 31, 2025, ARC executed an agreement for the earning and development of land in the Attachie area which has been recognized as an acquisition of E&E.

9. Property, Plant and Equipment

Cost	Development and Production Assets	Corporate Assets	Total
Balance, January 1, 2024	17,167.7	131.3	17,299.0
Additions	1,790.3	24.0	1,814.3
Acquisitions	21.5	—	21.5
Change in asset retirement cost	(17.1)	—	(17.1)
Assets disposed in period	(12.4)	—	(12.4)
Balance, December 31, 2024	18,950.0	155.3	19,105.3
Acquired through a business combination (Note 6)	1,702.6	—	1,702.6
Additions	1,833.0	22.1	1,855.1
Acquisitions	7.1	—	7.1
Change in asset retirement cost	32.6	—	32.6
Balance, December 31, 2025	22,525.3	177.4	22,702.7
Accumulated DD&A			
Balance, January 1, 2024	(7,351.0)	(111.5)	(7,462.5)
DD&A	(1,261.4)	(9.1)	(1,270.5)
Impairment	(3.2)	—	(3.2)
Accumulated DD&A disposed in period	4.8	—	4.8
Balance, December 31, 2024	(8,610.8)	(120.6)	(8,731.4)
DD&A	(1,447.4)	(9.5)	(1,456.9)
Balance, December 31, 2025	(10,058.2)	(130.1)	(10,188.3)
Carrying Amounts			
Balance, December 31, 2024	10,339.2	34.7	10,373.9
Balance, December 31, 2025	12,467.1	47.3	12,514.4

For the year ended December 31, 2025, \$44.3 million of overhead charges, including share-based compensation, were capitalized to PP&E (\$59.6 million for the year ended December 31, 2024). Future development costs of \$11.3 billion were included in the determination of DD&A for the year ended December 31, 2025 (\$10.3 billion for the year ended December 31, 2024).

During the year ended December 31, 2025, ARC disposed of certain non-core, non-Montney assets for cash proceeds of \$4.0 million, and recognized a gain on disposal for the same amount in the statements of comprehensive income.

Subsequent to December 31, 2025, ARC executed an agreement to purchase assets in the Kakwa area of Alberta for approximately \$160.0 million. The transaction is expected to close in February 2026.

During the year ended December 31, 2024, ARC disposed of certain non-core, non-Montney assets for cash proceeds of \$80.0 million, and recognized a gain on disposal for the same amount in the statements of comprehensive income. Additionally, ARC exchanged certain assets with no gain on disposition or impairment recognized.

Goodwill

At December 31, 2025 and 2024, ARC conducted impairment tests of its goodwill. The carrying value of goodwill at December 31, 2025 and 2024 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 a discount rate of 11.0 per cent. Reasonably possible changes of key assumptions inherent in the estimate of the recoverable amount of ARC's operating segment, such as a one per cent increase in the discount rate or a 10 per cent decrease in forecasted commodity prices, would not result in an impairment of goodwill.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's operating segment at December 31, 2025:

	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⁾
2026	77.54	59.92	3.00	3.74	0.73
2027	83.60	65.10	3.30	3.78	0.74
2028	90.18	70.28	3.49	3.85	0.74
2029	92.32	71.93	3.58	3.93	0.74
2030	94.17	73.37	3.65	4.01	0.74
2031	96.06	74.84	3.72	4.09	0.74
2032	97.98	76.34	3.80	4.17	0.74
2033	99.93	77.87	3.88	4.26	0.74
2034	101.93	79.42	3.95	4.34	0.74
2035	103.97	81.01	4.03	4.43	0.74
Thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.74

(1) Source: GLJ Ltd., Sproule ERCE, McDaniel & Associates Consultants Ltd. average price forecast at January 1, 2026.

The following table details the forward pricing used in estimating the recoverable amounts of ARC's operating segment at December 31, 2024:

	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⁾
2025	94.79	71.58	2.36	3.31	0.71
2026	97.04	74.48	3.33	3.73	0.73
2027	97.37	75.81	3.48	3.85	0.74
2028	99.80	77.66	3.69	3.93	0.74
2029	101.79	79.22	3.76	4.01	0.74
2030	103.83	80.80	3.83	4.09	0.74
2031	105.91	82.42	3.91	4.17	0.74
2032	108.02	84.06	3.99	4.26	0.74
2033	110.19	85.75	4.07	4.34	0.74
2034	112.39	87.46	4.15	4.43	0.74
Thereafter at	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.74

(1) Source: GLJ Ltd., Sproule, McDaniel & Associates Consultants Ltd. average price forecast at January 1, 2025.

10. Right-of-Use and Other Long-term Assets

Cost	Leases			Other	
	Buildings	Equipment and Vehicles	Facilities	Service Contracts	Total
Balance, January 1, 2024	40.2	88.9	1,157.9	8.2	1,295.2
Additions	—	30.0	—	18.9	48.9
Modifications	—	4.9	—	—	4.9
Balance, December 31, 2024	40.2	123.8	1,157.9	27.1	1,349.0
Acquired through a business combination (Note 6)	—	—	50.8	—	50.8
Additions	—	87.8	—	2.2	90.0
Modifications	(1.5)	4.6	—	—	3.1
Balance, December 31, 2025	38.7	216.2	1,208.7	29.3	1,492.9
Accumulated Depreciation					
Balance, January 1, 2024	(23.9)	(54.7)	(195.0)	(5.6)	(279.2)
Depreciation ⁽¹⁾	(1.8)	(29.9)	(80.4)	(0.9)	(113.0)
Balance, December 31, 2024	(25.7)	(84.6)	(275.4)	(6.5)	(392.2)
Depreciation ⁽¹⁾	(1.2)	(39.9)	(85.3)	(1.9)	(128.3)
Balance, December 31, 2025	(26.9)	(124.5)	(360.7)	(8.4)	(520.5)
Carrying Amounts					
Balance, December 31, 2024	14.5	39.2	882.5	20.6	956.8
Balance, December 31, 2025	11.8	91.7	848.0	20.9	972.4

(1) Includes \$36.0 million of depreciation on equipment and vehicle ROU assets capitalized to PP&E for the year ended December 31, 2025 (\$26.5 million for the year ended December 31, 2024).

ARC's ROU assets primarily comprise office space, equipment used in operations including drilling rigs and camps, vehicles, and third-party processing facilities and gathering infrastructure.

During the year ended December 31, 2025, ARC added ROU assets related to equipment used in ARC's operations and acquired ROU assets through a business combination related to third-party natural gas gathering infrastructure. Other long-term assets include certain service arrangements whereby the cost will be amortized into income through transportation expense over the terms of the agreements.

11. 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 13 "Long-Term Debt" for further details on available amounts under existing banking arrangements and Note 16 "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, 2025 and December 31, 2024:

As at December 31, 2025	Undiscounted Cash Flows ⁽¹⁾	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities ⁽²⁾	672.1	672.1	—	—	—
Dividends payable	120.0	120.0	—	—	—
Share-based compensation ⁽³⁾	106.1	78.0	28.1	—	—
Risk management contracts	355.7	—	1.4	93.4	260.9
Lease obligations	1,302.6	161.9	273.3	262.4	605.0
Long-term debt	2,888.0	450.0	1,438.0	—	1,000.0
Interest payments	288.3	63.9	107.3	77.8	39.3
Total financial liabilities	5,732.8	1,545.9	1,848.1	433.6	1,905.2

As at December 31, 2024	Undiscounted Cash Flows ⁽¹⁾	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities ⁽²⁾	565.3	565.3	—	—	—
Dividends payable	112.2	112.2	—	—	—
Share-based compensation ⁽³⁾	136.2	60.0	76.2	—	—
Risk management contracts	96.0	1.0	—	29.5	65.5
Lease obligations	1,299.2	141.8	237.0	227.8	692.6
Long-term debt	1,392.0	—	842.0	—	550.0
Interest payments	139.8	29.7	43.4	38.1	28.6
Total financial liabilities	3,740.7	910.0	1,198.6	295.4	1,336.7

(1) The undiscounted cash flows equal the carrying value, with the exception of lease obligations, risk management contracts, 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, 2025 and December 31, 2024.

(3) Accrued cash obligations associated with share-based compensation.

12. Lease Arrangements

The following table details the movement in ARC's lease obligations for the years ended December 31, 2025 and 2024:

Carrying Amount	
Balance, January 1, 2024	1,059.8
Additions	30.0
Modifications	5.1
Interest expense	53.6
Repayments	(147.2)
Balance, December 31, 2024	1,001.3
Acquired through a business combination (Note 6)	50.8
Additions	82.8
Modifications	3.1
Interest expense	51.4
Repayments	(155.2)
Balance, December 31, 2025	1,034.2
Lease obligations due within one year	112.1
Lease obligations due beyond one year	922.1

ARC's lease obligations primarily comprise office space, equipment used in operations including drilling rigs and camps, vehicles, and third-party processing facilities and gathering infrastructure.

During the year ended December 31, 2025, ARC added lease obligations related to equipment used in ARC's operations. ARC also acquired lease obligations through a business combination related to third-party natural gas gathering infrastructure.

Payments recognized in the financial statements relating to short-term leases and leases of low-value assets for the year ended December 31, 2025 were \$1.8 million (\$0.8 million for the year ended December 31, 2024). 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 \$2.6 million for the year ended December 31, 2025 (\$2.4 million for the year ended December 31, 2024).

The majority of ARC's lease arrangements are effective for periods of one to 11 years but may have extension options. Potential future undiscounted cash outflows of \$795.6 million have not been included in the measurement of ARC's lease obligations at December 31, 2025 and December 31, 2024 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, 2025, \$6.9 million of guaranteed residual value is not expected to be payable at the end of the contract term (\$6.2 million at December 31, 2024) and has been excluded from the estimated value of applicable lease obligations.

The Company's lease agreements do not impose any covenants, however leased assets are not to be used as security for borrowing purposes.

13. Long-term Debt

	December 31, 2025	December 31, 2024
Syndicated credit facilities	388.0	392.0
Term loan	500.0	—
Senior notes		
2.354% note	450.0	450.0
3.577% note	550.0	—
3.465% note	550.0	550.0
4.409% note	450.0	—
Total senior notes	2,000.0	1,000.0
Unamortized debt issuance costs	(9.9)	(4.6)
Total long-term debt outstanding	2,878.1	1,387.4
Long-term debt due within one year	450.0	—
Long-term debt due beyond one year	2,428.1	1,387.4

In conjunction with the acquisition of the Kakwa Assets, ARC:

- issued \$1.0 billion aggregate principal amount of senior unsecured notes;
- obtained a \$500.0 million two-year term loan; and
- increased the borrowing capacity of its revolving credit facility to \$2.0 billion from \$1.7 billion.

Based on a market comparison, the fair value of all long-term debt outstanding was \$2.9 billion at December 31, 2025 (\$1.4 billion at December 31, 2024).

Credit Facility

At December 31, 2025, ARC has a \$2.0 billion unsecured extendible revolving credit facility (the "credit facility"). During the year ended December 31, 2025, the maturity date was extended to March 2029 from February 2028.

Borrowings under the credit 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 credit 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 three lenders totaling \$90.0 million.

The following are the financial covenants governing the credit 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.

Term Loan

The two-year term loan is a non-revolving credit facility and it matures on July 2, 2027. It was issued by a similar syndicate of banks with the same terms, conditions, and pricing as the credit facility.

Senior Notes

At December 31, 2025, ARC has four 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
June 17, 2025	\$550 million	3.577 %	June 17, 2028	Due upon maturity
June 17, 2025	\$450 million	4.409 %	June 17, 2032	Due upon maturity

There were no financial covenants associated with the senior unsecured notes issued in 2025.

Credit Capacity

The following table summarizes ARC's available credit capacity and the current amounts drawn as at December 31, 2025:

	Credit Capacity	Drawn	Remaining
Credit facility	2,000.0	388.0	1,612.0
Term loan	500.0	500.0	—
Working capital facility	40.0	—	40.0
Senior notes	2,000.0	2,000.0	—
Total	4,540.0	2,888.0	1,652.0

At December 31, 2025, ARC had \$49.4 million in letters of credit (\$46.5 million at December 31, 2024), no subordinated debt, and was in compliance with all of its debt covenants.

14. Other Deferred Liabilities

Carrying Amount	
Balance, January 1, 2024	146.7
Additions	4.5
Settlements	(7.4)
Amortization	(24.7)
Balance, December 31, 2024	119.1
Additions	46.0
Accretion	1.1
Settlements	(2.0)
Amortization	(22.6)
Balance, December 31, 2025	141.6
Expected to be settled within one year	28.6
Expected to be settled beyond one year	113.0

The balance at December 31, 2025, is comprised of amounts payable in future periods as well as amounts that will be amortized into income over the remaining lives of the associated agreements, the longest of which matures in 2039.

15. 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 \$493.9 million at December 31, 2025 (\$431.4 million at December 31, 2024) based on a total future undiscounted liability of \$792.9 million (\$599.7 million at December 31, 2024). Management estimates that these payments are expected to be made over the next 57 years, with the majority of payments occurring in the years 2050 - 2070. The Bank of Canada's long-term risk-free bond rate of 3.9 per cent (3.3 per cent at December 31, 2024) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2024) were used to calculate the present value of ARO at December 31, 2025.

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

	Year Ended December 31, 2025	Year Ended December 31, 2024
Balance, beginning of year	431.4	451.3
Acquired through a business combination ⁽¹⁾ (Note 6)	30.5	—
Revaluation of obligations acquired through a business combination ⁽²⁾	28.5	—
Development activities	16.3	21.8
Change in estimates ⁽³⁾	42.1	(8.4)
Change in discount rate	(53.3)	(31.2)
Settlement of obligations	(17.6)	(16.2)
Accretion	16.0	14.1
Balance, end of year	493.9	431.4
Expected to be incurred within one year	20.0	17.0
Expected to be incurred beyond one year	473.9	414.4

(1) The obligations acquired were measured at a credit-adjusted rate of 6.6 per cent.

(2) The obligations acquired were subsequently remeasured at a risk-free rate in accordance with the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies".

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

The following table demonstrates the change in ARO as a result of reasonably possible changes in discount rate:

	December 31, 2025	December 31, 2024
Increase of one per cent	(99.4)	(83.6)
Decrease of one per cent	138.2	118.6

16. 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 or repurchasing shares, or issuing or repaying debt.

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; and
- maintain financial flexibility to execute on strategic opportunities.

During the year ended December 31, 2025, ARC issued \$1.5 billion of long-term debt, repurchased 19.7 million common shares under its normal course issuer bid ("NCIB"), while also renewing its NCIB, and the Board declared dividends totaling \$0.78 per share. The issuance of long-term debt was in conjunction with the acquisition of the Kakwa Assets, for more information refer to Note 6 "Business Combination". During the year ended December 31, 2025, ARC increased its dividend by 11 per cent from \$0.19 per share per quarter to \$0.21 per share per quarter.

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, 2025 and 2024 is calculated as follows:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Cash flow from operating activities	3,093.5	2,348.6
Net change in other liabilities (Note 24)	95.4	19.9
Change in non-cash operating working capital (Note 24)	3.5	104.0
Funds from operations	3,192.4	2,472.5

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 less than 1.5 times funds from operations. At December 31, 2025, ARC's net debt was 0.9 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, 2025 and 2024:

	December 31, 2025	December 31, 2024
Long-term debt ⁽¹⁾	2,878.1	1,387.4
Accounts payable and accrued liabilities	760.8	634.4
Dividends payable	120.0	112.2
Cash and cash equivalents, accounts receivable, and prepaid expense	(892.8)	(798.4)
Net debt	2,866.1	1,335.6
Funds from operations	3,192.4	2,472.5
Net debt to funds from operations (ratio) ⁽²⁾	0.9	0.5

(1) Includes current portion of long-term debt of \$450.0 million at December 31, 2025 (\$nil at December 31, 2024).

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

17. Financial Instruments and Market Risk Management

Financial Instruments

At December 31, 2025, 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 risk management contracts are carried at fair value on the balance sheets. All of ARC's risk management contracts are transacted in active markets, with the exception of embedded derivatives identified within certain natural gas sales contracts.

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 13 "Long-term Debt". There were no transfers between levels in the fair value hierarchy for the year ended December 31, 2025.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at December 31, 2025 approximate their fair values due to the short-term nature of these instruments.

Embedded Derivatives

ARC has 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 "JKM 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.

Additionally, ARC has 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. 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 "TTF 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.

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 used in the valuation of the JKM Agreement and the sensitivity of the fair value of the embedded derivative from reasonably possible changes:

JKM Agreement	December 31, 2025	December 31, 2024
Net asset (liability) fair value	(42.6)	62.3
Significant unobservable inputs:		
Forward prices ⁽¹⁾	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\$4.50/MMBtu - US\$5.97/MMBtu	US\$4.99/MMBtu - US\$8.51/MMBtu
Discount rate	12 %	12 %
Increase (decrease) in fair value:		
Forward prices ⁽¹⁾		
Increase of five per cent	86.6	89.1
Decrease of five per cent	(86.6)	(89.1)
Discount rate		
Increase of one per cent	3.5	1.0
Decrease of one per cent	(3.9)	(1.3)
Cdn\$/US\$ exchange rate		
Increase of \$0.10	(2.4)	3.3
Decrease of \$0.10	2.4	(3.3)

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

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

TTF Agreement	December 31, 2025	December 31, 2024
Net liability fair value	(95.7)	(37.1)
Significant unobservable inputs:		
Forward prices ⁽¹⁾	A blend of observable and constructed forward curves for NYMEX Henry Hub and TTF prices.	A blend of observable and constructed forward curves for NYMEX Henry Hub and TTF prices.
	US\$4.01/MMBtu - US\$5.82/MMBtu	US\$3.87/MMBtu - US\$5.72/MMBtu
Discount rate	12 %	12 %
Increase (decrease) in fair value:		
Forward prices ⁽¹⁾		
Increase of five per cent	65.8	35.1
Decrease of five per cent	(65.8)	(35.1)
Discount rate		
Increase of one per cent	5.5	2.3
Decrease of one per cent	(5.9)	(2.6)
Cdn\$/US\$ exchange rate		
Increase of \$0.10	(5.4)	(2.0)
Decrease of \$0.10	5.4	2.0
US\$/EUR exchange rate		
Increase of \$0.10	31.6	16.3
Decrease of \$0.10	(31.6)	(16.3)

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

In addition to the significant unobservable inputs, ARC assesses the risk of non-performance in its embedded derivative contracts. The non-performance risk factor applied to the value of the JKM Agreement was not significant as construction of the counterparty's liquefied natural gas facility is well underway and anticipated to be substantially complete in 2026. The non-performance risk factor applied to the value of the TTF Agreement is also not significant, as all conditions precedent of the agreement have been waived and a commencement date has been issued by the counterparty.

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 comprehensive 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, 2025, ARC recognized an unrealized loss of \$163.5 million (unrealized gain of \$31.2 million for the year ended December 31, 2024). At December 31, 2025, the fair value of the natural gas embedded derivatives was a liability of \$138.3 million (asset of \$25.2 million at December 31, 2024).

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, 2025 and December 31, 2024:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset	Net Amounts of Financial Assets (Liabilities) Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets
As at December 31, 2025					
Risk management contracts					
Current asset	172.5	(36.3)	136.2	(0.6)	135.6
Long-term asset	77.5	(20.8)	56.7	(0.3)	56.4
Current liability	(36.3)	36.3	—	—	—
Long-term liability	(159.7)	20.8	(138.9)	—	(138.9)
Net position	54.0	—	54.0	(0.9)	53.1
As at December 31, 2024					
Risk management contracts					
Current asset	250.9	(60.0)	190.9	(0.8)	190.1
Long-term asset	187.2	(32.7)	154.5	(0.4)	154.1
Current liability	(61.1)	60.0	(1.1)	0.1	(1.0)
Long-term liability	(69.8)	32.7	(37.1)	—	(37.1)
Net position	307.2	—	307.2	(1.1)	306.1

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 oversight.

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, 2025. 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, the rate at which global energy markets transition to a lower carbon-based economy, nations approach to energy security, inventory levels, exchange rates, weather, economic and geopolitical factors, tariffs, and a global pandemic or natural disaster and the respective responses from various levels of government. Changes 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, 2025.

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⁾	
	2025	2024	2025	2024	2025	2024	2025	2024
Net income	(28.9)	(53.2)	(54.4)	(24.9)	24.7	54.0	63.5	28.0

(1) Excludes any sensitivity related to ARC's embedded derivatives. Refer to the section of this note entitled "Embedded Derivatives".

(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, 2025, 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	
	2025	2024 ⁽¹⁾	2025	2024 ⁽¹⁾
Risk management contracts ⁽²⁾	(9.6)	(29.3)	7.3	22.1
US dollar-denominated payables and receivables	7.0	5.8	(7.0)	(5.8)
Net income	(2.6)	(23.5)	0.3	16.3

(1) Prior period amounts have been revised.

(2) Excludes any sensitivity related to ARC's embedded derivatives. Refer to the section of this note entitled "Embedded Derivatives".

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. ARC is exposed to interest rate risk with respect to debt drawn under its credit facility and term loan. If interest rates were to increase or decrease by 100 basis points, the impact on interest expense in the statements of comprehensive income for the year ended December 31, 2025, would be \$6.0 million (\$4.5 million for the year ended December 31, 2024).

Risk Management Contracts

The following table details the composition of ARC's gain (loss) on risk management contracts:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Realized gain on risk management contracts	264.0	190.3
Unrealized gain (loss) on risk management contracts	(253.0)	82.4
Total gain on risk management contracts	11.0	272.7

The following table summarizes ARC's risk management contracts as at December 31, 2025:

Risk Management Contracts Positions Summary ⁽¹⁾								
As at December 31, 2025	2026		2027		2028		2029	
Crude Oil – WTI	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Ceiling	79.19	15,000	—	—	—	—	—	—
<i>Floor</i>	63.33	15,000	—	—	—	—	—	—
Sold Floor	51.67	15,000	—	—	—	—	—	—
Swap	58.60	161	—	—	—	—	—	—
Sold Swaption ⁽²⁾	—	—	89.51	4,000	—	—	—	—
Total Crude Oil Volumes (bbl/day)	15,161		—		—		—	
Natural Gas – NYMEX Henry Hub ⁽³⁾	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Ceiling	6.16	50,000	—	—	—	—	—	—
<i>Floor</i>	3.00	5,000	—	—	—	—	—	—
Natural Gas – AECO 7A	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day
Ceiling	4.04	300,000	3.61	180,000	3.46	30,000	3.46	30,000
<i>Floor</i>	2.71	300,000	2.55	180,000	2.50	30,000	2.50	30,000
Swap	2.87	29,315	—	—	—	—	—	—
Natural Gas – Chicago ⁽⁴⁾	US\$/MMBtu	MMBtu/ day						
Ceiling	5.27	48,301	—	—	—	—	—	—
<i>Floor</i>	3.50	48,301	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)	410,432		170,607		28,435		28,435	
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Sold Swap	(1.05)	84,644	(1.05)	92,500	(1.05)	(92,500)	(1.05)	21,075
Foreign Exchange	Notional (US\$ Millions)	Rate (Cdn\$/US\$)						
Ceiling	360.0	1.4265	—	—	—	—	—	—
<i>Floor</i>	360.0	1.3700	—	—	—	—	—	—
Sold Floor	240.0	1.3100	—	—	—	—	—	—

(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.

(4) Natural gas prices referenced to NGI Chicago Citygate.

18. Income Taxes

The major components of income tax expense for the years ended December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
Current	260.0	200.4
Deferred:		
Origination and reversal of temporary differences	69.2	119.6
Adjustments for prior years	26.6	13.6
Changes in tax rates and legislation	3.0	(2.7)
	98.8	130.5
Total income tax expense	358.8	330.9

The Organization for Economic Co-Operation and Development's Pillar Two Model Rules do not have a significant impact on ARC's income tax expense.

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, 2025	December 31, 2024
Net income before tax	1,633.9	1,455.0
Canadian statutory rate ⁽¹⁾	23.32 %	23.27 %
Expected income tax expense at statutory rates	381.0	338.6
Effect on income tax of:		
Change in corporate tax rate	3.0	(2.7)
Change in estimated pool balances ⁽²⁾	(25.6)	(5.1)
Other	0.4	0.1
Total income tax expense	358.8	330.9

(1) The tax rate consists of the combined federal and provincial statutory tax rates for the Company for the years ended December 31, 2025 and 2024. The combined federal and provincial rate increase to 23.32 per cent in 2025 from 23.27 per cent in 2024 reflects changes made to the 2025 provincial income allocation, resulting in increased income allocated to British Columbia which has a relatively higher corporate tax rate of 12 per cent.

(2) Change in estimated pool balances primarily consists of recognition of SR&ED and related Investment Tax Credits.

	December 31, 2025	December 31, 2024
Deferred tax liabilities:		
PP&E in excess of tax basis	1,630.7	1,458.3
Risk management contracts	44.8	80.0
ROU assets	222.4	218.5
Deferred tax assets:		
ARO	(115.2)	(100.4)
Risk management contracts	(32.4)	(8.9)
Long-term incentive compensation expense	(24.7)	(31.7)
Lease obligations	(241.2)	(233.0)
Other deferred liabilities	(30.0)	(24.3)
Other	(3.7)	(7.1)
Deferred taxes	1,450.7	1,351.4

At December 31, 2025, the crude oil and natural gas assets owned by ARC have a federal tax basis of \$6.0 billion (\$4.5 billion at December 31, 2024) available for future use as deductions from taxable income.

The following is a summary of ARC's estimated tax pools as at December 31, 2025 and December 31, 2024:

	December 31, 2025	December 31, 2024
Canadian oil and gas property expense	1,891.4	788.6
Canadian development expense	2,098.8	1,881.5
Undepreciated capital cost	1,969.0	1,769.8
Other	25.6	31.2
Total federal tax pools	5,984.8	4,471.1

19. 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 were no preferred shares outstanding as at December 31, 2025 or 2024.

(thousands of shares)	Year Ended December 31, 2025	Year Ended December 31, 2024
Common shares, beginning of year	589,626	596,853
Repurchase of shares for cancellation	(19,687)	(8,487)
Issued on exercise of share options and long-term incentive awards	598	1,215
Unvested restricted shares held in trust pursuant to the LTRSA Plan ⁽¹⁾	(16)	(18)
Restricted shares vested pursuant to the LTRSA Plan	105	63
Common shares, end of year	570,626	589,626

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

In September 2025, ARC announced the renewal of its NCIB. The renewed NCIB allows ARC to purchase up to 58.0 million of its outstanding common shares over a 12-month period, commencing September 8, 2025. During the year ended December 31, 2025, ARC repurchased 19.7 million common shares under its NCIB at a weighted average price per share of \$26.54 for a total of \$522.9 million, inclusive of all costs. Shares are cancelled upon repurchase.

At December 31, 2025, ARC has recognized a liability of \$15.0 million (\$15.1 million at December 31, 2024) in accounts payable and accrued liabilities on the balance sheets for share repurchases that may 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 \$6.8 million and a reduction to retained earnings of \$8.2 million (\$5.6 million and \$9.5 million at December 31, 2024, respectively).

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

(thousands of shares)	Year Ended December 31, 2025	Year Ended December 31, 2024
Weighted average common shares	581,537	594,861
Dilutive impact of share-based compensation ⁽¹⁾	1,062	1,560
Weighted average common shares, diluted	582,599	596,421

(1) For the year ended December 31, 2025, 0.1 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (0.3 million for the year ended December 31, 2024).

Dividends declared for the year ended December 31, 2025 were \$0.78 per share (\$0.70 for the year ended December 31, 2024).

20. Revenue

Commodity Sales from Production

ARC earns 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, 2025	Year Ended December 31, 2024
Crude oil	248.3	233.4
Condensate	3,104.7	2,850.7
Natural gas	1,697.6	1,134.6
Natural gas liquids	371.1	385.0
Total commodity sales from production	5,421.7	4,603.7

During the year ended December 31, 2025, \$922.4 million of total commodity sales from production are attributed to the United States (\$635.9 million for the year ended December 31, 2024), with the remainder attributed to Canada, based on the location of ARC's sales points.

At December 31, 2025, accounts receivable includes \$676.7 million from contracts with customers (\$607.1 million at December 31, 2024).

ARC enters into contracts with customers that can have performance obligations that are unsatisfied, or partially unsatisfied, at the reporting date. At December 31, 2025, 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.

Sales of Third-Party Purchases

Through the normal course of business, ARC will purchase goods and services from third parties and will earn revenue upon the subsequent sale of these purchases. The following table presents the Company's disaggregation of sales of third-party purchases:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Sales of commodities purchased from third parties	1,151.8	1,020.2
Transportation assignment sales	39.0	—
Sales of third-party purchases	1,190.8	1,020.2

During the year ended December 31, 2025, \$47.6 million of sales of third-party purchases are attributed to the United States (\$1.2 million for the year ended December 31, 2024), with the remainder attributed to Canada.

21. 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. Collectively, ARC's long-term incentive plans are comprised of Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") plans. ARC also has certain share-based compensation plans that were acquired through a business combination which are eligible for continuation and exercise (the "Acquired Plans").

RSU Plans and PSU Plans

Awards under the RSU and PSU plans consist 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 through the assessment of a corporate scorecard, which occurs at the end of the three-year performance period and includes a weighting of 50 per cent based on ARC's relative total shareholder return performance compared to a defined peer group.

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.

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 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.

Remaining DSU awards outstanding under the Acquired Plans are vested, but are available for redemption when the director ceases to be a member of the Board. Approximately 35 per cent of these awards 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 for the years ended December 31, 2025 and 2024:

RSU, PSU, and DSU Plans (number of awards, thousands)	RSUs	PSUs⁽¹⁾	DSUs
Balance, January 1, 2024	1,992	3,516	1,257
Granted	744	2,109	117
Distributed	(1,082)	(2,644)	(295)
Forfeited	(97)	(119)	—
Balance, December 31, 2024	1,557	2,862	1,079
Granted	683	1,735	114
Distributed	(854)	(1,772)	—
Forfeited	(52)	(147)	—
Balance, December 31, 2025⁽²⁾	1,334	2,678	1,193

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

(2) Includes 0.3 million DSUs under the Acquired Plans.

Compensation charges relating to ARC's share-based compensation plans are reconciled as follows:

	Year Ended December 31, 2025	Year Ended December 31, 2024
General and administrative ("G&A")	24.5	83.9
Operating	2.7	6.6
PP&E	8.8	23.6
Total compensation charge	36.0	114.1
Cash payment	66.0	91.7

At December 31, 2025, compensation amounts of \$78.0 million were recognized in accounts payable and accrued liabilities on the balance sheets (\$60.0 million at December 31, 2024) and \$28.1 million was included in long-term incentive compensation liability (\$76.2 million at December 31, 2024).

Share Option Plans

ARC has certain share options remaining under the Acquired Plans which 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.

ARC also had a share option plan whereby share options vested evenly on the fourth and fifth anniversary of their grant date and had a maximum term of seven years. At December 31, 2025, all outstanding share options were vested.

The original grant price under ARC's share option plan and the 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, 2025, all outstanding share options were vested and exercisable. The changes in total share options outstanding and related weighted average exercise prices of share options outstanding were as follows:

Share Option Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, January 1, 2024	2,271	16.64
Exercised	(1,211)	13.60
Balance, December 31, 2024	1,060	18.95
Exercised	(594)	17.42
Balance, December 31, 2025 ⁽¹⁾	466	20.74

(1) All share options pertain to the Acquired Plans.

The following table summarizes information regarding share options outstanding at December 31, 2025:

Range of Exercise Price per Common Share (\$)	Number of Share Options Outstanding (thousands)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Term (years)
5.98 - 18.00	148	11.01	2.8
18.01 - 27.89	318	25.29	1.0
Total	466	20.74	1.5

LTRSA Plan

Issuance of new awards under the LTRSA plan were suspended in 2021. Previously granted LTRSAs 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, 2025 and 2024 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, 2024	760	12.03	212	6.75
Restricted shares purchased	14	23.31	4	23.31
Distributed	(63)	24.27	—	—
Forfeited	(18)	10.76	(11)	6.17
Balance, December 31, 2024 ⁽¹⁾	693	11.18	205	7.12
Restricted shares purchased	12	26.43	4	26.43
Distributed	(105)	28.56	—	—
Forfeited	(44)	12.04	(20)	6.17
Balance, December 31, 2025	556	8.17	189	7.61

(1) Balances at December 31, 2024 have been revised to reflect forfeitures from awards granted prior to 2020, which had previously been attributed to awards granted subsequent to 2019.

ARC recognized G&A expense of \$0.7 million relating to the LTRSA Plan for the year ended December 31, 2025 (\$0.9 million for the year ended December 31, 2024).

22. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at December 31, 2025 and 2024:

As at December 31, 2025	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	450.0	1,438.0	—	1,000.0	2,888.0
Interest payments ⁽¹⁾	63.9	107.3	77.8	39.3	288.3
Purchase and service commitments ⁽²⁾	170.6	314.4	878.3	7,174.5	8,537.8
Transportation commitments	721.2	1,334.6	1,180.0	4,820.4	8,056.2
Total contractual obligations and commitments	1,405.7	3,194.3	2,136.1	13,034.2	19,770.3

As at December 31, 2024	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	842.0	—	550.0	1,392.0
Interest payments ⁽¹⁾	29.7	43.4	38.1	28.6	139.8
Purchase and service commitments ⁽²⁾	144.0	100.3	689.3	7,963.7	8,897.3
Transportation commitments	665.5	1,180.7	957.8	4,385.0	7,189.0
Total contractual obligations and commitments	839.2	2,166.4	1,685.2	12,927.3	17,618.1

(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.

23. Related Parties

ARC's key management personnel consists of its officers and directors. Short-term benefits comprise 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 and LTRSA plans, as well as through share options under the Acquired Plans. The compensation for key management personnel is as follows:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Short-term benefits	11.5	13.6
Share-based compensation	13.3	59.7
Total key management personnel compensation	24.8	73.3

24. Supplemental Disclosures

Presentation in the Statements of Comprehensive Income

ARC's statements of comprehensive 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. The following table details the amount of total employee compensation expense included in operating and G&A expense in the statements of comprehensive income:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating	64.0	54.2
G&A	98.6	151.7
Total employee compensation expense	162.6	205.9

Through the normal course of business, ARC will purchase goods and services from third parties which are subsequently sold. The following table presents the disaggregation of the expenses associated with third-party purchases:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Commodities purchased from third parties	1,125.9	1,011.4
Transportation assignment	39.0	—
Third-party purchases	1,164.9	1,011.4

Presentation in the Statements of Cash Flows

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

Change in Non-cash Working Capital	Year Ended December 31, 2025	Year Ended December 31, 2024
Accounts receivable	(103.0)	(93.1)
Accounts payable and accrued liabilities	167.3	(144.6)
Inventory	(5.5)	15.7
Prepaid and other long-term assets	(31.3)	(23.8)
Total change in non-cash working capital	27.5	(245.8)
Relating to:		
Operating activities	(3.5)	(104.0)
Financing activities	4.9	4.7
Investing activities	26.1	(146.5)
Total change in non-cash working capital	27.5	(245.8)
Other Non-cash Items	Year Ended December 31, 2025	Year Ended December 31, 2024
Accretion expense	17.1	14.1
Share-based compensation expense	0.7	1.0
Impairment (reversal of impairment) of financial assets	(2.8)	2.3
Loss (gain) on long-term investments	0.3	(0.3)
Other income	—	(0.5)
Other amortization	3.7	(2.1)
Total other non-cash items	19.0	14.5
Net Change in Other Liabilities	Year Ended December 31, 2025	Year Ended December 31, 2024
Long-term incentive compensation liability	(48.1)	17.8
Risk management contracts	—	1.2
ARO cash settlements	(17.6)	(16.2)
Other deferred liabilities	(21.3)	(21.9)
Debt issuance costs	(8.4)	(0.8)
Total net change in other liabilities	(95.4)	(19.9)

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

Financing Liabilities	Current Financial Liabilities	Long-term Financial Liabilities	Total Financial Liabilities from Financing Activities
Balance, January 1, 2024	85.2	2,123.5	2,208.7
Cash flows			
Draw of long-term debt	—	7,348.0	7,348.0
Repayment of long-term debt	—	(7,111.0)	(7,111.0)
Repayment of lease obligations	(93.6)	—	(93.6)
Reclassified to current			
Lease obligations	101.2	(101.2)	—
Non-cash changes			
Lease recognition	—	30.0	30.0
Lease modification	—	5.1	5.1
Amortization of debt issuance costs	—	2.3	2.3
Other changes	—	(0.8)	(0.8)
Balance, December 31, 2024	92.8	2,295.9	2,388.7
Cash flows			
Draw and issuance of long-term debt	—	7,595.9	7,595.9
Repayment of long-term debt	—	(6,099.9)	(6,099.9)
Repayment of lease obligations	(103.8)	—	(103.8)
Debt issuance costs	—	(8.4)	(8.4)
Reclassified to current			
Long-term debt	450.0	(450.0)	—
Lease obligations	119.3	(119.3)	—
Non-cash changes			
Lease obligation acquired through a business combination (Note 6)	—	50.8	50.8
Lease recognition	—	82.8	82.8
Lease modification	3.8	(0.7)	3.1
Amortization of debt issuance costs	—	3.1	3.1
Balance, December 31, 2025	562.1	3,350.2	3,912.3
Lease obligations due within one year	112.1	—	112.1
Lease obligations due beyond one year	—	922.1	922.1
Long-term debt due within one year	450.0	—	450.0
Long-term debt due beyond one year	—	2,428.1	2,428.1

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GLJ Ltd.

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Legal Counsel

Burnet, Duckworth & Palmer LLP

Corporate Calendar

April 28, 2026 | Q1 2026 Results

Stock Exchange Listing

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

Shareholder Inquiries

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

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