ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(Cdn$ millions)	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**190.2**	222.2
Short-term investments	**451.8**	450.0
Accounts receivable	**123.4**	164.7
Prepaid expenses	**10.8**	12.1
Risk management contracts (Note 9)	**101.3**	59.0
Assets held for sale	**243.5**	242.3
	1,121.0	1,150.3
Reclamation fund	**34.3**	36.5
Risk management contracts (Note 9)	**175.7**	123.4
Exploration and evaluation assets (Note 4)	**328.8**	313.2
Property, plant and equipment (Note 5)	**4,261.3**	4,118.9
Goodwill	**248.2**	248.2
Total assets	**6,169.3**	5,990.5
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**254.9**	161.8
Current portion of long-term debt (Note 6)	**51.1**	51.5
Current portion of asset retirement obligations (Note 7)	**15.5**	15.5
Dividends payable (Note 10)	**17.7**	17.7
Risk management contracts (Note 9)	**12.6**	28.9
Liabilities associated with assets held for sale	**171.0**	171.1
	522.8	446.5
Long-term debt (Note 6)	**953.9**	974.5
Long-term incentive compensation liability (Note 11)	**13.5**	24.6
Other deferred liabilities	**12.0**	12.4
Asset retirement obligations (Note 7)	**369.4**	363.4
Deferred taxes	**719.8**	684.3
Total liabilities	**2,591.4**	2,505.7
SHAREHOLDERS' EQUITY		
Shareholders' capital	**4,658.0**	4,654.9
Contributed surplus	**18.5**	17.6
Deficit	**(1,098.6)**	(1,188.0)
Accumulated other comprehensive income	**—**	0.3
Total shareholders' equity	**3,577.9**	3,484.8
Total liabilities and shareholders' equity	**6,169.3**	5,990.5
Commitments and contingencies (Note 12)		

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions, except per share amounts)	2017	2016
Sales of crude oil, natural gas, condensate, natural gas liquids and other income	**309.2**	231.2
Royalties	**(25.8)**	(18.3)
Revenue	**283.4**	212.9
Gain on risk management contracts (Note 9)	**134.5**	61.1
Revenue and risk management contracts	**417.9**	274.0
Transportation	**25.0**	24.8
Operating	**69.9**	69.0
Exploration and evaluation expenses (Note 4)	**—**	1.7
General and administrative	**11.7**	31.8
Interest and financing charges	**11.7**	13.1
Accretion of asset retirement obligations (Note 7)	**3.2**	3.1
Depletion, depreciation and amortization (Note 5)	**113.5**	134.2
Gain on foreign exchange	**(8.5)**	(67.4)
Loss (gain) on short-term investments	**(0.1)**	0.1
Total expenses	**226.4**	210.4
Net income before income taxes	**191.5**	63.6
Provision for (recovery of) income taxes		
Current	**13.5**	(7.0)
Deferred	**35.5**	6.5
Total income taxes (recoveries)	**49.0**	(0.5)
Net income	**142.5**	64.1
Net income per share (Note 10)		
Basic	**0.40**	0.18
Diluted	**0.40**	0.18

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2017**	2016
Net income	**142.5**	64.1
Other comprehensive income (loss)		
Items that may be reclassified into earnings, net of tax:		
Net unrealized gain (loss) on reclamation fund investments	**(0.3)**	0.1
Other comprehensive income (loss)	**(0.3)**	0.1
Comprehensive income	**142.2**	64.2

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

ARC RESOURCES LTD.

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

For the three months ended March 31

(Cdn$ millions)	Shareholders' Capital (Note 10)	Contributed Surplus	Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
December 31, 2015	4,536.9	12.6	(1,161.1)	0.1	3,388.5
Net income	—	—	64.1	—	64.1
Other comprehensive income	—	—	—	0.1	0.1
Total comprehensive income	—	—	64.1	0.1	64.2
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	43.7	—	—	—	43.7
Recognized under share-based compensation plans (Note 11)	—	1.1	—	—	1.1
Dividends declared	—	—	(69.9)	—	(69.9)
March 31, 2016	4,580.6	13.7	(1,166.9)	0.2	3,427.6
December 31, 2016	4,654.9	17.6	(1,188.0)	0.3	3,484.8
Net income	**—**	**—**	**142.5**	**—**	**142.5**
Other comprehensive income (loss)	**—**	**—**	**—**	**(0.3)**	**(0.3)**
Total comprehensive income (loss)	**—**	**—**	**142.5**	**(0.3)**	**142.2**
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	**3.0**	**—**	**—**	**—**	**3.0**
Recognized under share-based compensation plans (Note 11)	**0.1**	**0.9**	**—**	**—**	**1.0**
Dividends declared	**—**	**—**	**(53.1)**	**—**	**(53.1)**
March 31, 2017	**4,658.0**	**18.5**	**(1,098.6)**	**—**	**3,577.9**

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

ARC RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended March 31

(Cdn$ millions)	**2017**	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**142.5**	64.1
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	**(110.1)**	7.2
Accretion of asset retirement obligations (Note 7)	**3.2**	3.1
Depletion, depreciation and amortization (Note 5)	**113.5**	134.2
Exploration and evaluation expenses (Note 4)	**—**	1.7
Unrealized gain on foreign exchange	**(7.7)**	(67.4)
Deferred tax expense	**35.5**	6.5
Other (Note 13)	**0.3**	0.7
Net change in other liabilities (Note 13)	**(21.0)**	(1.1)
Change in non-cash working capital (Note 13)	**35.3**	3.7
Cash flow from operating activities	**191.5**	152.7
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of senior notes	**(13.4)**	(13.3)
Issuance of common shares	**0.1**	—
Cash dividends paid	**(50.0)**	(43.3)
Cash flow used in financing activities	**(63.3)**	(56.6)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of petroleum and natural gas properties (Note 5)	**(0.2)**	(15.1)
Property, plant and equipment development expenditures (Note 5)	**(245.0)**	(43.5)
Exploration and evaluation asset expenditures (Note 4)	**(15.3)**	(15.5)
Net reclamation fund withdrawals	**1.9**	0.9
Change in non-cash working capital (Note 13)	**98.4**	(24.7)
Cash flow used in investing activities	**(160.2)**	(97.9)
DECREASE IN CASH AND CASH EQUIVALENTS	**(32.0)**	(1.8)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**222.2**	167.3
CASH AND CASH EQUIVALENTS, END OF PERIOD	**190.2**	165.5
The following are included in cash flow from operating activities:		
Income taxes paid in cash	**8.2**	—
Interest paid in cash	**15.4**	16.3

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

1. STRUCTURE OF THE BUSINESS

The principal undertakings of ARC Resources Ltd. and its subsidiaries (collectively, the "Company" or "ARC") are to carry on the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets.

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1200, 308 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0H7.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2016. All financial information is reported in millions of Canadian dollars ("Cdn$"), unless otherwise noted. References to "US$" are to United States dollars.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2016. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous financial year, except for income taxes. Income taxes on net income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income (loss). There have been no significant changes to the use of estimates or judgments since December 31, 2016.

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.

These financial statements were authorized for issue by the Board of Directors on May 3, 2017.

3. FUTURE ACCOUNTING POLICY CHANGES

In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by ARC on January 1, 2018. The Company has created a project plan and is currently in the process of reviewing its various revenue streams and underlying contracts with customers to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements, as well as the impact that adoption of the standard will have on disclosure.

In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in OCI rather than the statement of income, unless this creates an accounting mismatch. The Company anticipates that adoption of IFRS 9 will result in changes to the classification of the Company's financial assets but will not change the classification of the Company's financial liabilities. The Company does not anticipate any material changes in the carrying values of the Company's financial instruments as a result of the adoption of

IFRS 9. In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. ARC does not anticipate that the new impairment model will result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be used for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by ARC on January 1, 2018.

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 *Revenue from Contracts with Customers*. The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will be applied by ARC on January 1, 2019 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

4. EXPLORATION AND EVALUATION ("E&E") ASSETS

Carrying Amount	
Balance, December 31, 2016	313.2
Additions	**15.3**
Change in asset retirement cost	**0.3**
Balance, March 31, 2017	**328.8**

At March 31, 2017, ARC evaluated its E&E assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no impairment was recorded on ARC's E&E assets.

5. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Cost	**Development and Production Assets**	**Administrative Assets**	**Total**
Balance, December 31, 2016	7,020.3	67.3	7,087.6
Additions	**243.1**	**2.0**	**245.1**
Acquisitions	**0.6**	**—**	**0.6**
Change in asset retirement cost	**11.5**	**—**	**11.5**
Other	**(0.9)**	**—**	**(0.9)**
Balance, March 31, 2017	**7,274.6**	**69.3**	**7,343.9**
Accumulated Depletion, Depreciation and Amortization ("DD&A") and Impairment			
Balance, December 31, 2016	(2,929.1)	(39.6)	(2,968.7)
DD&A	**(112.2)**	**(1.3)**	**(113.5)**
Other	**(0.4)**	**—**	**(0.4)**
Balance, March 31, 2017	**(3,041.7)**	**(40.9)**	**(3,082.6)**
Carrying Amounts			
Balance, December 31, 2016	4,091.2	27.7	4,118.9
Balance, March 31, 2017	**4,232.9**	**28.4**	**4,261.3**

For the three months ended March 31, 2017, $7.3 million of direct and incremental general and administrative ("G&A") expenses were capitalized to PP&E ($4.4 million for the three months ended March 31, 2016). At March 31, 2017, future development costs of $2.8 billion were included in the depletion calculation ($2.7 billion at March 31, 2016).

At March 31, 2017, ARC evaluated its development and production assets for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified and no impairment or related reversal were recorded on ARC's development and production assets.

6. LONG-TERM DEBT

	US $ Denominated		Canadian $ Amount	
	March 31, 2017	December 31, 2016	**March 31, 2017**	December 31, 2016
Senior notes				
Master Shelf Agreement				
5.42% US$ note	**9.4**	9.4	**12.5**	12.6
4.98% US$ note	**20.0**	30.0	**26.7**	40.3
3.72% US$ note	**150.0**	150.0	**199.8**	201.4
2009 note issuance				
8.21% US$ note	**35.0**	35.0	**46.6**	47.0
2010 note issuance				
5.36% US$ note	**150.0**	150.0	**199.8**	201.4
2012 note issuance				
3.31% US$ note	**60.0**	60.0	**79.9**	80.6
3.81% US$ note	**300.0**	300.0	**399.7**	402.7
4.49% Cdn$ note	**N/A**	N/A	**40.0**	40.0
Total long-term debt outstanding	**724.4**	734.4	**1,005.0**	1,026.0
Long-term debt due within one year			**51.1**	51.5
Long-term debt due beyond one year			**953.9**	974.5

At March 31, 2017, the fair value of all senior notes is $1,016.8 million ($1,032.7 million as at December 31, 2016), compared to a carrying value of $1,005.0 million ($1,026.0 million as at December 31, 2016).

7. ASSET RETIREMENT OBLIGATIONS ("ARO")

ARC has estimated the net present value of its total ARO to be $384.9 million as at March 31, 2017 ($378.9 million at December 31, 2016) based on a total future undiscounted liability of $727.8 million ($725.9 million at December 31, 2016).

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

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Balance, beginning of period	378.9	573.2
Development activities	**3.7**	5.3
Change in estimates (1)	**8.1**	27.0
Change in discount rate	**—**	(24.2)
Settlement of obligations	**(9.1)**	(13.0)
Accretion	**3.2**	12.1
Acquisitions and business combinations	**—**	16.4
Revaluation of obligations acquired in business combination (2)	**—**	42.1
Dispositions	**—**	(88.9)
Reclassified as liabilities associated with assets held for sale	**0.1**	(171.1)
Balance, end of period	**384.9**	378.9
Expected to be incurred within one year	**15.5**	15.5
Expected to be incurred beyond one year	**369.4**	363.4

(1) Relates to changes in anticipated settlement dates of ARO.
(2) Relates to the revaluation of obligations acquired in business combinations subsequent to their initial measurement.

The Bank of Canada's long-term risk-free bond rate of 2.3% per cent (2.3% per cent at December 31, 2016) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2016) were used to calculate the present value of ARO at March 31, 2017.

8. CAPITAL MANAGEMENT

ARC manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. ARC is able to change its capital structure by issuing new shares, new debt or changing its dividend policy.

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

- fund its development and exploration program;
- provide financial flexibility to execute on strategic opportunities; and
- maintain a dividend policy that, in normal times, in the opinion of Management and the Board of Directors, is sustainable.

ARC manages its capital through:

- common shares; and
- net debt.

When evaluating ARC's capital structure, Management's long-term strategy is to keep its net debt balance to a ratio of between one to 1.5 times annualized funds from operations and less than 20 per cent of total market capitalization. At March 31, 2017, ARC's net debt was 0.7 times its annualized funds from operations as ARC received proceeds from dispositions completed in the fourth quarter of 2016. The proceeds from the dispositions are currently held in short-term investment-grade assets. Over time, ARC expects its net debt to annualized funds from operations ratio to return to the target levels of between one to 1.5 times annualized funds from operations as the proceeds will be reinvested to fund continued capital development in ARC's core operating areas.

Funds from Operations

ARC considers funds from operations to be a key measure of operating performance as it demonstrates ARC's ability to generate the necessary funds to fund sustaining capital and future growth through capital investment and to repay debt. Management believes that such a measure provides an insightful assessment of ARC's operations on a continuing basis by eliminating certain non-cash charges and charges that are nonrecurring. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Funds from operations for the three months ended March 31, 2017 and 2016 is calculated as follows:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flow from operating activities	**191.5**	152.7
Net change in other liabilities (Note 13)	**21.0**	1.1
Change in non-cash operating working capital (Note 13)	**(35.3)**	(3.7)
Funds from operations	**177.2**	150.1

Net Debt and Total Capitalization

Net debt is used by Management as a key measure to assess the Company's liquidity. Total capitalization is used by Management and ARC's investors in analyzing the Company's balance sheet strength and liquidity.

	March 31, 2017	March 31, 2016
Long-term debt (1)	**1,005.0**	1,034.4
Accounts payable and accrued liabilities	**254.9**	119.2
Dividends payable	**17.7**	17.5
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	**(776.2)**	(302.7)
Net debt	**501.4**	868.4
Shares outstanding (millions) (2)	**353.4**	349.8
Share price ($) (3)	**19.00**	18.89
Market capitalization	**6,714.6**	6,607.7
Net debt	**501.4**	868.4
Total capitalization	**7,216.0**	7,476.1
Net debt as a percentage of total capitalization (%)	**6.9**	11.6
Net debt to annualized funds from operations (ratio)	**0.7**	1.4

(1) Includes current portion of long-term debt at March 31, 2017 and 2016 of $51.1 million and $54.7 million, respectively.
(2) Basic shares outstanding as at March 31, 2017 and 2016, respectively.
(3) TSX closing price as at March 31, 2017 and 2016, respectively.

9. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments

ARC's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, risk management contracts, reclamation fund, accounts payable and accrued liabilities, dividends payable, and long-term debt.

ARC's financial instruments that are carried at fair value on the unaudited condensed interim consolidated balance sheets (the "balance sheets") include cash and cash equivalents, short-term investments, risk management contracts, and reclamation fund. The fair value of long-term debt is disclosed in Note 6. To estimate the fair value of these instruments, ARC uses quoted market prices when available, or third-party models and valuation methodologies that use observable market data. Fair value is measured using the assumptions that market participants would use, including transaction-specific details and non-performance risk.

All financial 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.

All of ARC's financial instruments carried at fair value are transacted in active markets. ARC's cash and cash equivalents, short-term investments, and reclamation fund are classified as Level 1 measurements and its risk management contracts and fair value disclosure for its long-term debt are classified as Level 2 measurements. ARC does not have any financial instruments classified as Level 3.

ARC determines whether transfers have occurred between levels in the hierarchy by reassessing its hierarchy classifications at each reporting date based on the lowest level input that is significant to the fair value measurement as a whole. There were no transfers between levels in the hierarchy in the three months ended March 31, 2017 or 2016.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their fair values.

Financial Assets and Financial Liabilities Subject to Offsetting

ARC's risk management contracts are subject to master netting agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's balance sheets in all circumstances. ARC manages these contracts on the basis of its net exposure to market risks and therefore measures their fair value consistently with how market participants would price the net risk exposure at the reporting date under current market conditions.

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at March 31, 2017 and December 31, 2016:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset in Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet
As at March 31, 2017					
Risk management contracts					
Current asset	**133.6**	**(31.5)**	**102.1**	**(0.8)**	**101.3**
Long-term asset	**192.5**	**(15.5)**	**177.0**	**(1.3)**	**175.7**
Current liability	**(44.4)**	**31.5**	**(12.9)**	**0.3**	**(12.6)**
Long-term liability	**(15.5)**	**15.5**	**—**	**—**	**—**
Net position	**266.2**	**—**	**266.2**	**(1.8)**	**264.4**

As at December 31, 2016					
Risk management contracts					
Current asset	100.1	(40.7)	59.4	(0.4)	59.0
Long-term asset	140.5	(16.2)	124.3	(0.9)	123.4
Current liability	(70.3)	40.7	(29.6)	0.7	(28.9)
Long-term liability	(16.2)	16.2	—	—	—
Net position	154.1	—	154.1	(0.6)	153.5

Risk Management Contracts

The following is a summary of all risk management contracts in place, excluding premiums, as at March 31, 2017. Risk management contract premiums have been disclosed as commitments in Note 12.

Financial WTI Crude Oil Contracts (1) (2)

Term		Contract	Volume bbl/d	Bought Put US$/bbl	Sold Call US$/bbl	Sold Put US$/bbl
1-Apr-17	31-Dec-17	Collar	3,000	40.00	50.00	—
1-Apr-17	31-Dec-17	3-Way Collar	8,000	46.25	57.61	34.38
1-Jul-17	31-Dec-17	3-Way Collar	3,000	50.00	58.73	37.50
1-Jan-18	31-Dec-18	3-Way Collar	4,000	50.00	65.39	40.00
1-Jan-19	31-Dec-19	3-Way Collar	2,000	50.00	65.63	40.00

(1) Settled on the monthly average price.
(2) The prices and volumes in this table represent averages for several contracts. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts.

Financial Cdn$ WTI Crude Oil Contracts (3)

Term		Contract	Volume bbl/d	Sold Swap Cdn$/bbl	Bought Put Cdn$/bbl	Sold Call Cdn$/bbl
1-Apr-17	30-Jun-17	Collar	3,000	—	70.00	83.38
1-Jan-18	31-Dec-18	Collar	2,000	—	65.00	76.25
1-Jan-18	31-Dec-18	Swap	4,000	73.13	—	—

(3) Settled on the monthly average price (monthly average US$/bbl multiplied by the Bank of Canada monthly average noon day rate).

Financial MSW Crude Oil Contracts [4]				
			Volume	Sold Swap
Term		Contract	bbl/d	US$/bbl
1-Apr-17	31-Dec-17	Swap	10,000	(3.22)
1-Jan-18	31-Dec-18	Swap	4,000	(3.50)

(4) Settled on the monthly average MSW differential to WTI. The MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis.

Financial NYMEX Henry Hub Natural Gas Contracts [5]							
			Volume	Sold Swap	Bought Put	Sold Call	Sold Put
Term		Contract	MMBtu/d	US$/MMBtu	US$/MMBtu	US$/MMBtu	US$/MMBtu
1-Apr-17	31-Dec-17	Swap	145,000	4.00	—	—	—
1-Apr-17	31-Dec-17	Collar	20,000	—	3.00	3.37	—
1-Jan-18	31-Dec-18	Swap	90,000	4.00	—	—	—
1-Jan-18	31-Dec-18	3-Way Collar	50,000	—	3.00	3.66	2.50
1-Jan-19	31-Dec-19	Collar	40,000	—	4.00	5.00	—
1-Jan-19	31-Dec-19	3-Way Collar	30,000	—	2.75	3.40	2.25

(5) NYMEX Henry Hub "Last Day" Settlement.

Financial AECO Natural Gas Contracts [6]						
			Volume	Sold Swap	Bought Put	Sold Call
Term		Contract	GJ/d	Cdn$/GJ	Cdn$/GJ	Cdn$/GJ
1-Apr-17	31-Dec-17	Swap	60,000	2.64	—	—
1-Jul-17	31-Dec-17	Swap	20,000	3.05	—	—
1-Nov-17	31-Mar-18	Swap	20,000	3.22	—	—
1-Jan-18	31-Dec-18	Swap	40,000	2.96	—	—
1-Jan-19	31-Dec-19	Swap	20,000	3.16	—	—
1-Jan-19	31-Dec-19	Collar	10,000	—	3.00	3.30
1-Jan-20	31-Dec-20	Swap	30,000	3.35	—	—
1-Jan-20	31-Dec-20	Collar	30,000	—	3.08	3.60

(6) AECO Monthly (7A) index Cdn$/GJ.

Financial AECO Basis Ratio Swap Contracts [7]				
			Volume	Sold Swap
Term		Contract	MMBtu/d	AECO/NYMEX %
1-Apr-17	31-Dec-17	Swap	120,000	90.2
1-Apr-17	30-Jun-18	Swap	20,000	89.9
1-Apr-17	31-Dec-18	Swap	5,000	77.0
1-Jan-18	31-Dec-18	Swap	45,000	81.9
1-Jan-18	30-Jun-19	Swap	20,000	90.8
1-Jul-18	31-Dec-18	Swap	20,000	85.4
1-Jan-19	31-Dec-19	Swap	20,000	81.7
1-Jul-19	31-Dec-19	Swap	20,000	80.7

(7) ARC receives NYMEX price based on Last Day settlement multiplied by AECO/NYMEX US$/MMBtu ratio; ARC pays AECO Monthly (7A) index US$/MMBtu.

Financial AECO Basis Fixed Price Swap Contracts [8]					
			Volume	Bought Swap	Sold Swap
Term		Contract	MMBtu/d	US$/MMBtu	US$/MMBtu
1-Apr-17	30-Apr-17	Swap	50,000	(1.02)	—
1-May-17	31-Dec-17	Swap	50,000	(1.19)	—
1-Apr-17	31-Dec-17	Swap	65,000	—	(0.83)
1-Apr-17	31-Dec-18	Swap	5,000	—	(0.64)
1-Jan-18	31-Dec-18	Swap	75,000	—	(0.79)
1-Jan-19	31-Dec-19	Swap	60,000	—	(0.69)
1-Jan-19	31-Dec-20	Swap	10,000	—	(0.83)
1-Jan-19	31-Dec-21	Swap	15,000	—	(0.94)
1-Jan-20	31-Dec-20	Swap	50,000	—	(0.64)

(8) ARC receives NYMEX price based on Last Day settlement less AECO fixed price differential; ARC pays AECO Monthly (7A) index US$/MMBtu.

Financial Electricity Heat Rate Contracts [9]				
			Volume	Heat Rate
Term		Contract	MWh	GJ/MWh
1-Apr-17	31-Dec-17	Heat Rate Swap	20	13.71

(9) ARC pays AECO Monthly (5A) x Heat Rate; ARC receives floating AESO Power Price (monthly average 24x7) Cdn$/MWh.

10. SHAREHOLDERS' CAPITAL

(thousands of shares)	**Three Months Ended March 31, 2017**	Year Ended December 31, 2016
Common shares, beginning of period	353,287	347,084
Restricted shares issued pursuant to the LTRSA [1] Plan	**1**	99
Forfeited restricted shares pursuant to the LTRSA Plan	**(22)**	(3)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	**21**	(96)
Dividend Reinvestment Plan	**129**	4,756
Stock Dividend Program	**16**	1,398
Issued on exercise of share options	**2**	49
Common shares, end of period	**353,434**	353,287

(1) Long-term Restricted Share Award ("LTRSA"), includes restricted shares granted and associated stock dividends.

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

(thousands of shares)	**Three Months Ended March 31, 2017**	Three Months Ended March 31, 2016
Weighted average common shares	**353,364**	348,680
Dilutive impact of share-based compensation[1]	**374**	189
Weighted average common shares, diluted	**353,738**	348,869

(1) For the three months ended March 31, 2017, 3.1 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (2.3 million for the three months ended March 31, 2016).

Dividends declared for the three months ended March 31, 2017 were $0.15 per common share, ($0.20 for the three months ended March 31, 2016).

On April 17, 2017, the Board of Directors declared a dividend of $0.05 per common share designated as an eligible dividend, payable in cash to shareholders of record on April 28, 2017. The dividend payment date is May 15, 2017.

On February 8, 2017, ARC's Board of Directors approved the cancellation of ARC's Dividend Reinvestment Plan and Stock Dividend Program beginning with the dividend payment on April 17, 2017 to shareholders of record on

March 31, 2017. Shareholders that had been enrolled in either program will receive dividends in cash after the cancellation date.

11. SHARE-BASED COMPENSATION PLANS

Long-term Incentive Plans

The following table summarizes the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU") and Deferred Share Unit ("DSU") movement for the three months ended March 31, 2017:

(number of units, thousands)	RSUs	PSUs (1)	DSUs
Balance, December 31, 2016	690	1,708	412
Granted	**194**	**310**	**25**
Distributed	**(149)**	**(190)**	**—**
Forfeited	**(39)**	**(116)**	**—**
Balance, March 31, 2017	**696**	**1,712**	**437**

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

Compensation charges (recoveries) relating to the RSU and PSU Plan and DSU Plan are reconciled as follows:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
G&A expenses (recoveries) (1)	**(5.5)**	10.1
Operating expenses (recoveries)	**(0.1)**	1.4
PP&E (recoveries)	**(0.7)**	0.8
Total compensation charges (recoveries)	**(6.3)**	12.3
Cash payments	**11.2**	11.7

(1) Within G&A expenses (recoveries), a recovery of $1.2 million is related to the DSU Plan for the three months ended March 31, 2017 ($1.3 million expense for the three months ended March 31, 2016).

At March 31, 2017, $18.3 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet ($25.0 million at December 31, 2016) and $13.5 million was included in the long-term incentive compensation liability ($24.6 million at December 31, 2016). A recoverable amount of $0.3 million was included in accounts receivable at March 31, 2017 ($0.5 million at December 31, 2016).

Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2017 were as follows:

	Share Options (number of units, thousands)	**Weighted Average Exercise Price ($)**
Balance, December 31, 2016	3,972	21.22
Exercised	**(2)**	**17.30**
Forfeited	**(124)**	**21.87**
Balance, March 31, 2017	**3,846**	**21.05**
Exercisable, March 31, 2017	**665**	**17.62**

The following table summarizes information regarding share options outstanding at March 31, 2017:

Range of exercise price per common share ($)	Number of share options outstanding (thousands)	Weighted average exercise price per share for options outstanding ($)	Weighted average remaining term (years)	Number of share options exercisable (thousands)	Weighted average exercise price per share for options exercisable ($)
15.15 - 20.00	742	15.15	2.22	361	15.15
20.01 - 25.00	2,643	21.09	4.70	304	20.56
25.01 - 30.29	461	30.29	4.22	—	—
Total	3,846	21.05	4.17	665	17.62

ARC recorded compensation expense of $0.7 million relating to the share option plan for the three months ended March 31, 2017 ($0.9 million for the three months ended March 31, 2016). During the three months ended March 31, 2017, $0.1 million of share option compensation charges were capitalized to PP&E ($0.1 million for the three months ended March 31, 2016).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2017 were as follows:

	LTRSA (number of units, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2016	193	21.33
Stock Dividend Program	**1**	**20.33**
Forfeited	**(22)**	**21.42**
Balance, March 31, 2017	**172**	**21.31**

ARC recorded G&A expenses of $0.1 million relating to the LTRSA Plan during the three months ended March 31, 2017 ($0.1 million for the three months ended March 31, 2016).

12. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2017:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments (1)	51.1	143.9	306.4	503.6	1,005.0
Interest payments (2)	42.8	74.5	53.3	35.0	205.6
Reclamation fund contributions (3)	3.1	5.9	5.5	42.2	56.7
Purchase commitments	46.4	9.5	0.4	—	56.3
Transportation commitments	96.2	196.4	165.0	464.6	922.2
Operating leases	16.1	29.5	28.0	28.0	101.6
Risk management contract premiums (4)	4.5	0.8	—	—	5.3
Total contractual obligations and commitments	**260.2**	**460.5**	**558.6**	**1,073.4**	**2,352.7**

(1) Long-term and current portion of long-term debt.
(2) Fixed interest payments on senior notes.
(3) Contribution commitments to a restricted reclamation fund associated with the Redwater property.
(4) Fixed premiums to be paid in future periods on certain commodity price risk management contracts.

13. SUPPLEMENTAL DISCLOSURES

Presentation in the Statements of Income

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

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating	**10.2**	9.7
G&A	**12.1**	25.2
Total employee compensation expenses	**22.3**	34.9

Cash Flow Statement Presentation

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

Change in Non-Cash Working Capital	**Three Months Ended March 31, 2017**	Three Months Ended March 31, 2016
Accounts receivable	**41.1**	(4.1)
Accounts payable and accrued liabilities	**93.1**	(17.5)
Prepaid expenses	**1.3**	0.6
Short-term investments	**(1.8)**	—
Total	**133.7**	(21.0)
Relating to:		
Operating activities	**35.3**	3.7
Investing activities	**98.4**	(24.7)
Total change in non-cash working capital	**133.7**	(21.0)

Other Non-Cash Items	**Three Months Ended March 31, 2017**	Three Months Ended March 31, 2016
Non-cash lease inducement	**(0.4)**	(0.4)
Loss (gain) on short-term investments	**(0.1)**	0.1
Share-based compensation expense	**0.8**	1.0
Total other non-cash items	**0.3**	0.7

Net Change in Other Liabilities	**Three Months Ended March 31, 2017**	Three Months Ended March 31, 2016
Long-term incentive compensation liability	**(11.1)**	1.0
Risk management contracts	**(0.8)**	—
ARO settlements	**(9.1)**	(2.1)
Total net change in other liabilities	**(21.0)**	(1.1)