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 November 7, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and nine months ended September 30, 2019, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2018, as well as ARC's Annual Information Form ("AIF"), each of which is filed on SEDAR at www.sedar.com. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

This MD&A contains non-GAAP measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with ARC's disclosure under the headings "Non-GAAP Measures", "Forward-looking Information and Statements", and "Glossary" included at the end of this MD&A.

ABOUT ARC RESOURCES LTD.

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

ARC has maintained its strategy of **risk-managed value creation** since inception which has delivered value to shareholders, including payment of a regular dividend. ARC's low cost structure, disciplined capital allocation decisions, marketing strategies, portfolio management, low debt, and strategic optionality have all contributed to ARC's success.

Highlights

Corporate highlights for the annual periods of 2015 through 2018 and the nine months ended September 30, 2019 are shown in Table 1:

Table 1

	2019 YTD	2018	2017	2016	2015
Production (1)					
Crude oil and condensate (bbl/d)	**27,535**	30,741	30,030	35,136	36,192
Natural gas (MMcf/d)	**607.9**	570.2	525.8	475.6	444.9
NGLs (bbl/d)	**7,395**	6,955	5,273	4,274	3,819
Total production (boe/d)	**136,253**	132,724	122,937	118,671	114,167
Average daily production per thousand shares (2)	**0.39**	0.38	0.35	0.34	0.34
Net income (loss)	**(17.4)**	213.8	388.9	201.3	(342.7)
Net income (loss) per share	**(0.05)**	0.60	1.10	0.57	(1.01)
Funds from operations (3)	**524.6**	819.0	731.9	633.3	773.4
Funds from operations per share (3)	**1.48**	2.31	2.07	1.80	2.27
Capital expenditures (4)	**549.8**	679.4	829.7	453.4	541.6
Net debt (3)	**945.5**	702.7	728.0	356.5	985.1
Net debt to annualized funds from operations (ratio) (3)	**1.3**	0.9	1.0	0.6	1.3
Return on average capital employed (%) (5)(6)	**4**	8	14	7	(7)
Proved plus probable reserves (MMboe) (7)(8)	**n/a**	878.9	836.1	736.7	686.9
Proved plus probable reserves per share (boe) (7)(8)	**n/a**	2.5	2.4	2.1	2.0

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

(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the nine months ended September 30, 2019 and for the respective annual periods ended December 31, 2018, 2017, 2016, and 2015.

(3) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(4) Prior to expenditures for land purchases and property acquisitions and dispositions.

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

(6) For the 2019 YTD period, Return on average capital employed ("ROACE") is calculated for the 12 months ended September 30, 2019.

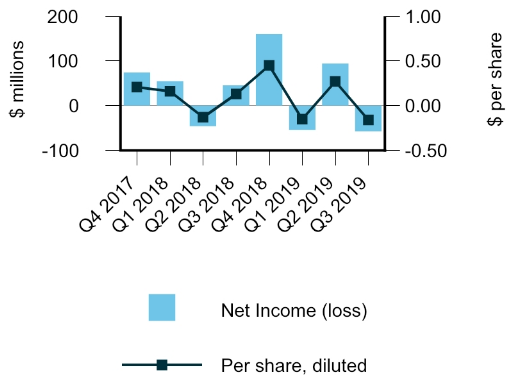
(7) As determined by ARC's independent reserves evaluator with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation ("COGE") Handbook.

(8) Company gross reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF as filed on SEDAR at www.sedar.com and the news release entitled *"ARC Resources Ltd. Announces 118 MMboe of Total Proved Plus Probable Reserve Additions in 2018, Replacing 245 Per Cent of Production, and Delivers Record Proved Producing Reserve Additions of 82 MMboe"* dated February 7, 2019.

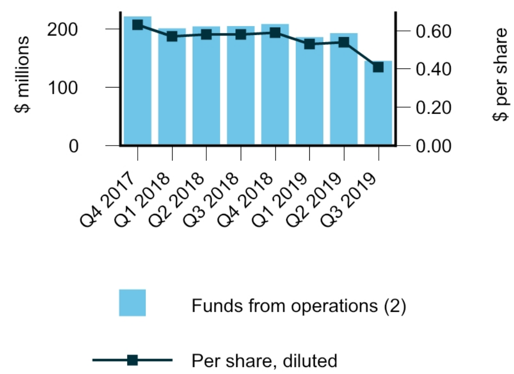
QUARTERLY RESULTS [(1)]

Exhibit 1

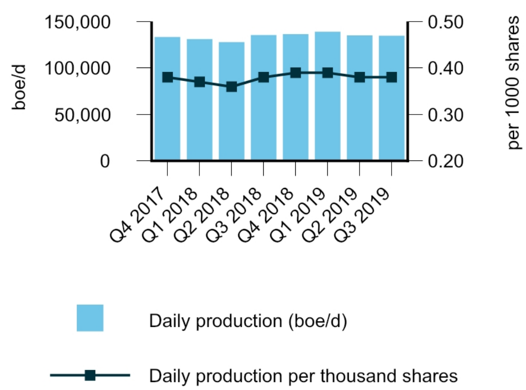
Net Income (Loss)



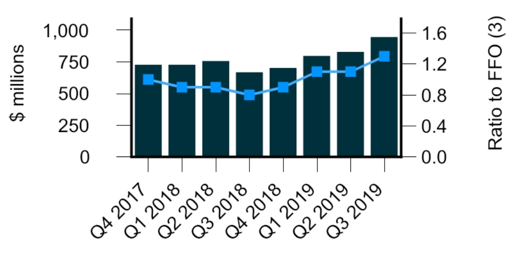
Funds from Operations (2)



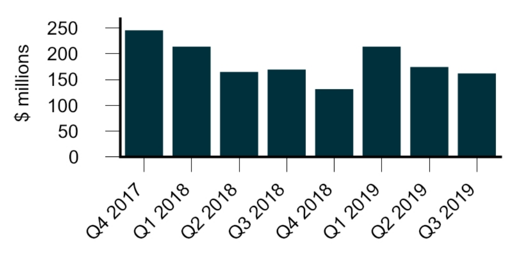
Average Daily Production



Net Debt (2)



Capital Expenditures



(1) The details contained in the graphs above are included in the section entitled "Quarterly Historical Review" contained within this MD&A.
(2) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(3) Net debt to annualized funds from operations. Refer to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

Trends in earnings and funds from operations are primarily associated with fluctuations in revenues which reflect changes in production levels and commodity prices. Realized risk management gains and losses serve to partially mitigate the effect of volatile commodity prices and impact on quarterly funds from operations, while changes in the Canadian value of ARC's US dollar-denominated long-term debt and unrealized risk management gains and losses also impact earnings. The following significant items impacted the Company's financial and operational results over the past eight quarters:

- In the third quarter of 2019, ARC recognized an impairment charge of $39.2 million relating to financial assets. For more information, refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 5 "Financial Assets and Credit Risk" in the financial statements.
- In the second quarter of 2019, ARC recognized an income tax recovery of $63.9 million and an impairment charge of $8.5 million relating to financial assets.
- In the first quarter of 2019, ARC recognized an unrealized loss on risk management contracts of $146.5 million.
- In the fourth quarter of 2018, ARC recognized an unrealized gain on risk management contracts of $194.9 million.
- In the third quarter of 2018, ARC disposed of its non-core Redwater assets for proceeds of $130.3 million, and recognized a $22.8 million reversal of impairment of Property, Plant and Equipment ("PP&E").
- In the second quarter of 2018, ARC recognized an unrealized loss on risk management contracts of $122.1 million.
- In the first quarter of 2018, ARC completed asset dispositions for proceeds of $98.3 million, and recognized a gain on disposal of $80.1 million.
- In the fourth quarter of 2017, ARC reclassified certain Exploration and evaluation ("E&E") assets in Alberta as held for sale and an associated impairment charge of $9.7 million was recognized in E&E expense.

ANNUAL GUIDANCE

ARC's 2019 capital program of $700 million is focused on capital discipline, continuing to pay a meaningful dividend, and maintaining ARC's strong financial position. The 2019 budgeted capital expenditures include investment in infrastructure development projects at Dawson and Ante Creek; production associated with these infrastructure projects is expected to be added in 2020. Looking ahead to the balance of 2019, ARC expects that production will increase through the remainder of the year with final transportation arrangements at Sunrise having come into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed. Full-year 2019 average daily production is expected to be near the midpoint of the guidance range of 136,000 to 142,000 boe per day. Additional details on ARC's 2019 capital program can be found in the June 20, 2019 news release entitled, *"ARC Resources Ltd. Updates Its 2019 and 2020 Capital Expenditure Plans"* and the November 8, 2018 news release entitled, *"ARC Resources Ltd. Announces $775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek"*. Both news releases are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Table 2 is a summary of ARC's 2019 annual guidance and a review of 2019 year-to-date results:

Table 2

	2019 Guidance	**2019 YTD Actual**	% Variance from Guidance
Production			
Crude oil and condensate (bbl/d)	26,000 - 30,000	**27,535**	—
Natural gas (MMcf/d)	620 - 630	**607.9**	(2)
NGLs (bbl/d)	6,500 - 7,000	**7,395**	6
Total (boe/d)	136,000 - 142,000	**136,253**	—
Expenses ($/boe)			
Operating	5.00 - 5.35	**5.11**	—
Transportation	2.90 - 3.10	**2.97**	—
G&A expense before share-based compensation expense	1.10 - 1.30	**1.16**	—
G&A - share-based compensation expense (1)	0.20 - 0.35	**0.24**	—
Interest and financing (2)	0.75 - 0.90	**0.83**	—
Current income tax expense (recovery), as a per cent of funds from operations	(3) - 2	**(2)**	—
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	700	**549.8**	N/A
Weighted average shares (millions)	353	**353**	—

(1) Comprises expense recognized under the Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans, Share Option Plan and Long-term Restricted Share Award ("LTRSA") Plan, and excludes compensation expense under the Deferred Share Unit ("DSU") Plan. In periods where substantial share price fluctuation occurs, ARC's general and administrative ("G&A") expense is subject to greater volatility.

(2) Excludes accretion of asset retirement obligations ("ARO").

ARC's 2019 guidance is based on full-year 2019 estimates; certain variances exist between 2019 year-to-date actual results and 2019 full-year guidance estimates due to the cyclical and seasonal nature of operations. ARC expects full-year 2019 actual results to closely approximate guidance.

Production variances from guidance at September 30, 2019 include:

- 2019 year-to-date natural gas production is below the 2019 guidance range. As incremental production at Sunrise is brought on-stream in the fourth quarter of 2019, ARC expects that natural gas production will be within the guidance range of 620 to 630 MMcf per day for the year.
- 2019 year-to-date NGLs production is above the 2019 guidance range due to stronger than anticipated results from lower Montney development across ARC's Montney asset base.

Exhibit 2

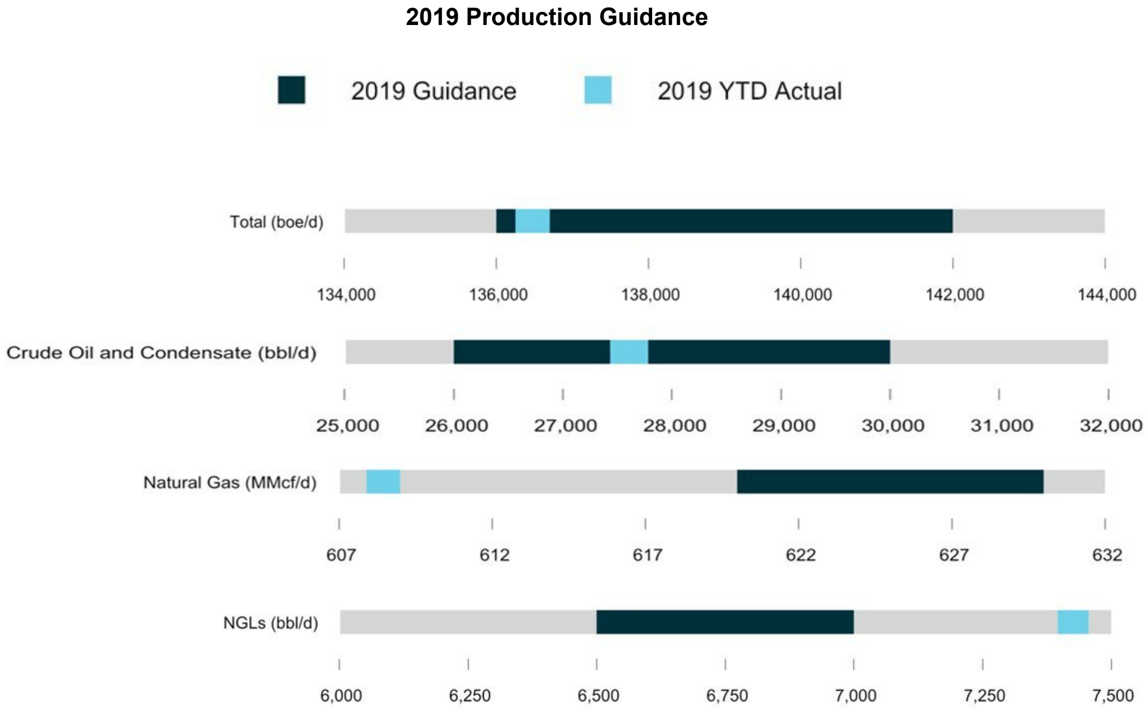


Exhibit 2a

The guidance information presented is intended to provide shareholders with information on Management's expectations for results from operations. Readers are cautioned that the guidance may not be appropriate for other purposes.

2019 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

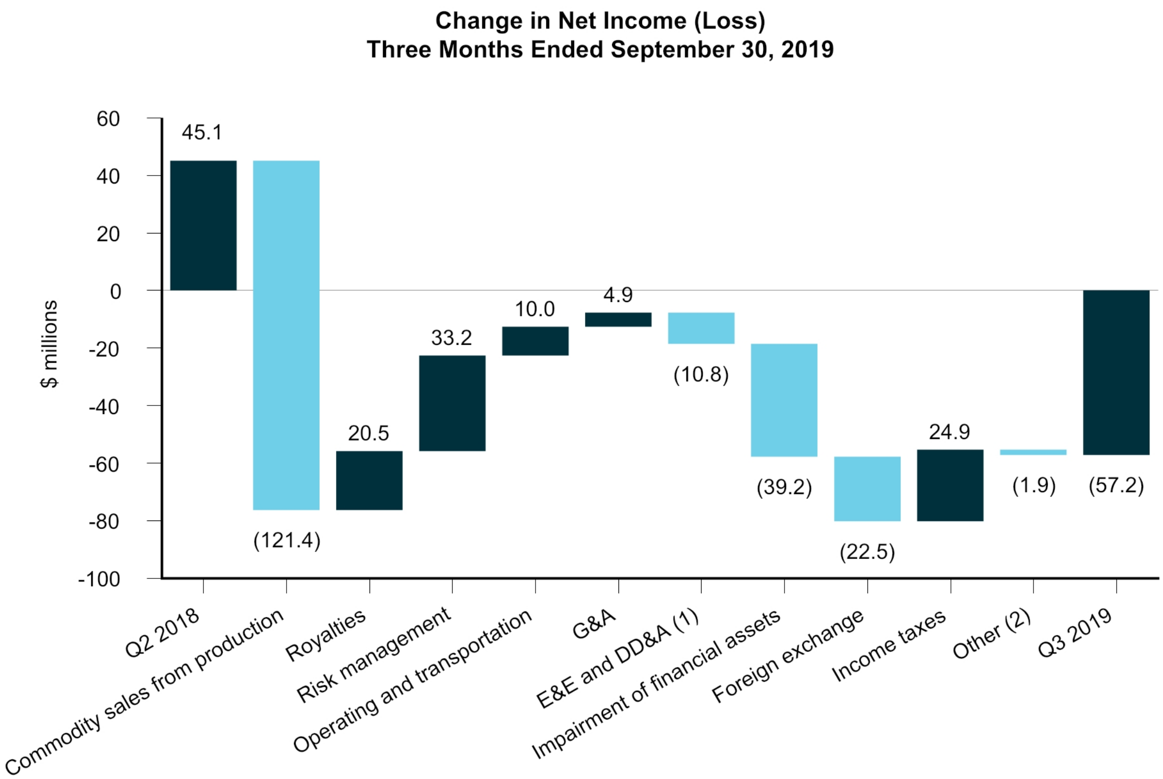
($ millions, except per share and volume data)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
	Three Months Ended				Nine Months Ended		
Net income (loss)	94.4	**(57.2)**	45.1	(227)	**(17.4)**	54.1	(132)
Net income (loss) per share	0.27	**(0.16)**	0.13	(223)	**(0.05)**	0.15	(133)
Funds from operations (1)	193.0	**145.4**	205.0	(29)	**524.6**	610.4	(14)
Funds from operations per share (1)	0.54	**0.41**	0.58	(29)	**1.48**	1.73	(14)
Dividends per share (2)	0.15	**0.15**	0.15	—	**0.45**	0.45	—
Average daily production (boe/d)	134,938	**134,813**	135,410	—	**136,253**	131,451	4

(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends per share are based on the number of shares outstanding at each dividend record date.

Net Income (Loss)

In the third quarter of 2019, ARC recognized a net loss of $57.2 million (loss of $0.16 per share), a decrease of $102.3 million from ARC's third quarter 2018 net income of $45.1 million ($0.13 per share). The decrease in net income is primarily due to a decrease in commodity sales from production of $121.4 million, impairment charges relating to financial assets of $39.2 million as well as a foreign exchange loss of $9.0 million compared to a foreign exchange gain of $13.5 million in the third quarter of 2018. Partially offsetting these items was lower royalties of $20.5 million, a lower loss on risk management contracts of $33.2 million and income tax recovery of $14.0 million compared to income tax expense of $10.9 million in the third quarter of 2018.

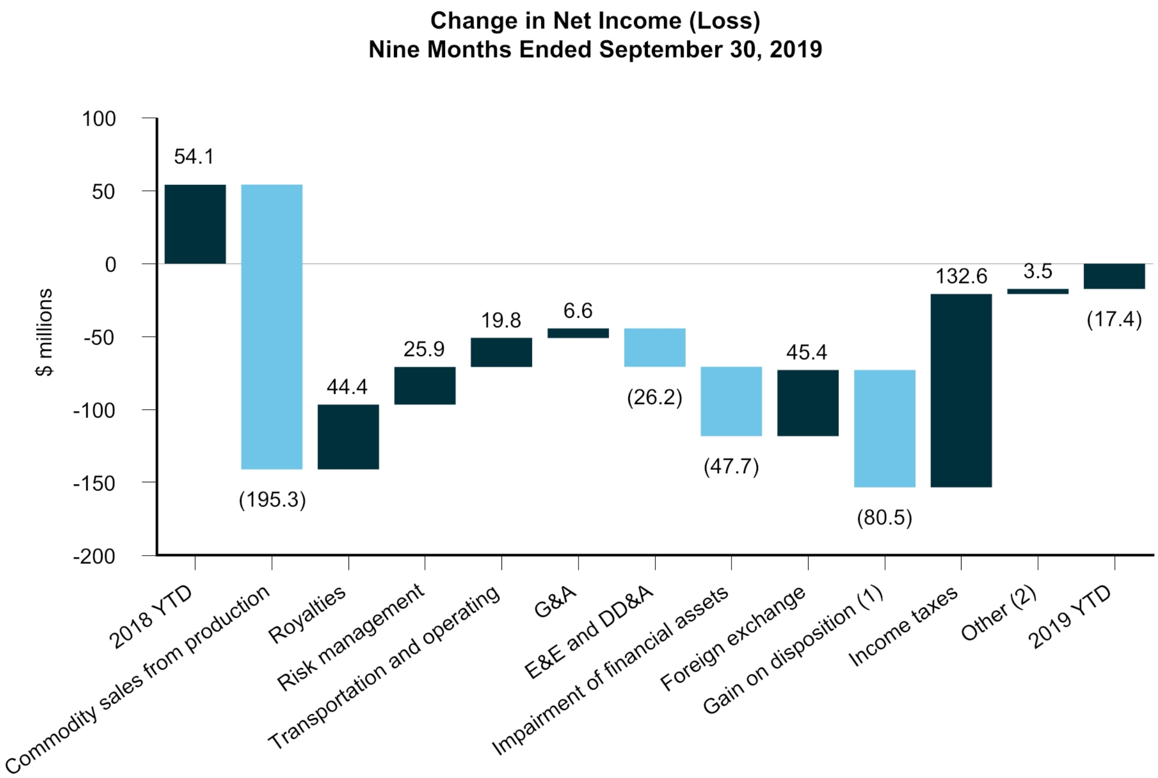
Exhibit 3



(1) Includes Depletion, depreciation and amortization ("DD&A") and impairment.
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, and gain on sale of reclamation fund.

During the nine months ended September 30, 2019, ARC recognized a net loss of $17.4 million (loss of $0.05 per share) compared to net income of $54.1 million ($0.15 per share) during the same period of the prior year. The $71.5 million decrease is primarily attributed to lower revenue from commodity sales of $195.3 million, a recognition of impairment of financial assets of $47.7 million in 2019, and no recorded gain on disposition in the first nine months of 2019 compared to $80.5 million recognized during the same period of the prior year. Offsetting these items are decreased royalties of $44.4 million, a foreign exchange gain of $19.8 million compared to a foreign exchange loss of $25.6 million and income tax recovery of $101.6 million compared to income tax expense of $31.0 million for the first nine months of the prior year.

Exhibit 3a



(1) Includes gains related to disposals of PP&E.
(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, and gain on sale of reclamation fund.

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 maintain production at current levels and to repay debt. Management believes that such a measure provides an insightful assessment of the performance of ARC's operations on a continuing basis by eliminating certain non-cash charges and actual settlements of ARO, the timing of which is discretionary. Funds from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

ARC reports funds from operations in total and on a per share basis. Refer to Note 13 "Capital Management" in the financial statements. Table 4 is a reconciliation of ARC's net income (loss) to funds from operations and cash flow from operating activities:

Table 4

	Three Months Ended			Nine Months Ended	
($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Net income (loss)	94.4	**(57.2)**	45.1	**(17.4)**	54.1
Adjusted for the following non-cash items:					
Impairment of financial assets	8.5	**39.2**	—	**47.7**	—
DD&A and impairment	135.2	**132.4**	114.5	**406.6**	369.1
Accretion of ARO	1.9	**1.8**	2.5	**5.6**	9.3
E&E expense	—	**—**	7.1	**—**	11.3
Deferred tax recovery	(47.4)	**(12.0)**	(3.6)	**(89.6)**	(4.5)
Unrealized loss on risk management contracts	15.2	**30.8**	55.3	**192.5**	223.5
Unrealized loss (gain) on foreign exchange	(15.7)	**9.4**	(15.9)	**(24.0)**	26.7
Gain on disposal of petroleum and natural gas properties	—	**—**	—	**—**	(80.5)
Other	0.9	**1.0**	—	**3.2**	1.4
Funds from operations	193.0	**145.4**	205.0	**524.6**	610.4
Net change in other liabilities	(7.9)	**(1.5)**	(2.4)	**(8.6)**	(8.8)
Change in non-cash working capital	8.7	**6.1**	27.4	**(43.9)**	36.6
Cash flow from operating activities	193.8	**150.0**	230.0	**472.1**	638.2

Details of the change in funds from operations from the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2019 are included in Table 5 below:

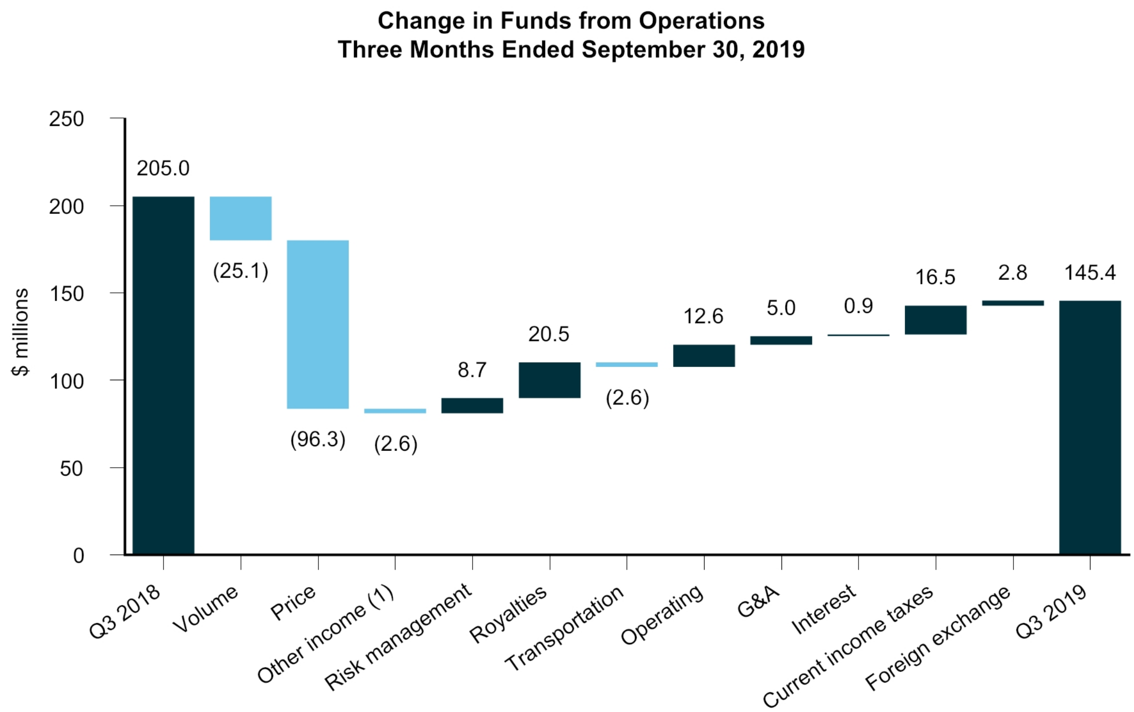
Table 5

	Three Months Ended September 30		Nine Months Ended September 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2018	205.0	0.58	610.4	1.73
Volume variance				
Crude oil and liquids	**(29.2)**	**(0.08)**	**(69.9)**	**(0.20)**
Natural gas	**4.1**	**0.01**	**28.7**	**0.08**
Price variance				
Crude oil and liquids	**(62.9)**	**(0.18)**	**(128.9)**	**(0.36)**
Natural gas	**(33.4)**	**(0.09)**	**(25.2)**	**(0.08)**
Sales of commodities purchased from third parties	**(17.2)**	**(0.05)**	**(31.9)**	**(0.09)**
Interest income	**(2.8)**	**(0.01)**	**(2.0)**	**(0.01)**
Other income	**0.4**	**—**	**1.4**	**—**
Realized gain on risk management contracts	**8.7**	**0.02**	**(5.1)**	**(0.01)**
Royalties	**20.5**	**0.06**	**44.4**	**0.13**
Expenses				
Commodities purchased from third parties	**17.0**	**0.05**	**32.1**	**0.09**
Operating	**12.6**	**0.04**	**35.0**	**0.10**
Transportation	**(2.6)**	**(0.01)**	**(15.2)**	**(0.04)**
G&A	**5.0**	**0.01**	**7.5**	**0.02**
Interest and financing (1)	**0.9**	**—**	**1.1**	**—**
Current income taxes	**16.5**	**0.05**	**47.5**	**0.13**
Realized gain (loss) on foreign exchange	**2.8**	**0.01**	**(5.3)**	**(0.01)**
Funds from operations – 2019	**145.4**	**0.41**	**524.6**	**1.48**

(1) Excludes accretion of ARO.

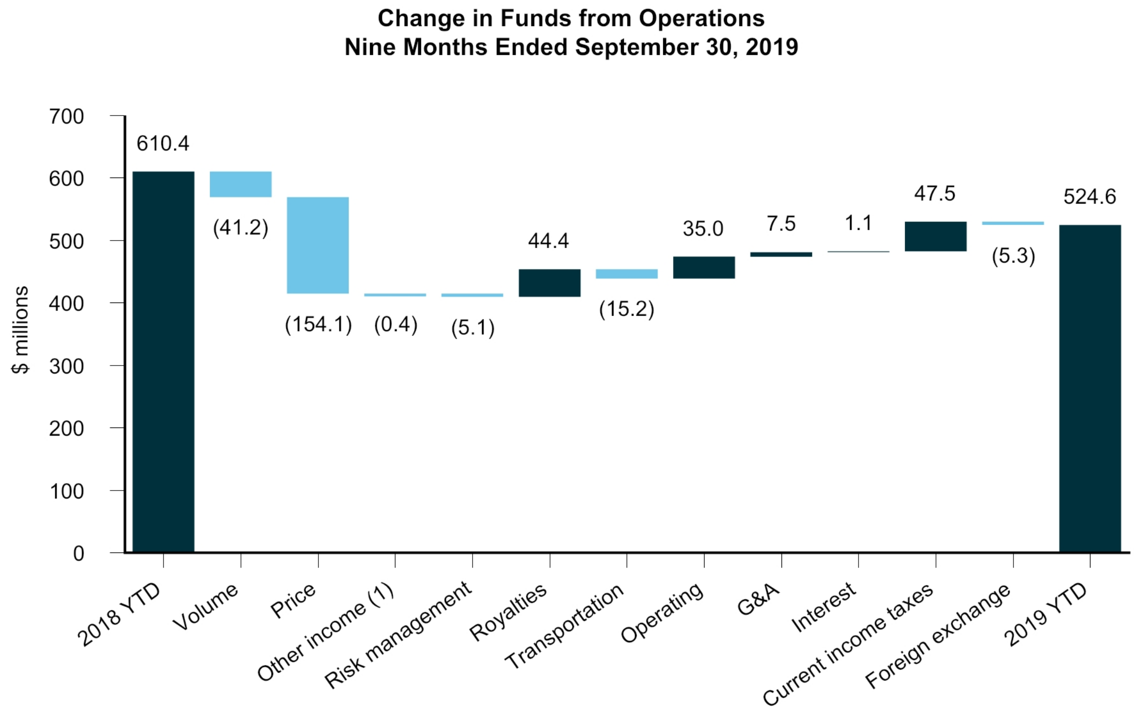
Funds from operations decreased by 29 per cent in the third quarter of 2019 to $145.4 million ($0.41 per share) from $205.0 million ($0.58 per share) generated in the third quarter of 2018. For the nine months ended September 30, 2019, funds from operations decreased by $85.8 million to $524.6 million ($1.48 per share) from $610.4 million ($1.73 per share) in the same period of 2018. The decrease in funds from operations for the three and nine months ended September 30, 2019 primarily reflects weaker commodity prices, and lower crude oil production. Increased natural gas and condensate production, lower royalties, operating and current income tax expense partially offset the decrease.

Exhibit 4



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

Exhibit 4a



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

2019 Net Income (Loss) and Funds from Operations Sensitivity

Table 6 illustrates sensitivities of operating items (prior to the impact of risk management contracts) to operational and business environment changes and the resulting impact on net income (loss) and funds from operations:

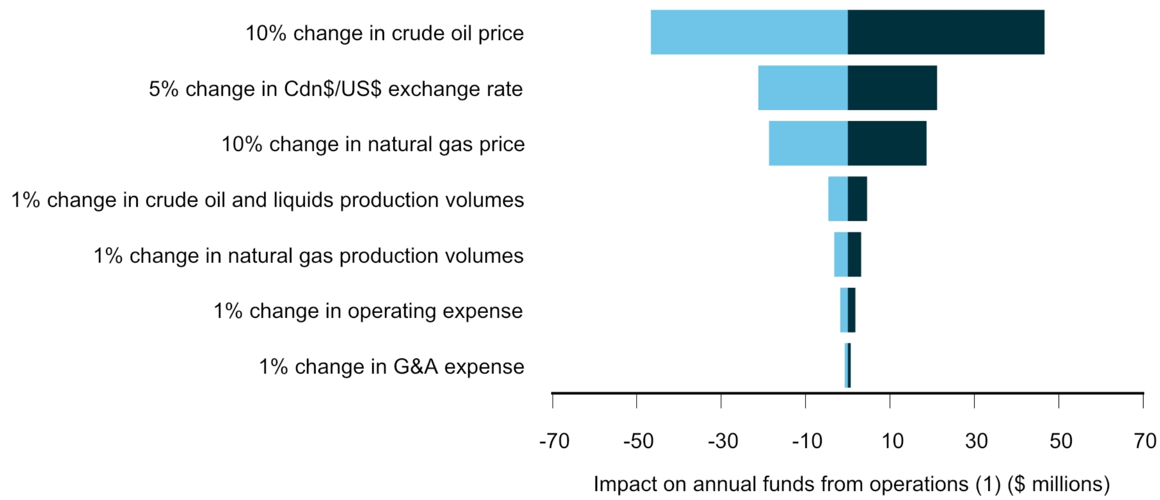
Table 6

			Impact on Annual Funds from Operations [5]		**Impact on Annual Net Income (Loss)**	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment [1]						
Crude oil price [2]	66.30	10%	46.7	0.132	46.7	0.132
Natural gas price [2]	2.04	10%	18.7	0.053	18.7	0.053
Cdn$/US$ exchange rate [2][3]	1.33	5%	21.2	0.060	21.2	0.060
Interest rate on floating-rate debt [2]	3.32%	0.5%	—	—	—	—
Operational [4]						
Crude oil and liquids production (bbl/d)	34,930	1%	4.6	0.013	2.8	0.008
Natural gas production (MMcf/d)	607.9	1%	3.2	0.009	0.7	0.002
Operating expense ($/boe)	5.11	1%	1.8	0.005	1.8	0.005
G&A expense ($/boe)	1.40	1%	0.7	0.002	0.7	0.002

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time.
(2) Prices and rates are indicative of ARC's average realized prices for the nine months ended September 30, 2019. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on funds from operations and net income (loss) would only be applicable within a limited range of these amounts.
(3) Includes impact of foreign exchange on natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.
(4) Operational assumptions are based upon results for the nine months ended September 30, 2019.
(5) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 5

Funds from Operations Sensitivity (Prior to Risk Management Contracts)



(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

Table 7

	Three Months Ended				Nine Months Ended		
Production	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Light and medium crude oil (bbl/d)	17,585	**16,224**	22,952	(29)	**17,219**	23,737	(27)
Heavy crude oil (bbl/d)	687	**558**	915	(39)	**544**	858	(37)
Condensate (bbl/d)	10,230	**10,846**	8,158	33	**9,772**	6,884	42
Natural gas (MMcf/d)	596.4	**595.4**	574.2	4	**607.9**	559.0	9
NGLs (bbl/d)	7,041	**7,952**	7,687	3	**7,395**	6,804	9
Total production (boe/d)	134,938	**134,813**	135,410	—	**136,253**	131,451	4
Natural gas production (%)	74	**74**	71	3	**74**	71	3
Crude oil and liquids production (%)	26	**26**	29	(3)	**26**	29	(3)

For the three and nine months ended September 30, 2019, crude oil and liquids production decreased 10 per cent and nine per cent, respectively, as compared to the same periods in the prior year. Increases in condensate and NGLs production were more than offset by lower crude oil production. The decrease in crude oil production is primarily due to the sale of non-core assets throughout 2018 as well as natural declines of certain oil-producing properties while the increase in condensate volume reflects continued drilling and completions activity in northeast British Columbia.

For the three and nine months ended September 30, 2019, natural gas production increased four per cent and nine per cent, respectively, as compared to the same periods in the prior year. The increases were largely driven by increased volumes processed at the Sunrise Phase II gas processing facility during the third quarter of 2019 as well as continued drilling and completions activity in northeast British Columbia.

Exhibit 6

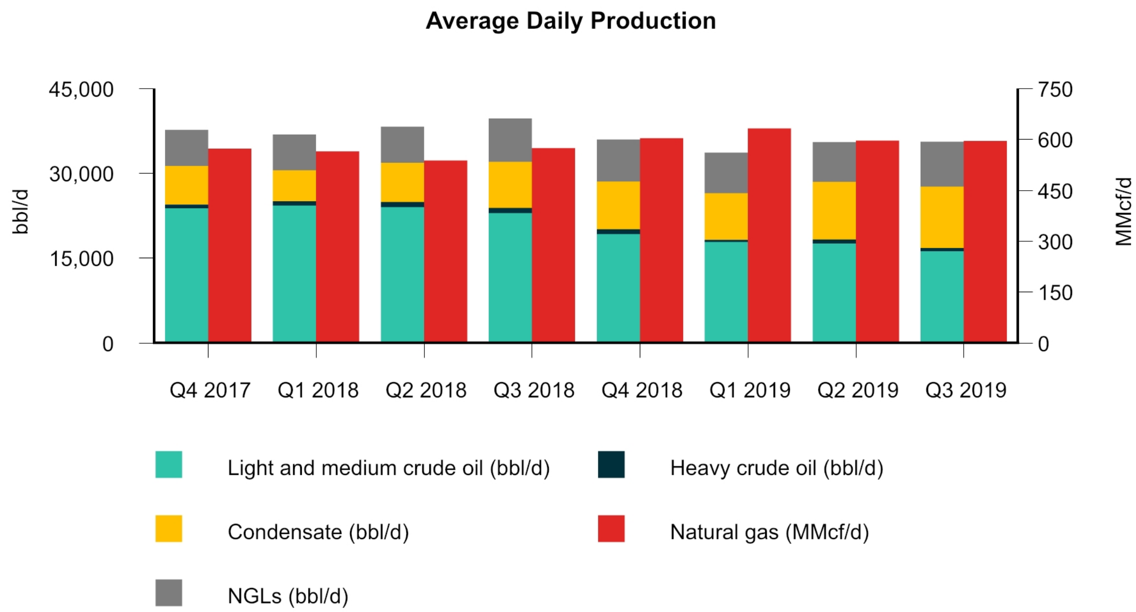

Average Daily Production
45,000
30,000
15,000
0
bbl/d
750
600
450
300
150
0
MMcf/d
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Light and medium crude oil (bbl/d)
Heavy crude oil (bbl/d)
Condensate (bbl/d)
Natural gas (MMcf/d)
NGLs (bbl/d)

Table 8 summarizes ARC's production by core area for the third quarter of 2019 and 2018:

Table 8

	Three Months Ended September 30, 2019				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**38,513**	—	2,069	207.9	1,799
Parkland/Tower	**35,624**	3,434	6,653	127.4	4,302
Sunrise	**31,608**	—	68	189.1	24
Ante Creek	**14,919**	5,680	474	44.8	1,304
Pembina	**9,898**	7,517	153	10.9	404
Attachie West	**2,495**	—	1,255	7.0	72
All other	**1,756**	151	174	8.3	47
Total	**134,813**	**16,782**	**10,846**	**595.4**	**7,952**

	Three Months Ended September 30, 2018				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	47,593	—	2,680	257.6	1,975
Parkland/Tower	30,650	7,512	1,738	105.9	3,747
Sunrise	21,564	—	89	128.6	39
Ante Creek	16,635	6,392	601	50.2	1,278
Pembina	10,650	8,122	170	11.3	469
Attachie West	4,363	—	2,647	9.7	96
All other	3,955	1,841	233	10.9	83
Total	135,410	23,867	8,158	574.2	7,687

Exhibit 7

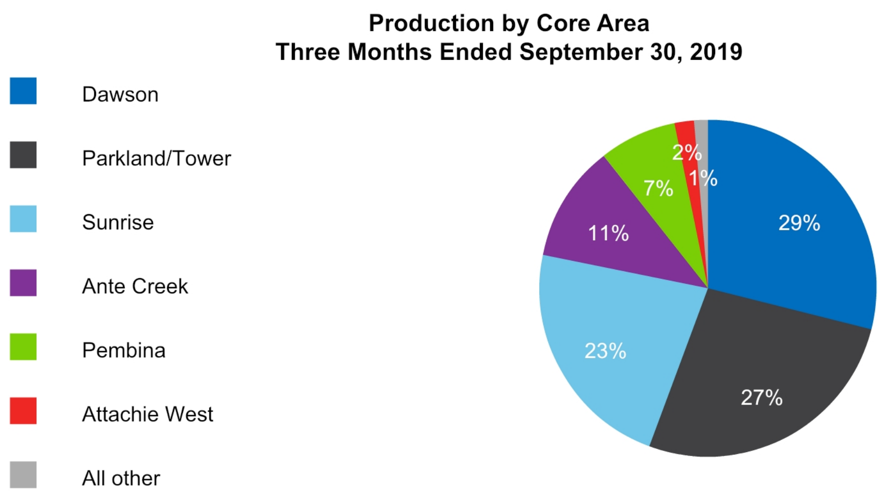


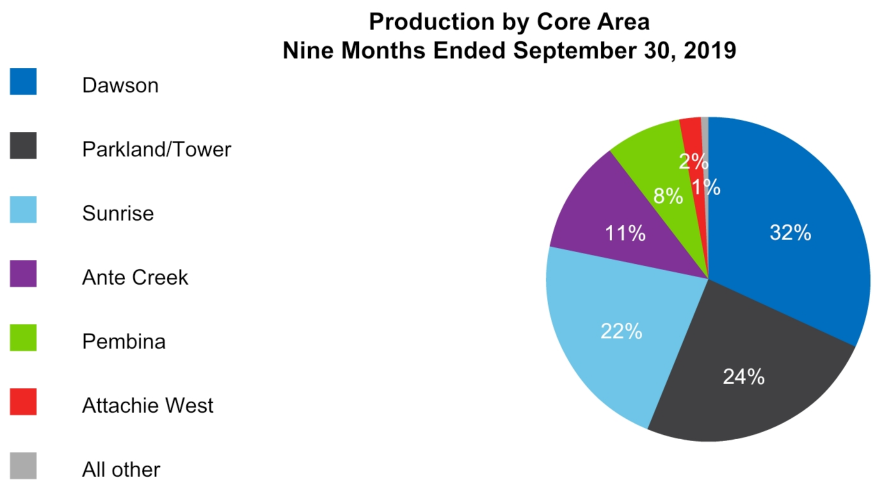
Table 8a summarizes ARC's production by core area for the nine months ended September 30, 2019 and 2018:

Table 8a

	Nine Months Ended September 30, 2019				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**43,130**	—	2,446	233.9	1,706
Parkland/Tower	**32,839**	3,885	4,998	120.9	3,813
Sunrise	**29,904**	—	60	178.9	27
Ante Creek	**15,365**	5,845	436	46.5	1,333
Pembina	**10,189**	7,768	148	11.1	429
Attachie West	**2,915**	—	1,521	8.1	47
All other	**1,911**	265	163	8.5	40
Total	**136,253**	**17,763**	**9,772**	**607.9**	**7,395**

	Nine Months Ended September 30, 2018				
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	44,741	—	2,552	242.9	1,706
Parkland/Tower	28,942	6,716	1,800	104.2	3,068
Sunrise	22,014	—	80	131.4	34
Ante Creek	16,101	6,362	477	48.0	1,269
Pembina	11,035	8,503	165	11.3	475
Attachie West	2,498	—	1,518	5.6	40
All other	6,120	3,014	292	15.6	212
Total	131,451	24,595	6,884	559.0	6,804

Exhibit 7a



Commodity Sales from Production

During the three and nine months ended September 30, 2019, commodity sales from production decreased by 32 per cent and 18 per cent compared to the same periods in 2018. The decrease primarily reflects lower average realized commodity prices and lower crude oil production, partially offset by increased natural gas and condensate production.

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

Table 9

	Three Months Ended				Nine Months Ended		
Commodity Sales from Production ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Crude oil	116.8	**100.0**	172.6	(42)	**321.5**	507.2	(37)
Condensate	66.4	**65.6**	64.0	3	**179.9**	156.3	15
Natural gas (1)	94.7	**84.3**	113.6	(26)	**337.8**	334.3	1
NGLs	5.0	**3.8**	24.9	(85)	**25.2**	61.9	(59)
Total commodity sales from production	282.9	**253.7**	375.1	(32)	**864.4**	1,059.7	(18)

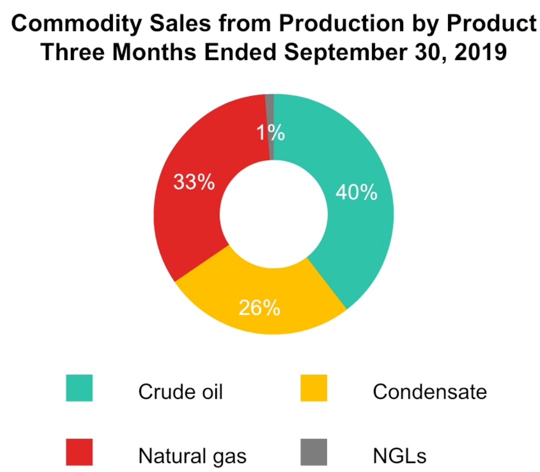
(1) Includes $3.4 million and $11.4 million of natural gas transportation revenue from contracts assigned temporarily to third parties for the three and nine months ended September 30, 2019 ($nil for both the three and nine months ended September 30, 2018), respectively.

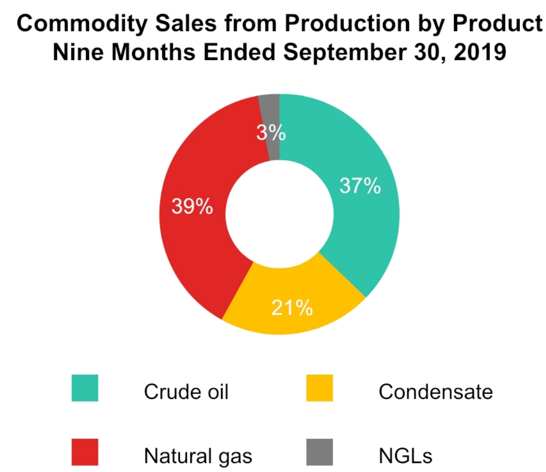
While ARC's production mix, on a per boe basis, is weighted more heavily to natural gas than to crude oil and liquids, ARC's commodity sales contribution is more heavily weighted to its crude oil and liquids production as seen in Table 10:

Table 10

	Three Months Ended			Nine Months Ended	
% of Commodity Sales from Production by Product Type	June 30, 2019	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Crude oil and liquids	67	**67**	70	**61**	68
Natural gas	33	**33**	30	**39**	32
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 8





Commodity Prices

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

Table 11

		Three Months Ended			Nine Months Ended		
	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	2.64	**2.23**	2.90	(23)	**2.67**	2.90	(8)
Chicago Citygate Monthly Index (US$/MMBtu)	2.45	**2.03**	2.75	(26)	**2.60**	2.87	(9)
AECO 7A Monthly Index (Cdn$/Mcf)	1.17	**1.04**	1.35	(23)	**1.39**	1.41	(1)
WTI crude oil (US$/bbl)	59.91	**56.44**	69.43	(19)	**57.10**	66.79	(15)
Cdn$/US$ exchange rate	1.34	**1.32**	1.31	1	**1.33**	1.29	3
WTI crude oil (Cdn$/bbl)	80.28	**74.50**	90.95	(18)	**75.94**	86.16	(12)
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	73.98	**68.35**	81.84	(16)	**69.61**	78.22	(11)
Condensate Stream Price at Edmonton (Cdn$/bbl)	74.85	**68.66**	86.18	(20)	**70.23**	84.63	(17)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	70.26	**64.79**	78.62	(18)	**66.30**	75.54	(12)
Condensate ($/bbl)	71.38	**65.70**	85.28	(23)	**67.44**	83.15	(19)
Natural gas ($/Mcf)	1.74	**1.54**	2.15	(28)	**2.04**	2.19	(7)
NGLs ($/bbl)	7.71	**5.25**	35.26	(85)	**12.50**	33.36	(63)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	23.04	**20.46**	30.12	(32)	**23.24**	29.53	(21)

Benchmark Commodity Prices

Global crude oil prices continued to decrease in the third quarter of 2019 averaging 19 per cent lower than the third quarter of 2018 and six per cent lower than the second quarter of 2019. Weak global macroeconomic sentiment and global trade uncertainty continue to elevate concerns of an economic slowdown, despite heightened geopolitical tension in the Middle East and over two million barrels per day of global supply off-line.

Canadian stream prices decreased throughout the third quarter of 2019 compared to the prior quarter primarily due to lower global benchmark prices and a stronger Canadian dollar. The differentials between WTI and MSW and condensate pricing have been relatively unchanged from the previous quarter with the continuance of the Alberta government-mandated, province-wide crude oil production curtailments.

An increase in US natural gas production, combined with relatively low seasonal cooling demand, resulted in lower Henry Hub prices compared to both the prior quarter and the third quarter of 2018. Weakness in near-term global gas prices has also put downward pressure on North American prices as an influx of new liquefied natural gas ("LNG") supply entered the world market at a time when global inventory levels were elevated and demand growth was moderate. Despite the weakness in global natural gas prices, LNG exports by the United States reached nearly seven Bcf per day in the third quarter of 2019.

Western Canadian natural gas prices decreased in the third quarter of 2019 compared to both the prior quarter and the third quarter of 2018. Despite strong local demand, ongoing third-party maintenance resulted in system restrictions that limited both exports and storage injections, putting downward pressure on local natural gas prices.

ARC's Realized Commodity Prices

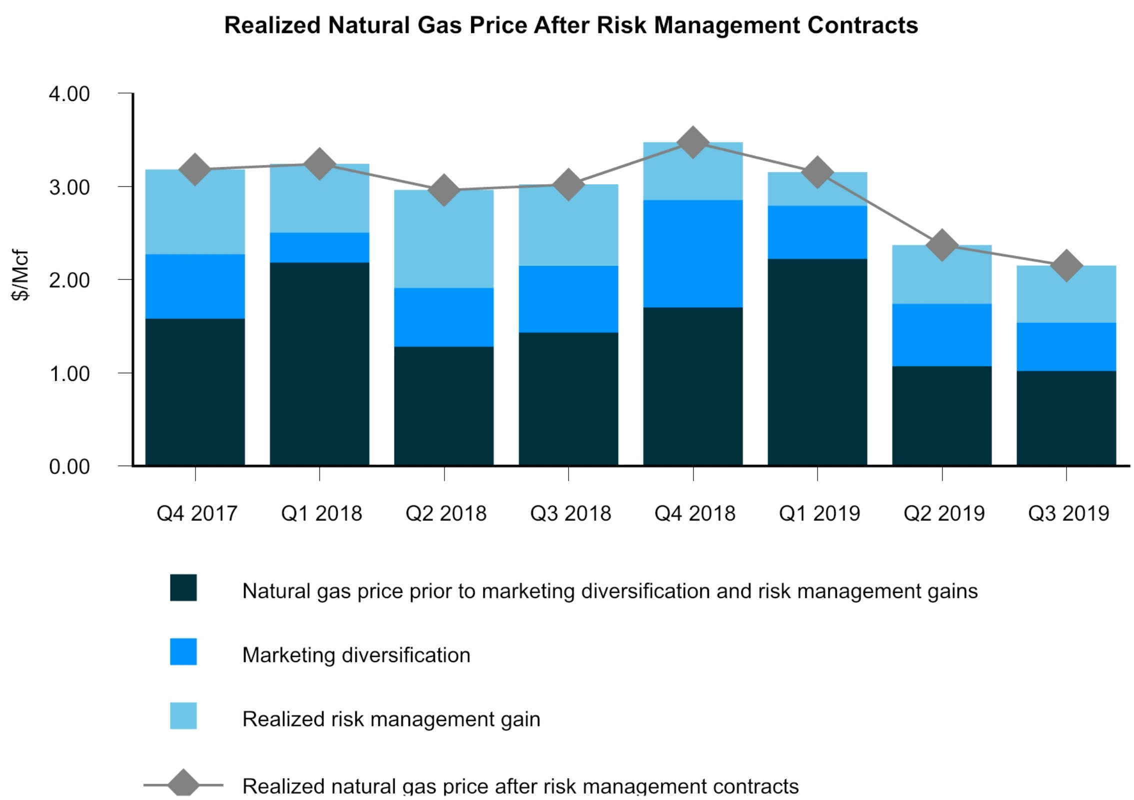
During the three and nine months ended September 30, 2019, ARC's realized crude oil price decreased 18 per cent and 12 per cent, respectively, compared to the same periods in 2018. The decrease reflects lower WTI benchmark prices of 18 per cent and 12 per cent for the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018. ARC's realized condensate price for the three and nine months ended September 30, 2019 decreased 23 per cent and 19 per cent, respectively, compared to the same periods in the prior year primarily due to lower WTI benchmark prices.

ARC's natural gas sales are physically and financially diversified to multiple sales points including AECO, Station 2, US Midwest, Dawn, and Malin hubs, each of which impact ARC's realized natural gas price. ARC's realized natural gas price for the three and nine months ended September 30, 2019 decreased by 28 per cent and seven per cent, respectively, compared to the same periods in the prior year.

During the three and nine months ended September 30, 2019, physical sales diversification activities added $0.52 per Mcf and $0.59 per Mcf, respectively, to ARC's realized natural gas price as compared to $0.72 per Mcf and $0.56 per Mcf in the same periods in 2018. Additionally, a realized gain on natural gas risk management contracts added a further $0.61 per Mcf and $0.53 per Mcf for the three and nine months ended September 30, 2019 ($0.87 per Mcf and $0.88 per Mcf for the same periods in 2018), respectively, which is not included in ARC's realized natural gas price.

Realized pricing for NGLs decreased $30.01 per boe (85 per cent) and $20.86 per boe (63 per cent) for the three and nine months ended September 30, 2019, respectively, compared to the same periods in the prior year. The decrease reflects broad weakness in North American supply and demand fundamentals and is primarily related to lower propane and butane pricing. The decrease in NGLs pricing for the three and nine months ended September 30, 2019 resulted in decreases in Commodity sales from production of $21.1 million and $36.7 million, respectively.

Exhibit 9



Risk Management Contracts

Tables 12 and 12a summarize the total gain or loss on risk management contracts for the three and nine months ended September 30, 2019 compared to the same periods in 2018:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q3 2019 Total**	Q3 2018 Total
Realized gain (loss) on contracts (1)	(4.9)	33.5	(0.2)	**28.4**	19.7
Unrealized gain (loss) on contracts (2)	22.9	(53.8)	0.1	**(30.8)**	(55.3)
Gain (loss) on risk management contracts	**18.0**	**(20.3)**	**(0.1)**	**(2.4)**	(35.6)

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

Table 12a

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**2019 YTD Total**	2018 YTD Total
Realized gain (loss) on contracts (1)	(14.5)	87.8	(0.4)	**72.9**	78.0
Unrealized gain (loss) on contracts (2)	(24.7)	(171.0)	3.2	**(192.5)**	(223.5)
Gain (loss) on risk management contracts	**(39.2)**	**(83.2)**	**2.8**	**(119.6)**	(145.5)

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

For the three and nine months ended September 30, 2019, ARC's realized gain on risk management contracts primarily reflects positive cash settlements received on AECO Basis, AECO, and NYMEX Henry Hub natural gas contracts. This is partially offset by cash payments made on WTI and MSW crude oil contracts related to higher WTI realized pricing and tighter MSW differentials during the period.

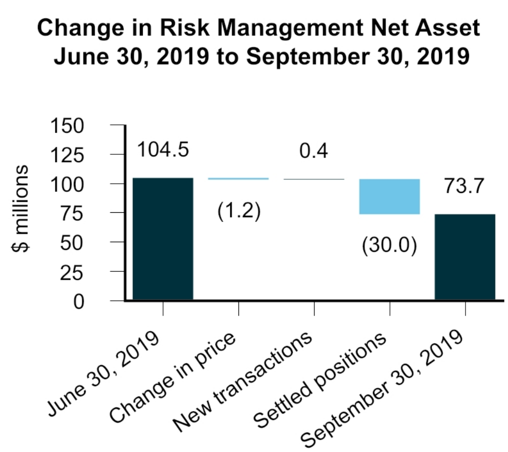
ARC's unrealized gain on crude oil contracts for the three months ended September 30, 2019 reflects lower forward curve pricing for WTI and a stronger Canadian dollar relative to the US dollar compared to the end of the previous quarter. During the nine months ended September 30, 2019, the unrealized loss on crude oil contracts reflects higher forward WTI pricing compared to the end of the previous year.

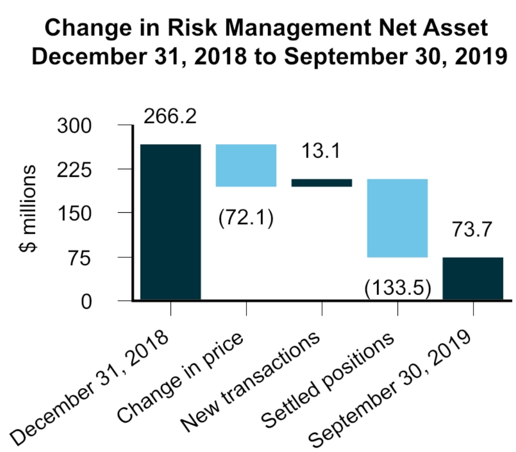
ARC's unrealized loss on natural gas contracts for the three and nine months ended September 30, 2019 reflects higher forward curve pricing for AECO and a narrowing of the AECO basis curve, partially offset by lower NYMEX Henry Hub forward curve pricing.

For more information, refer to Note 14 "Financial Instruments and Market Risk Management" in the financial statements.

The fair value of ARC's risk management contracts at September 30, 2019 was a net asset of $73.7 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after adjustments for credit risk. This comprises a net asset of $47.1 million for natural gas contracts and a net asset of $26.6 million for crude oil contracts.

Exhibit 10





Netback

The components of ARC's netback for the three and nine months ended September 30, 2019 compared to the same periods in 2018 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended				Nine Months Ended		
Netback ($ millions) [1]	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Commodity sales from production	282.9	**253.7**	375.1	(32)	**864.4**	1,059.7	(18)
Royalties	(15.7)	**(15.6)**	(36.1)	(57)	**(50.3)**	(94.7)	(47)
Operating	(62.0)	**(62.6)**	(75.2)	(17)	**(190.2)**	(225.2)	(16)
Transportation	(36.8)	**(36.8)**	(34.2)	8	**(110.6)**	(95.4)	16
Netback	168.4	**138.7**	229.6	(40)	**513.3**	644.4	(20)
Realized gain on risk management contracts	24.2	**28.4**	19.7	44	**72.9**	78.0	(7)
Netback after gain on risk management contracts	192.6	**167.1**	249.3	(33)	**586.2**	722.4	(19)

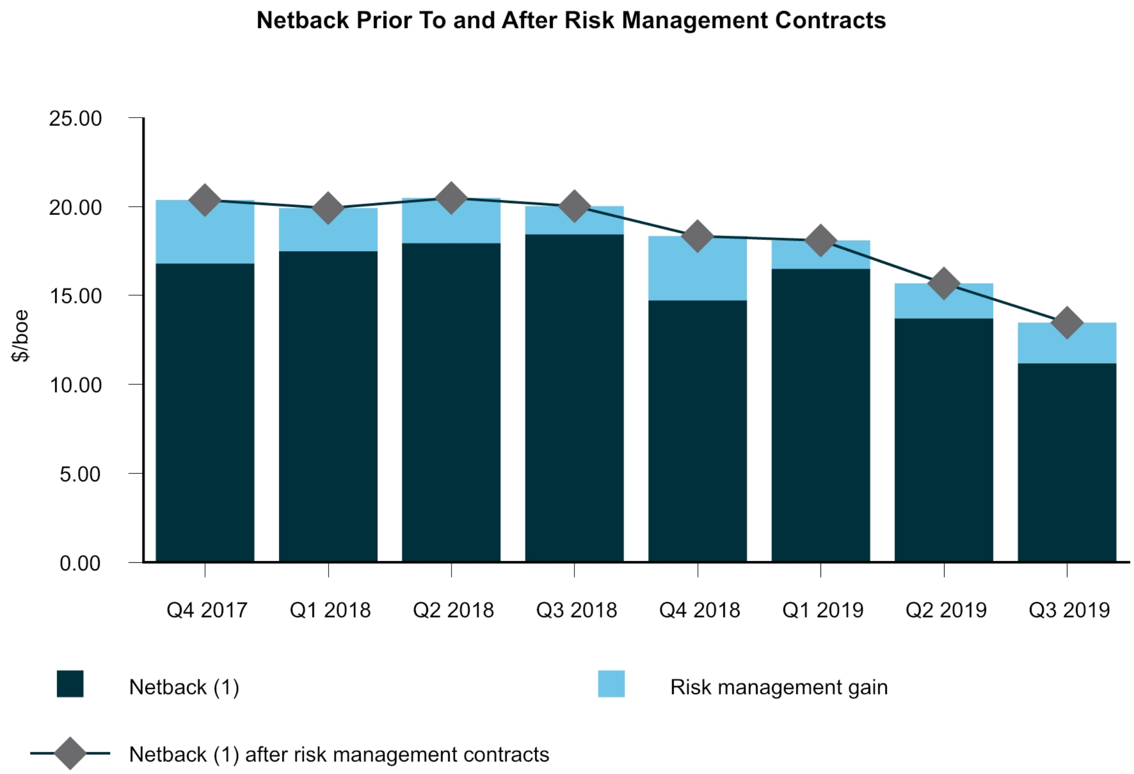
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Table 13a

	Three Months Ended				Nine Months Ended		
Netback ($ per boe) [1]	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Commodity sales from production	23.04	**20.46**	30.12	(32)	**23.24**	29.53	(21)
Royalties	(1.28)	**(1.26)**	(2.90)	(57)	**(1.36)**	(2.64)	(48)
Operating	(5.05)	**(5.05)**	(6.04)	(16)	**(5.11)**	(6.28)	(19)
Transportation	(3.00)	**(2.97)**	(2.75)	8	**(2.97)**	(2.66)	12
Netback	13.71	**11.18**	18.43	(39)	**13.80**	17.95	(23)
Realized gain on risk management contracts	1.97	**2.29**	1.58	45	**1.96**	2.17	(10)
Netback after gain on risk management contracts	15.68	**13.47**	20.01	(33)	**15.76**	20.12	(22)

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

Exhibit 11

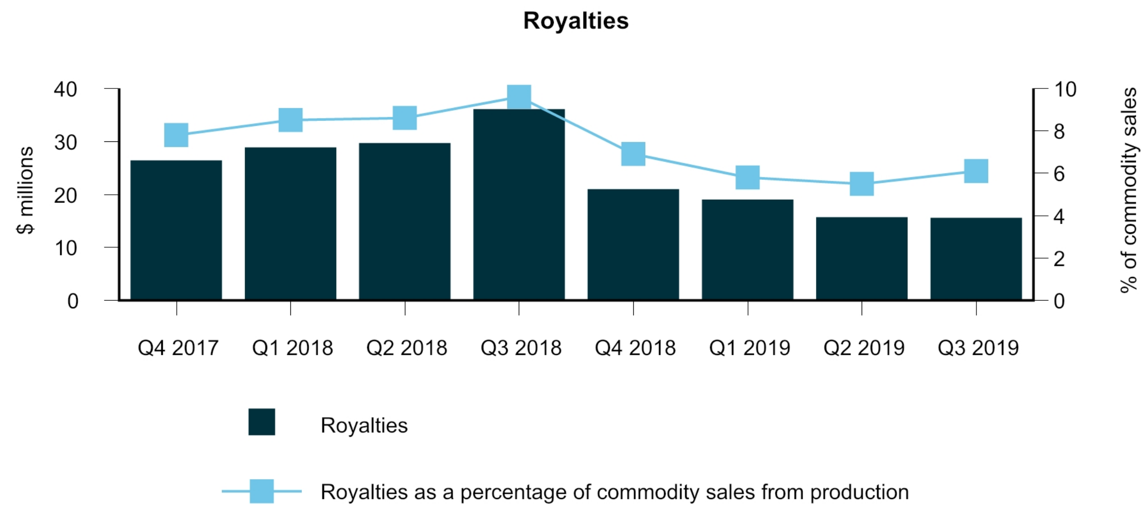


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three and nine months ended September 30, 2019 were $15.6 million and $50.3 million ($36.1 million and $94.7 million for the same periods in 2018), respectively. As a percentage of commodity sales from production, royalties decreased to 6.1 per cent ($1.26 per boe) in the third quarter of 2019 from 9.6 per cent ($2.90 per boe) in the third quarter of 2018. For the nine months ended September 30, 2019, royalties represented 5.8 per cent of commodity sales from production ($1.36 per boe) as compared to 8.9 per cent ($2.64 per boe) in the same period in 2018. The decrease in total royalties and royalties as a percentage of commodity sales from production for the three and nine months ended September 30, 2019, is primarily reflective of a lower royalty rate on crude oil production due to decreased commodity prices compared to the same period in 2018.

Exhibit 12



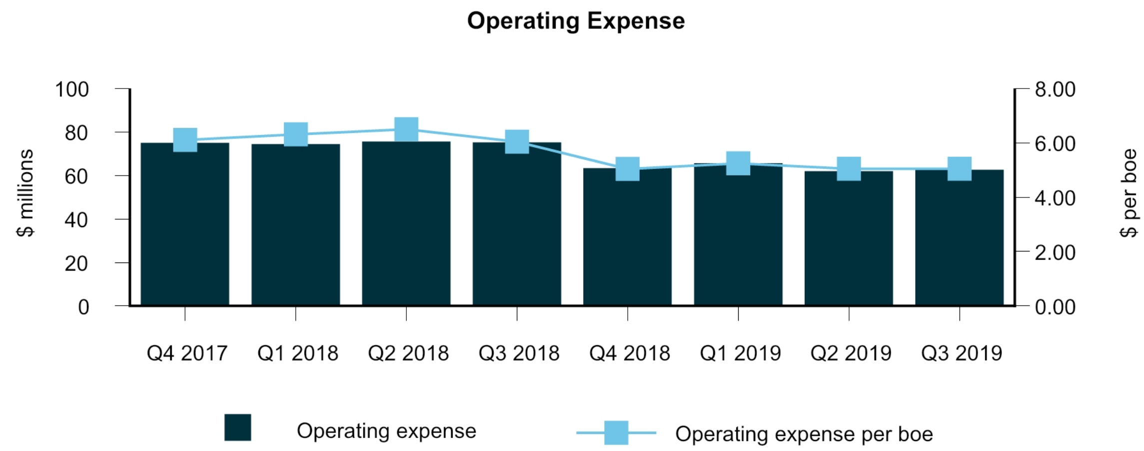
Operating

Operating expense decreased by $12.6 million in the third quarter of 2019 to $62.6 million as compared to $75.2 million in the third quarter of 2018. For the nine months ended September 30, 2019, operating expense decreased by $35.0 million to $190.2 million as compared to $225.2 million in the same period of the prior year. The decrease in operating expense for the three and nine months ended September 30, 2019 is primarily due to various dispositions of non-core assets throughout 2018 that had higher average operating costs.

On a per boe basis, operating expense decreased $0.99 per boe to $5.05 per boe in the third quarter of 2019 compared to $6.04 per boe in the third quarter of 2018. For the nine months ended September 30, 2019 operating expense decreased by $1.17 per boe to $5.11 per boe compared to $6.28 per boe in the nine months ended September 30, 2018. Operating expense on a per boe basis continues to decrease as ARC grows production in areas with lower average operating expense and disposes of non-core properties with higher average operating expense.

Lease payments of $0.3 million and $1.1 million for the three and nine months ended September 30, 2019, respectively, which had previously been recognized as operating expense, are now classified as repayment of lease obligations following the Company's adoption of IFRS 16 *Leases* ("IFRS 16"). Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

Exhibit 13

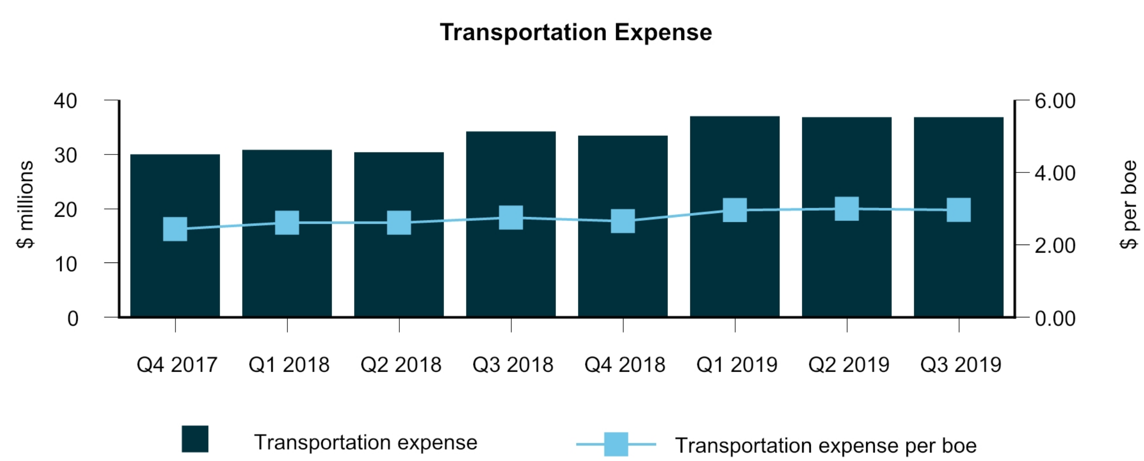


Transportation

Transportation expense for the three and nine months ended September 30, 2019 was $36.8 million and $110.6 million ($34.2 million and $95.4 million for the three and nine months ended September 30, 2018), respectively. On a per boe basis, transportation expense for both the three and nine months ended September 30, 2019 was $2.97 per boe ($2.75 per boe and $2.66 per boe for the three and nine months ended September 30, 2018, respectively). The increase for the three and nine months ended September 30, 2019 relative to the same periods in 2018 primarily reflects higher trucking charges and pipeline tariffs for increased condensate and natural gas volumes associated with new production in northeast British Columbia. Additionally, tariffs for transportation agreements, which have been temporarily assigned to a third party as part of ARC's physical marketing diversification efforts, increased transportation expense in 2019 compared to the first nine months of the prior year. There is no impact to ARC's netback or funds from operations as a result of these agreements.

ARC enters into firm transportation commitments in order to secure market access for its current production as well as anticipated production from planned facility infrastructure to be operational in the future. For information regarding ARC's payment obligations under its future transportation commitments, refer to Note 19 "Commitments and Contingencies" in the financial statements.

Exhibit 14



G&A Expense and Share-Based Compensation

G&A expense before share-based compensation decreased by seven per cent to $14.3 million in the third quarter of 2019 from $15.4 million in the third quarter of 2018. For the nine months ended September 30, 2019, ARC's G&A expense before share-based compensation was $43.4 million, a $2.2 million decrease from $45.6 million in the same period of 2018. Office lease payments of $1.9 million and $5.8 million for the three and nine months ended September 30, 2019, respectively, which have previously been recognized in G&A are now classified as repayments of lease obligations following the Company's adoption of IFRS 16. Refer to the section entitled "Financial Reporting Update" contained within this MD&A. Additionally, there was a decrease in the value of the DSU Plan resulting in lower directors compensation expense, which was partially offset by lower capitalized G&A and increased corporate costs.

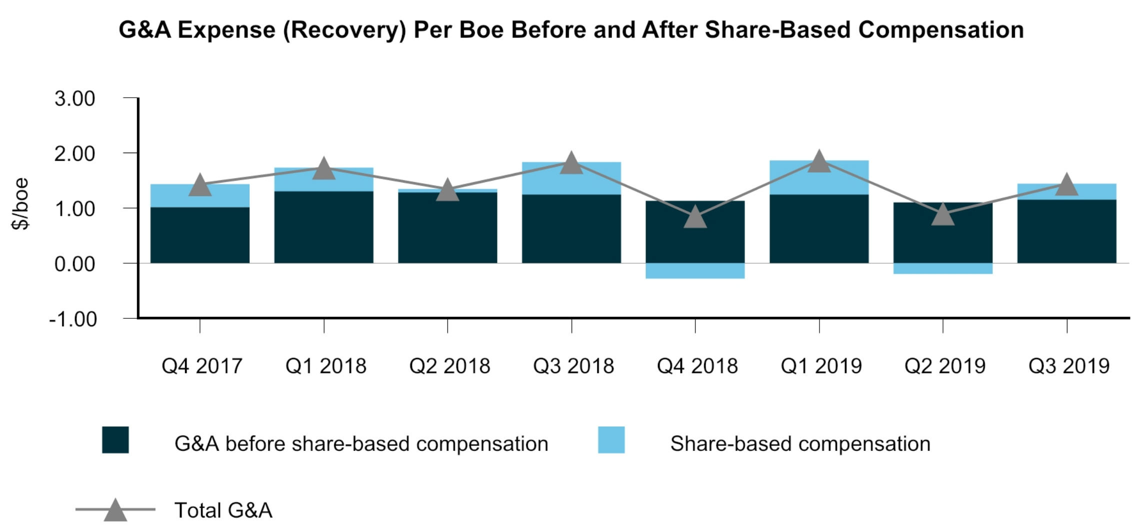
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

	Three Months Ended				Nine Months Ended		
G&A and Share-Based Compensation ($ millions, except per boe)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
G&A expense before share-based compensation expense (1)	13.5	**14.3**	15.4	(7)	**43.4**	45.6	(5)
G&A – share-based compensation expense (2)	(2.5)	**3.6**	7.4	(51)	**8.8**	13.2	(33)
Total G&A expense	11.0	**17.9**	22.8	(21)	**52.2**	58.8	(11)
G&A expense before share-based compensation expense per boe	1.10	**1.15**	1.24	(7)	**1.16**	1.27	(9)
G&A – share-based compensation expense per boe	(0.20)	**0.29**	0.59	(51)	**0.24**	0.37	(35)
Total G&A expense per boe	0.90	**1.44**	1.83	(21)	**1.40**	1.64	(15)

(1) Includes expense recognized under the DSU Plan.
(2) Comprises expense recognized under the RSU, PSU, Share Option, and LTRSA Plans.

Exhibit 15



Share-Based Compensation Plans

For a description of ARC's various share-based compensation plans and related accounting policies, refer to Note 3 "Summary of Accounting Policies" and Note 21 "Share-Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2018.

Changes to Share-Based Compensation Plans

In 2018, the Human Resources and Compensation Committee of ARC's Board of Directors ("the Board") engaged a third party to conduct an independent review of ARC’s compensation philosophy, design and programs. Following this review, certain changes were made to ARC’s PSU Plan, effective with PSU awards granted during the nine months ended September 30, 2019. For these awards and all those granted subsequent to 2019, performance multipliers associated with PSUs will be determined using two criteria. 50 per cent will be awarded based on relative total shareholder return performance compared to a defined peer group and 50 per cent will be awarded dependent on the Board's overall assessment of management and corporate achievements based on a predetermined corporate scorecard. Performance multipliers associated with PSU awards that were granted prior to March 7, 2019 will not be affected by this change.

In conjunction with the independent third-party review, ARC has suspended its Share Option program. No grants will be made under the Share Option Plan in 2019. Outstanding share option grants will continue to vest on schedule.

Restricted Share Unit and Performance Share Unit Plans

At September 30, 2019, ARC had 2.2 million RSUs and 3.4 million PSUs outstanding under these plans. For the three and nine months ended September 30, 2019, ARC recognized G&A expense of $2.6 million and $4.6 million in relation to the RSU and PSU Plans (G&A expense of $6.0 million and $8.6 million for the three and nine months ended September 30, 2018), respectively. The decrease in expense recognized for the three and nine months ended September 30, 2019 as compared to the same periods in 2018 is due to the change in valuation of awards outstanding throughout the respective periods. At September 30, 2019, ARC's share price on the Toronto Stock Exchange ("TSX") was $6.31, a two per cent decrease from the share price of $6.41 at June 30, 2019 and a 22 per cent decrease from $8.10 at December 31, 2018. This compares to a six per cent increase and a two per cent decrease per share outstanding during the same periods of the prior year. The value of ARC's performance multiplier, applicable to its PSU awards, also decreased for the three and nine months ended September 30, 2019 compared to the prior year, primarily from the decline of ARC's total return performance relative to the total return performance of its peers.

During the nine months ended September 30, 2019, ARC made cash payments of $7.9 million in respect of the RSU and PSU Plans ($15.9 million for the nine months ended September 30, 2018). Of these payments, $6.1 million were in respect of amounts recognized as G&A ($12.6 million for the nine months ended September 30, 2018) and $1.8 million were in respect of amounts recognized as Operating and capitalized as PP&E and E&E ($3.3 million for the nine months ended September 30, 2018). These amounts were accrued in prior periods.

Table 15 shows the changes to the outstanding RSU and PSU awards during 2019:

Table 15

RSU and PSU Awards (number of units, thousands)	**RSUs**	**PSUs Granted Prior to March 7, 2019** (1)	**PSUs Granted Subsequent to March 6, 2019** (1)	**Total RSUs and PSUs**
Balance, December 31, 2018	942	2,270	—	3,212
Granted	**1,763**	**—**	**1,917**	**3,680**
Distributed	**(433)**	**(573)**	**—**	**(1,006)**
Forfeited	**(59)**	**(217)**	**(35)**	**(311)**
Balance, September 30, 2019	**2,213**	**1,480**	**1,882**	**5,575**

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

Due to the variability in the expected future payments under the plans, ARC estimates that between $14.0 million and $56.4 million will be paid out in 2020 through 2022 based on the current share price, accrued dividends, ARC's market performance relative to its peers, and ARC's corporate scorecard achievements. 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 September 30, 2019:

Table 16

Value of RSU and PSU Awards as at September 30, 2019	**Performance Multiplier**		
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	2,213	2,213	2,213
PSUs (2)	—	3,362	6,724
Total awards	**2,213**	**5,575**	**8,937**
Share price (3)	6.31	6.31	6.31
Value of RSU and PSU awards upon vesting	**14.0**	**35.2**	**56.4**
2020	5.6	9.8	14.0
2021	4.8	10.7	16.7
2022	3.6	14.7	25.7

(1) Includes additional estimated awards to be issued under the RSU and PSU Plans for dividends accrued to-date.
(2) Includes all PSU awards.
(3) Per share outstanding. Values will fluctuate over the vesting period based on the volatility of the underlying share price. Assumes a future share price of $6.31, which is based on the TSX closing share price at September 30, 2019.

Share Option Plan

At September 30, 2019, ARC had 5.1 million share options outstanding, representing 1.5 per cent of outstanding shares, with a weighted average exercise price of $17.41 per share. At September 30, 2019, approximately 1.3 million share options were exercisable with a weighted average exercise price of $23.16 per share. ARC recognized compensation expense of $0.9 million and $2.9 million relating to the Share Option Plan for the three and nine months ended September 30, 2019 ($1.2 million and $3.3 million for the three and nine months ended September 30, 2018), respectively.

Long-term Restricted Share Award Plan

At September 30, 2019, ARC had 0.7 million restricted shares outstanding under this plan. ARC recognized G&A expense of $0.2 million and $1.5 million relating to the LTRSA Plan during the three and nine months ended September 30, 2019 ($0.2 million and $1.3 million for the three and nine months ended September 30, 2018), respectively.

Deferred Share Unit Plan

At September 30, 2019, ARC had 0.9 million DSUs outstanding under this plan. For both the three and nine months ended September 30, 2019, G&A expense of $0.5 million was recognized in relation to the DSU Plan (G&A expense of $1.1 million and $2.6 million for the same periods in 2018), respectively. Amounts related to the DSU plan are recognized as G&A expense before share-based compensation expense.

During the nine months ended September 30, 2019, ARC made cash payments of $0.2 million in respect of the DSU plan ($nil for the nine months ended September 30, 2018).

Interest and Financing

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

Table 17

Interest and Financing ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
		Three Months Ended			Nine Months Ended		
Bank debt and long-term notes	9.8	**9.5**	10.8	(12)	**29.5**	31.9	(8)
Lease obligations	0.4	**0.4**	—	100	**1.3**	—	100
Accretion on ARO	1.9	**1.8**	2.5	(28)	**5.6**	9.3	(40)
Total interest and financing	12.1	**11.7**	13.3	(12)	**36.4**	41.2	(12)

Interest and financing expense decreased 12 per cent for both the three and nine months ended September 30, 2019 compared to the same periods in the prior year from $13.3 million to $11.7 million and from $41.2 million to $36.4 million, respectively. The decrease for the three and nine months ended September 30, 2019 compared to the same periods of the prior year is primarily due to principal repayments on long-term notes that were made throughout 2018 and 2019 as well as a decrease in accretion on ARO, stemming from the disposal of non-core properties in 2018. Beginning in the first quarter of 2019, ARC recognizes interest on its lease obligations as part of Interest and financing following its adoption of IFRS 16. Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange loss of $9.0 million in the third quarter of 2019 compared to a gain of $13.5 million in the third quarter of 2018. During the three months ended September 30, 2019, the value of the US dollar relative to the Canadian dollar increased to $1.32 from $1.31 at June 30, 2019. During the three months ended September 30, 2018, the value of the US dollar relative to the Canadian dollar decreased to $1.29 from $1.31 at June 30, 2018.

ARC recognized a foreign exchange gain of $19.8 million for the nine months ended September 30, 2019 compared to a loss of $25.6 million for the nine months ended September 30, 2018. During the nine months ended September 30, 2019 the value of the US dollar relative to the Canadian dollar decreased to $1.32 from $1.36 at December 31, 2018. During the nine months ended September 30, 2018 the value of the Canadian dollar increased to $1.29 from $1.25 at December 31, 2017.

Table 18 shows the various components of ARC's foreign exchange gain and loss:

Table 18

Foreign Exchange Gain and Loss ($ millions)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
		Three Months Ended			Nine Months Ended		
Unrealized gain (loss) on US dollar-denominated debt	15.4	**(9.1)**	13.9	(165)	**24.5**	(28.4)	186
Unrealized gain (loss) on US dollar-denominated receivables	0.3	**(0.3)**	2.0	(115)	**(0.5)**	1.7	(129)
Realized gain (loss) on US dollar-denominated transactions	(0.5)	**0.4**	(2.4)	117	**(4.2)**	1.1	482
Total foreign exchange gain (loss)	15.2	**(9.0)**	13.5	(167)	**19.8**	(25.6)	177

Taxes

ARC recognized current income tax recoveries of $2.0 million and $12.0 million for the three and nine months ended September 30, 2019, respectively, compared to expenses of $14.5 million and $35.5 million for the same periods in 2018. The current income tax recovery is primarily related to the Accelerated Investment Incentive deductions announced in the 2018 Federal Fall Economic Statement becoming substantively enacted in the second quarter of 2019. Additionally, commodity prices have decreased, resulting in lower expected taxable income for the three and nine months ended September 30, 2019 as compared to the same periods in the prior year.

For the three and nine months ended September 30, 2019, deferred income tax recoveries of $12.0 million and $89.6 million were recognized, compared to recoveries of $3.6 million and $4.5 million for the same periods in 2018. The increase in the deferred tax recovery for the nine months ended September 30, 2019 is primarily related to a reduction in the deferred tax rate as a result of the Alberta general corporate income tax rate reductions that were substantively enacted in the second quarter of 2019. The Alberta general corporate income tax rates will decrease to 11 per cent effective July 1, 2019, and will further decrease by one per cent on January 1 of each subsequent year to eight per cent in 2022.

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

Table 19

Income Tax Pool Type ($ millions)	**September 30, 2019**	**Annual Deductibility**
Canadian oil and gas property expense	92.0	10% declining balance
Canadian development expense	855.4	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	861.3	Primarily 25% declining balance
Other	23.0	Various rates, 7% declining balance to 20%, and capital losses
Total federal tax pools	1,831.7	
Additional Alberta tax pools	2.9	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment

For the three and nine months ended September 30, 2019, ARC recognized DD&A expense related to its PP&E assets before any impairment charges or related reversals of $131.1 million and $400.0 million, as compared to $137.3 million and $383.6 million for the three and nine months ended September 30, 2018, respectively. The decrease in DD&A for the three months ended September 30, 2019 compared to the same period in the prior year primarily reflects a decrease in production as a result of turnaround activity. The increase in DD&A for the nine months ended September 30, 2019 compared to the same period in the prior year primarily reflects an increase in production in 2019.

In conjunction with the adoption of IFRS 16, ARC recognized DD&A expense related to its right-of-use ("ROU") assets under lease of $1.5 million and $4.7 million for the three and nine months ended September 30, 2019. Refer to the section entitled "Financial Reporting Update" contained within this MD&A.

During the three and nine months ended September 30, 2019, ARC recognized impairment charges of $1.7 million and $3.9 million concurrent with the disposition of certain non-core assets during the year. Refer to Note 7 "Property, Plant and Equipment" in the financial statements. The remainder of impairment charges (reversal) relates to post-closing adjustments on previously disposed assets.

A breakdown of DD&A expense and impairment charges (reversal) is summarized in Table 20:

Table 20

	Three Months Ended				**Nine Months Ended**		
DD&A Expense ($ millions, except per boe amounts)	June 30, 2019	**September 30, 2019**	September 30, 2018	% Change	**September 30, 2019**	September 30, 2018	% Change
Depletion of crude oil and natural gas assets	129.9	**129.5**	135.6	(4)	**395.4**	379.2	4
Depreciation of corporate assets	1.5	**1.6**	1.7	(6)	**4.6**	4.4	5
Depreciation of ROU assets under lease	1.6	**1.5**	—	100	**4.7**	—	100
Impairment (reversal)	2.2	**(0.2)**	(22.8)	(99)	**1.9**	(14.5)	113
Total DD&A expense and impairment (reversal)	135.2	**132.4**	114.5	16	**406.6**	369.1	10
DD&A expense per boe, excluding impairment (reversal)	10.83	**10.69**	11.02	(3)	**10.88**	10.69	2

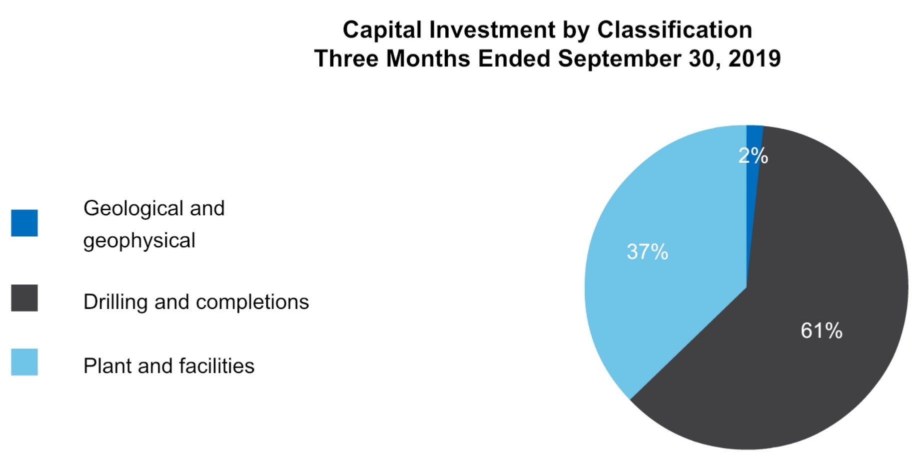
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the third quarter of 2019 and 2018 is shown in Table 21:

Table 21

	Three Months Ended September 30						
	2019			2018			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.1**	**2.6**	**2.7**	0.1	3.3	3.4	(21)
Drilling and completions	**1.0**	**97.6**	**98.6**	1.5	112.7	114.2	(14)
Plant and facilities	**—**	**60.0**	**60.0**	0.7	50.5	51.2	17
Corporate assets	**—**	**0.6**	**0.6**	—	0.5	0.5	20
Total capital expenditures	**1.1**	**160.8**	**161.9**	2.3	167.0	169.3	(4)
Undeveloped land	**—**	**0.7**	**0.7**	—	—	—	100
Total capital expenditures including undeveloped land purchases	**1.1**	**161.5**	**162.6**	2.3	167.0	169.3	(4)
Acquisitions	**—**	**—**	**—**	—	—	—	—
Dispositions	**—**	**(2.8)**	**(2.8)**	—	(96.2)	(96.2)	(97)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**1.1**	**158.7**	**159.8**	2.3	70.8	73.1	119

Exhibit 16

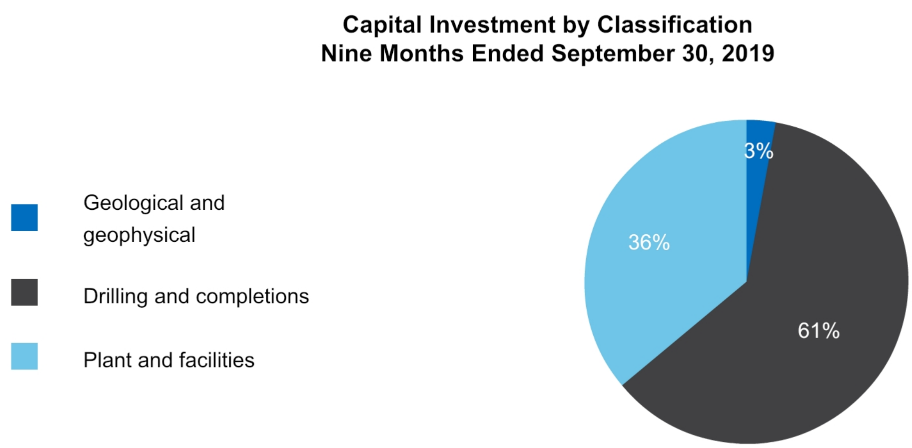


A breakdown of capital expenditures, acquisitions and dispositions for the nine months ended September 30, 2019 and 2018 is shown in Table 21a:

Table 21a

	Nine Months Ended September 30						
	2019			2018			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**0.3**	**15.6**	**15.9**	1.8	7.7	9.5	67
Drilling and completions	**0.3**	**334.5**	**334.8**	42.8	313.1	355.9	(6)
Plant and facilities	**0.5**	**197.3**	**197.8**	11.1	168.9	180.0	10
Corporate assets	**—**	**1.3**	**1.3**	—	2.4	2.4	(46)
Total capital expenditures	**1.1**	**548.7**	**549.8**	55.7	492.1	547.8	—
Undeveloped land	**—**	**0.7**	**0.7**	0.4	0.3	0.7	—
Total capital expenditures including undeveloped land purchases	**1.1**	**549.4**	**550.5**	56.1	492.4	548.5	—
Acquisitions	**0.2**	**—**	**0.2**	—	0.2	0.2	—
Dispositions	**—**	**(3.9)**	**(3.9)**	—	(195.2)	(195.2)	(98)
Total capital expenditures, land purchases and net acquisitions and dispositions	**1.3**	**545.5**	**546.8**	56.1	297.4	353.5	55

Exhibit 16a



ARC invested $161.9 million and $549.8 million in capital expenditures, before land purchases and net property acquisitions and dispositions during the three and nine months ended September 30, 2019, respectively. Investment activity included drilling and completions activities across ARC's asset base, with the drilling of 26 and 70 wells and the completion of 29 and 68 wells for the three and nine months ended September 30, 2019, respectively. Capital investment was also focused on the ongoing construction of the Dawson Phase IV gas processing and liquids-handling facility, the Ante Creek facility expansion, initial investments for the first phase of development at Attachie West, as well as the development of water-handling and gas processing facilities at Tower, Dawson, and Ante Creek. At Dawson, the turnaround and final work required for the Dawson Phase I and II liquids-handling upgrade was completed in the third quarter of 2019 and the facility was commissioned early in the fourth quarter of 2019.

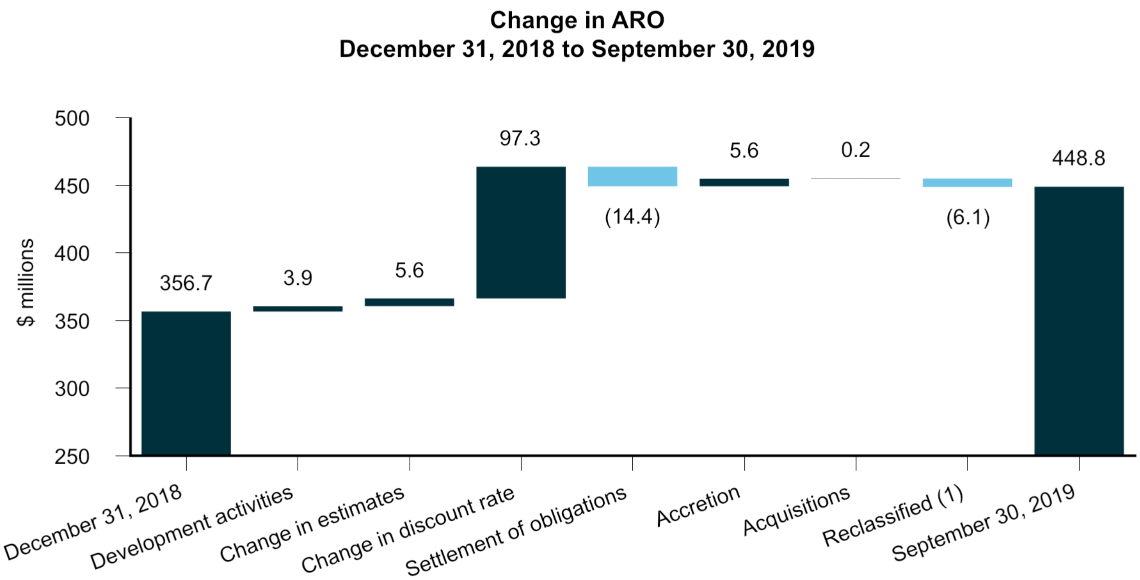
For information regarding ARC's planned capital expenditures for 2020, refer to the November 7, 2019 news release entitled *"ARC Resources Ltd. Reports Third Quarter 2019 Financial and Operational Results and Announces $500 Million Capital Program for 2020"* available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

Asset Retirement Obligations

At September 30, 2019, ARC has recognized ARO of $448.8 million ($356.7 million at December 31, 2018) for the future abandonment and reclamation of ARC's properties. The estimated ARO includes assumptions in respect of actual costs to abandon wells and reclaim the property, 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 1.5 per cent (2.2 per cent at December 31, 2018).

Accretion charges of $1.8 million and $5.6 million for the three and nine months ended September 30, 2019 ($2.5 million and $9.3 million for the same periods in 2018), respectively, have been recognized in Interest and financing in the statements of income to reflect the increase in ARO associated with the passage of time. ARC has a planned and scheduled approach to its abandonment and reclamation activities. Actual spending under ARC's program for the three and nine months ended September 30, 2019 was $2.2 million and $14.4 million ($3.5 million and $9.7 million for the same periods in 2018), respectively.

Exhibit 17



(1) Reclassified as liabilities associated with assets held for sale and disposed in the period.

Capitalization, Financial Resources and Liquidity

ARC's capital management objective is to fund current period reclamation expenditures, dividend payments 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's goal is to internally finance its dividend and both its capital expenditures necessary to sustain its business and those intended for growth.

ARC typically uses three sources to raise capital: equity, bank debt and long-term notes. Long-term notes are issued to large institutional investors normally with an average term of five to 12 years. The cost of this debt is based upon two factors: the current rate of long-term government bonds and ARC's credit spread.

Following the adoption of IFRS 16, ARC now recognizes lease obligations in its determination of net debt. Lease obligations are affected by the amount of future lease payments, anticipated lease terms, and ARC's estimated incremental borrowing rate. Changes in ARC's lease obligations could have a significant impact on ARC's net debt to annualized funds from operations ratio in future periods. Refer to the section entitled "Financial Reporting Update" contained within this MD&A and to Note 3 "Changes in Accounting Policies" in the financial statements.

A breakdown of ARC's capital structure as at September 30, 2019 and December 31, 2018 is outlined in Table 22:

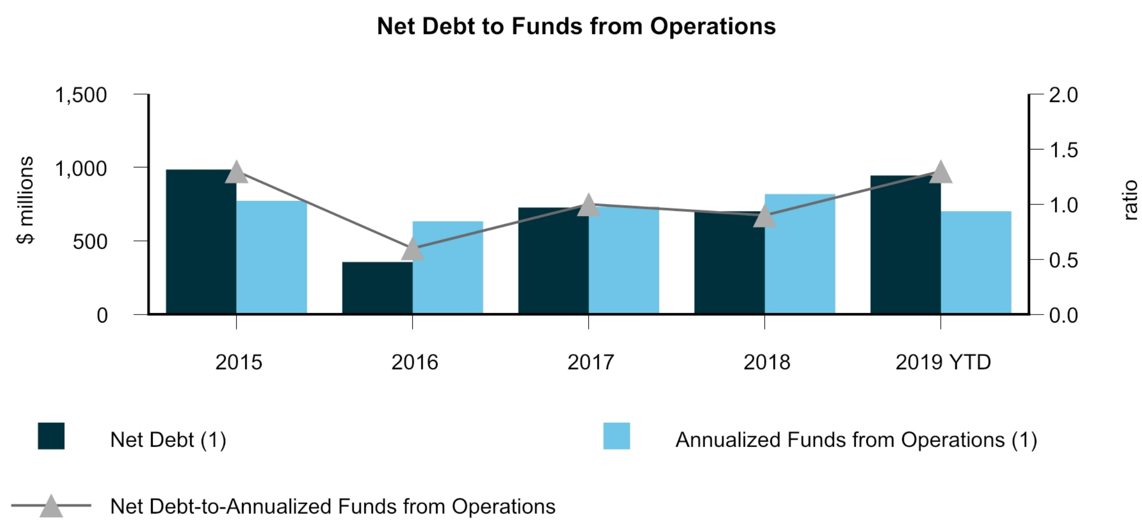
Table 22

Capital Structure and Liquidity ($ millions, except ratio amounts)	**September 30, 2019**	December 31, 2018
Long-term debt (1)	**842.8**	909.2
Lease obligations (2)	**48.1**	—
Accounts payable and accrued liabilities	**158.6**	166.5
Dividends payable	**17.7**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(121.7)**	(390.7)
Net debt (3)	**945.5**	702.7
Net debt to annualized funds from operations (ratio) (3)	**1.3**	0.9

(1) Includes a current portion of long-term debt of $152.4 million at September 30, 2019 and $80.5 million at December 31, 2018.
(2) Includes a current portion of lease obligations of $8.5 million at September 30, 2019.
(3) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Management's long-term strategy is to keep its net debt balance to a ratio of between 1.0 and 1.5 times annualized funds from operations. This strategy has resulted in manageable debt levels to-date and has positioned ARC to remain well within its debt covenants. Following the adoption of IFRS 16, ARC's net debt balance has increased with the inclusion of ARC's lease obligations though compliance with ARC's credit facility covenants is not expected to be impacted by this change. At September 30, 2019, ARC had $945.5 million of net debt outstanding and a net debt to 2019 annualized funds from operations ratio of 1.3 times.

Exhibit 18



(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

At September 30, 2019, ARC had total available credit capacity of approximately $2.1 billion with long-term debt of $842.8 million currently outstanding. ARC's long-term debt balance includes a current portion of $152.4 million at September 30, 2019 ($80.5 million at December 31, 2018), reflecting principal payments that are due to be paid within the next 12 months. ARC intends to finance these obligations by using cash on hand or drawing on its syndicated credit facility at the time the payments are due. ARC's long-term debt has a weighted average interest rate of 4.1 per cent. 91 per cent (US$577.5 million) of ARC's long-term debt outstanding at September 30, 2019 is denominated in US dollars.

ARC's debt agreements contain a number of covenants, all of which were met as at September 30, 2019. During the nine months ended September 30, 2019, ARC executed certain amendments to the note purchase agreements governing its senior notes. The amendments include additional language that modernize the agreements to align with current legislation as well as a modification of certain covenant calculations. It has been determined that these amendments do not comprise substantial modifications as they have not materially changed the future cash outflows of the senior notes. No significant financial covenants were impacted by the adoption of IFRS 16. These agreements are available on SEDAR at www.sedar.com. ARC calculates its covenants quarterly. The following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description [1]	Estimated Position at September 30, 2019 [2]
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	146%
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	1,799%
Total Priority Indebtedness not to exceed two per cent of Total Assets	—
Total Indebtedness not to exceed 65 per cent of Present Asset Value [3]	25%
Total Indebtedness not to exceed 65 per cent of Present Asset Value [4]	28%

(1) Capitalized terms are as defined in the note purchase agreements.
(2) Estimated position, subject to final approval of the note holders.
(3) Pertains to senior notes issued under the 2009, 2010, and 2012 note agreements whereby the Present Asset Value is determined using a 10 per cent discount rate.
(4) Pertains to senior notes issued under the Master Shelf agreement whereby the Present Asset Value is determined using a 12 per cent discount rate.

The following table describes the significant financial covenants of the syndicated credit facility:

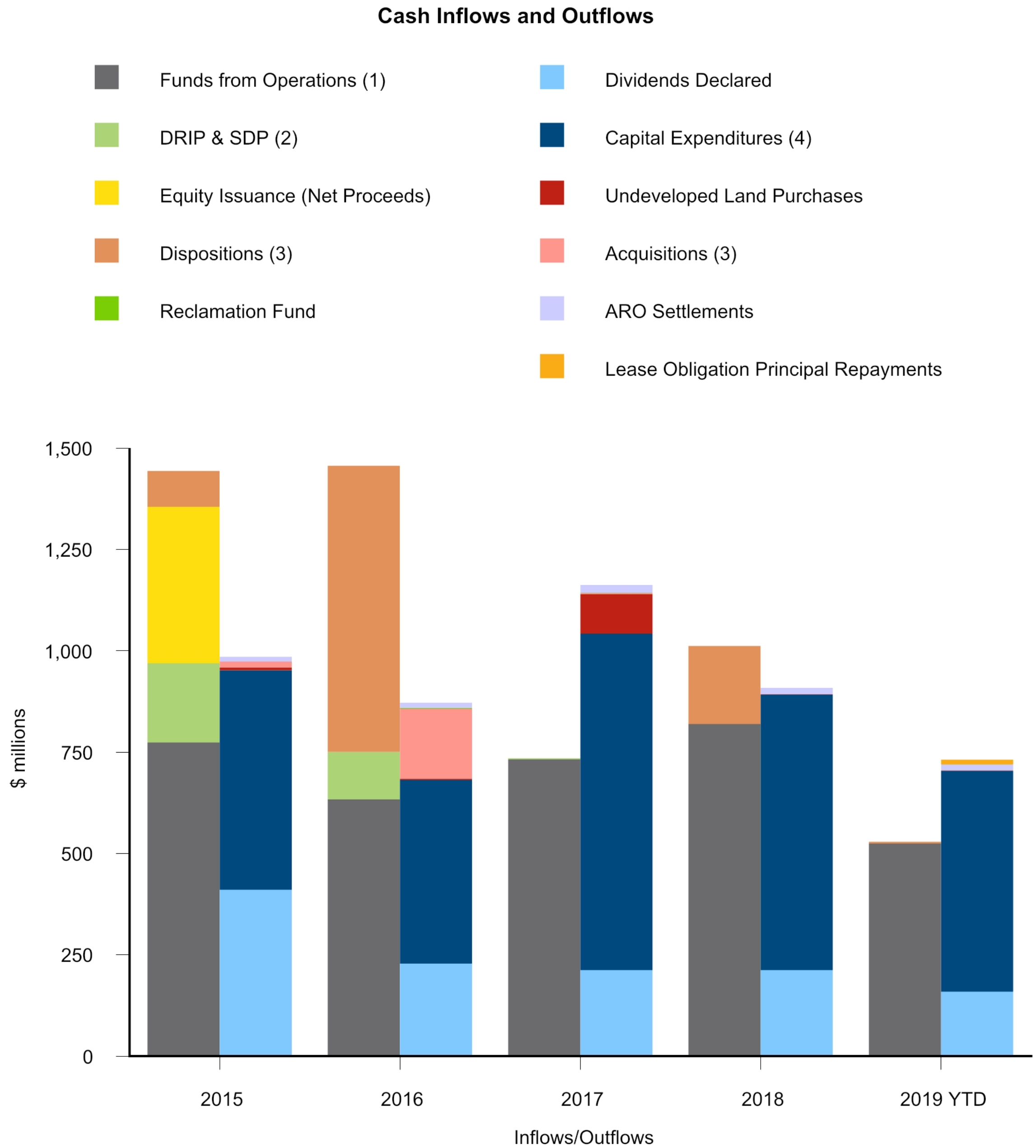
Table 23a

Covenant Description	Estimated Position at September 30, 2019 [1]
Long-term debt and letters of credit not to exceed three-and-a-half times trailing 12-month net income before non-cash items, income taxes, and interest expense	1.1
Long-term debt, letters of credit, and subordinated debt not to exceed four times trailing 12-month net income before non-cash items, income taxes, and interest expense	1.1
Long-term debt and letters of credit not to exceed 55 per cent of the book value of shareholders' equity and long-term debt, letters of credit, and subordinated debt	20%

(1) Estimated position, subject to final approval of the syndicate.

The following illustrates the balance of cash inflows and outflows over the past four years and the current year-to-date. In any period when cash outflows exceed inflows, ARC's net debt balance will increase to cover the shortfall and will decrease in any period when inflows exceed outflows.

Exhibit 19



(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, the Board approved the elimination of the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP"), effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.
(3) Excludes non-cash property transactions.
(4) Excludes capital additions in respect of non-cash share options, lease depreciation, and asset retirement cost.

Table 24

($ millions)	**2019 YTD**	2018	2017	2016	2015
Cash Inflows					
Funds from operations (1)	**524.6**	819.0	731.9	633.3	773.4
DRIP & SDP (2)	**—**	—	3.0	117.1	195.5
Equity issuance (net proceeds)	**—**	—	—	—	386.1
Dispositions (3)	**3.9**	156.1	—	705.4	88.8
Disposition of reclamation fund	**—**	36.5	—	—	—
Reclamation fund withdrawals	**—**	1.1	—	—	0.9
Total	**528.5**	1,012.7	734.9	1,455.8	1,444.7
Cash Outflows					
Dividends declared	**159.3**	212.3	212.3	228.2	410.5
Capital expenditures (4)	**544.8**	679.3	829.4	452.9	541.2
Undeveloped land purchases	**0.7**	0.7	97.6	2.7	6.7
Acquisitions (3)	**0.2**	0.2	2.5	172.9	14.4
ARO settlements	**14.4**	15.8	19.8	13.0	12.3
Lease obligation principal repayments	**11.6**	—	—	—	—
Reclamation fund contributions	**—**	—	0.6	2.0	—
Total	**731.0**	908.3	1,162.2	871.7	985.1

(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) On February 8, 2017, the Board approved the elimination of the DRIP and SDP, effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.
(3) Excludes non-cash property transactions.
(4) Excludes capital additions in respect of non-cash share options, lease depreciation, and asset retirement cost.

Shareholders' Equity

At September 30, 2019 and November 7, 2019, there were 353.4 million shares outstanding and 5.1 million share options outstanding under ARC's Share Option Plan. For more information on the Share Option Plan, refer to the section entitled "Share Option Plan" contained within this MD&A.

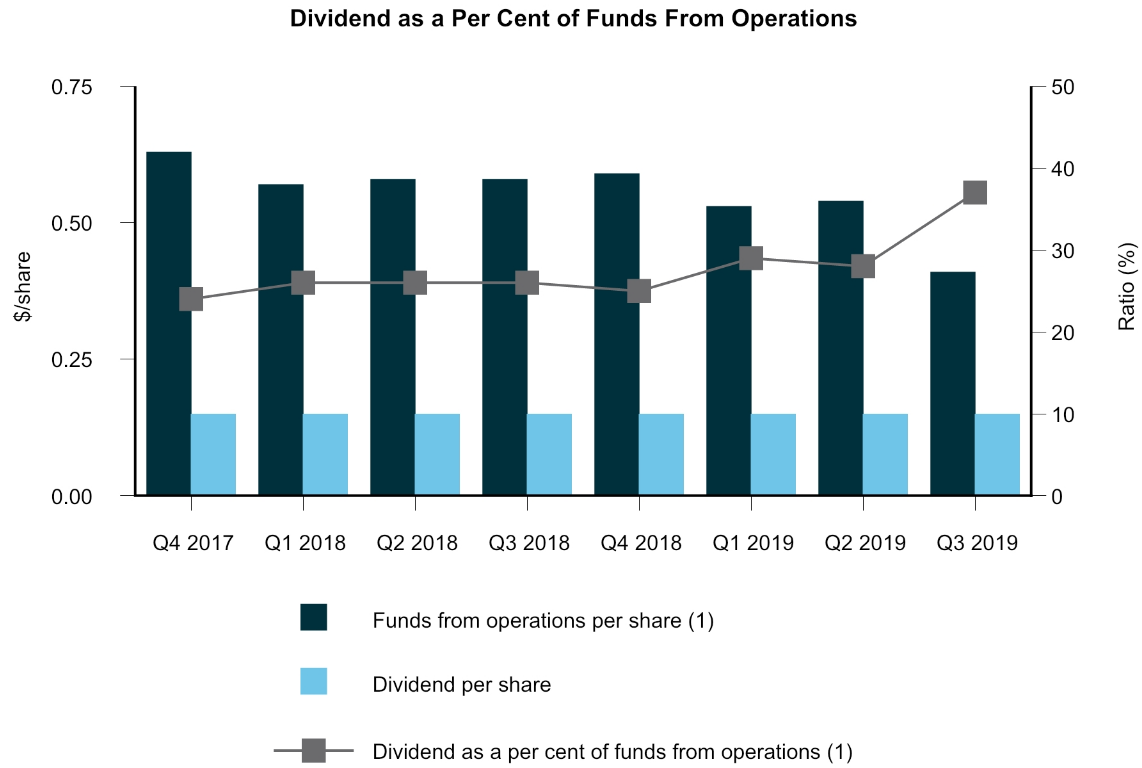
At September 30, 2019, ARC had 0.7 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

Dividends

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In the third quarter of 2019, ARC declared dividends totaling $53.1 million ($0.15 per share outstanding) compared to $53.0 million ($0.15 per share outstanding) during the third quarter of 2018. At this time, ARC plans to sustain current dividend levels.

As a result of a decrease in funds from operations in the three and nine months ended September 30, 2019 compared to the same periods of the prior year, ARC's dividend as a per cent of funds from operations increased from an average of 26 per cent to an average of 37 per cent and 30 per cent, respectively.

Exhibit 20



(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

The actual amount of future monthly dividends is proposed by Management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results. On October 15, 2019, ARC confirmed that a dividend of $0.05 per common share designated as an eligible dividend will be paid on November 15, 2019 to shareholders of record on October 31, 2019 with an ex-dividend date of October 30, 2019.

Please refer to ARC's website at www.arcresources.com for details of the estimated monthly dividend amounts and dividend dates for 2019.

ACCEL Canada Holdings Limited ("ACCEL")

In May 2018, ARC entered into a purchase and sale agreement (the "ACCEL PSA") with ACCEL to dispose of its interests in certain non-core assets located within the area of Redwater, Alberta (the "Transaction") for net proceeds of $130.3 million before post-closing adjustments. At closing, in August 2018, $90.3 million of the purchase price was received in cash with the remaining $40.0 million being recognized as deferred consideration payable on the earlier of January 2, 2020 or certain events of insolvency affecting ACCEL. Concurrent with closing, ARC and ACCEL executed a gross overriding royalty agreement providing for the reservation and grant of a gross overriding royalty payable on ACCEL's working interest in the hydrocarbons produced from the royalty lands included in the disposed assets in accordance with the royalty agreement.

In addition to the deferred consideration, ARC recognized in its accounts receivable at September 30, 2019, amounts owing from ACCEL in relation to post-closing adjustments and cash payments made by ARC on behalf of ACCEL after closing of the Transaction and while ARC continued to act as operator of the disposed assets. On May 31, 2019, ARC initiated a lawsuit against ACCEL for approximately $12.0 million for failure pay certain of these amounts.

On October 21, 2019, ACCEL filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*. As a result of these proceedings, ARC is contractually entitled to enforce its rights to payment of the deferred consideration but proceedings against ACCEL in this regard are now stayed by order of the courts.

At September 30, 2019, ARC recognized in its accounts receivable at September 30, 2019, amounts owing from ACCEL in relation to both post-closing adjustments and additional cash payments made on behalf of ACCEL after closing of the Transaction as well as the deferred consideration amount and accrued interest thereon. A provision for impairment of these financial assets of $47.7 million has been recognized against these receivables at period-end.

Refer to Note 5 "Financial Assets and Credit Risk" in the financial statements for further detail.

At September 30, 2019, the Alberta Energy Regulator had transferred substantially all relevant operating licenses of the assets under the ACCEL PSA from ARC to ACCEL. However, the operating licenses of certain assets (the “Outstanding Assets”) remain with ARC as of the date of this MD&A. The potential obligation associated with the future decommissioning cost of the Outstanding Assets is estimated to be not material to ARC’s financial statements.

On October 23, 2019, ACCEL filed a counterclaim against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation related to the ACCEL PSA. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC.

Environmental Regulation Impacting ARC

ARC operates in jurisdictions that regulate greenhouse gas emissions and other air pollutants. While some regulations are in effect, further changes and amendments are at various stages of review, discussion, and implementation. There is uncertainty around how any future federal legislation will harmonize with provincial regulation, as well as the timing and effects of regulations. Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. In addition, the Supreme Court's decision in *Orphan Well Association v Grant Thornton Limited* may impact the manner in which provincial regulators seek to regulate their liability management and end-of-life asset retirement regimes. Such climate change and other environmental regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as ARC is unable to predict additional legislation or amendments that governments may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

ARC’s Liability Management Rating is well within both the British Columbia Oil and Gas Commission's and the Alberta Energy Regulator’s requirements, such that no deposits were required at September 30, 2019 or at the date of this MD&A.

Additional information is available in ARC’s AIF that is filed on SEDAR at www.sedar.com.

Contractual Obligations and Commitments

At September 30, 2019, ARC's total contractual obligations and commitments were $2.5 billion ($2.7 billion at December 31, 2018). These include obligations and commitments in place at December 31, 2018, less purchase and service commitments that have been fulfilled and less debt and interest payments made in the nine months ended September 30, 2019. Operating leases previously included in ARC's contractual obligations and commitments are now disclosed on the balance sheet in conjunction with the adoption of IFRS 16. For more information, refer to Note 19 "Commitments and Contingencies" in the financial statements.

Off-Balance Sheet Financing

ARC does not have any guarantees or off-balance sheet arrangements that have been excluded from the balance sheet other than commitments disclosed in Note 19 "Commitments & Contingencies" of the financial statements.

Critical Accounting Estimates

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

ARC’s financial and operating results incorporate certain estimates including:

- estimated commodity sales, royalties, transportation, and operating expense on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of crude oil, condensate, NGLs, and natural gas reserves that ARC expects to recover in the future;

- estimated fair values of financial instruments that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated value of ROU assets and lease obligations that are dependent upon estimates of discount rates and timing of lease payments;
- estimated future recoverable value of PP&E, E&E and goodwill and any associated impairment charges or reversals; and
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the PSU Plan that is dependent on the final number of PSU awards that eventually vest based on a performance multiplier.

ARC has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements, refer to Note 5 "Management Judgments and Estimation Uncertainty" in the audited consolidated financial statements as at and for the year ended December 31, 2018 as well as Note 4 "Management Judgments and Estimation Uncertainty" in the financial statements as at and for the nine months ended September 30, 2019.

ASSESSMENT OF BUSINESS RISKS

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

- volatility of crude oil, condensate, NGLs, and natural gas prices;
- refinancing and debt service;
- access to capital markets;
- retention of key personnel;
- operational matters;
- availability of third-party pipeline and processing infrastructure;
- reserves and resources estimates;
- depletion of reserves;
- counterparty risk;
- variations in interest rates and foreign exchange rates;
- changes in income tax legislation;
- changes in government royalty legislation;
- environmental concerns and changes in environmental regulation;
- transportation constraints and market access;
- acquisitions; and
- cyber-security.

Additional information is available in ARC's AIF that is filed on SEDAR at www.sedar.com.

PROJECT RISKS

ARC manages a variety of small and large projects and plans to continue with the development of several capital projects throughout 2019. Project delays may impact expected revenues from operations. Significant project cost overruns could make a project uneconomic. ARC's ability to execute projects and market crude oil, condensate, NGLs, and natural gas depends upon numerous factors beyond its control, including:

- availability and proximity of pipeline capacity;
- availability of processing capacity;
- availability of storage capacity;
- supply of and demand for crude oil, condensate, NGLs, and natural gas;
- availability of alternative fuel sources;
- effects of inclement weather;
- availability of drilling-related equipment and resources;
- unexpected cost increases;
- accidental events;
- changes in regulations; and
- availability and productivity of skilled labour.

Because of these factors, ARC could be unable to execute projects on time, on budget, or at all, and may not be able to effectively market the crude oil, condensate, NGLs, and natural gas that ARC produces.

CONTROL ENVIRONMENT

Internal Control over Financial Reporting

ARC is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”. The certification of interim filings for the interim period ended September 30, 2019 requires that ARC disclose in the interim MD&A any changes in ARC’s internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC’s internal controls over financial reporting. ARC confirms that no such changes were made to its internal controls over financial reporting during the three and nine months ended September 30, 2019.

FINANCIAL REPORTING UPDATE

New Accounting Policies

IFRS 16 *Leases*

Effective January 1, 2019, ARC adopted IFRS 16 which requires the recognition of an ROU asset and associated lease obligation for most leasing arrangements entered into by ARC. Prior to the adoption of this standard, identified leases were categorized as either operating or finance leases, and operating leases were not subject to balance sheet recognition.

ARC adopted IFRS 16 on a modified retrospective basis whereby an adjustment is made to the opening deficit at January 1, 2019 to reflect the cumulative earnings impact of the standard up to the date of adoption. No restatement of prior periods has been made. In conjunction with the adoption of IFRS 16, ARC has completed the implementation of necessary changes to accounting processes, internal controls, information systems, and business reporting that has been affected.

Table 25 details the impact of the adoption of IFRS 16 on the Company's balance sheet, as at January 1, 2019:

Table 25

	Impact on Balance Sheet Item	$ millions
ROU assets	Increase	43.1
Current portion of lease obligations	Increase	(13.5)
Long-term portion of lease obligations	Increase	(44.5)
Other deferred liabilities	Decrease	10.2
Deferred taxes	Decrease	4.0
Deficit	Increase	0.7

The Company's leases recognized on its balance sheet at January 1, 2019 include leases of buildings, land use rights, equipment, and vehicles. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the balance sheet recognition requirements. For full information regarding the effects of the adoption of IFRS 16 on ARC's financial statements, refer to Note 3 "Changes in Accounting Policies" in the financial statements.

Certain of ARC's performance measures including funds from operations, net debt, ROACE, and netback are impacted by the adoption of IFRS 16. Where lease payments made for certain operating items were previously included in operating expense and G&A, these payments are now reflected as payments of interest and lease obligations, which increases total funds from operations and netback. Lease obligations have been included to increase net debt. As IFRS 16 was adopted using a modified retrospective approach, prior period comparatives have not been restated and may not be comparable. For more information on funds from operations and net debt, refer to Note 13 "Capital Management" in the financial statements. For more information on ROACE and netback refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Non-GAAP Measures

Throughout this MD&A, the Company uses certain measures to analyze operational and financial performance. These non-GAAP measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities.

Netback
ARC calculates netback on a total and per boe basis as commodity sales from production less royalties, operating, and transportation expense. ARC also discloses netback after the effect of realized gain or loss on risk management contracts. Realized gain or loss represents the portion of risk management contracts that have settled in cash during the period and disclosing this impact provides Management and investors with transparent measures that reflect how ARC's risk management program can impact its netback. Management believes that netback is a key industry benchmark and a measure of performance for ARC that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists Management with evaluating operating performance on a comparable basis. ARC's netback is disclosed in Tables 13 and 13a within this MD&A.

Return on Average Capital Employed
ARC calculates ROACE, expressed as a percentage, as net income (loss) plus interest and total income taxes (recovery) divided by the average of the opening and closing capital employed for the 12 months preceding the period end. Capital employed is the total of net debt plus shareholders' equity. Refer to Note 13 "Capital Management" in the financial statements for additional discussion on net debt.

ARC uses ROACE as a measure of long-term operating performance, to measure how effectively Management utilizes the capital it has been provided and to demonstrate to shareholders that capital has been used wisely over the long term. ROACE is calculated by ARC for the 12 months preceding the period end, on an annual basis and a four year basis in Table 26 of this MD&A.

Table 26

ROACE	Twelve Months Ended September 30, 2019	Twelve Months Ended December 31 2018	2017	2016	2015	2015-2018 Average (1)
Net income (loss)	**142.3**	213.8	388.9	201.3	(342.7)	115.3
Add: Interest	**41.5**	42.6	45.3	50.5	51.0	47.4
Add: Total income taxes (recovery)	**(24.6)**	108.0	135.9	41.4	(15.8)	67.4
Earnings before interest and taxes	**159.2**	364.4	570.1	293.2	(307.5)	230.1
Net debt - beginning of period	**667.8**	728.0	356.5	985.1	1,255.9	1,255.9
Shareholders' equity - beginning of period	**3,568.0**	3,668.9	3,484.8	3,388.5	3,551.8	3,551.8
Opening capital employed (A)	**4,235.8**	4,396.9	3,841.3	4,373.6	4,807.7	4,807.7
Net debt - end of period	**945.5**	702.7	728.0	356.5	985.1	702.7
Shareholders' equity - end of period	**3,502.1**	3,675.8	3,668.9	3,484.8	3,388.5	3,675.8
Closing capital employed (B)	**4,447.6**	4,378.5	4,396.9	3,841.3	4,373.6	4,378.5
Average capital employed (A+B)/2	**4,341.7**	4,387.7	4,119.1	4,107.5	4,590.7	4,593.1
ROACE (%)	**4**	8	14	7	(7)	5

(1) Average ROACE for years ended December 31, 2015, 2016, 2017, and 2018.

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 2019 capital program including guidance and planned operations for 2019 as well as expected trends during the course of the year with respect to production and expenses under the heading “Annual Guidance,” ARC’s view as to the estimated future payments under the RSU and PSU Plans under the heading “Share-Based Compensation Plans,” ARC's plans with respect to the financing of its operations and strategy regarding its net debt to annualized funds from operations under the heading "Capitalization, Financial Resources and Liquidity," ARC's plans in relation to future dividend levels under the heading "Dividends," changes to environmental legislation and regulation under the heading "Environmental Regulation Impacting ARC," and a number of other matters, including the amount of future asset retirement obligations, future liquidity and financial capacity (including sources of capital), future results from operations and operating metrics, timing of production coming on-stream, future costs, expenses and royalty rates, future interest costs, and future development, exploration, acquisition and development activities (including drilling plans), and related capital expenditures.

The forward-looking information and statements contained in this MD&A reflect material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty, and regulatory regimes; the accuracy of the estimates of ARC's reserves and resource 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: changes in commodity prices; changes in the demand for or supply of ARC's products; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in this MD&A and in ARC's AIF).

The internal projections, expectations or beliefs are based on the 2019 capital budget and year to date results which are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information contained in this MD&A speak only as of the date of this MD&A, and none of ARC or any subsidiaries assumes 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

ARO	asset retirement obligations
CGU	cash generating unit
COGE Handbook	The Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum
DD&A	depletion, depreciation and amortization
DRIP	Dividend Reinvestment Plan
DSU	Deferred Share Unit
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LTRSA	Long-term Restricted Share Award
MSW	Mixed Sweet Blend
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
PP&E	property, plant and equipment
PSU	Performance Share Unit
ROU	right-of-use
RSU	Restricted Share Unit
SDP	Stock Dividend Program
TSX	Toronto Stock Exchange
WTI	West Texas Intermediate

QUARTERLY HISTORICAL REVIEW

($ millions, except per share amounts)	2019			2018				2017
FINANCIAL	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Commodity sales from production	**253.7**	282.9	327.8	302.5	375.1	344.4	340.2	337.3
Per share, basic	**0.72**	0.80	0.93	0.86	1.06	0.97	0.96	0.95
Per share, diluted	**0.72**	0.80	0.93	0.86	1.06	0.97	0.96	0.95
Net income (loss)	**(57.2)**	94.4	(54.6)	159.7	45.1	(45.9)	54.9	73.9
Per share, basic	**(0.16)**	0.27	(0.15)	0.45	0.13	(0.13)	0.16	0.21
Per share, diluted	**(0.16)**	0.27	(0.15)	0.45	0.13	(0.13)	0.16	0.21
Funds from operations (1)	**145.4**	193.0	186.2	208.6	205.0	204.4	201.0	221.1
Per share, basic	**0.41**	0.54	0.53	0.59	0.58	0.58	0.57	0.63
Per share, diluted	**0.41**	0.54	0.53	0.59	0.58	0.58	0.57	0.63
Dividends declared	**53.1**	53.1	53.1	53.1	53.0	53.1	53.1	53.1
Per share (2)	**0.15**	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	**5,819.2**	5,878.9	5,952.4	6,016.2	5,846.3	6,059.8	6,235.7	6,224.0
Total liabilities	**2,317.1**	2,267.7	2,383.6	2,340.4	2,278.3	2,485.8	2,563.8	2,555.1
Net debt outstanding (3)	**945.5**	829.2	796.3	702.7	667.8	757.0	728.0	728.0
Weighted average shares, basic	**353.4**	353.4	353.4	353.4	353.5	353.5	353.5	353.5
Weighted average shares, diluted	**353.4**	353.9	353.4	353.9	354.0	353.5	353.8	353.8
Shares outstanding, end of period	**353.4**	353.4	353.4	353.4	353.4	353.5	353.5	353.5
CAPITAL EXPENDITURES								
Geological and geophysical	**2.7**	1.3	11.9	1.3	3.4	2.1	4.0	2.5
Drilling and completions	**98.6**	107.0	129.2	60.5	114.2	102.6	139.1	154.8
Plant and facilities	**60.0**	65.5	72.3	69.6	51.2	58.8	70.0	87.2
Corporate assets	**0.6**	0.4	0.3	0.2	0.5	1.3	0.6	0.6
Total capital expenditures	**161.9**	174.2	213.7	131.6	169.3	164.8	213.7	245.1
Undeveloped land	**0.7**	—	—	0.2	—	—	0.7	0.4
Total capital expenditures, including undeveloped land purchases	**162.6**	174.2	213.7	131.8	169.3	164.8	214.4	245.5
Acquisitions	**—**	—	0.2	—	—	—	0.2	2.2
Dispositions	**(2.8)**	(0.9)	(0.2)	(0.9)	(96.2)	(0.7)	(98.3)	—
Total capital expenditures, land purchases, and net acquisitions and dispositions	**159.8**	173.3	213.7	130.9	73.1	164.1	116.3	247.7
OPERATING								
Production								
Crude oil (bbl/d)	**16,782**	18,272	18,251	20,092	23,867	24,893	25,037	24,641
Condensate (bbl/d)	**10,846**	10,230	8,210	8,458	8,158	6,960	5,505	6,989
Crude oil and condensate (bbl/d)	**27,628**	28,502	26,461	28,550	32,025	31,853	30,542	31,630
Natural gas (MMcf/d)	**595.4**	596.4	632.5	603.3	574.2	537.9	564.9	572.4
NGLs (bbl/d)	**7,952**	7,041	7,183	7,402	7,687	6,380	6,332	6,380
Total (boe/d)	**134,813**	134,938	139,054	136,502	135,410	127,879	131,016	133,409
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**64.79**	70.26	63.72	43.30	78.62	78.57	69.50	67.29
Condensate ($/bbl)	**65.70**	71.38	64.81	57.25	85.28	85.10	77.42	69.04
Natural gas ($/Mcf)	**1.54**	1.74	2.79	2.85	2.15	1.91	2.50	2.27
NGLs ($/bbl)	**5.25**	7.71	25.43	29.12	35.26	32.98	31.39	35.31
Oil equivalent ($/boe)	**20.46**	23.04	26.20	24.09	30.12	29.59	28.85	27.48
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**7.85**	9.61	10.49	14.84	15.90	15.25	15.90	18.34
Low	**5.37**	6.37	7.82	7.38	12.70	12.71	11.88	13.64
Close	**6.31**	6.41	9.12	8.10	14.40	13.58	14.04	14.75
Average daily volume (thousands)	**1,838**	2,255	2,291	2,117	1,246	1,150	1,406	1,114

(1) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends per share are based on the number of shares outstanding at each dividend record date.
(3) Refer to Note 13 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(4) Trading statistics denote trading activity on the TSX only.