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 5, 2020 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, 2020, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2019, 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.

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

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.

In March 2020, the World Health Organization declared novel coronavirus COVID-19 ("COVID-19") a global pandemic. COVID-19 has had, and is anticipated to continue to have, a significant impact on the global economy, commodity prices, and ARC's business. At September 30, 2020, ARC's management has incorporated the current and anticipated impacts of COVID-19 in its preparation of the MD&A. Refer to the section entitled "Assessment of Business Risks" contained within this MD&A and Note 3 "Novel Coronavirus COVID-19" in the financial statements.

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, 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”.

This year has been marked with considerable market volatility. The COVID-19 pandemic has had a profound impact on commodity prices, with the overall magnitude of its effects on demand and the pace of global economic recovery still uncertain. Amid this challenging backdrop, the guiding principles upon which ARC conducts its business continue to provide a strong foundation for excellent business performance. ARC's operational flexibility, robust risk management program, and strong balance sheet have positioned the Company to prudently manage these volatile market conditions. Capital discipline, a moderate pace of development, and excellent capital efficiencies all contribute to a corporate decline rate of approximately 30 per cent. A concentrated Montney asset base that includes a network of owned-and-operated infrastructure has allowed ARC to deliver excellent capital and operating efficiencies. ARC's sustainable business is focused on a strong balance sheet, ample liquidity, environmental, social, and governance excellence, long-term corporate profitability, and paying a sustainable dividend to shareholders. In combination with the Company's premier land position in the Montney, these principles make ARC a differentiated investment opportunity.

Highlights

Corporate highlights for the annual periods of 2016 through 2019 and the nine months ended September 30, 2020 are shown in Table 1:

Table 1

	2020 YTD	2019	2018	2017	2016
Production (1)					
Crude oil (bbl/d)	**15,784**	17,591	23,460	24,380	31,510
Condensate (bbl/d)	**13,117**	10,066	7,281	5,650	3,626
Crude oil and condensate (bbl/d)	**28,901**	27,657	30,741	30,030	35,136
Natural gas (MMcf/d)	**724.5**	623.3	570.2	525.8	475.6
NGLs (bbl/d)	**9,258**	7,578	6,955	5,273	4,274
Total production (boe/d)	**158,911**	139,126	132,724	122,937	118,671
Average daily production per thousand shares (2)	**0.45**	0.39	0.38	0.35	0.34
Net income (loss) (3)	**(668.0)**	(27.6)	213.8	388.9	201.3
Net income (loss) per share (3)	**(1.89)**	(0.08)	0.60	1.10	0.57
Funds from operations (4)	**455.6**	697.4	819.0	731.9	633.3
Funds from operations per share (4)	**1.29**	1.97	2.31	2.07	1.80
Capital expenditures (5)	**266.5**	691.5	679.4	829.7	453.4
Net debt (4)	**867.8**	940.2	702.7	728.0	356.5
Net debt to annualized funds from operations (ratio) (4)	**1.4**	1.3	0.9	1.0	0.6
Return on average capital employed ("ROACE") (%) (6)	**(22)**	(2)	8	14	7
Proved plus probable reserves (MMboe) (7)(8)	**n/a**	909.9	878.9	836.1	736.7
Proved plus probable reserves per share (boe) (7)(8)	**n/a**	2.6	2.5	2.4	2.1

(1) Reported production amount is based on Company's 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, 2020 and for the respective annual periods ended December 31, 2019, 2018, 2017, and 2016.

(3) The 2020 year-to-date net loss is primarily attributed to an after-tax impairment charge of $554.8 million ($1.57 per share). Refer to Note 6 "Impairment" in the financial statements.

(4) Refer to Note 9 "Capital Management" in the financial statements and to the sections entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

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

(6) 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. For the 2020 year-to-date period, ROACE is calculated for the 12 months ended September 30, 2020.

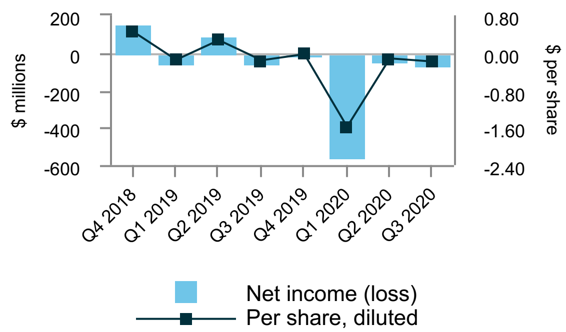
(7) Crude oil, condensate, NGLs, and natural gas reserves ("reserves") as determined by ARC's independent reserves evaluator with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation Handbook.

(8) Reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF on SEDAR at www.sedar.com.

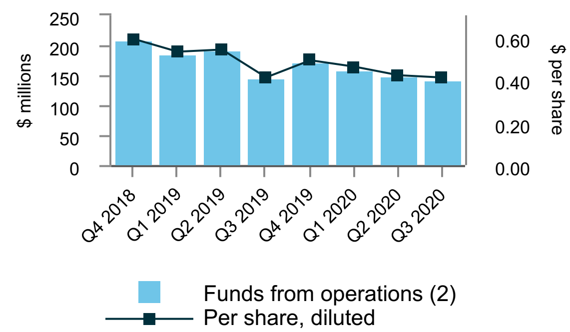
QUARTERLY RESULTS (1)

Exhibit 1

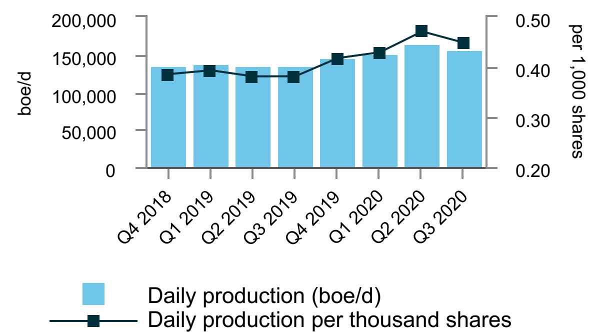
Net Income (Loss)



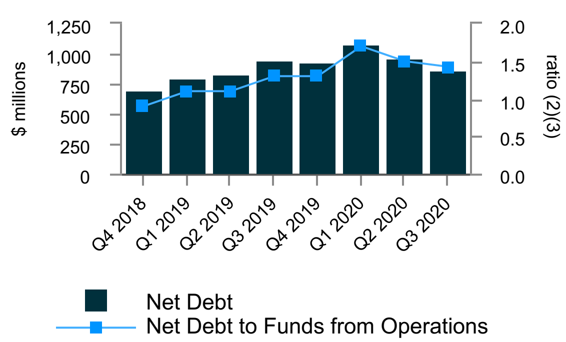
Funds from Operations (2)



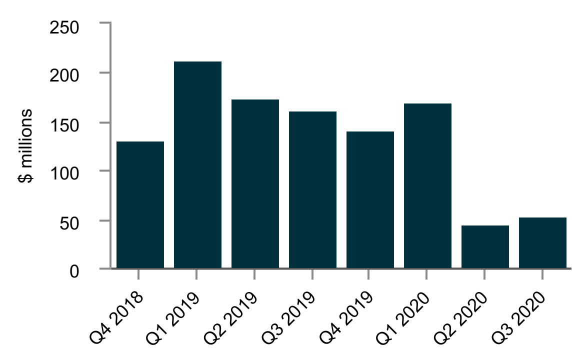
Average Daily Production



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 9 "Capital Management" in the financial statements and to the sections entitled "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within this MD&A.
(3) Net debt to annualized funds from operations.

Trends in earnings and funds from operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices. The following significant items further impacted the Company's net income (loss) over the past eight quarters:

- In the third quarter of 2020, ARC recognized a loss on risk management contracts of $94.3 million.
- In the second quarter of 2020, ARC recognized a loss on risk management contracts of $70.7 million.
- In the first quarter of 2020, ARC recognized an impairment charge of $740.0 million ($554.8 million net of deferred tax recovery) related to its Northern Alberta cash-generating unit ("CGU"). Refer to the section entitled "Assessment of Business Risks" contained within this MD&A and Note 6 "Impairment" in the financial statements. Additionally, ARC recognized a gain on risk management contracts of $100.3 million.
- In the fourth quarter of 2019, ARC recognized a loss on risk management contracts of $56.3 million.
- In the third quarter of 2019, ARC recognized an impairment charge of $39.2 million relating to financial assets. Refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 4 "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. Additionally, an impairment charge of $8.5 million was recognized relating to financial assets. Refer to the section entitled "ACCEL Canada Holdings Limited" contained within this MD&A and Note 4 "Financial Assets and Credit Risk" in the financial statements.
- In the first quarter of 2019, ARC recognized a loss on risk management contracts of $126.2 million.
- In the fourth quarter of 2018, ARC recognized a gain on risk management contracts of $240.3 million.

ANNUAL GUIDANCE

ARC increased its 2020 planned capital investments to $350 million from $300 million, with a continued focus on balance sheet strength and investment in profitable projects with efficient execution. Capital activity for the remainder of 2020 will be focused on natural gas development at Dawson and Sunrise, allowing ARC to maximize throughput of low-cost natural gas production during the winter months to capture the anticipated strength in natural gas pricing. At current commodity price levels, funds from operations generated in 2020 are anticipated to fund the Company's dividend payments and capital program as well as reduce the Company's net debt balance.

To better reflect ARC's 2020 year-to-date actual results and the corresponding full-year 2020 expectations, ARC is modestly increasing its 2020 production guidance ranges for all commodities, and lowering its 2020 guidance ranges for operating, transportation, and interest expenses, as well as current income tax.

Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and market volatility may adversely impact ARC's future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty around the potential impacts this could have on ARC's operations and results, which could be material. These factors contribute considerable uncertainty to some aspects of ARC's guidance items. As such, ARC will continuously monitor its guidance and provide updates as deemed appropriate.

Refer to the news releases dated November 5, 2020 and March 13, 2020 entitled *"ARC Resources Ltd. Reports Third Quarter 2020 Financial and Operational Results and Announces Capital Program of $375 Million to $425 Million for 2021"* and *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

Table 2 is a summary of ARC's 2020 annual guidance and a review of 2020 year-to-date results:

Table 2

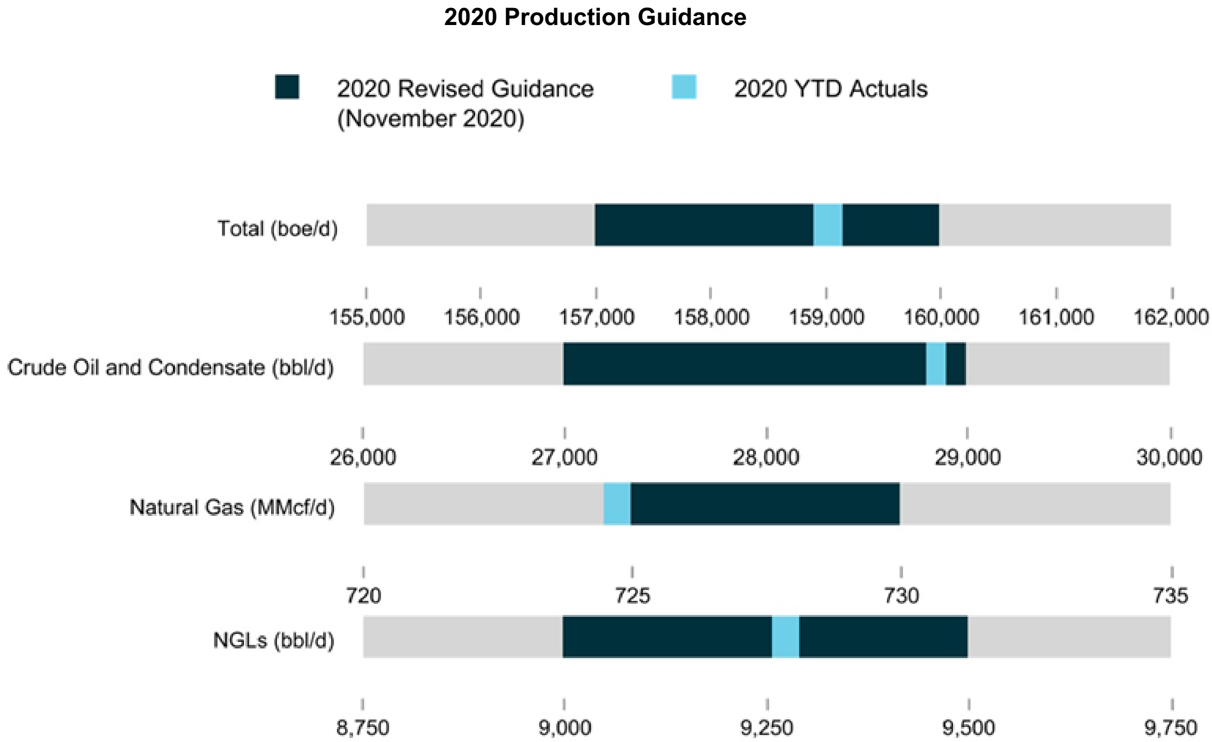
	2020 Original Guidance	2020 Revised Guidance (March 2020)	2020 Revised Guidance (November 2020)	**2020 YTD Actuals**	% Variance from 2020 Revised Guidance (November 2020)
Production					
Crude oil (bbl/d)	15,000 - 17,000	14,000 - 16,000	15,000 - 16,000	**15,784**	—
Condensate (bbl/d)	12,000 - 14,000	11,000 - 13,000	12,000 - 13,000	**13,117**	1
Crude oil and condensate (bbl/d)	27,000 - 31,000	25,000 - 29,000	27,000 - 29,000	**28,901**	—
Natural gas (MMcf/d) (1)	715 - 725	705 - 710	725 - 730	**724.5**	—
NGLs (bbl/d)	8,500 - 9,000	8,000 - 8,500	9,000 - 9,500	**9,258**	—
Total (boe/d) (1)	155,000 - 161,000	150,000 - 155,000	157,000 - 160,000	**158,911**	—
Expenses ($/boe)					
Operating	4.55 - 4.95	4.55 - 4.95	4.00 - 4.20	**3.93**	(2)
Transportation	3.10 - 3.30	3.10 - 3.30	3.00 - 3.20	**2.99**	—
G&A expense before share-based compensation expense	1.00 - 1.20	1.00 - 1.20	1.05 - 1.15	**1.15**	—
G&A - share-based compensation expense (2)	0.30 - 0.45	0.30 - 0.45	0.30 - 0.45	**0.43**	—
Interest and financing (3)	0.65 - 0.80	0.65 - 0.80	0.65 - 0.75	**0.71**	—
Current income tax expense (recovery), as a per cent of funds from operations	(2) - 3	(2) - 3	(5) - 0	**(8)**	(60)
Capital expenditures before land purchases and net property acquisitions (dispositions) ($ millions)	500	300	350	**266.5**	N/A

(1) Guidance does not incorporate the potential impact that third-party transportation restrictions may have on ARC's natural gas production.

(2) 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.

(3) Excludes accretion of the asset retirement obligation ("ARO").

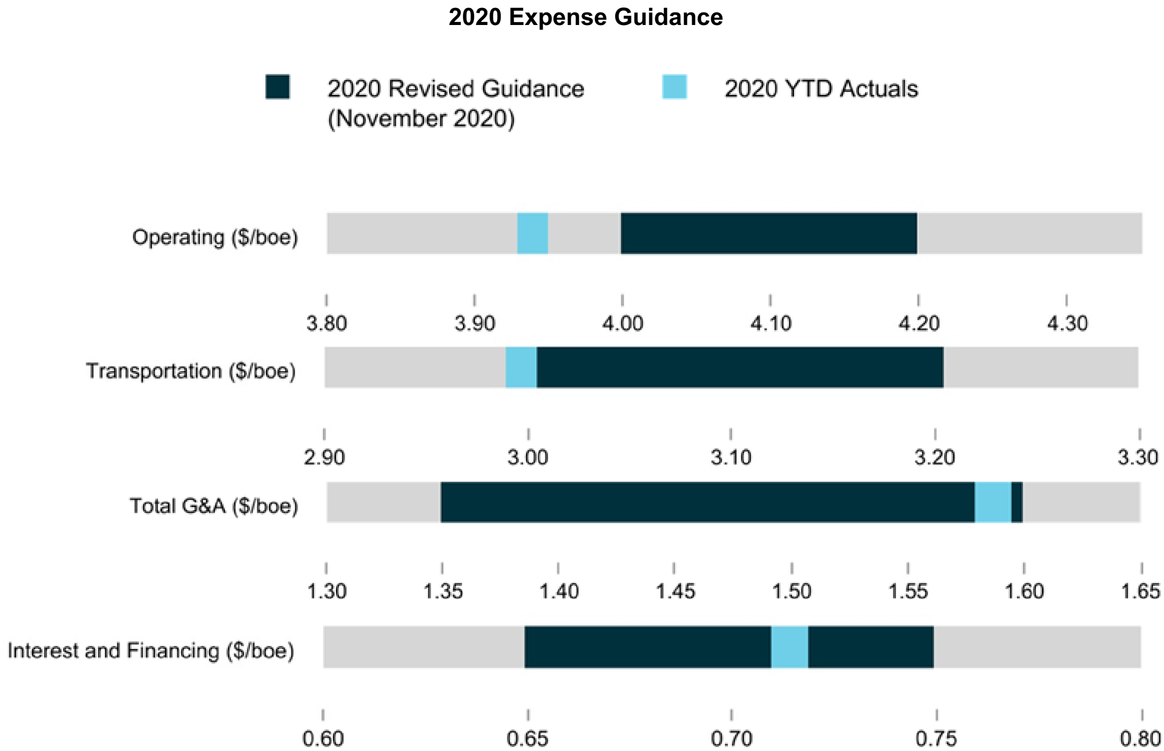
Exhibit 2



Expense variances from guidance for the nine months ended September 30, 2020 include:

- Operating expense is below the guidance range due to the deferral of discretionary maintenance and workover activities during the first half of 2020. With maintenance and workover activities resumed during the second half of 2020, ARC expects its operating expense to be at the low end of the guidance range.

Exhibit 2a



Current income tax as a per cent of funds from operations is below the guidance range due to the decrease in forecasted commodity pricing for crude oil and natural gas and the recognition of certain income tax deductions received from prior periods. Current income tax is expected to be at the low end of the guidance range.

The guidance information presented for 2020 is intended to provide shareholders with information on Management's expectations of its results from operations. Readers are cautioned that the guidance may not be appropriate for other purposes.

2020 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Financial Highlights

Table 3

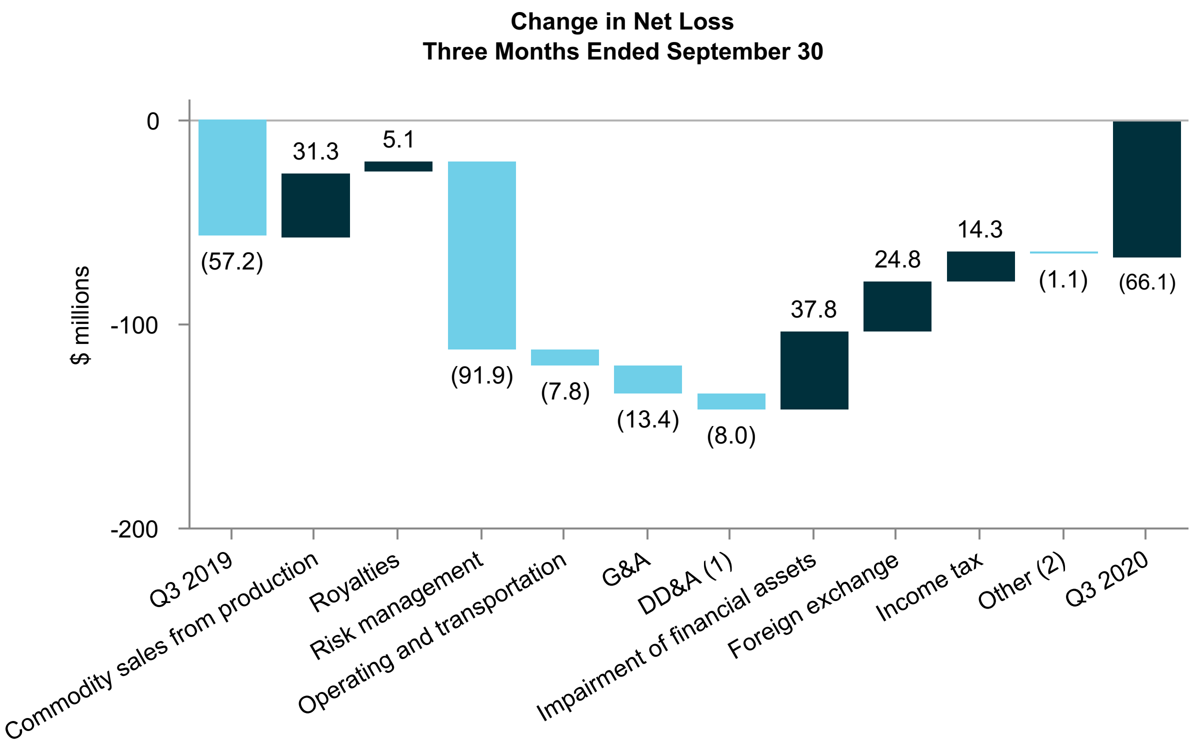
	Three Months Ended				Nine Months Ended		
($ millions, except per share and volume data)	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Net loss	(43.5)	**(66.1)**	(57.2)	(16)	**(668.0)**	(17.4)	(3,739)
Net loss per share	(0.12)	**(0.19)**	(0.16)	(19)	**(1.89)**	(0.05)	(3,680)
Funds from operations (1)	150.2	**144.6**	145.4	(1)	**455.6**	524.6	(13)
Funds from operations per share (1)	0.42	**0.41**	0.41	—	**1.29**	1.48	(13)
Dividends declared per share (2)	0.06	**0.06**	0.15	(60)	**0.24**	0.45	(47)
Average daily production (boe/d)	166,510	**158,444**	134,813	18	**158,911**	136,253	17

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) Dividends declared per share are based on the number of shares outstanding at each dividend record date.

Net Loss

In the third quarter of 2020, ARC recognized a net loss of $66.1 million ($0.19 per share), an increase of $8.9 million from ARC's third quarter 2019 net loss of $57.2 million ($0.16 per share). The increase in net loss is primarily due to an increased loss on risk management contracts of $91.9 million. This was partially offset by decreased impairment of financial assets recognized of $37.8 million, an increase in commodity sales from production of $31.3 million as a result of an increase in natural gas production, and a foreign exchange gain of $15.8 million compared to a foreign exchange loss of $9.0 million in the prior year.

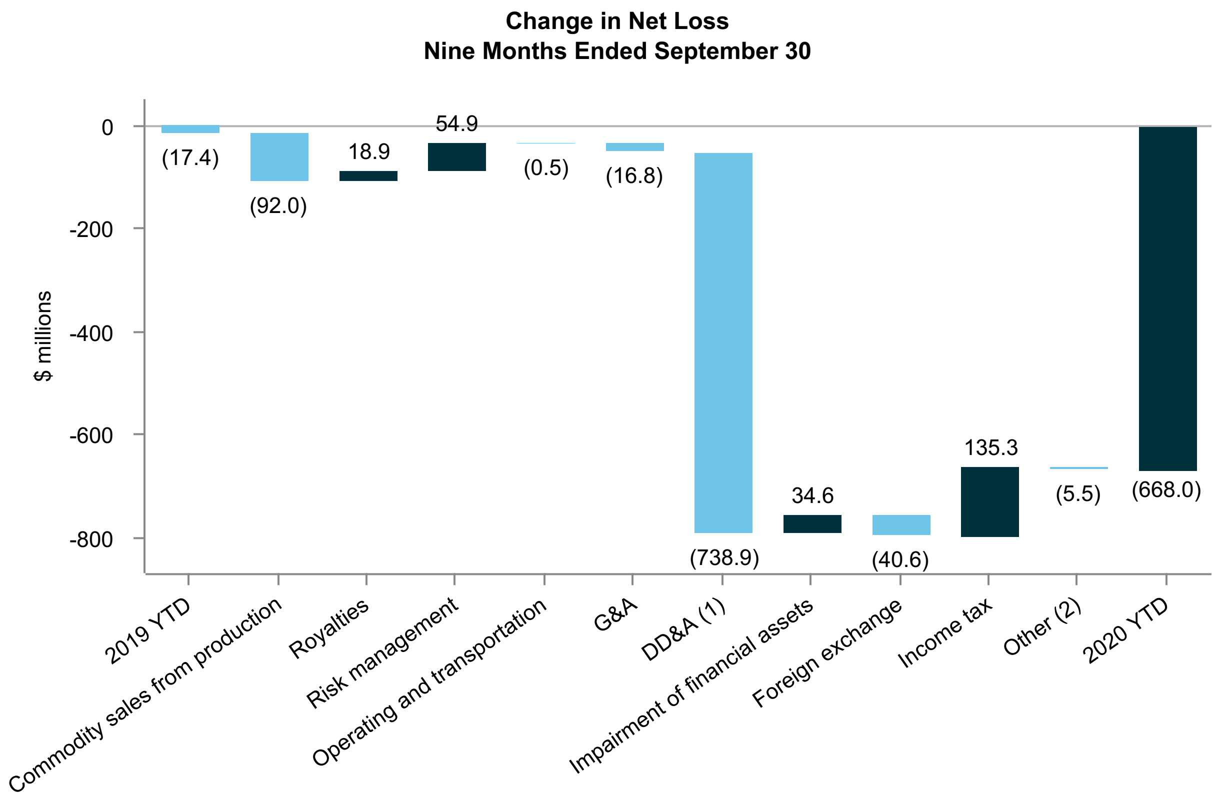
Exhibit 3



(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, and interest and financing.

During the nine months ended September 30, 2020, ARC recognized a net loss of $668.0 million ($1.89 per share) compared to a net loss of $17.4 million ($0.05 per share) for the same period of the prior year. The $650.6 million increase in net loss is primarily attributed to an impairment charge of $740.0 million recognized in the first quarter of 2020. In addition, a decrease in commodity sales from production of $92.0 million as a result of lower realized commodity prices, and a foreign exchange loss of $20.8 million compared to a foreign exchange gain of $19.8 million in the prior year also contributed to the increase. Partially offsetting these items are a decrease in the loss on risk management contracts of $54.9 million and an increase in income tax recovery of $135.3 million.

Exhibit 3a



(1) Includes DD&A and impairment.

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

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 9 "Capital Management" in the financial statements. Table 4 is a reconciliation of ARC's net loss to funds from operations and cash flow from operating activities:

Table 4

($ millions)	Three Months Ended June 30, 2020	Three Months Ended **September 30, 2020**	Three Months Ended September 30, 2019	Nine Months Ended **September 30, 2020**	Nine Months Ended September 30, 2019
Net loss	(43.5)	**(66.1)**	(57.2)	**(668.0)**	(17.4)
Adjusted for the following non-cash items:					
Impairment of financial assets	1.1	**1.4**	39.2	**13.1**	47.7
DD&A and impairment	129.4	**140.4**	132.4	**1,145.5**	406.6
Accretion of ARO	1.6	**1.4**	1.8	**4.8**	5.6
Deferred tax recovery	(13.6)	**(28.3)**	(12.0)	**(202.0)**	(89.6)
Unrealized loss on risk management contracts	102.5	**110.8**	30.8	**130.1**	192.5
Unrealized loss (gain) on foreign exchange	(28.8)	**(16.2)**	9.4	**28.4**	(24.0)
Other	1.5	**1.2**	1.0	**3.7**	3.2
Funds from operations	150.2	**144.6**	145.4	**455.6**	524.6
Net change in other liabilities	4.2	**6.0**	(1.5)	**4.9**	(8.6)
Change in non-cash working capital	(57.0)	**23.5**	6.1	**(5.9)**	(43.9)
Cash flow from operating activities	97.4	**174.1**	150.0	**454.6**	472.1

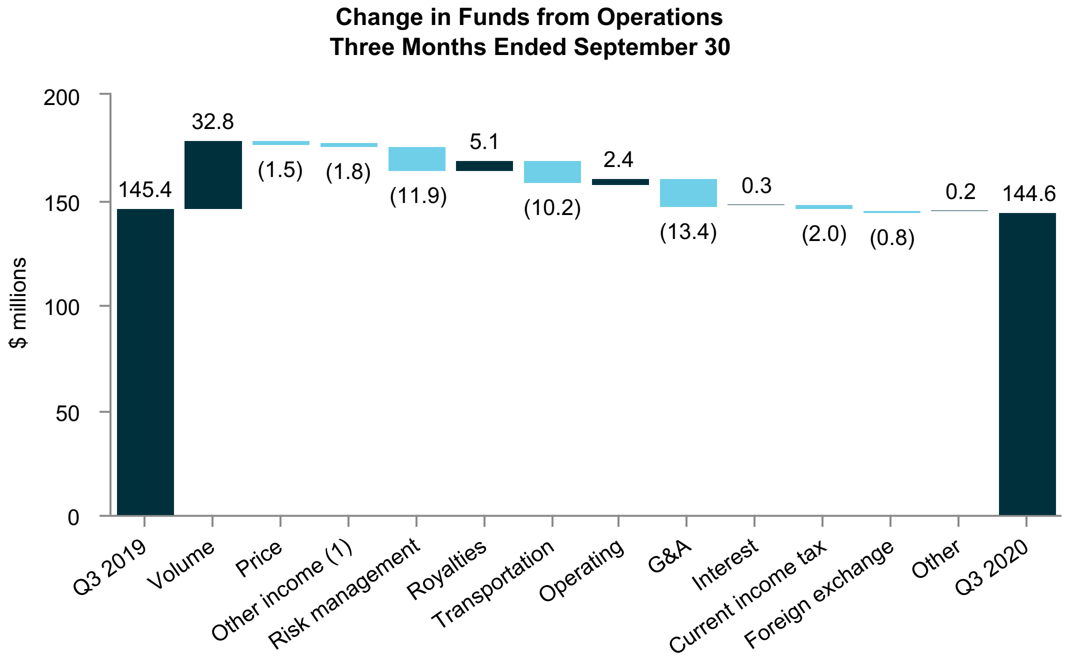
Details of the change in funds from operations from the three and nine months ended September 30, 2019 to the three and nine months ended September 30, 2020 are included in Table 5 below:

Table 5

	Three Months Ended September 30		**Nine Months Ended** September 30	
	$ millions	$/Share	$ millions	$/Share
Funds from operations – 2019	145.4	0.41	524.6	1.48
Volume variance				
Crude oil and liquids	**16.8**	**0.05**	**34.2**	**0.10**
Natural gas	**16.0**	**0.06**	**67.2**	**0.20**
Price variance				
Crude oil and liquids	**(41.9)**	**(0.12)**	**(193.4)**	**(0.54)**
Natural gas	**40.4**	**0.11**	**—**	**—**
Sales of commodities purchased from third parties	**(23.0)**	**(0.07)**	**(49.4)**	**(0.14)**
Interest income	**(0.6)**	**—**	**(3.9)**	**(0.01)**
Other income	**(0.4)**	**—**	**(2.2)**	**(0.01)**
Realized gain on risk management contracts	**(11.9)**	**(0.03)**	**(7.5)**	**(0.02)**
Royalties	**5.1**	**0.01**	**18.9**	**0.05**
Expenses				
Commodities purchased from third parties	**22.2**	**0.06**	**49.3**	**0.14**
Operating	**2.4**	**0.01**	**18.9**	**0.05**
Transportation	**(10.2)**	**(0.03)**	**(19.4)**	**(0.05)**
G&A	**(13.4)**	**(0.04)**	**(16.8)**	**(0.05)**
Interest and financing	**0.3**	**—**	**(0.1)**	**—**
Current income tax	**(2.0)**	**(0.01)**	**22.9**	**0.06**
Realized gain (loss) on foreign exchange	**(0.8)**	**—**	**11.8**	**0.03**
Other	**0.2**	**—**	**0.5**	**—**
Funds from operations – 2020	**144.6**	**0.41**	**455.6**	**1.29**

Funds from operations generated in the third quarter of 2020 decreased by one per cent to $144.6 million ($0.41 per share) from $145.4 million ($0.41 per share) generated in the third quarter of 2019. The decrease in funds from operations for the three months ended September 30, 2020 primarily reflects an increase in G&A expense, a lower realized gain on risk management contracts, and an increase in transportation expense. This was partially offset by an increase in condensate, NGLs and natural gas production.

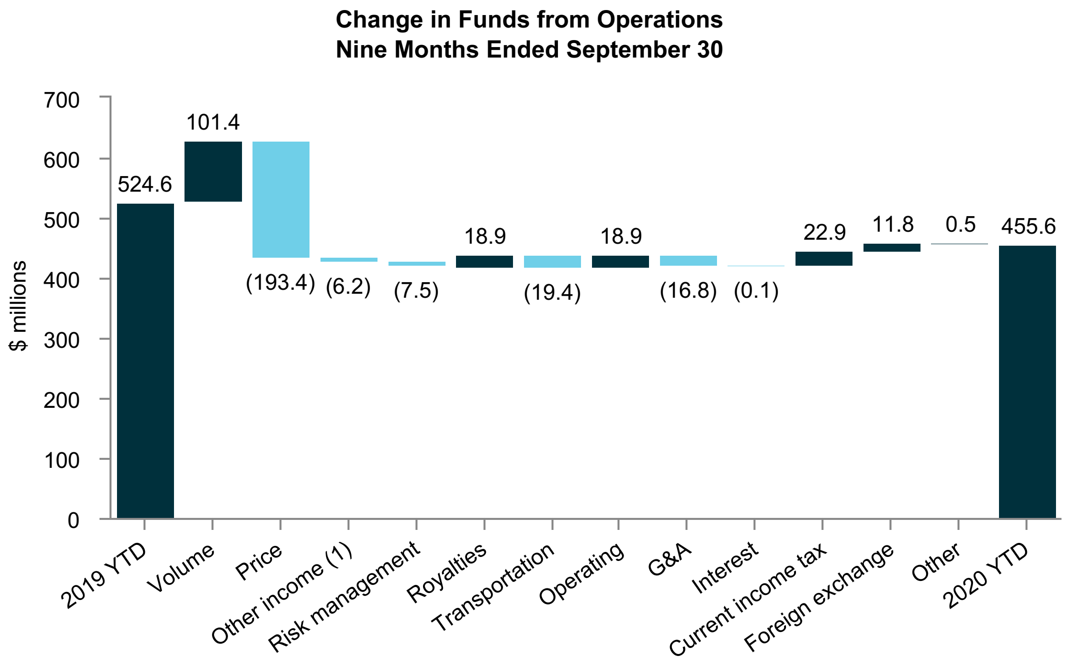
Exhibit 4



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

For the nine months ended September 30, 2020, funds from operations decreased by $69.0 million to $455.6 million ($1.29 per share) from $524.6 million ($1.48 per share) in the same period of 2019. The decrease primarily reflects lower average realized crude oil and liquids prices. This was partially offset by an increase in condensate, NGLs, and natural gas production.

Exhibit 4a



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

Net 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 loss and funds from operations:

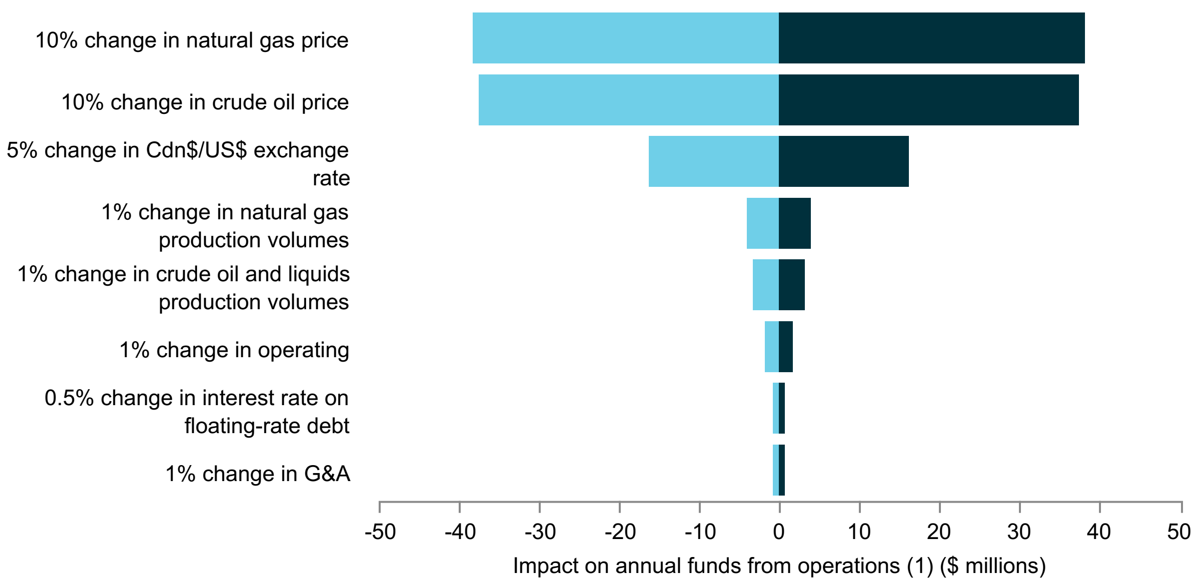
Table 6

			Impact on Annual Funds from Operations (6)		Impact on Annual Net Loss	
	Assumption	Change	Notional Amount ($ millions)	$/Share	Notional Amount ($ millions)	$/Share
Business Environment (1)						
Crude oil price ($/bbl) (2)(3)	40.79	10 %	37.5	0.106	37.5	0.106
Natural gas price ($/Mcf) (2)	2.04	10 %	38.2	0.108	38.2	0.108
Cdn$/US$ exchange rate (2)(4)	1.35	5 %	16.3	0.046	16.3	0.046
Interest rate on floating-rate debt (2)	3.5 %	0.5 %	0.7	0.002	0.7	0.002
Operational (5)						
Crude oil and liquids production (bbl/d)	38,159	1 %	3.2	0.009	2.5	0.007
Natural gas production (MMcf/d)	724.5	1 %	3.9	0.011	1.4	0.004
Operating ($/boe)	3.93	1 %	1.8	0.005	1.8	0.005
G&A ($/boe)	1.58	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, 2020. Refer to Table 11 contained within this MD&A for additional details. The calculated impact on funds from operations and net loss would only be applicable within a limited range of these amounts.
(3) Includes the impact on crude oil, condensate, and NGLs prices.
(4) Includes impact of foreign exchange on natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.
(5) Operational assumptions are based upon results for the nine months ended September 30, 2020.
(6) Refer to Note 9 "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 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

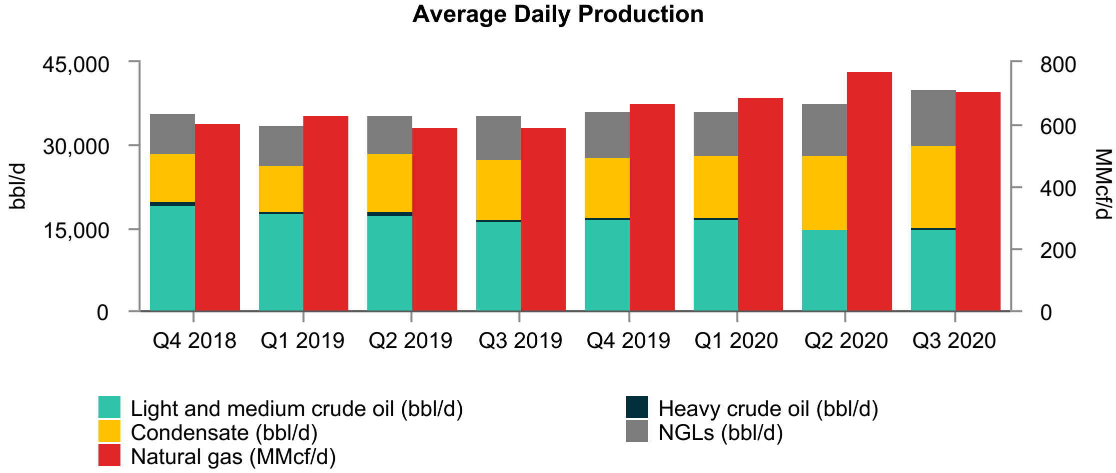
Table 7

Production	Three Months Ended				Nine Months Ended		
	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Light and medium crude oil (bbl/d)	14,933	**15,016**	16,224	(7)	**15,521**	17,219	(10)
Heavy crude oil (bbl/d)	54	**357**	558	(36)	**263**	544	(52)
Condensate (bbl/d)	13,239	**14,831**	10,846	37	**13,117**	9,772	34
NGLs (bbl/d)	9,405	**10,208**	7,952	28	**9,258**	7,395	25
Crude oil and liquids (bbl/d)	37,631	**40,412**	35,580	14	**38,159**	34,930	9
Natural gas (MMcf/d)	773.3	**708.2**	595.4	19	**724.5**	607.9	19
Total production (boe/d)	166,510	**158,444**	134,813	18	**158,911**	136,253	17
Natural gas production (%)	77	**74**	74	—	**76**	74	2
Crude oil and liquids production (%)	23	**26**	26	—	**24**	26	(2)

For the three and nine months ended September 30, 2020, crude oil and liquids production increased 14 per cent and nine per cent, respectively, as compared to the same periods in the prior year. Increases in condensate and NGLs production were partially offset by lower crude oil production. The increases in condensate and NGLs production were primarily driven by the start-up of the Dawson Phase IV gas processing and liquids-handling facility, which came on-stream at the beginning of the second quarter of 2020, as well as increased production from Attachie West. The decrease in crude oil production is primarily attributable to natural declines of oil-producing properties where minimal development activity has occurred. In addition, certain properties were shut in during the second and third quarters of 2020 as a result of low commodity prices and maintenance activities, respectively. The majority of production resumed within each respective quarter.

For the three and nine months ended September 30, 2020, natural gas production increased 19 per cent compared to the same periods in the prior year. The increase was primarily driven by the start-up of the Dawson Phase IV gas processing and liquids-handling facility which came on-stream at the beginning of the second quarter of 2020 as well as increased volumes at Sunrise as a result of utilizing the facility to full capacity for the majority of 2020.

Exhibit 6



Average Daily Production
45,000
30,000
15,000
0
bbl/d
800
600
400
200
0
MMcf/d
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Light and medium crude oil (bbl/d)
Condensate (bbl/d)
Natural gas (MMcf/d)
Heavy crude oil (bbl/d)
NGLs (bbl/d)

Table 8 summarizes ARC's production by core area for the three months ended September 30, 2020 and September 30, 2019:

Table 8

	Three Months Ended September 30, 2020				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	**60,251**	—	4,758	309.1	3,973
Sunrise	**33,450**	—	7	200.6	14
Parkland/Tower	**32,876**	1,946	5,956	123.8	4,339
Ante Creek	**17,291**	7,612	516	45.4	1,595
Pembina	**8,130**	5,813	139	10.9	363
Attachie West	**5,458**	—	3,317	12.0	143
All other	**988**	2	138	6.4	(219)
Total	**158,444**	**15,373**	**14,831**	**708.2**	**10,208**

	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
Sunrise	31,608	—	68	189.1	24
Parkland/Tower	35,624	3,434	6,653	127.4	4,302
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

Exhibit 7

Production by Core Area
Three Months Ended September 30, 2020

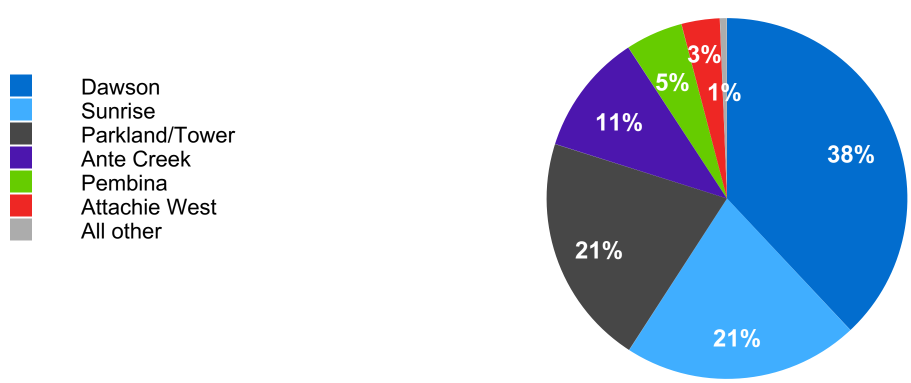


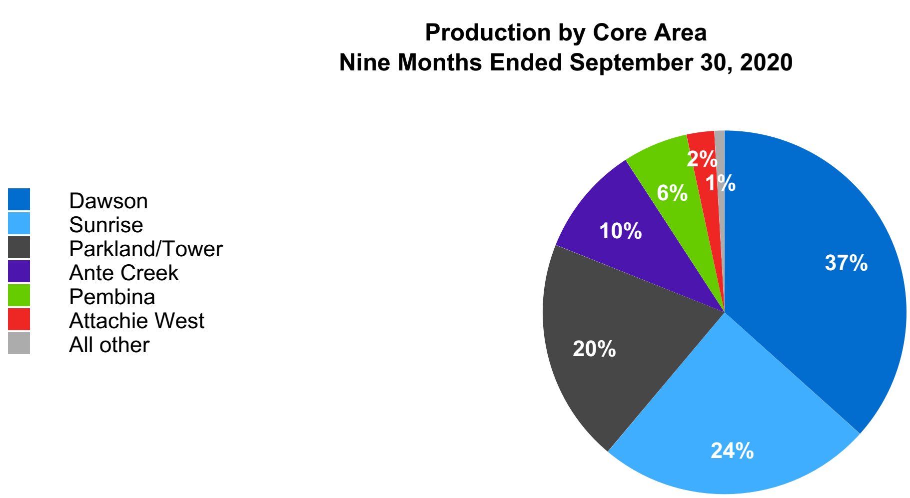
Table 8a summarizes ARC's production by core area for the nine months ended September 30, 2020 and September 30, 2019:

Table 8a

	Nine Months Ended September 30, 2020				
Production	**Total**	**Crude Oil**	**Condensate**	**Natural Gas**	**NGLs**
Core Area	**(boe/d)**	**(bbl/d)**	**(bbl/d)**	**(MMcf/d)**	**(bbl/d)**
Dawson	**58,236**	—	5,418	296.5	3,407
Sunrise	**38,873**	—	2	233.1	17
Parkland/Tower	**31,685**	2,407	4,595	123.6	4,079
Ante Creek	**15,559**	6,610	423	43.1	1,347
Pembina	**9,210**	6,760	145	11.5	395
Attachie West	**4,010**	—	2,400	9.1	87
All other	**1,338**	7	134	7.6	(74)
Total	**158,911**	**15,784**	**13,117**	**724.5**	**9,258**

	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
Sunrise	29,904	—	60	178.9	27
Parkland/Tower	32,839	3,885	4,998	120.9	3,813
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

Exhibit 7a



Commodity Sales from Production

For the three months ended September 30, 2020, commodity sales from production increased by 12 per cent as compared to the same period in 2019. The increase is due to higher realized average natural gas and NGLs prices as well as an increase in natural gas, condensate, and NGLs production, partially offset by lower realized average crude oil and condensate prices.

For the nine months ended September 30, 2020, commodity sales from production decreased by 11 per cent as compared to the same period in 2019. The decrease is due to lower crude oil and liquids prices, partially offset by an increase in natural gas, condensate, and NGLs 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, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Crude oil	35.3	**64.3**	100.0	(36)	**176.4**	321.5	(45)
Condensate	38.1	**66.2**	65.6	1	**163.2**	179.9	(9)
Natural gas	135.2	**140.6**	84.3	67	**404.9**	337.8	20
NGLs	9.3	**13.9**	3.8	266	**27.9**	25.2	11
Total commodity sales from production	217.9	**285.0**	253.7	12	**772.4**	864.4	(11)

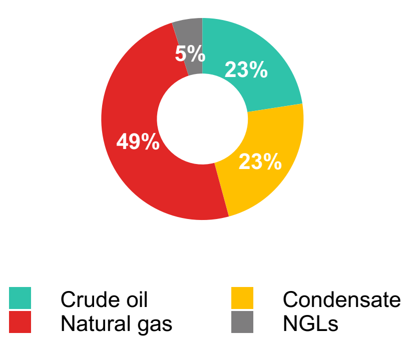
For the three and nine months ended September 30, 2020, crude oil and liquids comprised approximately 25 per cent of ARC's production, however, ARC's commodity sales contribution was almost equally weighted between crude oil and liquids and natural gas for the same periods, as seen in Table 10:

Table 10

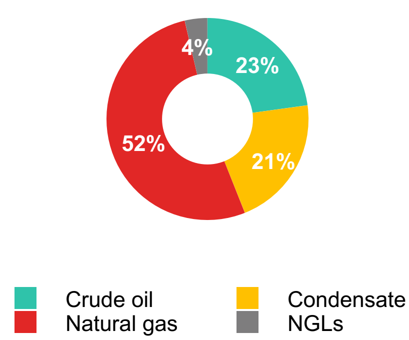
	Three Months Ended			Nine Months Ended	
% of Commodity Sales from Production by Product Type	June 30, 2020	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Crude oil and liquids	38	**51**	67	**48**	61
Natural gas	62	**49**	33	**52**	39
Total commodity sales from production	100	**100**	100	**100**	100

Exhibit 8

Commodity Sales from Production by Product
Three Months Ended
September 30, 2020



Commodity Sales from Production by Product
Nine Months Ended
September 30, 2020



Commodity Prices

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

Table 11

	Three Months Ended				Nine Months Ended		
	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US$/MMBtu)	1.72	**1.98**	2.23	(11)	**1.88**	2.67	(30)
Chicago Citygate Monthly Index (US$/MMBtu)	1.63	**1.87**	2.03	(8)	**1.81**	2.60	(30)
AECO 7A Monthly Index (Cdn$/Mcf)	1.91	**2.15**	1.04	107	**2.07**	1.39	49
West Texas Intermediate ("WTI") crude oil (US$/bbl)	28.00	**40.92**	56.44	(27)	**38.21**	57.10	(33)
Cdn$/US$ exchange rate	1.39	**1.33**	1.32	1	**1.35**	1.33	2
WTI crude oil (Cdn$/bbl)	38.92	**54.42**	74.50	(27)	**51.58**	75.94	(32)
Mixed Sweet Blend ("MSW") Price at Edmonton (Cdn$/bbl)	30.16	**49.84**	68.35	(27)	**43.95**	69.61	(37)
Condensate Stream Price at Edmonton (Cdn$/bbl)	30.94	**49.99**	68.66	(27)	**47.71**	70.23	(32)
ARC Average Realized Prices Prior to Gain or Loss on Risk Management Contracts							
Crude oil ($/bbl)	25.88	**45.45**	64.79	(30)	**40.79**	66.30	(38)
Condensate ($/bbl)	31.54	**48.49**	65.70	(26)	**45.38**	67.44	(33)
Natural gas ($/Mcf)	1.92	**2.16**	1.54	40	**2.04**	2.04	—
NGLs ($/bbl)	10.84	**14.85**	5.25	183	**11.01**	12.50	(12)
Total average realized commodity price prior to gain or loss on risk management contracts ($/boe)	14.38	**19.55**	20.46	(4)	**17.74**	23.24	(24)

Benchmark Commodity Prices

Following extreme volatility during the first half of 2020, the global crude oil markets began to stabilize during the three months ended September 30, 2020. WTI crude oil prices in the third quarter of 2020 increased 40 per cent from the prior quarter and decreased 27 per cent from the third quarter of 2019. The recent increase in prices can be attributed to major shifts in both supply and demand that put the global crude oil market in a more balanced position than the prior quarter. The combination of the Organization of Petroleum Exporting Countries and certain other oil-producing countries continuing to comply with agreed-upon production cuts, and North American energy producers demonstrating capital discipline, led to a normalization of global inventory levels. Although prices have stabilized in recent months, a second wave of the COVID-19 pandemic is underway, causing growing uncertainty around global demand and the likelihood of a sustained crude oil price recovery.

Locally, Canadian crude oil differentials narrowed as supply remained relatively low given limited capital activity in the Western Canadian Sedimentary Basin and increased maintenance and turnaround activities. Tighter differentials were further supported by pipeline capacity returning to normal levels following previous constraints. The Canadian condensate market has experienced the reduction of imported volumes from the US. This combined with reduced domestic production and improving local demand has resulted in a strengthening of local condensate differentials.

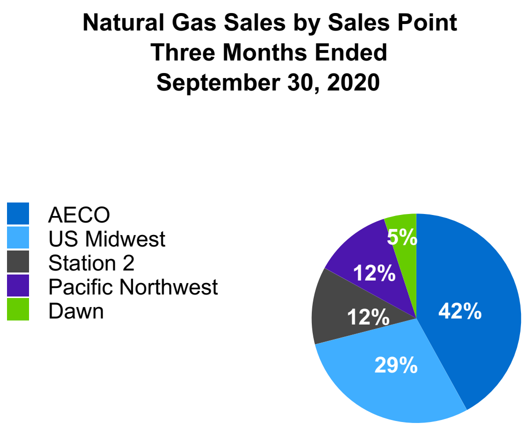
Improving supply and demand dynamics helped support higher US natural gas benchmark prices during the three months ended September 30, 2020, relative to the three months ended June 30, 2020. NYMEX Henry Hub natural gas prices increased 15 per cent in the third quarter of 2020 compared to the prior quarter and decreased 11 per cent from the third quarter of 2019. A lack of supply growth from dry natural gas basins compounded by the sudden loss of associated natural gas supply from crude oil and liquids basins has resulted in domestic production in the US trending well below that of the prior year. Improving global market fundamentals resulted in an increase in US liquefied natural gas exports that also contributed to the rebalancing of the domestic market during the quarter. These factors have reduced near-term concerns surrounding elevated inventory levels in both North America and Europe.

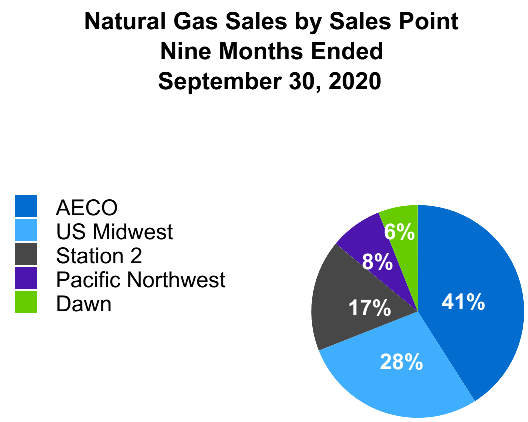
The AECO monthly index increased 13 per cent in the third quarter of 2020 compared to the prior quarter and increased 107 per cent compared to the third quarter of 2019. Declining basin supply along with strong demand for natural gas for local inventory injections have resulted in an improved supply/demand balance at AECO. Western Canadian natural gas basis differentials to NYMEX Henry Hub have continued to narrow substantially compared to prior years due to these region-specific factors.

ARC's Average Realized Commodity Prices
For the three and nine months ended September 30, 2020, ARC's average realized crude oil price decreased 30 per cent and 38 per cent, respectively, compared to the same periods in 2019. ARC's average realized condensate price for the three and nine months ended September 30, 2020 decreased 26 per cent and 33 per cent, respectively, compared to the same periods in the prior year. For both crude oil and condensate the decreases primarily reflect lower benchmark WTI prices.

ARC's natural gas sales are physically diversified to multiple sales points with different index-based pricing. ARC's average realized natural gas price for the three months ended September 30, 2020 increased 40 per cent compared to the same period in the prior year. The increase is primarily due to improved pricing at AECO and Station 2. ARC’s average realized natural gas price for the nine months ended September 30, 2020 was unchanged from the same period in the prior year. Higher pricing at AECO and Station 2 in the nine months ended September 30, 2020, was partially offset by lower prices at downstream sales points when compared to the same period in 2019. During the three and nine months ended September 30, 2020, physical sales diversification activities reduced ARC’s average realized natural gas price by $0.10 per Mcf and $0.11 per Mcf, respectively, compared to an addition of $0.52 per Mcf and $0.59 per Mcf in the same periods in 2019.

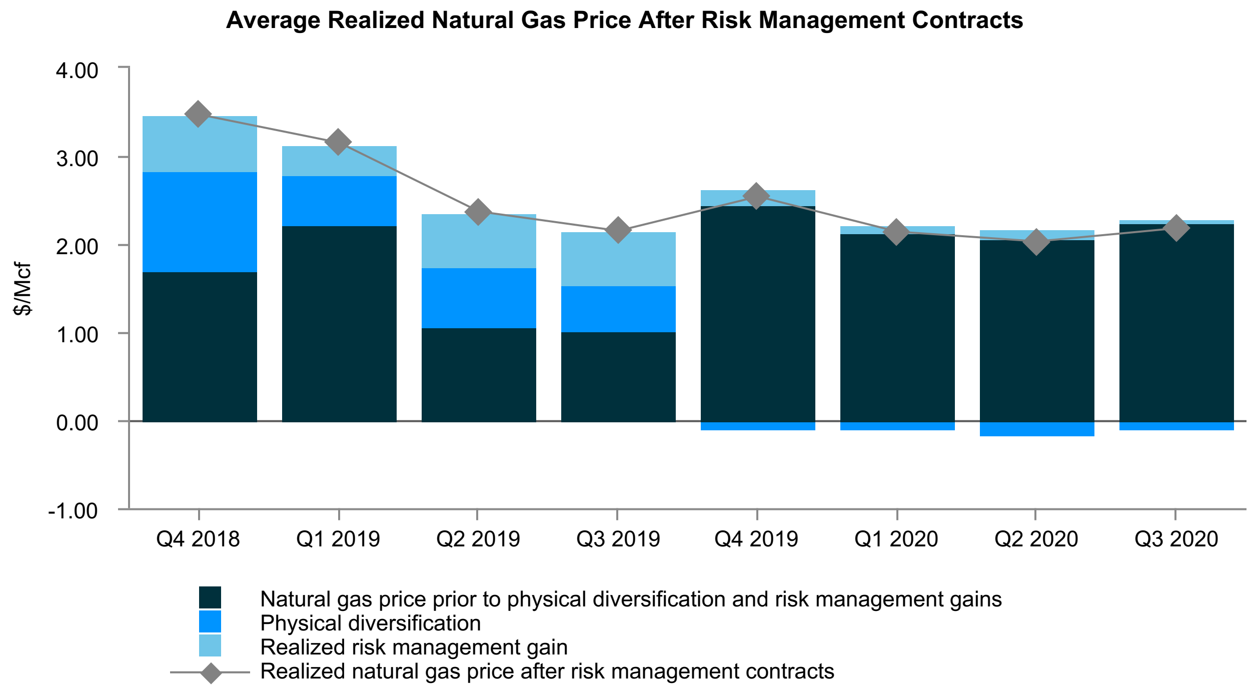
Exhibit 9





Average realized pricing for NGLs increased 183 per cent for the three months ended September 30, 2020 compared to the same period in the prior year, primarily due to improvements in NGLs contract term pricing and optimization of spot sales. For the nine months ended September 30, 2020, ARC's average realized NGLs price decreased 12 per cent due to lower butane and propane pricing relative to the first nine months of 2019.

Exhibit 10



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, 2020, compared to the same periods in 2019:

Table 12

Risk Management Contracts ($ millions)	**Crude Oil & Liquids**	**Natural Gas**	**Foreign Currency**	**Q3 2020 Total**	Q3 2019 Total
Realized gain on contracts (1)	14.9	1.6	—	**16.5**	28.4
Unrealized loss on contracts (2)	(17.2)	(92.7)	(0.9)	**(110.8)**	(30.8)
Loss on risk management contracts	**(2.3)**	**(91.1)**	**(0.9)**	**(94.3)**	(2.4)

(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**	**2020 YTD Total**	2019 YTD Total
Realized gain on contracts (1)	50.4	15.0	—	**65.4**	72.9
Unrealized gain (loss) on contracts (2)	22.4	(153.2)	0.7	**(130.1)**	(192.5)
Gain (loss) on risk management contracts	**72.8**	**(138.2)**	**0.7**	**(64.7)**	(119.6)

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

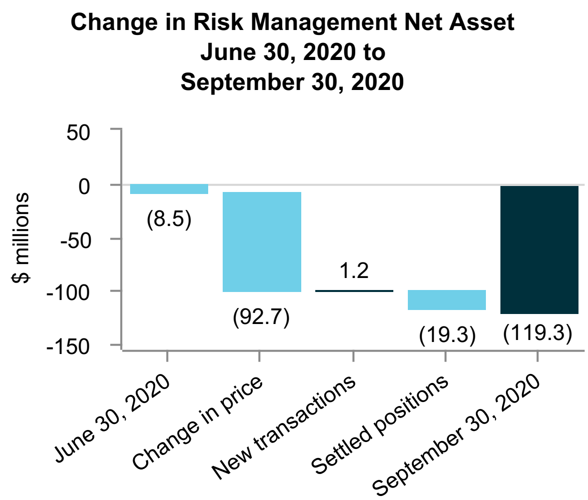
For the three and nine months ended September 30, 2020, ARC's realized gain on risk management contracts primarily reflects positive cash settlements received on WTI crude oil contracts, and AECO and NYMEX Henry Hub natural gas contracts. This is partially offset by cash payments made on MSW differential contracts as well as natural gas basis contracts referencing AECO, Malin, and Chicago due to tighter differentials during the period.

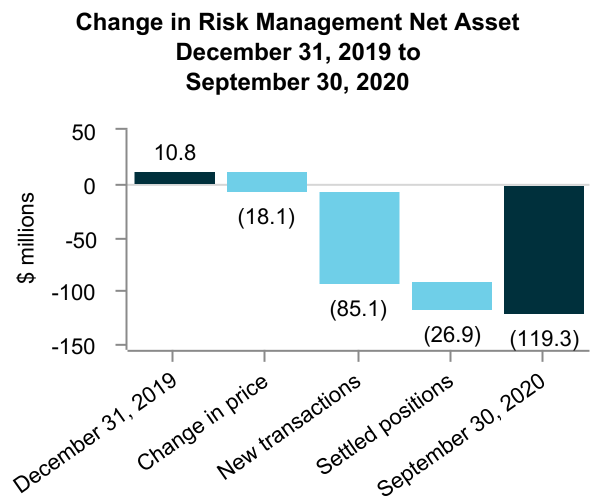
ARC's unrealized loss on crude oil contracts for the three months ended September 30, 2020 primarily reflects the settlement of positions during the quarter. ARC's unrealized gain on crude oil contracts for the nine months ended September 30, 2020 reflects lower forward pricing for WTI crude contracts compared to the end of the previous year at December 31, 2019. ARC's unrealized loss on natural gas contracts for the three and nine months ended September 30, 2020 primarily reflects higher forward pricing for NYMEX Henry Hub, AECO, as well as a narrowing of the AECO basis curve and Malin basis curve.

For more information, refer to Note 10 "Financial Instruments and Market Risk Management" in the financial statements.

The fair value of ARC's risk management contracts at September 30, 2020 was a net liability of $119.3 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 $23.7 million from crude oil contracts and a net liability of $143.0 million from natural gas contracts.

Exhibit 11





Netback

The components of ARC's netback for the three and nine months ended September 30, 2020 compared to the previous quarter and the same periods in 2019 are summarized in Tables 13 and 13a:

Table 13

	Three Months Ended				Nine Months Ended		
Netback ($ millions) [1]	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Commodity sales from production	217.9	**285.0**	253.7	12	**772.4**	864.4	(11)
Royalties	(5.7)	**(10.5)**	(15.6)	(33)	**(31.4)**	(50.3)	(38)
Operating	(50.3)	**(60.2)**	(62.6)	(4)	**(171.3)**	(190.2)	(10)
Transportation	(43.6)	**(47.0)**	(36.8)	28	**(130.0)**	(110.6)	18
Netback	118.3	**167.3**	138.7	21	**439.7**	513.3	(14)
Realized gain on risk management contracts	31.8	**16.5**	28.4	(42)	**65.4**	72.9	(10)
Netback after realized gain on risk management contracts	150.1	**183.8**	167.1	10	**505.1**	586.2	(14)

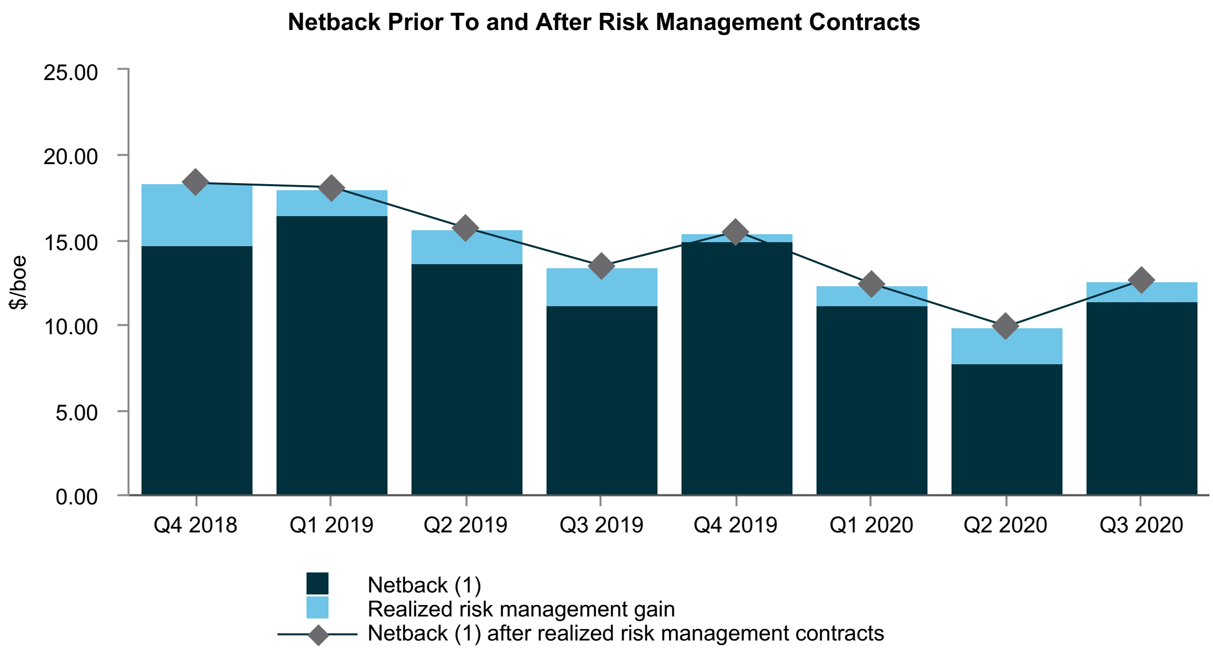
(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Table 13a

Netback ($ per boe) [1]	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
		Three Months Ended			**Nine Months Ended**		
Commodity sales from production	14.38	**19.55**	20.46	(4)	**17.74**	23.24	(24)
Royalties	(0.38)	**(0.72)**	(1.26)	(43)	**(0.72)**	(1.36)	(47)
Operating	(3.32)	**(4.13)**	(5.05)	(18)	**(3.93)**	(5.11)	(23)
Transportation	(2.88)	**(3.22)**	(2.97)	8	**(2.99)**	(2.97)	1
Netback	7.80	**11.48**	11.18	3	**10.10**	13.80	(27)
Realized gain on risk management contracts	2.10	**1.13**	2.29	(51)	**1.50**	1.96	(23)
Netback after realized gain on risk management contracts	9.90	**12.61**	13.47	(6)	**11.60**	15.76	(26)

(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 12

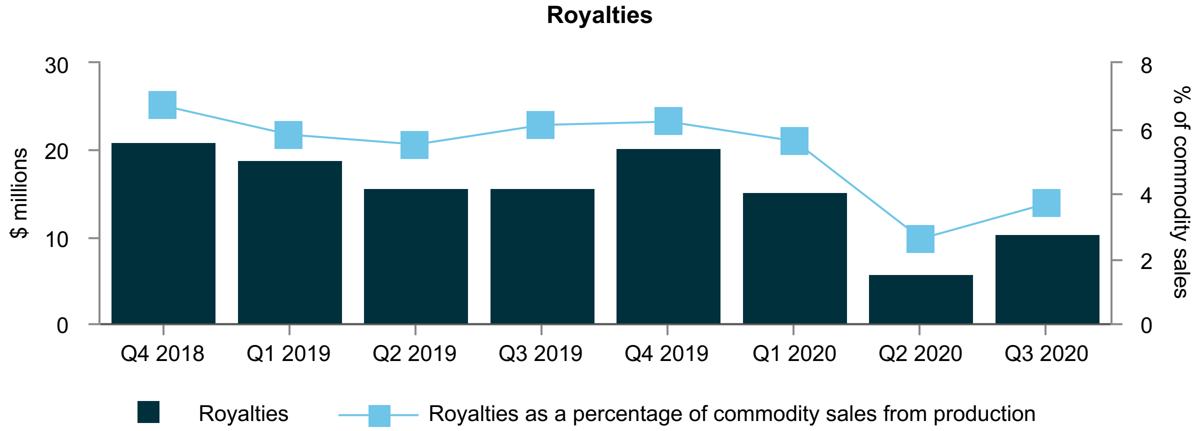


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three and nine months ended September 30, 2020 were $10.5 million and $31.4 million ($15.6 million and $50.3 million for the same periods in 2019), respectively. As a percentage of commodity sales from production, royalties decreased to 3.7 per cent ($0.72 per boe) in the third quarter of 2020 from 6.1 per cent ($1.26 per boe) in the third quarter of 2019. For the nine months ended September 30, 2020, royalties represented 4.1 per cent of commodity sales from production ($0.72 per boe) as compared to 5.8 per cent ($1.36 per boe) for the nine months ended September 30, 2019. The decrease in total royalties and royalties as a percentage of commodity sales from production for the three and nine months ended September 30, 2020, is primarily reflective of a lower average royalty rate due to decreased crude oil and liquids prices compared to the same periods in 2019.

Exhibit 13

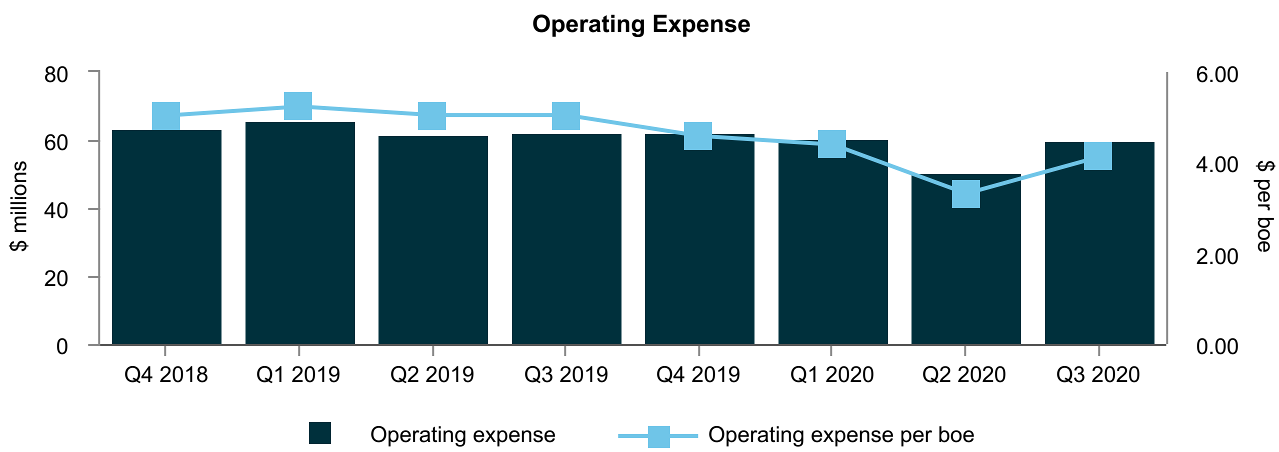


Operating

Operating expense decreased by $2.4 million in the third quarter of 2020 to $60.2 million as compared to $62.6 million in the third quarter of 2019. For the nine months ended September 30, 2020, operating expense decreased by $18.9 million to $171.3 million as compared to $190.2 million in the same period of the prior year. The decrease in operating expense for the three and nine months ended September 30, 2020 is primarily due to reduced maintenance activity levels, diligent cost control efforts, and lower third-party gas processing fees as a result of repatriating natural gas volumes to ARC's Sunrise Phase II facility.

On a per boe basis, operating expense decreased $0.92 per boe to $4.13 per boe in the third quarter of 2020 compared to $5.05 per boe in the third quarter of 2019. For the nine months ended September 30, 2020, operating expense decreased by $1.18 per boe to $3.93 per boe compared to $5.11 per boe in the nine months ended September 30, 2019. Operating expense on a per boe basis has decreased because of lower activity levels in areas with higher operating costs as well as increased production in the Montney which has a lower average operating expense.

Exhibit 14

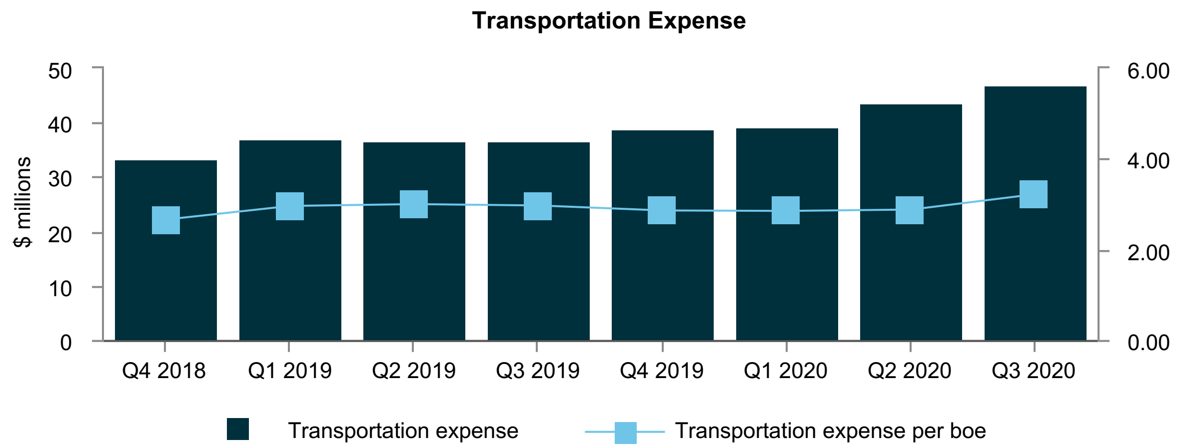


Transportation

Transportation expense for the three and nine months ended September 30, 2020 was $47.0 million and $130.0 million ($36.8 million and $110.6 million for the three and nine months ended September 30, 2019), respectively. The increase for the three and nine months ended September 30, 2020, relative to the same periods in 2019, is due to increased natural gas, condensate and NGLs production in northeast British Columbia and the additional pipeline tariffs associated with this production. On a per boe basis, transportation expense for the three and nine months ended September 30, 2020, was $3.22 per boe and $2.99 per boe ($2.97 per boe for the three and nine months ended September 30, 2019), respectively. The increase in the expense per boe is primarily due to lower natural gas production in certain areas as a result of outages and maintenance activity for which transportation payments are still required.

ARC enters firm transportation commitments in order to secure diversified 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 14 "Commitments and Contingencies" in the financial statements.

Exhibit 15



G&A Expense and Share-Based Compensation

G&A expense before share-based compensation increased by 20 per cent to $17.1 million in the third quarter of 2020 from $14.3 million in the third quarter of 2019. The increase reflects higher average directors' fees that include a share-based component that is revalued as the underlying share price changes, as well as lower amounts capitalized as direct overhead as a result of reduced capital spending in the period. This was partially offset by lower compensation costs and employee-related costs.

For the nine months ended September 30, 2020, ARC's G&A expense before share-based compensation was $50.0 million, a $6.6 million increase from $43.4 million in the same period of 2019. The increase primarily reflects a reduction in amounts capitalized as direct overhead and higher compensation costs as a result of payment obligations under employment agreements associated with executive retirements in the first quarter of 2020. This was partially offset by lower employee-related costs.

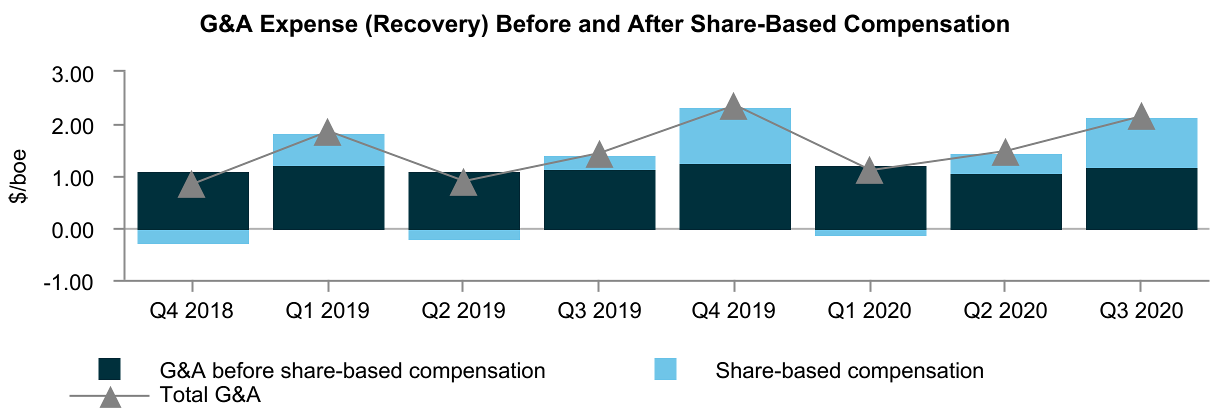
Table 14 is a breakdown of G&A and share-based compensation expense:

Table 14

G&A and Share-Based Compensation ($ millions, except per boe)	June 30, 2020	**Three Months Ended** **September 30, 2020**	September 30, 2019	% Change	**Nine Months Ended** **September 30, 2020**	September 30, 2019	% Change
G&A expense before share-based compensation expense [(1)]	16.0	**17.1**	14.3	20	**50.0**	43.4	15
G&A – share-based compensation expense [(2)]	6.4	**14.2**	3.6	294	**19.0**	8.8	116
Total G&A expense	22.4	**31.3**	17.9	75	**69.0**	52.2	32
G&A expense before share-based compensation expense per boe	1.06	**1.18**	1.15	3	**1.15**	1.16	(1)
G&A – share-based compensation expense per boe	0.42	**0.97**	0.29	234	**0.43**	0.24	79
Total G&A expense per boe	1.48	**2.15**	1.44	49	**1.58**	1.40	13

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

Exhibit 16



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 20 "Share Based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2019.

During the three and nine months ended September 30, 2020, ARC recognized G&A expense of $14.2 million and $19.0 million, respectively, in respect of its share-based compensation plans, compared to $3.6 million and $8.8 million during the same periods of the prior year.

Restricted Share Unit and Performance Share Unit Plans

At September 30, 2020, ARC had 3.1 million RSUs and 5.2 million PSUs outstanding under these plans.

For the three and nine months ended September 30, 2020, ARC recognized G&A expense in relation to the RSU and PSU Plans of $13.3 million and $15.9 million ($2.6 million and $4.6 million for the three and nine months ended September 30, 2019), respectively. The increase in expense recognized for the three and nine months ended September 30, 2020, as compared to the same periods in 2019, reflects the change in valuation of awards outstanding in the period.

At September 30, 2020, ARC's share price on the Toronto Stock Exchange ("TSX") was $5.95, a 30 per cent increase from the share price of $4.56 at June 30, 2020. This compares to a two per cent decrease for the same period of the prior year. The value of ARC’s performance multiplier, applicable to its PSU awards, increased five per cent for the three months ended September 30, 2020, compared to a 22 per cent decrease for the same period of the prior year.

For the nine months ended September 30, 2020, ARC's share price decreased 27 per cent from $8.18 at December 31, 2019. However, this was more than offset by an increase of 45 per cent in the performance multiplier. This compares to a decrease in share price of 22 per cent and a decrease of 33 per cent in the performance multiplier for the nine months ended September 30, 2019.

During the nine months ended September 30, 2020, ARC made cash payments of $11.2 million in respect of the RSU and PSU Plans ($7.9 million for the nine months ended September 30, 2019). Of these payments, $8.9 million were in respect of amounts recognized as G&A ($6.1 million for the nine months ended September 30, 2019) and $2.3 million were in respect of amounts recognized as operating and capitalized as property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") ($1.8 million for the nine months ended September 30, 2019). These amounts were accrued in prior periods.

Table 15 shows the changes to the outstanding RSU and PSU awards during 2020:

Table 15

RSU and PSU Awards (number of awards, thousands)	**RSUs**	**PSUs Granted Prior to 2019** (1)	**PSUs Granted Subsequent to 2018** (1)	**Total RSUs and PSUs**
Balance, December 31, 2019	2,236	1,628	1,780	5,644
Granted (2)	**1,811**	**749**	**2,432**	**4,992**
Distributed	**(914)**	**(1,377)**	**—**	**(2,291)**
Forfeited	**(78)**	**(10)**	**(22)**	**(110)**
Balance, September 30, 2020	**3,055**	**990**	**4,190**	**8,235**

(1) Based on underlying awards before any effect of the performance multiplier. The criteria for determining the performance multiplier changed for 'PSUs Granted Subsequent to 2018'.

(2) Grants for 'PSUs Granted Prior to 2019' relate to re-invested dividends and effect of performance multiplier on grants that vested in the current period.

Due to the variability in the expected future payments under the plans, ARC estimates that between $18.2 million and $79.8 million will be paid out in 2021 through 2023 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, 2020:

Table 16

Value of RSU and PSU Awards as at September 30, 2020	**Performance Multiplier**		
(awards thousands and $ millions, except per share)	**—**	**1.0**	**2.0**
Estimated awards to vest (1)			
RSUs	3,055	3,055	3,055
PSUs	—	5,180	10,360
Total awards	**3,055**	**8,235**	**13,415**
Share price (2)	5.95	5.95	5.95
Value of RSU and PSU awards upon vesting	**18.2**	**49.0**	**79.8**
2021	8.0	13.9	19.8
2022	6.8	17.8	28.7
2023	3.4	17.3	31.3

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

(2) Per share outstanding. Values will fluctuate over the vesting period based on the volatility of the underlying share price. Assumes a future share price equal to the TSX closing price at September 30, 2020.

Share Option Plan

At September 30, 2020, ARC had 4.6 million share options outstanding, representing 1.3 per cent of ARC's outstanding common shares, with a weighted average exercise price of $16.56 per share. At September 30, 2020, approximately 1.6 million share options were exercisable with a weighted average exercise price of $21.15 per share. ARC recognized compensation expense of $0.6 million and $2.3 million relating to the Share Option Plan for the three and nine months ended September 30, 2020 ($0.9 million and $2.9 million for the three and nine months ended September 30, 2019), respectively.

Long-term Restricted Share Award Plan

At September 30, 2020, ARC had 0.8 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A expense of $0.3 million and $0.8 million relating to the LTRSA Plan during the three and nine months ended September 30, 2020 ($0.2 million and $1.5 million for the three and nine months ended September 30, 2019), respectively.

Deferred Share Unit Plan

At September 30, 2020, ARC had 1.2 million DSUs outstanding under this plan. For the three and nine months ended September 30, 2020, G&A expense of $2.1 million and $0.1 million was recognized in relation to the DSU Plan (G&A expense of $0.5 million for the same periods in 2019), 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, 2020, ARC made cash payments of $0.5 million in respect of the DSU Plan ($0.2 million for the nine months ended September 30, 2019).

Interest and Financing

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

Table 17

	Three Months Ended				Nine Months Ended		
Interest and Financing ($ millions)	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Bank debt and long-term notes	10.3	**9.2**	9.5	(3)	**29.8**	29.5	1
Lease obligations	0.3	**0.4**	0.4	—	**1.1**	1.3	(15)
Accretion on ARO	1.6	**1.4**	1.8	(22)	**4.8**	5.6	(14)
Total interest and financing	12.2	**11.0**	11.7	(6)	**35.7**	36.4	(2)

Foreign Exchange Gain and Loss

ARC recognized a foreign exchange gain of $15.8 million in the third quarter of 2020 compared to a loss of $9.0 million in the third quarter of 2019. During the three months ended September 30, 2020, the value of the US dollar relative to the Canadian dollar decreased to $1.33 from $1.36 at June 30, 2020. 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.

ARC recognized a foreign exchange loss of $20.8 million for the nine months ended September 30, 2020 compared to a gain of $19.8 million for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the value of the US dollar relative to the Canadian dollar increased to $1.33 from $1.30 at December 31, 2019. 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.

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

Table 18

	Three Months Ended				Nine Months Ended		
Foreign Exchange Gain and Loss ($ millions)	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Unrealized gain (loss) on US dollar-denominated debt and receivables	28.8	**16.2**	(9.4)	272	**(28.4)**	24.0	(218)
Realized gain (loss) on US dollar-denominated transactions	(0.9)	**(0.4)**	0.4	(200)	**7.6**	(4.2)	281
Total foreign exchange gain (loss)	27.9	**15.8**	(9.0)	276	**(20.8)**	19.8	(205)

Taxes

ARC recognized a current income tax recovery of $nil and $34.9 million for the three and nine months ended September 30, 2020, respectively, compared to a current income tax recovery of $2.0 million and $12.0 million for the same periods in 2019. The increase in the current income tax recovery for the nine months ended September 30, 2020 as compared to the same period in 2019 is primarily due to the recognition of Investment Tax Credits and Scientific Research and Experimental Development deductions related to expenditures made in prior periods.

For the three months ended September 30, 2020, a deferred income tax recovery of $28.3 million was recognized, compared to a deferred income tax recovery of $12.0 million for the same period in 2019. The increase in the deferred income tax recovery relates primarily to an increase in the unrealized loss on risk management contracts as compared to the same period in 2019.

For the nine months ended September 30, 2020, a deferred income tax recovery of $202.0 million was recognized, compared to a deferred income tax recovery of $89.6 million for the same period in 2019. The increase in the deferred income tax recovery relates primarily to the impairment charge recognized on PP&E during the nine months ended September 30, 2020.

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, 2020**	**Annual Deductibility**
Canadian oil and gas property expense	86.6	10% declining balance
Canadian development expense	693.8	30% declining balance
Canadian exploration expense	20.1	100%
Undepreciated capital cost	754.7	Primarily 25% declining balance
Other	40.6	Various rates, 5% declining balance to 20%, and capital losses
Total federal tax pools	1,595.8	
Additional Alberta tax pools	2.3	Various rates, 25% declining balance to 100%

DD&A Expense and Impairment of PP&E

For the three and nine months ended September 30, 2020, ARC recognized DD&A related to its PP&E, before any impairment charges, of $128.7 million and $390.6 million, as compared to $131.1 million and $400.0 million for the three and nine months ended September 30, 2019, respectively. Despite an increase in production, DD&A for the three and nine months ended September 30, 2020, decreased compared to the same periods in the prior year as a function of lower overall depletion rates on ARC's assets which reflect reduced capital spending in the period, an increase in reserves, and a reduction of future development costs as determined by ARC's independent evaluator. For more information, see ARC's AIF on SEDAR at www.sedar.com.

For the three and nine months ended September 30, 2020, ARC recognized an impairment charge of $10.3 million and $750.3 million respectively, compared to a reversal of impairment of $0.2 million and an impairment charge of $1.9 million for the same periods in 2019.

In the third quarter of 2020, ARC reclassified certain non-core assets as held for sale. Prior to reclassification, ARC assessed these assets for impairment and recognized an impairment charge of $10.3 million.

At March 31, 2020, ARC conducted impairment tests over all of its CGUs and goodwill amounts in response to the anticipated economic impact of the COVID-19 global pandemic (refer to Note 3 "Novel Coronavirus COVID-19" in the financial statements) as well as a further decrease in ARC's market capitalization relative to the carrying value of its net assets since the date of its last impairment test. Following these tests, ARC recognized an impairment charge of $740.0 million ($558.4 million net of deferred tax recovery). For further information, refer to Note 6 "Impairment" in the financial statements.

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

Table 20

	Three Months Ended				Nine Months Ended		
DD&A Expense ($ millions, except per boe amounts)	June 30, 2020	**September 30, 2020**	September 30, 2019	% Change	**September 30, 2020**	September 30, 2019	% Change
Depletion of crude oil and natural gas assets	126.4	**127.3**	129.5	(2)	**386.3**	395.4	(2)
Depreciation of corporate assets	1.4	**1.4**	1.6	(13)	**4.3**	4.6	(7)
Depreciation of right-of-use ("ROU") assets under lease	1.6	**1.4**	1.5	(7)	**4.6**	4.7	(2)
Impairment	—	**10.3**	(0.2)	100	**750.3**	1.9	39,389
Total DD&A expense and impairment	129.4	**140.4**	132.4	6	**1,145.5**	406.6	182
DD&A expense per boe, excluding impairment	8.54	**8.93**	10.69	(16)	**9.08**	10.88	(17)

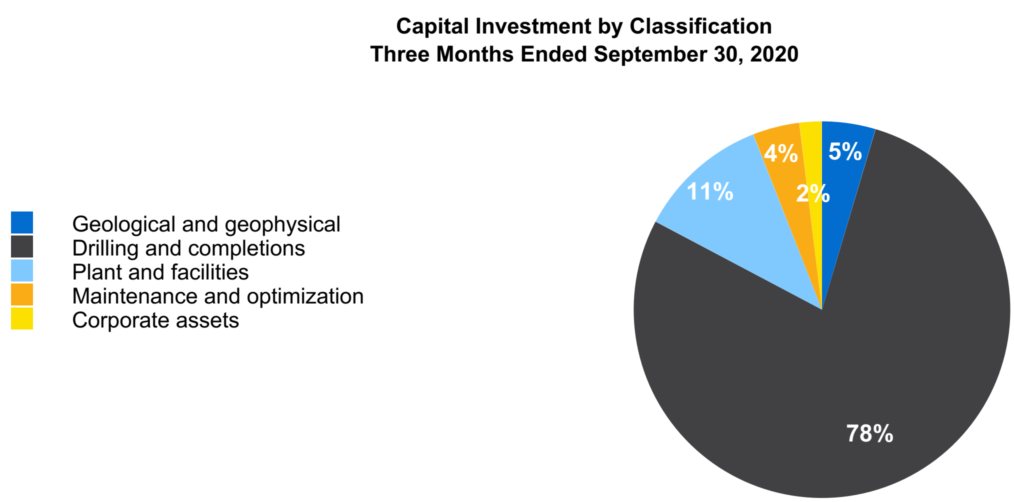
Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the three months ended September 30, 2020 and September 30, 2019 is shown in Table 21:

Table 21

	Three Months Ended September 30						
	2020			2019			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**2.4**	**2.4**	0.1	2.5	2.6	(8)
Drilling and completions	**0.1**	**40.7**	**40.8**	0.8	100.3	101.1	(60)
Plant and facilities	**—**	**5.9**	**5.9**	—	51.1	51.1	(88)
Maintenance and optimization	**—**	**2.1**	**2.1**	0.2	6.0	6.2	(66)
Corporate assets	**—**	**1.4**	**1.4**	—	0.9	0.9	56
Total capital expenditures	**0.1**	**52.5**	**52.6**	1.1	160.8	161.9	(68)
Undeveloped land	**—**	**—**	**—**	—	0.7	0.7	(100)
Total capital expenditures including undeveloped land purchases	**0.1**	**52.5**	**52.6**	1.1	161.5	162.6	(68)
Acquisitions	**—**	**—**	**—**	—	—	—	—
Dispositions	**—**	**—**	**—**	—	(2.8)	(2.8)	(100)
Total capital expenditures and net acquisitions and dispositions	**0.1**	**52.5**	**52.6**	1.1	158.7	159.8	(67)

Exhibit 17



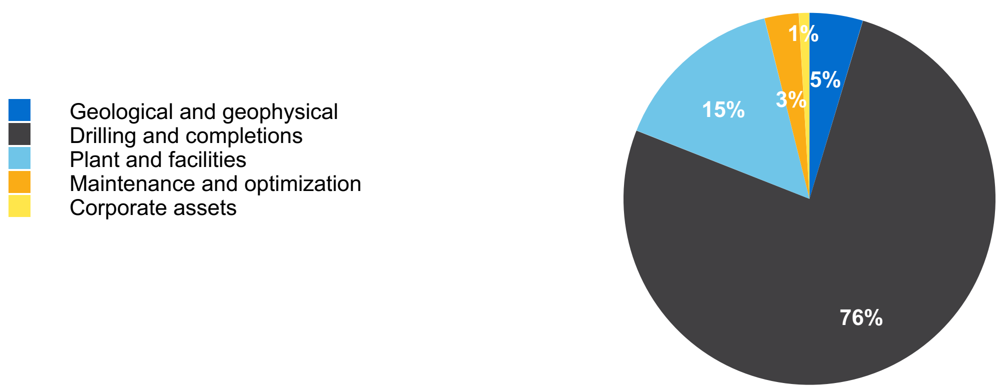
A breakdown of capital expenditures, acquisitions and dispositions for the nine months ended September 30, 2020 and September 30, 2019 is shown in Table 21a:

Table 21a

	Nine Months Ended September 30						
	2020			2019			
Capital Expenditures ($ millions)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total	% Change
Geological and geophysical	**—**	**12.3**	**12.3**	0.3	15.5	15.8	(22)
Drilling and completions	**0.5**	**203.4**	**203.9**	0.6	355.5	356.1	(43)
Plant and facilities	**—**	**40.0**	**40.0**	—	160.5	160.5	(75)
Maintenance and optimization	**—**	**7.9**	**7.9**	0.2	15.3	15.5	(49)
Corporate assets	**—**	**2.4**	**2.4**	—	1.9	1.9	26
Total capital expenditures	**0.5**	**266.0**	**266.5**	1.1	548.7	549.8	(52)
Undeveloped land	**—**	**—**	**—**	—	0.7	0.7	(100)
Total capital expenditures including undeveloped land purchases	**0.5**	**266.0**	**266.5**	1.1	549.4	550.5	(52)
Acquisitions	**—**	**3.0**	**3.0**	0.2	—	0.2	1,400
Dispositions	**—**	**(3.0)**	**(3.0)**	—	(3.9)	(3.9)	(23)
Total capital expenditures and net acquisitions and dispositions	**0.5**	**266.0**	**266.5**	1.3	545.5	546.8	(51)

Exhibit 17a

Capital Investment by Classification
Nine Months Ended September 30, 2020



ARC invested $52.6 million and $266.5 million in capital expenditures, before net property acquisitions and dispositions, during the three and nine months ended September 30, 2020, respectively. Investment included drilling and completions activities focused in Dawson, Ante Creek, Parkland/Tower, Attachie West, and Sunrise with the drilling of 14 and 40 wells and the completion of five and 57 wells for the three and nine months ended September 30, 2020, respectively. Facilities and infrastructure investment in 2020 was focused on the Dawson Phase IV gas processing and liquids-handling facility and the Ante Creek facility expansion. Both of these facilities came on-stream at the beginning of the second quarter of 2020.

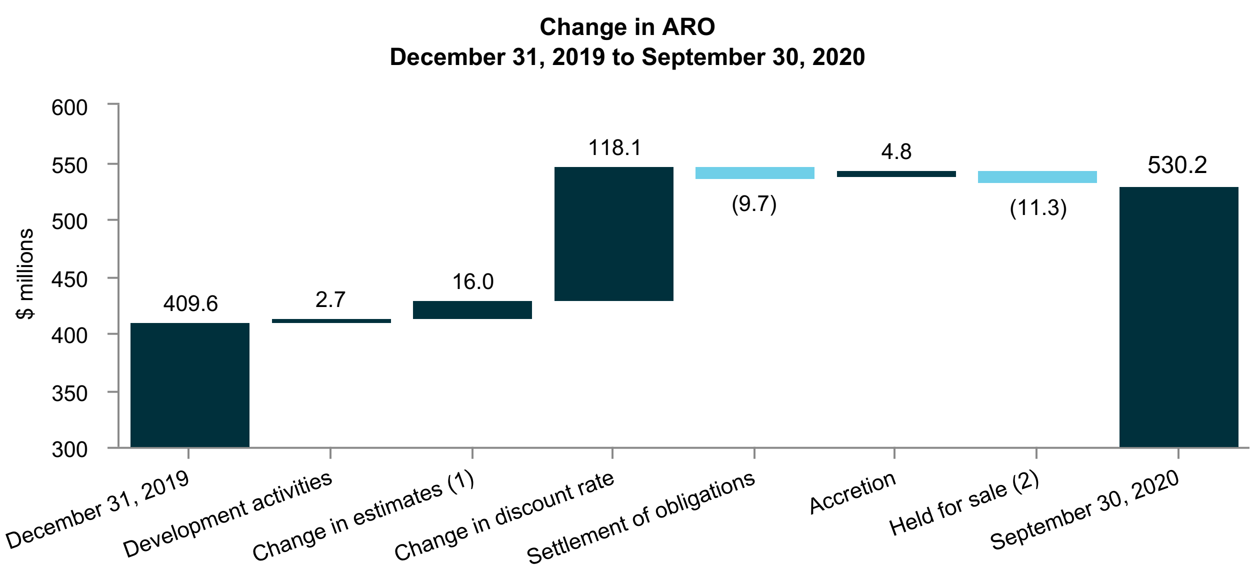
Subsequent to the third quarter of 2020, ARC announced an increase to its planned capital investment program to $350 million. For information regarding ARC's planned capital expenditures for 2020 refer to the news releases dated November 5, 2020 and March 13, 2020 entitled *"ARC Resources Ltd. Reports Third Quarter 2020 Financial and Operational Results and Announces 2021 Capital Budget of $375 Million to $425 Million"* and *"ARC Resources Ltd. Announces Reduced Capital Program of up to $300 Million for 2020 and Reduces Its Monthly Dividend to $0.02 per Share"* available on ARC's website at www.arcresources.com and SEDAR at www.sedar.com.

Asset Retirement Obligation

At September 30, 2020, ARC has recognized ARO of $530.2 million ($409.6 million at December 31, 2019) 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 1.1 per cent (1.8 per cent at December 31, 2019).

Accretion charges of $1.4 million and $4.8 million for the three and nine months ended September 30, 2020 ($1.8 million and $5.6 million for the same periods in 2019), respectively, have been recognized in Interest and financing in the unaudited condensed interim consolidated statements of comprehensive income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's program for the three and nine months ended September 30, 2020 was $0.8 million and $9.7 million ($2.2 million and $14.4 million for the same periods in 2019), respectively. While abandonment spending decreased for the three and nine months ended September 30, 2020, environmental stewardship remains a core value at ARC and the Company maintains a planned and scheduled approach to its abandonment and reclamation activities.

Exhibit 18



(1) Relates to changes in costs of future obligations and anticipated settlement dates of ARO.
(2) Represents the ARO liability associated with assets held for sale as at September 30, 2020. These assets were disposed in the fourth quarter of 2020.

Capitalization, Financial Resources and Liquidity

ARC's capital management objective is to fund dividend payments, current period reclamation expenditures, and capital expenditures necessary for the replacement of production declines using only funds from operations. Profitable growth activities will be financed with a combination of funds from operations and other sources of capital.

ARC maintains financial flexibility through its strong balance sheet, targeting net debt to be between 1.0 and 1.5 times annualized funds from operations over the long term; however, during periods of significant commodity price weakness, ARC expects that the ratio could trend above this range.

At September 30, 2020, ARC has $867.8 million of net debt outstanding and a net debt to annualized funds from operations ratio of 1.4 times.

Maintaining reasonable debt levels, paying a sustainable dividend, and exercising capital discipline to manage a moderate pace of development and control its corporate decline rate make up ARC's current capital allocation mix. ARC periodically evaluates its capital allocation priorities and decisions and takes a portfolio approach to capital allocation and will consider the following capital allocation priorities in the future: growth through either long-term development investments or mergers and acquisitions; share repurchases; and sustainable dividend increases. ARC believes that investing in development activities that prioritize profitability over volumetric growth creates significant long-term shareholder value.

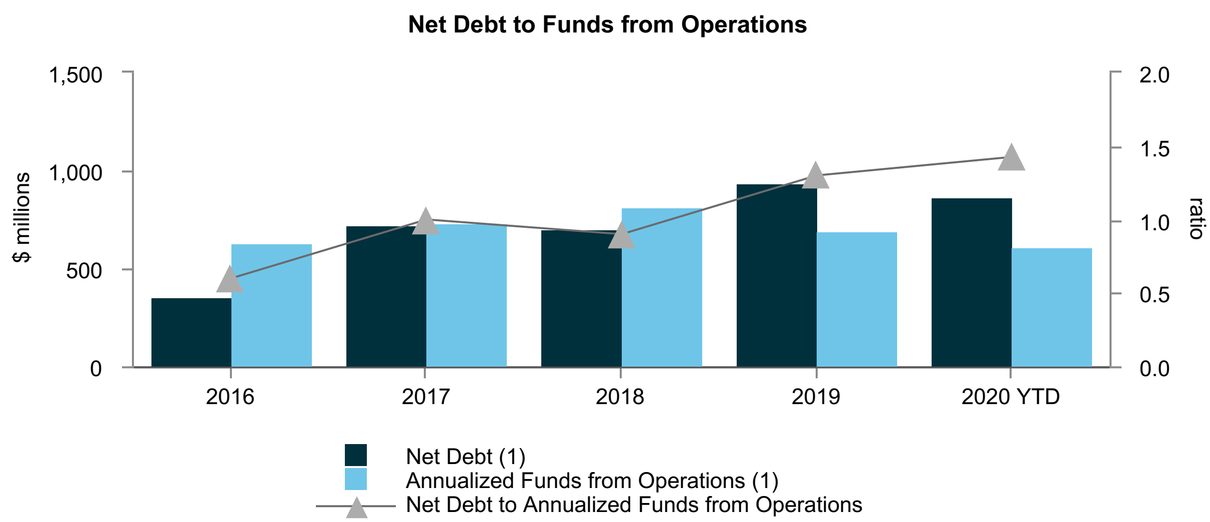
A breakdown of ARC's net debt as at September 30, 2020 and December 31, 2019 is outlined in Table 22:

Table 22

Net Debt ($ millions, except ratio amounts)	**September 30, 2020**	December 31, 2019
Long-term debt [(1)]	**826.8**	877.6
Lease obligations [(2)]	**33.6**	46.2
Accounts payable and accrued liabilities	**128.5**	150.5
Dividends payable	**21.2**	17.7
Cash and cash equivalents, accounts receivable, and prepaid expense	**(142.3)**	(151.8)
Net debt [(3)]	**867.8**	940.2
Net debt to annualized funds from operations (ratio) [(3)]	**1.4**	1.3

(1) Includes a current portion of long-term debt of $152.8 million at September 30, 2020 and $148.9 million at December 31, 2019.
(2) Includes a current portion of lease obligations of $9.0 million at September 30, 2020 and $16.3 million at December 31, 2019.
(3) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 19



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

At September 30, 2020, ARC had total credit capacity of approximately $1.9 billion with long-term debt of $826.8 million currently outstanding. ARC's long-term debt balance includes a current portion of $152.8 million at September 30, 2020 ($148.9 million at December 31, 2019), 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 3.7 per cent. 76 per cent (US$471.2 million) of ARC's long-term debt outstanding at September 30, 2020 is denominated in US dollars.

At September 30, 2020, ARC was in compliance with all of its debt covenants. ARC executed certain amendments to the note purchase agreements governing its senior notes which were effective March 31, 2020. The amendments included a modification of certain definitions contained within the financial covenant calculations, the addition of a minimum liquidity requirement, additional language surrounding event of default, and the addition of a mechanism under which the issuer may offer to purchase notes outstanding at par without penalty. As well, the definition of "Total EBITDA" to be used in determining compliance under two of ARC's financial covenants was amended to exclude non-cash losses and non-cash expenses. The following table describes the financial covenants related to ARC's senior notes:

Table 23

Covenant Description (1)	Position at September 30, 2020
Total Indebtedness not to exceed 325 per cent total EBITDA for the most recently completed period of four consecutive quarters	161 %
Total EBITDA not to be less than 400 per cent of Total Interest Charges for the most recently completed period of four consecutive quarters	1,429 %
Total Priority Indebtedness not to exceed two per cent of Total Assets	0 %
Total Indebtedness not to exceed 65 per cent of Present Asset Value (2)	26 %
Total Indebtedness not to exceed 65 per cent of Present Asset Value (3)	29 %

(1) Capitalized terms are as defined in the note purchase agreements. Under the amended note purchase agreements, all non-cash losses, non-cash expenses, non-cash revenue, and non-cash gains are excluded for the purposes of calculating Total EBITDA.
(2) 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.
(3) Pertains to senior notes issued under the prior Master Shelf agreement whereby the Present Asset Value is determined using a 12 per cent discount rate.

In addition to the covenants noted above, a new covenant was added as part of the note purchase agreement amendments, stipulating that ARC maintain a minimum liquidity amount of $200.0 million in cash or firm commitments under its credit facility, but only if Total Indebtedness exceeds 250 per cent of Total EBITDA for its most recently completed four fiscal quarters, and only for so long as the total outstanding principal amount under the notes issued prior to 2015 exceeds $100.0 million.

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

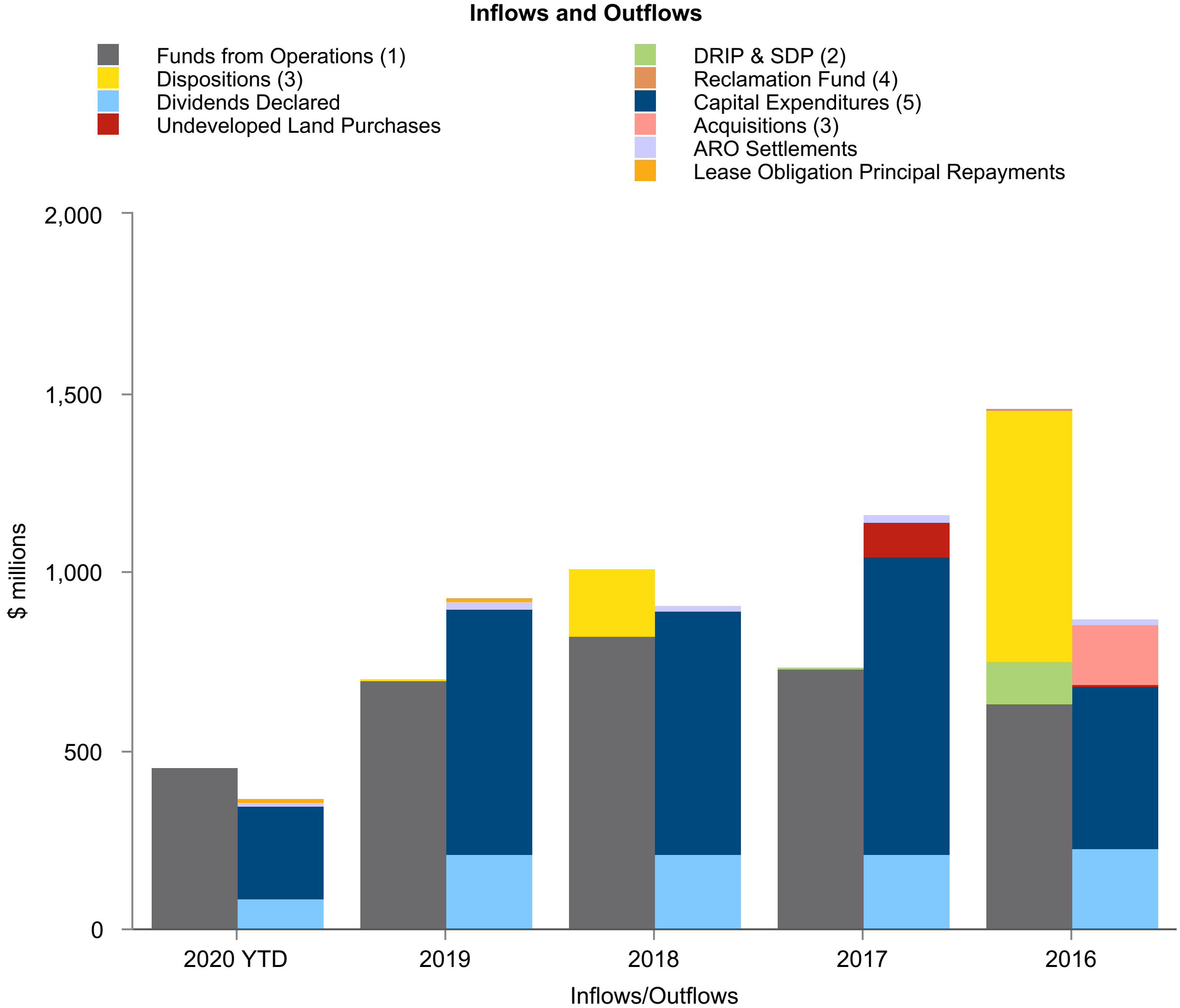
Table 23a

Covenant Description (1)	Position at September 30, 2020 (2)
Consolidated Senior Debt not to exceed 3.5 times Consolidated EBITDA	1.3
Consolidated Total Debt not to exceed 4.0 times Consolidated EBITDA	1.3
Consolidated Senior Debt not to exceed 55 per cent of Total Capitalization	24 %
Consolidated Tangible Assets of the Restricted Group must exceed 85 per cent of Consolidated Tangible Assets	100 %

(1) Capitalized terms are as defined in the credit facility agreement and the Master Shelf Agreement.
(2) Subject to final approval of the syndicate.

The following illustrates the balance of inflows and outflows for the current year-to-date and the past four years. In any period when 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 20



(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) The Board of Directors ("the Board") approved the elimination of the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") in 2017.
(3) Excludes non-cash property transactions.
(4) The reclamation fund was disposed in 2018.
(5) Excludes additions in respect of capitalized share options, ROU asset depreciation, and asset retirement cost.

Table 24

($ millions)	**2020 YTD**	2019	2018	2017	2016
Inflows					
Funds from operations (1)	**455.6**	697.4	819.0	731.9	633.3
DRIP & SDP (2)	**—**	—	—	3.0	117.1
Dispositions (3)	**—**	5.0	192.6	—	705.4
Reclamation fund withdrawals (4)	**—**	—	1.1	—	—
Total	**455.6**	702.4	1,012.7	734.9	1,455.8
Outflows					
Dividends declared	**85.0**	212.4	212.3	212.3	228.2
Capital expenditures (5)	**259.8**	684.8	679.3	829.4	452.9
Undeveloped land purchases	**—**	0.7	0.7	97.6	2.7
Acquisitions (3)	**—**	0.2	0.2	2.5	172.9
ARO settlements	**9.7**	18.4	15.8	19.8	13.0
Lease obligation principal repayments	**14.2**	13.7	—	—	—
Reclamation fund contributions (4)	**—**	—	—	0.6	2.0
Total	**368.7**	930.2	908.3	1,162.2	871.7

(1) Refer to Note 9 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.
(2) The Board approved the elimination of the DRIP and SDP in 2017.
(3) Excludes non-cash property transactions.
(4) The reclamation fund was disposed in 2018.
(5) Excludes additions in respect of capitalized share options, ROU asset depreciation, and asset retirement cost.

Shareholders’ Equity

At September 30, 2020 and November 5, 2020, there were 353.4 million shares outstanding and 4.6 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.

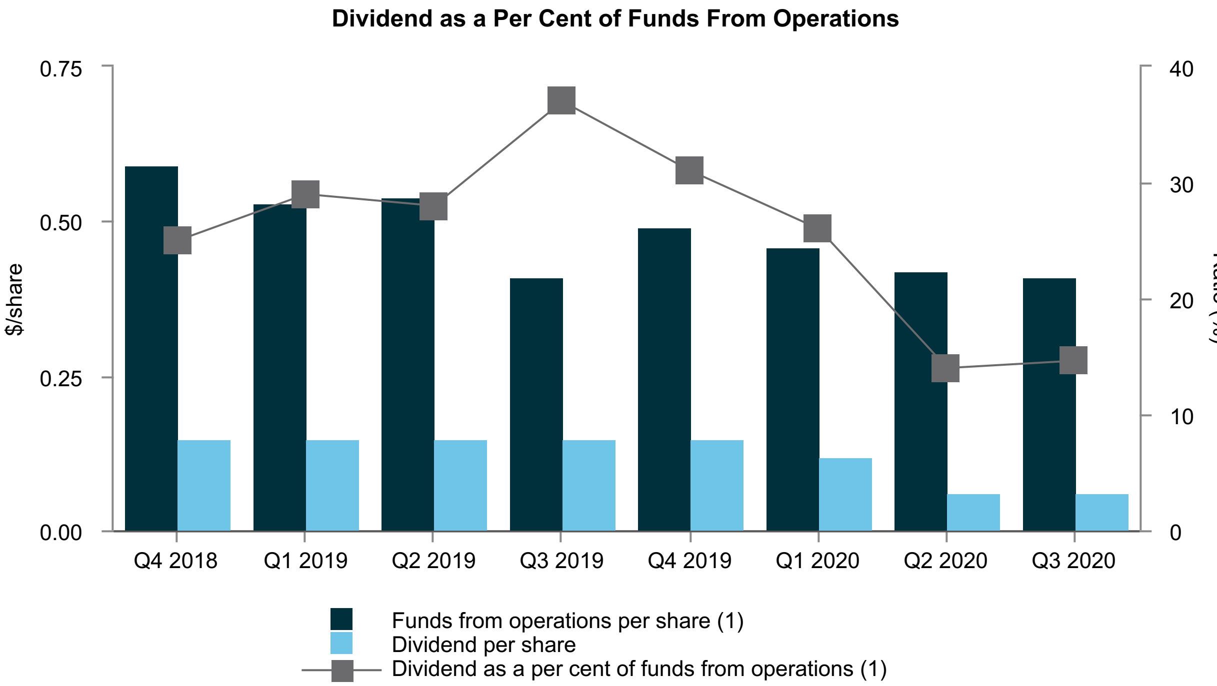
At September 30, 2020, ARC had 0.8 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan” contained within this MD&A.

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 2020, ARC declared dividends totaling $21.2 million ($0.06 per share), compared to $53.1 million ($0.15 per share) in the same period of 2019. On March 13, 2020, ARC announced that it reduced its dividend from $0.05 per share per month to $0.06 per share per quarter. On September 15, 2020, ARC declared a quarterly dividend of $0.06 per share.

As a result of the dividend reduction, ARC's dividend as a per cent of funds from operations decreased from an average of 37 per cent and 30 per cent for the three and nine months ended September 30, 2019 to an average of 15 per cent and 19 per cent, respectively, for the three and nine months ended September 30, 2020.

Exhibit 21



(1) Refer to Note 9 "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 operational results.

Please refer to ARC's website at www.arcresources.com for details of the estimated quarterly dividend amounts and dividend dates for 2020.

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. In 2019, ACCEL commenced proceedings under the *Companies' Creditors Arrangement Act*.

At September 30, 2020, ARC had recognized in its accounts receivable amounts owing from ACCEL in relation to the ACCEL PSA. In the first quarter of 2020, a provision for impairment of financial assets of $10.2 million was recognized, which combined with previously recognized provisions for impairment, constituted the full balance of these accounts receivable. Refer to Note 4 "Financial Assets and Credit Risk" in the financial statements for further detail.

Following the close of the transaction the Alberta Energy Regulator ("AER") 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. At September 30, 2020, the potential obligation associated with the future decommissioning cost of the Outstanding Assets is estimated to be $11.8 million.

In October 2019, ACCEL filed a counterclaim against ARC for $200.0 million for damages alleging breaches of contract or misrepresentation related to the ACCEL PSA. In January 2020, ARC filed its Defence to the Counterclaim. Management does not expect the outcome of the counterclaim to result in a material outflow of resources by ARC and no provision for this claim has been made in ARC's financial statements. Refer to Note 14 "Commitments and Contingencies" in the financial statements.

Environmental Regulation Impacting ARC

ARC is in compliance with all environmental laws and regulations as of the date of this MD&A. ARC's Liability Management Rating is well within both the British Columbia Oil and Gas Commission's and the AER's requirements, such that no deposits were required at September 30, 2020 or at the date of this MD&A.

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

Contractual Obligations and Commitments

At September 30, 2020, ARC's total contractual obligations and commitments were $2.4 billion. These include obligations and commitments in place at December 31, 2019, plus a draw of additional debt under the credit facility less debt and interest payments made in the period, as well as additional transportation commitments entered into during the nine months ended September 30, 2020. For more information, refer to Note 14 "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 14 "Commitments & Contingencies" of the financial statements.

Critical Accounting Estimates

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

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

- estimated commodity sales from production at a specific reporting date for which actual revenues have not yet been received, including associated estimated credit losses;
- estimated royalty obligations, transportation and operating costs at a specific reporting date for which costs have been incurred but have not yet been settled;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of reserves that ARC expects to recover in the future;
- estimated future recoverable value of PP&E, E&E, and goodwill and any associated impairment charges or reversals;
- estimated fair values of financial instruments that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves and the risk of non-performance;
- 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; 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 for the year ended December 31, 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 its financial results. A discussion of the significant business risks affecting ARC can be found in ARC's MD&A dated February 6, 2020 and in its AIF on SEDAR at www.sedar.com. The following risk factors supplement those disclosed in ARC's MD&A dated February 6, 2020 and in its AIF.

COVID-19 and Its Effect on the Global Economy

In March 2020, the World Health Organization declared COVID-19 a global pandemic; prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. This resulted in a swift and significant reduction in economic activity in Canada and internationally along with a sudden drop in demand for crude oil and natural gas. COVID-19 has caused an unprecedented global health crisis, and, coupled with an oversupply of crude oil, has contributed to an economic crisis. Crude oil prices have partially recovered from the historic lows observed earlier in the year, but price support from future demand remains uncertain as countries experience varying degrees of virus outbreak following efforts to re-open local economies and international borders. The effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and, is likely to continue to have, a negative impact on ARC's operational results and financial condition. Low prices for crude oil and natural gas will reduce ARC's funds from operations, and impact ARC's level of capital investment and may result in the reduction of production at certain producing properties.

While the duration and full impact of the COVID-19 pandemic is not yet known, in addition to the economic impacts associated with falling commodity prices, effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness, and temporary closures of ARC's facilities.

The extent to which ARC's operational and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic and the speed and effectiveness of responses to combat the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified in ARC's MD&A dated February 6, 2020 and AIF, the extent of which is not yet known.

Compliance with Debt Financing Agreements

ARC is required to comply with covenants under its credit facility and senior unsecured notes which may, in certain cases, include certain financial ratio tests and other covenants, which, from time to time, either affect the availability, or price, of additional funding. In the event that a default occurs (including by reason of a breach of these covenants), ARC's access to capital could be restricted or repayment could be required. Events beyond ARC's control may contribute to the occurrence of any such default under ARC's debt financing agreements. For example, ARC's note purchase agreements for notes issued prior to 2015 were amended effective March 31, 2020, to provide that ARC would be in default under such agreements if ARC's lenders under its credit facility refuse to honour a drawdown request of ARC under such credit facility for any reason other than ARC's default under the credit facility or such lenders allow a drawdown request under the credit facility, but impose on ARC any restriction or limitation on using such proceeds to repay or prepay the senior unsecured notes or any interest payments or make-whole/yield maintenance amounts relating to such notes, subject, in each case, to certain extensions and other exceptions. Defaults under ARC's credit facility and senior unsecured notes could result in ARC being required to repay amounts owing thereunder. The acceleration of ARC's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, ARC's credit facility or senior unsecured notes may impose operating and financial restrictions on ARC that could include restrictions on the payment of dividends, the repurchase or making of other distributions with respect to ARC's securities, the incurrence of additional indebtedness, the provision of guarantees, the assumption of loans, the making of capital expenditures, the entering into of amalgamations, mergers or take-over bids, or the disposition of assets, among others.

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, 2020 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, 2020.

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 9 "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:

Table 26

ROACE	**Twelve Months Ended** September 30, 2020	Twelve Months Ended December 31 2019	2018	2017	2016	2016-2019 Average (1)
Net income (loss)	**(678.2)**	(27.6)	213.8	388.9	201.3	194.1
Add: Interest	**41.1**	41.0	42.6	45.3	50.5	44.9
Add: Total income taxes (recovery)	**(236.2)**	(100.9)	108.0	135.9	41.4	46.1
Earnings before interest and taxes	**(873.3)**	(87.5)	364.4	570.1	293.2	285.1
Net debt - beginning of period	**945.5**	702.7	728.0	356.5	985.1	985.1
Shareholders' equity - beginning of period	**3,502.1**	3,675.8	3,668.9	3,484.8	3,388.5	3,388.5
Opening capital employed (A)	**4,447.6**	4,378.5	4,396.9	3,841.3	4,373.6	4,373.6
Net debt - end of period	**867.8**	940.2	702.7	728.0	356.5	940.2
Shareholders' equity - end of period	**2,690.2**	3,439.9	3,675.8	3,668.9	3,484.8	3,439.9
Closing capital employed (B)	**3,558.0**	4,380.1	4,378.5	4,396.9	3,841.3	4,380.1
Average capital employed (A+B)/2	**4,002.8**	4,379.3	4,387.7	4,119.1	4,107.5	4,376.9
ROACE (%)	**(22)**	(2)	8	14	7	7

(1) Average ROACE for the years ended December 31, 2016, 2017, 2018, and 2019.

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: capital activity for the remainder of 2020 and the potential impact of weakness in commodity prices resulting from COVID-19 under the heading "Annual Guidance", ARC's view as to the range of expected future payments under the RSU and PSU Plans under the heading "Restricted Share Unit and Performance Share Unit Plans", ARC's estimated quarterly dividend amounts and dividend dates for 2020, plans to fund dividend payments, current period reclamation and capital expenditures necessary for the replacement of production declines using only funds from operations and to fund profitable growth activities with a combination of funds from operations and other sources of capital, ARC's ability to preserve its balance sheet for the long term and ARC's 2021 capital program under the heading "Capitalization, Financial Resources and Liquidity", estimated ARO including 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 under the heading "Asset Retirement Obligation", ARC's potential obligation associated with the future decommissioning of the Outstanding Assets and the anticipated outcome of the counterclaim in respect of the ACCEL PSA under the heading "ACCEL Canada Holdings Limited" and the potential impact of COVID-19 on commodity prices, ARC's business and the global economy under the heading "COVID-19 and its Effect on the Global Economy".

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 reserve volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; public health crises, such as the COVID-19 pandemic, and any related actions taken by governments and businesses; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results or production declines; changes in development plans of ARC or by third-party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's reserve volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed herein under the heading "Assessment of Business Risks" and from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in this MD&A and in ARC's most recent AIF).

The internal projections, expectations or beliefs are based on the 2020 capital budget which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information contained in this MD&A speak only as of the date of this MD&A, and ARC does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

GLOSSARY

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

Measurement

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

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

Financial and Business Environment

ARO	asset retirement obligation
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)	2020			2019				2018
FINANCIAL	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Commodity sales from production	**285.0**	217.9	269.5	325.1	253.7	282.9	327.8	302.5
Per share, basic	**0.81**	0.62	0.76	0.92	0.72	0.80	0.93	0.86
Per share, diluted	**0.81**	0.62	0.76	0.92	0.72	0.80	0.93	0.86
Net income (loss)	**(66.1)**	(43.5)	(558.4)	(10.2)	(57.2)	94.4	(54.6)	159.7
Per share, basic	**(0.19)**	(0.12)	(1.58)	(0.03)	(0.16)	0.27	(0.15)	0.45
Per share, diluted	**(0.19)**	(0.12)	(1.58)	(0.03)	(0.16)	0.27	(0.15)	0.45
Funds from operations (1)	**144.6**	150.2	160.8	172.8	145.4	193.0	186.2	208.6
Per share, basic	**0.41**	0.42	0.46	0.49	0.41	0.54	0.53	0.59
Per share, diluted	**0.41**	0.42	0.46	0.49	0.41	0.54	0.53	0.59
Dividends declared	**21.2**	21.3	42.5	53.1	53.1	53.1	53.1	53.1
Per share (2)	**0.06**	0.06	0.12	0.15	0.15	0.15	0.15	0.15
Total assets	**4,982.9**	5,136.8	5,172.6	5,778.3	5,819.2	5,878.9	5,952.4	6,016.2
Total liabilities	**2,292.7**	2,360.3	2,332.4	2,338.4	2,317.1	2,267.7	2,383.6	2,340.4
Net debt outstanding (3)	**867.8**	961.1	1,079.7	940.2	945.5	829.2	796.3	702.7
Weighted average shares, basic	**353.4**	353.4	353.4	353.4	353.4	353.4	353.4	353.4
Weighted average shares, diluted	**353.4**	353.4	353.4	353.4	353.4	353.9	353.4	353.9
Shares outstanding, end of period	**353.4**	353.4	353.4	353.4	353.4	353.4	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	**2.4**	3.4	6.5	0.9	1.1	0.3	9.3	0.3
Drilling and completions	**40.8**	31.8	131.3	86.7	101.0	110.1	144.9	77.0
Plant and facilities	**5.9**	8.3	25.8	47.5	51.1	56.2	53.3	41.4
Maintenance and optimization	**2.1**	1.4	4.4	3.0	6.2	5.8	3.4	11.7
Corporate assets	**1.4**	(0.8)	1.8	3.6	2.5	1.8	2.8	1.2
Total capital expenditures	**52.6**	44.1	169.8	141.7	161.9	174.2	213.7	131.6
Undeveloped land	**—**	—	—	—	0.7	—	—	0.2
Total capital expenditures, including undeveloped land purchases	**52.6**	44.1	169.8	141.7	162.6	174.2	213.7	131.8
Acquisitions	**—**	0.5	2.5	—	—	—	0.2	—
Dispositions	**—**	(0.6)	(2.4)	(1.1)	(2.8)	(0.9)	(0.2)	(0.9)
Total capital expenditures, land purchases, and net acquisitions and dispositions	**52.6**	44.0	169.9	140.6	159.8	173.3	213.7	130.9
OPERATING								
Production								
Crude oil (bbl/d)	**15,373**	14,987	16,997	17,083	16,782	18,272	18,251	20,092
Condensate (bbl/d)	**14,831**	13,239	11,262	10,937	10,846	10,230	8,210	8,458
Crude oil and condensate (bbl/d)	**30,204**	28,226	28,259	28,020	27,628	28,502	26,461	28,550
Natural gas (MMcf/d)	**708.2**	773.3	692.2	669.0	595.4	596.4	632.5	603.3
NGLs (bbl/d)	**10,208**	9,405	8,152	8,123	7,952	7,041	7,183	7,402
Total (boe/d)	**158,444**	166,510	151,783	147,650	134,813	134,938	139,054	136,502
Average realized prices, prior to risk management contracts								
Crude oil ($/bbl)	**45.45**	25.88	49.69	65.11	64.79	70.26	63.72	43.30
Condensate ($/bbl)	**48.49**	31.54	57.52	68.08	65.70	71.38	64.81	57.25
Natural gas ($/Mcf)	**2.16**	1.92	2.05	2.36	1.54	1.74	2.79	2.85
NGLs ($/bbl)	**14.85**	10.84	6.36	11.69	5.25	7.71	25.43	29.12
Oil equivalent ($/boe)	**19.55**	14.38	19.52	23.93	20.46	23.04	26.20	24.09
TRADING STATISTICS (4)								
($, based on intra-day trading)								
High	**6.94**	6.12	8.39	8.26	7.85	9.61	10.49	14.84
Low	**4.54**	3.64	2.42	5.40	5.37	6.37	7.82	7.38
Close	**5.95**	4.56	4.05	8.18	6.31	6.41	9.12	8.10
Average daily volume (thousands)	**1,363**	2,177	3,207	2,583	1,838	2,255	2,291	2,117

(1) Refer to Note 9 "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 9 "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.