ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

As at

(Cdn$ millions)	**September 30, 2022**	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**78.2**	—
Inventory	**14.7**	22.3
Accounts receivable	**756.0**	672.0
Prepaid expense	**62.3**	35.6
Risk management contracts (Note 11)	**—**	0.1
	911.2	730.0
Long-term investments	**11.2**	2.5
Exploration and evaluation assets	**286.0**	277.9
Property, plant and equipment (Note 4)	**9,277.7**	9,265.6
Right-of-use assets (Note 5)	**786.4**	856.1
Goodwill	**248.2**	248.2
Total assets	**11,520.7**	11,380.3
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,234.5**	761.5
Current portion of lease obligations (Note 6)	**101.0**	109.3
Current portion of other deferred liabilities (Note 8)	**31.1**	90.5
Current portion of asset retirement obligation (Note 9)	**16.0**	15.0
Dividends payable (Note 12)	**76.7**	69.5
Risk management contracts (Note 11)	**531.5**	465.3
	1,990.8	1,511.1
Risk management contracts (Note 11)	**118.7**	171.9
Long-term portion of lease obligations (Note 6)	**705.1**	760.0
Long-term debt (Note 7)	**1,126.6**	1,705.3
Long-term incentive compensation liability (Note 14)	**38.1**	40.8
Other deferred liabilities (Note 8)	**139.0**	154.2
Asset retirement obligation (Note 9)	**389.2**	535.3
Deferred taxes	**792.5**	574.2
Total liabilities	**5,300.0**	5,452.8
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 12)	**6,614.5**	7,221.1
Contributed surplus	**40.2**	46.3
Deficit	**(405.8)**	(1,337.4)
Accumulated other comprehensive loss	**(28.2)**	(2.5)
Total shareholders' equity	**6,220.7**	5,927.5
Total liabilities and shareholders' equity	**11,520.7**	11,380.3
Commitments and contingencies (Note 15)		

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

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions, except per share amounts)	**2022**	2021	**2022**	2021
Commodity sales from production (Note 13)	**2,056.9**	1,362.6	**5,945.5**	2,954.1
Royalties	**(290.5)**	(109.7)	**(872.4)**	(228.0)
Sales of commodities purchased from third parties	**366.0**	329.7	**1,422.4**	609.0
Revenue from commodity sales	**2,132.4**	1,582.6	**6,495.5**	3,335.1
Interest and other income	**2.4**	1.1	**16.4**	13.9
Loss on risk management contracts (Note 11)	**(6.4)**	(524.5)	**(1,038.6)**	(1,145.0)
Total revenue, interest and other income, and loss on risk management contracts	**2,128.4**	1,059.2	**5,473.3**	2,204.0
Commodities purchased from third parties	**331.9**	312.0	**1,360.9**	581.5
Operating	**147.5**	116.6	**415.2**	313.9
Transportation	**191.3**	160.3	**555.6**	354.1
General and administrative	**49.4**	40.5	**157.2**	121.0
Transaction costs	**—**	(0.8)	**—**	22.1
Interest and financing	**24.6**	59.2	**71.7**	101.9
Impairment of financial assets	**—**	0.9	**2.5**	2.0
Depletion, depreciation and amortization (Note 4)	**315.7**	328.7	**953.1**	743.5
Reversal of impairment of property, plant and equipment	**(3.6)**	(39.3)	**(3.6)**	(137.5)
Loss (gain) on foreign exchange	**(25.5)**	10.5	**(38.8)**	(5.8)
Total expenses	**1,031.3**	988.6	**3,473.8**	2,096.7
Net income before income taxes	**1,097.1**	70.6	**1,999.5**	107.3
Provision for (recovery of) income taxes				
Current	**75.0**	0.1	**220.0**	47.7
Deferred	**154.3**	16.9	**218.2**	(49.0)
Total income taxes (recovery)	**229.3**	17.0	**438.2**	(1.3)
Net income	**867.8**	53.6	**1,561.3**	108.6
Net income per share (Note 12)				
Basic	**1.33**	0.07	**2.32**	0.18
Diluted	**1.32**	0.07	**2.32**	0.18

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

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2022**	2021	**2022**	2021
Net income	**867.8**	53.6	**1,561.3**	108.6
Items that may be reclassified to the consolidated statements of income in subsequent periods:				
Net unrealized loss on foreign currency translation adjustment	**(17.3)**	(1.5)	**(25.7)**	(1.6)
Comprehensive income	**850.5**	52.1	**1,535.6**	107.0

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

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

For the nine months ended September 30

(Cdn$ millions)	Shareholders' Capital (Note 12)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
December 31, 2020	4,658.2	36.5	(1,904.1)	—	2,790.6
Comprehensive income	—	—	108.6	(1.6)	107.0
Issued upon close of Business Combination	2,903.5	10.5	—	—	2,914.0
Recognized under share-based compensation plans (Note 14)	0.3	2.7	—	—	3.0
Recognized on exercise of share options (Note 14)	13.5	(3.3)	—	—	10.2
Repurchase of shares for cancellation (Note 12)	(129.4)	4.3	—	—	(125.1)
Change in liability for share purchase commitment (Note 12)	(57.6)	(4.3)	(4.2)	—	(66.1)
Dividends declared (Note 12)	—	—	(111.9)	—	(111.9)
September 30, 2021	7,388.5	46.4	(1,911.6)	(1.6)	5,521.7
December 31, 2021	7,221.1	46.3	(1,337.4)	(2.5)	5,927.5
Comprehensive income	**—**	**—**	**1,561.3**	**(25.7)**	**1,535.6**
Recognized under share-based compensation plans (Note 14)	**(0.2)**	**1.1**	**—**	**—**	**0.9**
Recognized on exercise of share options (Note 14)	**33.9**	**(7.2)**	**—**	**—**	**26.7**
Repurchase of shares for cancellation (Note 12)	**(604.4)**	**—**	**(376.6)**	**—**	**(981.0)**
Change in liability for share purchase commitment (Note 12)	**(35.9)**	**—**	**(28.3)**	**—**	**(64.2)**
Dividends declared (Note 12)	**—**	**—**	**(224.8)**	**—**	**(224.8)**
September 30, 2022	**6,614.5**	**40.2**	**(405.8)**	**(28.2)**	**6,220.7**

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

ARC RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn$ millions)	**2022**	2021	**2022**	2021
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	**867.8**	53.6	**1,561.3**	108.6
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	**(346.0)**	385.6	**37.1**	919.1
Accretion of asset retirement obligation (Note 9)	**2.9**	2.1	**7.9**	6.9
Impairment of financial assets	**—**	0.9	**2.5**	2.0
Depletion, depreciation and amortization (Note 4)	**315.7**	328.7	**953.1**	743.5
Reversal of impairment of property, plant and equipment	**(3.6)**	(39.3)	**(3.6)**	(137.5)
Unrealized loss (gain) on foreign exchange	**(38.4)**	14.9	**(50.0)**	(14.9)
Gain on disposal of crude oil and natural gas assets	**(0.4)**	—	**(2.0)**	—
Deferred taxes	**154.3**	16.9	**218.2**	(49.0)
Other (Note 16)	**0.7**	2.0	**1.8**	3.1
Net change in other liabilities (Note 16)	**(43.3)**	(97.3)	**(115.3)**	(168.4)
Change in non-cash working capital (Note 16)	**193.9**	(53.1)	**344.0**	(75.6)
Cash flow from operating activities	**1,103.6**	615.0	**2,955.0**	1,337.8
CASH FLOW USED IN FINANCING ACTIVITIES				
Draw of long-term debt under revolving credit facilities	**1,630.5**	1,798.7	**5,630.6**	4,023.5
Issuance of senior notes	**—**	—	**—**	1,000.0
Repayment of long-term debt	**(1,752.4)**	(1,985.3)	**(6,214.8)**	(5,565.0)
Proceeds from exercise of share options	**1.2**	1.2	**26.7**	10.5
Repurchase of shares	**(467.7)**	(111.4)	**(974.9)**	(111.4)
Repayment of principal relating to lease obligations	**(21.8)**	(20.0)	**(64.3)**	(43.2)
Cash dividends paid	**(79.9)**	(43.5)	**(217.6)**	(86.0)
Cash flow used in financing activities	**(690.1)**	(360.3)	**(1,814.3)**	(771.6)
CASH FLOW USED IN INVESTING ACTIVITIES				
Cash acquired upon close of Business Combination	**—**	—	**—**	4.9
Acquisition of crude oil and natural gas assets	**(1.0)**	(0.8)	**(2.6)**	(0.9)
Disposal of crude oil and natural gas assets	**4.5**	0.8	**11.9**	79.0
Property, plant and equipment development expenditures (Note 4)	**(365.9)**	(266.4)	**(1,045.9)**	(679.8)
Exploration and evaluation asset expenditures	**(3.0)**	(0.6)	**(2.8)**	(1.6)
Long-term investments	**(8.6)**	—	**(8.7)**	—
Change in non-cash working capital (Note 16)	**22.1**	38.2	**(14.4)**	59.0
Cash flow used in investing activities	**(351.9)**	(228.8)	**(1,062.5)**	(539.4)
INCREASE IN CASH AND CASH EQUIVALENTS	**61.6**	25.9	**78.2**	26.8
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**16.6**	1.3	**—**	0.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	**78.2**	27.2	**78.2**	27.2
The following are included in cash flow from operating activities:				
Income taxes paid in cash	**3.7**	—	**0.6**	51.7
Interest paid in cash	**28.2**	77.5	**68.5**	104.4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 and 2021

1. Structure of the Business

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

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1200, 308 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0H7. ARC's common shares are traded on the Toronto Stock Exchange under the symbol ARX.

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2021. All financial information is reported in millions of Canadian dollars ("Cdn$"), unless otherwise noted. References to "US$" are to United States dollars.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2021. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except as noted in Note 3 "New Accounting Policies", and for income taxes. Income taxes on net income in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income.

All inter-entity transactions have been eliminated upon consolidation between ARC and any subsidiaries in these financial statements. ARC's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance.

On April 6, 2021, ARC and Seven Generations Energy Ltd. ("Seven Generations") completed a business combination through a plan of arrangement (the "Business Combination"), making Seven Generations a wholly-owned subsidiary of ARC, which was subsequently amalgamated with ARC on May 1, 2021.

These financial statements were authorized for issue by ARC's board of directors (the "Board") on November 3, 2022.

3. New Accounting Policies

Amendments to IAS 16 *Property, Plant and Equipment*

On January 1, 2022, ARC adopted *Property, Plant and Equipment - Proceeds before Intended Use* issued by the IASB which made amendments to IAS 16 *Property, Plant and Equipment.* The amendments prohibit a company from deducting from the cost of property, plant, and equipment ("PP&E") amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. There was not a material impact to ARC's financial statements.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

On January 1, 2022, ARC adopted *Onerous Contracts - Cost of Fulfilling a Contract* issued by the IASB which made amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. There was not a material impact to ARC's financial statements.

4. Property, Plant and Equipment

Cost	Development and Production Assets	Corporate Assets	Total
Balance, December 31, 2021	14,124.5	108.5	14,233.0
Additions	**1,051.8**	**5.8**	**1,057.6**
Acquisitions	**5.8**	**—**	**5.8**
Change in asset retirement cost	**(141.5)**	**—**	**(141.5)**
Assets disposed in period	**(11.0)**	**—**	**(11.0)**
Reclassification of lease payments, net of capitalized depreciation	**(1.8)**	**—**	**(1.8)**
Other	**(2.2)**	**—**	**(2.2)**
Balance, September 30, 2022	**15,025.6**	**114.3**	**15,139.9**

Accumulated Depletion, Depreciation, and Amortization ("DD&A") and Impairment			
Balance, December 31, 2021	(4,894.6)	(72.8)	(4,967.4)
DD&A	**(884.2)**	**(11.8)**	**(896.0)**
Accumulated DD&A disposed in period	**1.2**	**—**	**1.2**
Balance, September 30, 2022	**(5,777.6)**	**(84.6)**	**(5,862.2)**

Carrying Amounts			
Balance, December 31, 2021	9,229.9	35.7	9,265.6
Balance, September 30, 2022	**9,248.0**	**29.7**	**9,277.7**

For the three and nine months ended September 30, 2022, $11.0 million and $37.1 million of direct and incremental overhead charges were capitalized to PP&E ($18.9 million and $41.1 million for the three and nine months ended September 30, 2021), respectively. Future development costs of $7.4 billion were included in the determination of DD&A for the nine months ended September 30, 2022 ($9.4 billion for the nine months ended September 30, 2021).

During the three and nine months ended September 30, 2022, ARC disposed of certain non-core assets in Alberta for cash proceeds of $0.9 million and $8.2 million, and recognized gains on disposal of $0.4 million and $2.0 million in the condensed interim consolidated statements of income ("statements of income"), respectively.

During the three and nine months ended September 30, 2021, ARC disposed of certain non-core assets in Alberta for proceeds of $0.8 million and $79.0 million, and recognized related impairment charges in the statements of income of $nil and $23.6 million, respectively. ARC also recognized reversals of impairment of $39.3 million and $161.1 million, respectively, for three and nine months ended September 30, 2021.

5. Right-of-use ("ROU") Assets

	Leases		Other		
Cost	**Buildings and Land Use Rights**	**Equipment and Vehicles**	**Facilities**	**Service Contracts**	**Total**
Balance, December 31, 2021	33.3	45.5	869.2	8.2	956.2
Additions	**0.5**	**2.6**	**—**	—	**3.1**
Modifications and terminations	**(0.9)**	**(0.1)**	**(1.1)**	**—**	**(2.1)**
Balance, September 30, 2022	**32.9**	**48.0**	**868.1**	**8.2**	**957.2**
Accumulated Depreciation					
Balance, December 31, 2021	(16.4)	(25.4)	(54.3)	(4.0)	(100.1)
Depreciation on ROU assets	**(5.4)**	**(11.1)**	**(53.7)**	**(0.6)**	**(70.8)**
Modifications and terminations	**—**	**0.1**	**—**	**—**	**0.1**
Balance, September 30, 2022	**(21.8)**	**(36.4)**	**(108.0)**	**(4.6)**	**(170.8)**
Carrying Amounts					
Balance, December 31, 2021	16.9	20.1	814.9	4.2	856.1
Balance, September 30, 2022	**11.1**	**11.6**	**760.1**	**3.6**	**786.4**

6. Lease Obligations

Carrying Amount	
Balance, December 31, 2021	869.3
Additions	**3.1**
Modifications and terminations	**(2.0)**
Repayments	**(64.3)**
Balance, September 30, 2022	**806.1**
Lease obligations due within one year	**101.0**
Lease obligations due beyond one year	**705.1**

7. Long-term Debt

	US$ Denominated		Canadian $ Amount	
	September 30, 2022	December 31, 2021	**September 30, 2022**	December 31, 2021
Syndicated credit facilities				
Cdn$ denominated	**N/A**	N/A	**137.0**	345.8
US$ denominated	**—**	294.5	**—**	372.7
Total credit facilities	**—**	294.5	**137.0**	718.5
Senior notes				
2.354% Cdn$ note (2026 maturity)	**N/A**	N/A	**450.0**	450.0
3.465% Cdn$ note (2031 maturity)	**N/A**	N/A	**550.0**	550.0
Total senior notes	**—**	—	**1,000.0**	1,000.0
Unamortized debt issuance costs	**—**	—	**(10.4)**	(13.2)
Total long-term debt outstanding	**—**	294.5	**1,126.6**	1,705.3

ARC's available credit capacity is $3.0 billion ($3.0 billion at December 31, 2021), of which $1.1 billion was outstanding at September 30, 2022 ($1.7 billion at December 31, 2021). At September 30, 2022, ARC was in compliance with all of its debt covenants.

At September 30, 2022, the fair value of all long-term debt outstanding was $1.0 billion ($1.7 billion at December 31, 2021).

Subsequent to September 30, 2022, ARC renewed its existing credit facility, extending the maturity date by one year to October 2026 and electing to reduce the facility capacity to $1.8 billion, from $2.0 billion.

8. Other Deferred Liabilities

Carrying Amount	
Balance, December 31, 2021	244.7
Additions	**1.0**
Amortization	**(75.6)**
Balance, September 30, 2022	**170.1**
Expected to be settled within one year	**31.1**
Expected to be settled beyond one year	**139.0**

9. Asset Retirement Obligation ("ARO")

ARC has estimated the net present value of its total ARO to be $405.2 million at September 30, 2022 ($550.3 million at December 31, 2021) based on a total future undiscounted liability of $527.3 million ($505.1 million at December 31, 2021). Management estimates that these payments are expected to be made over the next 60 years with costs being incurred evenly over those years. The Bank of Canada's long-term risk-free bond rate of 3.1 per cent (1.7 per cent at December 31, 2021) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2021) were used to calculate the present value of ARO at September 30, 2022.

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

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	550.3	541.7
Acquired upon close of Business Combination	—	105.6
Revaluation of obligations acquired in Business Combination (1)	—	142.0
Development activities	**7.5**	18.5
Change in estimates (2)	**23.7**	75.6
Change in discount rate	**(164.7)**	(89.5)
Settlement of obligations (3)	**(16.5)**	(21.1)
Accretion	**7.9**	9.5
Assets disposed in period	**(3.0)**	(232.0)
Balance, end of period	**405.2**	550.3
Expected to be incurred within one year	**16.0**	15.0
Expected to be incurred beyond one year	**389.2**	535.3

(1) The obligations acquired were subsequently remeasured in accordance with ARC's accounting policy at the risk-free discount rate.
(2) Relates to changes in cost estimates of future obligations and anticipated settlement dates of ARO.
(3) For the three and nine months ended September 30, 2022, $0.5 million and $1.0 million of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of ARC ($0.3 million and $2.2 million for the three and nine months ended September 30, 2021).

10. Capital Management

ARC actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. ARC has the ability to manage its capital structure by issuing new shares or new debt, repurchasing shares, or changing its dividend policy.

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

- fund its development and exploration programs;
- maintain sustainable, meaningful returns of capital to shareholders through dividends and share repurchases; and
- maintain financial flexibility to execute on strategic opportunities.

During the nine months ended September 30, 2022, ARC announced a 20 per cent dividend increase from $0.10 per share per quarter to $0.12 per share per quarter and the renewal of its normal course issuer bid ("NCIB"). The Board has approved an additional dividend increase to $0.15 per share per quarter.

Funds from Operations

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

Funds from operations for the three and nine months ended September 30, 2022 and 2021 is calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Cash flow from operating activities	**1,103.6**	615.0	**2,955.0**	1,337.8
Net change in other liabilities (Note 16)	**43.3**	97.3	**115.3**	168.4
Change in non-cash operating working capital (Note 16)	**(193.9)**	53.1	**(344.0)**	75.6
Funds from operations	**953.0**	765.4	**2,726.3**	1,581.8

Net Debt and Net Debt to Funds from Operations

Net debt and net debt to funds from operations are used by Management as key measures to assess the Company's liquidity position at a point in time. The determination of net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Management targets its net debt to be between 1.0 and 1.5 times funds from operations and manages its capital structure to achieve that target over the long term. At September 30, 2022, ARC's net debt was 0.4 times its funds from operations.

The following table details the composition of ARC's net debt and net debt to funds from operations as at September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Long-term debt	**1,126.6**	1,849.0
Accounts payable and accrued liabilities	**1,234.5**	645.2
Dividends payable	**76.7**	47.1
Cash and cash equivalents, accounts receivable, and prepaid expense	**(896.5)**	(614.9)
Net debt	**1,541.3**	1,926.4
Funds from operations (1)	**3,559.9**	1,793.8
Net debt to funds from operations (ratio) (2)	**0.4**	1.1

(1) 12-month trailing funds from operations.
(2) Composed of net debt divided by 12-month trailing funds from operations.

11. Financial Instruments and Market Risk Management

Financial Instruments

At September 30, 2022, ARC's financial instruments include cash and cash equivalents, accounts receivable, long-term investments, risk management contracts, accounts payable and accrued liabilities, dividends payable, lease obligations, and long-term debt.

ARC's financial instruments that are carried at fair value on the unaudited condensed interim consolidated balance sheets (the "balance sheets") include cash and cash equivalents and risk management contracts. All of ARC's financial instruments carried at fair value are transacted in active markets.

ARC’s cash and cash equivalents are classified as Level 1 measurements and its risk management contracts and fair value disclosure for its long-term debt are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 7 "Long-term Debt". There were no transfers between levels in the fair value hierarchy for the nine months ended September 30, 2022.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at September 30, 2022 approximate their fair values due to the short-term nature of these instruments.

Financial Assets and Financial Liabilities Subject to Offsetting

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at September 30, 2022 and December 31, 2021:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheets	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets
As at September 30, 2022					
Risk management contracts					
Current asset	**99.1**	**(99.1)**	**—**	**—**	**—**
Long-term asset	**148.0**	**(148.0)**	**—**	**—**	**—**
Current liability	**(658.8)**	**99.1**	**(559.7)**	**28.2**	**(531.5)**
Long-term liability	**(273.0)**	**148.0**	**(125.0)**	**6.3**	**(118.7)**
Net position	**(684.7)**	**—**	**(684.7)**	**34.5**	**(650.2)**
As at December 31, 2021					
Risk management contracts					
Current asset	48.2	(48.1)	0.1	—	0.1
Long-term asset	53.6	(53.6)	—	—	—
Current liability	(527.6)	48.1	(479.5)	14.2	(465.3)
Long-term liability	(230.8)	53.6	(177.2)	5.3	(171.9)
Net position	(656.6)	—	(656.6)	19.5	(637.1)

Risk Management Contracts

The following table summarizes ARC's risk management contracts as at September 30, 2022:

Risk Management Contracts Positions Summary [1][2]

As at September 30, 2022	2022 (remainder)		2023		2024		2025	
Crude Oil – WTI	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Ceiling	60.23	27,000	74.28	17,000	123.86	5,243	—	—
Floor	49.50	27,000	57.65	17,000	69.07	5,243	—	—
Sold Floor	41.62	17,000	47.50	10,000	55.00	4,000	—	—
Swap	45.23	7,000	48.99	863	—	—	—	—
Sold Swaption [3]	—	—	70.00	2,000	—	—	—	—
Total Crude Oil Volumes (bbl/day)		**34,000**		**17,863**		**5,243**		**—**
Natural Gas – NYMEX Henry Hub [4]	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Ceiling	3.13	115,000	3.95	100,000	2.74	10,000	—	—
Floor	2.60	115,000	2.79	100,000	2.50	10,000	—	—
Sold Floor	2.19	85,000	2.40	50,000	2.10	10,000	—	—
Swap	2.53	140,000	2.53	52,068	—	—	—	—
Sold Ceiling	25.00	13,261	25.00	4,932	—	—	8.00	10,000
Natural Gas – AECO 7A	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day	Cdn$/GJ	GJ/day
Ceiling	2.52	160,000	3.56	156,986	3.99	200,000	2.73	20,000
Floor	1.99	160,000	2.57	156,986	3.02	200,000	2.00	20,000
Sold Floor	1.75	20,000	2.00	11,726	—	—	—	—
Swap	2.12	40,000	2.06	10,000	3.59	30,000	—	—
Total Natural Gas Volumes (MMBtu/day)		**444,563**		**310,341**		**227,998**		**18,956**
Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day	US$/MMBtu	MMBtu/day
Sold Swap	(0.88)	23,207	(0.91)	70,000	(0.91)	70,000	(0.67)	60,000
Total AECO Basis Volumes (MMBtu/day)		**23,207**		**70,000**		**70,000**		**60,000**
Natural Gas - Other Basis (Differential to NYMEX Henry Hub)		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		**140,000**		**89,918**		**4,973**		**—**
Foreign Exchange	Notional (US$ Millions)	Rate (Cdn$/US$)	Notional (US$ Millions)	Rate (Cdn$/US$)	Notional (US$ Millions)	Rate (Cdn$/US$)	Notional (US$ Millions)	Rate (Cdn$/US$)
Swap	23.2	1.3208	—	—	—	—	—	—
Ceiling	90.0	1.3478	528.0	1.3603	240	1.3654	—	—
Floor	90.0	1.2749	528.0	1.2893	240	1.2950	—	—

(1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.
(2) ARC has also entered into crude oil differential swaps for 2022 with a fair value deficiency of $0.1 million.
(3) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
(4) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

12. Shareholders' Capital

(thousands of shares)	**Nine Months Ended September 30, 2022**	Year Ended December 31, 2021
Common shares, beginning of period	693,516	353,372
Issued upon close of Business Combination	—	369,406
Repurchase of shares for cancellation	**(57,699)**	(30,888)
Issued on exercise of share options and long-term incentive awards	**1,791**	1,645
Unvested restricted shares held in trust pursuant to the LTRSA Plan (1)	**(12)**	24
Forfeited and cancelled shares pursuant to the LTRSA Plan	—	(47)
Restricted shares issued pursuant to the LTRSA Plan	—	4
Common shares, end of period	**637,596**	693,516

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

On August 30, 2022, ARC announced that it received approval from the TSX for the renewal of its NCIB. The renewal allows ARC to purchase up to 65,269,511 of its outstanding common shares over a 12-month period, commencing September 1, 2022. During the nine months ended September 30, 2022, ARC repurchased 41.3 million common shares under the initial NCIB and 16.4 million common shares under the renewed NCIB. A total of 57.7 million common shares were repurchased at a weighted average price of $17.00 for a total cost of $981.0 million.

At September 30, 2022, ARC has recognized a liability of $115.8 million ($51.9 million at December 31, 2021) for share repurchases estimated to take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The transaction has been recognized as a reduction to share capital of $73.1 million and a reduction to retained earnings of $42.7 million.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of shares)	**2022**	2021	**2022**	2021
Weighted average common shares	**653,676**	721,969	**672,322**	600,828
Dilutive impact of share-based compensation (1)	**1,773**	1,099	**1,837**	1,020
Weighted average common shares, diluted	**655,449**	723,068	**674,159**	601,848

(1) For both the three and nine months ended September 30, 2022, 1.2 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (6.6 million and 7.4 million for the three and nine months ended September 30, 2021).

Dividends declared for the three and nine months ended September 30, 2022 were $0.12 and $0.34 per share ($0.066 and $0.186 for the three and nine months ended September 30, 2021), respectively.

13. Commodity Sales from Production

ARC derives its revenue from contracts with customers primarily through the transfer of commodities at a point in time representing the following major product types:

Commodity Sales from Production, by Product	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Crude oil	**83.5**	61.7	**264.3**	219.4
Condensate	**834.6**	611.3	**2,568.1**	1,221.2
Natural gas (1)	**1,049.1**	558.9	**2,745.1**	1,253.7
NGLs	**89.7**	130.7	**368.0**	259.8
Total commodity sales from production	**2,056.9**	1,362.6	**5,945.5**	2,954.1

(1) Includes $0.9 million and $2.7 million of natural gas transportation revenue from contracts temporarily assigned to third parties for the three and nine months ended September 30, 2022 ($0.5 million and $11.9 million for the three and nine months ended September 30, 2021), respectively.

At September 30, 2022, accounts receivable from contracts with customers, which are included in accounts receivable, were $696.8 million ($634.8 million at December 31, 2021).

14. Share-based Compensation Plans

Long-term Incentive Plans

The following table summarizes the changes in the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") awards under the plans that existed prior to the Business Combination (the "Legacy Plans") for the nine months ended September 30, 2022:

Legacy Plans (number of awards, thousands)	**RSUs**	**PSUs (1)**	**DSUs**
Balance, December 31, 2021	3,265	6,372	1,103
Granted	**1,207**	**1,667**	**115**
Distributed	**(1,656)**	**(2,391)**	**(408)**
Forfeited	**(132)**	**(107)**	**—**
Balance, September 30, 2022	**2,684**	**5,541**	**810**

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

The following table summarizes the changes in the RSU, PSU, and DSU awards under the plans acquired through the Business Combination (the "Acquired Plans") for the nine months ended September 30, 2022:

Acquired Plans (number of awards, thousands)	**RSUs**	**PSUs (1)**	**DSUs**
Balance, December 31, 2021	513	413	425
Granted (2)	**7**	**103**	**9**
Distributed	**(290)**	**(361)**	**—**
Forfeited	**(36)**	**(30)**	**—**
Balance, September 30, 2022	**194**	**125**	**434**

(1) Based on underlying awards before any effect of the performance multiplier.
(2) Grants relate to re-invested dividends and additional performance awards for grants that vested in the current period.

Compensation charges relating to the RSU Plan, PSU Plan, and DSU Plan of the Legacy and Acquired Plans are reconciled as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
General and administrative ("G&A")	**15.5**	11.7	**66.1**	41.8
Operating	**1.2**	0.9	**5.2**	5.6
PP&E	**4.8**	7.0	**18.6**	21.7
Total compensation charge	**21.5**	19.6	**89.9**	69.1
Cash payment	**36.9**	20.5	**84.7**	42.0

At September 30, 2022, compensation amounts of $59.2 million were recognized in accounts payable and accrued liabilities on the balance sheets ($51.3 million at December 31, 2021) and $38.1 million was included in long-term incentive compensation liability ($40.8 million at December 31, 2021).

Share Option Plans

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Legacy Plans for the nine months ended September 30, 2022 were as follows:

Legacy Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2021	3,978	15.10
Exercised	**(1,081)**	**17.24**
Forfeited	**(100)**	**15.31**
Expired	**(55)**	**17.90**
Balance, September 30, 2022	**2,742**	**13.77**
Exercisable, September 30, 2022	**2,105**	**14.47**

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the nine months ended September 30, 2022 were as follows:

Acquired Plans	**Share Options (number of units, thousands)**	**Weighted Average Exercise Price ($)**
Balance, December 31, 2021	2,447	18.01
Exercised	**(711)**	**11.43**
Forfeited	**(524)**	**24.80**
Balance, September 30, 2022	**1,212**	**18.94**
Exercisable, September 30, 2022	**1,212**	**18.94**

The following table summarizes information regarding share options outstanding at September 30, 2022:

Range of exercise price per common share ($)	Number of share options outstanding (thousands)	Weighted average exercise price per share for options outstanding ($)	Weighted average remaining term (years)	Number of share options exercisable (thousands)	Weighted average exercise price per share for options exercisable ($)
5.98 - 11.00	302	8.89	5.9	302	8.89
11.01 - 14.00	1,399	11.70	3.0	762	11.91
14.01 - 18.00	1,014	14.32	1.9	1,014	14.32
18.01 - 22.00	615	18.40	1.1	615	18.40
22.01 - 27.89	624	25.37	4.2	624	25.37
Total	**3,954**	**15.35**	**2.8**	**3,317**	**16.10**

During the three and nine months ended September 30, 2022, ARC recognized a nominal amount of compensation expense relating to share option plans ($0.3 million and $1.4 million for the three and nine months ended September 30, 2021) and recognized a nominal amount of share option compensation charges to be capitalized to PP&E ($nil and $0.3 million for the three and nine months ended September 30, 2021).

LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the nine months ended September 30, 2022 were as follows:

	Granted Prior to 2020		Granted Subsequent to 2019	
	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)	LTRSA (number of awards, thousands)	Fair Value per Restricted Share ($)
Balance, December 31, 2021	763	12.08	213	6.28
Restricted shares granted and purchased	10	15.70	2	15.70
Balance, September 30, 2022	**773**	**12.13**	**215**	**6.40**

ARC recognized G&A expense of $0.2 million and $0.8 million relating to the LTRSA Plan during the three and nine months ended September 30, 2022 ($0.3 million and $0.9 million for the three and nine months ended September 30, 2021), respectively.

15. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at September 30, 2022:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	132.5	447.6	546.5	1,126.6
Interest payments (1)	29.7	59.3	48.7	76.2	213.9
Purchase and service commitments	138.3	44.2	22.9	98.2	303.6
Transportation commitments	609.2	1,196.4	969.8	1,768.2	4,543.6
Total contractual obligations and commitments	**777.2**	**1,432.4**	**1,489.0**	**2,489.1**	**6,187.7**

(1) Fixed interest payments on senior notes.

16. Supplemental Disclosures

Presentation in the Statements of Income

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Operating	**8.6**	6.5	**27.2**	39.1
G&A	**24.9**	27.0	**105.7**	94.0
Total employee compensation expense	**33.5**	33.5	**132.9**	133.1

Presentation in the Statements of Cash Flows

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

	Three Months Ended September 30		Nine Months Ended September 30	
Change in Non-cash Working Capital	**2022**	2021	**2022**	2021
Accounts receivable	**92.9**	(32.3)	**(112.2)**	(53.2)
Accounts payable and accrued liabilities	**120.2**	13.8	**455.4**	24.6
Inventory	**(2.3)**	3.1	**13.1**	2.6
Prepaid expense	**5.2**	0.5	**(26.7)**	9.4
Total change in non-cash working capital	**216.0**	(14.9)	**329.6**	(16.6)
Relating to:				
Operating activities	**193.9**	(53.1)	**344.0**	(75.6)
Investing activities	**22.1**	38.2	**(14.4)**	59.0
Total change in non-cash working capital	**216.0**	(14.9)	**329.6**	(16.6)

	Three Months Ended September 30		Nine Months Ended September 30	
Other Non-cash Items	**2022**	2021	**2022**	2021
Share-based compensation expense	**0.4**	0.6	**0.9**	2.3
ARO settlements	**(0.5)**	(0.3)	**(1.0)**	(2.2)
Modified and terminated leases	**—**	—	**—**	(0.2)
Other amortization	**0.8**	1.7	**1.9**	3.2
Total other non-cash items	**0.7**	2.0	**1.8**	3.1

	Three Months Ended September 30		Nine Months Ended September 30	
Net Change in Other Liabilities	**2022**	2021	**2022**	2021
Long-term incentive compensation liability	**(2.9)**	(28.6)	**(2.7)**	(27.2)
Risk management contracts	**(4.6)**	(32.0)	**(24.1)**	(52.6)
ARO cash settlements	**(6.2)**	(4.9)	**(15.5)**	(12.6)
Other deferred liabilities	**(29.6)**	(31.9)	**(73.0)**	(61.6)
Debt issuance costs	**—**	—	**—**	(14.5)
Accrued lease interest	**—**	0.1	**—**	0.1
Total net change in other liabilities	**(43.3)**	(97.3)	**(115.3)**	(168.4)

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

Financing Liabilities	Current Financial Liabilities	Long-term Financial Liabilities	Total Financial Liabilities from Financing Activities
Balance, December 31, 2020	162.0	589.1	751.1
Cash flows			
Draw and issuance of long-term debt	—	5,023.5	5,023.5
Repayment of long-term debt	(266.0)	(5,299.0)	(5,565.0)
Repayment of lease obligations	(24.6)	(18.6)	(43.2)
Reclassified to current			
Long-term debt	120.2	(120.2)	—
Lease obligations	55.0	(55.0)	—
Non-cash changes			
Lease obligations acquired upon close of Business Combination	60.0	814.6	874.6
Long-term debt acquired upon close of Business Combination	—	1,712.7	1,712.7
Lease recognition	—	2.6	2.6
Lease modification and termination	(0.5)	(1.2)	(1.7)
Accrued lease interest	0.1	—	0.1
Unrealized foreign exchange gain	(1.3)	(11.5)	(12.8)
Other	0.5	2.6	3.1
Other changes	—	(14.5)	(14.5)
Balance, September 30, 2021	105.4	2,625.1	2,730.5
Balance, December 31, 2021	109.3	2,465.3	2,574.6
Cash flows			
Draw and issuance of long-term debt	**—**	**5,630.6**	**5,630.6**
Repayment of long-term debt	**—**	**(6,214.8)**	**(6,214.8)**
Repayment of lease obligations	**(64.3)**	**—**	**(64.3)**
Reclassified to current			
Lease obligations	**56.7**	**(56.7)**	**—**
Non-cash changes			
Lease recognition	**—**	**3.1**	**3.1**
Lease modification and termination	**(0.7)**	**(1.3)**	**(2.0)**
Unrealized foreign exchange loss	**—**	**2.7**	**2.7**
Other	**—**	**2.8**	**2.8**
Balance, September 30, 2022	**101.0**	**1,831.7**	**1,932.7**
Lease obligations due within one year	**101.0**	**—**	**101.0**
Lease obligations due beyond one year	**—**	**705.1**	**705.1**
Long-term debt due beyond one year	**—**	**1,126.6**	**1,126.6**