



**OUR
FOCUS
OUR
FUTURE**

2018 ANNUAL REPORT

 **ARC** RESOURCES LTD

CORPORATE PROFILE

TABLE OF CONTENTS

01	Financial and Operational Highlights
02	Where We Operate
04	Message to Shareholders
09	Management's Discussion & Analysis
68	Management's Report
69	Independent Auditor's Report
72	Consolidated Financial Statements
77	Notes to the Consolidated Financial Statements

ARC Resources Ltd. ("ARC") is a Canadian oil and gas producer committed to delivering strong operational and financial performance and upholding values of operational excellence and responsible development.

With operations in western Canada, ARC's portfolio is made up of resource-rich properties that provide both near-term and long-term investment opportunities.

ARC pays a monthly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol ARX.

FINANCIAL & OPERATIONAL HIGHLIGHTS

Years Ended December 31

Cdn\$ millions, except per share amounts, barrel of oil equivalent ("boe") amounts, and common shares outstanding

Financial Results	2018	2017	2016
Net income	213.8	388.9	201.3
Per share ⁽¹⁾	0.60	1.10	0.57
Funds from operations ⁽²⁾	819.0	731.9	633.3
Per share ⁽¹⁾	2.31	2.07	1.80
Dividends	212.3	212.3	228.2
Per share ⁽¹⁾	0.60	0.60	0.65
Capital expenditures, before land and net property acquisitions (dispositions)	679.4	829.7	453.4
Total capital expenditures, including land and net property acquisitions (dispositions)	484.4	929.8	(76.4)
Net debt outstanding ⁽²⁾	702.7	728.0	356.5
Weighted average shares, diluted (millions)	353.8	353.9	351.3
Shares outstanding, end of period (millions)	353.4	353.5	353.3

Operational Results

Production			
Crude oil (bbl/day)	23,460	24,380	31,510
Condensate (bbl/day)	7,281	5,650	3,626
Natural gas (MMcf/day)	570.2	525.8	475.6
Natural gas liquids ("NGLs") (bbl/day)	6,955	5,273	4,274
Total (boe/day) ⁽³⁾	132,724	122,937	118,671
Average realized prices, prior to gain or loss on risk management contracts ⁽⁴⁾			
Crude oil (\$/bbl)	68.58	60.66	50.34
Condensate (\$/bbl)	75.56	62.02	50.98
Natural gas (\$/Mcf)	2.37	2.56	2.23
NGLs (\$/bbl)	32.22	29.57	13.85
Oil equivalent (\$/boe) ⁽³⁾	28.12	27.08	24.35
Operating netback (\$/boe) ^{(3) (4) (5)}			
Commodity sales from production	28.12	27.08	24.35
Royalties	(2.39)	(2.29)	(2.05)
Operating expenses	(5.95)	(6.55)	(6.65)
Transportation expenses	(2.66)	(2.52)	(2.20)
Operating netback prior to gain on risk management contracts	17.12	15.72	13.45
Realized gain on risk management contracts	2.55	3.23	4.98
Operating netback including gain on risk management contracts	19.67	18.95	18.43

Trading Statistics ⁽⁶⁾

High price	15.90	23.70	24.94
Low price	7.38	13.64	14.43
Close price	8.10	14.75	23.11
Average daily volume (thousands of shares)	1,480	1,124	986

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

(2) Refer to Note 16 "Capital Management" in ARC's consolidated financial statements and to the sections entitled, "Funds from Operations" and "Capitalization, Financial Resources and Liquidity" contained within ARC's MD&A.

(3) ARC has adopted the standard six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 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.

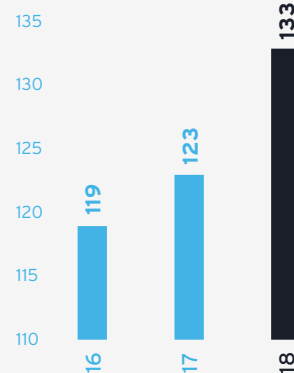
(4) Refer to Note 4 "Changes in Accounting Policies" in ARC's consolidated financial statements for details on revised presentation of certain items in the audited consolidated statement of income for the year ended December 31, 2017.

(5) 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 ARC's MD&A.

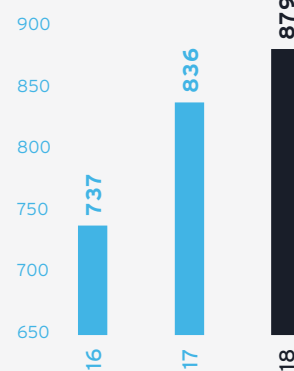
(6) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.



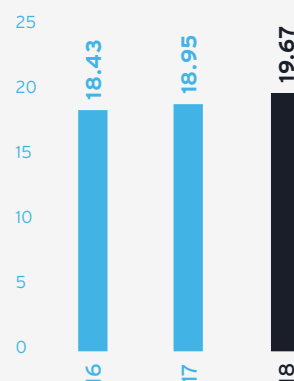
PRODUCTION (boe/day, 000's)



PROVED PLUS PROBABLE RESERVES (MMboe)

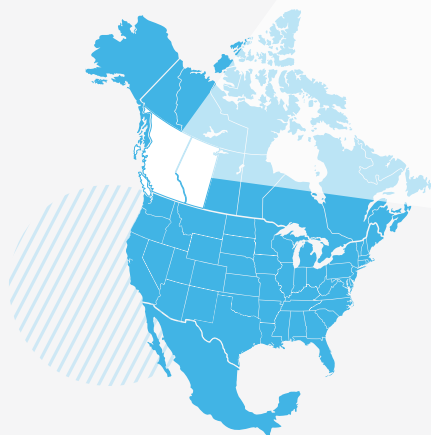


OPERATING NETBACK INCLUDING RISK MANAGEMENT CONTRACTS (\$/boe)



WHERE WE OPERATE

ARC's concentrated asset base enables execution of large-scale projects with excellent capital efficiencies and operating cost structures. ARC continues to apply innovation, technical expertise, and organizational learning across its assets.



BRITISH COLUMBIA

NORTHEAST BRITISH COLUMBIA



Dawson Creek

ALBERTA

NORTHERN ALBERTA



Grande Prairie

PEMBINA



Edmonton
Drayton Valley

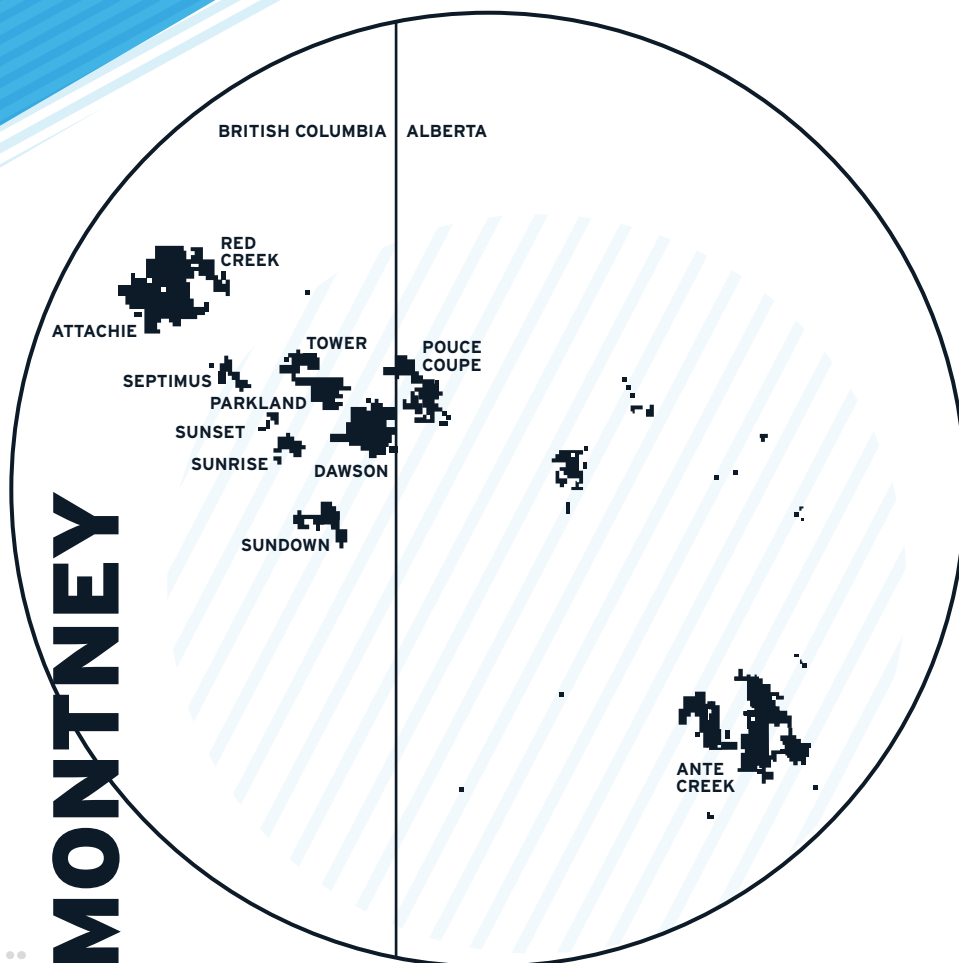
Calgary

 **NATURAL
GAS**

 **LIQUIDS-RICH
GAS**

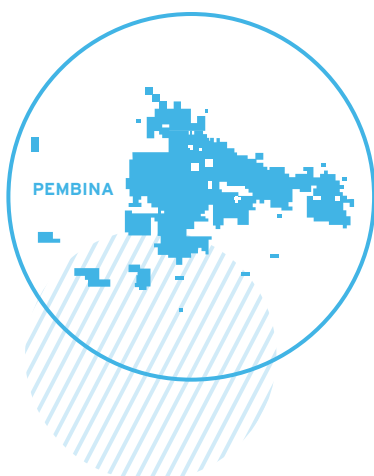
 **CRUDE
OIL**

MONTNEY



The Montney geological horizon provides competitive economics to develop large-scale opportunities for many years to come. ARC has been active in the Montney since 2000, developing technical expertise which generates value with reserves and production additions. ARC is a leading operator in Montney production in the province of British Columbia.

CARDIUM



The Pembina Cardium is one of the largest conventional oil fields in Canada. ARC has operated in the play since our inception in 1996 and continues to unlock value through time and technology. These properties generate significant cash flow and continue to have growth opportunities to add high-quality, light oil production and reserves.

OVERVIEW



2018 AVERAGE DAILY PRODUCTION	118,703 BOE/DAY
PRODUCTION PROFILE	555.5 MMCF/DAY NATURAL GAS
	26,122 BBL/DAY OIL AND LIQUIDS
LAND POSITION	1,122 NET MONTNEY SECTIONS
PROVED PLUS PROBABLE RESERVES	814 MMBOE

2018 AVERAGE DAILY PRODUCTION	10,941 BOE/DAY
PRODUCTION PROFILE	11.3 MMCF/DAY NATURAL GAS
	9,064 BBL/DAY OIL AND LIQUIDS
LAND POSITION	218 NET CARDIUM SECTIONS
PROVED PLUS PROBABLE RESERVES	63 MMBOE

MESSAGE TO SHAREHOLDERS



Myron M. Stadnyk

MYRON M. STADNYK

President & Chief Executive Officer

OUR STORY

**DEAR FELLOW ARC
SHAREHOLDER,**

**IN 2018, WE EXECUTED
ON ARC'S LONG-TERM
STRATEGY AND DELIVERED
EXCELLENT FINANCIAL
AND OPERATIONAL
RESULTS, HIGHLIGHTED
BY EXCEPTIONAL SAFETY
PERFORMANCE.**

As Chief Executive Officer and an ARC shareholder, I am pleased to report our accomplishments. As one of ARC's founding operations employees, I want to assure you that our team is committed to creating long-term value for our shareholders. Our shareholder returns stand at 10 per cent per annum since inception despite the weak share price performance observed in 2018. At ARC, our strategy of risk-managed value creation is achieved through disciplined, profitable capital investment, and delivering a sustainable monthly dividend to our shareholders. The principles upon which we run our business have stood the test of time and we are excited about our future.



THINKING LONG TERM

ARC's low cost structure, disciplined capital allocation decisions, marketing strategies, portfolio management, and strategic optionality have all contributed to our success. Since inception, 23 years ago, our strategic vision has generated an annual average return on capital employed of 10 per cent.

The past four years have seen us transform ARC to excel in today's business environment. We have taken audacious decisions and divested the majority of our non-Montney assets. Since 2014, as this important business shift has been underway, ARC has paid over \$1 billion of dividends to shareholders and reduced our debt by \$500 million. We improved our cost structure with a 33 per cent reduction in operating expenses per unit of production and grew production by 18 per cent. We also safely operated during this time period with zero lost-time incidents for employees. Our share count has remained unchanged since early 2016, and our funds from operations per share in 2018 was the highest during this four-year period. The completion of major infrastructure projects at Dawson and Sunrise has grown our business to a point where approximately 90 per cent of ARC's current production is from assets owned and developed since 2010. Our business is efficient and more competitive than ever.

STRONG FINANCIAL POSITION

Our balance sheet is one of the strongest amongst our peers. ARC ended 2018 with \$703 million of net debt outstanding and a net debt to trailing funds from operations ratio of 0.9 times. We will continue to target debt levels at 1.0 to 1.5 times net debt to trailing annualized funds from operations to preserve our financial flexibility.

At ARC, we believe it is important to minimize the capital required to sustain our business. Our pace of development is designed to manage our corporate decline rate, resulting in low costs to maintain



As a result of our physical and financial diversification activities,

ARC's sales revenue is exposed to key pricing hubs across North America.



Achieved low operating expenses of

\$5.95

per boe, our lowest operating expenses since 2001 and a **nine per cent decrease** from 2017.



Our excellent safety record continues to grow, with

ZERO LOST-TIME

incidents for employees in over five years.



Since inception, ARC has paid

\$6.4 BILLION

in dividends to our shareholders.



We achieved record additions of

82 MMBOE

to our proved producing reserves.

production, which in turn supports our dividend payments.

We have taken this same approach since inception, and have provided \$6.4 billion of dividends to shareholders. Currently, ARC's annual dividend obligations are approximately \$210 million, and we estimate that approximately \$400 million is required to sustain the business. In 2018, ARC's funds from operations of \$819 million allowed us to fund our dividend, sustain the business, and provided over \$200 million to be invested in our next development projects, including the Dawson Phase IV gas processing and liquids-handling facility, which is planned to be brought on-stream in 2020.

OUR FOCUS: TODAY AND OUR FUTURE

ARC executed a capital program of \$679 million in 2018. Major accomplishments from our capital program included completing the Sunrise Phase II gas processing facility expansion project ahead of schedule and under budget. Our Parkland and Dawson assets are being developed to pursue the liquids-rich lower Montney. We increased our confidence in the significant liquids development potential at Attachie West, leading our board of directors to sanction the first major phase of development in the Attachie area. The Montney geology continues to demonstrate consistent value creation as we replaced approximately 200 per cent of our produced reserves for the eleventh consecutive year.

Our business is efficient and is positioned to generate value for our shareholders. ARC's world-scale resource has allowed us to build one of Canada's largest conventional oil and natural gas producing companies. With over 100 trillion cubic feet of shale gas Total Petroleum Initially-in-Place ⁽¹⁾ ("TPIIP") and over 14 billion barrels of tight oil TPIIP on ARC's lands, our position as the third largest landowner of high-quality Montney lands is providing many development opportunities ⁽²⁾. We believe our competitive advantages and how we manage our business, including developing owned-and-operated infrastructure and maintaining a low cost structure, will lead ARC to be a supplier of choice for future energy needs. We are excited for the future that is unfolding for western Canadian energy and believe that ARC has the opportunity to play a meaningful role. We are seeing many announcements - from LNG projects to petrochemical plants - that will

1. Total Petroleum Initially-in-Place is that quantity of petroleum that is estimated to originally exist in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

2. A full discussion of ARC's reserves and resources is contained in the Annual Information Form available on SEDAR at www.sedar.com.

require secure, long-term feedstock of hydrocarbons. Our expertise will continue to drive our long-term performance and we see a bright future at ARC.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

A core commitment for ARC is to be a leader in responsible resource development. We are realizing business advantages from investments to strengthen our environmental and social responsibility. In 2018, we invested in strategic water infrastructure to reduce ARC's freshwater use and improve capital and operating efficiencies. The electrification of our Sunrise and Parkland facilities in northeast British Columbia, as well as our portfolio management efforts have resulted in a 25 per cent reduction in our corporate greenhouse gas emissions intensity over the last five years, and we have committed to reducing our corporate emissions intensity by 25 per cent by 2021, compared to our 2017 baseline.

THANK YOU

ARC's successes in 2018 were made possible through the hard work, creativity, and dedication of our talented and valued employees. Our culture of organizational learning and respectful collaboration is energizing and driving business excellence. I would like to thank our employees for another year of strong performance.

We would like to also recognize the outstanding contributions made by Wayne Lentz, who retired from our officer team in 2018, and Jim Houck, who will be retiring from ARC's board of directors in 2019. Both Wayne and Jim's leadership and dedication to the ARC team has helped shape the company we are today. Thank you, Wayne and Jim.

And finally, thank you to our shareholders for your continued support. We believe our asset base, along with our unwavering commitment to the business, will create value for many years to come.



MYRON M. STADNYK
President & Chief Executive Officer



Over the last five years, ARC has decreased the intensity of our greenhouse gas emissions by

25%



Supported the creation of strong communities through investment and volunteerism with over

\$1.5 MILLION
donated in 2018.



ARC exited the year with a net debt to funds from operations ratio

of **0.9x**, below
ARC's target of 1.0x to 1.5x.

FINANCIAL REPORT 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated February 7, 2019 and should be read in conjunction with the audited consolidated financial statements (the "financial statements") as at and for the year ended December 31, 2018, and the MD&A and unaudited condensed interim consolidated financial statements for the periods ended March 31, 2018, June 30, 2018 and September 30, 2018, as well as ARC's Annual Information Form ("AIF"), each of which is filed on SEDAR at www.sedar.com. The Company has revised the presentation of certain prior period items in the consolidated statements of income; for additional information, refer to Note 4 "Changes in Accounting Policies" of the financial statements as at and for the year ended December 31, 2018. Any figures presented for periods prior to 2017 have not been restated. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

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

ABOUT ARC RESOURCES LTD.

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

ARC's vision is to be a leading energy producer, focused on delivering profits through its strategy of **risk-managed value creation**. ARC is committed to providing superior long-term financial returns for its shareholders; this commitment is supported by its culture where respect for the individual is paramount and action and passion are rewarded. ARC runs its business in a manner that protects the safety of employees, communities and the environment. ARC's vision is realized through the four pillars of its strategy:

- (1) **High-quality, long-life assets** – ARC's suite of assets are substantially Montney and Cardium assets. ARC's Montney assets consist of world-class resource play properties, concentrated in northeast British Columbia ("BC") and northern Alberta. The Montney assets provide substantial growth opportunities, which ARC will pursue to create value through long-term profitable development. The Cardium assets are located in the Pembina area of Alberta. These assets deliver stable production and contribute cash to fund future development and support ARC's dividend.
- (2) **Health, safety, environmental and operational excellence** – In the current competitive environment, achieving top-tier capital efficiencies and low-cost operations in a safe and environmentally responsible manner are critical to realizing profitability. ARC is committed, where it makes sense, to owning and operating its own infrastructure.
- (3) **Financial flexibility and market access** – ARC provides returns to shareholders through a combination of a monthly dividend, currently \$0.05 per share, and the potential for capital appreciation. ARC's long-term goal is to fund dividend payments and capital expenditures necessary for the replacement of production declines using funds from operations⁽¹⁾. ARC will finance profitable growth activities through a combination of sources including funds from operations, proceeds from asset dispositions, debt capacity, and when appropriate, equity issuances. ARC chooses to maintain prudent debt levels, targeting its net debt to be between 1.0 and 1.5 times annualized funds from operations⁽¹⁾. ARC maintains a risk management program to reduce the volatility of sales revenues and increase the certainty of funds from operations, and is deliberate in securing takeaway for its products at optimal pricing.
- (4) **Top talent and strong leadership culture** – ARC is committed to the attraction, retention and development of talented and committed people in the energy industry. ARC's employees conduct business every day in a culture of trust, respect, integrity and accountability. Building leadership talent at all levels of the organization is a key focus. ARC is also committed to corporate leadership through community investment, environmental, social and governance reporting practices and open communication with all stakeholders. As of February 7, 2019, ARC had 441 permanent employees with 246 professional, technical and support staff in the Calgary office, and 195 individuals located across ARC's operating areas in Alberta and British Columbia, Canada.

(1) Refer to Note 16 "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.

Total Return to Shareholders

Total return includes both capital appreciation (depreciation) and dividend payments and represents the sum of the change in the market price of the common shares or the index in the period assuming dividends are reinvested in the security or the index. Total return is not a standardized measure and therefore may not be comparable with the calculation of similar measures for other entities.

Table 1

Total Returns ⁽¹⁾	Trailing One Year	Trailing Three Year	Trailing Five Year
Dividends per share outstanding (\$)	0.60	1.85	4.25
Capital depreciation per share outstanding (\$)	(6.65)	(8.60)	(21.47)
Total return per share outstanding (%)	(42.4)	(45.6)	(66.1)
Annualized total return per share outstanding (%)	(42.4)	(18.4)	(19.4)
S&P/TSX Exploration & Producers Index annualized total return (%) ⁽²⁾	(33.6)	(3.7)	(13.9)

(1) Calculated as at December 31, 2018.

(2) Standard & Poor's ("S&P")/Toronto Stock Exchange ("TSX") Explorers and Producers Index.

Return on Average Capital Employed ("ROACE")

ARC calculates ROACE, expressed as a percentage, as net income 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. ROACE is a 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. Refer to Note 16 "Capital Management" in the financial statements for additional discussion on net debt.

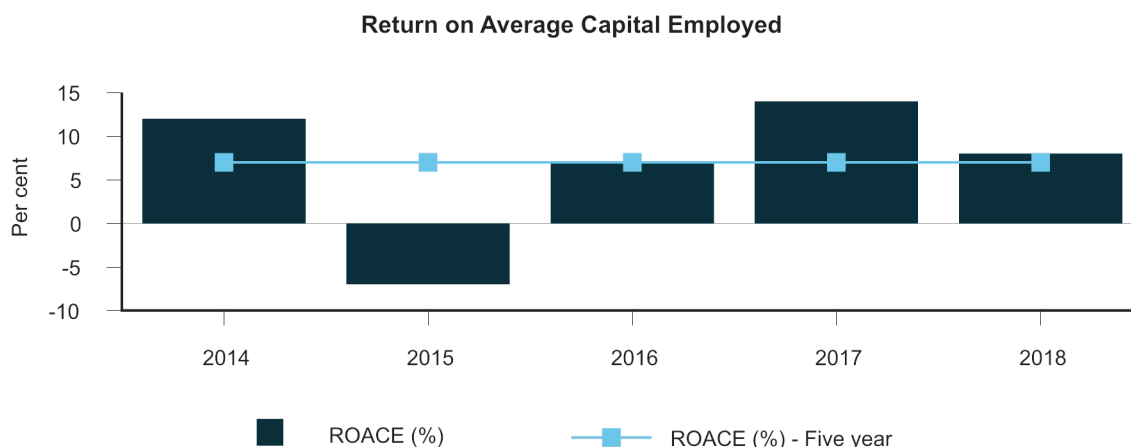
ARC uses ROACE as a measure of long-term operating performance, to measure how efficiently Management utilizes the capital it has been provided and to demonstrate to shareholders the sustainability of the business model and that capital has been invested profitably over the long term. ROACE is presented by ARC on an annual and a five-year basis in Table 2 of this MD&A.

Table 2

Return on Average Capital Employed ⁽¹⁾	2018	2017	2016	2015	2014	Five Year
ROACE (%)	8	14	7	(7)	12	7

(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 1



Since 2014, ARC's production has grown by 20,337 boe per day, or 18 per cent, while its proved plus probable reserves have grown by 206.2 MMboe, or 31 per cent. Table 3 highlights ARC's production and reserves for the last five years:

Table 3

	2018	2017	2016	2015	2014
Production ⁽¹⁾					
Crude oil (bbl/d)	23,460	24,380	31,510	32,762	36,525
Condensate (bbl/d)	7,281	5,650	3,626	3,430	3,667
Natural gas (MMcf/d)	570.2	525.8	475.6	444.9	406.1
NGLs (bbl/d)	6,955	5,273	4,274	3,819	4,518
Total production (boe/d)	132,724	122,937	118,671	114,167	112,387
Daily production per thousand shares ⁽²⁾	0.38	0.35	0.34	0.34	0.35
Proved plus probable reserves (MMboe) ⁽³⁾⁽⁴⁾	878.9	836.1	736.7	686.9	672.7
Proved plus probable reserves per share (boe)	2.5	2.4	2.1	2.0	2.1

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

(2) Daily production per thousand shares represents annual average daily production divided by the diluted weighted average common shares for the respective years ended December 31.

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

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

Exhibit 1a

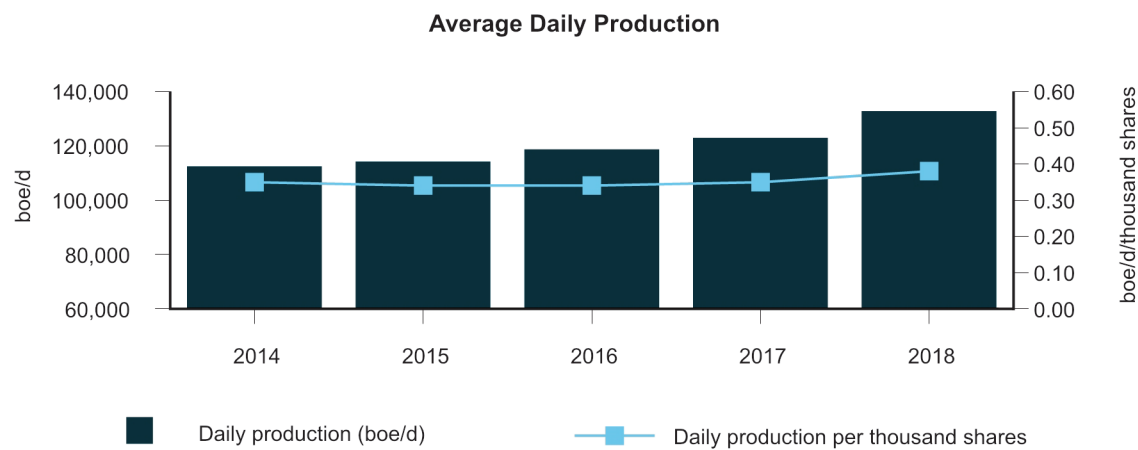


Exhibit 1b

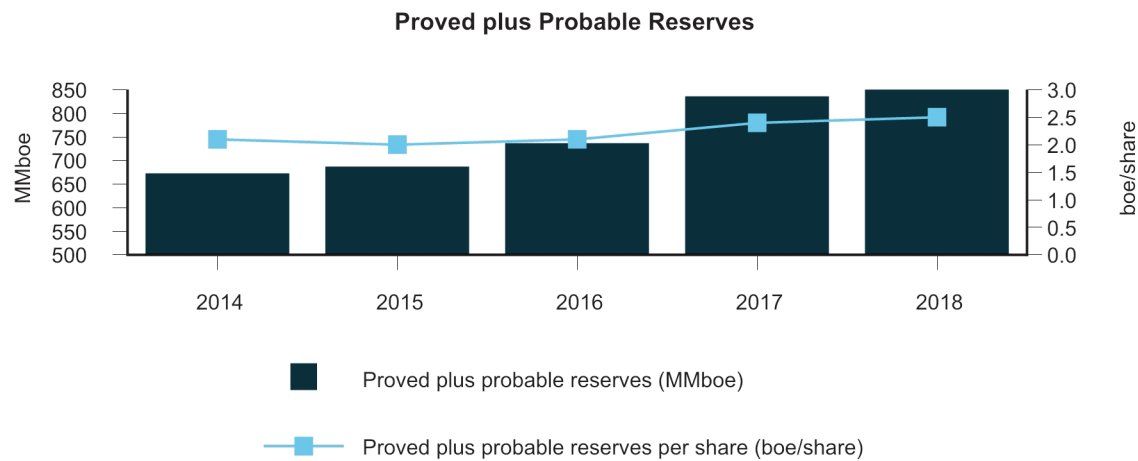
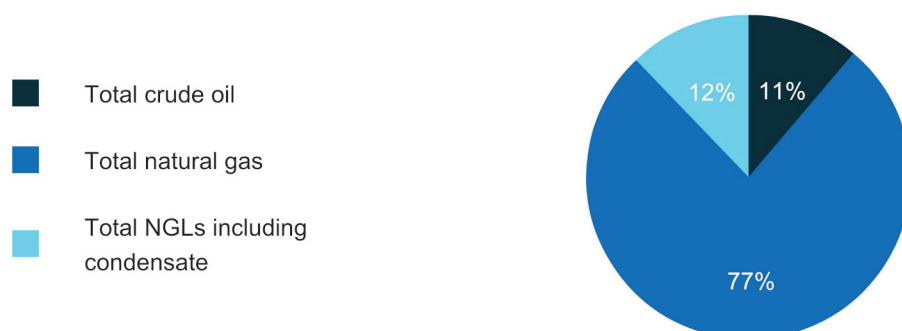


Exhibit 1c

Proved plus Probable Reserves by Commodity at December 31, 2018 (1)



(1) Commodities are presented on a barrel of oil equivalent basis.

ECONOMIC ENVIRONMENT

ARC's 2018 financial and operating results were impacted by commodity prices and foreign exchange rates which are outlined in Table 4 below:

Table 4

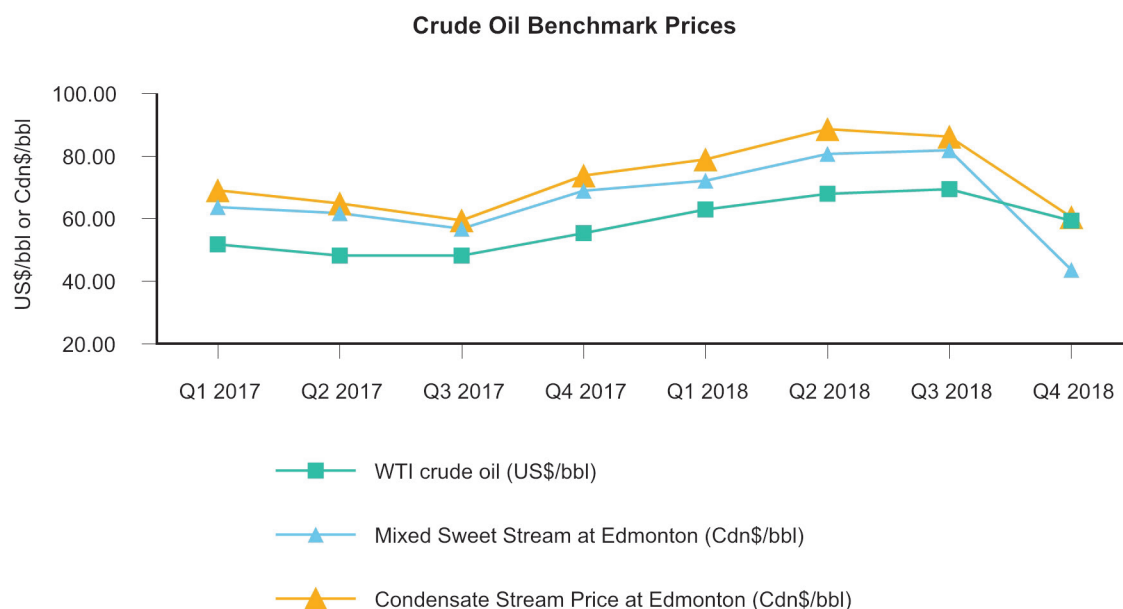
Selected Benchmark Prices and Exchange Rates ⁽¹⁾	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
WTI crude oil (US\$/bbl)	69.43	59.34	55.30	7	64.90	50.85	28
Mixed Sweet Stream Price at Edmonton (Cdn\$/bbl)	81.84	43.63	68.85	(37)	69.65	62.85	11
Condensate Stream Price at Edmonton (Cdn\$/bbl)	86.18	60.45	73.73	(18)	79.18	66.87	18
NYMEX Henry Hub Last Day Settlement (US\$/MMBtu)	2.90	3.64	2.93	24	3.09	3.11	(1)
Chicago Citygate Monthly Index (US\$/MMBtu)	2.75	3.63	2.93	24	3.06	3.04	1
AECO 7A Monthly Index (Cdn\$/Mcf)	1.35	1.90	1.96	(3)	1.53	2.43	(37)
Cdn\$/US\$ exchange rate	1.31	1.32	1.27	4	1.30	1.30	—

(1) The benchmark prices do not reflect ARC's realized sales prices. For average realized sales prices, refer to Table 14 in this MD&A. Prices and exchange rates presented above represent averages for the respective periods.

Global crude oil prices weakened in the fourth quarter of 2018, with the WTI benchmark price averaging 15 per cent lower than the third quarter of 2018, but seven per cent higher than the fourth quarter of 2017. Global crude oil prices exhibited exceptional volatility in 2018. Prior to the fourth quarter of 2018, the WTI benchmark price strengthened gradually due to geopolitical crude oil supply disruptions, coupled with concern that low global spare capacity would be unable to replace additional production outages. In the fourth quarter of 2018, crude oil pricing reversed sharply due to growing concern of a global economic slowdown and the impact of the escalating trade war between China and the US. Subsequent to the quarter, global crude prices have started to recover due to the anticipation of new supply cuts mandated at the OPEC meeting in early December.

Similar to WTI prices, Canadian stream prices gradually improved throughout the first three quarters of 2018 mainly due to the strength in underlying WTI prices and a weaker Canadian dollar. However, during the fourth quarter of 2018, congestion on major export pipelines, rising local supply and high western Canadian crude oil inventories resulted in extremely wide Canadian crude oil prices relative to global benchmarks. With incremental export capacity not slated to come on-line until the fourth quarter of 2019, the Alberta government mandated province-wide crude oil curtailments beginning in January 2019. The differentials between WTI and all Canadian crude stream prices including condensate have since tightened significantly.

Exhibit 2

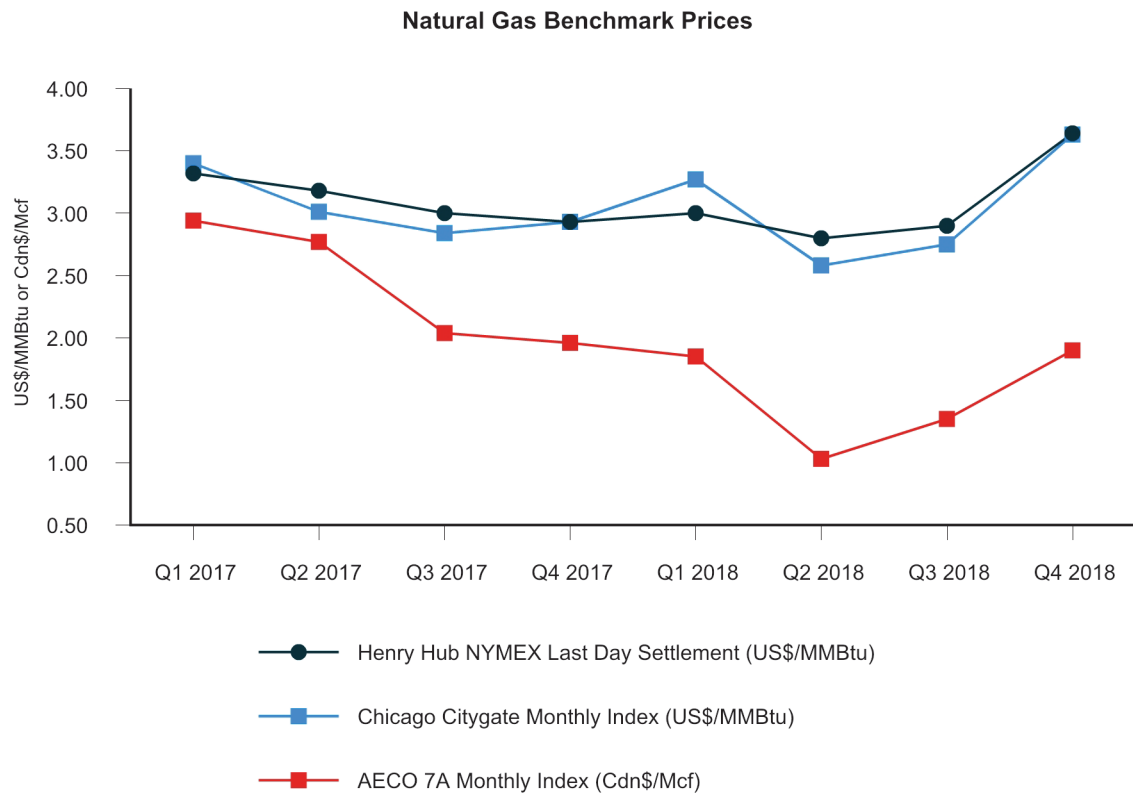


After a brief rally early in the year, Henry Hub natural gas prices were range-bound through the first three quarters of 2018. A record increase in US production was largely offset by rising US domestic and export demand which kept the market in balance. In the fourth quarter of 2018, prices strengthened significantly due to growing concerns over very low seasonal US inventory levels, along with a colder-than-average start to winter. Subsequent to the year end, Henry Hub prices weakened as weather moderated and inventory concerns abated.

Western Canadian natural gas prices recovered in the fourth quarter of 2018 as compared to the third quarter of 2018, largely attributed to a decrease in third-party restrictions that limited storage injections, as well as the seasonal shift to inventory withdrawals. For the three months and year ended December 31, 2018, AECO prices were substantially weaker, compared to the same periods in the prior year. While local demand continues to increase, excess supply and egress constraints in the basin are ongoing.

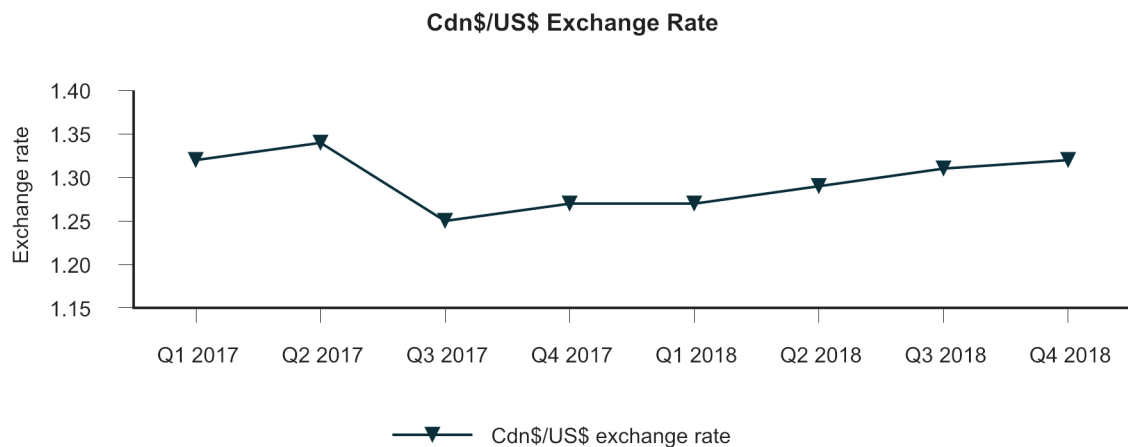
To mitigate the impact of weak natural gas pricing, ARC maintains a strategy to physically and financially diversify its realized natural gas prices to multiple North American downstream sales points.

Exhibit 2a



The Canadian dollar gradually weakened during the fourth quarter of 2018. Widening Canadian crude differentials forced the Bank of Canada to temporarily take a more neutral stance on policy. During the year ended December 31, 2018, the Canadian dollar experienced volatility, but was relatively unchanged as compared to the the year ended December 31, 2017. In relation to the US dollar, the Canadian dollar remains susceptible to volatility arising from US monetary and administrative policy.

Exhibit 2b



QUARTERLY RESULTS ⁽¹⁾

Global crude oil and North American natural gas markets have experienced continued volatility over the past eight quarters. In addition, the structure of ARC's business has transformed during this period as the Company has focused its asset base through strategic dispositions and organic growth in core areas to position itself for long-term success.

Exhibit 3



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

(2) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(3) Net debt to annualized funds from operations. Refer to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

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

- In the third quarter of 2018, ARC disposed of its non-core Redwater assets for proceeds of \$130.3 million, and recognized a \$22.8 million reversal of impairment.
- In the first quarter of 2018, ARC completed asset dispositions for proceeds of \$98.3 million, and recognized gains on disposition of \$80.1 million.
- In the fourth quarter of 2017, ARC reclassified certain Exploration and Evaluation ("E&E") assets in Alberta as held for sale and an associated impairment charge of \$9.7 million was recognized in E&E expenses.
- In the second quarter of 2017, ARC recognized a reversal of previously recognized impairment on its assets in its Northern Alberta cash generating unit ("CGU") of \$75.0 million.

ANNUAL GUIDANCE AND FINANCIAL HIGHLIGHTS

ARC's 2019 capital program of \$775 million focuses on liquids growth to deliver a meaningful cash flow per share increase over the long term, while continuing to support ARC's strong financial position and dividend. The 2019 budget includes investment in multi-year infrastructure development projects that will add facility capacity at Attachie West and Dawson in northeast British Columbia, and Ante Creek in northern Alberta. The majority of the production associated with these infrastructure projects is expected to be added in 2020 and 2021. Annual average production is expected to be in the range of 135,000 to 142,000 boe per day in 2019. Additional details on ARC's 2019 capital program and 2019 guidance can be found in the November 8, 2018 news release entitled, *"ARC Resources Ltd. Announces \$775 Million Capital Program for 2019 That Will Advance Multi-year Infrastructure Development Projects at Attachie West, Dawson, and Ante Creek"* available on ARC's website at www.arcresources.com and as filed on SEDAR at www.sedar.com.

Ongoing commodity price volatility may affect ARC's funds from operations, profitability, and economic returns of its capital programs. As continued volatility is expected, ARC will continue to take steps to mitigate these risks, including executing financial and physical marketing diversification programs, focusing on capital and operating efficiencies, and protecting its strong financial position, with a targeted net debt to annualized funds from operations ratio of between 1.0 and 1.5 times. ARC will continue to screen projects for profitability and will adjust investment levels and the pace of development, if required, to ensure balance sheet strength is protected. ARC's capital budgets exclude land purchases and property acquisitions or dispositions. ARC will continue to pursue opportunities to consolidate its land position and grow its presence in key areas through land purchases and property acquisitions, and evaluate its asset portfolio on a continuous basis with a view to selling assets that do not meet ARC's investment guidelines. Through the normal course of business, acquisitions and dispositions may occur that could impact the expected production for the year.

Table 5 is a summary of ARC's 2019 and 2018 annual guidance and a review of 2018 actual results.

Table 5

	2019 Guidance	2018 Guidance	2018 Actuals	% Variance from Guidance
Production				
Crude oil (bbl/d)	18,000 - 22,000	23,000 - 24,000	23,460	—
Condensate (bbl/d)	7,500 - 8,500	7,000 - 7,500	7,281	—
Crude oil and condensate (bbl/d)	25,500 - 30,500	30,000 - 31,500	30,741	—
Natural gas (MMcf/d)	620 - 630	565 - 570	570.2	—
NGLs (bbl/d)	6,000 - 6,500	6,500 - 7,000	6,955	—
Total (boe/d)	135,000 - 142,000	131,000 - 133,000	132,724	—
Expenses (\$/boe)				
Operating	5.30 - 5.70	6.10 - 6.30	5.95	(2)
Transportation	2.60 - 2.90	2.60 - 2.80	2.66	—
G&A expenses before share-based compensation plans	1.10 - 1.30	1.25 - 1.30	1.23	(2)
G&A - share-based compensation plans ⁽¹⁾	0.35 - 0.50	0.40 - 0.55	0.20	(50)
Interest	0.70 - 0.90	0.80 - 1.00	0.88	—
Current income tax (per cent of funds from operations) ⁽²⁾	2 - 7	3 - 6	6	—
Capital expenditures before land purchases and net property acquisitions (dispositions) (\$ millions)	775	690	679.4	(2)
Land purchases and net property acquisitions (dispositions) (\$ millions)	N/A	N/A	(195.0)	N/A
Weighted average shares (millions)	353	353	353	—

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

(2) The current income tax estimate varies depending on the level of commodity prices.

ARC's 2018 financial and operational results were in line with, or better than, guidance. On a per boe basis, ARC's 2018 operating expenses were below the guidance range, reflecting new Montney production at Dawson and Sunrise with lower relative costs to operate, greater than expected reductions through disposing of non-core assets with higher relative costs to operate, and diligent cost control efforts undertaken by ARC's field operations teams. ARC's 2018 G&A expenses were below the guidance range primarily due to a reduction in the fair value of ARC's share-based compensation plans due to a decrease in ARC's common share price during the year.

Exhibit 4

2018 Production Guidance

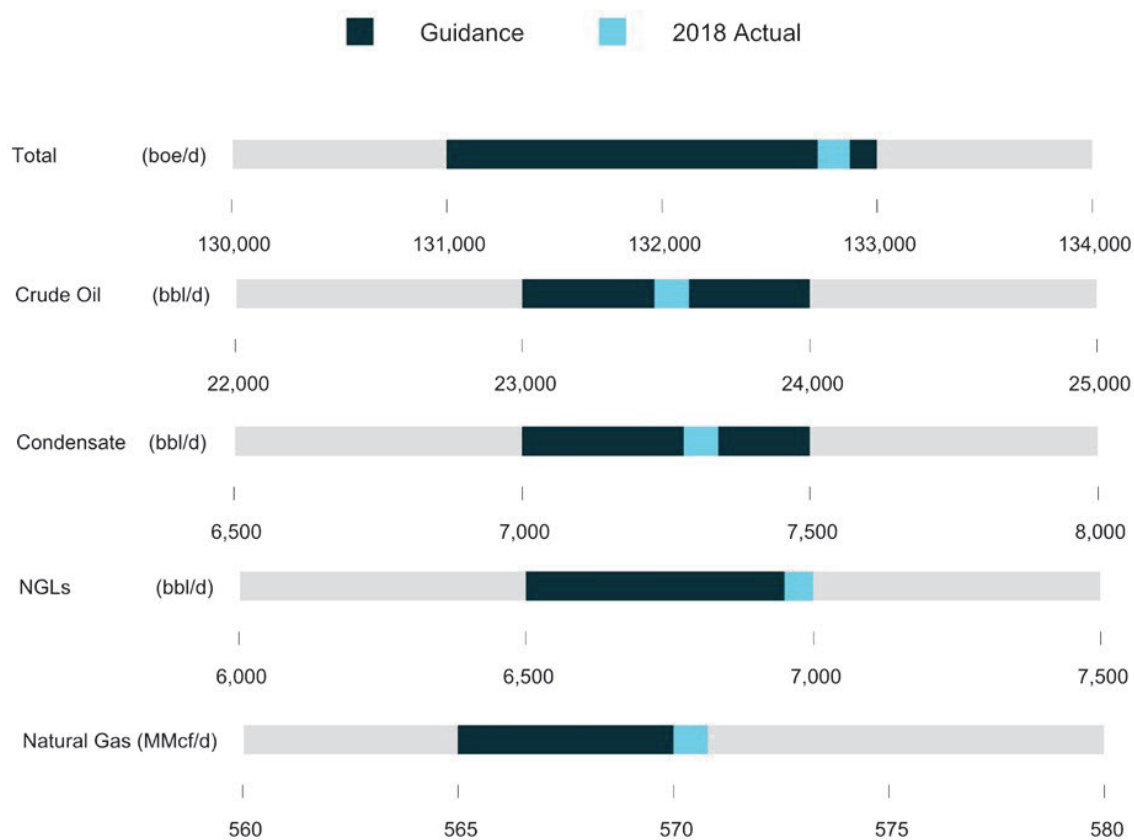
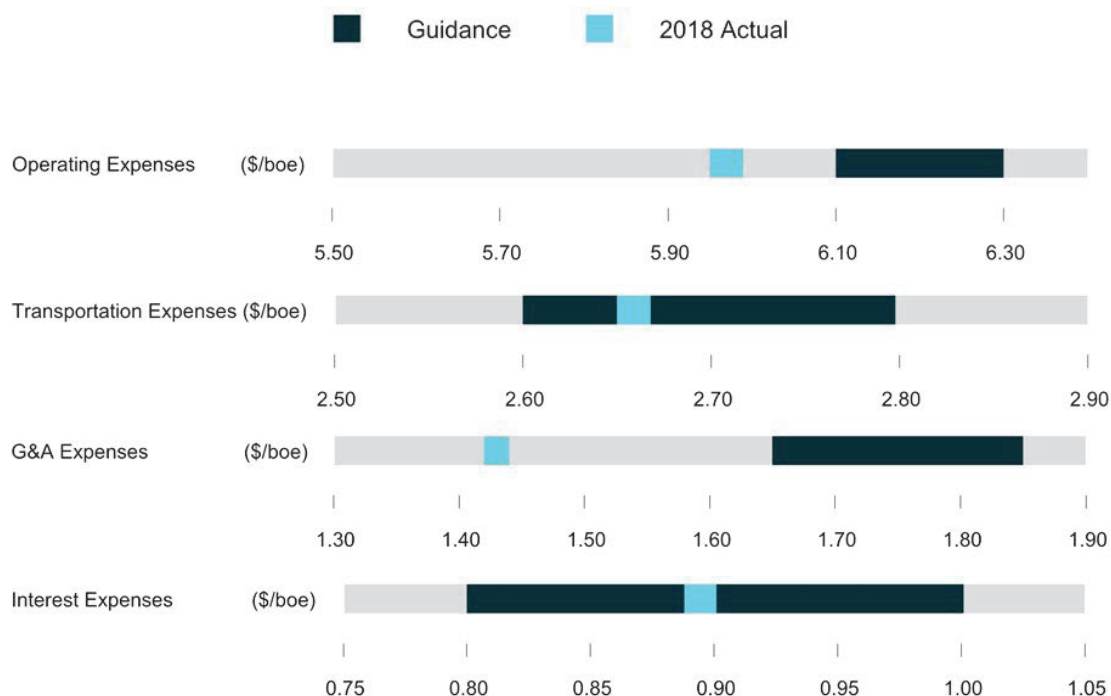


Exhibit 4a

2018 Expenses Guidance



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

2018 FOURTH QUARTER FINANCIAL AND OPERATING RESULTS

Financial Highlights

Table 6

(\$ millions, except per share and volume data)	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Net income	45.1	159.7	73.9	116	213.8	388.9	(45)
Net income per share	0.13	0.45	0.21	114	0.60	1.10	(45)
Funds from operations ⁽¹⁾	205.0	208.6	221.1	(6)	819.0	731.9	12
Funds from operations per share ⁽¹⁾	0.58	0.59	0.63	(6)	2.31	2.07	12
Dividends per share ⁽²⁾	0.15	0.15	0.15	—	0.60	0.60	—
Average daily production (boe/d)	135,410	136,502	133,409	2	132,724	122,937	8

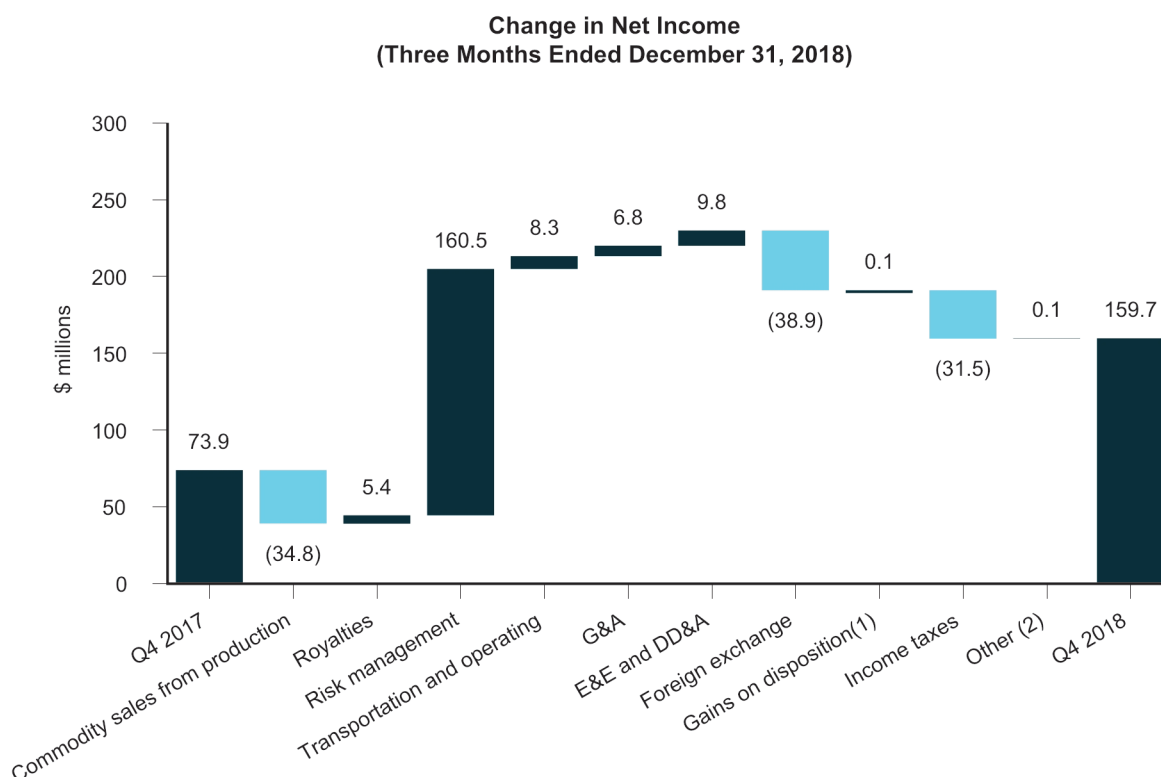
(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(2) Dividends per share are based on the number of shares outstanding at each dividend record date.

Net Income

In the fourth quarter of 2018, ARC recognized net income of \$159.7 million (\$0.45 per share), \$85.8 million more than ARC's fourth quarter 2017 net income of \$73.9 million (\$0.21 per share). The increase in net income is primarily due to gains on risk management contracts of \$240.3 million compared to gains of \$79.8 million recognized in the fourth quarter of 2017. This was offset by lower commodity sales from production of \$34.8 million, losses on foreign exchange of \$38.2 million compared to gains on foreign exchange of \$0.7 million and an increase of income taxes of \$31.5 million from the fourth quarter of 2017.

Exhibit 5

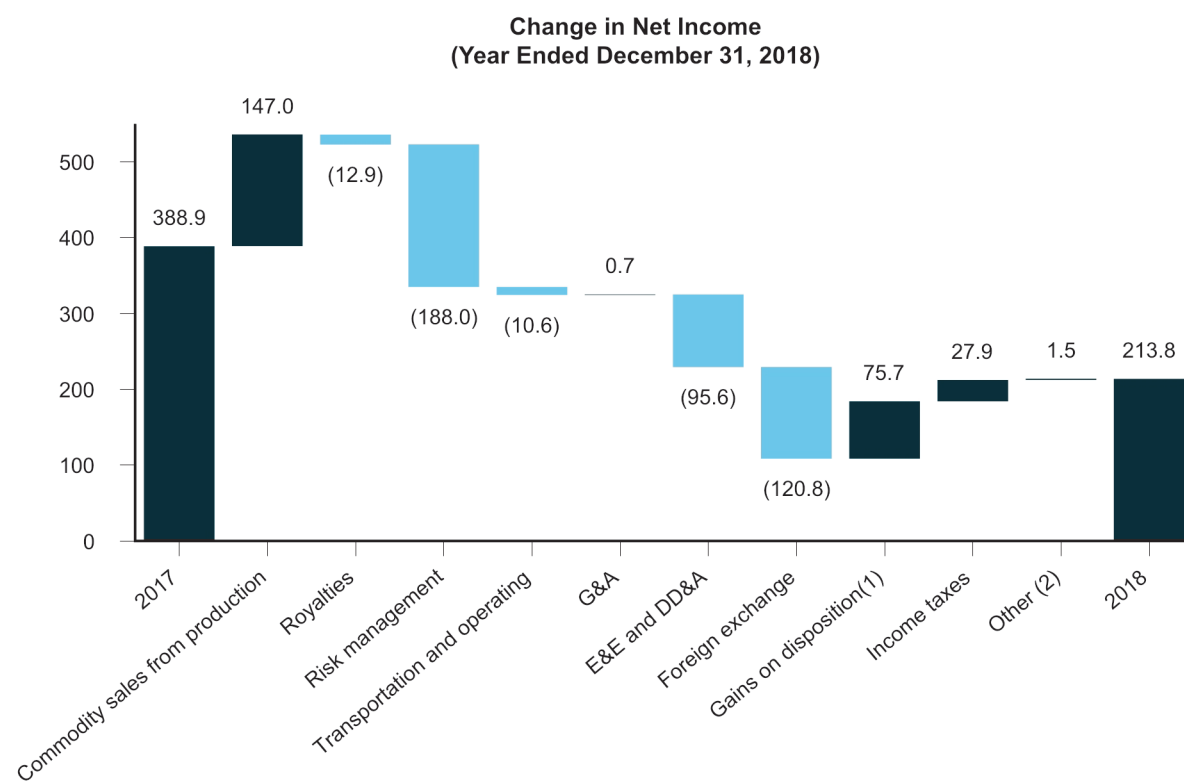


(1) Includes gains related to disposals of Property, Plant and Equipment ("PP&E").

(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, accretion of asset retirement obligations ("ARO"), and gain on short-term investment.

Net income for the year ended December 31, 2018 was \$213.8 million compared to \$388.9 million for the prior year. The \$175.1 million decrease is primarily due to lower gains on risk management contracts of \$188.0 million, increased DD&A and E&E expenses of \$95.6 million, and a loss on foreign exchange of \$63.8 million recognized in 2018 compared to a gain of \$57.0 million recognized in 2017. Partially offsetting these items are higher revenue from commodity sales from production of \$147.0 million, higher gains on disposals of petroleum and natural gas properties of \$75.7 million, and lower income taxes recognized of \$27.9 million.

Exhibit 5a



(1) Includes gains related to disposals of PP&E.

(2) Includes sales of commodities purchased from third parties, interest income, other income, commodities purchased from third parties, interest and financing charges, accretion of ARO, gain on short-term investment and gain on sale of reclamation fund.

Funds from Operations

ARC considers funds from operations to be a key measure of operating performance as it demonstrates ARC's ability to generate the necessary funds to maintain production at current levels, fund future growth through capital investment, and to repay debt. Management believes that such a measure provides an insightful assessment of ARC's operations on a continuing basis by eliminating certain non-cash charges and 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 16 "Capital Management" in the financial statements. Table 7 is a reconciliation of ARC's net income to funds from operations and cash flow from operating activities:

Table 7

(\$ millions)	Three Months Ended			Year Ended	
	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	45.1	159.7	73.9	213.8	388.9
Adjusted for the following non-cash items:					
DD&A and impairment	114.5	125.6	130.1	494.7	405.1
Accretion of ARO	2.5	2.0	3.6	11.3	13.1
E&E expenses	7.1	4.4	9.7	15.7	9.7
Deferred tax expense (recovery)	(3.6)	64.1	39.4	59.6	119.4
Unrealized loss (gain) on risk management contracts	55.3	(194.9)	(36.0)	28.6	(137.8)
Unrealized loss (gain) on foreign exchange	(15.9)	47.2	0.8	73.9	(65.2)
Loss (gain) on disposal of petroleum and natural gas properties	—	—	0.1	(80.5)	(4.8)
Other	—	0.5	(0.5)	1.9	3.5
Funds from operations	205.0	208.6	221.1	819.0	731.9
Net change in other liabilities	(2.4)	(12.1)	(2.5)	(20.9)	(30.4)
Change in non-cash working capital	27.4	28.1	(22.6)	64.7	(28.7)
Cash flow from operating activities	230.0	224.6	196.0	862.8	672.8

Details of the change in funds from operations from the three months and year ended December 31, 2017 to the three months and year ended December 31, 2018 are included in Table 8 below:

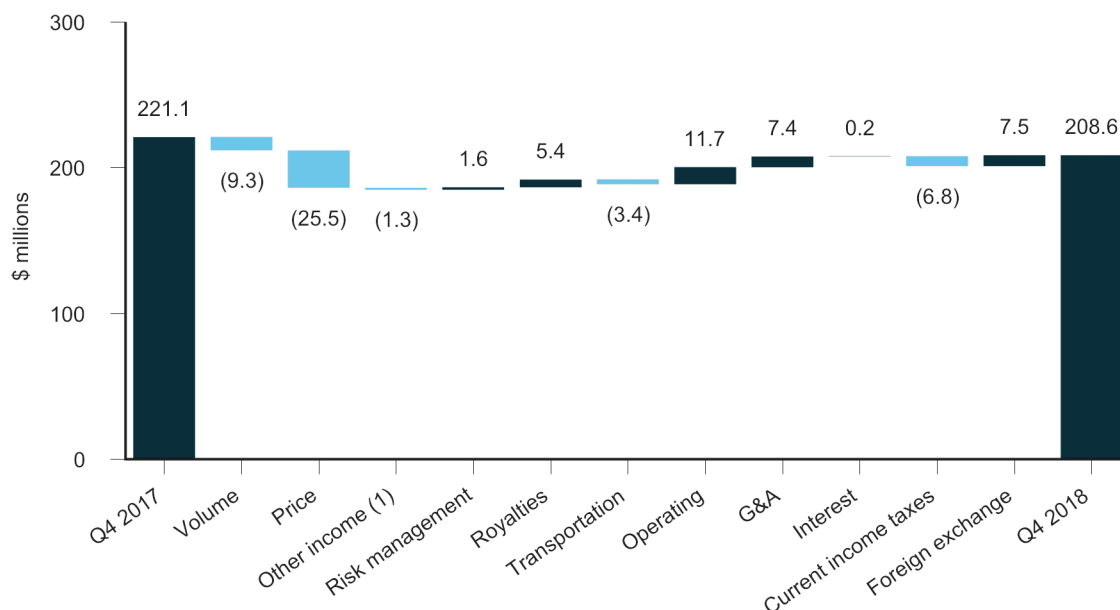
Table 8

	Three Months Ended		Year Ended	
	December 31		December 31	
	\$ millions	\$/Share	\$ millions	\$/Share
Funds from operations – 2017	221.1	0.63	731.9	2.07
Volume variance				
Crude oil and liquids	(15.5)	(0.04)	34.7	0.09
Natural gas	6.2	0.02	41.3	0.11
Price variance				
Crude oil and liquids	(57.7)	(0.17)	110.5	0.31
Natural gas	32.2	0.09	(39.5)	(0.11)
Sales of commodities purchased from third parties	14.1	0.04	54.9	0.16
Interest income	0.8	—	2.3	0.01
Other income	(0.7)	—	(1.6)	—
Realized gain on risk management contracts	1.6	—	(21.6)	(0.06)
Royalties	5.4	0.02	(12.9)	(0.04)
Expenses				
Commodities purchased from third parties	(15.5)	(0.04)	(59.1)	(0.17)
Operating	11.7	0.03	5.1	0.01
Transportation	(3.4)	(0.01)	(15.7)	(0.04)
G&A	7.4	0.02	(0.4)	—
Interest	0.2	—	2.7	0.01
Current income taxes	(6.8)	(0.02)	(31.9)	(0.09)
Realized gain on foreign exchange	7.5	0.02	18.3	0.05
Funds from operations – 2018	208.6	0.59	819.0	2.31

Funds from operations decreased by six per cent in the fourth quarter of 2018 to \$208.6 million (\$0.59 per share) from \$221.1 million (\$0.63 per share) generated in the fourth quarter of 2017. The decrease primarily reflects weaker crude oil and liquids prices, lower crude oil and liquids production and higher current tax expenses. Higher natural gas prices, increased natural gas production, increased realized foreign exchange gains, lower royalties, operating expenses and G&A expenses partially offset the decrease.

Exhibit 6

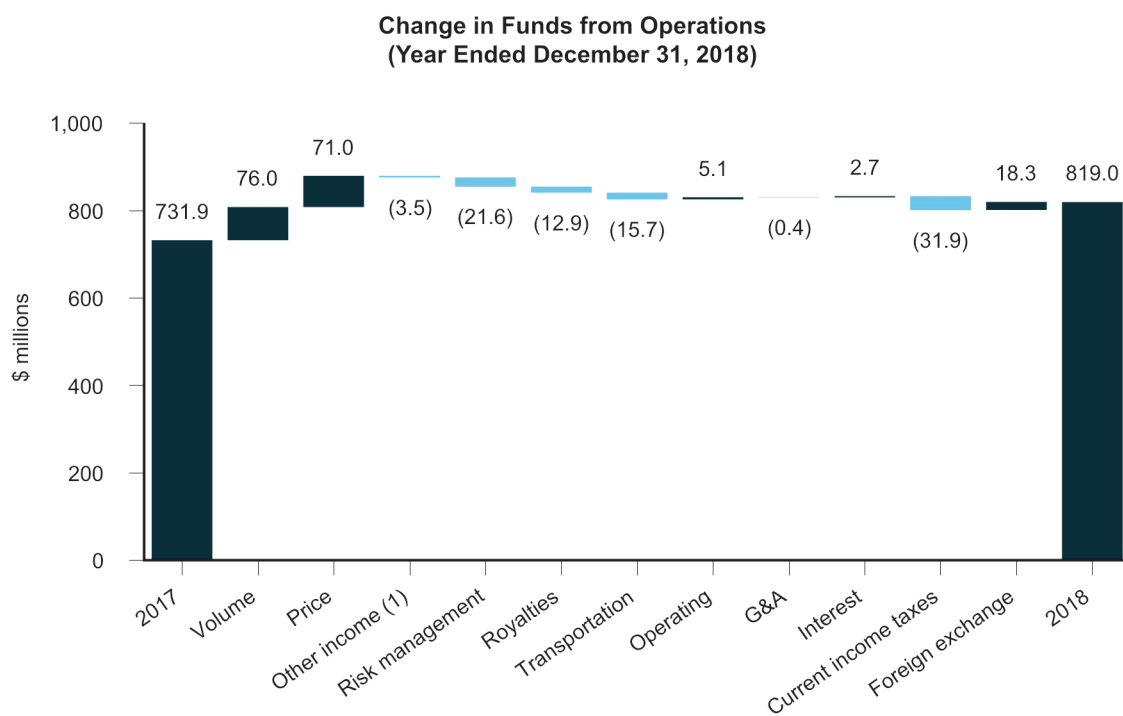
Change in Funds from Operations (Three Months Ended December 31, 2018)



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

For the year ended December 31, 2018, funds from operations increased by \$87.1 million to \$819.0 million (\$2.31 per share) from \$731.9 million (\$2.07 per share) in the same period of 2017. This increase primarily reflects increased production, improved crude oil and liquids prices, and realized foreign exchange gains. Lower natural gas prices, higher current income taxes, lower risk management gains, higher royalties and higher transportation expenses partially offset the increase.

Exhibit 6a



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

2018 Net Income and Funds from Operations Sensitivity

Table 9 illustrates sensitivities of operating items (prior to the impact of gains or losses on risk management contracts) to operational and business environment changes and the resulting impact on net income and funds from operations:

Table 9

			Impact on Annual Funds from Operations ⁽⁵⁾		Impact on Annual Net Income	
	Assumption	Change	Notional Amount (\$ millions)	\$/Share	Notional Amount (\$ millions)	\$/Share
Business Environment ⁽¹⁾						
Crude oil price ⁽²⁾	68.58	10%	58.7	0.166	58.7	0.166
Natural gas price ⁽²⁾	2.37	10%	19.5	0.055	19.5	0.055
Cdn\$/US\$ exchange rate ⁽²⁾⁽³⁾	1.30	5%	25.5	0.072	25.5	0.072
Operational ⁽⁴⁾						
Crude oil and liquids production volumes (bbl/d)	37,696	1%	5.3	0.015	3.9	0.011
Natural gas production volumes (MMcf/d)	570.2	1%	3.5	0.010	1.1	0.003
Operating expenses (\$/boe)	5.95	1%	2.1	0.006	2.1	0.006
G&A expenses (\$/boe)	1.43	1%	0.4	0.001	0.4	0.001

(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 year ended December 31, 2018. See Table 14 of this MD&A for additional details. The calculated impact on funds from operations and net income would only be applicable within a limited range of these amounts.

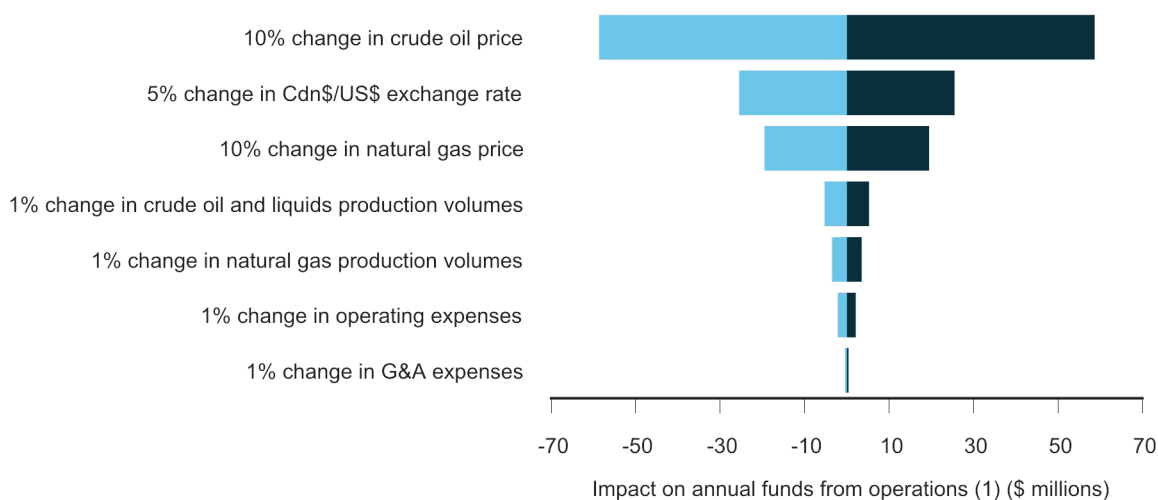
(3) Includes impact of foreign exchange on natural gas, crude oil, condensate, and NGLs prices that are presented in US dollars.

(4) Operational assumptions are based upon results for the year ended December 31, 2018.

(5) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Exhibit 7

Funds from Operations Sensitivity (Prior to Risk Management Contracts)



(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Production

Table 10

Production	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Light and medium crude oil (bbl/d)	22,952	19,229	23,815	(19)	22,601	23,633	(4)
Heavy crude oil (bbl/d)	915	863	826	4	859	747	15
Condensate (bbl/d)	8,158	8,458	6,989	21	7,281	5,650	29
Natural gas (MMcf/d)	574.2	603.3	572.4	5	570.2	525.8	8
NGLs (bbl/d)	7,687	7,402	6,380	16	6,955	5,273	32
Total production (boe/d)	135,410	136,502	133,409	2	132,724	122,937	8
Natural gas production (%)	71	74	72	2	72	71	1
Crude oil and liquids production (%)	29	26	28	(2)	28	29	(1)

During the three months ended December 31, 2018, crude oil and liquids production decreased five per cent as compared to the same period in the prior year. Increases in condensate and NGL production were more than offset by the drop in crude oil production due primarily to the sale of ARC's non-core Redwater assets that closed during the third quarter of 2018. During the year ended December 31, 2018, crude oil and liquids production increased seven per cent as compared to the same period of the prior year. This was driven primarily by increased NGL and condensate production in northeast British Columbia, particularly at Dawson, Parkland/Tower and Attachie West.

For the three months and year ended December 31, 2018, natural gas production increased five per cent and eight per cent, respectively, as compared to the same periods of the prior year. The increase was largely driven by the start-up of the Sunrise Phase II gas processing facility, as well as continued drilling and completions activity in northeast British Columbia.

Exhibit 8

Average Daily Production

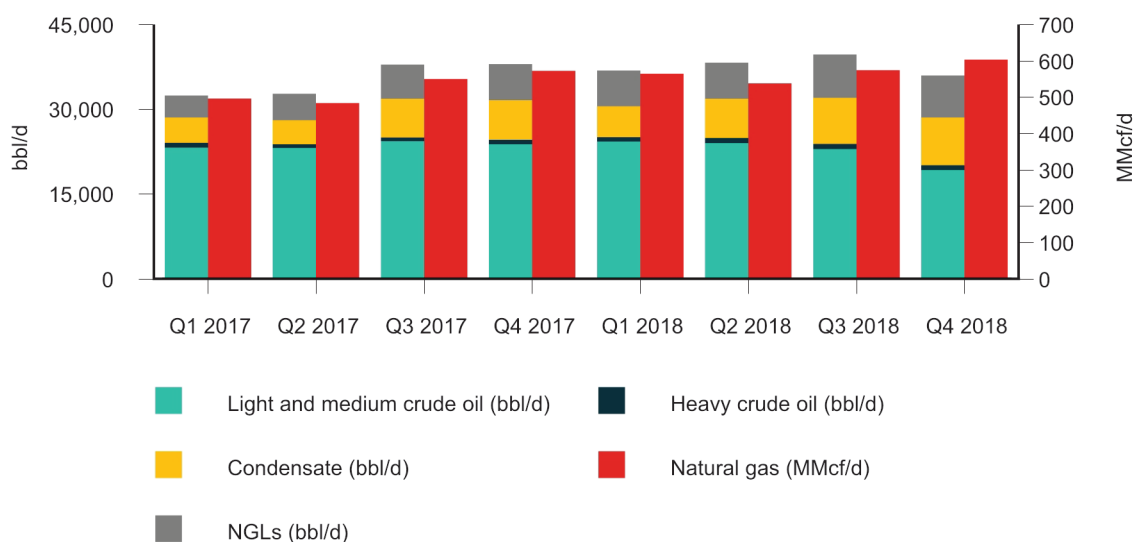


Table 11 summarizes ARC's production by core area for the fourth quarter of 2018 and 2017:

Table 11

Three Months Ended December 31, 2018					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	47,386	—	2,817	256.4	1,842
Parkland/Tower	30,232	5,603	2,496	111.8	3,503
Sunrise	25,572	—	148	152.4	21
Ante Creek	16,238	5,875	470	50.4	1,484
Pembina	10,664	8,248	158	11.0	424
Attachie West	4,119	—	2,133	11.5	75
All other	2,291	366	236	9.8	53
Total	136,502	20,092	8,458	603.3	7,402

Three Months Ended December 31, 2017					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Dawson	45,008	—	2,439	248.1	1,223
Parkland/Tower	29,180	6,345	2,315	105.0	3,013
Sunrise	22,033	—	35	131.8	32
Ante Creek	15,868	5,810	529	49.1	1,340
Pembina	10,857	8,438	156	11.1	419
Attachie West	1,859	—	1,080	4.5	24
All other	8,604	4,048	435	22.8	329
Total	133,409	24,641	6,989	572.4	6,380

Exhibit 9

Production by Core Area
(Three Months Ended December 31, 2018)

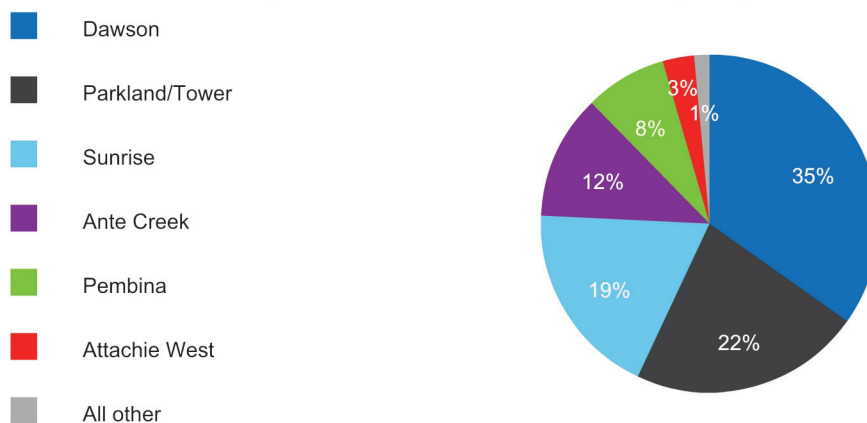


Table 11a summarizes ARC's production by core area for 2018 and 2017:

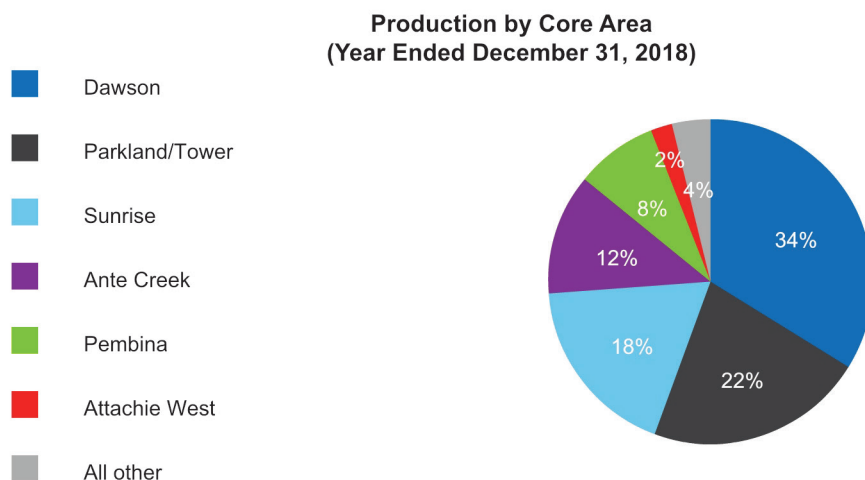
Table 11a

Year Ended December 31, 2018					
Production Core Area	Total (boe/d)	Crude Oil (bbl/d)	Condensate (bbl/d)	Natural Gas (MMcf/d)	NGLs (bbl/d)
Dawson	45,408	—	2,619	246.3	1,741
Parkland/Tower	29,267	6,436	1,975	106.1	3,177
Sunrise	22,911	—	97	136.7	31
Ante Creek	16,136	6,239	476	48.6	1,323
Pembina	10,941	8,439	163	11.3	462
Attachie West	2,907	—	1,673	7.1	49
All other ⁽¹⁾	5,154	2,346	278	14.1	172
Total	132,724	23,460	7,281	570.2	6,955

Year Ended December 31, 2017					
Production Core Area	Total (boe/d)	Crude Oil (bbl/d)	Condensate (bbl/d)	Natural Gas (MMcf/d)	NGLs (bbl/d)
Dawson	37,552	—	1,717	210.5	760
Parkland/Tower	26,775	6,422	1,874	96.5	2,396
Sunrise	22,196	—	56	132.6	34
Ante Creek	16,077	5,779	477	51.1	1,301
Pembina	10,739	8,173	172	11.7	445
Attachie West	1,611	—	936	4.0	17
All other ⁽¹⁾	7,987	4,006	418	19.4	320
Total	122,937	24,380	5,650	525.8	5,273

(1) For the year ended December 31, 2018 ARC disposed of non-core assets which had previously produced approximately 4,700 boe per day.

Exhibit 9a



Commodity Sales from Production

Commodity sales from production decreased by 10 per cent for the fourth quarter of 2018 compared to the same period in 2017. The decrease primarily reflects widening crude oil and condensate differentials, as well as decreases in crude oil and liquids volumes. Commodity sales from production increased by 12 per cent for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The increase reflects higher commodity volumes and higher crude oil and liquids average realized pricing, but was partially offset by lower average realized natural gas prices.

A breakdown of commodity sales from production by product is outlined in Table 12:

Table 12

Commodity Sales from Production (\$ millions)	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Crude oil	172.6	80.1	152.6	(48)	587.3	539.9	9
Condensate	64.0	44.5	44.4	—	200.8	127.9	57
Natural gas	113.6	158.0	119.6	32	492.3	490.5	—
NGLs	24.9	19.9	20.7	(4)	81.8	56.9	44
Total commodity sales from production	375.1	302.5	337.3	(10)	1,362.2	1,215.2	12

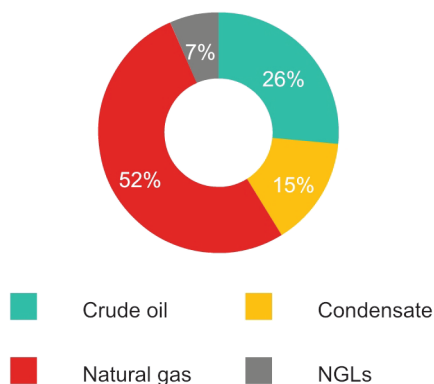
ARC's production mix, on a per boe basis, is weighted more heavily to natural gas than to crude oil and liquids. Typically, ARC's commodity sales contribution is more heavily weighted to crude oil and liquids production. In the fourth quarter of 2018, sales of natural gas production exceeded sales contributed from crude oil and liquids as seen in Table 13:

Table 13

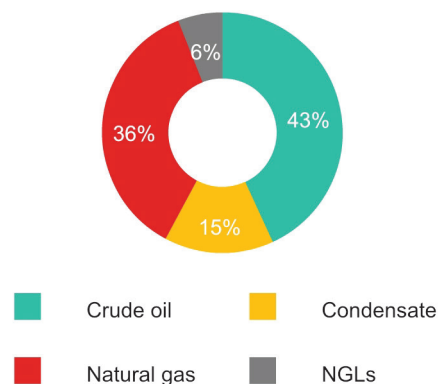
% of Commodity Sales from Production by Product Type	Three Months Ended			Year Ended	
	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Crude oil and liquids	70	48	65	64	60
Natural gas	30	52	35	36	40
Total commodity sales from production	100	100	100	100	100

Exhibit 10

**Commodity Sales from Production by Product
(Three Months Ended December 31, 2018)**



**Commodity Sales from Production by Product
(Year Ended December 31, 2018)**



Realized Commodity Prices

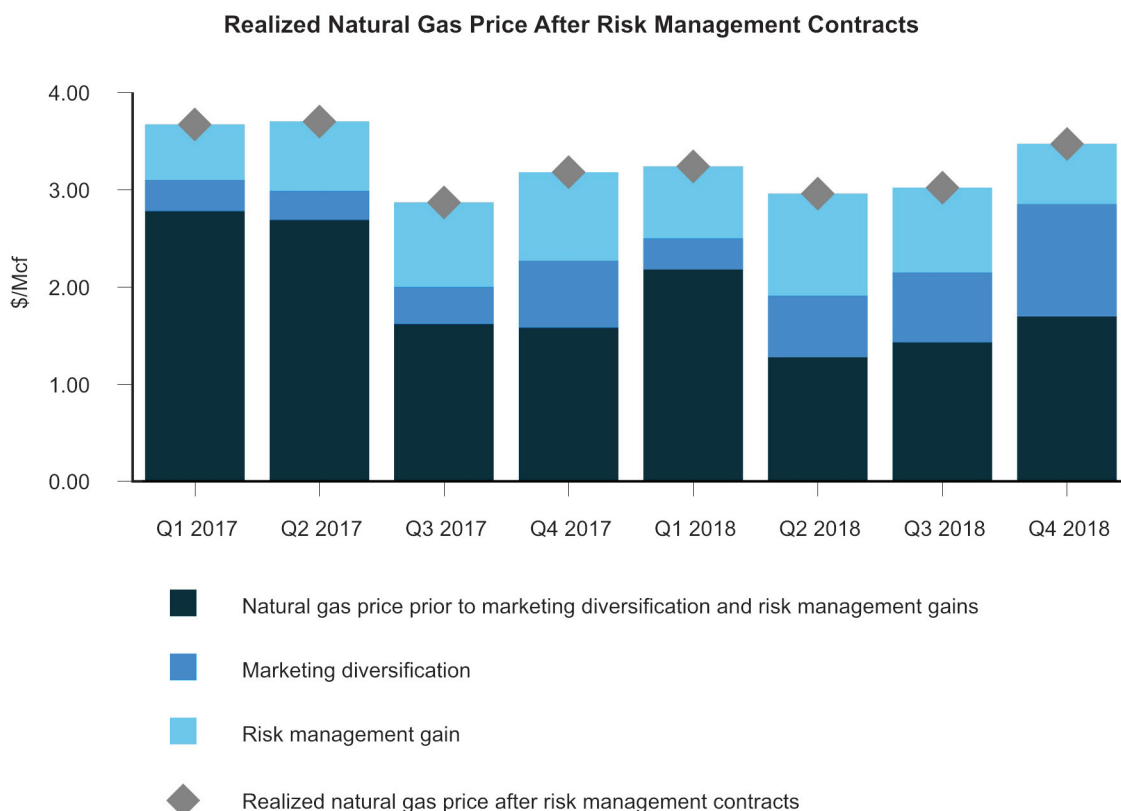
Table 14

	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Average Benchmark Prices							
NYMEX Henry Hub Last Day Settlement (US\$/MMBtu)	2.90	3.64	2.93	24	3.09	3.11	(1)
Chicago Citygate Monthly Index (US\$/MMBtu)	2.75	3.63	2.93	24	3.06	3.04	1
AECO 7A Monthly Index (Cdn\$/Mcf)	1.35	1.90	1.96	(3)	1.53	2.43	(37)
WTI crude oil (US\$/bbl)	69.43	59.34	55.30	7	64.90	50.85	28
Cdn\$/US\$ exchange rate	1.31	1.32	1.27	4	1.30	1.30	—
WTI crude oil (Cdn\$/bbl)	90.95	78.33	70.23	12	84.37	66.11	28
Mixed Sweet Stream ("MSW") Price at Edmonton (Cdn\$/bbl)	81.84	43.63	68.85	(37)	69.65	62.85	11
Condensate Stream Price at Edmonton (Cdn\$/bbl)	86.18	60.45	73.73	(18)	79.18	66.87	18
ARC Average Realized Prices Prior to Gains or Losses on Risk Management Contracts							
Crude oil (\$/bbl)	78.62	43.30	67.29	(36)	68.58	60.66	13
Condensate (\$/bbl)	85.28	57.25	69.04	(17)	75.56	62.02	22
Natural gas (\$/Mcf)	2.15	2.85	2.27	26	2.37	2.56	(7)
NGLs (\$/bbl)	35.26	29.12	35.31	(18)	32.22	29.57	9
Total average realized commodity price prior to gains or losses on risk management contracts (\$/boe)	30.12	24.09	27.48	(12)	28.12	27.08	4

During the three months and year ended December 31, 2018, WTI increased seven per cent and 28 per cent, respectively, while during the same periods ARC's realized crude oil price decreased 36 per cent and increased 13 per cent, respectively. For the three months ended December 31, 2018, the impact of improved WTI prices was offset by widening differentials between WTI and MSW, compared to the same period in 2017. For the year ended December 31, 2018, the impact of improved WTI prices more than offset the widening differentials between WTI and MSW, compared to the year ended December 31, 2017.

ARC's natural gas sales are physically and financially diversified to multiple sales points including AECO, Station 2, US Midwest, Dawn and Pacific Northwest hubs. ARC's realized natural gas price increased by 26 per cent and decreased seven per cent during the three months and year ended December 31, 2018, respectively, as compared to the same periods in 2017. The price that ARC receives for its natural gas is primarily benchmarked against the AECO monthly index, which was three per cent and 37 per cent lower in the fourth quarter and year of 2018, respectively, as compared to the same periods in the prior year. ARC's price exposure to downstream markets outside of AECO helped insulate the impact of the weakness in the AECO and Station 2 cash markets during 2018. In the three months and year ended December 31, 2018, physical sales diversification activities added \$1.15 per Mcf and \$0.72 per Mcf to ARC's realized natural gas price (\$0.69 per Mcf and \$0.39 per Mcf for the same periods in 2017), respectively. Additionally, realized gains on natural gas risk management contracts added a further \$0.62 per Mcf and \$0.81 per Mcf for the three months and year ended December 31, 2018 (\$0.91 per Mcf and \$0.78 per Mcf for the same periods in 2017), which is not included in ARC's realized natural gas price. Less than 10 per cent of ARC's expected overall commodity sales revenue from production is exposed to the AECO and Station 2 markets for 2019.

Exhibit 11



Risk Management Contracts

ARC maintains a risk management program to reduce the volatility of commodity sales, increase the certainty of funds from operations, and to protect acquisition and development economics. ARC's risk management program is governed by certain guidelines approved by ARC's Board of Directors (the "Board"). These guidelines currently restrict risk management contracts to a maximum of 60 per cent of production guidance over the next two years and 30 per cent of production guidance beyond two years and up to five years where a specific commodity (crude oil or condensate or natural gas) cannot exceed a maximum of 70 per cent.

Gains and losses on risk management contracts are composed of both realized gains and losses, representing the portion of risk management contracts that have settled in cash during the period, and unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period. ARC does not employ hedge accounting for any of its risk management contracts currently in place. ARC considers all of its risk management contracts to be effective economic hedges of its underlying business transactions.

Table 15 summarizes the total gain or loss on risk management contracts for the fourth quarter of 2018 compared to the same period in 2017:

Table 15

Risk Management Contracts (\$ millions)	Crude Oil & Liquids	Natural Gas	Foreign Currency	Q4 2018 Total	Q4 2017 Total
Realized gain on contracts ⁽¹⁾	10.5	34.4	0.5	45.4	43.8
Unrealized gain (loss) on contracts ⁽²⁾	176.0	22.3	(3.4)	194.9	36.0
Gain (loss) on risk management contracts	186.5	56.7	(2.9)	240.3	79.8

(1) Represents actual cash settlements under the respective contracts.

(2) Represents the change in fair value of the contracts during the period.

Table 15a summarizes the total gain or loss on risk management contracts for the year ended December 31, 2018 compared to the same period in 2017:

Table 15a

Risk Management Contracts (\$ millions)	Crude Oil & Liquids	Natural Gas	Foreign Currency	2018 Total	2017 Total
Realized gain (loss) on contracts ⁽¹⁾	(46.3)	169.2	0.5	123.4	145.0
Unrealized gain (loss) on contracts ⁽²⁾	59.8	(85.1)	(3.3)	(28.6)	137.8
Gain (loss) on risk management contracts	13.5	84.1	(2.8)	94.8	282.8

(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 months ended December 31, 2018, realized gains primarily reflect positive cash settlements received on AECO basis swaps with an average differential of US\$(0.84) per MMBtu and an average ratio of 84 per cent of Henry Hub pricing, and MSW basis swaps with an average differential of US\$(3.38) per barrel.

For the year ended December 31, 2018, the realized gains primarily reflect positive cash settlements received on NYMEX Henry Hub natural gas contracts with an average price of US\$3.53 per MMBtu, AECO fixed price swaps with an average price of \$2.99 per GJ, AECO basis swaps with an average differential of US\$(0.85) per MMBtu and an average ratio of 85 per cent of Henry Hub pricing, and MSW basis swaps with an average differential of US\$(3.38) per barrel.

During both the fourth quarter and the year of 2018, realized gains were partially offset by cash payments made on Canadian dollar-denominated WTI crude oil swaps with an average price of \$72.10 per barrel and Canadian dollar-denominated WTI crude oil calls with an average price of \$76.25 per barrel.

ARC's unrealized gains on crude oil contracts for the three months and year ended December 31, 2018 reflect lower WTI forward curve prices, as well as a lower Cdn\$/US\$ forward curve at December 31, 2018 relative to September 30, 2018 and the beginning of the year. Unrealized gains on natural gas contracts for the three months ended December 31, 2018 primarily reflect a widening of the AECO basis differential forward curve. These unrealized gains were partially offset by positive settlement of expired positions. Unrealized losses on natural gas contracts for the year ended December 31, 2018 primarily reflect the positive settlement of expired positions. These unrealized losses were partially offset by a widening of the AECO basis differential forward curve.

Table 16 summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at the date of this MD&A. For more information refer to Note 17 "Financial Instruments and Market Risk Management" in the financial statements.

Table 16

Risk Management Contracts Positions Summary ⁽¹⁾												
As at February 7, 2019	2019		2020		2021		2022		2023		2024	
Crude Oil – WTI ⁽²⁾	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Ceiling	65.78	4,000	61.91	2,000	—	—	—	—	—	—	—	—
Floor	52.50	4,000	52.50	2,000	—	—	—	—	—	—	—	—
Sold Floor	42.50	4,000	40.00	2,000	—	—	—	—	—	—	—	—
Swap	56.20	2,000	—	—	—	—	—	—	—	—	—	—
Crude Oil – Cdn\$ WTI ⁽³⁾	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day
Ceiling	88.00	1,000	85.99	5,500	—	—	—	—	—	—	—	—
Floor	80.00	1,000	75.45	5,500	—	—	—	—	—	—	—	—
Sold Floor	65.00	1,000	60.45	5,500	—	—	—	—	—	—	—	—
Swap	71.17	8,000	—	—	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)	15,000		7,500		—		—		—		—	
Crude Oil – MSW (Differential to WTI) ⁽⁴⁾	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Swap	(9.28)	3,138	—	—	—	—	—	—	—	—	—	—
Natural Gas – NYMEX Henry Hub ⁽⁵⁾	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Ceiling	3.42	120,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—	—	—
Floor	2.77	115,068	2.75	50,000	2.75	50,000	2.50	25,000	—	—	—	—
Sold Floor	2.33	115,068	2.25	50,000	2.25	50,000	—	—	—	—	—	—
Swap	4.00	40,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – AECO ⁽⁶⁾	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day
Ceiling	3.30	10,000	3.60	30,000	—	—	—	—	—	—	—	—
Floor	3.00	10,000	3.08	30,000	—	—	—	—	—	—	—	—
Swap	3.16	20,000	3.35	30,000	—	—	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)	183,503		106,869		50,000		25,000		—		—	
Natural Gas – AECO Basis (Percentage of Henry Hub)	AECO/Henry Hub	MMBtu/day	AECO/Henry Hub	MMBtu/day	AECO/Henry Hub	MMBtu/day	AECO/Henry Hub	MMBtu/day	AECO/Henry Hub	MMBtu/day	AECO/Henry Hub	MMBtu/day
Sold Swap	83.7	40,000	—	—	—	—	—	—	—	—	—	—
Natural Gas – AECO Basis (Differential to Henry Hub)	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Sold Swap	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—	—	—
Bought Swap	(3.25)	(2,466)	—	—	—	—	—	—	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)	158,493		98,361		34,192		—		—		—	
Natural Gas - Other Basis ⁽⁷⁾	MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day	
Sold Swap	60,000		100,000		120,000		105,000		72,479		2,486	
Foreign Exchange	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total
Average Rate Forward ⁽⁸⁾	1.2907	21	—	—	—	—	—	—	—	—	—	—
Sold USD Call ⁽⁹⁾	1.3382	4	—	—	—	—	—	—	—	—	—	—

(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) Crude oil prices referenced to WTI.

(3) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time ("EST").

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

(5) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

(6) Natural gas prices referenced to AECO 7A Monthly Index.

(7) ARC has entered into basis swaps at locations other than AECO.

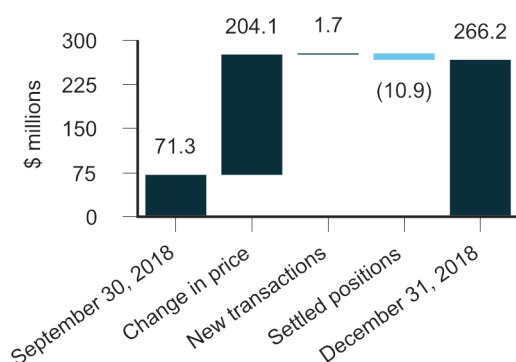
(8) Cdn\$/US\$ referenced to WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon EST.

(9) Cdn\$/US\$ referenced to the 10:00:00AM EST NY cut.

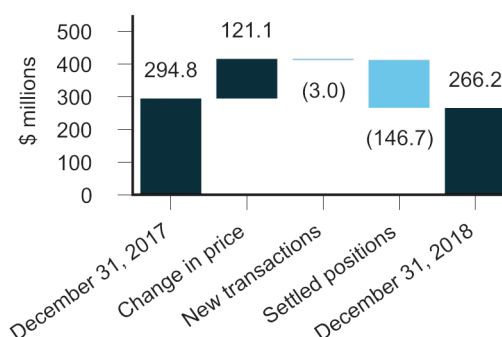
The fair value of ARC's risk management contracts at December 31, 2018 was a net asset of \$266.2 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after any adjustments for credit risk. This comprises a net asset of \$269.5 million for natural gas and crude oil contracts, and a net liability of \$3.3 million for foreign exchange contracts.

Exhibit 12

**Change in Risk Management Net Asset
September 30, 2018 to December 31, 2018**



**Change in Risk Management Net Asset
December 31, 2017 to December 31, 2018**



Operating Netbacks ("Netbacks")

The components of operating netbacks for the three months and year ended December 31, 2018 compared to the same periods in 2017 are summarized in Table 17:

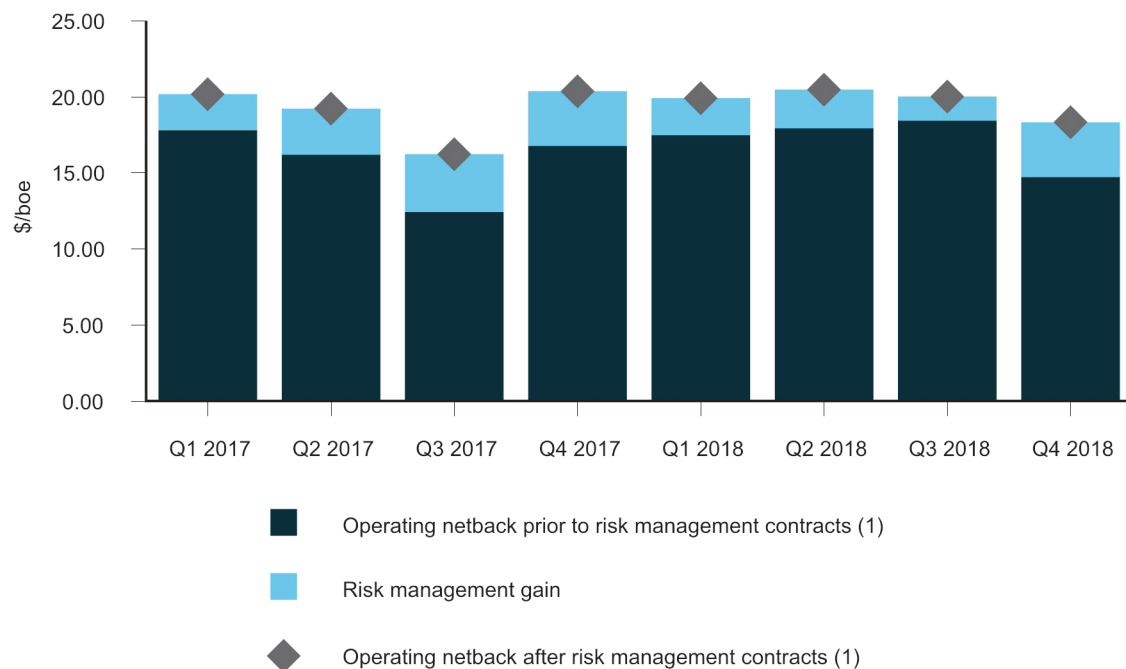
Table 17

Netbacks (\$ per boe) ⁽¹⁾	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Commodity sales from production	30.12	24.09	27.48	(12)	28.12	27.08	4
Royalties	(2.90)	(1.67)	(2.15)	(22)	(2.39)	(2.29)	4
Operating	(6.04)	(5.04)	(6.11)	(18)	(5.95)	(6.55)	(9)
Transportation	(2.75)	(2.66)	(2.44)	9	(2.66)	(2.52)	6
Netback prior to gain on risk management contracts	18.43	14.72	16.78	(12)	17.12	15.72	9
Realized gain on risk management contracts	1.58	3.62	3.58	1	2.55	3.23	(21)
Netback after gain on risk management contracts	20.01	18.34	20.36	(10)	19.67	18.95	4

(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 13

Operating Netbacks Prior To and After Risk Management Contracts

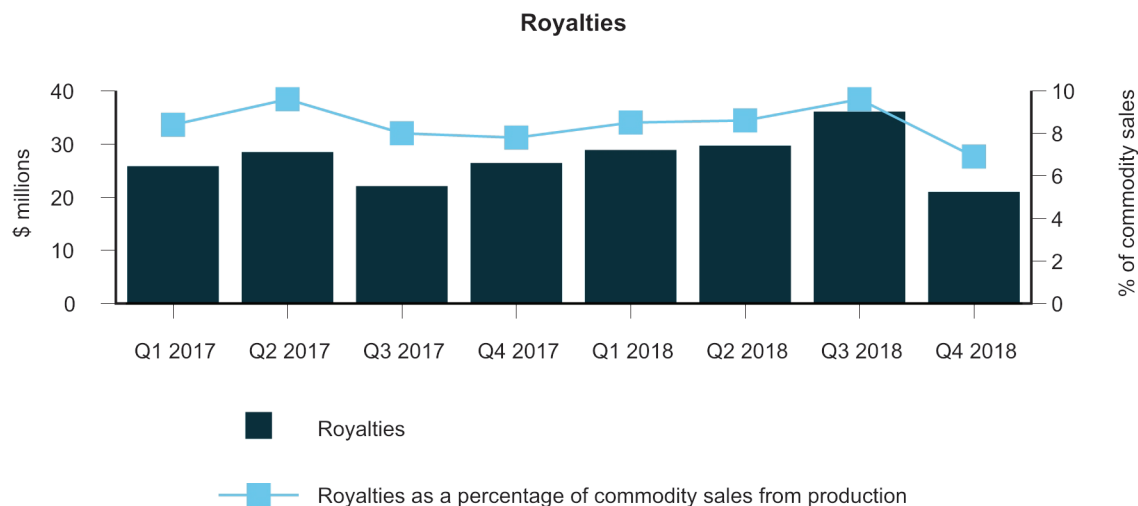


(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

Royalties

Total royalties for the three months and year ended December 31, 2018 were \$21.0 million and \$115.7 million (\$26.4 million and \$102.8 million for the same periods in 2017), respectively. In the fourth quarter of 2018 royalties decreased in total and as a percentage of commodity sales by 20 per cent and 0.9 per cent, respectively, compared to the same period in 2017. For the year ended December 31, 2018, total royalties represented 8.5 per cent of commodity sales from production (\$2.39 per boe) unchanged from 8.5 per cent (\$2.29 per boe) in the same period in 2017. The decrease in royalties as a percentage of commodity sales from production for the three months ended December 31, 2018, is reflective of a lower royalty rate for crude oil and liquids due to decreased commodity prices in the fourth quarter of 2018 compared to the same period in 2017. Royalties as a percentage of commodity sales from production for the year ended December 31, 2018 remained flat as natural gas rates fell due to a decrease in natural gas prices, offsetting the increase in crude oil rates.

Exhibit 14

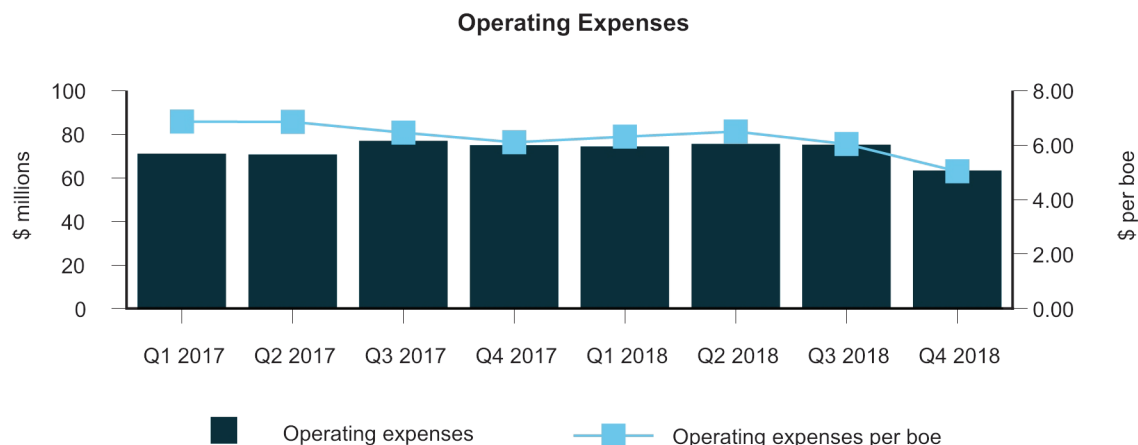


Operating and Transportation Expenses

Operating expenses decreased by \$11.7 million in the fourth quarter of 2018 to \$63.3 million as compared to \$75.0 million in the fourth quarter of 2017, primarily due to various dispositions of non-core assets throughout 2018, including the divestment of ARC's Redwater assets in the third quarter of 2018. On a per boe basis, operating expenses decreased \$1.07 per boe to \$5.04 per boe in the fourth quarter of 2018 compared to \$6.11 per boe in the fourth quarter of 2017 as ARC continues to grow production in areas with lower average operating expenses and dispose of non-core properties with higher average operating expenses.

For the year ended December 31, 2018, operating expenses decreased by \$5.1 million to \$288.5 million compared to the same period in the prior year. The decrease in operating expenses for the year ended December 31, 2018 reflects the disposal of non-core assets that had higher average operating expenses. This decrease was partially offset by increased production at the Dawson Phase III gas processing and liquids-handling facility, new wells at Parkland/Tower, and higher electricity expenses as a result of increased prices and consumption. On a per boe basis, operating expenses decreased by \$0.60 per boe to \$5.95 per boe compared to the year ended December 31, 2017.

Exhibit 15



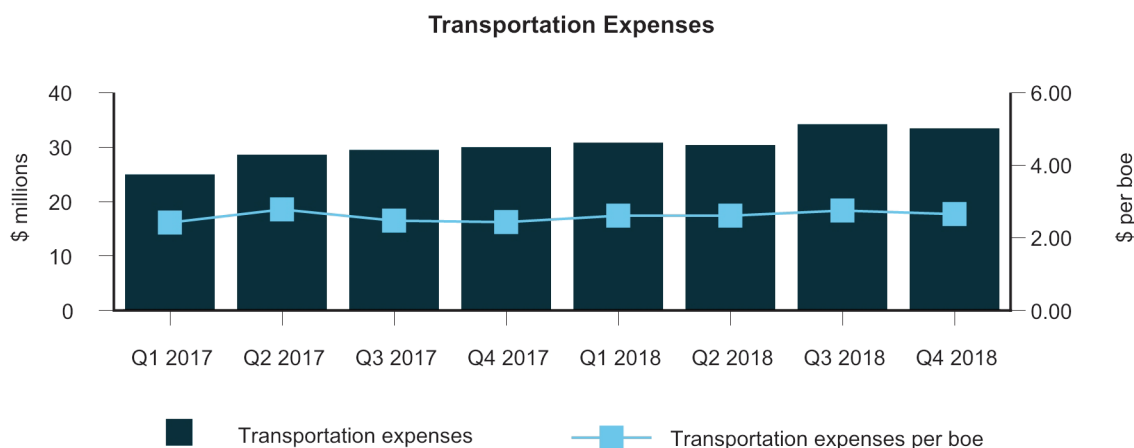
Transportation expenses for the three months and year ended December 31, 2018 were \$33.4 million and \$128.8 million (\$30.0 million and \$113.1 million for the three months and year ended December 31, 2017), respectively. Transportation expenses for both the three months and year ended December 31, 2018 was \$2.66 per boe (\$2.44 per boe and \$2.52 per boe for the three months and year ended December 31, 2017, respectively). The increase relative to 2017 primarily reflects increased liquids volumes associated with new production in northeast BC as well as the addition of new natural gas transportation agreements for greater market access beyond AECCO.

A breakdown of transportation expense by product and per boe is shown in Table 18:

Table 18

Transportation (\$ millions, except per boe amounts)	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Crude oil	6.6	5.6	6.2	(10)	24.3	24.6	(1)
Condensate	5.3	5.4	2.3	135	17.1	6.9	148
Natural gas	18.5	18.7	17.5	7	74.5	67.2	11
NGLs	3.8	3.7	4.0	(8)	12.9	14.4	(10)
Total transportation	34.2	33.4	30.0	11	128.8	113.1	14
Crude oil (\$/bbl)	3.01	3.04	2.72	12	2.84	2.76	3
Condensate (\$/bbl)	6.94	7.05	3.56	98	6.45	3.35	93
Natural gas (\$/Mcf)	0.35	0.34	0.33	3	0.36	0.35	3
NGLs (\$/bbl)	5.45	5.40	6.79	(20)	5.08	7.46	(32)
Total transportation (\$/boe)	2.75	2.66	2.44	9	2.66	2.52	6

Exhibit 16



ARC enters into firm transportation commitments in order to secure market access for its current production as well as anticipated production from planned facility infrastructure to be operational in the future. For information regarding ARC's payment obligations under its current transportation commitments refer to Table 29 in the section entitled "Contractual Obligations and Commitments" contained within this MD&A.

G&A Expenses and Share-Based Compensation

G&A expenses before share-based compensation expenses increased by 15 per cent to \$14.2 million in the fourth quarter of 2018 from \$12.4 million in the fourth quarter of 2017. The increase was due to higher compensation and office expenses, combined with a decrease in capitalized G&A reflecting lower capital spending in the fourth quarter of 2018 compared to the same period of 2017. This was partially offset by lower director's compensation due to the reduced value of the DSU plan. For the year ended December 31, 2018, ARC's G&A before share-based compensation expense was \$59.8 million, a \$0.1 million increase from the same period in 2017.

Table 19 is a breakdown of G&A and share-based compensation expenses:

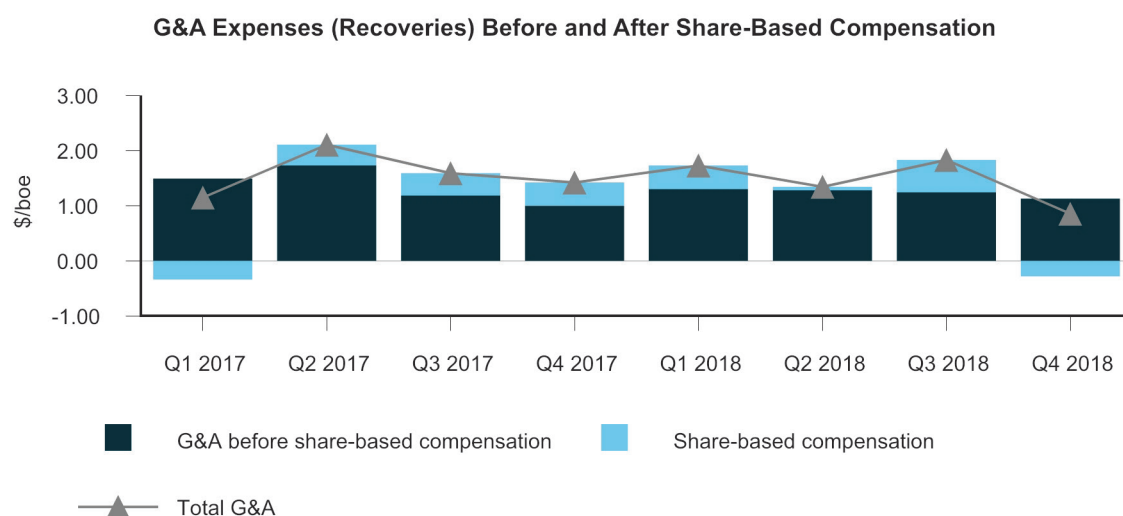
Table 19

G&A and Share-Based Compensation (\$ millions, except per boe)	September 30, 2018	Three Months Ended		% Change	Year Ended		
		December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017	% Change
G&A expenses before share-based compensation expenses ⁽¹⁾	15.4	14.2	12.4	15	59.8	59.7	—
G&A – share-based compensation expenses ⁽²⁾	7.4	(3.5)	5.1	(169)	9.7	10.5	(8)
Total G&A expenses	22.8	10.7	17.5	(39)	69.5	70.2	(1)
G&A expenses before share-based compensation expenses per boe	1.24	1.13	1.01	12	1.23	1.33	(8)
G&A – share-based compensation expenses per boe	0.59	(0.28)	0.42	(167)	0.20	0.23	(13)
Total G&A expenses per boe	1.83	0.85	1.43	(41)	1.43	1.56	(8)

(1) Includes expenses recognized under the DSU Plan.

(2) Comprises expenses recognized under the RSU and PSU, Share Option and LTRSA Plans.

Exhibit 17



Share-Based Compensation Plans

During the fourth quarter and year ended December 31, 2018, ARC recognized G&A recoveries of \$3.5 million and expenses of \$9.7 million in respect of its share-based compensation plans, respectively, compared to expenses of \$5.1 million and \$10.5 million during the same periods of the prior year.

Restricted Share Unit and Performance Share Unit Plans

The RSU and PSU Plan is designed to offer each eligible employee and officer (the “plan participants”) cash compensation in relation to the underlying value of a specified number of share units. The RSU and PSU Plan consists of RSUs for which the number of units is fixed and will vest over a period of three years and PSUs for which the number of units is variable and will vest at the end of three years.

Upon vesting, the plan participant is entitled to receive a cash payment based on the underlying value of the share units plus accrued dividends. The cash compensation issued upon vesting of the PSUs is dependent upon the total return performance of ARC compared to its peers. Total return is calculated as a sum of the change in the market price of the common shares in the period plus the amount of dividends in the period. A performance multiplier is applied to the PSUs based on the percentile rank of ARC’s total shareholder return compared to its peers. The performance multiplier ranges from zero if ARC’s performance ranks in the bottom quartile, to two for top quartile performance.

At December 31, 2018, ARC had 0.9 million RSUs and 2.3 million PSUs outstanding under this plan. For the fourth quarter and year ended December 31, 2018, ARC recognized G&A recoveries of \$4.7 million and expenses of \$3.9

million in relation to the RSU and PSU Plan (G&A expense of \$4.1 million and \$5.7 million for the same periods in 2017). ARC recognized recoveries for the three months ended and lower expenses for the year ended December 31, 2018 as compared to the same periods in 2017 primarily due to the valuation of awards at December 31, 2018. ARC's TSX share price decreased from \$14.40 at September 30, 2018 to \$8.10 at December 31, 2018 and decreased \$6.65 since December 31, 2017. This is compared to a decrease of \$2.44 and a decrease of \$8.36 during the same periods of the prior year. The valuation of the PSU awards also decreased at December 31, 2018 as ARC's total return performance ranking declined slightly from December 31, 2017 when compared with the total return performance of its peers.

During the year ended December 31, 2018, ARC made cash payments of \$15.6 million in respect of the RSU and PSU Plan (\$22.0 million for the year ended December 31, 2017). Of these payments, \$12.6 million were in respect of amounts recorded to G&A expenses (\$17.8 million for the year ended December 31, 2017) and \$3.0 million were in respect of amounts recorded to operating expenses and capitalized as PP&E and E&E (\$4.2 million for the year ended December 31, 2017). These amounts were accrued in prior periods.

Table 20 shows the changes to the RSU and PSU Plan during 2018:

Table 20

RSU and PSU Plan (number of units, thousands)	RSUs	PSUs ⁽¹⁾	Total RSUs and PSUs
Balance, December 31, 2017	780	1,912	2,692
Granted	643	1,283	1,926
Distributed	(375)	(854)	(1,229)
Forfeited	(106)	(71)	(177)
Balance, December 31, 2018	942	2,270	3,212

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

The compensation expenses associated with the RSUs and PSUs granted are recognized in the consolidated statements of income (the "statements of income") throughout the vesting period. Each period, changes in the underlying obligation due to share price, accrued dividends and the number of PSUs expected to be issued on vesting are also recognized in the statements of income. In periods where substantial share price fluctuation occurs, ARC's G&A expenses are subject to greater volatility.

Due to the variability in the expected future payments under the plan, ARC estimates that between \$7.6 million and \$44.4 million will be paid out in 2019 through 2021 based on the current share price, accrued dividends, and ARC's market performance relative to its peers. Table 21 is a summary of the range of future expected payments under the RSU and PSU Plan based on variability of the performance multiplier and units outstanding under the RSU and PSU Plan as at December 31, 2018:

Table 21

Value of RSU and PSU Plan as at			
December 31, 2018	Performance Multiplier		
(units thousands and \$ millions, except per share)	—	1.0	2.0
Estimated units to vest			
RSUs	938	938	938
PSUs	—	2,272	4,543
Total units ⁽¹⁾	938	3,210	5,481
Share price ⁽²⁾	8.10	8.10	8.10
Value of RSU and PSU Plan upon vesting	7.6	26.0	44.4
2019	3.5	8.8	14.1
2020	2.6	8.0	13.4
2021	1.5	9.2	16.9

(1) Includes additional estimated units to be issued under the RSU and PSU Plan 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 of \$8.10, which is based on the TSX closing share price at December 31, 2018.

Deferred Share Unit Plan

ARC has a DSU Plan for its non-employee directors under which each director receives a minimum of 60 per cent of their total annual remuneration in DSUs. Each DSU fully vests on the date of grant but is settled in cash only when the director has ceased to be a member of the Board.

At December 31, 2018, ARC had 0.7 million DSUs outstanding under this plan. For the fourth quarter and year ended December 31, 2018, G&A recoveries of \$3.2 million and \$0.6 million were recognized in relation to the DSU Plan (G&A recoveries of \$0.5 million and \$1.4 million for the same period in 2017), respectively.

Share Option Plan

Share options are granted to employees and consultants of ARC, vesting evenly on the fourth and fifth anniversaries of their respective grant dates, and have a maximum term of seven years. The option holder has the right to exercise the options at the original exercise price or at a reduced exercise price, equal to the exercise price at grant date less all dividends paid subsequent to the grant date and prior to the exercise date.

At December 31, 2018, ARC had 6.0 million share options outstanding, representing 1.7 per cent of outstanding shares, with a weighted average exercise price of \$17.36 per share. At December 31, 2018, approximately 1.4 million share options were exercisable with a weighted average exercise price of \$19.26 per share. ARC recognized compensation expense of \$1.0 million and \$4.3 million relating to the Share Option Plan for the three months and year ended December 31, 2018, respectively (\$0.8 million and \$3.5 million for the three months and year ended December 31, 2017, respectively).

Long-term Restricted Share Award Plan

ARC's LTRSA Plan awards shares of ARC to qualifying officers and employees and is intended to further align participant compensation with the interests of the Company and its shareholders over the long term. LTRSA grants consist of restricted common shares that are awarded at the date of grant and a cash payment made equal to the estimated personal tax obligation associated with the total award. The restricted shares issued on the grant date of the award are held in trust until the vesting conditions have been met.

While in trust, the restricted shares earn dividends which are reinvested into ARC common shares that are also held in trust until vested. Each LTRSA has a 10-year term and vests evenly on the eighth, ninth, and tenth anniversaries of the grant date of the award. Restricted shares and any accrued dividends that are subject to forfeiture will be redeemed and cancelled by ARC.

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

At December 31, 2018, ARC had 0.5 million restricted shares outstanding under this plan. ARC recognized G&A expenses of \$0.2 million and \$1.5 million relating to the LTRSA Plan during the three months and year ended December 31, 2018, respectively (\$0.2 million and \$1.3 million for the three months and year ended December 31, 2017, respectively).

Interest and Financing Charges

Interest and financing charges decreased two per cent to \$10.7 million in the fourth quarter of 2018 from \$10.9 million in the fourth quarter of 2017. For the year ended December 31, 2018, interest and financing charges were \$42.6 million as compared to \$45.3 million in 2017, a decrease of six per cent. The decrease for the year ended December 31, 2018 compared to the same period of the prior year is due to principal repayments that were made throughout 2018.

At December 31, 2018, ARC had \$909.2 million of long-term debt outstanding, including a current portion of \$80.5 million that is due for repayment within the next 12 months. ARC's long-term debt has a fixed weighted average interest rate of 4.2 per cent. 96 per cent (US\$637.0 million) of ARC's long-term debt outstanding at December 31, 2018 is denominated in US dollars.

Foreign Exchange Gains and Losses

ARC recognized a foreign exchange loss of \$38.2 million in the fourth quarter of 2018 compared to a gain of \$0.7 million in the fourth quarter of 2017. During the three months ended December 31, 2018, the value of the US dollar relative to the Canadian dollar increased to \$1.36 from \$1.29 at September 30, 2018. During the three months ended December 31, 2017, the value of the US dollar relative to the Canadian dollar was unchanged at \$1.25 when compared to September 30, 2017. This resulted in an unrealized loss on the revaluation of ARC's US dollar denominated debt in the fourth quarter of 2018 compared to a small gain during the same period in 2017.

The value of the US dollar relative to the Canadian dollar increased to \$1.36 at December 31, 2018 from \$1.25 at December 31, 2017. The value of the US dollar relative to the Canadian dollar decreased to \$1.25 at December 31, 2017 from \$1.34 at December 31, 2016. This resulted in an unrealized loss on the revaluation of ARC's US dollar denominated debt in 2018, as compared to an unrealized gain for the same period in 2017.

Partially offsetting the unrealized foreign exchange loss for the year ended December 31, 2018 were realized foreign exchange gains on US denominated cash held by the Company throughout the period.

Table 22 shows the various components of ARC's foreign exchange gains and losses:

Table 22

Foreign Exchange Gains and Losses (\$ millions)	September 30, 2018	Three Months Ended			Year Ended		
		December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Unrealized gain (loss) on US dollar-denominated debt	13.9	(45.9)	(0.8)	100	(74.3)	65.2	(214)
Unrealized gain (loss) on US dollar-denominated receivables	2.0	(1.3)	—	—	0.4	—	—
Realized gain (loss) on US dollar-denominated transactions	(2.4)	9.0	1.5	500	10.1	(8.2)	223
Total foreign exchange gain (loss)	13.5	(38.2)	0.7	(100)	(63.8)	57.0	(212)

Taxes

ARC recognized a current income tax expense of \$12.9 million in the fourth quarter of 2018 (\$48.4 million expense for the year ended December 31, 2018) compared to an expense of \$6.1 million during the fourth quarter of 2017 (\$16.5 million expense for the year ended December 31, 2017). The increase in current tax expense for the three months ended December 31, 2018 is reflective of lower tax pool deductions from reduced capital spending in the period as compared to the same period in 2017. The increase in current tax expense for the year ended December 31, 2018 is a function of higher average commodity prices realized in the period as well as lower tax pool deductions from reduced capital spending as compared to the same period in 2017.

During the fourth quarter of 2018, a deferred income tax expense of \$64.1 million was recognized compared to an expense of \$39.4 million in the fourth quarter of 2017. This increase in deferred tax expense for the three months ended December 31, 2018 is primarily related to higher unrealized gains recognized on risk management contracts in the fourth quarter of 2018 as compared to the same period in 2017.

During the year ended December 31, 2018, a deferred income tax expense of \$59.6 million was recognized compared to an expense of \$119.4 million for the year ended December 31, 2017. This decrease in deferred tax expense for the year ended December 31, 2018 is primarily related to unrealized losses recorded on risk management contracts in 2018 as compared to unrealized gains for the same period in 2017.

The income tax pools, which are detailed in Table 23, are deductible at various rates and annual deductions associated with the initial tax pools will decline over time.

Table 23

Income Tax Pool Type (\$ millions)	December 31, 2018	Annual Deductibility
Canadian oil and gas property expense	70.5	10% declining balance
Canadian development expense	822.7	30% declining balance
Canadian exploration expense	—	100%
Undepreciated capital cost	857.6	Primarily 25% declining balance
Other	12.8	Various rates, 7% declining balance to 20%
Total federal tax pools	1,763.6	
Additional Alberta tax pools	3.8	Various rates, 25% declining balance to 100%

DD&A Expenses and Impairment

For the three months and year ended December 31, 2018, ARC recognized DD&A expense before any impairment charges or related reversals of \$126.3 million and \$509.9 million, respectively, as compared to \$127.3 million and \$477.6 million for the three months and year ended December 31, 2017, respectively. The increase in DD&A for the year ended December 31, 2018 compared to the same period in the prior year reflects increased production in 2018 and the transfer of Attachie West from E&E assets to PP&E during the three months ended December 31, 2018.

For the three months and year ended December 31, 2018, ARC recognized impairment reversals of \$0.7 million and \$15.2 million, respectively, compared to an impairment charge of \$2.8 million and an impairment reversal of \$72.5 million for the same periods in 2017. Impairment reversals recognized during 2018 were related to non-core asset dispositions.

ARC performed an evaluation of indicators of impairment at December 31, 2018, which resulted in tests of impairment on all of ARC's CGUs as ARC's net asset value exceeded its market capitalization. No impairment or reversal of impairment was identified as a result of these tests.

At December 31, 2017, ARC determined that certain non-core assets met the classification requirements for assets held for sale. Immediately prior to classifying the assets as held for sale, ARC conducted a review of the assets' recoverable amounts and recognized an impairment charge of \$2.8 million. ARC evaluated its remaining PP&E for indicators of any potential impairment or related reversal and no such charges or reversals were recognized.

ARC also performed an evaluation of indicators of impairment at June 30, 2017. This resulted in tests of impairment on all of ARC's CGUs due to decreases in the outlook of future commodity prices compared to the most recent period an impairment test had been conducted. Although no impairment was identified, ARC recognized a reversal of impairment in its Northern Alberta CGU of \$75.0 million (\$55.1 million net of deferred tax expense) in the second quarter of 2017. The reversal of impairment recognized in the second quarter of 2017 was mainly attributed to increased drilling locations and capital investment in the CGU since the time of ARC's last asset impairment test, which led to an increase in proved plus probable oil and gas reserves that more than offset the decreases in future commodity prices.

For further information, refer to Note 12 "Impairment of Property, Plant and Equipment and Goodwill" in the financial statements.

A breakdown of DD&A expenses and impairment charges (reversal) is summarized in Table 24:

Table 24

DD&A Expenses (\$ millions, except per boe amounts)	Three Months Ended				Year Ended		
	September 30, 2018	December 31, 2018	December 31, 2017	% Change	December 31, 2018	December 31, 2017	% Change
Depletion of crude oil and natural gas assets	135.6	124.8	125.8	(1)	504.0	471.9	7
Depreciation of corporate assets	1.7	1.5	1.5	—	5.9	5.7	4
Impairment (reversal)	(22.8)	(0.7)	2.8	(125)	(15.2)	(72.5)	(79)
Total DD&A expenses and impairment (reversal)	114.5	125.6	130.1	(3)	494.7	405.1	22
DD&A expenses per boe, excluding impairment	11.02	10.06	10.37	(3)	10.53	10.64	(1)

ARC recognized depletion expenses of \$4.4 million and \$15.7 million related to production of wells from its E&E properties for the three months and year December 31, 2018, respectively. This expense has been recognized as E&E expense (\$nil for the three months and year ended December 31, 2017).

Capital Expenditures, Acquisitions and Dispositions

A breakdown of capital expenditures, acquisitions and dispositions for the fourth quarter of 2018 is shown in Table 25:

Table 25

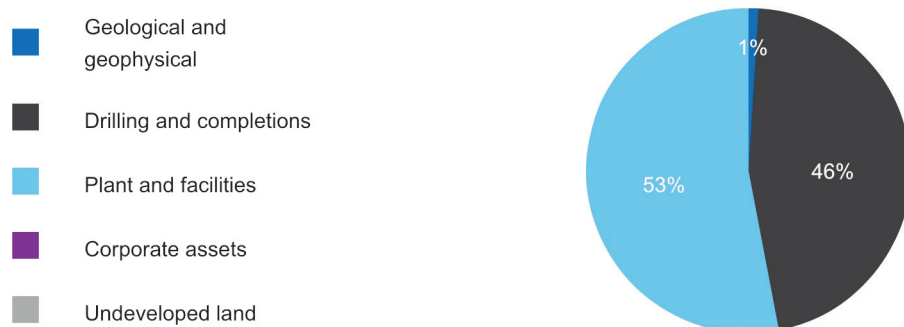
	Three Months Ended December 31						
	2018			2017			% Change
Capital Expenditures ⁽¹⁾ (\$ millions)	E&E	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	0.3	1.0	1.3	0.1	2.4	2.5	(48)
Drilling and completions	3.6	56.9	60.5	14.9	139.9	154.8	(61)
Plant and facilities	(0.1)	69.7	69.6	4.2	83.0	87.2	(20)
Corporate assets	—	0.2	0.2	—	0.6	0.6	(67)
Total capital expenditures	3.8	127.8	131.6	19.2	225.9	245.1	(46)
Undeveloped land	0.2	—	0.2	0.4	—	0.4	(50)
Total capital expenditures including undeveloped land purchases	4.0	127.8	131.8	19.6	225.9	245.5	(46)
Acquisitions ⁽²⁾	—	—	—	—	2.2	2.2	—
Dispositions	—	(0.9)	(0.9)	—	—	—	100
Total capital expenditures, land purchases and net acquisitions and dispositions	4.0	126.9	130.9	19.6	228.1	247.7	(47)

(1) PP&E refers to property, plant and equipment in the development and production phase, while E&E expenditures include capital expenditure on assets in areas that have been determined by Management to be in the exploration and evaluation stage.

(2) Excludes \$nil and \$1.6 million of non-cash petroleum and natural gas property transactions in the years ended December 31, 2018 and 2017, respectively.

Exhibit 18

Capital Investment by Classification
(Three Months Ended December 31, 2018)



In the fourth quarter of 2018 capital investment was focused on advancing the Dawson Phase IV gas processing and liquids handling facility, upgrading the liquids handling capacity at the Dawson Phase I and Phase II gas processing facilities, completion of the Parkland/Tower water storage facility and the drilling and completion of several wells in the Dawson and Ante Creek areas.

A breakdown of capital expenditures, acquisitions and dispositions for the year ended December 31, 2018 is shown in Table 25a:

Table 25a

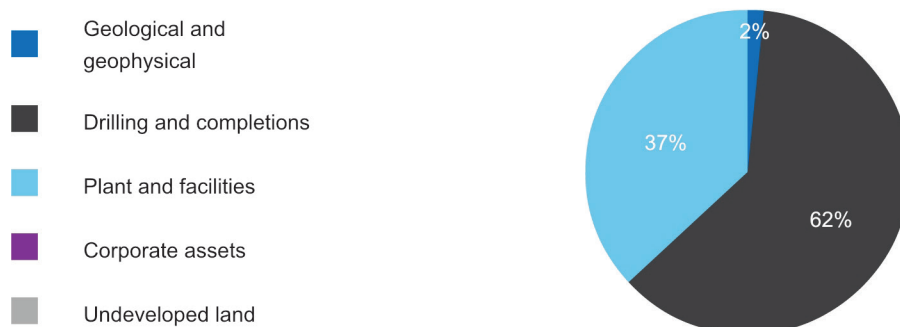
Year Ended December 31							
Capital Expenditures ⁽¹⁾ (\$ millions)	2018			2017			% Change
	E&E	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	2.1	8.7	10.8	0.2	9.3	9.5	14
Drilling and completions	46.4	370.0	416.4	33.2	518.4	551.6	(25)
Plant and facilities	11.0	238.6	249.6	9.3	253.4	262.7	(5)
Corporate assets	—	2.6	2.6	—	5.9	5.9	(56)
Total capital expenditures	59.5	619.9	679.4	42.7	787.0	829.7	(18)
Undeveloped land	0.6	0.3	0.9	74.0	23.6	97.6	(99)
Total capital expenditures including undeveloped land purchases	60.1	620.2	680.3	116.7	810.6	927.3	(27)
Acquisitions ⁽²⁾	—	0.2	0.2	—	2.5	2.5	(92)
Dispositions	—	(196.1)	(196.1)	—	—	—	100
Total capital expenditures, land purchases and net acquisitions and dispositions	60.1	424.3	484.4	116.7	813.1	929.8	(48)

(1) PP&E refers to property, plant and equipment in the development and production phase, while E&E expenditures include capital expenditure on assets in areas that have been determined by Management to be in the exploration and evaluation stage.

(2) Excludes \$nil and \$9.5 million of non-cash petroleum and natural gas property transactions in the years ended December 31, 2018 and 2017, respectively.

Exhibit 18a

**Capital Investment by Classification
(Year Ended December 31, 2018)**



In addition to the expenditures in the fourth quarter, 2018 capital investment also included the completion and commissioning of the Sunrise Phase II gas processing facility. During the year ended December 31, 2018, ARC drilled and completed 77 and 78 wells, respectively, at Parkland/Tower, Sunrise, Dawson, Ante Creek, Attachie West and Pembina.

During the year ended December 31, 2018, ARC disposed of non-core assets in Alberta and British Columbia for net proceeds of \$196.1 million, subject to post-closing adjustments. This included the disposition of ARC's Redwater assets. Refer to Note 9 "Asset Dispositions" in the financial statements.

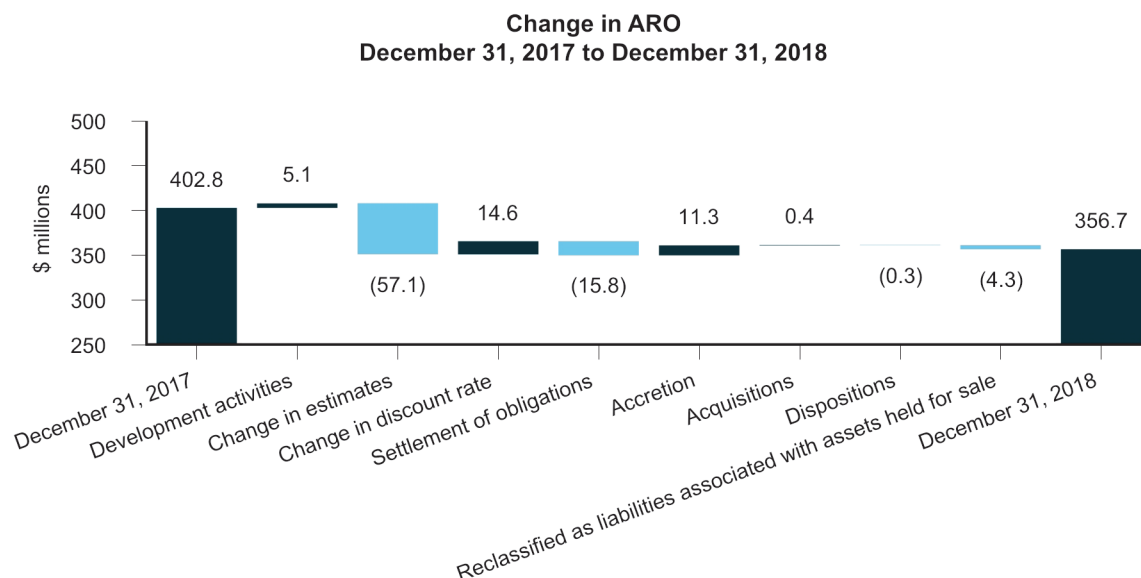
Asset Retirement Obligations

At December 31, 2018, ARC has recognized ARO of \$356.7 million (\$402.8 million at December 31, 2017) for the future abandonment and reclamation of ARC's properties. The estimated ARO includes assumptions in respect of actual costs to abandon wells or 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 2.2 per cent (2.3 per cent at December 31, 2017).

Accretion charges of \$2.0 million and \$11.3 million for the three months and year ended December 31, 2018 (\$3.6 million and \$13.1 million for the same period in 2017), have been recognized in the statements of income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC's abandonment and reclamation program for the three months and year ended December 31, 2018 was \$6.1 million and \$15.8 million (\$5.2 million and \$19.8 million for the same period in 2017). During the year ended December 31, 2018, ARC revised its cost estimates of future obligations to reflect current expectations as well as align with published provincial guidelines. This revision reduced ARC's ARO by \$57.1 million at December 31, 2018.

Environmental stewardship is a core value at ARC and abandonment and reclamation activities continue to be made in a prudent, responsible manner with the oversight of the Safety, Reserves and Operational Excellence Committee of the Board. Ongoing abandonment expenditures for all of ARC's assets are funded entirely out of cash flow from operating activities. ARC's Liability Management Rating is well within both the British Columbia Oil and Gas Commission's ("BCOGC") and the Alberta Energy Regulator's ("AER") requirements, such that no deposits were required at December 31, 2018 or at the date of this MD&A.

Exhibit 19



Capitalization, Financial Resources and Liquidity

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

ARC typically uses three sources to raise capital: equity, bank debt and long-term notes. Long-term notes are issued to large institutional investors normally with an average term of five to 12 years. The cost of this debt is based upon two factors: the current rate of long-term government bonds and ARC's credit spread. ARC's weighted average interest rate on its outstanding long-term notes is currently 4.2 per cent.

A breakdown of ARC's capital structure as at December 31, 2018 and December 31, 2017 is outlined in Table 26:

Table 26

Capital Structure and Liquidity (\$ millions, except per cent and ratio amounts)	December 31, 2018	December 31, 2017
Long-term debt ⁽¹⁾	909.2	911.3
Accounts payable and accrued liabilities	166.5	170.0
Dividends payable	17.7	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investments	(390.7)	(371.0)
Net debt ⁽²⁾	702.7	728.0
Net debt to annualized funds from operations (ratio) ⁽²⁾	0.9	1.0

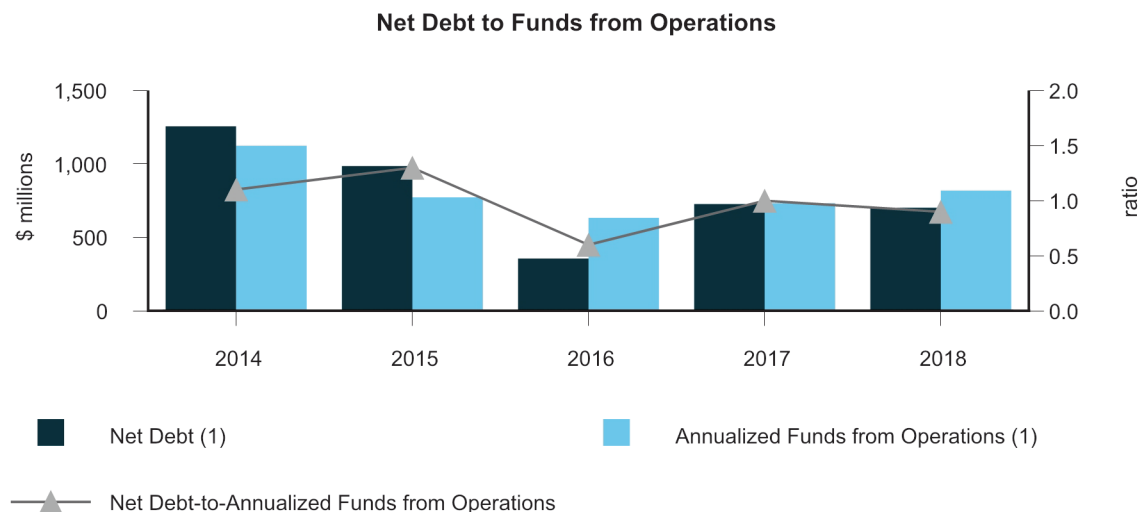
(1) Includes a current portion of long-term debt of \$80.5 million at December 31, 2018 and \$73.9 million at December 31, 2017.

(2) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

Management's long-term strategy is to keep its net debt balance to a ratio of between 1.0 and 1.5 times annualized funds from operations. This strategy has resulted in manageable debt levels to-date and has positioned ARC to remain well within its debt covenants. Refer to Note 16 "Capital Management" in the financial statements.

At December 31, 2018 ARC had \$702.7 million of net debt outstanding and net debt to 2018 annualized funds from operations ratio was 0.9 times. At December 31, 2018, net debt to annualized funds from operations was below 1.0 times as proceeds received from non-core dispositions have not yet been fully re-deployed to fund capital investment.

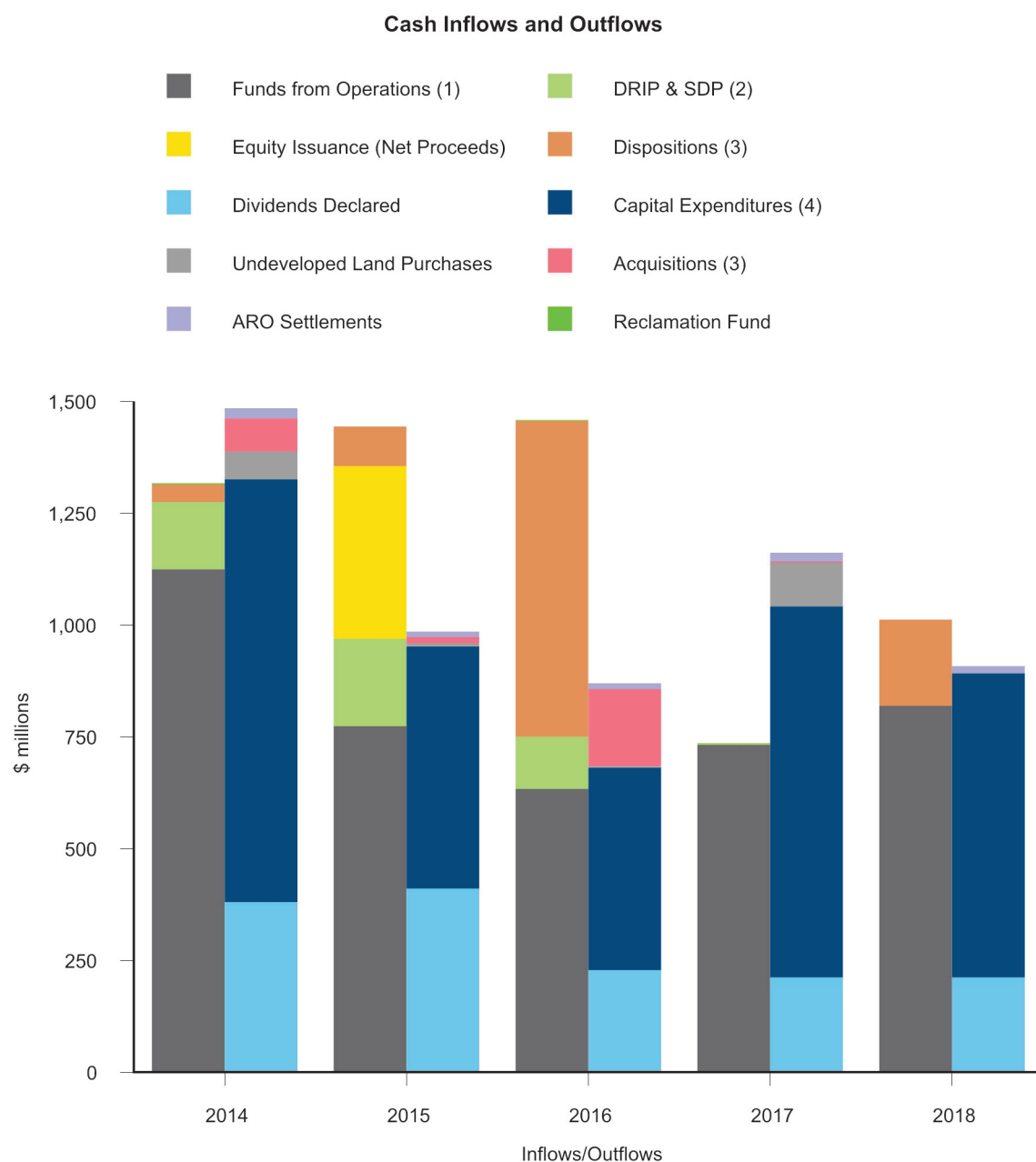
Exhibit 20



(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

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

Exhibit 21



(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(2) On February 8, 2017, ARC's Board of Directors approved the elimination of the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Plan ("SDP"), effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.

(3) Excludes non-cash property transactions.

(4) Excludes capital expenditures attributable to non-cash share options and asset retirement expenditures.

Table 27

(\$ millions)	2018	2017	2016	2015	2014
Cash Inflows					
Funds from operations ⁽¹⁾	819.0	731.9	633.3	773.4	1,124.0
DRIP & SDP ⁽²⁾	—	3.0	117.1	195.5	151.0
Equity issuance (net proceeds)	—	—	—	386.1	—
Dispositions ⁽³⁾	156.1	—	705.4	88.8	39.3
Disposition of reclamation fund	36.5	—	—	—	—
Reclamation fund withdrawals	1.1	—	—	0.9	—
Total	1,012.7	734.9	1,455.8	1,444.7	1,314.3
Cash Outflows					
Dividends declared	212.3	212.3	228.2	410.5	380.2
Capital expenditures ⁽⁴⁾	679.3	829.4	452.9	541.2	945.3
Undeveloped land purchases	0.7	97.6	2.7	6.7	62.3
Acquisitions ⁽³⁾	0.2	2.5	172.9	14.4	73.5
ARO settlements	15.8	19.8	13.0	12.3	23.0
Reclamation fund contributions	—	0.6	2.0	—	2.6
Total	908.3	1,162.2	871.7	985.1	1,486.9

(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(2) On February 8, 2017, ARC's Board of Directors approved the elimination of the DRIP and SDP, effective for the March dividend that was paid on April 17, 2017 to shareholders of record on March 31, 2017.

(3) Excludes non-cash property transactions.

(4) Excludes capital additions in respect of non-cash share options and asset retirement cost additions.

At December 31, 2018, ARC had total available credit capacity of approximately \$1.9 billion with debt of \$909.2 million currently outstanding. ARC's long-term debt balance includes a current portion of \$80.5 million at December 31, 2018 (\$73.9 million at December 31, 2017), 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.

On October 31, 2018, ARC extended its syndicated revolving credit facility for one additional year until November 8, 2022 at similar terms.

ARC's debt agreements contain a number of covenants, all of which were met as at December 31, 2018. These agreements are available on SEDAR at www.sedar.com. ARC calculates its covenants quarterly. The major financial covenants of the syndicated credit facility are described below:

Table 28

Covenant Description	Estimated Position at December 31, 2018 ⁽¹⁾
Long-term debt and letters of credit not to exceed three-and-a-half times trailing 12-month net income before non-cash items, income taxes and interest expense	1.0
Long-term debt, letters of credit, and subordinated debt not to exceed four times trailing 12-month net income before non-cash items, income taxes and interest expense	1.0
Long-term debt and letters of credit not to exceed 55 per cent of the book value of shareholders' equity and long-term debt, letters of credit and subordinated debt	20%

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

Shareholders' Equity

At December 31, 2018 and February 7, 2019, there were 353.4 million shares outstanding and 6.0 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 December 31, 2018, ARC had 0.5 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

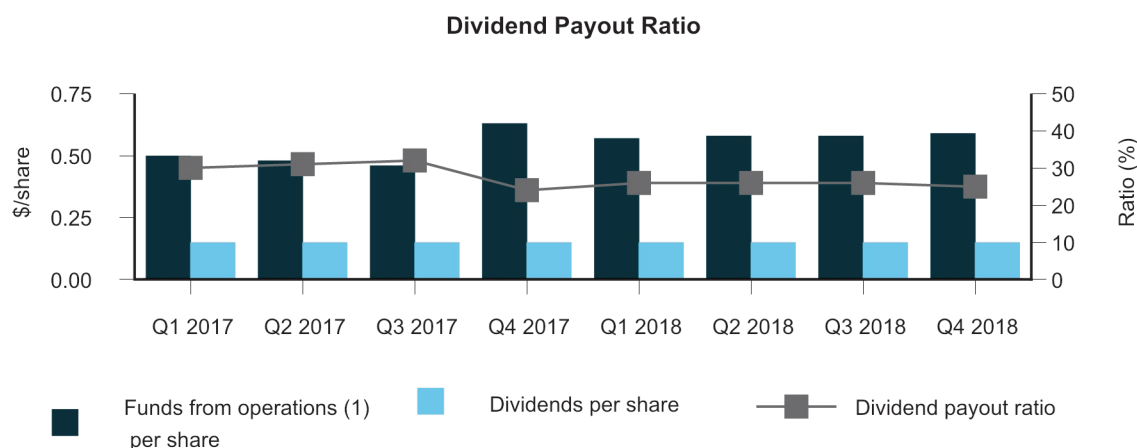
In both of the fourth quarters of 2018 and 2017, ARC declared dividends totaling \$53.1 million (\$0.15 per share outstanding). ARC declared dividends of \$212.3 million (\$0.60 per share outstanding) for each of the years ended December 31, 2018 and 2017.

As a dividend-paying corporation, ARC declares monthly dividends to its shareholders. ARC continually assesses dividend levels in light of commodity prices, capital expenditure programs, and production volumes to ensure that dividends are in line with the long-term strategy and objectives of ARC as per the following guidelines:

- To maintain a dividend policy that is sustainable after factoring in the impact of current commodity prices on funds from operations. ARC's objective is to normalize the effect of the volatility of commodity prices rather than to pass that volatility onto shareholders in the form of fluctuating monthly dividends.
- To maintain ARC's financial flexibility, by reviewing ARC's level of debt to equity and debt to funds from operations. The use of funds from operations and proceeds from equity offerings to fund capital development activities reduces the need to use debt to finance these expenditures.

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. As a result of the decrease in funds from operations in the fourth quarter of 2018 compared to the same period of the prior year, ARC's dividend as a per cent of funds from operations has increased from an average of 24 per cent in the fourth quarter of 2017 to an average of 25 per cent in the fourth quarter of 2018. For the year ended December 31, 2018, ARC's dividend as a per cent of funds from operations decreased to an average of 26 per cent from an average of 29 per cent. This is reflective of the increase in funds from operations in 2018 as compared to 2017. ARC believes that it is positioned to sustain current dividend levels.

Exhibit 22



(1) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

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

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

Environmental Regulation Impacting ARC

ARC operates in jurisdictions that regulate greenhouse gas emissions and other air pollutants. While some regulations are in effect, further changes and amendments are at various stages of review, discussion and implementation. There is uncertainty around how any future federal legislation will harmonize with provincial regulation, as well as the timing

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

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

Contractual Obligations and Commitments

The following is a summary of ARC's contractual obligations and commitments as at December 31, 2018:

Table 29

(\$ millions)	Payments Due by Period				Total
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	
Debt repayments ⁽¹⁾	80.5	313.5	302.5	212.7	909.2
Interest payments ⁽²⁾	36.6	58.5	32.2	12.6	139.9
Purchase and service commitments	79.6	10.7	10.0	1.5	101.8
Transportation commitments	128.9	268.6	257.6	810.8	1,465.9
Operating leases	15.7	26.8	17.9	7.9	68.3
Total contractual obligations and commitments	341.3	678.1	620.2	1,045.5	2,685.1

(1) Long-term and current portion of long-term debt.

(2) Fixed interest payments on senior notes.

At December 31, 2018, ARC's total contractual obligations and commitments were \$2.7 billion. Transportation commitments have increased as ARC has executed new transportation agreements for growth areas as well as to secure greater market access beyond AECO.

ARC enters into commitments for capital expenditures in advance of the expenditures being made. At a given point in time, it is estimated that ARC has committed to capital expenditures equal to approximately one quarter of its capital budget by means of giving the necessary authorizations to incur the capital expenditures in a future period.

ARC is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on ARC's financial position or results of operations and therefore Table 29 does not include any commitments for outstanding litigation and claims.

Off-Balance Sheet Arrangements

ARC's lease agreements, which are reflected in Table 29, were entered into in the normal course of operations. All of these leases have been treated as operating leases whereby the lease payments are included in operating expenses, PP&E, E&E or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on ARC's consolidated balance sheets as of December 31, 2018.

Related Parties

Key Management Personnel Compensation

ARC has determined that the key management personnel of ARC consists of its officers and directors. Short-term benefits are composed of salaries and directors' fees, annual bonuses, and other benefits. In addition, the Company provides share-based compensation to its key management personnel under the RSU and PSU, DSU, LTRSA and Share Option Plans. The compensation relating to key management personnel for the year is as follows:

Table 30

(\$ millions)	Year Ended December 31, 2018	Year Ended December 31, 2017
Short-term benefits	8.1	8.0
Share-based compensation	4.1	4.7
Total key management personnel compensation	12.2	12.7

Critical Accounting Estimates

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

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

- estimated commodity sales, royalties, transportation and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of crude oil, liquids and natural gas reserves that ARC expects to recover in the future;
- estimated fair values of financial instruments that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated fair value of business combinations;
- estimated future recoverable value of PP&E, E&E and goodwill and any associated impairment charges or reversals; and
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the RSU and PSU Plan that is based on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier, the Share Option Plan and the LTRSA Plan.

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

The mandate of ARC's leadership team includes ongoing development of procedures, standards and systems to allow ARC staff to make the best decisions possible and ensuring those decisions are in compliance with ARC's environmental, health and safety policies.

ASSESSMENT OF BUSINESS RISKS

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

Volatility of Oil and Natural Gas Prices

ARC's operational results and financial condition, and therefore its amount of capital investment and future dividend payments made to shareholders, are dependent on the prices received for crude oil, liquids and natural gas production. Decreasing crude oil and natural gas prices will reduce ARC's cash flow, impacting ARC's level of capital investment and may result in the shut-in of certain producing properties. Differentials on Canadian crude oil have also shown significant volatility throughout recent years due to pipeline and infrastructure constraints. Any movement in crude oil and natural gas prices will have an effect on ARC's ability to continue with its capital expenditure program and its ability to pay dividends. Future declines in crude oil and natural gas prices may result in future decreases in, or elimination of, any future dividends. Crude oil and natural gas prices are determined by economic and, in some circumstances, political factors. Political factors include foreign tax regimes and protectionist measures that could have the effect of closing off key markets. Supply and demand factors, including weather and general economic conditions as well as conditions in other crude oil and natural gas regions, impact prices. ARC may manage the risk associated with changes in commodity prices by entering into crude oil or natural gas price derivative contracts. If ARC engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity derivative contracts activities could expose ARC to losses. To the extent that ARC engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counterparties with which it contracts.

Refinancing and Debt Service

ARC currently has a \$950.0 million financial covenant-based syndicated credit facility with 11 banks. At the request of ARC, the lenders will review the credit facility each year and determine if they will extend for another year. In the event that the facility is not extended before November 8, 2022, indebtedness under the facility will become repayable at that date. There is also a risk that the credit facility will not be renewed for the same amount or on the same terms. Any of these events could affect ARC's ability to fund ongoing operations and make future dividend payments.

ARC currently has \$909.2 million of long-term, fixed interest rate debt outstanding at December 31, 2018, which requires principal repayments in 2019 through 2026. ARC intends to fund these principal repayments with existing credit facilities. In the event ARC is unable to fund future principal repayments, it may impact ARC's ability to fund its ongoing operations and make future dividend payments.

ARC is required to comply with covenants under the credit facility. In the event that ARC does not comply with covenants under the credit facility, ARC's access to capital could be restricted or repayment could be required. ARC routinely reviews the covenants based on actual and forecast results and has the ability to make changes to its development plans and/or dividend policy to comply with covenants under the credit facility. If ARC becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on such assets of ARC or sell the working interests.

Access to Capital Markets

ARC's capital expenditures are financed from funds from operations, borrowings, proceeds from property divestments and possible future equity issuances. ARC's ability to issue equity is dependent upon, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and ARC securities. Further, if revenues or reserves decline, ARC may not have access to the capital necessary to undertake or complete future drilling programs.

Additionally, ARC may issue additional common shares from treasury at prices which may result in a decline in production per common share and reserves per common share.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, ARC's ability to make capital investments and maintain or expand existing assets and reserves may be impaired and ARC's assets, liabilities, business, financial condition, results of operations and dividend payments may be materially or adversely affected as a result.

Retention of Key Personnel

A loss in the key personnel of ARC could delay the completion of certain projects or otherwise have a material adverse effect on the Company. Shareholders are dependent on ARC's management and staff in respect of the administration and management of all matters relating to ARC's assets. Any deterioration of ARC's corporate culture could adversely affect ARC's long-term success.

Operational Matters

The operation of oil and gas wells involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to operating subsidiaries of ARC and possible liability to third parties. ARC maintains liability insurance, where available, in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. ARC may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities may reduce dividend payments to shareholders.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Less than two per cent of ARC's production is operated by third parties. ARC has limited ability to influence costs on partner-operated properties. Operating costs on most properties operated by third parties have increased steadily over recent years. To the extent the operator fails to perform these functions properly, ARC's revenue from such property may be reduced. Payments from production generally flow through the operator and there is a risk of delayed payment, or non-payment and additional expense in recovering such revenues if the operator becomes insolvent. To mitigate this risk, all significant non-operated production is taken in-kind and marketed by ARC. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of ARC to certain properties. A reduction of future dividend payments to shareholders could result under such circumstances.

Reserves and Resources Estimates

The reserves and recovery information contained in ARC's independent reserves evaluation is only an estimate. Similarly, information contained in ARC's Independent Resources Evaluation for its lands in the Montney region, is also only an estimate. The actual production and ultimate reserves and resources from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves and resources reports have been prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas, condensate and NGLs are realized by ARC and substituted for the price assumptions utilized in those reserves and resources reports, the present value of estimated future net cash flows for ARC's reserves and resources as well as the amount of ARC's reserves and resources would be reduced and the reduction could be significant.

Depletion of Reserves

ARC's future crude oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on ARC's success in exploiting its reserves base and acquiring additional reserves. Without reserves additions through acquisition or development activities, ARC's reserves and production will decline over time as the oil and natural gas reserves are produced out. There can be no assurance that ARC will make sufficient capital expenditures to maintain production at current levels nor, as a consequence, that the amount of dividends by ARC to shareholders can be maintained at current levels. There can be no assurance that ARC will be successful in developing or acquiring additional reserves on terms that meet ARC's investment objectives.

Counterparty Risk

ARC assumes customer credit risk associated with oil and gas sales, transportation assignment agreements, financial hedging transactions and joint arrangement participants. In the event that ARC's counterparties default on payments to ARC, cash flows will be impacted and dividend payments to shareholders may be impacted. ARC has established credit policies and controls designed to mitigate the risk of default or non-payment with respect to oil and gas sales, financial hedging transactions and joint arrangement participants. A diversified sales customer base is maintained and exposure to individual entities is reviewed on a regular basis.

Variations in Interest Rates and Foreign Exchange Rates

Variations in interest rates could result in an increase in the amount ARC pays to service debt. World oil prices and US natural gas prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Cdn\$/US\$ exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar may negatively impact ARC's net production revenue. Volatility in interest rates and the Canadian dollar may affect future cash flows and reduce funds available for both dividends and capital expenditures. ARC may initiate certain derivative contracts to attempt to mitigate these risks. To the extent that ARC engages in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with counterparties with which it contracts. An increase in Cdn\$/US\$ exchange rates may impact future dividend payments to shareholders and the value of ARC's reserves as determined by independent evaluators.

Changes in Income Tax Legislation

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects ARC or its shareholders. Tax authorities having jurisdiction over ARC or its shareholders may disagree with how ARC calculates its income for tax purposes to the detriment of ARC and its shareholders.

Changes in Government Royalty Legislation

Provincial programs related to the oil and natural gas industry may change in a manner that adversely impacts shareholders. ARC currently operates in British Columbia and Alberta, both of which have different royalty programs that could be revised at any time. Future amendments to royalty programs in any of ARC's operating jurisdictions could result in reduced cash flow and reduced dividend payments to shareholders.

Environmental Concerns and Changes in Environmental Legislation

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders in respect of ARC or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations to ARC. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Furthermore, Management believes the federal and provincial governments appear to favor new programs for environmental laws and regulation, particularly in relation to the reduction of greenhouse gas ("GHG") emissions, and there is no assurance that any such programs or regulatory amendments, if proposed and enacted, will not contain GHG emission reduction targets that ARC cannot meet. Financial penalties or charges could be incurred as a result of the failure to meet such targets. In particular there is uncertainty regarding the Pan-Canadian Framework on Clean Growth and Climate change ("the Framework") and the Government of Canada's pledge to cut Canadian GHG emissions by 30 per cent from 2005 levels by 2030. Among other things, the Framework proposes an escalating carbon-pricing strategy that will operate in provinces that do not have an equivalent carbon-pricing mechanism in place, as well as additional measures to reduce methane emissions. Both Alberta and British Columbia have developed and begun to implement similar provincial measures.

In the fourth quarter of 2015, the provincial government of Alberta released its Climate Leadership Plan ("CLP") which impacts all consumers and businesses that contribute to GHG emissions in Alberta. In accordance with the CLP, a carbon levy came into effect in Alberta on January 1, 2017 at a rate of \$20 per tonne, and increased to a rate of \$30 per tonne on January 1, 2018. British Columbia has had a provincial carbon levy since 2012. The British Columbia carbon levy will continue to escalate by \$5 per year until it reaches \$50 per tonne in 2021. Beginning in 2021, the federally-imposed carbon price will rise to \$40 per tonne, and to \$50 per tonne in 2022.

Fracture stimulations have been used in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells there is increased dialogue between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation, changes of law and third party claims, which may make the conduct of ARC's business more expensive or prevent ARC from conducting its business as currently conducted. ARC focuses on conducting its operations in a safe, responsible and transparent manner in the communities in which it operates.

The provincial regulation of environmental liabilities and associated ARO in the oil and gas industry may face substantial changes in the near future. In 2016, the Alberta Court of Queen's Bench issued its decision in *Redwater Energy Corporation (Re)*, finding that receivers and trustees of insolvent entities have the right to renounce assets within insolvency proceedings. The Alberta Court of Appeal affirmed this decision. In response, several provincial regulators, most notably the AER, implemented a number of interim rule changes to the regulatory scheme pertaining to the ARO, licensing and liability management programs. On January 31, 2019, however, the Supreme Court of Canada released

its decision in *Orphan Well Association v Grant Thornton Limited*, overturning the decisions of the Alberta Court of Queen's Bench and the Alberta Court of Appeal to hold that receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. As a result, any financial resources of a bankrupt licensee will first be used to satisfy outstanding abandonment obligations in respect of its unproductive assets. Remaining amounts, if any, will then satisfy the claims of secured creditors in accordance with the *Bankruptcy and Insolvency Act*.

There remains a great deal of uncertainty as to what regulatory measures will be developed by the provinces or in concert with the federal government to address the *Orphan Well Association v Grant Thornton Limited* decision. Further analysis of ARO are discussed in this MD&A under the heading "Asset Retirement Obligations."

Transportation Constraints and Market Access

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on ARC's ability to produce and sell its crude oil and natural gas. The amount of crude oil and natural gas that ARC can produce and sell is subject to the accessibility, availability, proximity and capacity of various gathering and processing facilities, pipeline systems and railway lines. The lack of availability or capacity in any of the gathering and processing facilities, pipeline systems and railway lines could result in ARC's inability to realize the full economic potential of its production or in a reduction of the price offered for ARC's production. The lack of firm pipeline capacity continues to affect the oil and gas industry and limit the ability to transport produced oil and gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut-downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect ARC's production, operations and financial results. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm ARC's business and, in turn, ARC's financial condition, operations and cash flows. Further analysis of transportation costs are discussed in this MD&A under the heading "Operating and Transportation Expenses."

To mitigate the risk of transportation and market access constraints, ARC engages in long-term transportation commitments with various third parties. These arrangements result in ARC having future financial commitments as disclosed in the section entitled 'Contractual Obligations and Commitments' in this MD&A.

Acquisitions

The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of Management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of crude oil, natural gas, condensate and NGLs, future prices of crude oil, natural gas, condensate and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the operators of the working interests, Management and ARC. In particular, changes in the prices of and markets for crude oil, natural gas, condensate and NGLs from those anticipated at the time of making such assessments will affect the amount of future dividends and the value of the shares. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves than attributed to the working interests. Actual reserves could vary materially from these estimates. Consequently, the reserves acquired may be less than expected, which could adversely impact cash flow and dividends to shareholders.

Cyber-Security

ARC employs and depends upon information technology systems to conduct its business. These systems have the potential to introduce information security risks, which are growing in both complexity and frequency and could include potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of our information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. Further, disruption of critical information technology services, or breaches of information security, could have a negative effect on ARC's assets, performance and earnings, as well as on ARC's reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on ARC's business, financial condition and results of operations.

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

PROJECT RISKS

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

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

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

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

As of December 31, 2018, an internal evaluation was carried out of the effectiveness of ARC's disclosure controls and procedures as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports that ARC files or submits under Canadian Securities Legislation is recorded, processed, summarized and reported, within the time periods specified in the rules and forms therein. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by ARC in the reports that it files or submits under Canadian Securities Legislation is accumulated and communicated to ARC's Management, including the senior executive and financial officers, as appropriate to allow timely decisions regarding the required disclosure.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of ARC's internal control over financial reporting as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The assessment was based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that ARC's internal control over financial reporting was effective as of December 31, 2018. No changes were made to ARC's internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

FINANCIAL REPORTING UPDATE

New Accounting Policies

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, ARC retrospectively adopted IFRS 15. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The adoption of this standard did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017. For additional information on the effect of ARC's adoption of IFRS 15, refer to Note 4 "Changes in Accounting Policies" in the financial statements.

In conjunction with the Company's adoption of IFRS 15, the Company completed a review of the financial statement presentation of its marketing and revenue transactions and it was determined that it was more appropriate to change the presentation of certain transactions. Prior period comparative figures have been reclassified in the statements of income for comparability with the current period presentation for these items. There is no resultant impact on the net income, comprehensive income, cash flow, or financial position of the Company from the changes. For additional information on the change in presentation and the effect of the reclassification on the prior period, refer to Note 4 "Changes in Accounting Policies" in the financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

Effective January 1, 2018, ARC retrospectively adopted IFRS 9 *Financial Instruments*, as well as consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, IFRS 9 introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9. For additional information on the effect of ARC's adoption of IFRS 9, refer to Note 4 "Changes in Accounting Policies" in the financial statements.

Future Accounting Policies

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 *Leases* ("IAS 17") and related interpretations. IFRS 16 requires the recognition of a right-of-use ("ROU") asset and lease liability on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases with the resultant accounting remaining unchanged from IAS 17.

The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also adopting IFRS 15. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. IFRS 16 will be applied by ARC on January 1, 2019, using the modified retrospective transition approach.

ARC's IFRS 16 transition project consists of three key phases:

- Project scoping and engagement phase - This phase involves the assembly and organization of a transition project team, engagement and education of stakeholders, the implementation of corporate processes to collect and organize contracts, the scoping of potential lease situations, and the development of a project plan.
- Impact analysis and evaluation phase - This phase involves the detailed assessment of contracts and measurement of leases, as well as an analysis of transition approaches and accounting policy choices. This phase also involves the assessment of necessary changes to internal controls, information systems and

accounting and business processes. In addition, the impact of IFRS 16 is further investigated to assess whether there may be a broader impact to ARC, which may include ARC's debt agreements, key performance measures, management reporting, and budget process.

- Implementation phase - This phase involves implementation of the changes required for compliance with IFRS 16, including education of all staff and stakeholders impacted by the transition to IFRS 16. The focus of this phase is the approval and implementation of any new accounting policies, processes, information systems and internal controls, as required, as well as the preparation of financial statements and related disclosures under IFRS 16.

ARC is currently in the "implementation phase" of its project plan. For ARC's contract population identified as at January 1, 2019, the transition team has performed detailed evaluations and measurement calculations of identified leases. ARC has selected its transition approach and accounting policies and has begun implementing necessary changes to accounting processes, internal controls, information systems and business reporting, and has provided an updated education to staff and stakeholders.

On initial adoption, ARC is applying the following optional expedients permitted under the standard. Some expedients are available on a lease-by-lease basis, while others are applicable by class of underlying asset.

- Certain short-term leases and leases of low value assets that have been identified at January 1, 2019, will not be recognized on the balance sheet. Payments for these leases will be disclosed in the notes to the financial statements.
- Certain classes of lease arrangements that transfer a separate good or service under the same contract that have been identified for recognition at January 1, 2019 will not be separated between their lease and non-lease components and instead will be recognized as a single lease component.
- At January 1, 2019, ARC will recognize leases with terms ending within 12 months as short-term leases.
- In their initial measurement upon transition, some leases having similar characteristics will be measured as a portfolio by applying a single discount rate.
- For certain leases having associated initial direct costs, ARC will, at initial measurement on transition, exclude these direct costs from the measurement of the ROU asset.
- At January 1, 2019, any provision for onerous contracts previously recognized will be applied to the associated ROU asset recognized upon transition to IFRS 16. In these cases, there will be no impairment assessment made under IAS 36 *Impairment of Assets*.
- At January 1, 2019, ARC will recognize its ROU asset for the lease of its head office space having measured it as if IFRS 16 had been applied since inception. This will result in the recognition of an ROU asset that is not equal to its corresponding lease liability on transition.

IFRS 16 is expected to increase the Company's total assets and liabilities and affect ARC's opening retained earnings at January 1, 2019 as ARC recognizes leases on its balance sheet that were not recognized prior to adoption. Future net income will be impacted as the finance charges and depreciation charges associated with lease contracts are not expected to correspond in any one period to the amount of related cash flows. Cash flows associated with lease repayments will be allocated between operating and financing activities based on their interest repayment and principal repayment portions.

The Company's leases that will be recognized on its balance sheet at January 1, 2019 include leases of real estate, equipment, vehicles and surface land rights. The Company has quantified the impact of IFRS 16 on its opening balance sheet at January 1, 2019 in the following table:

ROU asset	43.1
Increase to total assets, January 1, 2019	43.1
Lease liability	58.0
Other deferred liabilities ⁽¹⁾	(10.2)
Deferred tax liability	(4.0)
Deficit	(0.7)
Increase to total liabilities and shareholders' equity, January 1, 2019	43.1

(1) The decrease in Other deferred liabilities relates to deferred lease incentives and a previously recognized provision for onerous contracts.

It is anticipated that certain of ARC's performance measures including funds from operations, net debt, ROACE and operating netbacks will be impacted by the adoption of IFRS 16 in its financial statements. The impact of IFRS 16 is not anticipated to significantly change these performance measures to the extent that management decisions would be impacted. Where lease payments made for certain operating items were previously included in operating expenses and G&A, these payments will now be reflected as payments of interest and lease liabilities, which is expected to increase total funds from operations and operating netbacks. Lease liabilities will be added to increase net debt. For more information on funds from operations and net debt, refer to Note 16 "Capital Management" in the financial statements. For more information on ROACE and operating netbacks refer to the section entitled "Non-GAAP Measures" contained within this MD&A.

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these financial statements.

The financial statement impact of IFRS 16 is subject to certain management judgments and estimates. Most notably, extension and termination provisions are included in certain lease contracts. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

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.

Operating Netback

ARC calculates netback on a total and per boe basis as commodity sales from production less royalties, operating and transportation expenses. ARC discloses netbacks both before and after the effect of realized gains or losses on risk management contracts. Realized gains or losses represent 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 feels 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 Table 17 within this MD&A.

Return on Average Capital Employed

ARC calculates ROACE, expressed as a percentage, as net income 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 16 "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 five-year basis in Table 32 of this MD&A.

Table 32

ROACE	2018	2017	2016	2015	2014	Five Year
Net income (loss)	213.8	388.9	201.3	(342.7)	380.8	168.4
Add: Interest	42.6	45.3	50.5	51.0	47.3	47.3
Add: Total income taxes (recovery)	108.0	135.9	41.4	(15.8)	129.4	79.8
Earnings before interest and taxes	364.4	570.1	293.2	(307.5)	557.5	295.5
Net Debt - beginning of period	728.0	356.5	985.1	1,255.9	1,011.5	1,011.5
Shareholders' Equity - beginning of period	3,668.9	3,484.8	3,388.5	3,551.8	3,396.1	3,396.1
Opening Capital Employed (A)	4,396.9	3,841.3	4,373.6	4,807.7	4,407.6	4,407.6
Net Debt - end of period	702.7	728.0	356.5	985.1	1,255.9	702.7
Shareholders' Equity - end of period	3,675.8	3,668.9	3,484.8	3,388.5	3,551.8	3,675.8
Closing Capital Employed (B)	4,378.5	4,396.9	3,841.3	4,373.6	4,807.7	4,378.5
Average Capital Employed (A+B)/2	4,387.7	4,119.1	4,107.5	4,590.7	4,607.7	4,393.1
ROACE (%)	8	14	7	(7)	12	7

Forward-looking Information and Statements

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: ARC's financial, operational and environmental goals under the heading "About ARC Resources Ltd.," ARC's view of future commodity prices and inventory levels under the heading "Economic Environment," ARC's guidance and planned operations for 2019 under the heading "Annual Guidance and Financial Highlights," ARC's source of funds for ongoing abandonment expenditures under the heading "Asset Retirement Obligation," ARC's risk management plans for 2019 and beyond under the heading "Risk Management Contracts," ARC's view as to the estimated future payments under the RSU and PSU Plan under the heading "Share-Based Compensation Plans," the financing information relating to raising capital under the heading "Capitalization, Financial Resources and Liquidity," ARC's plans in relation to future dividend levels under the heading "Dividends," ARC's estimates of normal course obligations under the heading "Contractual Obligations and Commitments," and a number of other matters, including the amount of future asset retirement obligations, future liquidity and financial capacity (including sources of capital), future results from operations and operating metrics, timing of production coming on stream, future costs, expenses and royalty rates, future interest costs, and future development, exploration, acquisition and development activities (including drilling plans) and related capital expenditures.

The forward-looking information and statements contained in this MD&A reflect material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

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

The internal projections, expectations or beliefs are based on the 2019 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information contained in this MD&A speak only as of the date of this MD&A, and none of ARC or any subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

GLOSSARY

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

Measurement

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

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

Financial and Business Environment

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

ANNUAL HISTORICAL REVIEW

For the year ended December 31					
(\$ millions, except per share amounts)	2018	2017	2016	2015	2014
FINANCIAL					
Sales of crude oil, natural gas, condensate, NGLs and other income ⁽¹⁾	1,362.2	1,215.2	1,063.5	1,193.7	2,107.7
Per share, basic ⁽¹⁾	3.85	3.44	3.03	3.51	6.66
Per share, diluted ⁽¹⁾	3.85	3.43	3.03	3.51	6.64
Net income (loss)	213.8	388.9	201.3	(342.7)	380.8
Per share, basic	0.60	1.10	0.57	(1.01)	1.20
Per share, diluted	0.60	1.10	0.57	(1.01)	1.20
Funds from operations ⁽²⁾	819.0	731.9	633.3	773.4	1,124.0
Per share, basic	2.32	2.07	1.80	2.27	3.55
Per share, diluted	2.31	2.07	1.80	2.27	3.54
Dividends declared	212.3	212.3	228.2	410.5	380.2
Per share ⁽³⁾	0.60	0.60	0.65	1.20	1.20
Total assets	6,016.2	6,224.0	5,990.5	5,932.2	6,325.5
Total liabilities	2,340.4	2,555.1	2,505.7	2,543.7	2,773.7
Net debt outstanding ⁽⁴⁾	702.7	728.0	356.5	985.1	1,255.9
Weighted average shares	353.5	353.4	350.9	340.5	316.6
Weighted average shares, diluted	353.8	353.9	351.3	340.5	317.2
Shares outstanding, end of period	353.4	353.5	353.3	347.1	319.4
CAPITAL EXPENDITURES					
Geological and geophysical	10.8	9.5	12.4	15.9	17.6
Drilling and completions	416.4	551.6	227.0	361.2	660.0
Plant and facilities	249.6	262.7	210.6	162.0	261.4
Other	2.6	5.9	3.4	2.5	6.5
Total capital expenditures	679.4	829.7	453.4	541.6	945.5
Undeveloped land purchased at Crown land sales	0.9	97.6	2.7	6.7	62.3
Total capital expenditures including undeveloped land purchases	680.3	927.3	456.1	548.3	1,007.8
Acquisitions	0.2	2.5	172.9	14.4	73.5
Dispositions	(196.1)	—	(705.4)	(88.8)	(39.3)
Total capital expenditures and net acquisitions	484.4	929.8	(76.4)	473.9	1,042.0
OPERATING					
Production					
Crude oil (bbl/d)	23,460	24,380	31,510	32,762	36,525
Condensate (bbl/d)	7,281	5,650	3,626	3,430	3,667
Natural gas (MMcfd)	570.2	525.8	475.6	444.9	406.1
NGLs (bbl/d)	6,955	5,273	4,274	3,819	4,518
Total (boe/d)	132,724	122,937	118,671	114,167	112,387
Average realized prices, prior to risk management contracts					
Crude oil (\$/bbl)	68.58	60.66	50.34	53.53	90.64
Condensate (\$/bbl)	75.56	62.02	50.98	53.84	93.81
Natural gas (\$/Mcf)	2.37	2.56	2.23	2.88	4.76
NGLs (\$/bbl)	32.22	29.57	13.85	10.70	39.45
Oil equivalent (\$/boe)	28.12	27.08	24.35	28.57	51.31
RESERVES (company gross) ⁽⁵⁾					
Proved plus probable reserves					
Crude oil and NGLs (Mbbl)	205,577	203,210	195,500	199,826	192,489
Natural gas (Bcf)	4,039.8	3,797.4	3,247.4	2,922.1	2,881.6
Total (Mboe)	878,875	836,103	736,733	686,851	672,748
TRADING STATISTICS (\$, based on intra-day trading) ⁽⁶⁾					
High	15.90	23.70	24.94	25.87	33.68
Low	7.38	13.64	14.43	15.39	22.74
Close	8.10	14.75	23.11	16.70	25.16
Average daily volume (thousands)	1,480	1,124	986	1,093	844

(1) Comparatives prior to 2017 have not been restated for IFRS 15. Refer to Note 4 "Changes In Accounting Policies" in the financial statements.

(2) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Funds from Operations" contained within this MD&A.

(3) Dividends per share are based on the number of shares outstanding at each dividend record date.

(4) Refer to Note 16 "Capital Management" in the financial statements and to the section entitled "Capitalization, Financial Resources and Liquidity" contained within this MD&A.

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

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

QUARTERLY HISTORICAL REVIEW

(\$ millions, except per share amounts)	2018				2017			
FINANCIAL	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales of crude oil, natural gas, condensate, NGLs and other income	302.5	375.1	344.4	340.2	337.3	276.5	295.0	306.4
Per share, basic	0.86	1.06	0.97	0.96	0.95	0.78	0.83	0.87
Per share, diluted	0.86	1.06	0.97	0.96	0.95	0.78	0.83	0.87
Net income (loss)	159.7	45.1	(45.9)	54.9	73.9	48.5	124.0	142.5
Per share, basic	0.45	0.13	(0.13)	0.16	0.21	0.14	0.35	0.40
Per share, diluted	0.45	0.13	(0.13)	0.16	0.21	0.14	0.35	0.40
Funds from operations ⁽¹⁾	208.6	205.0	204.4	201.0	221.1	163.8	169.8	177.2
Per share, basic	0.59	0.58	0.58	0.57	0.63	0.46	0.48	0.50
Per share, diluted	0.59	0.58	0.58	0.57	0.63	0.46	0.48	0.50
Dividends declared	53.1	53.0	53.1	53.1	53.1	53.0	53.1	53.1
Per share ⁽²⁾	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Total assets	6,016.2	5,846.3	6,059.8	6,235.7	6,224.0	6,115.0	6,196.8	6,169.3
Total liabilities	2,340.4	2,278.3	2,485.8	2,563.8	2,555.1	2,468.2	2,546.8	2,591.4
Net debt outstanding ⁽³⁾	702.7	667.8	757.0	728.0	728.0	645.1	527.4	501.4
Weighted average shares, basic	353.4	353.5	353.5	353.5	353.5	353.5	353.4	353.4
Weighted average shares, diluted	353.9	354.0	353.5	353.8	353.8	353.9	353.8	353.7
Shares outstanding, end of period	353.4	353.4	353.5	353.5	353.5	353.5	353.4	353.4
CAPITAL EXPENDITURES								
Geological and geophysical	1.3	3.4	2.1	4.0	2.5	1.8	2.0	3.2
Drilling and completions	60.5	114.2	102.6	139.1	154.8	119.3	105.9	171.6
Plant and facilities	69.6	51.2	58.8	70.0	87.2	55.5	41.6	78.4
Administrative assets	0.2	0.5	1.3	0.6	0.6	1.8	1.5	2.0
Total capital expenditures	131.6	169.3	164.8	213.7	245.1	178.4	151.0	255.2
Undeveloped land	0.2	—	—	0.7	0.4	77.3	14.7	5.2
Total capital expenditures, including undeveloped land purchases	131.8	169.3	164.8	214.4	245.5	255.7	165.7	260.4
Acquisitions	—	—	—	0.2	2.2	—	0.1	0.2
Dispositions	(0.9)	(96.2)	(0.7)	(98.3)	—	—	—	—
Total capital expenditures, land purchases and net acquisitions and dispositions	130.9	73.1	164.1	116.3	247.7	255.7	165.8	260.6
OPERATING								
Production								
Crude oil (bbl/d)	20,092	23,867	24,893	25,037	24,641	25,020	23,813	24,030
Condensate (bbl/d)	8,458	8,158	6,960	5,505	6,989	6,815	4,253	4,504
Natural gas (MMcf/d)	603.3	574.2	537.9	564.9	572.4	549.6	483.9	496.2
NGLs (bbl/d)	7,402	7,687	6,380	6,332	6,380	6,091	4,691	3,893
Total (boe/d)	136,502	135,410	127,879	131,016	133,409	129,526	113,410	115,129
Average realized prices, prior to risk management contracts								
Crude oil (\$/bbl)	43.30	78.62	78.57	69.50	67.29	54.50	59.53	61.42
Condensate (\$/bbl)	57.25	85.28	85.10	77.42	69.04	54.35	60.38	64.31
Natural gas (\$/Mcf)	2.85	2.15	1.91	2.50	2.27	2.00	2.99	3.10
NGLs (\$/bbl)	29.12	35.26	32.98	31.39	35.31	28.37	26.27	25.91
Oil equivalent (\$/boe)	24.09	30.12	29.59	28.85	27.48	23.20	28.59	29.58
TRADING STATISTICS ⁽⁴⁾								
(\$, based on intra-day trading)								
High	14.84	15.90	15.25	15.90	18.34	18.31	19.55	23.70
Low	7.38	12.70	12.71	11.88	13.64	15.61	16.23	18.26
Close	8.10	14.40	13.58	14.04	14.75	17.19	16.96	19.00
Average daily volume (thousands)	2,117	1,246	1,150	1,406	1,114	1,008	1,269	1,104

(1) Refer to Note 16 "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 16 "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.

Management's Report

Management's Responsibility on Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To ensure the integrity of our financial statements, we carefully select and train qualified personnel. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities. Our policies and procedures are communicated throughout the organization including a written ethics and integrity policy that applies to all employees including the Chief Executive Officer and Chief Financial Officer.

The Board of Directors approves the consolidated financial statements. Their financial statement related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the internal control over financial reporting for ARC Resources Ltd. The assessment was based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.



Myron M. Stadnyk

President and Chief Executive Officer

Calgary, Alberta

February 7, 2019



P. Van R. Dafoe

Senior Vice President and Chief Financial Officer



Independent auditor's report

To the Shareholders of ARC Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ARC Resources Ltd. and its subsidiaries, (together, the "Company") as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue SW, Suite 3100, East Tower, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Don Althen.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 7, 2019

ARC RESOURCES LTD.**CONSOLIDATED BALANCE SHEETS**

As at

(Cdn\$ millions)	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	259.6	220.2
Accounts receivable (Note 6)	114.1	132.7
Prepaid expenses	17.0	18.1
Risk management contracts (Note 17)	168.7	146.6
Assets held for sale (Note 9)	—	301.1
	559.4	818.7
Deferred consideration (Notes 6 and 7)	40.0	—
Reclamation fund (Note 8)	—	36.7
Risk management contracts (Note 17)	102.1	148.4
Exploration and evaluation assets (Note 10)	217.1	418.9
Property, plant and equipment (Note 11)	4,849.4	4,553.1
Goodwill (Note 12)	248.2	248.2
Total assets	6,016.2	6,224.0
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	166.5	170.0
Current portion of long-term debt (Note 14)	80.5	73.9
Current portion of asset retirement obligations (Note 15)	19.5	16.0
Dividends payable (Note 19)	17.7	17.7
Risk management contracts (Note 17)	0.3	—
Liabilities associated with assets held for sale	—	219.7
	284.5	497.3
Risk management contracts (Note 17)	4.3	0.2
Long-term debt (Note 14)	828.7	837.4
Long-term incentive compensation liability (Note 21)	12.4	17.5
Other deferred liabilities	10.1	12.3
Asset retirement obligations (Note 15)	337.2	386.8
Deferred taxes (Note 18)	863.2	803.6
Total liabilities	2,340.4	2,555.1
SHAREHOLDERS' EQUITY		
Shareholders' capital (Note 19)	4,658.5	4,658.5
Contributed surplus	27.2	21.9
Deficit	(1,009.9)	(1,011.4)
Accumulated other comprehensive loss	—	(0.1)
Total shareholders' equity	3,675.8	3,668.9
Total liabilities and shareholders' equity	6,016.2	6,224.0
Commitments and contingencies (Note 22)		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Harold N. Kvisle
Chairman of the Board of Directors and Director

Kathleen M. O'Neill
Chair of the Audit Committee and Director

ARC RESOURCES LTD.**CONSOLIDATED STATEMENTS OF INCOME**

For the years ended December 31

(Cdn\$ millions, except per share amounts)	2018	2017 ⁽¹⁾
Commodity sales from production (Notes 4 and 20)	1,362.2	1,215.2
Royalties	(115.7)	(102.8)
Sales of commodities purchased from third parties (Note 4)	143.0	88.1
Revenue from commodity sales	1,389.5	1,200.5
Interest income	8.5	6.2
Other income (Note 4)	6.4	8.0
Gain on risk management contracts (Note 17)	94.8	282.8
Total revenue, interest and other income and gain on risk management contracts	1,499.2	1,497.5
Commodities purchased from third parties (Note 4)	143.9	84.8
Operating (Note 4)	288.5	293.6
Transportation	128.8	113.1
Exploration and evaluation (Note 10)	15.7	9.7
General and administrative (Note 4)	69.5	70.2
Interest and financing charges	42.6	45.3
Accretion of asset retirement obligations (Note 15)	11.3	13.1
Depletion, depreciation, amortization and impairment (Notes 11 and 12)	494.7	405.1
Loss (gain) on foreign exchange	63.8	(57.0)
Gain on short-term investments	—	(0.4)
Gain on sale of reclamation fund (Note 8)	(0.9)	—
Gain on disposal of petroleum and natural gas properties (Note 9)	(80.5)	(4.8)
Total expenses	1,177.4	972.7
Net income before income taxes	321.8	524.8
Provision for income taxes (Note 18)		
Current	48.4	16.5
Deferred	59.6	119.4
Total income taxes	108.0	135.9
Net income	213.8	388.9
Net income per share (Note 19)		
Basic	0.60	1.10
Diluted	0.60	1.10

(1) Refer to accompanying Note 4 "Changes in Accounting Policies" for details on revised presentation of certain items in the consolidated statement of income for the year ended December 31, 2017.

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31

(Cdn\$ millions)	2018	2017
Net income	213.8	388.9
Other comprehensive income		
Net unrealized gain (loss) on reclamation fund assets, net of tax (Note 8)	0.9	(0.4)
Realized gain on reclamation fund reclassified into earnings, net of tax (Note 8)	(0.8)	—
Other comprehensive income (loss)	0.1	(0.4)
Comprehensive income	213.9	388.5

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended December 31

(Cdn\$ millions)	Shareholders' Capital (Note 19)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
December 31, 2016	4,654.9	17.6	(1,188.0)	0.3	3,484.8
Net income	—	—	388.9	—	388.9
Other comprehensive loss	—	—	—	(0.4)	(0.4)
Total comprehensive income (loss)	—	—	388.9	(0.4)	388.5
Shares issued pursuant to the Dividend Reinvestment Plan and Stock Dividend Program	3.0	—	—	—	3.0
Recognized under share-based compensation plans (Note 21)	0.6	4.3	—	—	4.9
Dividends declared (Note 19)	—	—	(212.3)	—	(212.3)
December 31, 2017	4,658.5	21.9	(1,011.4)	(0.1)	3,668.9
Net income	—	—	213.8	—	213.8
Other comprehensive income	—	—	—	0.1	0.1
Total comprehensive income	—	—	213.8	0.1	213.9
Recognized under share-based compensation plans (Note 21)	—	5.3	—	—	5.3
Dividends declared (Note 19)	—	—	(212.3)	—	(212.3)
December 31, 2018	4,658.5	27.2	(1,009.9)	—	3,675.8

See accompanying notes to the consolidated financial statements.

ARC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(Cdn\$ millions)	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	213.8	388.9
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	28.6	(137.8)
Accretion of asset retirement obligations (Note 15)	11.3	13.1
Depletion, depreciation, amortization and impairment (Notes 11 and 12)	494.7	405.1
Exploration and evaluation (Note 10)	15.7	9.7
Unrealized loss (gain) on foreign exchange	73.9	(65.2)
Gain on disposal of petroleum and natural gas properties (Note 9)	(80.5)	(4.8)
Deferred tax (Note 18)	59.6	119.4
Other (Note 24)	1.9	3.5
Net change in other liabilities (Note 24)	(20.9)	(30.4)
Change in non-cash working capital (Note 24)	64.7	(28.7)
Cash flow from operating activities	862.8	672.8
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of senior notes	(76.4)	(49.8)
Issuance of common shares	—	0.6
Cash dividends paid	(212.3)	(209.2)
Cash flow used in financing activities	(288.7)	(258.4)
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of petroleum and natural gas properties (Note 11)	(0.2)	(2.5)
Disposal of petroleum and natural gas properties (Note 9)	156.1	—
Property, plant and equipment development expenditures (Note 11)	(619.9)	(810.3)
Exploration and evaluation asset expenditures (Note 10)	(60.1)	(116.7)
Net reclamation fund withdrawals (contributions) (Note 8)	1.1	(0.6)
Disposition of reclamation fund (Note 8)	36.5	—
Net withdrawal of short-term investments	—	452.8
Change in non-cash working capital (Note 24)	(48.2)	60.9
Cash flow used in investing activities	(534.7)	(416.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39.4	(2.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	220.2	222.2
CASH AND CASH EQUIVALENTS, END OF YEAR	259.6	220.2
The following are included in cash flow from operating activities:		
Income taxes paid in cash	14.6	17.1
Interest paid in cash	42.7	46.3

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. STRUCTURE OF THE BUSINESS

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

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

2. BASIS OF PREPARATION

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") up to February 7, 2019. 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 for ARC's risk management contracts which are presented at fair value, as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies" and Note 4 "Changes in Accounting Policies".

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.

The preparation of the financial statements requires Management to use judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated. Significant estimates and judgments used in the preparation of the financial statements are detailed in Note 5 "Management Judgments and Estimation Uncertainty".

These financial statements were authorized for issue by ARC's Board of Directors on February 7, 2019.

3. SUMMARY OF ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and similar type instruments with an original maturity of three months or less when purchased.

Financial Instruments

Classification and Measurement of Financial Instruments

Financial assets and financial liabilities are classified into three categories: Amortized Cost, Fair Value through Other Comprehensive Income ("FVTOCI") and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in ARC's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

- *Amortized Cost*

Cash and cash equivalents, accounts receivable, deferred consideration, accounts payable and accrued liabilities, dividends payable, and long-term debt are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

- **FVTPL**
Risk management contracts, all of which are derivatives, are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately charged to the consolidated statements of income (the "statements of income").
- **FVTOCI**
ARC classified its reclamation fund as being measured at FVTOCI as the contractual cash flows received from the debt instruments were solely payments of principal and interest and the fund was held within a business model whose objective was both to hold the financial assets to collect the contractual cash flows as well as to sell the financial assets. Financial assets measured at FVTOCI are subsequently measured at fair value with changes in fair value recognized in Other Comprehensive Income ("OCI"), net of tax. Transaction costs related to the purchase of financial assets are measured at FVTOCI. Interest, impairment and foreign exchange gains or losses are recognized in the statements of income while all other gains or losses are recognized in OCI. Upon derecognition of the underlying financial asset, amounts in OCI are reclassified to the statements of income. In 2018, ARC disposed of its reclamation fund. As at December 31, 2018, ARC does not have any financial instruments measured at FVTOCI.

Impairment of Financial Assets

Impairment of financial assets is determined by measuring the assets' expected credit loss ("ECL"). Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable. Deferred consideration is measured based on an initial recognition of the 12-month ECL and if credit risk increases significantly since initial recognition, a further lifetime ECL is required to be recognized. ECL allowances have not been recognized for cash and cash equivalents due to the virtual certainty associated with their collection.

The ECL pertaining to accounts receivable and deferred consideration is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of all possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to ARC and the cash flows the Company expects to receive, including cash flows expected from collateral and other credit enhancements that are a part of contractual terms. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative ("G&A") expense in the statements of income.

Based on industry experience, the Company considers its accounts receivable to be in default when the receivable is more than 90 days past due. Based on contractual terms and conditions, the Company considers its deferred consideration to be in default when the counterparty fails to make contractual payments as required. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, ARC derecognizes the gross carrying amount of the financial asset and the associated allowance from the consolidated balance sheets (the "balance sheets").

Exploration and Evaluation ("E&E") Assets

E&E costs are capitalized until the technical feasibility and commercial viability, or otherwise, of the relevant projects have been determined. Technical feasibility and commercial viability of E&E assets is dependent upon the assignment of a sufficient amount of economically recoverable reserves relative to the estimated potential resources available and available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals. E&E costs may include costs of seismic and land acquisitions, technical services and studies, exploratory drilling and testing, and the estimate of any asset retirement costs. Costs incurred prior to obtaining the legal right to explore are expensed as incurred. ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. These operating results are recognized in the statements of income. A depletion charge, recognized as E&E expense, is recognized on these wells using a unit-of-production method based on:

- (a) Total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- (b) Total capitalized cost plus estimated future development costs of proved plus probable reserves, including future estimated asset retirement costs, excluding costs of any associated undeveloped land; and

- (c) Relative volumes of petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Non-producing assets classified as E&E are not depleted.

When a project classified as E&E is determined to be technically feasible and commercially viable, the relevant cost is transferred from E&E to Property, Plant and Equipment ("PP&E") on the balance sheet. The relevant assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the relevant assets' fair value less costs of disposal or value in use. If a decision is made by Management not to continue an E&E project, all associated costs are charged to the statements of income in E&E expenses at that time.

Property, Plant and Equipment

Items of PP&E, which include oil and gas development and production assets and corporate assets, are measured at cost less accumulated depletion, depreciation and amortization ("DD&A") and accumulated impairment charges.

Goodwill

ARC recognizes goodwill relating to a business combination when the total purchase price exceeds the fair value of the identifiable assets and liabilities of the acquired business. Goodwill is stated at cost less any accumulated impairment charges.

Capitalization of Exploration and Development Costs

ARC capitalizes all costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by Management. These costs include certain overhead charges including cash and share-based compensation paid to ARC personnel dedicated to capital projects.

Impairment of Non-Financial Assets

PP&E

ARC's PP&E is grouped into cash generating units ("CGUs") for the purpose of assessing impairment. A CGU is a grouping of assets that generate cash inflows independently of other assets held by the Company. Geological formation, product type, geography and internal management are key factors considered when grouping ARC's petroleum and natural gas assets into CGUs.

CGUs are reviewed at each reporting date for indicators of potential impairment and, in the case of previously impaired CGUs, reversal of impairment. If such indicators exist, an impairment test is performed by comparing the CGU's carrying value to its recoverable amount, defined as the greater of a CGU's fair value less costs of disposal and its value in use. Any excess of carrying value over the recoverable amount is recognized in the statements of income as DD&A and impairment.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant CGU is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated DD&A, if no impairment charge had been recognized. A reversal of impairment of PP&E is recognized in the statements of income as DD&A and impairment.

E&E

E&E assets are assessed for impairment at the operating segment level and are reviewed at each reporting date for indicators of potential impairment, or in the case of previously impaired E&E assets, reversal of impairment. An impairment charge on E&E assets is recognized if the carrying value of the E&E assets exceeds the recoverable amount. Impairment of E&E assets is recognized in the statements of income as E&E expenses.

If there is an indicator that a previously recognized impairment charge may no longer exist or may have decreased, the recoverable amount of the relevant E&E asset is calculated and compared against the carrying amount. An impairment charge is reversed to the extent that the asset's recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated DD&A, if no impairment charge had been recognized. A reversal of impairment of E&E assets is recognized in the statements of income as E&E expenses.

Goodwill

Goodwill is assessed for impairment at the operating segment level. Goodwill has not been attributed to individual CGUs as ARC believes the goodwill it has acquired enhances the value of all of its pre-existing CGUs through enhanced operating efficiencies. Irrespective of whether there is any indication of impairment, goodwill balances are tested for impairment annually. An impairment on goodwill is recognized if the combined carrying amount of the

CGUs including goodwill exceeds the aggregate recoverable amount of the CGUs determined as the greater of the combined fair value less costs of disposal and its value in use. Impairment of goodwill is recognized in the statements of income in DD&A and impairment. Once recognized, impairment of goodwill is not eligible for reversal.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, Management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Certain events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year.

Immediately before the PP&E and E&E are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their carrying amount and recoverable amount, with any impairment charge or reversal of impairment recognized in the statements of income. Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortized.

Dispositions

Gains on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount of the assets held for sale and are recognized separately in the statements of income.

Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reasonably measured. Where the exchange is measured at fair value, a gain or loss is recognized in the statements of income.

Depletion, Depreciation and Amortization

PP&E is componentized into groups of assets with similar useful lives for the purposes of performing depletion calculations. Depletion expense is measured using the unit-of-production method based on:

- (a) total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- (b) total capitalized costs plus estimated future development costs of proved plus probable reserves, including future estimated asset retirement costs; and
- (c) relative volumes of petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Depreciation of corporate assets is calculated on a straight-line basis over the estimated useful lives of the related assets, which range from three to 20 years.

Provisions and Asset Retirement Obligations ("ARO")

Provisions are recognized when ARC has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision for onerous contracts is recognized when the expected economic benefits to be derived by ARC from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the present value of the expected net cost of the remaining term of the contract. Before a provision is established, ARC first recognizes any impairment charge on assets associated with the onerous contract.

Provisions for decommissioning and restoration obligations associated with ARC's E&E and PP&E assets are recognized as ARO. ARO is measured at the present value of Management's best estimate of expenditures required to settle the liability as at the date of the balance sheet. On a periodic basis, Management reviews these estimates and changes, if any, are applied prospectively. The change in fair value of the estimated ARO is recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount in PP&E is depreciated on a unit-of-production basis over the life of the associated

proved plus probable reserves. The long-term liability is increased each reporting period with the passage of time and the associated accretion charge is recognized in the statements of income. Periodic revisions to the liability-specific risk-free discount rate, estimated timing of cash flows or to the estimated undiscounted cost can also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the obligation are recorded against the ARO to the extent of the liability recognized.

Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income tax expense is recognized in the statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Claims made for scientific research and experimental development tax credits are offset against current tax expense.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and tax liabilities are offset to the extent there is a legally enforceable right to set off the recognized amounts and the intent is to either settle on a net basis or to realize the asset and settle the liability simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. To estimate the fair value of its financial instruments, ARC uses quoted market prices when available, or third-party models and valuation methodologies that use observable market data. Fair value is measured using the assumptions that market participants would use, including transaction-specific details and non-performance risk. ARC's risk management contracts are carried at fair value on the balance sheet, all of which are transacted in active markets. The fair value of long-term debt is disclosed in Note 14 "Long-Term Debt". Fair value less costs of disposal is also calculated to determine the recoverable amount of non-financial assets that are tested for impairment or reversal of impairment.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At each reporting date, ARC determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair

value in the financial statements based on the lowest level input that is significant to the fair value measurement as a whole. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Revenue from Commodity Sales

ARC principally generates revenue from the sale of commodities, which include crude oil, natural gas, condensate and natural gas liquids ("NGLs"). Revenue associated with the sale of commodities is recognized when control is transferred from ARC to its customers. ARC's commodity sale contracts represent a series of distinct transactions. ARC considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- ARC has transferred title and physical possession of the commodity to the buyer;
- ARC has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- ARC has the present right to payment.

Revenue represents ARC's share of commodity sales net of royalty obligations to governments and other mineral interest owners. ARC sells its production pursuant to fixed and variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under these contracts, the Company is required to deliver a fixed volume of crude oil, natural gas, condensate or NGLs to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of ARC's variable revenue is considered to be constrained.

Payment terms for ARC's commodity sales contracts are on the 25th of the month following delivery. ARC does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year and therefore ARC does not adjust its revenue transactions for the time value of money.

ARC enters into contracts with customers that can have performance obligations that are unsatisfied, or partially unsatisfied, at the reporting date. At December 31, 2018, the Company has a number of unfulfilled performance obligations including fixed volume and index-based commodity sales contracts. These contracts have varying durations, the Company's longest individual commodity sales contract ends in October 2031. The Company applies a practical expedient of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") and does not disclose quantitative information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to-date. The Company also applies a practical expedient of IFRS 15 that allows any incremental costs of obtaining contracts with customers to be recognized as an expense when incurred rather than being capitalized.

At times, ARC may exchange like commodities with other entities to facilitate ARC's sales to its customers. These non-monetary exchanges lack commercial substance and do not give rise to separate recognition of revenue and expense items in the statements of income.

Share-Based Compensation Plans

ARC's share-based compensation plans include both cash-settled awards and equity-settled awards.

Liabilities associated with cash-settled awards are determined based on the fair value of the award at grant date and are subsequently revalued at each period end. This valuation incorporates the period-end share price, dividends declared during the period, the number of units outstanding at each period end, and certain Management estimates, such as a performance multiplier and estimated forfeiture. Compensation expense is recognized in the statements of income over the relevant service period with a corresponding increase or decrease in accrued liabilities. Classification of the associated short-term and long-term liabilities is dependent on the expected payout dates of the individual awards.

Compensation expense associated with equity-settled awards is determined based on the fair value of the award at grant date and is recognized over the period that the awards vest, with a corresponding increase to contributed

surplus. At the time the awards are exercised, the associated contributed surplus is recognized in shareholders' capital.

Government Grants

Government grants are recognized when there is reasonable assurance that ARC will comply with the conditions attached to them and the grants will be received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant relate to income or expenses, it is recognized in the statements of income in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through reduced DD&A charges.

Joint Arrangements

ARC may conduct its oil and gas production activities through jointly controlled operations and the financial statements reflect only ARC's proportionate interest in such activities. Joint control exists for contractual arrangements governing ARC's assets whereby ARC has less than 100 per cent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associated risks. ARC does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the period average rates of exchange. Translation gains and losses are included in earnings in the period in which they arise.

ARC's functional and presentation currency is Canadian dollars.

4. CHANGES IN ACCOUNTING POLICIES

NEWLY ADOPTED ACCOUNTING POLICIES

IFRS 15 *Revenue from Contracts with Customers*

Effective January 1, 2018, ARC retrospectively adopted IFRS 15. The standard supersedes IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts* and related interpretations. In its retrospective adoption of IFRS 15, ARC applied a practical expedient that allows ARC to avoid re-considering the accounting for any sales contracts that were completed prior to January 1, 2017 and were previously accounted for under IAS 18. The adoption of IFRS 15 did not result in any adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017.

In conjunction with the Company's adoption of IFRS 15, the Company completed a review of the financial statement presentation of its marketing and revenue transactions. At times, ARC purchases commodity products from third parties to fulfill sales commitments and to utilize in blending activities; ARC subsequently sells these products to its customers. It was determined that the margins derived from these transactions which have previously been presented on a net basis within revenue are more appropriately presented as separate revenue and expense items. Prior period comparative figures have been reclassified in these statements of income for comparability with the current period presentation for these items. There is no resultant impact on the net income, comprehensive income, cash flow, or financial position of the Company from this change. The effect of the reclassification on the prior period amount is presented below:

	Year Ended December 31, 2017
Decrease in Sales of crude oil, natural gas, condensate, NGLs and other income ⁽¹⁾	(3.3)
Increase in Sales of commodities purchased from third parties	88.1
Increase in Commodities purchased from third parties	(84.8)
Net income	—

(1) Refers to previous presentation in the statements of income.

In its review, ARC also determined that certain income-generating transactions had been presented within operating expense and G&A expense and are more appropriately presented as other income. Prior period comparative figures have been reclassified in the statements of income for comparability with the current period presentation for these items. There is no resultant impact on the net income, comprehensive income, cash flow or financial position of the Company from this change. The effect of the reclassification on the prior period amount is presented below:

	Year Ended December 31, 2017
Increase in Other income ⁽¹⁾	7.0
Increase in Operating	(5.9)
Increase in G&A	(1.1)
Net income	—

(1) Other income was previously presented as Sales of crude oil, natural gas, condensate, NGLs and other income in the statements of income.

IFRS 9 *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, ARC retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). There were no adjustments to the amounts recognized in ARC's consolidated financial statements for the year ended December 31, 2017.

The adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. There is no difference in the measurement of these instruments under IFRS 9. The following table summarizes the change in classification categories for ARC's financial assets and liabilities.

Financial Assets	IAS 39	IFRS 9
Cash and cash equivalents	Held-for-trading (FVTPL)	Amortized cost
Accounts receivable	Loans and receivables (Amortized cost)	Amortized cost
Reclamation fund	Available-for-sale (FVTOCI)	FVTOCI
Risk management contracts	Held-for-trading (FVTPL)	FVTPL
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)	Amortized cost
Dividends payable	Other financial liabilities (Amortized cost)	Amortized cost
Risk management contracts	Held-for-trading (FVTPL)	FVTPL
Long-term debt	Other financial liabilities (Amortized cost)	Amortized cost

FUTURE ACCOUNTING POLICIES

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 *Leases* ("IAS 17") and related interpretations. IFRS 16 requires the recognition of a right-of-use ("ROU") asset and lease liability on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases with the resultant accounting remaining unchanged from IAS 17.

The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also adopting IFRS 15. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. IFRS 16 will be applied by ARC on January 1, 2019, using the modified retrospective transition approach.

On initial adoption, ARC is applying the following optional expedients permitted under the standard. Some expedients are available on a lease-by-lease basis, while others are applicable by class of underlying asset.

- Certain short-term leases and leases of low value assets that have been identified at January 1, 2019, will not be recognized on the balance sheet. Payments for these leases will be disclosed in the notes to the financial statements.
- Certain classes of lease arrangements that transfer a separate good or service under the same contract that have been identified for recognition at January 1, 2019 will not be separated between their lease and non-lease components and instead will be recognized as a single lease component.
- At January 1, 2019, ARC will recognize leases with terms ending within 12 months as short-term leases.
- In their initial measurement upon transition, some leases having similar characteristics will be measured as a portfolio by applying a single discount rate.
- For certain leases having associated initial direct costs, ARC will, at initial measurement on transition, exclude these direct costs from the measurement of the ROU asset.
- At January 1, 2019, any provision for onerous contracts previously recognized will be applied to the associated ROU asset recognized upon transition to IFRS 16. In these cases, there will be no impairment assessment made under IAS 36 *Impairment of Assets*.
- At January 1, 2019, ARC will recognize its ROU asset for the lease of its head office space having measured it as if IFRS 16 had been applied since inception. This will result in the recognition of an ROU asset that is not equal to its corresponding lease liability on transition.

IFRS 16 is expected to increase the Company's total assets and liabilities and affect ARC's opening retained earnings at January 1, 2019 as ARC recognizes leases on its balance sheet that were not recognized prior to adoption. Future net income will be impacted as the finance charges and depreciation charges associated with lease contracts are not expected to correspond in any one period to the amount of related cash flows. Cash flows associated with lease repayments will be allocated between operating and financing activities based on their interest repayment and principal repayment portions.

The Company's leases that will be recognized on its balance sheet at January 1, 2019 include leases of real estate, equipment, vehicles and surface land rights. The Company has quantified the impact of IFRS 16 on its opening balance sheet at January 1, 2019 in the following table:

ROU asset	43.1
Increase to total assets, January 1, 2019	43.1
Lease liability	58.0
Other deferred liabilities ⁽¹⁾	(10.2)
Deferred taxes	(4.0)
Deficit	(0.7)
Increase to total liabilities and shareholders' equity, January 1, 2019	43.1

(1) The decrease in Other deferred liabilities relates to deferred lease incentives and a previously recognized provision for onerous contracts.

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these financial statements.

The financial statement impact of IFRS 16 is subject to certain management judgments and estimates. Most notably, extension and termination provisions are included in certain lease contracts. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

5. MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

The timely preparation of financial statements in accordance with IFRS requires Management to use judgments, estimates and assumptions. These estimates and judgments are subject to change and actual results could differ from those estimated. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingencies are discussed below.

Crude Oil and Natural Gas Reserves and Resources

There are a number of inherent uncertainties associated with estimating reserves and resources. Reserve and resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing and amount of future expenditures, all of which are subject to many uncertainties, interpretations and judgments. Estimates reflect market and regulatory conditions existing at December 31, 2018 and 2017, which could differ significantly from other points in time throughout the year, or future periods. Reserves and resources have been evaluated at December 31, 2018 and 2017 by ARC's independent qualified reserves evaluator.

Determination of Cash Generating Units

Determination of what constitutes a CGU is subject to Management judgment. The recoverability of development and production asset carrying values are assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Recoverability of Asset Carrying Values

Management applies judgment in assessing the existence of indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as the greater of its fair value less costs of disposal and its value in use. The key estimates ARC applies in determining an acceptable range of recoverable amounts normally includes information on future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes.

In estimating the recoverable amount of a CGU, the following information is incorporated:

- i) The net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by ARC's independent reserves evaluator, adjusted for the net present value of the after-tax abandonment and reclamation costs on proved plus probable undeveloped oil and gas reserves. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years.
- ii) The fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at period end.

- iii) Where applicable, economic contingent resources associated with interests in certain of ARC's properties.
- iv) Recent transactions completed within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

Key input estimates used in the determination of cash flows from oil and gas reserves include the following:

- a) Reserves and resources – Assumptions that are valid at the time of reserve and resource estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, required capital expenditures or recovery rates may change the economic status of reserves and resources and may ultimately result in reserves and resources being revised.
- b) Crude oil and natural gas prices – Forward price estimates of crude oil and natural gas prices are used in the discounted cash flow model. These prices are adjusted for quality differentials, heat content and distance to market. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.
- c) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital as appropriate for each CGU being tested. Changes in the general economic environment could result in significant changes to this estimate.

Depletion of Oil and Gas Assets

Depletion of oil and gas assets is determined based on total proved plus probable reserves as well as future development costs as estimated by ARC's independent qualified reserves evaluator.

Oil and Gas Activities

The Company applies judgment when classifying the nature of oil and gas activities as E&E or PP&E, and when determining whether capitalization of the initial costs of these activities is appropriate. The Company uses historical drilling results, project economics, resource quantities, production technology expectations, production costs and future development costs to make judgments about future events and circumstances.

E&E Assets

The accounting for E&E assets requires Management to make judgments as to whether E&E activities have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such petroleum products to be estimated. Previous estimates are sometimes revised as new information becomes available.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum products is technically feasible and commercially viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have E&E assets remain classified as such for several years while additional E&E activities are carried out or the Company seeks government, regulatory or internal approval for development plans. E&E assets are subject to ongoing Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. When Management is making this assessment, changes to project economics, expected capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions are important factors considered.

Provisions

The determination of provisions may be a complex process that involves Management judgments about the outcomes of future events and estimates on timing and amount of expected future cash flows.

Asset Retirement Obligations

The provision for site restoration and abandonment is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

Fair Value of Financial Instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves and risk of non-performance. A change in any one of these factors could result in a change to the overall estimated valuation of the instrument.

Share-Based Compensation

Compensation expense accrued for Performance Share Units ("PSUs") awarded under ARC's Restricted Share Unit and Performance Share Unit Plan ("RSU and PSU Plan") is dependent on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier that is estimated by Management. Large fluctuations in compensation expense may occur due to changes in the underlying share price or revised Management estimates of relevant performance factors.

Compensation expense recognized for ARC's Share Option Plan is based on a binomial-lattice option pricing model. The inputs to this model, including dividend yield, expected volatility, forfeitures and discount rates, rely on Management judgment. Forfeitures are estimated through the vesting period based on past experience and future expectations, and adjusted upon actual forfeitures.

Compensation expense recognized for ARC's Long-term Restricted Share Award Plan ("LTRSA Plan") is dependent on Management's estimate of the number of restricted shares that will ultimately vest.

Income Taxes

Tax regulations and legislation are subject to change and there are differing interpretations requiring Management judgment. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods, which requires Management judgment. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods, which requires Management judgment. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

6. FINANCIAL ASSETS AND CREDIT RISK

Credit risk is the risk of financial loss to ARC if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. As at December 31, 2018, ARC is exposed to credit risk with respect to its accounts receivable, risk management contracts and deferred consideration.

Credit risk associated with the Company's deferred consideration is considered to be low as this asset is secured by ARC's contractual right to receive the full amount owing through a gross overriding royalty in the case of counterparty default.

Credit risk is considered very low for the Company's accounts receivable and risk management contracts due to the external credit ratings of its counterparties and ARC's processes for selecting and monitoring credit-worthy counterparties. Most of ARC's accounts receivable relate to crude oil and liquids and natural gas sales and are subject to typical industry credit risks. At December 31, 2018, 74 per cent of ARC's accounts receivable were for commodity sales (78 per cent at December 31, 2017), of which approximately 85 per cent (approximately 82 per cent at December 31, 2017) were with customers who were considered to be investment-grade.

ARC manages its credit risk as follows:

- by entering into sales contracts with only established, credit-worthy counterparties as verified by a third-party rating agency, through internal evaluation or by requiring security such as letters of credit or parental guarantees;
- by limiting exposure to any one counterparty in accordance with ARC's credit policy;
- by restricting cash equivalent investments and risk management transactions to counterparties that are not less than investment grade;
- by adding collateral and other credit enhancements to contractual terms related to its deferred consideration; and

- by subjecting all counterparties to regular credit reviews.

The majority of the credit exposure on accounts receivable at December 31, 2018 pertains to accrued sales revenue for December 2018 production volumes. ARC transacts with a number of crude oil and natural gas marketing companies and commodity end users ("commodity purchasers"), substantially all of which have investment-grade credit ratings. Commodity purchasers and marketing companies typically remit amounts to ARC by the 25th day of the month following production. Joint interest receivables are typically collected within one to three months following production.

For the year ended December 31, 2018, ARC had one external customer that constituted more than 10 per cent of commodity sales from production. Sales to this customer were \$141.0 million for the year ended December 31, 2018. At December 31, 2017, none of ARC's external customers constituted more than 10 per cent of commodity sales from production.

At December 31, 2018, \$7.8 million of accounts receivable are past due, the balance of which are considered to be collectible (\$5.7 million at December 31, 2017). The lifetime ECL allowances related to ARC's commodity product sales receivables and joint venture receivables recognized in accounts receivable, as well as the 12-month ECL allowance for ARC's reclamation fund and deferred consideration were nominal as at and for the periods ended December 31, 2018 and 2017.

ARC's accounts receivable were aged as follows at December 31, 2018 and 2017:

Accounts Receivable Aging	December 31, 2018	December 31, 2017
Current (less than 30 days)	101.4	125.9
31 - 60 days	3.0	1.1
61 - 90 days	1.9	—
Past due (more than 90 days)	7.8	5.7
Balance	114.1	132.7

Maximum credit risk is calculated as the total recorded value, before ECL allowances, of accounts receivable, deferred consideration, and risk management contracts at the balance sheet date.

7. DEFERRED CONSIDERATION

During the year ended December 31, 2018, ARC recognized \$40.0 million of deferred consideration, which is secured by a gross overriding royalty, related to the disposition of its Redwater assets. Refer to Note 6 "Financial Assets and Credit Risk". The deferred consideration bears interest at a rate of six per cent per annum and is due on January 2, 2020. For the year ended December 31, 2018, ARC recognized \$0.8 million of accrued interest within accounts receivable.

8. RECLAMATION FUND

In 2005, ARC established a restricted reclamation fund to finance obligations specifically associated with its Redwater property. During the year ended December 31, 2018, ARC disposed of its Redwater assets, including the reclamation fund.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	36.7	36.5
Contributions	—	3.1
Reimbursed expenditures ⁽¹⁾	(1.4)	(2.8)
Interest earned on funds	0.3	0.3
Net unrealized loss (gain) on reclamation fund assets, net of tax	0.9	(0.4)
Realized gain on reclamation fund reclassified into earnings, net of tax	(0.8)	—
Disposition of reclamation fund	(35.7)	—
Balance, end of year	—	36.7

(1) Amount differs from actual expenditures incurred by ARC due to timing differences.

9. ASSET DISPOSITIONS

During the year ended December 31, 2018, ARC completed various divestments of assets that were designated as held for sale as they were outside the core areas of ARC's future strategic plan.

Redwater

During the year ended December 31, 2018, ARC disposed of its assets in the Redwater area of Alberta for net proceeds of \$130.3 million, subject to post-closing adjustments. At closing, \$90.3 million of the purchase price was received in cash with the remaining \$40.0 million being recognized as deferred consideration.

Net proceeds	
Cash consideration	90.3
Deferred consideration	40.0
	130.3
Assets held for sale	251.1
Liabilities associated with assets held for sale	(180.1)
Reclamation fund	36.5
Reversal of impairment	22.8
	130.3

Other Assets

During the year ended December 31, 2018, ARC disposed of certain non-core assets in Alberta and British Columbia for total net proceeds of \$102.3 million, subject to post-closing adjustments. Gains on disposition of \$80.5 million and impairment charges of \$7.4 million were recognized in the statements of income for the year ended December 31, 2018.

Assets Held For Sale

As at December 31, 2018, the balance of assets held for sale was \$nil (\$301.1 million as at December 31, 2017).

At December 31, 2017, ARC determined that certain non-core assets in Alberta met the classification requirements for assets held for sale. Immediately prior to classifying the assets as held for sale, ARC conducted a review of the assets' recoverable amounts and recognized an impairment charge of \$2.8 million in DD&A and impairment in the statements of income for the year ended December 31, 2017. The recoverable amount was determined based on the assets' fair value less costs of disposal and was primarily based on a bid received from a prospective buyer of these assets. The assets held for sale had associated liabilities of \$219.7 million at December 31, 2017, consisting of related ARO.

Assets held for sale	
Balance, January 1, 2017	242.3
Additions	63.5
Disposals	(6.3)
E&E assets reclassified as held for sale	1.6
Balance, December 31, 2017	301.1
Additions	23.0
Reversal of impairment	15.2
Disposals	(339.3)
Balance, December 31, 2018	—

10. EXPLORATION AND EVALUATION ASSETS

Carrying Amount	
Balance at January 1, 2017	313.2
Additions	116.7
Assets reclassified as held for sale	(1.6)
Impairment on E&E assets	(9.7)
Change in asset retirement cost	0.3
Balance, December 31, 2017	418.9
Additions	60.1
E&E expenses	(15.7)
Change in asset retirement cost	0.8
Transferred to PP&E	(247.0)
Balance, December 31, 2018	217.1

ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. For the years ended December 31, 2018 and 2017, these operating results have been recognized in the statements of income and comprised sales of crude oil, natural gas, condensate and NGLs of \$47.9 million and \$23.3 million and total expenses of \$21.6 million and \$9.1 million, respectively. All operating cash flows associated with E&E assets for the years ended December 31, 2018 and 2017 are reflected in cash flow from operating activities.

During the three months ended December 31, 2018, ARC determined certain of its E&E assets to be technically feasible and commercially viable and eligible to be transferred to PP&E. An impairment test was conducted prior to the transfer, but no impairment was recognized as the recoverable amount of this asset exceeded its carrying value. The estimated recoverable amount was determined to be the assets' fair value less costs of disposal using the same inputs as described in Note 12 "Impairment of Property, Plant and Equipment and Goodwill". At December 31, 2018, the remaining assets in E&E were evaluated for indicators of any potential impairment. No indicators were identified and no impairment was recognized on ARC's remaining E&E assets.

At December 31, 2017, ARC classified certain E&E assets in Alberta as held for sale. Immediately prior to classifying the assets as held for sale, they were assessed for indicators of impairment and were measured at the lower of their carrying value and fair value less costs of disposal. The carrying value of these assets was greater than the recoverable amount, and as a result, an impairment charge of \$9.7 million was recognized as E&E expenses in the statements of income. The assets were divested in 2018. At December 31, 2017, ARC evaluated its remaining E&E assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified for these assets and no additional impairment was recognized.

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Development and Production Assets	Corporate Assets	Total
Balance, January 1, 2017	7,020.3	67.3	7,087.6
Additions	804.7	5.9	810.6
Acquisitions	12.0	—	12.0
Change in asset retirement cost	80.3	—	80.3
Assets reclassified as held for sale and disposed in period	(9.1)	—	(9.1)
Assets reclassified as held for sale	(189.4)	—	(189.4)
Other	0.3	—	0.3
Balance, December 31, 2017	7,719.1	73.2	7,792.3
Additions	617.6	2.6	620.2
Acquisitions	0.2	—	0.2
Change in asset retirement cost	(37.8)	—	(37.8)
Assets reclassified as held for sale and disposed in period	(84.7)	—	(84.7)
Transferred from E&E	247.0	—	247.0
Other	0.2	—	0.2
Balance, December 31, 2018	8,461.6	75.8	8,537.4

Accumulated DD&A and Impairment

Balance, January 1, 2017	(2,929.1)	(39.6)	(2,968.7)
DD&A	(471.9)	(5.7)	(477.6)
Reversal of impairment (Note 12)	72.5	—	72.5
Accumulated DD&A and impairment reclassified as held for sale and disposed in period	2.8	—	2.8
Accumulated DD&A and impairment reclassified as held for sale	132.2	—	132.2
Other	(0.4)	—	(0.4)
Balance, December 31, 2017	(3,193.9)	(45.3)	(3,239.2)
DD&A and impairment	(504.0)	(5.9)	(509.9)
Accumulated DD&A and impairment reclassified as held for sale	60.9	—	60.9
Other	0.2	—	0.2
Balance, December 31, 2018	(3,636.8)	(51.2)	(3,688.0)

Carrying Amounts

Balance, December 31, 2017	4,525.2	27.9	4,553.1
Balance, December 31, 2018	4,824.8	24.6	4,849.4

For the year ended December 31, 2018, \$27.6 million of direct and incremental overhead charges were capitalized to PP&E (\$29.7 million for the year ended December 31, 2017). For the year ended December 31, 2018, future development costs of \$3.7 billion were included in the determination of DD&A (\$3.2 billion for the year ended December 31, 2017).

12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

Goodwill

At December 31, 2018 and 2017, ARC conducted an impairment test of its goodwill. The carrying value of goodwill at December 31, 2018 and 2017 was not determined to be impaired as the combined recoverable amount of ARC's CGUs exceeded the combined carrying value of ARC's operating segment.

PP&E

On January 1, 2018, ARC conducted an analysis of its CGUs to determine if their composition was still reflective of ARC's core asset base and internal asset management. Following the analysis, it was determined that the original CGUs that were created on transition to IFRS no longer appropriately reflect ARC's current asset base for purposes of determining impairment. The divestment of several non-core properties and continued growth and development in concentrated areas has resulted in ARC's asset base primarily comprising Montney assets in British Columbia and Alberta and Cardium assets in Alberta. ARC's marketing and infrastructure strategy demonstrates significant interdependence of ARC's properties and effective January 1, 2018, ARC's CGUs were realigned into three CGUs: Northeast British Columbia ("NEBC"), Northern Alberta ("NAB") which includes Pembina, and Redwater, which was divested during the year ended December 31, 2018. Refer to Note 9 "Asset Dispositions". At the time of realignment, ARC estimated the recoverable amounts of its new CGUs and compared them to the recoverable amounts of its previous CGUs and the respective carrying amounts and noted that no asset impairment or reversal of impairment would arise as a result of the realignment.

2018 Impairment Assessment

At December 31, 2018, ARC evaluated its PP&E for indicators of any potential impairment or related impairment reversal. At December 31, 2018, ARC's net asset value was greater than its market capitalization. An impairment test was conducted over ARC's CGUs, but no impairment was recognized as the estimated recoverable amount of each CGU exceeded its carrying value.

The estimated recoverable amount was based on a fair value less costs of disposal calculation using an after-tax discount rate that is based on an estimated industry weighted average cost of capital ranging from 9.5 to 10.5 per cent, an inflation rate of two per cent, and the following forward commodity price estimates:

	Edmonton Light Crude Oil	WTI Oil	AECO Gas	NYMEX Henry Hub Gas	Cdn\$/US\$
Year	(Cdn\$/bbl) ⁽¹⁾	(US\$/bbl) ⁽¹⁾	(Cdn\$/MMBtu) ⁽¹⁾	(US\$/MMBtu) ⁽¹⁾	Exchange Rates ⁽¹⁾
2019	63.33	56.25	1.85	3.00	0.75
2020	75.32	63.00	2.29	3.15	0.77
2021	79.75	67.00	2.67	3.35	0.79
2022	81.48	70.00	2.90	3.50	0.81
2023	83.54	72.50	3.14	3.63	0.82
2024	86.06	75.00	3.23	3.70	0.83
2025	89.09	77.50	3.34	3.77	0.83
2026	92.62	80.41	3.41	3.85	0.83
2027	94.57	82.02	3.48	3.93	0.83
2028	96.56	83.66	3.54	4.00	0.83
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.83

(1) Source: GLJ Petroleum Consultants price forecast, effective January 1, 2019.

Although no impairment or reversal of impairment was recognized on ARC's PP&E for the year ended December 31, 2018, the following table demonstrates the sensitivity of the estimated recoverable amount of reasonably possible changes in key assumptions inherent in the estimate.

	Increase in Discount Rate of 1 per cent	Decrease in Discount Rate of 1 per cent	Decrease in Cash Flow Estimates of 5 per cent	Increase in Cash Flow Estimates of 5 per cent
Reversal of impairment (impairment), (net of tax)	(45.0)	62.5	(52.9)	62.5

At March 31, 2018, ARC evaluated its PP&E for indicators of any potential impairment or related impairment reversal, as the outlook of future natural gas prices had decreased since the time of the last impairment test conducted on ARC's CGUs. An impairment test was conducted over ARC's CGUs, but no impairment or reversal of impairment was recognized.

2017 Impairment Assessment

At December 31, 2017, ARC evaluated its PP&E for indicators of any potential impairment or related impairment reversal. No indicators of impairment were identified and no impairment or related reversal was recognized on ARC's PP&E.

At June 30, 2017, ARC identified an indicator of potential impairment due to a decrease in the outlook of future commodity prices since the time of ARC's last CGU impairment test at December 31, 2015. This resulted in an impairment test of each CGU. The impairment tests did not result in any impairment charges being recognized on ARC's PP&E. However, it was determined that the estimated recoverable amount of the NAB CGU exceeded its carrying amount as a result of increased drilling locations and capital expenditures in the CGU since the time of ARC's last asset impairment test, which led to an increase in proved plus probable oil and gas reserves that more than offset the decreases in future commodity prices. As a result, a reversal of impairment of \$75.0 million was recognized in DD&A and impairment in the statements of income.

The following table summarizes the primary product composition of ARC's NAB CGU, estimated recoverable amount, estimated discount rate assumed, and before and after-tax reversal of impairment recognized during the year ended December 31, 2017:

CGU	Primary Type of Producing Assets	Recoverable Amount	Discount Rate ⁽¹⁾	Reversal of Impairment	Reversal of Impairment, Net of Tax
Northern Alberta	Crude oil and natural gas	574.0	10.0%	75.0	55.1

(1) After-tax discount rate based on an estimated industry weighted average cost of capital appropriate for the CGU.

Prior to this reversal, \$156.1 million of previously recognized impairment charges were eligible to be reversed in the NAB CGU. Subsequent to this reversal of impairment, \$81.1 million of previously recognized impairment charges remained eligible to recover.

The estimated recoverable amounts incorporated the net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by ARC's independent reserves evaluator at December 31, 2016, updated using forward commodity price estimates at July 1, 2017 provided by ARC's independent reserves evaluator and adjusted for the net present value of the after-tax abandonment and reclamation costs on properties without proved plus probable oil and gas reserves, as well as the fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2016. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years. The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates that are based on an estimated industry weighted average cost of capital ranging from 9.5 to 10.5 per cent, depending on the resource composition of the assets in the CGU and an inflation rate of two per cent.

	Edmonton Light Crude Oil	WTI Oil	AECO Gas	NYMEX Henry Hub Gas	Cdn\$/US\$
Year	(Cdn\$/bbl) ⁽¹⁾	(US\$/bbl) ⁽¹⁾	(Cdn\$/MMBtu) ⁽¹⁾	(US\$/MMBtu) ⁽¹⁾	Exchange Rates ⁽¹⁾
2017	61.33	49.00	2.83	3.20	0.75
2018	63.23	52.00	2.93	3.20	0.78
2019	66.88	57.00	3.05	3.30	0.80
2020	70.30	62.00	3.22	3.45	0.83
2021	72.94	66.00	3.39	3.65	0.85
2022	76.47	69.00	3.58	3.85	0.85
2023	80.00	72.00	3.76	4.05	0.85
2024	83.53	75.00	3.95	4.25	0.85
2025	87.06	78.00	4.03	4.34	0.85
2026	89.99	81.27	4.11	4.42	0.85
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	+2.0% per year	0.85

(1) Source: GLJ Petroleum Consultants price forecast, effective July 1, 2017.

The following table demonstrates the effect of the assumed discount rate and the effect of forecast cash flow estimates on the after-tax reversal of impairment recognized at June 30, 2017 in the NAB CGU.

	Increase in Discount Rate of 1 per cent	Decrease in Discount Rate of 1 per cent	Decrease in Cash Flow Estimates of 5 per cent	Increase in Cash Flow Estimates of 5 per cent
Reversal of impairment increase (decrease) (net of tax)	(26.6)	31.2	(33.0)	33.0

The fair value less costs of disposal values used to determine the recoverable amounts of ARC's CGUs at June 30, 2017 and December 31, 2018 are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, Management's best estimates. Refer to Note 3 "Summary of Accounting Policies" for information on fair value hierarchy classifications.

The results of the impairment and impairment reversal tests performed are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development capital expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or reversal of impairment charges.

13. FINANCIAL LIABILITIES AND LIQUIDITY RISK

Liquidity risk is the risk that ARC will not be able to meet its financial obligations as they become due. ARC actively manages its liquidity at a reasonable cost through strategies such as continuously monitoring forecast and actual cash flows from operating, financing and investing activities, available credit and working capital facilities under existing banking arrangements, and opportunities to issue additional equity. Management believes that future cash flows generated from these sources will be adequate to settle ARC's financial liabilities. Refer to Note 14 "Long-Term Debt" for further details on available amounts under existing banking arrangements and Note 16 "Capital Management" for further details on ARC's capital management objectives and policies.

The following tables detail the undiscounted cash flows and contractual maturities of ARC's financial liabilities as at December 31, 2018 and 2017:

As at December 31, 2018	Carrying Amount	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities ⁽¹⁾	150.2	150.2	—	—	—
Dividends payable	17.7	17.7	—	—	—
Risk management contracts ⁽²⁾	4.6	0.3	4.3	—	—
Long-term debt	909.2	80.5	313.5	302.5	212.7
Interest payments	139.9	36.6	58.5	32.2	12.6
Total financial liabilities	1,221.6	285.3	376.3	334.7	225.3

As at December 31, 2017	Carrying Amount	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities ⁽¹⁾	146.4	146.4	—	—	—
Dividends payable	17.7	17.7	—	—	—
Risk management contracts ⁽²⁾	0.2	—	0.2	—	—
Long-term debt	911.3	73.9	218.3	302.7	316.4
Interest payments	166.6	37.6	63.9	41.4	23.7
Total financial liabilities	1,242.2	275.6	282.4	344.1	340.1

(1) Excludes the portion of the cash obligations associated with the RSU and PSU Plan that will be settled within one year, as well as interest payable at December 31, 2018 and 2017.

(2) Risk management contracts are derivatives. All other financial liabilities contained in this table are non-derivative liabilities.

14. LONG-TERM DEBT

	US \$ Denominated		Canadian \$ Amount	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Senior notes				
Master Shelf Agreement				
4.98% US\$ note	10.0	20.0	13.6	25.0
3.72% US\$ note	150.0	150.0	204.7	187.8
2009 note issuance				
8.21% US\$ note	21.0	28.0	28.7	35.1
2010 note issuance				
5.36% US\$ note	120.0	150.0	163.7	187.8
2012 note issuance				
3.31% US\$ note	36.0	48.0	49.1	60.1
3.81% US\$ note	300.0	300.0	409.4	375.5
4.49% Cdn\$ note	N/A	N/A	40.0	40.0
Total long-term debt outstanding	637.0	696.0	909.2	911.3
Long-term debt due within one year			80.5	73.9
Long-term debt due beyond one year			828.7	837.4

Credit Facility

ARC has a \$950.0 million, annually extendable, financial covenant-based syndicated credit facility ("facility"). The current maturity date of the facility is November 8, 2022. At December 31, 2018 this facility was undrawn. ARC also has in place a \$40.0 million demand working capital facility and letter of credit facilities from two lenders totaling \$40.0 million. Both the working capital facility and the letter of credit facilities are subject to the same covenants as the syndicated credit facility.

Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at ARC's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 25 basis points and 215 basis points on Canadian bank prime and US base rate borrowings and between 125 basis points and 315 basis points on Canadian dollar bankers' acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 25 to 63 basis points.

On October 31, 2018, ARC extended its syndicated revolving credit facility for one additional year until November 8, 2022 at similar terms.

Senior Notes Issued Under a Master Shelf Agreement

The senior notes were issued in two separate tranches pursuant to an uncommitted Master Shelf Agreement. The terms and rates are summarized below:

Issue Date	Remaining Principal	Coupon Rate	Maturity Date	Principal Payment Terms
March 5, 2010	US\$10 million	4.98%	March 5, 2019	Five equal installments beginning March 5, 2015
September 25, 2014	US\$150 million	3.72%	September 25, 2026	Five equal installments beginning September 25, 2022

Senior Notes Not Subject to the Master Shelf Agreement

The senior notes not subject to the Master Shelf Agreement were issued by way of private placements. The terms and rates are summarized below:

Issue Date	Remaining Principal	Coupon Rate	Maturity Date	Principal Payment Terms
April 14, 2009	US\$21 million	8.21%	April 14, 2021	Five equal installments beginning April 14, 2017
May 27, 2010	US\$120 million	5.36%	May 27, 2022	Five equal installments beginning May 27, 2018
August 23, 2012	US\$36 million	3.31%	August 23, 2021	Five equal installments beginning August 23, 2017
August 23, 2012	US\$300 million	3.81%	August 23, 2024	Five equal installments beginning August 23, 2020
August 23, 2012	Cdn\$40 million	4.49%	August 23, 2024	Five equal installments beginning August 23, 2020

Credit Capacity

The following table summarizes ARC's available credit capacity and the current amounts drawn as at December 31, 2018:

	Credit Capacity	Drawn	Remaining
Syndicated credit facility	950.0	—	950.0
Working capital facility	40.0	—	40.0
Senior notes subject to a Master Shelf Agreement	218.3	218.3	—
Senior notes not subject to a Master Shelf Agreement	690.9	690.9	—
Total	1,899.2	909.2	990.0

Debt Covenants

The following are the significant financial covenants governing the revolving credit facilities:

- long-term debt and letters of credit not to exceed three-and-a-half times trailing 12-month net income before non-cash items, income taxes and interest expense;
- long-term debt, letters of credit, and subordinated debt not to exceed four times trailing 12-month net income before non-cash items, income taxes and interest expense; and
- long-term debt and letters of credit not to exceed 55 per cent of the book value of shareholders' equity and long-term debt, letters of credit, and subordinated debt.

As at December 31, 2018, ARC had \$20.0 million in letters of credit (\$11.8 million at December 31, 2017), no subordinated debt, and was in compliance with all covenants.

At December 31, 2018, the fair value of all senior notes is \$881.7 million (\$922.1 million as at December 31, 2017), compared to a carrying value of \$909.2 million (\$911.3 million as at December 31, 2017). At December 31, 2018, ARC was in compliance with all of its debt covenants.

On September 25, 2017, the Company's Master Shelf Agreement expired, reducing ARC's total debt capacity by US\$170.6 million. At December 31, 2018, ARC's total debt capacity is \$1,899.2 million (\$1,901.3 million as at December 31, 2017).

15. ASSET RETIREMENT OBLIGATIONS

The total ARO was estimated by Management based on ARC's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. ARC has estimated the net present value of its total ARO to be \$356.7 million as at December 31, 2018 (\$402.8 million at December 31, 2017) based on a total future undiscounted liability of \$872.7 million (\$1,075.8 million at December 31, 2017). Management estimates that these payments are expected to be made over the next 67 years with the majority of payments being made in years 2069 to 2085. The Bank of Canada's long-term risk-

free bond rate of 2.2 per cent (2.3 per cent at December 31, 2017) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2017) were used to calculate the present value of ARO at December 31, 2018.

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	402.8	378.9
Development activities	5.1	10.5
Change in estimates ⁽¹⁾	(57.1)	50.6
Change in discount rate	14.6	19.5
Settlement of obligations	(15.8)	(19.8)
Accretion	11.3	13.1
Acquisitions	0.4	—
Dispositions	(0.3)	(1.4)
Reclassified as liabilities associated with assets held for sale	(4.3)	(48.6)
Balance, end of year	356.7	402.8
Expected to be incurred within one year	19.5	16.0
Expected to be incurred beyond one year	337.2	386.8

(1) Relates to changes in costs of future obligations and anticipated settlement dates of ARO.

16. CAPITAL MANAGEMENT

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

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

- fund its development and exploration programs;
- provide financial flexibility to execute on strategic opportunities; and
- maintain a dividend policy that is sustainable.

ARC manages its capital through:

- common shares and
- net debt.

When evaluating ARC's capital structure, Management's long-term strategy is to keep its net debt balance to a ratio of between 1.0 and 1.5 times annualized funds from operations. Traditionally, ARC has also had an objective to keep its net debt balance to less than 20 per cent of total market capitalization. Management views the ratio of net debt to market capitalization as less meaningful as a capital management tool given the various external factors that influence market capitalization and the inherent limitation these factors place on management's ability to control it. At December 31, 2018, Management no longer identifies a targeted net debt balance to total market capitalization to evaluate its capital structure.

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, fund future growth through capital investment, and to repay debt. Management believes that such a measure provides an insightful assessment of ARC's operations on a continuing basis by eliminating certain non-cash charges and 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.

Funds from operations for the years ended December 31, 2018 and 2017 is calculated as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash flow from operating activities	862.8	672.8
Net change in other liabilities (Note 24)	20.9	30.4
Change in non-cash operating working capital (Note 24)	(64.7)	28.7
Funds from operations	819.0	731.9

Net Debt

Net debt is used by Management as a key measure to assess the Company's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

	December 31, 2018	December 31, 2017
Long-term debt ⁽¹⁾	909.2	911.3
Accounts payable and accrued liabilities	166.5	170.0
Dividends payable	17.7	17.7
Cash and cash equivalents, accounts receivable, prepaid expenses, and short-term investments	(390.7)	(371.0)
Net debt	702.7	728.0
Net debt to funds from operations (ratio)	0.9	1.0

(1) Includes current portion of long-term debt at December 31, 2018 and 2017 of \$80.5 million and \$73.9 million, respectively.

17. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial Instruments

ARC's 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. ARC does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy for the year ended December 31, 2018. The carrying values of ARC's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable as at December 31, 2018 approximate their fair values.

Financial Assets and Financial Liabilities Subject to Offsetting

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at December 31, 2018 and December 31, 2017:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheet
As at December 31, 2018					
Risk management contracts					
Current asset	191.1	(21.1)	170.0	(1.3)	168.7
Long-term asset	124.8	(22.0)	102.8	(0.7)	102.1
Current liability	(21.4)	21.1	(0.3)	—	(0.3)
Long-term liability	(26.5)	22.0	(4.5)	0.2	(4.3)
Net position	268.0	—	268.0	(1.8)	266.2
As at December 31, 2017					
Risk management contracts					
Current asset	178.1	(30.8)	147.3	(0.7)	146.6
Long-term asset	156.9	(7.7)	149.2	(0.8)	148.4
Current liability	(30.8)	30.8	—	—	—
Long-term liability	(7.9)	7.7	(0.2)	—	(0.2)
Net position	296.3	—	296.3	(1.5)	294.8

Market Risk Management

ARC is exposed to a number of market risks that are part of its normal course of business. Market risks that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include commodity price risk, interest rate risk, and foreign exchange risk. ARC has a risk management program in place that includes financial instruments as disclosed in the Risk Management Contracts section of this note.

ARC's Management oversees the Company's risk management program and the program is governed by certain guidelines approved by the Risk Committee of the Board of Directors. The objective of the risk management program is to support ARC's business plan by mitigating adverse changes in commodity prices, interest rates and foreign exchange rates in order to reduce the volatility of commodity sales, increase the certainty of cash flows from operating activities, and to protect acquisition and development economics. All risk management contracts are executed by specialist teams that have the appropriate skills, experience and supervision.

ARC has prepared sensitivity analyses in an attempt to demonstrate the hypothetical effect of changes in these market risk factors on ARC's net income. For the purposes of the sensitivity analyses, the effect of a variation in a particular variable is calculated independently of any change in another variable. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. The assumptions made to derive the changes in the relevant risk variables in each sensitivity analysis are based on Management's assessment of reasonably possible changes that could occur at December 31, 2018. The results of the sensitivity analyses should not be considered to be predictive of future performance.

Commodity Price Risk

ARC's operational results and financial condition are largely dependent on the commodity prices received for its crude oil and natural gas production. Commodity prices have fluctuated widely during recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic, and geopolitical factors. Movement in commodity prices could have a significant positive or negative impact on ARC's net income.

The guidelines for ARC's risk management program currently restrict the amount of risk management contracts to a maximum of 60 per cent of production guidance over the next two years and 30 per cent of production guidance beyond two years and up to five years where a specific commodity (crude oil or natural gas) cannot exceed a maximum of 70 per cent over the next two years and 35 per cent for years three through five. ARC's risk management

program guidelines allow for further risk management contracts on anticipated volumes associated with new production arising from specific capital projects and acquisitions or to further protect cash flows for a specific period with approval of the Board.

ARC manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts (see Risk Management Contracts section below). The following table illustrates the effects of movement in commodity prices on net income due to changes in the fair value of risk management contracts in place at December 31, 2018.

Sensitivity of Commodity Price Risk Management Contracts	Increase in Commodity Price				Decrease in Commodity Price			
	Crude Oil ⁽¹⁾		Natural Gas ⁽²⁾		Crude Oil ⁽¹⁾		Natural Gas ⁽²⁾	
	2018	2017	2018	2017	2018	2017	2018	2017
Net income increase (decrease)	(57.2)	(72.2)	(119.3)	(121.9)	50.9	65.3	107.7	116.9

(1) Crude oil sensitivities are based on a US\$10 increase and decrease in the price of West Texas Intermediate ("WTI") and a 10 per cent increase and decrease in the Mixed Sweet Blend ("MSW") differential between WTI and the mixed sweet crude grade at Edmonton, Alberta.

(2) Natural gas sensitivities are based on a US\$0.50 increase and decrease in the price of New York Mercantile Exchange ("NYMEX") natural gas and a 10 per cent increase and decrease in the Alberta natural gas trading price ("AECO") basis relative to NYMEX and other natural gas trading price basis' relative to NYMEX.

ARC enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognized at cost at the time of transaction.

Interest Rate Risk

ARC may manage its interest cost using a mix of both fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount ARC pays to service variable interest rate debt. At December 31, 2018 and 2017, ARC did not hold any variable interest rate debt and therefore was not exposed to interest rate risk on its long-term debt. Changes in interest rates could result in interest rate risk on ARC's fixed rate senior notes upon renewal.

Foreign Exchange Risk

North American crude oil and natural gas prices are based upon US dollar-denominated commodity prices. As a result, the price received by Canadian producers is affected by the Cdn\$/US\$ foreign exchange rate that may fluctuate over time. In addition, ARC has US dollar-denominated debt and interest obligations of which future cash repayments are directly impacted by the exchange rate in effect on the repayment date.

The following table demonstrates the effect of exchange rate movements on net income due to changes in the fair value of risk management contracts in place at December 31, 2018 as well as the unrealized gain or loss on revaluation of outstanding US dollar-denominated debt. The sensitivity is based on a \$0.10 increase and decrease in the Cdn\$/US\$ foreign exchange rate.

Sensitivity of Foreign Exchange Exposure	Increase in Cdn\$/US\$ rate		Decrease in Cdn\$/US\$ rate	
	2018	2017	2018	2017
Risk management contracts	(9.2)	(16.4)	1.7	15.7
US dollar-denominated debt	(46.5)	(50.8)	46.5	50.8
Net income increase (decrease)	(55.7)	(67.2)	48.2	66.5

Increases and decreases in foreign exchange rates applicable to US dollar-denominated payables and receivables would have a nominal impact on ARC's net income for the year ended December 31, 2018.

Risk Management Contracts

The following table summarizes the average crude oil and natural gas volumes associated with ARC's risk management contracts as at December 31, 2018.

Risk Management Contracts Positions Summary ⁽¹⁾

As at December 31, 2018	2019		2020		2021		2022		2023	
Crude Oil – WTI ⁽²⁾	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Ceiling	65.78	4,000	—	—	—	—	—	—	—	—
Floor	52.50	4,000	—	—	—	—	—	—	—	—
Sold Floor	42.50	4,000	—	—	—	—	—	—	—	—
Swap	56.20	2,000	—	—	—	—	—	—	—	—
Crude Oil – Cdn\$ WTI ⁽³⁾	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day	Cdn\$/bbl	bbl/day
Ceiling	88.00	1,000	85.99	5,500	—	—	—	—	—	—
Floor	80.00	1,000	75.45	5,500	—	—	—	—	—	—
Sold Floor	65.00	1,000	60.45	5,500	—	—	—	—	—	—
Swap	71.17	8,000	—	—	—	—	—	—	—	—
Total Crude Oil Volumes (bbl/day)		15,000		5,500		—		—		—
Natural Gas – NYMEX Henry Hub ⁽⁴⁾	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Ceiling	3.42	120,000	3.32	50,000	3.32	50,000	3.43	25,000	—	—
Floor	2.77	115,068	2.75	50,000	2.75	50,000	2.50	25,000	—	—
Sold Floor	2.33	115,068	2.25	50,000	2.25	50,000	—	—	—	—
Swap	4.00	40,000	—	—	—	—	—	—	—	—
Natural Gas – AECO ⁽⁵⁾	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day
Ceiling	3.30	10,000	3.60	30,000	—	—	—	—	—	—
Floor	3.00	10,000	3.08	30,000	—	—	—	—	—	—
Swap	3.16	20,000	3.35	30,000	—	—	—	—	—	—
Total Natural Gas Volumes (MMBtu/day)		183,503		106,869		50,000		25,000		—
Natural Gas – AECO Basis (Percentage of NYMEX)	AECO/ NYMEX	MMBtu/day	AECO/ NYMEX	MMBtu/day	AECO/ NYMEX	MMBtu/day	AECO/ NYMEX	MMBtu/day	AECO/ NYMEX	MMBtu/day
Sold Swap	83.7	40,000	—	—	—	—	—	—	—	—
Natural Gas – AECO Basis (Differential to NYMEX)	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Sold Swap	(0.88)	120,959	(0.82)	98,361	(0.97)	34,192	—	—	—	—
Bought Swap	(3.25)	(2,466)	—	—	—	—	—	—	—	—
Total AECO Basis Volumes (MMBtu/day)		158,493		98,361		34,192		—		—
Natural Gas - Other Basis (Differential to NYMEX) ⁽⁶⁾		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day		MMBtu/day
Sold Swap		60,000		100,000		120,000		100,000		67,479
Foreign Exchange ⁽⁷⁾	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total	Cdn\$/US\$	US\$ Millions Total
Average Rate Forward	1.2907	21	—	—	—	—	—	—	—	—
Sold USD Call ⁽⁸⁾	1.3311	2	—	—	—	—	—	—	—	—

(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) Crude oil prices referenced to WTI.

(3) Crude oil prices referenced to WTI, multiplied by the WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon Eastern Standard Time ("EST").

(4) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

(5) Natural gas prices referenced to AECO 7A Monthly Index.

(6) ARC has entered into basis swaps at locations other than AECO.

(7) Cdn\$/US\$ referenced to WM/Reuters Intra-day Cdn\$/US\$ Foreign Exchange Spot Rate as of Noon EST.

(8) Cdn\$/US\$ referenced to the 10:00:00AM EST NY cut.

18. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Current	48.4	16.5
Deferred:		
Origination and reversal of temporary differences	53.7	102.3
Adjustments for prior years	5.9	5.9
Changes in tax rates and legislation	—	11.2
	59.6	119.4
Total provision for income taxes	108.0	135.9

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before income tax expense as follows:

	December 31, 2018	December 31, 2017
Income before tax	321.8	524.8
Canadian statutory rate ⁽¹⁾	27.00%	26.65%
Expected income tax expense at statutory rates	86.9	139.9
Effect on income tax of:		
Change in corporate tax rate	—	12.6
Non-deductible portion of unrealized foreign exchange losses (gains)	8.2	(9.7)
Change in estimated pool balances	0.3	1.1
Change in unrecognized deferred tax asset on foreign exchange	9.8	(9.7)
Other	2.8	1.7
Total provision for income taxes	108.0	135.9

(1) The tax rate consists of the combined federal and provincial statutory tax rates for the Company and its subsidiaries for the years ended December 31, 2018 and 2017. The combined federal and provincial rate increased to 27.00% in 2018 from 26.65% in 2017, reflecting the BC corporate tax rate increase from 11% to 12% effective January 1, 2018.

	December 31, 2018	December 31, 2017
Deferred tax liabilities:		
PP&E in excess of tax basis	894.6	903.2
Risk management contracts	73.1	79.7
Deferred tax assets:		
ARO	(96.3)	(168.1)
Long-term debt	(27.9)	(19.7)
Risk management contracts	(1.2)	(0.1)
Long-term incentive compensation expense	(5.1)	(8.3)
Unrecognized deferred tax assets ⁽¹⁾	29.8	20.0
Other	(3.8)	(3.1)
Deferred taxes	863.2	803.6

(1) The unrecognized deferred tax assets relate to unrealized foreign exchange losses of \$27.9 million and realized capital losses of \$1.9 million (\$19.7 million and \$0.3 for 2017, respectively).

At December 31, 2018, the petroleum and natural gas properties and facilities owned by ARC have an approximate federal tax basis of \$1.8 billion (\$1.9 billion in 2017) available for future use as deductions from taxable income.

The following is a summary of ARC's estimated ARC tax pools as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Canadian oil and gas property expense	70.5	245.7
Canadian development expense	822.7	847.1
Undepreciated capital cost	857.6	832.4
Other	12.8	10.3
Total federal tax pools	1,763.6	1,935.5
Additional Alberta tax pools	3.8	5.0

A deferred tax asset has not been recognized with respect to net capital losses in the amount of \$7.1 million (\$1.1 million in 2017), in addition to unrealized capital losses relating to foreign exchange losses on US dollar-denominated debt in the amount of \$206.2 million (\$145.7 million in 2017), as it is not considered probable that the benefit of the capital losses will be realized. Recognition is dependent on the realization of future taxable capital gains.

19. SHAREHOLDERS' CAPITAL

ARC is authorized to issue an unlimited number of no par value common shares and 50 million preferred shares without nominal or par value. Common shares carry one vote per share and the right to any dividends declared. Preferred shares may be issued in series with rights and conditions to be determined by ARC's Board of Directors prior to issuance and subject to the Company's articles. There are no outstanding preferred shares as at December 31, 2018 or 2017.

(thousands of shares)	Year Ended December 31, 2018	Year Ended December 31, 2017
Common shares, beginning of year	353,457	353,287
Restricted shares issued pursuant to the LTRSA ⁽¹⁾ Plan	154	123
Forfeited restricted shares pursuant to the LTRSA Plan	(13)	(22)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	(155)	(106)
Dividend Reinvestment Plan	—	129
Stock Dividend Program	—	16
Issued on exercise of share options	—	30
Common shares, end of year	353,443	353,457

(1) LTRSA includes restricted shares granted and associated stock dividends until the elimination of the Stock Dividend Program beginning with the March 2017 dividend.

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

(thousands of shares)	Year Ended December 31, 2018	Year Ended December 31, 2017
Weighted average common shares	353,457	353,429
Dilutive impact of share-based compensation ⁽¹⁾	390	427
Weighted average common shares, diluted	353,847	353,856

(1) For the year ended December 31, 2018, 4.5 million share options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (2.9 million for the year ended December 31, 2017).

Dividends declared for the year ended December 31, 2018 were \$0.60 per common share (\$0.60 for the year ended December 31, 2017).

On January 15, 2019, the Board of Directors declared a dividend of \$0.05 per common share designated as an eligible dividend, payable in cash to shareholders of record on January 31, 2019. The dividend payment date is February 15, 2019.

On February 8, 2017, the Board of Directors approved the cancellation of ARC's Dividend Reinvestment Plan and Stock Dividend Program beginning with the dividend payment on April 17, 2017 to shareholders of record on March 31, 2017. Shareholders that had been enrolled in either program receive dividends in cash.

20. 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	Year Ended December 31, 2018	Year Ended December 31, 2017
Crude oil	587.3	539.8
Condensate	200.8	127.9
Natural gas	492.3	490.6
NGLs	81.8	56.9
Total commodity sales from production	1,362.2	1,215.2

At December 31, 2018, receivables from contracts with customers, which are included in accounts receivable, were \$86.5 million (\$103.6 million at December 31, 2017).

21. SHARE-BASED COMPENSATION PLANS

RSU and PSU Plan

ARC's share-based long-term incentive plan results in employees, officers and directors (the "plan participants") receiving cash compensation in relation to the value of a specified number of underlying notional share units. The RSU and PSU Plan consists of Restricted Share Units ("RSUs") for which the number of share units is fixed and will vest evenly over a period of three years and PSUs for which the number of share units is variable and will vest at the end of three years.

Upon vesting of the RSUs, the plan participant receives a cash payment based on the fair value of the underlying share units plus all dividends accrued since the grant date. The cash compensation of the PSUs issued upon vesting is further dependent upon an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier. The performance multiplier is calculated at the time of payment using the percentile rank of ARC's total shareholder return relative to its peers and can result in cash compensation issued upon vesting of the PSUs ranging from zero to two times the value of the PSUs originally granted.

Deferred Share Unit Plan ("DSU Plan")

ARC offers a DSU Plan to non-employee directors, under which each director receives a minimum of 60 per cent of their total annual remuneration in the form of Deferred Share Units ("DSUs"). Each DSU fully vests on the date of grant, but is distributed only when the director has ceased to be a member of the Board of Directors of the Company. Units are settled in cash determined by the value of the underlying common shares.

Long-term Incentive Plans

The following table summarizes the RSU, PSU and DSU movement for the years ended December 31, 2018 and 2017:

(number of units, thousands)	RSUs	PSUs ⁽¹⁾	DSUs
Balance, January 1, 2017	721	1,807	460
Granted	453	720	129
Distributed	(325)	(444)	(108)
Forfeited	(69)	(171)	—
Balance, December 31, 2017	780	1,912	481
Granted	643	1,283	190
Distributed	(375)	(854)	—
Forfeited	(106)	(71)	—
Balance, December 31, 2018	942	2,270	671

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

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
G&A	3.3	4.7
Operating	0.8	1.3
PP&E (recoveries)	—	(0.6)
Total compensation charges	4.1	5.4
Cash payments	15.6	22.0

At December 31, 2018, \$6.1 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet (\$13.5 million at December 31, 2017) and \$12.4 million was included in the long-term incentive compensation liability (\$17.5 million at December 31, 2017). A recoverable amount of \$0.1 million was included in accounts receivable at December 31, 2018 (\$0.3 million at December 31, 2017).

Share Option Plan

Share options are granted to officers and certain employees of ARC which vest evenly on the fourth and fifth anniversary of their grant date and have a maximum term of seven years. The option holder has the right to exercise the options and purchase one common share per option at the original grant price or at a reduced exercise price, equal to the grant price less all dividends paid subsequent to the grant date and prior to the exercise date. The original grant price is calculated as the weighted average trading price of ARC common shares for the five days immediately preceding the grant date.

The changes in total share options outstanding and related weighted average exercise prices for the years ended December 31, 2018 and 2017 were as follows:

	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, January 1, 2017	3,972	21.22
Granted	1,312	16.59
Exercised	(30)	15.30
Forfeited	(361)	21.22
Balance, December 31, 2017	4,893	19.47
Granted	1,483	13.21
Forfeited	(92)	19.01
Expired	(293)	19.96
Balance, December 31, 2018	5,991	17.36
Exercisable, December 31, 2018	1,415	19.26

The following table summarizes information regarding share options outstanding at December 31, 2018:

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 (\$)
12.91 - 20.00	5,067	15.89	4.60	701	14.10
20.01 - 25.00	501	22.25	1.47	501	22.25
25.01 - 29.24	423	29.24	2.47	213	29.24
Total	5,991	17.36	4.18	1,415	19.26

ARC estimates the fair value of share options granted on the date of grant using a binomial-lattice option pricing model. The following assumptions were used to arrive at the estimated fair value of the share options at their grant date:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Grant date share price (\$)	13.21	16.59
Exercise price (\$) ⁽¹⁾	12.91	16.29
Expected annual dividends (\$)	—	—
Expected volatility (%) ⁽²⁾	31.00	31.00
Risk-free interest rate (%)	1.26	1.26
Expected life of share option ⁽³⁾	5.5 to 6 years	5.5 to 6 years
Fair value per share option (\$)	3.50	4.31

(1) Exercise price is reduced monthly by the amount of dividend declared.

(2) Expected volatility is determined by the average price volatility of the common shares over the expected life.

(3) Expected life of the share option is calculated as the mid-point between vesting date and expiry.

ARC recognized compensation expense of \$4.3 million relating to the share option plan for the year ended December 31, 2018 (\$3.5 million for the year ended December 31, 2017). During the year ended December 31, 2018, \$0.3 million of share option compensation charges were capitalized to PP&E (\$0.3 million for the year ended December 31, 2017).

LTRSA Plan

LTRSA grants consist of restricted common shares that are awarded at the date of grant and a cash payment made equal to the estimated personal tax obligation associated with the total award. The restricted shares issued on the grant date of the award are held in trust until the vesting conditions have been met.

While in trust, the restricted shares earn cash dividends that are reinvested into ARC common shares. These re-invested common shares issued are also held in trust until vested. Each LTRSA vests evenly on the eighth, ninth, and tenth anniversaries of their respective grant dates. Restricted shares and any accrued dividends that are subject to forfeiture will be redeemed and cancelled by ARC.

The estimated fair value of LTRSAs is determined as the weighted average trading price of ARC common shares for the five days immediately preceding the grant date. The changes in total LTRSA outstanding and related fair value per restricted share for the years ended December 31, 2018 and 2017 were as follows:

	LTRSA (number of units, thousands)	Fair Value per Restricted Share (\$)
Balance, January 1, 2017	193	21.24
Granted	128	16.60
Forfeited	(22)	21.42
Balance, December 31, 2017	299	19.23
Restricted shares granted and purchased	168	13.03
Forfeited	(13)	19.98
Balance, December 31, 2018	454	16.91

ARC recognized G&A expenses of \$1.5 million relating to the LTRSA Plan during the year ended December 31, 2018 (\$1.3 million for the year ended December 31, 2017). At December 31, 2018, \$nil compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet (\$nil at December 31, 2017).

22. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at December 31, 2018:

	Payments Due by Period				Total
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	
Debt repayments ⁽¹⁾	80.5	313.5	302.5	212.7	909.2
Interest payments ⁽²⁾	36.6	58.5	32.2	12.6	139.9
Purchase and service commitments	79.6	10.7	10.0	1.5	101.8
Transportation commitments	128.9	268.6	257.6	810.8	1,465.9
Operating leases	15.7	26.8	17.9	7.9	68.3
Total contractual obligations and commitments	341.3	678.1	620.2	1,045.5	2,685.1

(1) Long-term and current portion of long-term debt.

(2) Fixed interest payments on senior notes.

ARC enters into commitments for capital expenditures in advance of the expenditures being made. At a given point in time, it is estimated that ARC has committed to capital expenditures equal to approximately one quarter of its capital budget by means of giving the necessary authorizations to incur the expenditures in a future period.

ARC is involved in litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on ARC's results of operations or cash flows.

23. RELATED PARTIES

Key Management Personnel Compensation

ARC has determined that the key management personnel of ARC consists of its officers and directors. Short-term benefits are composed of salaries and directors' fees, annual bonuses, and other benefits. In addition, the Company provides share-based compensation to its key management personnel under the RSU and PSU, DSU, LTRSA and Share Option Plans. The compensation relating to key management personnel for the year is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Short-term benefits	8.1	8.0
Share-based compensation	4.1	4.7
Total key management personnel compensation	12.2	12.7

24. SUPPLEMENTAL DISCLOSURES

Presentation in the Statements of Income

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

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating	33.4	34.2
G&A	57.4	60.5
Total employee compensation expenses	90.8	94.7

Cash Flow Statement Presentation

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

Change in Non-Cash Working Capital	Year Ended December 31, 2018	Year Ended December 31, 2017
Accounts receivable	18.6	31.9
Accounts payable and accrued liabilities	(3.2)	8.7
Prepaid expenses	1.1	(6.0)
Short-term investments	—	(2.4)
Total	16.5	32.2
Relating to:		
Operating activities	64.7	(28.7)
Investing activities	(48.2)	60.9
Total change in non-cash working capital	16.5	32.2

Other Non-Cash Items	Year Ended December 31, 2018	Year Ended December 31, 2017
Other deferred liabilities	(2.2)	(0.1)
Gain on short-term investments	—	(0.4)
Gain on sale of reclamation fund	(0.9)	—
Share-based compensation expense	5.0	4.0
Total other non-cash items	1.9	3.5

Net Change in Other Liabilities	Year Ended December 31, 2018	Year Ended December 31, 2017
Long-term incentive compensation liability	(5.1)	(7.1)
Risk management contracts	—	(3.5)
ARO settlements	(15.8)	(19.8)
Total net change in other liabilities	(20.9)	(30.4)

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

Financing Liabilities	December 31, 2017	Cash Flows	Reclassified to Current	Unrealized Foreign Exchange Loss	December 31, 2018
Current portion of long-term debt	73.9	(76.4)	76.4	6.6	80.5
Long-term debt	837.4	—	(76.4)	67.7	828.7
Total financial liabilities from financing activities	911.3	(76.4)	—	74.3	909.2

Financing Liabilities	December 31, 2016	Cash Flows	Reclassified to Current	Unrealized Foreign Exchange Gain	December 31, 2017
Current portion of long-term debt	51.5	(11.6)	38.9	(4.9)	73.9
Long-term debt	974.5	(38.2)	(38.9)	(60.0)	837.4
Total financial liabilities from financing activities	1,026.0	(49.8)	—	(64.9)	911.3

FORWARD-LOOKING INFORMATION AND STATEMENTS

Pages 1 through 7 of this Annual Report contain 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, pages 1 through 7 of this Annual Report contains forward-looking information and statements pertaining to the following: near and long-term investment opportunities provided by ARC's properties; payment of dividends; the potential for continued reserves and production additions; expected future debt levels; sustaining capital requirements; the estimated volume of ARC's reserves and resources; future reductions to corporate emissions and the timing thereof; and ARC's 2019 capital budget.

Such forward-looking information and statements contained in this Annual Report reflect several 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; that future results from drilling and development activities will be consistent with past results; the continued and timely development of infrastructure in areas of new production; 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 and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and cash flow to fund ARC's plans and expenditures. ARC believes the material factors, expectations and assumptions reflected in such forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

Such forward-looking information and statements included in this Annual Report 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; the early stage of development of some areas in ARC's lands; the potential for variation in the quality of the applicable formation, changes in the demand for or supply of ARC's products; unanticipated operating results or production declines; unanticipated results from ARC's exploration and development activities; changes in tax or environmental laws, royalty rates or other regulatory matters; 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 oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in ARC's Annual Information Form and in this Annual Report).

The internal projections, expectations or beliefs underlying the 2019 capital budget and outlook for the future are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this Annual Report speak only as of the date of this Annual Report, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

NON-GAAP MEASURES

Pages 1 through 7 of this Annual Report reference operating netback and return on average capital employed which are non-GAAP measures that ARC uses 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. Readers should refer to our MD&A included in this Annual Report for further details on these non-GAAP measures.

INFORMATION REGARDING DISCLOSURE ON OIL AND GAS RESERVES, RESOURCES, METRICS AND OPERATIONAL INFORMATION

Pages 1 through 7 of this Annual Report describe certain information in our news release dated February 7, 2019 entitled, "ARC Resources Ltd. Announces 118 MMBoe of Total Proved Plus Probable Reserves Additions in 2018, Replacing 245% of Production, and Delivers Record Proved Producing Reserves Additions of 82 MMBoe" and readers should refer to the news release which can be found on our SEDAR profile at www.sedar.com. The disclosures in respect of reserves and resources is subject to a number of cautionary statements, assumptions and risks as set forth below in the Corporation's Annual Information Form for the year ended December 31, 2018, which is available on our SEDAR profile at www.sedar.com. Readers should also refer to the definitions of oil and gas reserves and resources found under "Glossary" in this Annual Report.

The reserves data set forth in pages 1 through 7 of this Annual Report is based upon an evaluation by GLJ Petroleum Consultants Ltd. ("GLJ") with an effective date of December 31, 2018 using forecast prices and costs. The reserves evaluation was prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Crude oil, natural gas and natural gas liquids benchmark reference pricing, and inflation and exchange rates used in the evaluation are based on GLJ's January 1, 2019 forecast pricing. Reserves included herein are stated on a company gross basis (working interest before deduction of royalties without including any royalty interests) using forecast prices and costs unless noted otherwise. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.

The resources data set forth in this Annual Report is based upon an Independent Resources Evaluation by GLJ of ARC's lands in the Montney in northeastern British Columbia and lands in the Pouce Coupe and Ante Creek areas of Alberta. Year-end 2018 TPIIP estimates utilize a one per cent porosity cut-off based on "Best Estimate" case. The Independent Resources Evaluation was effective December 31, 2018 and is based on GLJ's forecast pricing as at January 1, 2019.

All amounts in this Annual Report are stated in Canadian dollars unless otherwise specified.

GLOSSARY

The following is a list of abbreviations that may be used in this Annual Report:

Measurement

bbl	barrels
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⁾	thousand barrels of oil equivalent
MMboe ⁽¹⁾	million 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
Tcf	trillion cubic feet
MMBtu	million British Thermal Units
GJ	gigajoule

(1) We have adopted the standard of 6 Mcf: 1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip. 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.

GLOSSARY CONTINUED

FINANCIAL AND BUSINESS ENVIRONMENT

ARO	asset retirement obligations
CGU	cash-generating unit
COGE HANDBOOK	The Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum
DD&A	depletion, depreciation and amortization
DRIP	Dividend Reinvestment Plan
DSU	Deferred Share Unit
E&E	exploration and evaluation
F&D	finding and development costs
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
RLI	reserve life index
RSU	Restricted Share Unit
SDP	Stock Dividend Program
TSX	Toronto Stock Exchange
WTI	West Texas Intermediate
2P	Proved plus Probable

DEFINITIONS OF OIL AND GAS RESOURCES AND RESERVES

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

Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Resources encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including Discovered and Undiscovered (recoverable and unrecoverable) plus quantities already produced.

Total Petroleum Initially-In-Place ("TPIIP") is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

Economic Contingent Resources ("ECR") are those Contingent Resources that are currently economically recoverable. Project maturity subclasses of Economic Contingent Resources include Development Pending Contingent Resources, Development on Hold Contingent Resources, and Development Unclassified Contingent Resources.

CORPORATE & SHAREHOLDER INFORMATION



MIX
Paper from
responsible sources
FSC® C020157

Design: ARTHUR / HUNTER

DIRECTORS

Harold N. Kvisle
Chairman

Myron M. Stadnyk
President and Chief Executive Officer

David R. Collyer ^{(1) (2)}

John P. Dielwart ^{(2) (3)}

Fred J. Dymont ^{(3) (4)}

James C. Houck ^{(2) (3)}

Kathleen O'Neill ^{(4) (5)}

Herbert C. Pinder Jr. ^{(1) (4)}

William G. Sembo ^{(1) (5)}

Nancy L. Smith ^{(3) (5)}

(1) Member of Human Resources and Compensation Committee
(2) Member of Safety, Reserves and Operational Excellence Committee
(3) Member of Risk Committee
(4) Member of Policy and Board Governance Committee
(5) Member of Audit Committee

OFFICERS

Myron M. Stadnyk
President and Chief Executive Officer

Terry M. Anderson
Senior Vice President and Chief Operating Officer

P. Van R. Dafeo
Senior Vice President and Chief Financial Officer

Bevin M. Wirzba
Senior Vice President, Business Development and Capital Markets

Chris D. Baldwin
Vice President, Geosciences

Ryan V. Berrett
Vice President, Marketing

Kris J. Bibby
Vice President, Finance

Sean R. A. Calder
Vice President, Production

Lara M. Conrad
Vice President, Engineering and Planning

Armin Jahangiri
Vice President, Operations

Lisa A. Olsen
Vice President, Human Resources

Grant A. Zawalsky
Corporate Secretary

EXECUTIVE OFFICE

ARC Resources Ltd.
1200, 308 - 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900
F 403.503.8609
W www.arcresources.com

TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
T 403.267.6800

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

ENGINEERING CONSULTANTS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Burnet Duckworth & Palmer LLP
Calgary, Alberta

CORPORATE CALENDAR 2019

April 30, 2019
Q1 2019 Results

May 1, 2019
Annual General Meeting

August 1, 2019
Q2 2019 Results

November 7, 2019
Q3 2019 Results

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: **ARX**

INVESTOR INFORMATION

Visit our website at
www.arcresources.com
or contact:
Investor Relations
T 403.503.8600 or
TOLL FREE 1.888.272.4900
E ir@arcresources.com



ARC Resources Ltd.
1200, 308 - 4th Avenue S.W.
Calgary, Alberta T2P 0H7

T 403.503.8600
TOLL FREE 1.888.272.4900
WWW.ARCRESOURCES.COM

