

# ARC RESOURCES LTD.

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

As at

(Cdn\$ millions)	June 30, 2025	December 31, 2024
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	949.8	—
Inventory	10.1	12.4
Accounts receivable	519.6	691.0
Prepaid expense	189.4	107.4
Risk management contracts (Note 9)	179.2	190.1
	<b>1,848.1</b>	<b>1,000.9</b>
Risk management contracts (Note 9)	150.8	154.1
Long-term investments	27.8	27.7
Exploration and evaluation assets	366.7	338.1
Property, plant and equipment (Note 3)	10,634.8	10,373.9
Right-of-use and other long-term assets (Note 4)	901.5	956.8
Goodwill	248.2	248.2
<b>Total assets</b>	<b>14,177.9</b>	<b>13,099.7</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	846.3	634.4
Current portion of lease obligations (Note 5)	84.6	92.8
Current portion of long-term debt (Note 6)	450.0	—
Current portion of other deferred liabilities	23.9	23.3
Current portion of asset retirement obligation (Note 7)	17.0	17.0
Dividends payable (Note 10)	110.9	112.2
Risk management contracts (Note 9)	—	1.0
	<b>1,532.7</b>	<b>880.7</b>
Risk management contracts (Note 9)	21.9	37.1
Long-term portion of lease obligations (Note 5)	867.6	908.5
Long-term debt (Note 6)	1,540.8	1,387.4
Long-term incentive compensation liability (Note 12)	41.3	76.2
Other deferred liabilities	87.7	95.8
Asset retirement obligation (Note 7)	401.4	414.4
Deferred taxes	1,388.5	1,351.4
<b>Total liabilities</b>	<b>5,881.9</b>	<b>5,151.5</b>
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital (Note 10)	6,109.9	6,194.3
Contributed surplus	28.2	31.6
Retained earnings	2,159.1	1,728.5
Accumulated other comprehensive loss	(1.2)	(6.2)
<b>Total shareholders' equity</b>	<b>8,296.0</b>	<b>7,948.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,177.9</b>	<b>13,099.7</b>
Commitments and contingencies (Note 13)		

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

# ARC RESOURCES LTD.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three and six months ended June 30

(Cdn\$ millions, except per share amounts)	Three Months Ended		Six Months Ended	
	2025	2024	2025	2024
Commodity sales from production (Note 11)	<b>1,229.2</b>	1,001.7	<b>2,719.4</b>	2,203.8
Royalties	<b>(120.7)</b>	(125.8)	<b>(283.5)</b>	(258.8)
Sales from third-party purchases (Note 11)	<b>307.2</b>	277.3	<b>612.4</b>	515.0
<b>Total revenue</b>	<b>1,415.7</b>	1,153.2	<b>3,048.3</b>	2,460.0
Interest and other income	<b>2.3</b>	3.2	<b>13.2</b>	5.1
Gain on risk management contracts (Note 9)	<b>146.7</b>	145.7	<b>111.9</b>	69.1
<b>Total revenue, interest and other income, and gain on risk management contracts</b>	<b>1,564.7</b>	1,302.1	<b>3,173.4</b>	2,534.2
Operating	<b>168.1</b>	165.6	<b>330.6</b>	302.2
Transportation	<b>174.1</b>	156.7	<b>360.1</b>	328.2
Third-party purchases (Note 14)	<b>307.5</b>	274.0	<b>603.2</b>	515.5
General and administrative	<b>46.5</b>	55.7	<b>103.8</b>	137.1
Interest and financing	<b>27.8</b>	32.6	<b>56.5</b>	63.8
Impairment (reversal of impairment) of financial assets	<b>(3.2)</b>	1.0	<b>(3.0)</b>	0.6
Depletion, depreciation and amortization and impairment of property, plant and equipment (Notes 3 and 4)	<b>349.0</b>	314.6	<b>698.3</b>	654.8
Loss (gain) on foreign exchange	<b>13.6</b>	(4.4)	<b>15.0</b>	(15.0)
Gain on disposal of crude oil and natural gas assets	<b>(4.0)</b>	—	<b>(4.0)</b>	—
<b>Total expenses</b>	<b>1,079.4</b>	995.8	<b>2,160.5</b>	1,987.2
<b>Net income before income taxes</b>	<b>485.3</b>	306.3	<b>1,012.9</b>	547.0
Provision for income taxes				
Current	<b>65.0</b>	37.6	<b>175.0</b>	97.6
Deferred	<b>24.2</b>	29.2	<b>37.1</b>	24.5
<b>Total income taxes</b>	<b>89.2</b>	66.8	<b>212.1</b>	122.1
<b>Net income</b>	<b>396.1</b>	239.5	<b>800.8</b>	424.9
Other comprehensive income				
Items that may be reclassified to net income in subsequent periods:				
Net unrealized gain (loss) on foreign currency translation adjustment	<b>4.2</b>	(2.1)	<b>5.0</b>	(6.4)
<b>Comprehensive income</b>	<b>400.3</b>	237.4	<b>805.8</b>	418.5
Net income per share (Note 10)				
Basic	<b>0.68</b>	0.40	<b>1.37</b>	0.71
Diluted	<b>0.68</b>	0.40	<b>1.36</b>	0.71

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

# ARC RESOURCES LTD.

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

For the six months ended June 30

(Cdn\$ millions)	Shareholders' Capital (Note 10)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
December 31, 2023	6,268.2	36.1	1,141.4	(17.9)	7,427.8
Comprehensive income	—	—	424.9	(6.4)	418.5
Share-based compensation plans (Note 12)	1.2	(0.7)	—	—	0.5
Exercise of share options (Note 12)	18.5	(3.9)	—	—	14.6
Repurchase of shares for cancellation (Note 10)	(13.9)	—	(16.5)	—	(30.4)
Change in liability for share purchase commitment (Note 10)	0.7	—	(0.5)	—	0.2
Dividends declared (Note 10)	—	—	(203.2)	—	(203.2)
<b>June 30, 2024</b>	<b>6,274.7</b>	<b>31.5</b>	<b>1,346.1</b>	<b>(24.3)</b>	<b>7,628.0</b>
December 31, 2024	6,194.3	31.6	1,728.5	(6.2)	7,948.2
Comprehensive income	—	—	<b>800.8</b>	<b>5.0</b>	<b>805.8</b>
Share-based compensation plans (Note 12)	<b>2.6</b>	<b>(2.1)</b>	—	—	<b>0.5</b>
Exercise of share options (Note 12)	<b>11.2</b>	<b>(1.3)</b>	—	—	<b>9.9</b>
Repurchase of shares for cancellation (Note 10)	<b>(85.7)</b>	—	<b>(129.0)</b>	—	<b>(214.7)</b>
Change in liability for share purchase commitment (Note 10)	<b>(12.5)</b>	—	<b>(19.0)</b>	—	<b>(31.5)</b>
Dividends declared (Note 10)	—	—	<b>(222.2)</b>	—	<b>(222.2)</b>
<b>June 30, 2025</b>	<b>6,109.9</b>	<b>28.2</b>	<b>2,159.1</b>	<b>(1.2)</b>	<b>8,296.0</b>

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

# ARC RESOURCES LTD.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

(Cdn\$ millions)	Three Months Ended		Six Months Ended	
	2025	2024	2025	2024
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income	396.1	239.5	800.8	424.9
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts (Note 9)	(86.8)	(81.9)	(2.0)	11.6
Depletion, depreciation and amortization and impairment of property, plant and equipment (Notes 3 and 4)	349.0	314.6	698.3	654.8
Unrealized loss (gain) on foreign exchange	2.3	(3.0)	3.0	(13.2)
Gain on disposal of crude oil and natural gas assets	(4.0)	—	(4.0)	—
Deferred taxes	24.2	29.2	37.1	24.5
Other (Note 14)	1.3	4.4	5.9	7.1
Net change in other liabilities (Note 14)	(7.7)	1.5	(55.1)	(5.2)
Change in non-cash working capital (Note 14)	24.7	38.7	228.1	74.8
Cash flow from operating activities	699.1	543.0	1,712.1	1,179.3
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>				
Draw of long-term debt under revolving credit facilities	814.4	1,596.8	2,062.6	3,296.3
Issuance of senior notes (Notes 6 and 15)	1,000.0	—	1,000.0	—
Repayment of long-term debt	(891.5)	(1,361.8)	(2,454.7)	(3,066.3)
Proceeds from exercise of share options	5.5	8.4	9.9	14.6
Repurchase of shares	(76.6)	(16.3)	(207.4)	(31.4)
Repayment of principal relating to lease obligations	(25.6)	(21.5)	(51.9)	(42.6)
Cash dividends paid	(111.3)	(101.6)	(223.5)	(203.3)
Change in non-cash working capital (Note 14)	5.1	(1.5)	3.2	(1.3)
Cash flow from (used in) financing activities	720.0	102.5	138.2	(34.0)
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>				
Acquisition of crude oil and natural gas assets	(0.8)	(5.0)	(4.8)	(5.1)
Disposal of crude oil and natural gas assets	4.0	—	4.0	—
Property, plant and equipment development expenditures (Note 3)	(472.7)	(520.2)	(908.1)	(1,017.6)
Exploration and evaluation asset expenditures	(15.5)	(7.3)	(28.7)	(9.8)
Long-term investments	(0.9)	(1.3)	(1.2)	(4.1)
Change in non-cash working capital (Note 14)	14.7	(109.6)	38.3	(106.6)
Cash flow used in investing activities	(471.2)	(643.4)	(900.5)	(1,143.2)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>947.9</b>	<b>2.1</b>	<b>949.8</b>	<b>2.1</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1.9</b>	<b>1.1</b>	<b>—</b>	<b>1.1</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>949.8</b>	<b>3.2</b>	<b>949.8</b>	<b>3.2</b>
The following are included in cash flow from operating activities:				
Income taxes paid in cash	41.2	58.7	80.6	101.5
Interest paid in cash	14.8	21.0	46.9	55.2

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

## 1. Structure of the Business

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

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1500, 308 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 0H7. ARC's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol ARX.

## 2. Basis of Preparation

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These financial statements are condensed as they do not include all of the information required by IFRS Accounting Standards for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2024. All financial information is reported in millions of Canadian dollars ("Cdn\$"), unless otherwise noted as United States dollars ("US\$").

The financial statements have been prepared on a historical cost basis, except those items that are presented at fair value as detailed in the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2024. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except for income taxes. Income taxes on net income in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income.

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

These financial statements were authorized for issue by ARC's board of directors (the "Board") on July 31, 2025.

## 3. Property, Plant and Equipment ("PP&E")

<b>Cost</b>	<b>Development and Production Assets</b>	<b>Corporate Assets</b>	<b>Total</b>
Balance, December 31, 2024	18,950.0	155.3	19,105.3
Additions	<b>912.3</b>	<b>12.4</b>	<b>924.7</b>
Acquisitions	<b>4.8</b>	—	<b>4.8</b>
Change in asset retirement cost	<b>(12.0)</b>	—	<b>(12.0)</b>
<b>Balance, June 30, 2025</b>	<b>19,855.1</b>	<b>167.7</b>	<b>20,022.8</b>
<b>Accumulated Depletion, Depreciation and Amortization ("DD&amp;A")</b>			
Balance, December 31, 2024	(8,610.8)	(120.6)	(8,731.4)
DD&A	<b>(652.5)</b>	<b>(4.1)</b>	<b>(656.6)</b>
<b>Balance, June 30, 2025</b>	<b>(9,263.3)</b>	<b>(124.7)</b>	<b>(9,388.0)</b>
<b>Carrying Amounts</b>			
Balance, December 31, 2024	10,339.2	34.7	10,373.9
<b>Balance, June 30, 2025</b>	<b>10,591.8</b>	<b>43.0</b>	<b>10,634.8</b>

For the three and six months ended June 30, 2025, \$11.4 million and \$25.2 million of overhead charges, including share-based compensation, were capitalized to PP&E (\$13.1 million and \$30.1 million for the three and six months ended June 30, 2024), respectively.

## 4. Right-of-Use ("ROU") and Other Long-term Assets

Cost	Leases			Other	Total
	Buildings	Equipment and Vehicles	Facilities	Service Contracts	
Balance, December 31, 2024	40.2	123.8	1,157.9	27.1	1,349.0
Additions	—	—	—	2.3	2.3
Modifications	—	2.8	—	—	2.8
<b>Balance, June 30, 2025</b>	<b>40.2</b>	<b>126.6</b>	<b>1,157.9</b>	<b>29.4</b>	<b>1,354.1</b>
<b>Accumulated Depreciation</b>					
Balance, December 31, 2024	(25.7)	(84.6)	(275.4)	(6.5)	(392.2)
Depreciation <sup>(1)</sup>	(0.8)	(18.5)	(40.3)	(0.8)	(60.4)
<b>Balance, June 30, 2025</b>	<b>(26.5)</b>	<b>(103.1)</b>	<b>(315.7)</b>	<b>(7.3)</b>	<b>(452.6)</b>
<b>Carrying Amounts</b>					
Balance, December 31, 2024	14.5	39.2	882.5	20.6	956.8
<b>Balance, June 30, 2025</b>	<b>13.7</b>	<b>23.5</b>	<b>842.2</b>	<b>22.1</b>	<b>901.5</b>

(1) Includes \$16.6 million of depreciation on equipment and vehicle ROU assets capitalized to PP&E.

## 5. Lease Obligations

Carrying Amount	
Balance, December 31, 2024	1,001.3
Modifications	2.8
Interest Expense	24.9
Repayments	(76.8)
<b>Balance, June 30, 2025</b>	<b>952.2</b>
Lease obligations due within one year	84.6
Lease obligations due beyond one year	867.6

## 6. Long-term Debt

	June 30, 2025	December 31, 2024
Syndicated credit facilities	—	392.0
Senior notes		
2.354% note due March 10, 2026	450.0	450.0
3.577% note due June 17, 2028	550.0	—
3.465% note due March 10, 2031	550.0	550.0
4.409% note due June 17, 2032	450.0	—
Total senior notes	2,000.0	1,000.0
Unamortized debt issuance costs	(9.2)	(4.6)
<b>Total long-term debt outstanding</b>	<b>1,990.8</b>	<b>1,387.4</b>
Long-term debt due within one year	450.0	—
Long-term debt due beyond one year	1,540.8	1,387.4

In June 2025, ARC closed its offering of \$1.0 billion aggregate principal amount of senior unsecured notes (the "2025 Notes"). The terms and rates of the 2025 Notes are summarized below:

Issue Date	Principal	Coupon Rate	Maturity Date	Principal Payment Terms
June 17, 2025	\$550 million	3.577 %	June 17, 2028	Due upon maturity
June 17, 2025	\$450 million	4.409 %	June 17, 2032	Due upon maturity

During the six months ended June 30, 2025, the maturity date of ARC's unsecured extendible revolving credit facility was extended to March 2029, with the borrowing capacity unchanged at \$1.7 billion.

At June 30, 2025, ARC's total available credit capacity, including its credit facility and senior notes, was \$3.7 billion (\$2.7 billion at December 31, 2024), of which \$2.0 billion was drawn (\$1.4 billion at December 31, 2024).

There are no financial covenants associated with the 2025 Notes and there were no changes to any existing debt covenants. At June 30, 2025, ARC was in compliance with all of its debt covenants.

At June 30, 2025, the fair value of all long-term debt outstanding was \$2.0 billion (\$1.4 billion at December 31, 2024).

Subsequent to June 30, 2025, ARC obtained a \$500.0 million two-year term loan and increased the borrowing capacity under its credit facility to \$2.0 billion.

The proceeds from the 2025 Notes, the term loan, and drawings under the credit facility were used to fund the previously announced acquisition of condensate-rich Montney assets in the Kakwa region in Alberta (the "Kakwa Assets") from Strathcona Resources Ltd. ("Strathcona"). For more information, refer to Note 15 "Subsequent Event".

## 7. Asset Retirement Obligation ("ARO")

ARC has estimated the net present value of its total ARO to be \$418.4 million at June 30, 2025 (\$431.4 million at December 31, 2024) based on a total future undiscounted liability of \$609.4 million (\$599.7 million at December 31, 2024). Management estimates that these payments are expected to be made over the next 58 years with costs being incurred evenly over those years. The Bank of Canada's long-term risk-free bond rate of 3.6 per cent (3.3 per cent at December 31, 2024) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2024) were used to calculate the present value of ARO at June 30, 2025.

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

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Balance, beginning of period	431.4	451.3
Development activities	7.7	21.8
Change in estimates <sup>(1)</sup>	1.3	(8.4)
Change in discount rate	(21.0)	(31.2)
Settlement of obligations	(8.1)	(16.2)
Accretion	7.1	14.1
Balance, end of period	418.4	431.4
Expected to be incurred within one year	17.0	17.0
Expected to be incurred beyond one year	401.4	414.4

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

## 8. Capital Management

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

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

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

During the six months ended June 30, 2025, ARC issued \$1.0 billion of long-term debt, repurchased 7.8 million common shares under its normal course issuer bid ("NCIB"), and the Board declared dividends totaling \$0.38 per share. The issuance of long-term debt is in conjunction with the acquisition of the Kakwa Assets, for more information refer to Note 15 "Subsequent Event".

## Funds from Operations

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

Funds from operations for the three and six months ended June 30, 2025 and 2024 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Cash flow from operating activities	699.1	543.0	1,712.1	1,179.3
Net change in other liabilities (Note 14)	7.7	(1.5)	55.1	5.2
Change in non-cash operating working capital (Note 14)	(24.7)	(38.7)	(228.1)	(74.8)
Funds from operations	682.1	502.8	1,539.1	1,109.7

## Net Debt and Net Debt to Funds from Operations

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

ARC manages its capital structure for the long term, with the objective of having its net debt less than 1.5 times funds from operations. At June 30, 2025, ARC's net debt was 0.4 times its funds from operations.

The following table details the composition of ARC's net debt and net debt to funds from operations as at June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Long-term debt <sup>(1)</sup>	1,990.8	1,379.5
Accounts payable and accrued liabilities	846.3	585.1
Dividends payable	110.9	101.6
Cash and cash equivalents, accounts receivable, and prepaid expense	(1,658.8)	(588.3)
Net debt	1,289.2	1,477.9
Funds from operations <sup>(2)</sup>	2,901.9	2,471.1
Net debt to funds from operations (ratio) <sup>(3)</sup>	0.4	0.6

(1) Includes current portion of long-term debt at June 30, 2025 of \$450.0 million.

(2) 12-month trailing funds from operations.

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

## 9. Financial Instruments and Market Risk Management

### Financial Instruments

At June 30, 2025, ARC's financial instruments include cash and cash equivalents, accounts receivable, long-term investments, risk management contracts, accounts payable and accrued liabilities, dividends payable, lease obligations, and long-term debt.

ARC's risk management contracts are carried at fair value on the unaudited condensed interim consolidated balance sheets (the "balance sheets"). All of ARC's risk management contracts are transacted in active markets, with the exception of embedded derivatives identified within certain natural gas sales contracts.

Risk management contracts and fair value disclosure for ARC's long-term debt are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 6 "Long-term Debt". There were no transfers between levels in the fair value hierarchy for the six months ended June 30, 2025.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at June 30, 2025 approximate their fair values due to the short-term nature of these instruments.

### Embedded Derivatives

The embedded derivatives identified within certain natural gas sales contracts are classified as Level 3 within the fair value hierarchy, as the fair values have been determined using a discounted cash flow valuation technique, which models incorporate significant unobservable inputs. For additional information regarding the significant unobservable inputs and sensitivity of the fair value of ARC's embedded derivatives, refer to Note 16 "Financial Instruments and Market Risk Management" of ARC's audited consolidated financial statements for the year ended December 31, 2024.

ARC recognizes a gain (loss) on risk management contracts in the unaudited condensed interim consolidated statements of comprehensive income ("statements of comprehensive income") related to its natural gas embedded derivatives. The gain (loss) is determined by the relative movements in fair value compared to the prior period balance sheet date. For the three and six months ended June 30, 2025, ARC recognized an unrealized gain of \$57.5 million and \$24.0 million (\$13.4 million and \$17.4 million for the three and six months ended June 30, 2024), respectively. At June 30, 2025, the fair value of the natural gas embedded derivatives was \$49.2 million (\$25.2 million at December 31, 2024).

### 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 June 30, 2025 and December 31, 2024:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset	Net Amounts of Financial Assets (Liabilities) Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets
<b>As at June 30, 2025</b>					
Risk management contracts					
Current asset	227.8	(47.6)	180.2	(1.0)	179.2
Long-term asset	194.6	(43.4)	151.2	(0.4)	150.8
Current liability	(47.6)	47.6	—	—	—
Long-term liability	(65.3)	43.4	(21.9)	—	(21.9)
Net position	309.5	—	309.5	(1.4)	308.1
<b>As at December 31, 2024</b>					
Risk management contracts					
Current asset	250.9	(60.0)	190.9	(0.8)	190.1
Long-term asset	187.2	(32.7)	154.5	(0.4)	154.1
Current liability	(61.1)	60.0	(1.1)	0.1	(1.0)
Long-term liability	(69.8)	32.7	(37.1)	—	(37.1)
Net position	307.2	—	307.2	(1.1)	306.1

## Risk Management Contracts

The following table details the composition of ARC's gain on risk management contracts:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Realized gain on risk management contracts	59.9	63.8	109.9	80.7
Unrealized gain (loss) on risk management contracts	86.8	81.9	2.0	(11.6)
<b>Total gain on risk management contracts</b>	<b>146.7</b>	<b>145.7</b>	<b>111.9</b>	<b>69.1</b>

The following table summarizes ARC's risk management contracts as at June 30, 2025:

<b>Risk Management Contracts Positions Summary</b> <sup>(1)</sup>										
As at June 30, 2025	2025 (remainder)		2026		2027		2028		2029	
<b>Crude Oil – WTI</b>	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Ceiling	82.99	25,000	81.16	10,000	—	—	—	—	—	—
<b>Floor</b>	69.50	25,000	65.00	10,000	—	—	—	—	—	—
Sold Floor	56.25	20,000	52.50	10,000	—	—	—	—	—	—
Sold Swaption <sup>(2)</sup>	—	—	90.00	6,000	89.51	4,000	—	—	—	—
<b>Total Crude Oil Volumes (bbl/day)</b>	<b>25,000</b>		<b>10,000</b>		—		—		—	
<b>Natural Gas – NYMEX Henry Hub</b> <sup>(3)</sup>	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Ceiling	4.62	100,000	6.16	50,000	—	—	—	—	—	—
<b>Floor</b>	3.00	100,000	3.00	50,000	—	—	—	—	—	—
Sold Ceiling	7.60	50,000	—	—	—	—	—	—	—	—
<b>Natural Gas – AECO 7A</b>	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day
Ceiling	4.93	170,000	4.04	300,000	3.71	85,000	—	—	—	—
<b>Floor</b>	2.90	170,000	2.71	300,000	2.60	85,000	—	—	—	—
<b>Total Natural Gas Volumes (MMBtu/day)</b>	<b>261,129</b>		<b>334,345</b>		<b>80,564</b>		—		—	
<b>Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)</b>	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Sold Swap	(0.89)	183,152	(1.05)	92,500	(1.05)	92,500	(1.05)	92,500	(1.05)	21,075
<b>Foreign Exchange</b>	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)
Ceiling	270.0	1.4190	120.0	1.4390	—	—	—	—	—	—
<b>Floor</b>	270.0	1.3483	120.0	1.3800	—	—	—	—	—	—
Swap	10.0	1.3600	—	—	—	—	—	—	—	—

- (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) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
- (3) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

## 10. Shareholders' Capital

(thousands of shares)	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Common shares, beginning of period	589,626	596,853
Repurchase of shares for cancellation	<b>(7,776)</b>	(8,487)
Issued on exercise of share options and long-term incentive awards	<b>562</b>	1,215
Unvested restricted shares held in trust pursuant to the LTRSA Plan <sup>(1)</sup>	<b>(8)</b>	(18)
Restricted shares vested pursuant to the LTRSA Plan	<b>96</b>	63
Common shares, end of period	<b>582,500</b>	589,626

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

During the six months ended June 30, 2025, ARC repurchased 7.8 million common shares under its NCIB at a weighted average price per share of \$27.53 for a total of \$214.7 million, inclusive of all costs. Shares are cancelled upon repurchase.

At June 30, 2025, ARC has recognized a liability of \$46.6 million (\$15.1 million at December 31, 2024) for share repurchases that may take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The transaction has been recognized as a reduction to share capital of \$18.1 million and a reduction to retained earnings of \$28.5 million (\$5.6 million and \$9.5 million at December 31, 2024, respectively).

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

(thousands of shares)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Weighted average common shares	<b>584,002</b>	596,623	<b>586,236</b>	596,678
Dilutive impact of share-based compensation <sup>(1)</sup>	<b>1,045</b>	1,534	<b>1,122</b>	1,612
Weighted average common shares, diluted	<b>585,047</b>	598,157	<b>587,358</b>	598,290

(1) For the six months ended June 30, 2025, 0.1 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (0.3 million for both the three and six months ended June 30, 2024).

Dividends declared for the three and six months ended June 30, 2025 were \$0.19 and \$0.38 per share (\$0.17 and \$0.34 for the three and six months ended June 30, 2024), respectively.

## 11. Revenue

### Commodity Sales from Production

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

Commodity Sales from Production, by Product	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Crude oil	<b>70.6</b>	58.4	<b>134.2</b>	120.0
Condensate	<b>706.7</b>	645.0	<b>1,477.8</b>	1,287.0
Natural gas	<b>379.5</b>	217.4	<b>911.8</b>	600.6
Natural gas liquids	<b>72.4</b>	80.9	<b>195.6</b>	196.2
Total commodity sales from production	<b>1,229.2</b>	1,001.7	<b>2,719.4</b>	2,203.8

During the three and six months ended June 30, 2025, \$198.3 million and \$487.8 million of total commodity sales from production are attributed to the United States (\$115.8 million and \$318.6 million for the three and six months ended June 30, 2024), respectively, with the remainder attributed to Canada, based on the location of ARC's sales points.

At June 30, 2025, accounts receivable includes \$481.4 million from contracts with customers (\$607.1 million at December 31, 2024).

### Sales from Third-Party Purchases

Through the normal course of business, ARC will purchase goods and services from third parties and will earn revenue upon the subsequent sale of these purchases. The following table presents the Company's disaggregation of sales from third-party purchases:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Sales of commodities purchased from third parties	295.3	277.3	600.5	515.0
Transportation assignment sales	11.9	—	11.9	—
<b>Sales from third-party purchases</b>	<b>307.2</b>	<b>277.3</b>	<b>612.4</b>	<b>515.0</b>

## 12. Share-based Compensation Plans

### Long-term Incentive Plans

The following table summarizes the changes in the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") awards for the six months ended June 30, 2025:

RSU, PSU, and DSU Plans (number of awards, thousands)	RSUs	PSUs <sup>(1)</sup>	DSUs
Balance, December 31, 2024	1,557	2,862	1,079
Granted	333	899	52
Distributed	(384)	(950)	—
Forfeited	(36)	(136)	—
<b>Balance, June 30, 2025 <sup>(2)</sup></b>	<b>1,470</b>	<b>2,675</b>	<b>1,131</b>

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

(2) Includes 3,568 RSUs and 0.3 million DSUs that were acquired through a business combination which are eligible for continuation and exercise (the "Acquired Plans").

Compensation charges relating to ARC's share-based compensation plans are reconciled as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
General and administrative ("G&A")	5.2	14.3	26.3	52.4
Operating	1.0	1.5	1.7	4.4
PP&E	2.0	4.3	8.0	15.4
<b>Total compensation charge</b>	<b>8.2</b>	<b>20.1</b>	<b>36.0</b>	<b>72.2</b>
Cash payment	—	4.8	34.4	44.1

At June 30, 2025, compensation amounts of \$96.6 million were recognized in accounts payable and accrued liabilities on the balance sheets (\$60.0 million at December 31, 2024) and \$41.3 million was included in long-term incentive compensation liability (\$76.2 million at December 31, 2024).

## Share Option Plans

At June 30, 2025, all outstanding share options were vested and exercisable. The changes in total share options outstanding and related weighted average exercise prices of share options outstanding were as follows:

Share Option Plans	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, December 31, 2024	1,060	18.95
Exercised	(562)	17.61
<b>Balance, June 30, 2025<sup>(1)</sup></b>	<b>498</b>	<b>20.32</b>

(1) All share options pertain to the Acquired plans.

The following table summarizes information regarding share options outstanding at June 30, 2025:

Range of Exercise Price per Common Share (\$)	Number of Share Options Outstanding (thousands)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Term (years)
5.98 - 18.00	166	10.59	3.4
18.01 - 27.89	332	25.21	1.4
<b>Total</b>	<b>498</b>	<b>20.32</b>	<b>2.1</b>

## LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 2025 were as follows:

	Granted Prior to 2020		Granted Subsequent to 2019	
	LTRSA (number of awards, thousands)	Fair Value per Restricted Share (\$)	LTRSA (number of awards, thousands)	Fair Value per Restricted Share (\$)
Balance, December 31, 2024 <sup>(1)</sup>	693	11.18	205	7.12
Restricted shares purchased	6	26.54	2	26.54
Distributed	(96)	28.71	—	—
Forfeited	(44)	12.04	(20)	6.17
<b>Balance, June 30, 2025</b>	<b>559</b>	<b>8.28</b>	<b>187</b>	<b>7.43</b>

(1) Balances at December 31, 2024 have been revised to reflect forfeitures from awards granted prior to 2020, which had previously been attributed to awards granted subsequent to 2019.

ARC recognized G&A expense of \$0.2 million and \$0.4 million relating to the LTRSA Plan for the three and six months ended June 30, 2025 (\$0.2 million and \$0.5 million for the three and six months ended June 30, 2024), respectively.

## 13. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2025:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	450.0	550.0	—	1,000.0	2,000.0
Interest payments <sup>(1)</sup>	69.2	117.1	77.8	58.7	322.8
Purchase and service commitments <sup>(2)</sup>	193.8	102.8	857.6	7,340.1	8,494.3
Transportation commitments	688.5	1,147.3	1,079.4	4,697.3	7,612.5
<b>Total contractual obligations and commitments</b>	<b>1,401.5</b>	<b>1,917.2</b>	<b>2,014.8</b>	<b>13,096.1</b>	<b>18,429.6</b>

(1) Fixed interest payments on senior notes.

(2) Includes variable operating costs associated with the Company's lease obligations.

Total contractual obligations and commitments were \$18.4 billion at June 30, 2025 (\$17.6 billion at December 31, 2024).

ARC acquired additional commitments through its purchase of the Kakwa Assets. For more information, refer to Note 15 "Subsequent Event".

## 14. Supplemental Disclosures

### Presentation in the Statements of Comprehensive Income

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

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Operating	18.5	14.1	45.1	30.8
G&A	23.4	31.3	60.1	83.1
Total employee compensation expense	41.9	45.4	105.2	113.9

Through the normal course of business, ARC will purchase goods and services from third parties which are subsequently sold. The following table presents the disaggregation of the expenses associated with third-party purchases:

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Commodities purchased from third parties	295.5	274.0	591.2	515.5
Transportation assignment	12.0	—	12.0	—
Third-party purchases	307.5	274.0	603.2	515.5

## Presentation in the Statements of Cash Flows

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

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
<b>Change in Non-cash Working Capital</b>	<b>44.4</b>	16.1	<b>127.3</b>	107.9
Accounts receivable	44.4	16.1	127.3	107.9
Accounts payable and accrued liabilities	80.9	(92.0)	222.8	(154.0)
Inventory	4.0	17.8	3.6	27.3
Prepaid and other long-term assets	(84.8)	(14.3)	(84.1)	(14.3)
<b>Total change in non-cash working capital</b>	<b>44.5</b>	(72.4)	<b>269.6</b>	(33.1)
Relating to:				
Operating activities	24.7	38.7	228.1	74.8
Financing activities	5.1	(1.5)	3.2	(1.3)
Investing activities	14.7	(109.6)	38.3	(106.6)
<b>Total change in non-cash working capital</b>	<b>44.5</b>	(72.4)	<b>269.6</b>	(33.1)
	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
<b>Other Non-cash Items</b>	<b>3.5</b>	3.6	<b>7.1</b>	7.0
Accretion of asset retirement obligation	3.5	3.6	7.1	7.0
Share-based compensation expense	0.2	0.2	0.4	0.5
Impairment (reversal of impairment) of financial assets	(3.2)	1.0	(3.0)	0.6
Loss on long-term investments	0.3	—	0.3	—
Other income	—	(0.5)	—	(0.5)
Other amortization	0.5	0.1	1.1	(0.5)
<b>Total other non-cash items</b>	<b>1.3</b>	4.4	<b>5.9</b>	7.1
	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
<b>Net Change in Other Liabilities</b>	<b>4.2</b>	11.2	<b>(34.9)</b>	11.6
Long-term incentive compensation liability	4.2	11.2	(34.9)	11.6
Risk management contracts	—	—	—	1.2
ARO cash settlements	(1.3)	(3.4)	(8.1)	(9.9)
Other deferred liabilities	(6.0)	(6.3)	(6.7)	(7.3)
Debt issuance costs	(4.6)	—	(5.4)	(0.8)
<b>Total net change in other liabilities</b>	<b>(7.7)</b>	1.5	<b>(55.1)</b>	(5.2)

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

<b>Financing Liabilities</b>	<b>Current Financial Liabilities</b>	<b>Long-term Financial Liabilities</b>	<b>Total Financial Liabilities from Financing Activities</b>
December 31, 2023	85.2	2,123.5	2,208.7
Cash flows			
Draw of long-term debt	—	3,296.3	3,296.3
Repayment of long-term debt	—	(3,066.3)	(3,066.3)
Repayment of lease obligations	(42.6)	—	(42.6)
Reclassified to current			
Lease obligations	45.6	(45.6)	—
Non-cash changes			
Lease modification	—	5.2	5.2
Other	—	1.4	1.4
Other changes	—	(0.8)	(0.8)
<b>Balance, June 30, 2024</b>	<b>88.2</b>	<b>2,313.7</b>	<b>2,401.9</b>
Balance, December 31, 2024	92.8	2,295.9	2,388.7
Cash flows			
Draw and issuance of long-term debt	—	<b>3,062.6</b>	<b>3,062.6</b>
Repayment of long-term debt	—	<b>(2,454.7)</b>	<b>(2,454.7)</b>
Repayment of lease obligations	<b>(51.9)</b>	—	<b>(51.9)</b>
Reclassified to current			
Long-term debt	<b>450.0</b>	<b>(450.0)</b>	—
Lease obligations	<b>43.6</b>	<b>(43.6)</b>	—
Non-cash changes			
Lease modification	<b>0.1</b>	<b>2.7</b>	<b>2.8</b>
Other	—	<b>0.9</b>	<b>0.9</b>
Other changes	—	<b>(5.4)</b>	<b>(5.4)</b>
<b>Balance, June 30, 2025</b>	<b>534.6</b>	<b>2,408.4</b>	<b>2,943.0</b>
Lease obligations due within one year	<b>84.6</b>	—	<b>84.6</b>
Lease obligations due beyond one year	—	<b>867.6</b>	<b>867.6</b>
Long-term debt due within one year	<b>450.0</b>	—	<b>450.0</b>
Long-term debt due beyond one year	—	<b>1,540.8</b>	<b>1,540.8</b>

## 15. Subsequent Event

On July 2, 2025, ARC completed its previously announced acquisition of the Kakwa Assets from Strathcona for total cash consideration of \$1.7 billion, subject to final closing adjustments (the "Transaction"). The Transaction will be accounted for as a business combination using the acquisition method in accordance with the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2024.

### Purchase Price Allocation

The following preliminary purchase price allocation is based on Management's best estimate of the assets acquired and liabilities assumed and is subject to change.

(\$ millions)	July 2, 2025
<b>Cash consideration</b>	<b>1,674.5</b>
Identifiable net assets	
Property, plant and equipment	1,705.0
Right-of-use assets	50.8
Lease obligations	(50.8)
Asset retirement obligation	(30.5)
<b>Total identifiable net assets</b>	<b>1,674.5</b>

### Liquidity and Commitments

The Transaction was financed with proceeds from the 2025 Notes, a \$500.0 million two-year term loan, and borrowings under ARC's credit facility. The two-year term loan was issued by a similar syndicate of banks with the same terms and conditions and with the same pricing as ARC's credit facility, as detailed in Note 12 "Long-term Debt" of ARC's audited consolidated financial statements for the year ended December 31, 2024. Additionally, the borrowing capacity under ARC's credit facility was increased from \$1.7 billion to \$2.0 billion. There are no new financial covenants and no changes to ARC's existing debt covenants.

As a result of the Transaction, ARC assumed approximately \$190.0 million of additional commitments relating to transportation and natural gas processing.