

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

As at

(Cdn\$ millions)	<b>March 31, 2016</b>	December 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	165.5	167.3
Short-term investment	3.1	3.2
Accounts receivable	120.4	116.6
Prepaid expenses	13.7	14.3
Risk management contracts (Note 9)	220.0	207.5
	<b>522.7</b>	508.9
Reclamation fund	33.5	34.3
Risk management contracts (Note 9)	185.3	204.7
Exploration and evaluation assets (Note 4)	290.6	276.4
Property, plant and equipment (Note 5)	4,613.4	4,659.7
Goodwill	248.2	248.2
<b>Total assets</b>	<b>5,893.7</b>	5,932.2
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	119.2	137.5
Current portion of long-term debt (Note 6)	54.7	57.9
Current portion of asset retirement obligations (Note 7)	18.0	18.0
Dividends payable (Note 10)	17.5	34.7
Risk management contracts (Note 9)	1.9	1.6
	<b>211.3</b>	249.7
Risk management contracts (Note 9)	0.7	0.7
Long-term debt (Note 6)	979.7	1,056.4
Long-term incentive compensation liability (Note 11)	20.5	19.5
Other deferred liabilities	13.7	14.1
Asset retirement obligations (Note 7)	585.5	555.2
Deferred taxes	654.7	648.1
<b>Total liabilities</b>	<b>2,466.1</b>	2,543.7
Commitments and contingencies (Note 12)		
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital	4,580.6	4,536.9
Contributed surplus	13.7	12.6
Deficit	(1,166.9)	(1,161.1)
Accumulated other comprehensive income	0.2	0.1
<b>Total shareholders' equity</b>	<b>3,427.6</b>	3,388.5
<b>Total liabilities and shareholders' equity</b>	<b>5,893.7</b>	5,932.2

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three months ended March 31

(Cdn\$ millions, except per share amounts)	2016	2015
<b>REVENUE</b>		
Sales of crude oil, natural gas, condensate, natural gas liquids and other income	231.2	306.6
Royalties	(18.3)	(30.4)
	212.9	276.2
Gain on risk management contracts (Note 9)	61.1	122.3
	274.0	398.5
<b>EXPENSES</b>		
Transportation	24.8	25.6
Operating	69.0	78.4
Exploration and evaluation expenses (Note 4)	1.7	—
General and administrative	31.8	10.7
Interest and financing charges	13.1	12.9
Accretion of asset retirement obligations (Note 7)	3.1	3.6
Depletion, depreciation, amortization and impairment (Note 5)	134.2	178.7
Loss (gain) on foreign exchange	(67.4)	88.1
Loss (gain) on short-term investment	0.1	(0.4)
Gain on disposal of petroleum and natural gas properties	—	(12.7)
	210.4	384.9
Provision for (recovery of) income taxes		
Current	(7.0)	2.3
Deferred	6.5	13.0
	(0.5)	15.3
Net income (loss)	64.1	(1.7)
Net income (loss) per share (Note 10)		
Basic	0.18	(0.01)
Diluted	0.18	(0.01)

See accompanying notes to the condensed interim consolidated financial statements.

**ARC RESOURCES LTD.**

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

For the three months ended March 31

(Cdn\$ millions)	<b>2016</b>	2015
Net income (loss)	<b>64.1</b>	(1.7)
Other comprehensive income		
Items that may be reclassified into earnings, net of tax:		
Net unrealized gain on reclamation fund investments	<b>0.1</b>	0.3
Other comprehensive income	<b>0.1</b>	0.3
Comprehensive income (loss)	<b>64.2</b>	(1.4)

See accompanying notes to the condensed interim consolidated financial statements.

**ARC RESOURCES LTD.**

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

For the three months ended March 31

(Cdn\$ millions)	Shareholders' Capital (Note 10)	Contributed Surplus	Deficit	Accumulated other comprehensive income	Total Shareholders' Equity
December 31, 2014	3,951.1	8.6	(407.9)	—	3,551.8
Net loss	—	—	(1.7)	—	(1.7)
Other comprehensive income	—	—	—	0.3	0.3
Total comprehensive income (loss)	—	—	(1.7)	0.3	(1.4)
Shares issued for cash	402.7	—	—	—	402.7
Shares issued pursuant to the dividend reinvestment program	33.6	—	—	—	33.6
Shares issued pursuant to the stock dividend program	11.0	—	—	—	11.0
Share issue costs <sup>(1)</sup>	(12.4)	—	—	—	(12.4)
Recognized under share-based compensation plans (Note 11)	—	0.9	—	—	0.9
Dividends declared	—	—	(101.6)	—	(101.6)
March 31, 2015	4,386.0	9.5	(511.2)	0.3	3,884.6
December 31, 2015	4,536.9	12.6	(1,161.1)	0.1	3,388.5
Net income	—	—	64.1	—	64.1
Other comprehensive income	—	—	—	0.1	0.1
Total comprehensive income	—	—	64.1	0.1	64.2
Shares issued pursuant to the dividend reinvestment program	32.6	—	—	—	32.6
Shares issued pursuant to the stock dividend program	11.1	—	—	—	11.1
Recognized under share-based compensation plans (Note 11)	—	1.1	—	—	1.1
Dividends declared	—	—	(69.9)	—	(69.9)
March 31, 2016	4,580.6	13.7	(1,166.9)	0.2	3,427.6

(1) Amount is net of deferred tax of \$4.2 million.

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three months ended March 31

(Cdn\$ millions)	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income (loss)	64.1	(1.7)
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	7.2	(77.7)
Accretion of asset retirement obligations (Note 7)	3.1	3.6
Depletion, depreciation, amortization and impairment (Note 5)	134.2	178.7
Exploration and evaluation expenses (Note 4)	1.7	—
Unrealized loss (gain) on foreign exchange	(67.4)	88.3
Gain on disposal of petroleum and natural gas properties	—	(12.7)
Deferred tax expense	6.5	13.0
Other (Note 13)	0.7	—
Net change in other liabilities (Note 13)	(1.1)	(11.6)
Change in non-cash working capital (Note 13)	3.7	(34.2)
	<b>152.7</b>	<b>145.7</b>
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>		
Repayment of long-term debt under revolving credit facilities, net	—	(83.8)
Repayment of senior notes	(13.3)	(12.5)
Issuance of common shares	—	402.7
Share issuance costs	—	(16.6)
Cash dividends paid	(43.3)	(54.9)
	<b>(56.6)</b>	<b>234.9</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>		
Acquisition of petroleum and natural gas properties (Note 5)	(15.1)	—
Disposal of petroleum and natural gas properties	—	11.0
Property, plant and equipment development expenditures (Note 5)	(43.5)	(131.1)
Exploration and evaluation asset expenditures (Note 4)	(15.5)	0.3
Net reclamation fund withdrawals	0.9	4.0
Change in non-cash working capital (Note 13)	(24.7)	(81.3)
	<b>(97.9)</b>	<b>(197.1)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1.8)</b>	<b>183.5</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>167.3</b>	<b>7.1</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>165.5</b>	<b>190.6</b>
The following are included in cash flow from operating activities:		
Income taxes paid in cash	—	37.6
Interest paid in cash	16.3	15.8

See accompanying notes to the condensed interim consolidated financial statements.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS** (unaudited)  
March 31, 2016 and 2015

**1. STRUCTURE OF THE BUSINESS**

The principal undertakings of ARC Resources Ltd. and its 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 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 0H7.

**2. BASIS OF PREPARATION**

These condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2015. All financial information is reported in millions of Canadian dollars ("Cdn\$"), unless otherwise noted. References to "US\$" are to United States dollars.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2015. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous financial year. There have been no significant changes to the use of estimates or judgments since December 31, 2015.

At December 31, 2015, the financial statements included the accounts of ARC and its wholly owned subsidiaries, including ARC Resources General Partnership (the "partnership") and 1504793 Alberta Ltd. Effective March 1, 2016, ARC wound up 1504793 Alberta Ltd. resulting in the dissolution of the partnership. All transactions were executed on a tax deferred basis.

All inter-entity transactions have been eliminated upon consolidation between ARC and its 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 the Board of Directors on April 28, 2016.

**3. FUTURE ACCOUNTING POLICY CHANGES**

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by ARC on January 1, 2018 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by ARC on January 1, 2018 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. 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 applying IFRS 15 *Revenue from Contracts with Customers*. The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will

be applied by ARC on January 1, 2019 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

#### 4. EXPLORATION AND EVALUATION ("E&E") ASSETS

<b>Carrying amount</b>	
Balance, December 31, 2015	276.4
Additions	<b>15.5</b>
E&E expenses	<b>(1.7)</b>
Change in asset retirement cost	<b>0.4</b>
Balance, March 31, 2016	<b>290.6</b>

ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. For the three months ended March 31, 2016 and 2015, these operating results have been recognized in the condensed interim consolidated statements of income (the "statements of income") and comprised sales of crude oil, natural gas, condensate and natural gas liquids of \$0.8 million and \$2.4 million, royalties of \$0.1 million and \$0.1 million, operating expenses of \$0.8 million and \$2.1 million, and transportation expenses of \$0.1 million and \$0.4 million, respectively. All operating cash flows associated with E&E assets for the three months ended March 31, 2016 and 2015 are reflected in cash flow from operating activities.

#### 5. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

<b>Cost</b>	<b>Development and Production Assets</b>	<b>Administrative Assets</b>	<b>Total</b>
Balance, December 31, 2015	7,981.2	63.9	8,045.1
Additions	<b>43.2</b>	<b>0.4</b>	<b>43.6</b>
Acquisitions	<b>15.1</b>	—	<b>15.1</b>
Change in asset retirement cost	<b>28.9</b>	—	<b>28.9</b>
Balance, March 31, 2016	<b>8,068.4</b>	<b>64.3</b>	<b>8,132.7</b>

#### **Accumulated depletion, depreciation, amortization ("DD&A") and impairment**

Balance, December 31, 2015	(3,351.2)	(34.2)	(3,385.4)
DD&A	<b>(132.8)</b>	<b>(1.4)</b>	<b>(134.2)</b>
Other	<b>0.3</b>	—	<b>0.3</b>
Balance, March 31, 2016	<b>(3,483.7)</b>	<b>(35.6)</b>	<b>(3,519.3)</b>

#### **Carrying amounts**

Balance, December 31, 2015	4,630.0	29.7	4,659.7
Balance, March 31, 2016	<b>4,584.7</b>	<b>28.7</b>	<b>4,613.4</b>

For the three months ended March 31, 2016, \$4.4 million of direct and incremental general and administrative ("G&A") expenses were capitalized to PP&E (\$7.7 million for the three months ended March 31, 2015).

## 6. LONG-TERM DEBT

	U.S. \$ Denominated		Canadian \$ Amount	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Senior notes				
Master Shelf Agreement				
5.42% US\$ note	18.8	18.8	24.3	26.0
4.98% US\$ note	30.0	40.0	38.9	55.4
3.72% US\$ note	150.0	150.0	194.6	207.6
2004 note issuance				
5.10% US\$ note	4.8	4.8	6.2	6.6
2009 note issuance				
7.19% US\$ note	13.5	13.5	17.5	18.7
8.21% US\$ note	35.0	35.0	45.4	48.4
6.50% Cdn\$ note	—	—	5.8	5.8
2010 note issuance				
5.36% US\$ note	150.0	150.0	194.6	207.6
2012 note issuance				
3.31% US\$ note	60.0	60.0	77.9	83.0
3.81% US\$ note	300.0	300.0	389.2	415.2
4.49% Cdn\$ note	—	—	40.0	40.0
<b>Total long-term debt outstanding</b>	<b>762.1</b>	<b>772.1</b>	<b>1,034.4</b>	<b>1,114.3</b>
Long-term debt due within one year			54.7	57.9
Long-term debt due beyond one year			979.7	1,056.4

At March 31, 2016, the fair value of all senior notes is \$1,030.4 million (\$1,086.4 million as at December 31, 2015), compared to a carrying value of \$1,034.4 million (\$1,114.3 million as at December 31, 2015).

## 7. ASSET RETIREMENT OBLIGATIONS ("ARO")

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Balance, beginning of period	573.2	616.1
Increase in liabilities relating to development activities	0.6	5.3
Increase in liabilities relating to change in estimates and discount rate <sup>(1)</sup>	27.5	32.4
Settlement of obligations	(2.1)	(12.3)
Accretion	3.1	13.4
Acquisitions	1.2	—
Dispositions	—	(81.7)
<b>Balance, end of period</b>	<b>603.5</b>	<b>573.2</b>
Expected to be incurred within one year	18.0	18.0
Expected to be incurred beyond one year	585.5	555.2

(1) Relates to changes in discount rate and anticipated settlement dates of ARO.

The Bank of Canada's long-term risk-free bond rate of 2 per cent (2.2 per cent at December 31, 2015) and an inflation rate of 2 per cent (2 per cent at December 31, 2015) were used to calculate the present value of ARO at March 31, 2016.

## 8. CAPITAL MANAGEMENT

ARC manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. ARC is able to 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 program;
- provide financial flexibility to execute on strategic opportunities; and
- maintain a dividend policy that, in normal times, in the opinion of Management and the Board of Directors, is sustainable.

ARC manages the following capital:

- common shares; and
- net debt.

When evaluating ARC's capital structure, Management intends to keep its net debt balance to a ratio of less than two times annualized funds from operations during specific periods with a long-term strategy to keep its net debt balance to a ratio of between one to 1.5 times annualized funds from operations and less than 20 per cent of total market capitalization.

### 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 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 charges that are nonrecurring.

Funds from operations for the three months ended March 31, 2016 and 2015 is calculated as follows:

	<b>Three Months Ended March 31, 2016</b>	Three Months Ended March 31, 2015
Cash flow from operating activities	<b>152.7</b>	145.7
Net change in other liabilities (Note 13)	<b>1.1</b>	11.6
Change in non-cash working capital (Note 13)	<b>(3.7)</b>	34.2
Funds from operations <sup>(1)</sup>	<b>150.1</b>	191.5

(1) When applicable, funds from operations is further adjusted to include any portion of unrealized gains and losses on risk management contracts settled annually that relate to current period production. This adjustment was not applicable for the three months ended March 31, 2016 and 2015.

## Net Debt and Total Capitalization

Net debt is used by Management as a key measure to assess the Company's liquidity. Total capitalization is used by Management and ARC's investors in analyzing the Company's balance sheet strength and liquidity.

	March 31, 2016	March 31, 2015
Long-term debt <sup>(1)</sup>	1,034.4	1,065.9
Accounts payable and accrued liabilities	119.2	194.7
Dividends payable	17.5	33.9
Cash and cash equivalents, accounts receivable, prepaid expenses and short-term investment	(302.7)	(344.0)
Net debt	868.4	950.5
Shares outstanding (millions) <sup>(2)</sup>	349.8	339.3
Share price (\$) <sup>(3)</sup>	18.89	21.76
Market capitalization	6,607.7	7,383.2
Net debt obligations	868.4	950.5
Total capitalization	7,476.1	8,333.7
Net debt as a percentage of total capitalization (%)	11.6	11.4
Net debt to annualized funds from operations (ratio)	1.4	1.2

(1) Includes current portion of long-term debt at March 31, 2016 and 2015 of \$54.7 million and \$53.6 million, respectively.

(2) Basic shares outstanding as at March 31, 2016 and 2015, respectively.

(3) TSX closing price as at March 31, 2016 and 2015, respectively.

## 9. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

### Financial Instruments

ARC's financial instruments include cash and cash equivalents, short-term investment, accounts receivable, risk management contracts, reclamation fund assets, accounts payable and accrued liabilities, dividends payable, long-term debt, and long-term incentive compensation liability.

ARC's financial instruments that are carried at fair value on the condensed interim consolidated balance sheets (the "balance sheets") include cash and cash equivalents, short-term investment, risk management contracts, and reclamation fund assets. The fair value of long-term debt is disclosed in Note 6. To estimate the fair value of these 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.

All financial 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.

All of ARC's financial instruments carried at fair value are transacted in active markets. ARC's cash and cash equivalents, short-term investment, and reclamation fund assets are classified as Level 1 measurements and its risk management contracts and fair value disclosure for its long-term debt are classified as Level 2 measurements. ARC does not have any financial instruments classified as Level 3.

ARC determines whether transfers have occurred between levels in the hierarchy by reassessing its hierarchy classifications at each reporting date based on the lowest level input that is significant to the fair value measurement

as a whole. There were no transfers between levels in the hierarchy in the three months ended March 31, 2016 or 2015.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, dividends payable, and long-term incentive compensation liability approximate their fair values.

### Financial Assets and Financial Liabilities Subject to Offsetting

ARC's risk management contracts are subject to master netting agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's balance sheets in all circumstances. ARC manages these contracts on the basis of its net exposure to market risks and therefore measures their fair value consistently with how market participants would price the net risk exposure at the reporting date under current market conditions.

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at March 31, 2016 and December 31, 2015:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset in Balance Sheet	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized in Balance Sheet
<b>As at March 31, 2016</b>					
Risk management contracts					
Current asset	226.9	(4.7)	222.2	(2.2)	220.0
Long-term asset	192.9	(5.8)	187.1	(1.8)	185.3
Current liability	(6.6)	4.7	(1.9)	—	(1.9)
Long-term liability	(6.5)	5.8	(0.7)	—	(0.7)
Net position	406.7	—	406.7	(4.0)	402.7
<b>As at December 31, 2015</b>					
Risk management contracts					
Current asset	214.3	(5.0)	209.3	(1.8)	207.5
Long-term asset	210.0	(3.5)	206.5	(1.8)	204.7
Current liability	(6.6)	5.0	(1.6)	—	(1.6)
Long-term liability	(4.2)	3.5	(0.7)	—	(0.7)
Net position	413.5	—	413.5	(3.6)	409.9

### Risk Management Contracts

The following is a summary of all risk management contracts in place, excluding premiums, as at March 31, 2016. Risk management contract premiums have been disclosed as commitments in Note 12.

<b>Financial WTI Crude Oil Contracts <sup>(1)</sup></b>						
Term	Contract	Volume bbl/d	Bought Put US\$/bbl	Sold Call US\$/bbl	Sold Swap US\$/bbl	
1-Jul-16	31-Dec-16	Swap	2,000	—	—	42.10
1-Jan-17	31-Dec-17	Collar	3,000	40.00	50.00	—

(1) Settled on the monthly average price.

**Financial Cdn\$ WTI Crude Oil Contracts <sup>(2)</sup>**

Term		Contract	Volume bbl/d	Bought Put Cdn\$/bbl	Sold Call Cdn\$/bbl	Sold Swap Cdn\$/bbl
1-Apr-16	31-Dec-16	Swap	7,000	—	—	77.20
1-Apr-16	30-Jun-17	Collar	3,000	70.00	83.38	—

(2) Settled on the monthly average price (monthly average US\$/bbl multiplied by the Bank of Canada monthly average noon day rate).

**Financial MSW Crude Oil Contracts <sup>(3)</sup>**

Term		Contract	Volume bbl/d	Sold Swap US\$/bbl
1-Apr-16	31-Dec-16	Swap	10,000	(3.72)

(3) Settled on the monthly average Mixed Sweet Blend ("MSW") Differential to WTI. The MSW differential refers to the discount between WTI and the mixed sweet crude grade at Edmonton, calculated on a monthly weighted average basis.

**Financial NYMEX Henry Hub Natural Gas Contracts <sup>(4)</sup>**

Term		Contract	Volume MMbtu/d	Bought Put US\$/MMbtu	Sold Call US\$/MMbtu	Sold Swap US\$/MMbtu
1-Apr-16	31-Dec-16	Swap	40,000	—	—	4.00
1-Apr-16	31-Dec-16	Collar	105,000	4.00	4.79	—
1-Jan-17	31-Dec-17	Collar	145,000	4.00	4.81	—
1-Jan-18	31-Dec-18	Collar	80,000	4.00	4.91	—
1-Jan-18	31-Dec-19	Collar	10,000	4.00	5.00	—
1-Jan-19	31-Dec-19	Collar	30,000	4.00	5.00	—

(4) NYMEX Henry Hub "Last Day" Settlement.

**Financial AECO Natural Gas Contracts <sup>(5)</sup>**

Term		Contract	Volume GJ/d	Bought Put Cdn\$/GJ	Sold Call Cdn\$/GJ	Sold Swap Cdn\$/GJ
1-Apr-16	31-Dec-16	Swap	30,000	—	—	2.99
1-Jan-17	31-Dec-17	Swap	10,000	—	—	2.75
1-Jan-18	31-Dec-18	Swap	40,000	—	—	2.96
1-Jan-19	31-Dec-19	Swap	20,000	—	—	3.16
1-Jan-19	31-Dec-19	Collar	10,000	3.00	3.30	—
1-Jan-20	31-Dec-20	Swap	30,000	—	—	3.35
1-Jan-20	31-Dec-20	Collar	30,000	3.08	3.60	—

(5) AECO Monthly (7a) index Cdn\$/GJ.

**Financial AECO Basis Ratio Swap Contracts <sup>(6)</sup>**

Term		Contract	Volume MMbtu/d	Ratio Sold Swap % AECO/NYMEX
1-Apr-16	31-Dec-16	Swap	10,000	88.4
1-Apr-16	31-Dec-17	Swap	110,000	90.6
1-Apr-16	30-Jun-18	Swap	20,000	89.9
1-Jan-17	31-Dec-17	Swap	10,000	86.1
1-Jan-17	31-Dec-18	Swap	10,000	77.1
1-Jan-18	31-Dec-18	Swap	45,000	81.9
1-Jan-18	30-Jun-19	Swap	20,000	90.8
1-Jul-18	31-Dec-18	Swap	20,000	85.4
1-Jan-19	31-Dec-19	Swap	25,000	81.6
1-Jul-19	31-Dec-19	Swap	20,000	80.7

(6) ARC receives NYMEX price based on Last Day settlement multiplied by AECO/NYMEX US\$/MMbtu ratio; ARC pays AECO Monthly (7a) index US\$/MMbtu.

**Financial AECO Basis Fixed Price Swap Contracts <sup>(7)</sup>**

Term		Contract	Volume MMbtu/d	AECO/NYMEX Fixed Price Differential
1-Jan-17	31-Dec-17	Swap	15,000	(0.69)
1-Jan-18	31-Dec-18	Swap	25,000	(0.65)
1-Jan-19	31-Dec-19	Swap	25,000	(0.59)
1-Jan-20	31-Dec-20	Swap	25,000	(0.54)

(7) ARC receives NYMEX price based on Last Day settlement less AECO fixed price differential; ARC pays AECO (7a) monthly index US\$/MMbtu.

**Financial Electricity Heat Rate Contracts <sup>(8)</sup>**

Term		Contract	Volume MWh	Heat Rate GJ/MWh
1-Apr-16	31-Dec-17	Heat Rate Swap	20	13.71

(8) ARC pays AECO Monthly (5a) x Heat Rate; ARC receives floating AESO Power Price (monthly average 24x7) Cdn\$/MWh.

**Financial Electricity Contracts <sup>(9)</sup>**

Term		Contract	Volume MWh	Bought Swap Cdn\$/MWh
1-Apr-16	31-Dec-16	Fixed Rate Swap	5	51.00

(9) AESO Power Price (monthly average 24x7) Cdn\$/MWh.

## 10. SHAREHOLDERS' CAPITAL

(thousands of shares)	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Common shares, beginning of period	347,084	319,439
Equity offering	—	17,859
Restricted shares issued pursuant to the LTRSA <sup>(1)</sup> Plan	—	100
Forfeited restricted shares pursuant to the LTRSA Plan	(3)	(7)
Unvested restricted shares held in trust pursuant to the LTRSA Plan	3	(93)
Cancelled shares	—	(1)
Dividend reinvestment program	2,010	7,563
Stock dividend program	683	2,224
<b>Common shares, end of period</b>	<b>349,777</b>	<b>347,084</b>

(1) Long-term Restricted Share Award.

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

(thousands of shares)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Weighted average common shares	348,680	333,241
Dilutive impact of share-based compensation <sup>(1)</sup>	189	—
<b>Weighted average common shares - diluted</b>	<b>348,869</b>	<b>333,241</b>

(1) Excludes impact of 2.3 million weighted average common shares related to share options that were anti-dilutive for the three months ended March 31, 2016 (2.4 million weighted average common shares related to share options for the three months ended March 31, 2015).

Dividends declared for the three months ended March 31, 2016 and 2015 were \$0.20 and \$0.30 per common share, respectively.

On April 18, 2016, the Board of Directors declared a dividend of \$0.05 per common share, payable in cash or common shares under the Stock Dividend Program, to shareholders of record on April 29, 2016. The dividend payment date is May 16, 2016. Of the \$17.5 million in dividends payable at March 31, 2016, \$2.2 million is payable in common shares under the Stock Dividend Program (\$4.5 million at December 31, 2015).

## 11. SHARE-BASED COMPENSATION PLANS

### Long-term Incentive Plans

The following table summarizes the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU") and Deferred Share Unit ("DSU") movement for the three months ended March 31, 2016:

(number of units, thousands)	RSUs	PSUs <sup>(1)</sup>	DSUs
Balance, December 31, 2015	730	1,577	317
Granted	206	375	29
Distributed	(139)	(207)	—
Forfeited	(86)	(83)	—
<b>Balance, March 31, 2016</b>	<b>711</b>	<b>1,662</b>	<b>346</b>

(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 can be reconciled as follows:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
G&A expenses (recoveries)	10.1	(6.7)
Operating expense	1.4	0.2
PP&E (recoveries)	0.8	(0.5)
Total compensation charges (recoveries)	12.3	(7.0)
Cash payments	11.7	14.4

At March 31, 2016, \$19.6 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet (\$20 million at December 31, 2015) and \$20.5 million was included in the long-term incentive compensation liability (\$19.5 million at December 31, 2015). A recoverable amount of \$nil was included in accounts receivable at March 31, 2016 (\$0.3 million at December 31, 2015).

#### Share Option Plan

The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2016 were as follows:

	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, December 31, 2015	3,221	21.95
Forfeited	(153)	21.62
Balance, March 31, 2016	3,068	21.71
Exercisable, March 31, 2016	316	21.16

The following table summarizes information regarding share options outstanding at March 31, 2016:

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 (\$)
15.75 - 20.00	807	15.75	3.22	—	—
20.01 - 25.00	1,779	21.92	4.86	316	21.16
25.01 - 30.89	482	30.89	5.22	—	—
Total	3,068	21.71	4.49	316	21.16

ARC estimates the fair value of share options granted on the date of grant using a binomial-lattice option pricing model. There were no share options granted during the three months ended March 31, 2016 and 2015.

ARC recorded compensation expense of \$0.9 million relating to the share option plan for the three months ended March 31, 2016 (\$0.8 million for the three months ended March 31, 2015). During the three months ended March 31, 2016, \$0.1 million of share option compensation charges were capitalized to PP&E (\$0.1 million for the three months ended March 31, 2015).

#### LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the three months ended March 31, 2016 were as follows:

	LTRSA (number of units, thousands)	Fair Value per Restricted Share (\$)
Balance, December 31, 2015	93	21.54
Forfeited	(3)	21.86
Balance, March 31, 2016	90	21.53

ARC did not record any cash payments under the LTRSA Plan during the three months ended March 31, 2016 (\$nil for the three months ended March 31, 2015).

## 12. COMMITMENTS AND CONTINGENCIES

The following is a summary of ARC's contractual obligations and commitments as at March 31, 2016:

	Payments Due by Period				Total
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	
Debt repayments <sup>(1)</sup>	54.7	126.3	212.9	640.5	1,034.4
Interest payments <sup>(2)</sup>	44.7	80.1	63.6	56.8	245.2
Reclamation fund contributions <sup>(3)</sup>	3.3	6.1	5.7	44.9	60.0
Purchase commitments	53.7	23.5	9.0	5.2	91.4
Transportation commitments	71.0	131.1	87.9	221.3	511.3
Operating leases	15.8	29.9	27.5	41.6	114.8
Risk management contract premiums <sup>(4)</sup>	4.7	4.8	0.4	—	9.9
<b>Total contractual obligations and commitments</b>	<b>247.9</b>	<b>401.8</b>	<b>407.0</b>	<b>1,010.3</b>	<b>2,067.0</b>

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

(2) Fixed interest payments on senior notes.

(3) Contribution commitments to a restricted reclamation fund associated with the Redwater property.

(4) Fixed premiums to be paid in future periods on certain commodity price risk management contracts.

## 13. 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:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating	9.7	9.3
G&A	25.2	10.0
<b>Total employee compensation expenses</b>	<b>34.9</b>	<b>19.3</b>

### Cash Flow Statement Presentation

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
<b>Change in Non-Cash Working Capital</b>		
Accounts receivable	(4.1)	30.3
Accounts payable and accrued liabilities	(17.5)	(145.4)
Prepaid expenses	0.6	(0.4)
<b>Total</b>	<b>(21.0)</b>	<b>(115.5)</b>
Relating to:		
Operating activities	3.7	(34.2)
Investing activities	(24.7)	(81.3)
<b>Total change in non-cash working capital</b>	<b>(21.0)</b>	<b>(115.5)</b>

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
<b>Other Non-Cash Items</b>		
Non-cash lease inducement	(0.4)	(0.4)
Loss (gain) on short-term investment	0.1	(0.4)
Share-based compensation expense	1.0	0.8
Total other non-cash items	0.7	—
	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
<b>Net Change in Other Liabilities</b>		
Long-term incentive compensation liability	1.0	(9.6)
Asset retirement obligations	(2.1)	(2.0)
Total net change in other liabilities	(1.1)	(11.6)