

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

(Cdn\$ millions)	<b>March 31, 2015</b>	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	<b>190.6</b>	7.1
Short-term investment	<b>4.0</b>	3.6
Accounts receivable	<b>134.7</b>	165.0
Prepaid expenses	<b>14.7</b>	14.3
Risk management contracts (Note 8)	<b>143.3</b>	131.8
Assets held for sale (Note 5)	<b>74.3</b>	5.8
	<b>561.6</b>	327.6
Reclamation fund	<b>31.5</b>	35.2
Risk management contracts (Note 8)	<b>196.5</b>	128.0
Intangible exploration and evaluation assets (Note 4)	<b>266.1</b>	266.4
Property, plant and equipment (Note 5)	<b>5,284.9</b>	5,320.1
Goodwill	<b>248.2</b>	248.2
<b>Total assets</b>	<b>6,588.8</b>	6,325.5
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	<b>194.7</b>	339.1
Current portion of long-term debt (Note 6)	<b>53.6</b>	49.5
Current portion of asset retirement obligations (Note 7)	<b>13.0</b>	13.0
Dividends payable	<b>33.9</b>	32.0
Risk management contracts (Note 8)	<b>1.5</b>	1.0
Liabilities associated with assets held for sale (Note 5)	<b>62.3</b>	5.5
	<b>359.0</b>	440.1
Risk management contracts (Note 8)	<b>2.8</b>	1.0
Long-term debt (Note 6)	<b>1,012.3</b>	1,025.3
Long-term incentive compensation liability (Note 10)	<b>19.5</b>	29.1
Other deferred liabilities	<b>15.4</b>	15.8
Asset retirement obligations (Note 7)	<b>627.0</b>	603.1
Deferred taxes	<b>668.2</b>	659.3
<b>Total liabilities</b>	<b>2,704.2</b>	2,773.7
Commitments and contingencies (Note 11)		
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital	<b>4,386.0</b>	3,951.1
Contributed surplus	<b>9.5</b>	8.6
Deficit	<b>(511.2)</b>	(407.9)
Accumulated other comprehensive income	<b>0.3</b>	—
<b>Total shareholders' equity</b>	<b>3,884.6</b>	3,551.8
<b>Total liabilities and shareholders' equity</b>	<b>6,588.8</b>	6,325.5

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three months ended March 31

(Cdn\$ millions, except per share amounts)	2015	2014
<b>REVENUE</b>		
Sales of crude oil, natural gas, condensate, natural gas liquids and other income	306.6	551.4
Royalties	(30.4)	(80.0)
	<b>276.2</b>	471.4
Gain (loss) on risk management contracts (Note 8)	122.3	(109.4)
	<b>398.5</b>	362.0
<b>EXPENSES</b>		
Transportation	25.6	18.1
Operating	78.4	85.4
General and administrative	10.7	19.9
Interest and financing charges	12.9	12.0
Accretion of asset retirement obligations (Note 7)	3.6	3.9
Depletion, depreciation, amortization and impairment (Note 5)	178.7	149.8
Loss on foreign exchange	88.1	29.0
Gain on short-term investment	(0.4)	(0.6)
Gain on disposal of petroleum and natural gas properties	(12.7)	—
	<b>384.9</b>	317.5
Provision for (recovery of) income taxes		
Current	2.3	23.7
Deferred	13.0	(8.6)
	<b>15.3</b>	15.1
Net income (loss)	<b>(1.7)</b>	29.4
Net income (loss) per share (Note 9)		
Basic	<b>(0.01)</b>	0.09
Diluted	<b>(0.01)</b>	0.09

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three months ended March 31

(Cdn\$ millions, except per share amounts)	<b>2015</b>	2014
Net income (loss)	<b>(1.7)</b>	29.4
Other comprehensive income, net of tax		
Net unrealized gain on reclamation fund investments	<b>0.3</b>	—
Other comprehensive income	<b>0.3</b>	—
Comprehensive income (loss)	<b>(1.4)</b>	29.4

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three months ended March 31

(Cdn\$ millions)	Shareholders' Capital	Contributed Surplus	Deficit	Accumulated other comprehensive income	Total Shareholders' Equity
December 31, 2013	3,800.8	3.8	(408.5)	—	3,396.1
Shares issued pursuant to the dividend reinvestment program	28.2	—	—	—	28.2
Shares issued pursuant to the stock dividend program	7.9	—	—	—	7.9
Cancellation of shares and return of accrued dividends	(0.8)	1.9	—	—	1.1
Issued under share option plans (Note 10)	—	0.6	—	—	0.6
Comprehensive income	—	—	29.4	—	29.4
Dividends declared	—	—	(94.5)	—	(94.5)
March 31, 2014	3,836.1	6.3	(473.6)	—	3,368.8
December 31, 2014	3,951.1	8.6	(407.9)	—	3,551.8
Shares issued for cash	<b>402.7</b>	—	—	—	<b>402.7</b>
Shares issued pursuant to the dividend reinvestment program	<b>33.6</b>	—	—	—	<b>33.6</b>
Shares issued pursuant to the stock dividend program	<b>11.0</b>	—	—	—	<b>11.0</b>
Share issue costs <sup>(1)</sup>	<b>(12.4)</b>	—	—	—	<b>(12.4)</b>
Issued under share option plans (Note 10)	—	<b>0.9</b>	—	—	<b>0.9</b>
Comprehensive income	—	—	(1.7)	<b>0.3</b>	<b>(1.4)</b>
Dividends declared	—	—	(101.6)	—	<b>(101.6)</b>
March 31, 2015	<b>4,386.0</b>	<b>9.5</b>	<b>(511.2)</b>	<b>0.3</b>	<b>3,884.6</b>

(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 CONSOLIDATED STATEMENTS OF CASH FLOWS** (unaudited)

For the three months ended March 31

(Cdn\$ millions)	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income (loss)	(1.7)	29.4
Add items not involving cash:		
Unrealized loss (gain) on risk management contracts	(77.7)	89.2
Accretion of asset retirement obligations (Note 7)	3.6	3.9
Depletion, depreciation, amortization and impairment (Note 5)	178.7	149.8
Unrealized loss on foreign exchange	88.3	29.0
Gain on disposal of petroleum and natural gas properties	(12.7)	—
Deferred tax expense (recovery)	13.0	(8.6)
Other (Note 12)	—	(0.4)
Net change in other liabilities (Note 12)	(11.6)	(13.5)
Change in non-cash working capital (Note 12)	(34.2)	(19.5)
	<b>145.7</b>	<b>259.3</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance (repayment) of long-term debt under revolving credit facilities, net	(83.8)	58.8
Repayment of senior notes	(12.5)	—
Issue of common shares (Note 9)	402.7	—
Share issue costs (Note 9)	(16.6)	—
Cash dividends paid	(54.9)	(58.3)
	<b>234.9</b>	<b>0.5</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of petroleum and natural gas properties (Note 5)	—	(30.7)
Disposal of petroleum and natural gas properties	11.0	—
Property, plant and equipment development expenditures (Note 5)	(131.1)	(227.1)
Intangible exploration and evaluation asset expenditures (Note 4)	0.3	(20.7)
Net reclamation fund withdrawals	4.0	0.8
Change in non-cash working capital (Note 12)	(81.3)	27.5
	<b>(197.1)</b>	<b>(250.2)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>183.5</b>	<b>9.6</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>7.1</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>190.6</b>	<b>9.6</b>
The following are included in cash flow from operating activities:		
Income taxes paid in cash	37.6	13.2
Interest paid in cash	15.8	11.5

See accompanying notes to the condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

March 31, 2015 and 2014

### 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 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, 2014. 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, 2014. 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 changes to the use of estimates or judgments since December 31, 2014.

The financial statements include the accounts of ARC and its wholly owned subsidiaries, ARC Resources General Partnership and 1504793 Alberta Ltd. All inter-entity transactions have been eliminated.

These financial statements were authorized for issue by the Board of Directors on April 29, 2015.

### 3. CHANGES IN ACCOUNTING POLICIES

#### 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 transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. IFRS 15 will be applied by ARC on January 1, 2017 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 by ARC on January 1, 2018 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

### 4. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

<b>Carrying amount</b>	
Balance, December 31, 2014	266.4
Additions	0.1
Other	(0.4)
<b>Balance, March 31, 2015</b>	<b>266.1</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, 2015 and 2014, respectively, 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 \$2.4 million and \$2 million, royalties of \$0.1 million and \$0.2 million, operating expenses of \$2.1 million and \$1 million, and transportation expenses of \$0.4 million \$0.1 million. All cash flows associated with E&E assets for the three months ended March 31, 2015 and 2014 are reflected in cash flow from operating activities.

## 5. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<b>Development and Production Assets</b>	<b>Administrative Assets</b>	<b>Total</b>
Balance, December 31, 2014	7,917.1	61.4	7,978.5
Additions	<b>130.7</b>	<b>0.5</b>	<b>131.2</b>
Acquisitions	<b>10.6</b>	—	<b>10.6</b>
Change in asset retirement cost	<b>84.6</b>	—	<b>84.6</b>
Dispositions	<b>(8.6)</b>	—	<b>(8.6)</b>
Assets reclassified as held for sale	<b>(189.0)</b>	—	<b>(189.0)</b>
Balance, March 31, 2015	<b>7,945.4</b>	<b>61.9</b>	<b>8,007.3</b>

### **Accumulated depletion, depreciation, amortization and impairment**

Balance, December 31, 2014	(2,630.3)	(28.1)	(2,658.4)
Depletion, depreciation, amortization and impairment	<b>(177.1)</b>	<b>(1.6)</b>	<b>(178.7)</b>
Accumulated depletion and impairment reclassified as held for sale	<b>114.7</b>	—	<b>114.7</b>
Balance, March 31, 2015	<b>(2,692.7)</b>	<b>(29.7)</b>	<b>(2,722.4)</b>

### **Carrying amounts**

Balance, December 31, 2014	5,286.8	33.3	5,320.1
Balance, March 31, 2015	<b>5,252.7</b>	<b>32.2</b>	<b>5,284.9</b>

For the three months ended March 31, 2015, \$7.7 million of direct and incremental general and administrative expenses were capitalized to property, plant and equipment ("PP&E") (\$9.1 million for the three months ended March 31, 2014).

### **Assets held for sale**

Balance, December 31, 2014	5.8
Additions	<b>74.3</b>
Disposals	<b>(5.8)</b>
Balance, March 31, 2015	<b>74.3</b>

## 6. LONG-TERM DEBT

	March 31, 2015	December 31, 2014
Syndicated credit facilities		
Cdn\$ denominated	—	83.8
Senior notes		
Master Shelf Agreement		
5.42% US\$ note	35.7	32.6
4.98% US\$ note	50.7	58.0
3.72% US\$ note	190.2	174.0
2004 Note Issuance		
5.10% US\$ note	12.2	11.1
2009 note issuance		
7.19% US\$ note	34.2	31.3
8.21% US\$ note	44.4	40.6
6.50% Cdn\$ note	11.6	11.6
2010 note issuance		
5.36% US\$ note	190.2	174.0
2012 note issuance		
3.31% US\$ note	76.1	69.7
3.81% US\$ note	380.6	348.1
4.49% Cdn\$ note	40.0	40.0
<b>Total long-term debt outstanding</b>	<b>1,065.9</b>	<b>1,074.8</b>
Long-term debt due within one year	53.6	49.5
Long-term debt due beyond one year	1,012.3	1,025.3

At March 31, 2015, the fair value of all senior notes is \$1,066.1 million (\$974.4 million as at December 31, 2014), compared to a carrying value of \$1,065.9 million (\$991 million as at December 31, 2014).

## 7. ASSET RETIREMENT OBLIGATIONS

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Balance, beginning of period	616.1	475.4
Increase in liabilities relating to development activities	1.9	12.6
Increase in liabilities relating to change in estimates and discount rate	82.7	174.2
Settlement of reclamation liabilities	(2.0)	(23.0)
Accretion	3.6	14.9
Dispositions	—	(32.5)
Reclassified as liabilities associated with assets held for sale	(62.3)	(5.5)
<b>Balance, end of period</b>	<b>640.0</b>	<b>616.1</b>
Expected to be incurred within one year	13.0	13.0
Expected to be incurred beyond one year	627.0	603.1

The Bank of Canada's long-term risk-free bond rate of 2 per cent (2.3 per cent at December 31, 2014) and an inflation rate of 2 per cent (2 per cent at December 31, 2014) were used to calculate the present value of the ARO liability at March 31, 2015.

## 8. 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 transactions, 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 fair value measurements classified as Level 3.

ARC determines whether transfers have occurred between levels in the hierarchy by re-assessing 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, 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, 2015 and December 31, 2014:

	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, 2015</b>					
Risk management contracts					
Current asset	168.5	(24.1)	144.4	(1.1)	143.3
Long-term asset	209.3	(11.2)	198.1	(1.6)	196.5
Current liability	(25.6)	24.1	(1.5)	—	(1.5)
Long-term liability	(14.0)	11.2	(2.8)	—	(2.8)
Net position	338.2	—	338.2	(2.7)	335.5
<b>As at December 31, 2014</b>					
Risk management contracts					
Current asset	151.0	(18.2)	132.8	(1.0)	131.8
Long-term asset	132.1	(3.1)	129.0	(1.0)	128.0
Current liability	(19.2)	18.2	(1.0)	—	(1.0)
Long-term liability	(4.1)	3.1	(1.0)	—	(1.0)
Net position	259.8	—	259.8	(2.0)	257.8

### Risk Management Contracts

The following is a summary of all risk management contracts in place, excluding premiums, as at March 31, 2015.

#### Financial WTI Crude Oil Contracts <sup>(1)</sup>

Term	Contract	Volume bbl/d	Bought Put US\$/bbl	Sold Put US\$/bbl	Sold Call US\$/bbl	
1-Apr-15	30-Jun-15	3-Way Collar	6,000	90.00	65.00	100.83

(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	
1-Apr-15	30-Sep-15	Collar	5,000	60.20	80.00
1-Apr-15	31-Dec-15	Collar	5,000	62.00	81.27
1-Jan-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-Jul-15	30-Sep-15	Swap	1,000	(5.95)

(3) Settled on the monthly average 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 Natural Gas Contracts** <sup>(4)</sup>

Term			Contract	Volume MMbtu/d	Bought Put US\$/MMbtu	Sold Call US\$/MMbtu
1-Apr-15	30-Apr-15		Collar	30,000	3.75	4.25
1-Apr-15	31-Dec-15		Collar	110,000	3.95	4.80
1-Apr-15	31-Dec-15		Collar	65,000	4.00	4.25
1-Apr-15	31-Dec-17		Collar	10,000	4.00	4.50
1-May-15	31-Dec-15		Collar	30,000	3.75	4.00
1-Jan-16	31-Dec-17		Collar	135,000	4.00	4.83
1-Jan-18	31-Dec-18		Collar	90,000	4.00	4.92
1-Jan-19	31-Dec-19		Collar	40,000	4.00	5.00

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

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

Term			Contract	Volume GJ/d	Sold Swap Cdn\$/GJ
1-Jan-16	31-Dec-16		Swap	20,000	3.00

(5) AECO Monthly (7a) index.

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

Term			Contract	Volume MMbtu/d	Ratio Sold Swap % AECO/NYMEX
1-Apr-15	31-Dec-15		Swap	130,000	90.5
1-Jul-15	31-Dec-15		Swap	30,000	85.2
1-Jan-16	31-Dec-16		Swap	140,000	90.3
1-Jan-17	31-Dec-17		Swap	140,000	90.2
1-Jan-18	30-Jun-18		Swap	20,000	89.9
1-Jan-18	31-Dec-18		Swap	35,000	88.5
1-Jul-18	31-Dec-18		Swap	20,000	85.4
1-Jan-19	30-Jun-19		Swap	20,000	90.8

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

**Financial Electricity Heat Rate Contracts** <sup>(7)</sup>

Term			Contract	Volume MWh	Heat Rate GJ/MWh
1-Apr-15	31-Dec-17		Heat Rate Swap	20	13.71

(7) ARC pays AECO Monthly (5a) x Heat Rate; ARC receives floating AESO Power Price.

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

Term			Contract	Volume MWh	Bought Swap Cdn\$/MWh
1-Apr-15	31-Dec-16		Fixed Rate Swap	5	51.00

(8) Alberta Power Pool (monthly average 24x7).

**Foreign Exchange Contracts** <sup>(9)</sup>

Term			Contract	Volume US\$ millions/month	Bought Put Cdn\$/US\$	Sold Call Cdn\$/US\$
1-Apr-15	31-Dec-15		Collar	2.0	1.0400	1.0925

(9) Bank of Canada monthly average noon day rate settlement.

**Foreign Exchange Swap Contracts** <sup>(10)</sup>

Term	Contract	Volume US\$ millions/month	Sold Swap Cdn\$/US\$	Limit Price Cdn\$/US\$ <sup>(11)</sup>
1-Apr-15	31-Dec-15	Limit Swap	2.0	1.0525
				1.1350

(10) Bank of Canada monthly average noon day rate settlement.

(11) Swap with upside participation up to the limit; above which, settlement will occur at the swap price.

**9. SHAREHOLDERS' CAPITAL**

(thousands of shares)	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Common shares, beginning of period	319,439	314,067
Equity offering	<b>17,859</b>	—
Cancelled shares	—	(47)
Dividend reinvestment program	<b>1,517</b>	4,159
Stock dividend program	<b>500</b>	1,260
Common shares, end of period	<b>339,315</b>	319,439

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

(thousands of shares)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Weighted average common shares	<b>333,241</b>	314,703
Dilutive impact of share options	<b>259</b>	512
Weighted average common shares - diluted	<b>333,500</b>	315,215

On January 29, 2015, ARC issued 17.9 million common shares at a price of \$22.55 per share for aggregate gross proceeds of \$402.7 million on a bought deal basis. Share issue costs of \$16.6 million were incurred as a result of this transaction.

Dividends declared for the three months ended March 31, 2015 and 2014 were \$0.30 per common share.

On April 16, 2015, the Board of Directors declared a dividend of \$0.10 per common share, payable in cash or common shares under the Stock Dividend Program, to shareholders of record on April 30, 2015. The dividend payment date is May 15, 2015. Of the \$33.9 million in dividends payable at March 31, 2015, \$4.2 million is payable in common shares under the Stock Dividend Program (\$4.2 million at December 31, 2014).

**10. 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, 2015:

(number of units, thousands)	RSUs	PSUs <sup>(1)</sup>	DSUs
Balance, December 31, 2014	625	1,513	220
Granted	<b>212</b>	<b>314</b>	<b>21</b>
Distributed	<b>(147)</b>	<b>(246)</b>	—
Forfeited	<b>(9)</b>	<b>(23)</b>	—
Balance, March 31, 2015	<b>681</b>	<b>1,558</b>	<b>241</b>

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

Compensation charges (recoveries) relating to the RSU, PSU and DSU Plans can be reconciled as follows:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
General and administrative expenses	(6.7)	4.1
Operating expense	0.2	1.4
PP&E	(0.5)	0.9
Total compensation charges (recoveries)	(7.0)	6.4
Cash payments	14.4	17.3

At March 31, 2015, \$19 million of compensation amounts payable were included in accounts payable and accrued liabilities on the balance sheet (\$30.9 million at December 31, 2014) and \$19.5 million was included in long-term incentive compensation liability (\$29.1 million at December 31, 2014). A recoverable amount of \$0.3 million was included in accounts receivable at March 31, 2015 (\$0.5 million at December 31, 2014).

### Share Option Plan

ARC estimates the fair value of share options granted using a binomial-lattice option pricing model, with the grant date fair values as follows:

Grant Date	Number of Options Granted	Fair Value per Share Option Outstanding
March 24, 2011	430,990	\$ 8.40
June 21, 2012	1,056,373	\$ 5.25
June 20, 2013	713,248	\$ 7.87
June 19, 2014	568,538	\$ 10.21

The following assumptions were used to arrive at the estimated fair value of the share options at their grant date:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Grant date share price (\$)	20.20 - 32.94	20.20 - 27.11
Exercise price (\$) <sup>(1)</sup>	16.90 - 32.04	18.10 - 26.25
Expected annual dividends (\$)	1.20	1.20
Expected volatility (%) <sup>(2)</sup>	37.00 - 38.00	37.00 - 38.00
Risk-free interest rate (%)	1.39 - 2.61	1.39 - 2.61
Expected life of share option <sup>(3)</sup>	5.5 to 6 years	5.5 to 6 years

(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/trust units over the past seven years.

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

ARC recorded compensation expense of \$0.8 million relating to the share option plan for the three months ended March 31, 2015 (\$0.6 million for the three months ended March 31, 2014). During the three months ended March 31, 2015, \$0.1 million of share option compensation charges were capitalized to PP&E (nil for the three months ended March 31, 2014).

The changes in total share options outstanding and related weighted average exercise prices for the three months ended March 31, 2015 were as follows:

	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, December 31, 2014	2,505	23.43
Granted	—	—
Exercised	—	—
Forfeited	(55)	23.18
Balance, March 31, 2015	2,450	23.13
Exercisable, March 31, 2015	182	22.31

## 11. COMMITMENTS AND CONTINGENCIES

During the three months ended March 31, 2015, there were no material changes to ARC's commitments and contingencies from those presented as at December 31, 2014.

## 12. 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 the operating and general and administrative expense line items.

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating	9.3	9.3
General and administrative	10.0	19.6
Total employee compensation expenses	19.3	28.9

### 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, 2015	Three Months Ended March 31, 2014
<b>Change in Non-Cash Working Capital</b>		
Accounts receivable	30.3	(57.7)
Accounts payable and accrued liabilities	(145.4)	63.5
Prepaid expenses	(0.4)	2.2
Total	(115.5)	8.0
Relating to:		
Operating activities	(34.2)	(19.5)
Investing activities	(81.3)	27.5
Total change in non-cash working capital	(115.5)	8.0

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
<b>Other Non-Cash Items</b>		
Non-cash lease inducement	(0.4)	(0.4)
Gain on short-term investment	(0.4)	(0.6)
Share option expense	0.8	0.6
Total other non-cash items	—	(0.4)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
<b>Net Change in Other Liabilities</b>		
Long-term incentive compensation liability	(9.6)	(10.3)
Asset retirement obligations	(2.0)	(3.2)
Total net change in other liabilities	(11.6)	(13.5)