

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

As at

(Cdn\$ millions)	<b>September 30, 2015</b>	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	<b>205.0</b>	7.1
Short-term investment	<b>3.7</b>	3.6
Accounts receivable	<b>109.5</b>	165.0
Prepaid expenses	<b>15.8</b>	14.3
Risk management contracts (Note 9)	<b>160.8</b>	131.8
Assets held for sale (Note 5)	<b>—</b>	5.8
	<b>494.8</b>	327.6
Reclamation fund	<b>33.2</b>	35.2
Risk management contracts (Note 9)	<b>209.4</b>	128.0
Intangible exploration and evaluation assets (Note 4, 6)	<b>262.9</b>	266.4
Property, plant and equipment (Note 5, 6)	<b>4,823.9</b>	5,320.1
Goodwill (Note 6)	<b>248.2</b>	248.2
<b>Total assets</b>	<b>6,072.4</b>	6,325.5
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	<b>188.2</b>	339.1
Current portion of long-term debt (Note 7)	<b>56.3</b>	49.5
Current portion of asset retirement obligations (Note 8)	<b>15.0</b>	13.0
Dividends payable	<b>34.4</b>	32.0
Risk management contracts (Note 9)	<b>1.1</b>	1.0
Liabilities associated with assets held for sale (Note 8)	<b>—</b>	5.5
	<b>295.0</b>	440.1
Risk management contracts (Note 9)	<b>0.7</b>	1.0
Long-term debt (Note 7)	<b>1,036.2</b>	1,025.3
Long-term incentive compensation liability (Note 11)	<b>19.4</b>	29.1
Other deferred liabilities	<b>14.5</b>	15.8
Asset retirement obligations (Note 8)	<b>567.4</b>	603.1
Deferred taxes	<b>645.1</b>	659.3
<b>Total liabilities</b>	<b>2,578.3</b>	2,773.7
Commitments and contingencies (Note 12)		
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital	<b>4,484.9</b>	3,951.1
Contributed surplus	<b>11.4</b>	8.6
Deficit	<b>(1,002.3)</b>	(407.9)
Accumulated other comprehensive income	<b>0.1</b>	—
<b>Total shareholders' equity</b>	<b>3,494.1</b>	3,551.8
<b>Total liabilities and shareholders' equity</b>	<b>6,072.4</b>	6,325.5

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three and nine months ended September 30

(Cdn\$ millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
<b>REVENUE</b>				
Sales of crude oil, natural gas, condensate, natural gas liquids and other income	279.5	535.2	907.8	1,653.6
Royalties	(25.6)	(74.9)	(81.0)	(235.3)
	<b>253.9</b>	460.3	<b>826.8</b>	1,418.3
Gain (loss) on risk management contracts (Note 8)	132.6	58.8	244.5	(61.2)
	<b>386.5</b>	519.1	<b>1,071.3</b>	1,357.1
<b>EXPENSES</b>				
Transportation	24.1	25.9	73.0	64.3
Operating	70.9	94.7	229.8	271.4
Intangible exploration and evaluation expenses (Note 4, 6)	2.5	28.2	46.9	29.9
General and administrative	20.7	19.4	54.6	58.3
Interest and financing charges	12.7	11.2	37.7	34.4
Accretion of asset retirement obligations (Note 8)	3.3	3.6	10.1	11.2
Depletion, depreciation, amortization and impairment (Note 5, 6)	472.9	168.9	802.4	479.1
Loss on foreign exchange	72.2	37.8	143.9	41.4
Loss (gain) on short-term investment	0.4	(0.4)	(0.1)	(1.5)
Gain on disposal of petroleum and natural gas properties	—	1.9	(23.3)	1.9
	<b>679.7</b>	391.2	<b>1,375.0</b>	990.4
Provision for (recovery of) income taxes				
Current	(10.1)	17.0	(6.0)	64.0
Deferred	(48.1)	20.6	(10.0)	35.6
	<b>(58.2)</b>	37.6	<b>(16.0)</b>	99.6
Net income (loss)	<b>(235.0)</b>	90.3	<b>(287.7)</b>	267.1
<b>Net income (loss) per share (Note 10)</b>				
Basic	<b>(0.69)</b>	0.28	<b>(0.85)</b>	0.85
Diluted	<b>(0.69)</b>	0.28	<b>(0.85)</b>	0.84

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three and nine months ended September 30

(Cdn\$ millions)	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Net income (loss)	<b>(235.0)</b>	90.3	<b>(287.7)</b>	267.1
Other comprehensive income (loss)				
Items that may be reclassified into earnings, net of tax:				
Net unrealized gain (loss) on reclamation fund investments	<b>(0.1)</b>	—	<b>0.1</b>	—
Other comprehensive income (loss)	<b>(0.1)</b>	—	<b>0.1</b>	—
Comprehensive income (loss)	<b>(235.1)</b>	90.3	<b>(287.6)</b>	267.1

See accompanying notes to the condensed interim consolidated financial statements.

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

For the nine months ended September 30

(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
Total comprehensive income	—	—	267.1	—	267.1
Shares issued pursuant to the dividend reinvestment program	84.9	—	—	—	84.9
Shares issued pursuant to the stock dividend program	25.3	—	—	—	25.3
Cancellation of shares and return of accrued dividends	(0.8)	1.9	—	—	1.1
Recognized under share-based compensation plans (Note 11)	—	2.0	—	—	2.0
Dividends declared	—	—	(284.5)	—	(284.5)
September 30, 2014	3,910.2	7.7	(425.9)	—	3,492.0
December 31, 2014	3,951.1	8.6	(407.9)	—	3,551.8
Net income (loss)	—	—	(287.7)	—	(287.7)
Other comprehensive income	—	—	—	0.1	0.1
Total comprehensive income (loss)	—	—	(287.7)	0.1	(287.6)
Shares issued for cash	402.7	—	—	—	402.7
Shares issued pursuant to the dividend reinvestment program	109.8	—	—	—	109.8
Shares issued pursuant to the stock dividend program	33.9	—	—	—	33.9
Cancellation of shares and return of accrued dividends	(0.1)	0.1	—	—	—
Share issue costs <sup>(1)</sup>	(12.5)	—	—	—	(12.5)
Recognized under share-based compensation plans (Note 11)	—	2.7	—	—	2.7
Dividends declared	—	—	(306.7)	—	(306.7)
September 30, 2015	4,484.9	11.4	(1,002.3)	0.1	3,494.1

(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 and nine months ended September 30

	Three Months Ended		Nine Months Ended	
(Cdn\$ millions)	2015	2014	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income (loss)	(235.0)	90.3	(287.7)	267.1
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	(93.9)	(67.1)	(110.4)	7.3
Accretion of asset retirement obligations (Note 8)	3.3	3.6	10.1	11.2
Depletion, depreciation, amortization and impairment (Note 5, 6)	472.9	168.9	802.4	479.1
Intangible exploration and evaluation expenses (Note 4, 6)	2.5	28.2	46.9	29.9
Unrealized loss on foreign exchange	72.2	37.8	143.6	41.1
Gain on disposal of petroleum and natural gas properties	—	1.9	(23.3)	1.9
Deferred tax expense (recovery)	(48.1)	20.6	(10.0)	35.6
Other (Note 13)	1.0	—	1.1	(0.9)
Net change in other liabilities (Note 13)	(8.1)	(6.2)	(18.0)	(20.8)
Change in non-cash working capital (Note 13)	(1.4)	(10.5)	(41.5)	10.3
	<b>165.4</b>	<b>267.5</b>	<b>513.2</b>	<b>861.8</b>
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>				
Repayment of long-term debt under revolving credit facilities, net	—	(119.1)	(83.8)	(87.2)
Issue of senior notes	—	166.6	—	166.6
Repayment of senior notes	—	—	(40.9)	(33.0)
Issue of common shares (Note 10)	—	—	402.7	—
Share issue costs	—	—	(16.7)	—
Cash dividends paid	(51.8)	(56.5)	(160.6)	(173.9)
	<b>(51.8)</b>	<b>(9.0)</b>	<b>100.7</b>	<b>(127.5)</b>
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>				
Acquisition of petroleum and natural gas properties (Note 5)	—	(35.5)	(14.1)	(71.7)
Disposal of petroleum and natural gas properties	20.7	3.3	46.6	35.1
Property, plant and equipment development expenditures (Note 5)	(145.2)	(223.7)	(373.7)	(695.2)
Intangible exploration and evaluation asset expenditures (Note 4)	(19.5)	(16.1)	(20.3)	(45.1)
Net reclamation fund withdrawals (contributions)	(1.0)	(1.2)	2.0	(1.4)
Change in non-cash working capital (Note 13)	14.4	8.8	(56.5)	44.5
	<b>(130.6)</b>	<b>(264.4)</b>	<b>(416.0)</b>	<b>(733.8)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(17.0)</b>	<b>(5.9)</b>	<b>197.9</b>	<b>0.5</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>222.0</b>	<b>6.4</b>	<b>7.1</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>205.0</b>	<b>0.5</b>	<b>205.0</b>	<b>0.5</b>
The following are included in cash flow from operating activities:				
Income taxes paid in cash	0.7	5.5	42.8	26.1
Interest paid in cash	16.1	12.1	41.9	36.0

See accompanying notes to the condensed interim consolidated financial statements.

## **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 significant changes to the use of estimates or judgments since December 31, 2014, except for those used in the calculation of impairment losses as disclosed in Note 6 "Impairment."

The financial statements include the accounts of ARC and its wholly owned subsidiaries, ARC Resources General Partnership and 1504793 Alberta Ltd.

These financial statements were authorized for issue by the Board of Directors on November 4, 2015.

## **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. In September 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years 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 by ARC on January 1, 2018 and the Company is currently evaluating the impact of the standard on ARC's financial statements.

In October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases." The IASB is expected to issue the standard in 2015. 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." 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. INTANGIBLE EXPLORATION AND EVALUATION ("E&E") ASSETS

<b>Carrying amount</b>	
Balance, December 31, 2014	266.4
Additions	20.3
Acquisitions	27.1
Assets reclassified as held for sale and disposed in period (Note 5)	(8.4)
Intangible exploration and evaluation expenses	(46.9)
Other	4.4
<b>Balance, September 30, 2015</b>	<b>262.9</b>

ARC has certain E&E properties that have sales of petroleum products associated with production from test wells. For the nine months ended September 30, 2015 and 2014, these operating results have been recognized in the condensed interim consolidated statements of income (loss) (the "statements of income (loss)") and comprised sales of crude oil, natural gas, condensate and natural gas liquids of \$5.6 million and \$15.6 million, royalties of \$0.2 million and \$0.9 million, operating expenses of \$3.5 million and \$4.6 million, and transportation expenses of \$0.8 million and \$1.1 million, respectively. All cash flows associated with E&E assets for the nine months ended September 30, 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	372.6	1.3	373.9
Acquisitions	15.6	—	15.6
Change in asset retirement cost	24.6	—	24.6
Assets reclassified as held for sale and disposed in period	(260.4)	—	(260.4)
<b>Balance, September 30, 2015</b>	<b>8,069.5</b>	<b>62.7</b>	<b>8,132.2</b>
<b>Accumulated depletion, depreciation, amortization and impairment</b>			
Balance, December 31, 2014	(2,630.3)	(28.1)	(2,658.4)
Depletion, depreciation and amortization	(459.4)	(4.7)	(464.1)
Impairment (Note 6)	(338.3)	—	(338.3)
Accumulated depletion and impairment reclassified as held for sale and disposed in period	152.5	—	152.5
<b>Balance, September 30, 2015</b>	<b>(3,275.5)</b>	<b>(32.8)</b>	<b>(3,308.3)</b>
<b>Carrying amounts</b>			
Balance, December 31, 2014	5,286.8	33.3	5,320.1
<b>Balance, September 30, 2015</b>	<b>4,794.0</b>	<b>29.9</b>	<b>4,823.9</b>

For the three and nine months ended September 30, 2015, \$7.5 million and \$20.3 million of direct and incremental general and administrative expenses were capitalized to property, plant and equipment ("PP&E") (\$10 million and \$28.8 million for the three and nine months ended September 30, 2014), respectively.

<b>Assets held for sale<sup>(1)</sup></b>	
Balance, December 31, 2014	5.8
Additions	116.3
Disposals	(122.1)
<b>Balance, September 30, 2015</b>	<b>—</b>

(1) Includes E&E and PP&E properties.

## 6. IMPAIRMENT

### Intangible Exploration & Evaluation Assets

	Three Months Ended September 30		Nine Months Ended September 30	
<b>Intangible exploration and evaluation expenses</b>	<b>2015</b>	2014	<b>2015</b>	2014
E&E impairment test	—	—	<b>44.4</b>	1.7
E&E impairment on transfer to PP&E	—	28.2	—	28.2
E&E impairment on disposal	<b>2.5</b>	—	<b>2.5</b>	—
<b>Total</b>	<b>2.5</b>	28.2	<b>46.9</b>	29.9

At June 30, 2015, ARC performed an impairment test on one of its E&E assets as Management had decided to indefinitely delay any further investment to evaluate the asset and sufficient data existed to indicate that the carrying value of the asset would not be fully recovered from any future development or sale. As a result of the impairment test, ARC recorded an impairment in intangible E&E expenses in the statements of income (loss) of \$44.4 million on this asset based on a recoverable amount of \$10 million. This asset was subsequently disposed during the third quarter of 2015 and a further \$2.5 million impairment charge was recognized upon disposal. At September 30, 2014, ARC recorded impairment of \$28.2 million related to the transfer of an E&E asset to PP&E based on an estimated recoverable amount of \$9 million. Impairment charges on E&E assets are recognized as intangible exploration and evaluation expenses in the statements of income (loss).

There were no indicators of impairment at September 30, 2015 for ARC's intangible E&E assets and therefore an impairment test was not performed.

### Property, Plant and Equipment

	Three Months Ended September 30		Nine Months Ended September 30	
<b>PP&amp;E impairment</b>	<b>2015</b>	2014	<b>2015</b>	2014
Impairment test	<b>320.0</b>	—	<b>320.0</b>	—
Impairment on disposal	<b>6.6</b>	—	<b>18.3</b>	—
<b>Total PP&amp;E impairment</b>	<b>326.6</b>	—	<b>338.3</b>	—

### Non-Core Asset Disposition

During the three and nine months ended September 30, 2015, ARC completed dispositions of certain non-core PP&E assets in its Southern Alberta & Southwest Saskatchewan cash-generating unit ("CGU"). As a result of these dispositions, ARC recorded impairment charges of \$6.6 million and \$18.3 million in depletion, depreciation, amortization and impairment in the statements of income (loss).

### Impairment Test

At September 30, 2015, ARC evaluated its CGUs for indicators of any potential impairment or related recovery. As a result of continued declines in forward commodity prices for crude oil and natural gas, impairment tests were conducted at September 30, 2015 on each of ARC's CGUs. In estimating the recoverable amount of each CGU, the following information was incorporated:

- i) the net present value of the after-tax cash flows from proved plus probable oil and gas reserves of each CGU based on reserves estimated by ARC's independent reserve evaluator at December 31, 2014, updated for forward commodity price estimates assuming ongoing reductions in required future development capital expenditures of 20 per cent and reductions to future operating costs of 12.5 per cent, based on recent experience of oilfield service cost reductions and enhanced efficiency. The reserve evaluation is based on an estimated remaining reserve life up to a maximum of 50 years.
- ii) the fair value of undeveloped land based on estimates provided by ARC's independent land evaluator at December 31, 2014, and adjusted for acquisitions and divestments occurring during the nine months ended September 30, 2015.
- iii) where applicable, economic contingent resources associated with interests in certain of ARC's properties.
- iv) recent transactions completed within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

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

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

The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates that are based on an estimated industry weighted average cost of capital ranging from nine to nine and a half per cent (December 31, 2014: nine to nine and a half per cent) depending on the resource composition of the assets in the CGU, an inflation rate of two per cent, and the following forward commodity price estimates:

Year	Edmonton Light Crude Oil (Cdn\$/bbl) <sup>(1,2)</sup>	WTI Oil (US\$/bbl) <sup>(1,2)</sup>	AECO Gas (Cdn\$/MMbtu) <sup>(1,2)</sup>	Cdn\$/US\$ Exchange Rates <sup>(1,2)</sup>
2015	57.91	49.49	2.83	0.78
2016	61.33	50.00	3.43	0.75
2017	64.52	55.00	3.62	0.78
2018	68.75	60.00	3.72	0.80
2019	72.73	65.00	3.81	0.83
2020	76.47	70.00	3.90	0.85
2021	82.35	75.00	4.10	0.85
2022	88.24	80.00	4.30	0.85
2023	94.12	85.00	4.50	0.85
2024	98.41	89.63	4.78	0.85
Remainder	+2.0% per year	+2.0% per year	+2.0% per year	0.85

(1) Source: GLJ Petroleum Consultants price forecast, effective October 1, 2015.

(2) The forecast benchmark prices listed above are adjusted for quality differentials, heat content and distance to market in performing the Company's impairment tests.

As a result of its impairment test at September 30, 2015, ARC recorded impairment charges to its PP&E of \$320 million (\$235.5 million net of deferred tax recovery), which was recognized in depletion, depreciation, amortization and impairment in the statements of income (loss) and was a result of a decline in expected future commodity prices and its impact on expected future cash flows of some of ARC's CGUs.

Impairment charges were recognized in the following CGUs:

- Northern Alberta CGU (\$120 million, \$88.3 million net of deferred tax recovery) composed of a mixture of oil and gas producing assets. The recoverable amount of \$802 million at September 30, 2015 was determined using an after-tax discount rate of nine per cent.
- Pembina CGU (\$120 million, \$88.3 million net of deferred tax recovery) composed of primarily oil producing assets. The recoverable amount of \$697 million at September 30, 2015 was determined using an after-tax discount rate of nine per cent.
- Redwater CGU (\$75 million, \$55.2 million net of deferred tax recovery) composed of primarily oil producing assets. The recoverable amount of \$255 million at September 30, 2015 was determined using an after-tax discount rate of nine per cent.
- Southern Alberta & Southwest Saskatchewan CGU (\$5 million, \$3.7 million net of deferred tax recovery) composed of primarily gas producing assets. The recoverable amount of \$46 million at September 30, 2015 was determined using an after-tax discount rate of nine and a half per cent.

The fair value less costs of disposal values used to determine the recoverable amounts of the impaired PP&E assets are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data but, rather, management's best estimates. Refer to Note 9 for information on fair value hierarchy classifications.

The results of the September 30, 2015 impairment test are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development capital expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or recovery of impairment charges.

The following table demonstrates the effect of the assumed discount rate and the effect of forecast benchmark commodity prices estimates on impairment charges recorded for the three and nine months ended September 30, 2015. The sensitivity is based on a one per cent increase and one per cent decrease in the assumed discount rate and a five per cent increase and five per cent decrease in the forecast benchmark commodity price estimate.

	Increase in Discount Rate of 1 per cent	Decrease in Discount Rate of 1 per cent	Increase in Commodity Prices of 5 per cent	Decrease in Commodity Prices of 5 per cent
Northern Alberta CGU	40	(51)	(58)	55
Pembina CGU	60	(120)	(120)	52
Redwater CGU	22	(24)	(23)	26
Southern Alberta & Southwest Saskatchewan CGU	9	(5)	(5)	4
Southeast Saskatchewan & Manitoba CGU	82	—	—	86
<b>Impairment charge increase (decrease)</b>	<b>213</b>	<b>(200)</b>	<b>(206)</b>	<b>223</b>

#### Goodwill

The carrying value of goodwill at September 30, 2015 is \$248.2 million. This value is supported by the combined excess recoverable amount over the current carrying value of ARC's operating segment.

## 7. LONG-TERM DEBT

	U.S. \$ Denominated		Canadian \$ Amount	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Syndicated credit facilities				
Cdn\$ denominated	—	—	—	83.8
Senior notes				
Master Shelf Agreement				
5.42% US\$ note	28.1	28.1	37.7	32.6
4.98% US\$ note	40.0	50.0	53.6	58.0
3.72% US\$ note	150.0	150.0	200.9	174.0
2004 Note Issuance				
5.10% US\$ note	4.8	9.6	6.4	11.1
2009 note issuance				
7.19% US\$ note	13.5	27.0	18.1	31.3
8.21% US\$ note	35.0	35.0	46.9	40.6
6.50% Cdn\$ note	—	—	5.8	11.6
2010 note issuance				
5.36% US\$ note	150.0	150.0	200.9	174.0
2012 note issuance				
3.31% US\$ note	60.0	60.0	80.4	69.7
3.81% US\$ note	300.0	300.0	401.8	348.1
4.49% Cdn\$ note	—	—	40.0	40.0
<b>Total long-term debt outstanding</b>	<b>781.4</b>	809.7	<b>1,092.5</b>	1,074.8
Long-term debt due within one year			56.3	49.5
Long-term debt due beyond one year			1,036.2	1,025.3

At September 30, 2015, the fair value of all senior notes is \$1,068.8 million (\$974.4 million as at December 31, 2014), compared to a carrying value of \$1,092.5 million (\$991 million as at December 31, 2014).

On October 26, 2015, ARC extended its syndicated revolving credit facility for one additional year until November 6, 2019 at existing terms.

## 8. ASSET RETIREMENT OBLIGATIONS

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Balance, beginning of period	616.1	475.4
Increase in liabilities relating to development activities	3.9	12.6
Increase in liabilities relating to change in estimates and discount rate <sup>(1)</sup>	25.1	174.2
Settlement of obligations	(8.1)	(23.0)
Accretion	10.1	14.9
Dispositions	(64.7)	(32.5)
Reclassified as liabilities associated with assets held for sale	—	(5.5)
Balance, end of period	<b>582.4</b>	616.1
Expected to be incurred within one year	15.0	13.0
Expected to be incurred beyond one year	567.4	603.1

(1) Relates to changes in discount rate and anticipated settlement dates of asset retirement obligations.

The Bank of Canada's long-term risk-free bond rate of 2.2 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 asset retirement obligation liability at September 30, 2015.

## 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 7. 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 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 nine months ended September 30, 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 September 30, 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 September 30, 2015</b>					
Risk management contracts					
Current asset	171.8	(9.3)	162.5	(1.7)	160.8
Long-term asset	216.9	(5.4)	211.5	(2.1)	209.4
Current liability	(10.5)	9.3	(1.2)	0.1	(1.1)
Long-term liability	(6.1)	5.4	(0.7)	—	(0.7)
Net position	372.1	—	372.1	(3.7)	368.4
<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 September 30, 2015.

<b>Financial Cdn\$ WTI Crude Oil Contracts <sup>(1)</sup></b>					
Term		Contract	Volume bbl/d	Bought Put Cdn\$/bbl	Sold Call Cdn\$/bbl
1-Oct-15	31-Dec-15	Collar	10,000	61.80	81.27
1-Jan-16	30-Jun-17	Collar	3,000	70.00	83.38

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

<b>Financial Cdn\$ WTI Crude Oil Swap Contracts <sup>(2)</sup></b>					
Term		Contract	Volume bbl/d	Sold Swap Cdn\$/bbl	
1-Oct-15	31-Dec-15	Swap	5,000	74.77	
1-Jan-16	31-Dec-16	Swap	7,000	77.20	

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

<b>Financial MSW Crude Oil Contracts <sup>(3)</sup></b>					
Term		Contract	Volume bbl/d	Sold Swap US\$/bbl	
1-Oct-15	31-Dec-15	Swap	5,000	(4.81)	
1-Jan-16	31-Dec-16	Swap	4,500	(4.09)	

(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 Natural Gas Contracts** <sup>(4)</sup>

Term	Contract	Volume MMbtu/d	Bought Put US\$/MMbtu	Sold Call US\$/MMbtu
1-Oct-15 31-Dec-15	Collar	145,000	3.91	4.30
1-Oct-15 31-Dec-17	Collar	70,000	4.00	4.93
1-Jan-16 31-Dec-16	Collar	35,000	4.00	4.50
1-Jan-17 31-Dec-17	Collar	75,000	4.00	4.70
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 NYMEX Natural Gas Swap Contracts** <sup>(5)</sup>

Term	Contract	Volume MMbtu/d	Sold Swap US\$/MMbtu
1-Jan-16 31-Dec-16	Swap	40,000	4.00

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

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

Term	Contract	Volume GJ/d	Sold Swap Cdn\$/GJ
1-Jan-16 31-Dec-16	Swap	30,000	2.99

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

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

Term	Contract	Volume MMbtu/d	Ratio Sold Swap % AECO/NYMEX
1-Oct-15 31-Dec-15	Swap	30,000	85.2
1-Oct-15 31-Dec-17	Swap	110,000	90.6
1-Oct-15 30-Jun-18	Swap	20,000	89.9
1-Jan-16 31-Dec-16	Swap	10,000	88.4
1-Jan-17 31-Dec-17	Swap	10,000	86.1
1-Jan-18 31-Dec-18	Swap	40,000	82.1
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	15,000	82.2

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

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

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

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

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

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

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

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

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

Foreign Exchange Swap Contracts <sup>(11)</sup>						
Term		Contract	Volume US\$ millions/month	Sold Swap Cdn\$/US\$	Limit Price Cdn\$/US\$ <sup>(12)</sup>	
1-Oct-15	31-Dec-15	Limit Swap	2.0	1.0525	1.1350	

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

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

## 10. SHAREHOLDERS' CAPITAL

(thousands of shares)	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Common shares, beginning of period	319,439	314,067
Equity offering	17,859	—
Restricted shares issued pursuant to the LTRSA <sup>(1)</sup> Plan	100	—
Unvested restricted shares held in trust pursuant to the LTRSA Plan	(100)	—
Cancelled shares	(1)	(47)
Dividend reinvestment program	5,262	4,159
Stock dividend program	1,621	1,260
Common shares, end of period	344,180	319,439

(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 September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Weighted average common shares	342,794	317,183	338,853	315,944
Dilutive impact of share-based compensation	—	606	—	612
Weighted average common shares - diluted	342,794	317,789	338,853	316,556

Dividends declared for the three and nine months ended September 30, 2015 and 2014 were \$0.30 and \$0.90 per common share, respectively.

On October 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 October 30, 2015. The dividend payment date is November 16, 2015. Of the \$34.4 million in dividends payable at September 30, 2015, \$2.8 million is payable in common shares under the Stock Dividend Program (\$4.2 million at December 31, 2014).

## 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 nine months ended September 30, 2015:

(number of units, thousands)	RSUs	PSUs <sup>(1)</sup>	DSUs
Balance, December 31, 2014	625	1,513	220
Granted	464	702	69
Distributed	(294)	(493)	—
Forfeited	(60)	(50)	—
Balance, September 30, 2015	735	1,672	289

(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:

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
General and administrative expenses (recoveries)	(8.4)	12.7
Operating expense (recoveries)	(0.5)	3.2
PP&E (recoveries)	(0.7)	2.8
Total compensation charges (recoveries)	(9.6)	18.7
Cash payments	10.9	39.4

At September 30, 2015, \$19.9 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 \$19.4 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 September 30, 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 (\$)
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
June 24, 2015	998,545	5.68

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Grant date share price (\$)	20.20 - 32.94	20.20 - 32.94
Exercise price (\$) <sup>(1)</sup>	16.30 - 31.44	17.50 - 32.64
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 \$1 million and \$2.5 million relating to the share option plan for the three and nine months ended September 30, 2015 (\$0.8 million and \$1.9 million for the three and nine months ended September 30, 2014), respectively. During the three and nine months ended September 30, 2015, \$0.1 million and \$0.2 million of share option compensation charges were capitalized to PP&E (\$0.1 million for the three and nine months ended September 30, 2014), respectively.

The changes in total share options outstanding and related weighted average exercise prices for the nine months ended September 30, 2015 were as follows:

	Share Options (number of units, thousands)	Weighted Average Exercise Price (\$)
Balance, December 31, 2014	2,505	23.43
Granted	999	21.86
Exercised	—	—
Forfeited	(108)	22.71
Balance, September 30, 2015	3,396	22.25
Exercisable, September 30, 2015	176	21.71

### Long-term Restricted Share Award Plan

On April 30, 2015, at its Annual and Special Meeting of Shareholders, ARC shareholders approved a new LTRSA Plan to award shares of ARC to qualifying officers and employees. The first grant of the LTRSA Plan occurred on June 24, 2015.

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

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

Compensation expense associated with the cash payment is recognized immediately, while compensation expense associated with the restricted common shares is recognized over the vesting period with a corresponding charge to contributed surplus. Upon vesting, ARC recognizes an increase in share capital with a corresponding reduction to contributed surplus. The dilutive effect of outstanding LTRSAs is reflected as additional share dilution in the computation of earnings per share.

The estimated fair value is determined as the weighted average trading price of ARC common shares for the five days immediately preceding the grant date. At September 30, 2015, the estimated fair value of the LTRSAs outstanding was as follows:

<b>Grant Date</b>	<b>Number of Restricted Shares Granted</b>	<b>Fair Value per Restricted Share (\$)</b>
June 24, 2015	<b>88,635</b>	<b>21.86</b>
July 29, 2015	<b>11,652</b>	<b>19.26</b>

ARC recorded general and administrative expenses of \$nil and \$0.7 million relating to the cash payment under the LTRSA Plan for the three and nine months ended September 30, 2015 (\$nil for the three and nine months ended September 30, 2014), respectively.

## **12. COMMITMENTS AND CONTINGENCIES**

During the three and nine months ended September 30, 2015, ARC increased its transportation commitments by approximately \$8.3 million and \$90.4 million, respectively, from those presented at December 31, 2014. The increase relates to additional firm natural gas transportation that ARC committed to support the movement of ARC's natural gas production, with payments commencing in 2015 and to be incurred until 2027. There were no other material changes to ARC's commitments and contingencies from those presented as at December 31, 2014.

### 13. SUPPLEMENTAL DISCLOSURES

#### Presentation in the Statements of Income (Loss)

ARC's statements of income (loss) are prepared primarily by nature of item, with the exception of employee compensation expenses which are included in both operating and general and administrative expense line items.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Operating	9.6	9.8	28.1	27.0
General and administrative	19.9	19.6	48.4	58.5
<b>Total employee compensation expenses</b>	<b>29.5</b>	<b>29.4</b>	<b>76.5</b>	<b>85.5</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 September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
<b>Change in Non-Cash Working Capital</b>				
Accounts receivable	25.8	15.0	55.5	(23.8)
Accounts payable and accrued liabilities	(16.2)	(13.2)	(152.0)	80.5
Prepaid expenses	3.4	(3.5)	(1.5)	(1.9)
<b>Total</b>	<b>13.0</b>	<b>(1.7)</b>	<b>(98.0)</b>	<b>54.8</b>
Relating to:				
Operating activities	(1.4)	(10.5)	(41.5)	10.3
Investing activities	14.4	8.8	(56.5)	44.5
<b>Total change in non-cash working capital</b>	<b>13.0</b>	<b>(1.7)</b>	<b>(98.0)</b>	<b>54.8</b>

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
<b>Other Non-Cash Items</b>				
Non-cash lease inducement	(0.4)	(0.4)	(1.3)	(1.3)
Loss (gain) on short-term investment	0.4	(0.4)	(0.1)	(1.5)
Share-based compensation expense	1.0	0.8	2.5	1.9
<b>Total other non-cash items</b>	<b>1.0</b>	<b>—</b>	<b>1.1</b>	<b>(0.9)</b>

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
<b>Net Change in Other Liabilities</b>				
Long-term incentive compensation liability	(3.6)	2.0	(9.7)	(6.2)
Risk management contracts	—	(0.2)	(0.2)	(0.3)
Asset retirement obligations	(4.5)	(8.0)	(8.1)	(14.3)
<b>Total net change in other liabilities</b>	<b>(8.1)</b>	<b>(6.2)</b>	<b>(18.0)</b>	<b>(20.8)</b>