



**2024**

## **Second Quarter Report**

For the Three Months Ended June 30, 2024

# Q2 2024

# ARX

## Corporate Profile

ARC Resources Ltd. (“ARC”) is a leading Canadian energy producer committed to delivering strong operational and financial performance and upholding values of operational excellence and responsible development. With operations focused in the Montney resource play in Western Canada, ARC’s portfolio is made up of resource-rich properties that provide both near-term and long-term investment opportunities. ARC pays a quarterly dividend to shareholders and its common shares trade on the Toronto Stock Exchange under the symbol ARX.

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# ARC RESOURCES LTD. REPORTS SECOND QUARTER 2024 RESULTS

## NEWS RELEASE

Calgary, August 1, 2024 (ARX - TSX) ARC Resources Ltd. ("ARC" or the "Company") today reported its second quarter 2024 financial and operational results.

## HIGHLIGHTS

- ARC delivered second quarter 2024 production of 330,046 boe<sup>(1)</sup> per day (65 per cent natural gas and 35 per cent crude oil and liquids<sup>(2)</sup>), in line with the top end of the second quarter production guidance range of 325,000 to 330,000 boe per day. Second quarter production decreased four per cent year-over-year reflecting planned turnaround activity completed at Greater Dawson and Kakwa.
- ARC generated funds from operations of \$503 million<sup>(3)</sup> (\$0.84 per share<sup>(4)</sup>) and capital expenditures totalled \$532 million<sup>(5)</sup>, therefore free funds flow registered at (\$29) million<sup>(5)</sup> or (\$0.05) per share<sup>(6)</sup>. ARC recognized cash flow from operating activities of \$543 million<sup>(4)</sup> (\$0.91 per share) and net income of \$240 million (\$0.40 per share).
- Company guidance in 2024 remains unchanged. Capital expenditures are planned between \$1.75 to \$1.85 billion<sup>(7)</sup>, and production is forecast to average between 350,000 and 360,000 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).
  - In response to weak natural gas prices, ARC has elected to curtail approximately 250 MMcf per day of natural gas production at Sunrise to preserve value for periods when prices are higher. Despite the curtailment at Sunrise, 2024 production guidance is unchanged with current expectations to be at the low end of the guidance range.
  - The inclusion of the natural gas curtailment at Sunrise is expected to result in average third quarter production between 330,000 and 335,000 boe per day, with a higher percentage of crude oil and liquids relative to the second quarter of 2024.
  - Fourth quarter production is expected to average between 380,000 and 385,000 boe per day. This includes restored volumes at Sunrise, increased condensate-rich production from Kakwa and Greater Dawson relative to the first half of 2024, and initial production contribution from Attachie.
- Attachie Phase I remains on schedule and budget. Initial commissioning volumes are planned for the fourth quarter of 2024, and full productive capacity of 40,000 boe per day (40 per cent natural gas, 60 per cent crude oil and liquids) is anticipated for the first quarter of 2025.
- In July, the Government of B.C. and Halfway River First Nation announced an agreement which includes a Landscape Planning Pilot for an area that encompasses ARC's Attachie development. As a result, ARC's Attachie development is no longer limited by the disturbance cap for petroleum and natural gas development outlined in the Blueberry River First Nations Implementation Agreement.
- ARC distributed \$118 million to shareholders during the second quarter, and intends to return essentially all free funds flow to shareholders in 2024 through the base dividend and share repurchases.
  - ARC declared dividends of \$102 million or \$0.17 per share and repurchased 0.7 million common shares for \$16 million under its normal course issuer bid ("NCIB").

- As of June 30, 2024, ARC's long-term debt balance was \$1.4 billion and its net debt balance was \$1.5 billion<sup>(3)</sup> or 0.6 times funds from operations<sup>(3)</sup>.

ARC's unaudited condensed interim consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three months and six months ended June 30, 2024, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). The disclosure under the section entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three and six months ended June 30, 2024 (the "Q2 2024 MD&A") is incorporated by reference into this news release.

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- (1) ARC has adopted the standard six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("boe"). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.
  - (2) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
  - (3) See Note 8 "*Capital Management*" in the financial statements and "*Non-GAAP and Other Financial Measures*" in the Q2 2024 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
  - (4) See "*Non-GAAP and Other Financial Measures*" in the Q2 2024 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
  - (5) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and may not be comparable to similar financial measures disclosed by other issuers. See "*Non-GAAP and Other Financial Measures*" in the Q2 2024 MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this news release. See "*Non-GAAP and Other Financial Measures*" of this news release for the most directly comparable financial measure disclosed in ARC's current financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.
  - (6) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards and may not be comparable to similar financial ratios disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See "*Non-GAAP and Other Financial Measures*" in the Q2 2024 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.
  - (7) Refer to the section entitled "*About ARC Resources Ltd.*" contained within the Q2 2024 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

## FINANCIAL AND OPERATIONAL RESULTS

(Cdn\$ millions, except per share amounts <sup>(1)</sup> , boe amounts, and common shares outstanding)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>FINANCIAL RESULTS</b>					
Net income	185.4	<b>239.5</b>	278.9	<b>424.9</b>	853.8
Per share	0.31	<b>0.40</b>	0.46	<b>0.71</b>	1.39
Cash flow from operating activities	636.3	<b>543.0</b>	550.9	<b>1,179.3</b>	1,091.2
Per share <sup>(2)</sup>	1.06	<b>0.91</b>	0.90	<b>1.97</b>	1.77
Funds from operations	606.9	<b>502.8</b>	560.8	<b>1,109.7</b>	1,278.2
Per share	1.01	<b>0.84</b>	0.92	<b>1.85</b>	2.08
Free funds flow	102.3	<b>(29.5)</b>	144.3	<b>72.8</b>	374.3
Per share	0.17	<b>(0.05)</b>	0.24	<b>0.12</b>	0.61
Dividends declared	101.6	<b>101.6</b>	103.7	<b>203.2</b>	195.6
Per share	0.17	<b>0.17</b>	0.17	<b>0.34</b>	0.32
Cash flow used in investing activities	499.8	<b>643.4</b>	464.4	<b>1,143.2</b>	861.8
Capital expenditures	504.6	<b>532.3</b>	416.5	<b>1,036.9</b>	903.9
Long-term debt	1,144.0	<b>1,379.5</b>	1,122.0	<b>1,379.5</b>	1,122.0
Net debt	1,336.1	<b>1,477.9</b>	1,281.1	<b>1,477.9</b>	1,281.1
Common shares outstanding, weighted average diluted (millions)	598.4	<b>598.2</b>	611.5	<b>598.3</b>	615.4
Common shares outstanding, end of period (millions)	596.7	<b>596.7</b>	608.4	<b>596.7</b>	608.4
<b>OPERATIONAL RESULTS</b>					
Production					
Crude oil and condensate (bbl/day)	82,672	<b>74,713</b>	83,540	<b>78,693</b>	81,268
Natural gas (MMcf/day)	1,322	<b>1,286</b>	1,289	<b>1,304</b>	1,277
NGLs (bbl/day)	49,411	<b>40,994</b>	45,202	<b>45,203</b>	46,991
Total (boe/day)	352,328	<b>330,046</b>	343,630	<b>341,187</b>	341,018
Average realized price					
Crude oil (\$/bbl) <sup>(2)</sup>	83.83	<b>100.28</b>	88.13	<b>91.10</b>	90.42
Condensate (\$/bbl) <sup>(2)</sup>	94.58	<b>103.73</b>	93.43	<b>98.96</b>	98.58
Natural gas (\$/Mcf) <sup>(2)</sup>	3.19	<b>1.86</b>	2.83	<b>2.53</b>	4.34
NGLs (\$/bbl) <sup>(2)</sup>	25.65	<b>21.69</b>	20.89	<b>23.85</b>	24.87
Average realized price (\$/boe) <sup>(2)</sup>	37.49	<b>33.35</b>	35.97	<b>35.49</b>	42.97
Netback per boe					
Commodity sales from production (\$/boe) <sup>(3)</sup>	37.49	<b>33.35</b>	35.97	<b>35.49</b>	42.97
Royalties (\$/boe) <sup>(3)</sup>	(4.15)	<b>(4.19)</b>	(4.38)	<b>(4.16)</b>	(6.14)
Operating expense (\$/boe) <sup>(3)</sup>	(4.26)	<b>(5.51)</b>	(4.81)	<b>(4.87)</b>	(4.66)
Transportation expense (\$/boe) <sup>(3)</sup>	(5.35)	<b>(5.22)</b>	(5.34)	<b>(5.29)</b>	(5.47)
Netback per boe (\$/boe) <sup>(3)</sup>	23.73	<b>18.43</b>	21.44	<b>21.17</b>	26.70
<b>TRADING STATISTICS<sup>(4)</sup></b>					
High price	24.32	<b>26.18</b>	18.44	<b>26.18</b>	18.44
Low price	19.44	<b>23.45</b>	15.38	<b>19.44</b>	14.33
Close price	24.15	<b>24.41</b>	17.67	<b>24.41</b>	17.67
Average daily volume (thousands of shares)	3,343	<b>3,648</b>	4,009	<b>3,498</b>	4,979

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

(2) See "Non-GAAP and Other Financial Measures" in the Q2 2024 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.

(3) Non-GAAP ratio that is not a standardized financial measure under IFRS Accounting Standards and may not be comparable to similar financial measures disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in the Q2 2024 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.

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

## OUTLOOK

ARC's strategic priorities center on growing free funds flow per share while upholding its principles of capital discipline, profitability, and financial strength.

With these principles in mind, ARC introduced a long-term plan to attain its objectives in 2023. The strategy is focused on delivering a competitive total return by balancing profitable investment in the Montney with margin expansion initiatives and a substantial return of capital.

One year later, ARC remains on-track to achieve its targets established in its long-term plan. Attachie – ARC's single largest growth asset – is advancing as planned with commissioning scheduled for later this year and operational efficiencies are being realized across the base assets that will contribute to higher profitability over the next five years.

### Attachie Phase I Update

Attachie Phase I remains on schedule and on-budget. First volumes are expected late in the fourth quarter, with full productive capacity of 40,000 boe per day anticipated for the first quarter of 2025. ARC invested \$182 million at Attachie in the second quarter of 2024, and \$362 million through the first six months of 2024.

Attachie Phase I is approximately 75 per cent complete:

- ARC has drilled 30 of the approximately 40 wells required to fill the 40,000 boe per day facility capacity, and stimulated 20 wells.
- Plant construction is approximately 75 per cent complete.
- The transmission line, natural gas sales line, and water ponds are all complete.
- The liquids and gathering pipelines are on schedule and nearing completion.

### Investor Tour

ARC plans to host an Investor Field Tour at Attachie for institutional investors and research coverage analysts on Wednesday, October 2, 2024.

### Operational Update

#### Sunrise

- Subsequent to quarter-end, in response to record low natural gas prices in Western Canada, ARC has elected to curtail approximately 250 MMcf per day of natural gas production at its sole dry gas asset, Sunrise. ARC will resume full production when natural gas prices recover to levels that support ARC's return requirements.
- Sunrise is a low-cost natural gas asset, with a full cycle break-even of approximately C\$1.10 per Mcf, inclusive of both cash costs of approximately \$0.65 per Mcf (operating, transportation, and royalties) and finding and development cost.
- Recent well design changes at Sunrise are yielding stronger productivity and returns.
  - On a per well basis, the well design change in the Upper Montney is expected to yield a 40 per cent increase in natural gas production over the initial twelve months, with only a 25 per cent increase in well costs due to higher intensity completions.
  - As a result, annual sustaining capital at Sunrise in developing both the Upper and Lower Montney is expected to decrease by 10 per cent relative to the previous development plan.

## Kakwa

Production growth at Kakwa in the second half of 2024 will focus on higher condensate-rich regions of the asset compared to development in 2023.

- Subsequent to the quarter, ARC completed the construction of the 10-10 superpad expansion, supporting long-term investment in ARC's condensate-rich asset. A key component of this expansion is increased takeaway optionality which provides additional flexibility moving product to market.

## 2024 Guidance

Capital expenditures and production guidance for 2024 remain unchanged. ARC plans to invest between \$1.75 and \$1.85 billion and generate average production of between 350,000 and 360,000 boe per day (63 per cent natural gas, 37 per cent crude oil and liquids). Full-year average production will be influenced by the duration of the natural gas curtailment at Sunrise and to a lesser extent, downtime related to extreme temperatures in the third quarter, with current expectations to be at the low end of the guidance range.

- The inclusion of the natural gas curtailment at Sunrise is expected to result in average third quarter production between 330,000 and 335,000 boe per day, with a higher percentage of crude oil and liquids relative to the second quarter of 2024.
- The effect on funds from operations is anticipated to be negligible at prevailing forward prices, attributable to a higher operating netback resulting from a greater proportion of condensate-weighted production.
- Fourth quarter production is estimated to average between 380,000 and 385,000 boe per day. This includes the restored production at Sunrise and the growth in production relative to the first half of 2024 from ARC's condensate-rich assets such as Greater Dawson and Kakwa, as well as some contribution from Attachie Phase I coming on-stream.

ARC's 2024 annual guidance and a review of 2024 year-to-date results are outlined below.

	2024 Guidance	2024 YTD Actual	% Variance from 2024 Guidance
Production			
Crude oil and condensate (bbl/day)	87,000 - 91,500	78,693	(10)
Natural gas (MMcf/day)	1,325 - 1,340	1,304	(2)
NGLs (bbl/day)	42,000 - 45,000	45,203	—
Total (boe/day)	350,000 - 360,000	341,187	(3)
Expenses (\$/boe) <sup>(1)</sup>			
Operating	4.50 - 4.90	4.87	—
Transportation	5.50 - 6.00	5.29	(4)
General and administrative ("G&A") expense before share-based compensation expense	1.05 - 1.25	1.36	9
G&A - share-based compensation expense	0.55 - 0.65	0.85	31
Interest and financing <sup>(2)</sup>	0.90 - 1.00	0.91	—
Current income tax expense as a per cent of funds from operations <sup>(1)</sup>	10 - 15	9	(10)
Capital expenditures (\$ billions) <sup>(3)</sup>	1.75 - 1.85	1.0	n/a

(1) See "Non-GAAP and Other Financial Measures" in the Q2 2024 MD&A for an explanation of the composition of these supplementary financial measures, which information is incorporated by reference into this news release.

(2) Excludes accretion of ARC's asset retirement obligation.

(3) Refer to the section entitled "About ARC Resources Ltd." contained within the Q2 2024 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

ARC's 2024 corporate guidance is based on various commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with commodity price changes and regulatory changes. ARC's guidance provides readers with the information relevant to Management's expectations for financial and operational results for 2024. Readers are cautioned that the guidance estimates may not be appropriate for any other purpose. Refer to the section entitled "Annual Guidance" in the Q2 2024 MD&A, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## 2025 Outlook

The 2025 outlook incorporates lower anticipated capital spending relative to 2024 and approximately 10 per cent production growth reflecting a full-year contribution from Attachie Phase I. This is expected to drive a meaningful increase in free funds flow, which is planned to be returned to shareholders through a combination of a growing base dividend and share repurchases.

The outlook for 2025 production and capital expenditures is unchanged from the first quarter of 2024, and outlined in the table below.

	2024	2025
Total production (boe/day)	350,000 - 360,000	375,000 - 400,000
Natural gas production (%)	63 %	60 %
Crude oil and liquids production (%)	37 %	40 %
Capital Expenditures (\$ billions) <sup>(1)</sup>	1.75 - 1.85	1.6 - 1.8
Funds from Operations (\$ billions) <sup>(2)(3)</sup>	2.4 - 2.7	3.0 - 3.3

(1) Refer to the section entitled "About ARC Resources Ltd." contained within the Q2 2024 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

(2) Based on the forward curve at July 19, 2024 (2024: WTI US\$79 per barrel; US\$2.30/MMbtu NYMEX; C\$1.50/Mcf AECO; 2025: WTI US\$74 per barrel; US\$3.30/MMbtu NYMEX; C\$2.50/Mcf AECO).

(3) See Note 8 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the Q2 2024 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.

## FINANCIAL AND OPERATIONAL RESULTS

### Production

- ARC's production averaged 330,046 boe per day during the second quarter of 2024 (65 per cent natural gas and 35 per cent crude oil and liquids), in line with the top-end of the previously announced second quarter production guidance range of 325,000 to 330,000 boe per day.
  - Higher than forecast well productivity at Sunrise drove the slightly higher production and natural gas weighting.
  - Combined production from Kakwa and Greater Dawson decreased by approximately 20,000 boe per day compared to the first quarter of 2024 due to planned turnaround activity, which was completed on schedule and within budget.

### Funds from Operations, Cash Flow from Operating Activities, and Free Funds Flow

- Second quarter 2024 funds from operations was \$503 million (\$0.84 per share), representing a decrease of nine per cent on a per share basis (\$0.08 per share) from the same quarter of 2023. This decrease was primarily driven by lower production and lower average realized commodity prices. Partially offsetting these items were increased realized gains on risk management contracts.



- Realized gains on risk management contracts increased by \$73 million in the second quarter of 2024, compared to the same period in the prior year.
- ARC has approximately 20 per cent of its natural gas hedged at AECO for the remainder of 2024, through a combination of collars and swaps, at an average floor price of C\$3.15 per GJ.
- ARC generated cash flow from operating activities of \$543 million (\$0.91 per share) and free funds flow of (\$29) million or (\$0.05) per share during the second quarter of 2024.

The following table details the change in funds from operations for the second quarter of 2024 relative to the first quarter of 2024.

<b>Funds from Operations Reconciliation</b>	<b>\$ millions</b>	<b>\$/share<sup>(1)</sup></b>
Funds from operations for the three months ended March 31, 2024	606.9	1.01
Production volumes		
Crude oil and liquids	(86.3)	(0.14)
Natural gas	(10.3)	(0.02)
Commodity prices		
Crude oil and liquids	51.7	0.10
Natural gas	(155.5)	(0.27)
Sales of commodities purchased from third parties	39.6	0.07
Other income	0.8	—
Realized gain on risk management contracts	46.9	0.08
Royalties	7.2	0.01
Expenses		
Commodities purchased from third parties	(32.5)	(0.05)
Operating	(29.0)	(0.05)
Transportation	14.8	0.02
G&A	25.7	0.04
Interest and financing	(1.2)	—
Current income tax	22.4	0.04
Realized gain on foreign exchange	1.0	—
Other	0.6	—
Funds from operations for the three months ended June 30, 2024	502.8	0.84

(1) Per share amounts are based on weighted average diluted common shares.

The following table details the change in funds from operations for the second quarter of 2024 relative to the second quarter of 2023.

<b>Funds from Operations Reconciliation</b>	<b>\$ millions</b>	<b>\$/share<sup>(1)</sup></b>
Funds from operations for the three months ended June 30, 2023	560.8	0.92
Production volumes		
Crude oil and liquids	(82.1)	(0.13)
Natural gas	(0.8)	—
Commodity prices		
Crude oil and liquids	74.1	0.12
Natural gas	(114.2)	(0.19)
Sales of commodities purchased from third parties	56.7	0.09
Other income	1.4	—
Realized gain on risk management contracts	72.9	0.12
Royalties	10.9	0.02
Expenses		
Commodities purchased from third parties	(57.9)	(0.10)
Operating	(15.1)	(0.03)
Transportation	10.2	0.02
G&A	1.3	—
Interest and financing	(6.4)	(0.01)
Current income tax	(14.6)	(0.02)
Realized gain on foreign exchange	6.3	0.01
Other	(0.7)	—
Weighted average shares, diluted	—	0.02
<b>Funds from operations for the three months ended June 30, 2024</b>	<b>502.8</b>	<b>0.84</b>

(1) Per share amounts are based on weighted average diluted common shares.

## Shareholder Returns

- During the second quarter, ARC distributed \$118 million (\$0.20 per share) to shareholders through a combination of dividends and share repurchases under its NCIB.
  - During the second quarter 2024, ARC declared dividends of \$102 million (\$0.17 per share).
  - ARC repurchased 0.7 million common shares under its NCIB at a weighted average price of \$23.29 per share.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 18 per cent of total outstanding shares or 132 million common shares, at a weighted average price of \$16.17 per share.
- ARC intends to renew its NCIB on or about September 1, 2024 for an additional 10 per cent of the public float, subject to review and approval by the TSX.
- ARC plans to distribute essentially all of its free funds flow to shareholders in 2024.

## Operating, Transportation, and General and Administrative Expense

### Operating Expense

- ARC's second quarter 2024 operating expense of \$5.51 per boe was in line with Company expectations and \$0.70 per boe above the second quarter of 2023. The increase was due to lower production volumes and planned turnarounds that were concentrated in the second quarter 2024.
- Operating expense per boe is expected to decrease over the balance of the year with all major turnarounds completed.

### Transportation Expense

- ARC's second quarter 2024 transportation expense per boe of \$5.22 was lower than ARC's guidance range of \$5.50 to \$6.00 per boe primarily due to lower fuel gas expense related to lower natural gas prices.

### General and Administrative Expense

- ARC's second quarter 2024 G&A expense per boe of \$1.85 decreased 27 per cent or by \$0.69 per boe from the first quarter of 2024. G&A expense per boe for the quarter was within Company guidance.

## Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$643 million during the second quarter of 2024. Of this, ARC invested \$532 million into capital expenditures to drill 39 wells and complete 41 wells. Drilling was focused primarily at Kakwa, Greater Dawson, and Attachie.
- During the six months ended June 30, 2024, cash flow used in investing activities was \$1.1 billion. Capital expenditures for the six month period registered at \$1.0 billion. ARC drilled 77 wells and completed 65 wells across its asset base. The incremental investment has been focused on facilities and infrastructure associated with Attachie Phase I and the Kakwa 10-10 superpad.

The following table details ARC's first six months of 2024 drilling and completion activities by area.

Area	Six Months Ended June 30, 2024	
	Wells Drilled <sup>(1)</sup>	Wells Completed
Kakwa	26	31
Greater Dawson	20	21
Sunrise	6	10
Ante Creek	—	—
Attachie	25	3
<b>Total</b>	<b>77</b>	<b>65</b>

(1) Excludes disposal wells.

## Physical Natural Gas Marketing

- ARC's infrastructure ownership and committed takeaway capacity to U.S. markets played a critical role in capturing higher natural gas price realizations relative to local benchmarks.
  - Subsequent to the quarter, ARC elected to shut-in a portion of its natural gas at Sunrise. ARC was able to leverage its dual-connected infrastructure and transport capacity to re-

direct condensate-rich volumes away from Station 2, where natural gas prices were weakest, to AECO.

- In June 2024, Cedar LNG Partners LP reached a positive final investment decision for the Cedar LNG Project (the "Project"). Cedar LNG has secured 20-year take-or-pay liquefaction tolling services agreements with ARC and Pembina Pipeline for 1.5 Mtpa each. ARC will deliver approximately 200 MMcf per day of natural gas for liquefaction by the Project for a term of 20 years commencing with commercial operations, anticipated in late 2028.
  - ARC remains on track to execute a sale and purchase agreement by year end 2024 with an investment-grade rated company for the entirety of ARC's LNG delivered from the Project.
  - With the anticipated execution of the sale and purchase agreement, ARC expects to achieve its long-term market diversification strategy, which includes linking approximately 25 per cent of its future natural gas production to international or LNG pricing.

## Net Debt

- As at June 30, 2024, ARC's long-term debt balance was \$1.4 billion, and its net debt balance was \$1.5 billion, or 0.6 times funds from operations.
  - ARC targets its net debt to be less than 1.5 times funds from operations and manages its capital structure to achieve that target over the long-term.
  - Long-term debt is comprised of \$1.0 billion of senior notes outstanding and \$385 million drawn on the syndicated credit facilities.
- ARC holds an investment-grade credit rating, which allows the Company to have access to capital and to manage a low-cost capital structure. ARC is committed to protecting its strong financial position.

## Net Income

- ARC recognized net income of \$240 million (\$0.40 per share) during the second quarter of 2024, a 29 per cent increase compared to the first quarter of 2024. The increase in net income compared to the prior quarter was primarily due to an increase in realized gains on risk management contracts in the second quarter of 2024.

## CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's second quarter 2024 results on Friday, August 2, 2024, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, August 2, 2024
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	76324761
Webcast URL	<a href="https://app.webinar.net/8mG2Dzwqp6x">https://app.webinar.net/8mG2Dzwqp6x</a>

Callers are encouraged to dial in 15 minutes before the start time to register for the event. A replay will be available on ARC's website at [www.arcresources.com](http://www.arcresources.com) following the conference call.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release and in other materials disclosed by the Company, ARC employs certain measures to analyze its financial performance, financial position, and cash flow. These non-GAAP and other financial measures are not standardized financial measures under IFRS Accounting Standards and may not be comparable to similar financial measures disclosed by other issuers. The non-GAAP and other financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS Accounting Standards, such as net income, cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

### Non-GAAP Financial Measures

#### Capital Expenditures

ARC uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC's capital budget excludes acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under certain lease arrangements. The most directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

Capital Expenditures (\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flow used in investing activities	499.8	<b>643.4</b>	464.4	<b>1,143.2</b>	861.8
Acquisition of crude oil and natural gas assets	(0.1)	<b>(5.0)</b>	—	<b>(5.1)</b>	(0.5)
Disposal of crude oil and natural gas assets	—	—	—	—	73.6
Long-term investments	(2.8)	<b>(1.3)</b>	(3.2)	<b>(4.1)</b>	(4.4)
Change in non-cash investing working capital	3.0	<b>(109.6)</b>	(44.8)	<b>(106.6)</b>	(28.8)
Other <sup>(1)</sup>	4.7	<b>4.8</b>	0.1	<b>9.5</b>	2.2
Capital expenditures	504.6	<b>532.3</b>	416.5	<b>1,036.9</b>	903.9

(1) Comprises non-cash capitalized costs related to the Company's right-of-use asset depreciation and share-based compensation.

#### Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through share repurchases. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

Free Funds Flow (\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flow from operating activities	636.3	<b>543.0</b>	550.9	1,179.3	1,091.2
Net change in other liabilities	6.7	<b>(1.5)</b>	(13.9)	5.2	(0.2)
Change in non-cash operating working capital	(36.1)	<b>(38.7)</b>	23.8	(74.8)	187.2
Funds from operations	606.9	<b>502.8</b>	560.8	1,109.7	1,278.2
Capital expenditures <sup>(1)</sup>	(504.6)	<b>(532.3)</b>	(416.5)	(1,036.9)	(903.9)
Free funds flow	102.3	<b>(29.5)</b>	144.3	72.8	374.3

(1) Certain additional disclosures for these specified financial measures have been incorporated by reference. See "Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions" in the Q2 2024 MD&A.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations regarding the future based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions, and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: ARC's intentions to return free funds flow to shareholders through the base dividend and share repurchases; ARC's 2024 capital budget and guidance including, among others, planned capital expenditures, anticipated average annual production and the components thereof and anticipated expenses and the components thereof; expectations with respect to Attachie Phase I, including anticipated initial commissioning volumes, full-productive capacity, the components thereof and anticipated timing related thereto; the anticipated benefits of the Cedar LNG agreements and timing thereof; ARC's expectations regarding reaching its long-term market diversification strategy and anticipated timing thereof; anticipated benefits of well design changes at Sunrise and timing thereof; anticipated third and fourth quarter production, the increase of such production in the second half of 2024, the components thereof and the rationale behind such anticipated production and growth; ARC's 2024 and 2025 outlook the components thereof and the rationale behind such anticipated production and growth; the anticipated timing of completion of ARC's enterprise system implementation; ARC's intention to renew its NCIB and timing thereof; net debt targets; expectations regarding operating expense per boe; and other statements. Further, statements relating to reserves and resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. The material assumptions on which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: ARC's ability to successfully integrate and realize the anticipated benefits of completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities and to repurchase its securities under the NCIB; ARC's ability to renew its NCIB; that conditions precedent to the liquefaction tolling services agreement with Cedar LNG Partners LP will be met; that the terms and conditions of the

sale and purchase agreement to be entered into will be as expected; that the Cedar LNG project will be completed on the timelines anticipated; that counterparties to ARC's various agreements will comply with their contractual obligations; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; the potential implementation of new technologies and the cost thereof; forecast commodity prices and other pricing assumptions with respect to ARC's 2024 capital expenditure budget; assumptions with respect to ARC's 2024 and 2025 guidance; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in Blueberry River First Nations (Yahey) v. Province of British Columbia on BC and/or federal laws or policies affecting resource development in northeast BC and potential outcomes of the negotiations between Blueberry River First Nations and the Government of BC; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2024 and 2025; suspension of or changes to guidance, and the associated impact to production; the assumption that the regulatory environment will be able to support ARC's investment in the execution of Attachie Phase I, including that regulatory authorities in BC will resume granting approvals for oil and gas activities relating to drilling, completions, testing, processing facilities, and production and transportation infrastructure in 2024 on time frames, and terms and conditions, currently anticipated; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the Board; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; cash flows, cash balances on hand, and access to ARC's credit facility and other long-term debt being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial risk management transactions to partially mitigate a portion of ARC's risks against wider price differentials; business interruption, property and casualty losses, or unexpected technical difficulties; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; ARC's ability to obtain necessary regulatory approvals generally; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to oil and gas interests and operations on Indigenous lands; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; ARC's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; ARC's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation and other assumptions inherent in the guidance of ARC; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; GLJ's estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities, including those risks contained under the heading "Risk Factors" in ARC's management's discussion and analysis for the year ended December 31, 2023.

Forward-looking information in this news release pertaining to dividend increases and the repurchase of ARC's outstanding common shares, while based on ARC's current intentions and beliefs, are not guaranteed and should not be unduly relied upon. Any decisions with respect to dividends and/or share repurchases are subject to the approval of the Board.

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

The forward-looking information in this news release also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC, including, but not limited to: the expectations of ARC regarding free funds flow, funds from operations, capital expenditures, net debt, and production. Any financial outlook and forward-looking information implied by such forward-looking statements are described in ARC's Q2 2024 MD&A, and ARC's most recent annual information form, which are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca) and are incorporated by reference herein.

## About ARC

ARC Resources Ltd. is a pure-play Montney producer and one of Canada's largest dividend-paying energy companies, featuring low-cost operations. ARC's investment-grade credit profile is supported by commodity and geographic diversity and robust risk management practices around all aspects of the business. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

ARC RESOURCES LTD.

Please visit ARC's website at [www.arcresources.com](http://www.arcresources.com) or contact Investor Relations:

E-mail: [IR@arcresources.com](mailto:IR@arcresources.com)  
Telephone: (403) 503-8600  
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ARC Resources Ltd.  
Suite 1200, 308 - 4 Avenue SW  
Calgary, AB T2P 0H7



**Q2** 2024



Management's  
**Discussion & Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of ARC Resources Ltd. ("ARC" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. It is dated August 1, 2024, and should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "financial statements") as at and for the three and six months ended June 30, 2024, and the MD&A and audited consolidated financial statements for the year ended December 31, 2023, as well as ARC's Annual Information Form ("AIF"), each of which is available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted.

Throughout this MD&A, crude oil ("crude oil") refers to light crude oil, medium crude oil, and heavy crude oil as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this MD&A, natural gas liquids ("NGLs") comprise all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately. Crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.

Throughout this MD&A and in other materials disclosed by the Company, ARC presents financial measures that adhere to Canadian generally accepted accounting principles ("GAAP") and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), however the Company also employs certain non-GAAP financial measures to analyze financial performance, financial position, and cash flow including, "netback", "capital expenditures", "free funds flow", "adjusted earnings before interest and taxes" ("adjusted EBIT"), and "average capital employed". Additionally, other financial measures are also used to analyze performance including, but not limited to, "funds from operations" and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful indicators of ARC's performance than GAAP measures which are determined in accordance with IFRS Accounting Standards, such as net income, cash flow from operating activities, and cash flow used in investing activities.

Readers are cautioned that the MD&A should be read in conjunction with the sections entitled "Non-GAAP and Other Financial Measures", "Forward-looking Information and Statements", and "Glossary" at the end of this MD&A.

## ABOUT ARC RESOURCES LTD.

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

The guiding principles upon which ARC conducts its business have created a strong foundation for the Company's performance. ARC's standard of operational excellence, robust risk management program, and strong balance sheet have positioned the Company to effectively manage volatile market conditions. The Company's concentrated asset base, located in premier positions within the Montney fairway and network of owned-and-operated infrastructure, allows ARC to deliver strong capital and operating efficiencies. The commodity and geographic optionality within the asset base allows ARC to manage risk. ARC exercises capital discipline and maintains a deliberate pace of development to manage its corporate decline rate. ARC's business model is focused on a strong balance sheet, with ample liquidity, social and governance leadership, long-term corporate profitability, free funds flow generation, and paying a dividend to shareholders. Together with the Company's premier land position in the Montney, significant resource in-place, large inventory of future drilling locations, and high-performance people and culture, these principles make ARC a differentiated company.

## Highlights

Corporate highlights for the annual periods of 2020 through 2023 and the six months ended June 30, 2024 are shown in Table 1:

**Table 1**

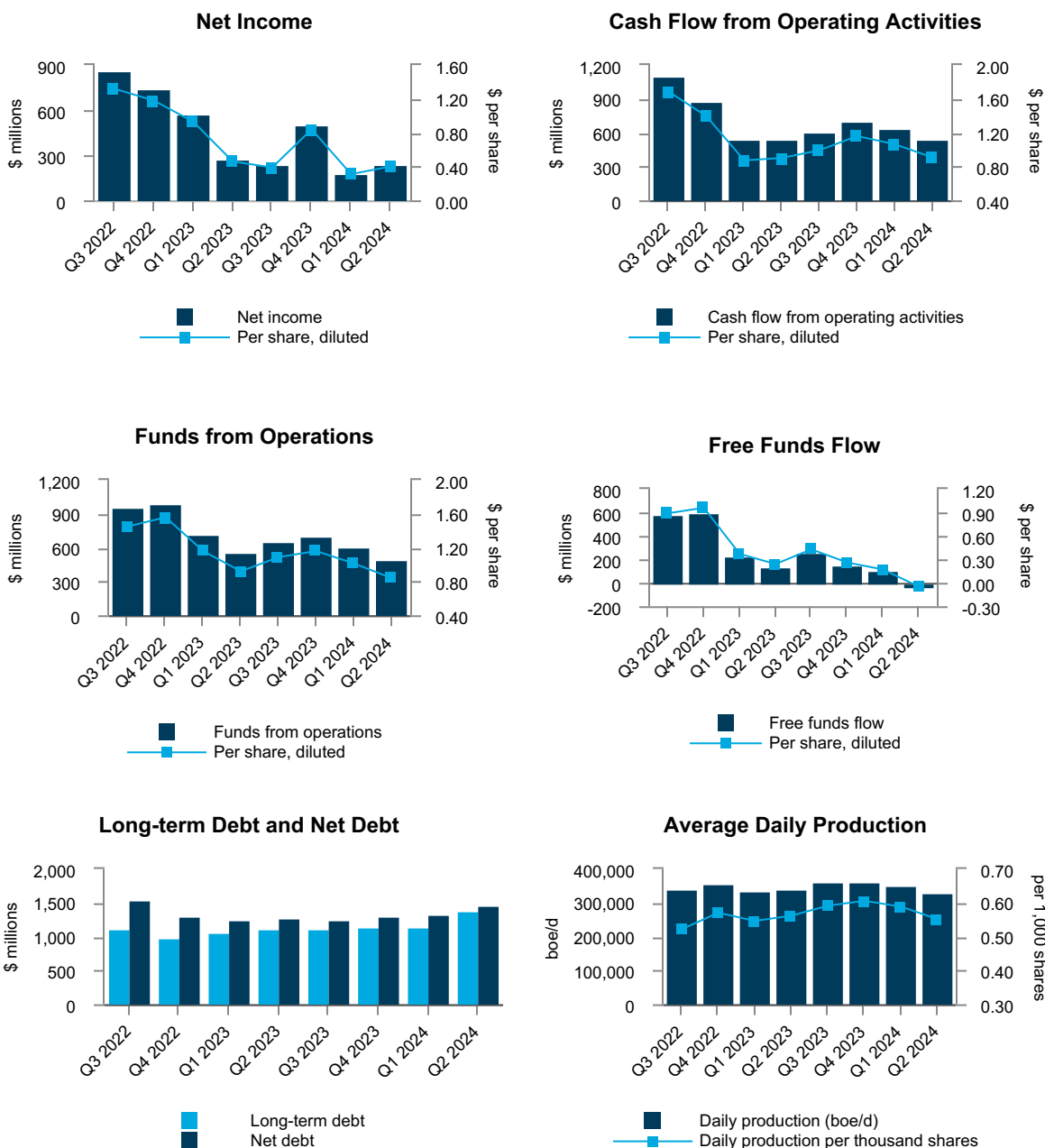
(\$ millions, except per share amounts, or unless otherwise noted)	2024 YTD	2023	2022	2021	2020
Production <sup>(1)</sup>					
Crude oil and condensate (bbl/d)	<b>78,693</b>	83,880	86,393	70,393	29,245
Natural gas (MMcf/d)	<b>1,304</b>	1,322	1,259	1,149	739
NGLs (bbl/d)	<b>45,203</b>	47,760	49,385	40,084	9,112
Total production (boe/d)	<b>341,187</b>	351,954	345,613	302,003	161,564
Average daily production per thousand shares <sup>(2)</sup>	<b>0.57</b>	0.58	0.52	0.48	0.46
Net income (loss)	<b>424.9</b>	1,596.5	2,302.3	786.6	(547.2)
Net income (loss) per share	<b>0.71</b>	2.61	3.47	1.25	(1.55)
Cash flow from operating activities	<b>1,179.3</b>	2,394.3	3,833.3	2,006.5	655.7
Cash flow from operating activities per share <sup>(3)</sup>	<b>1.97</b>	3.92	5.78	3.20	1.86
Funds from operations <sup>(4)</sup>	<b>1,109.7</b>	2,639.6	3,712.5	2,415.4	667.6
Funds from operations per share <sup>(3)</sup>	<b>1.85</b>	4.32	5.60	3.85	1.89
Free funds flow <sup>(5)</sup>	<b>72.8</b>	789.8	2,270.6	1,353.6	324.4
Free funds flow per share <sup>(6)</sup>	<b>0.12</b>	1.29	3.42	2.16	0.92
Cash flow used in investing activities	<b>1,143.2</b>	1,690.7	1,413.2	808.1	364.3
Capital expenditures <sup>(7)</sup>	<b>1,036.9</b>	1,849.8	1,441.9	1,061.8	343.2
Long-term debt <sup>(8)</sup>	<b>1,379.5</b>	1,148.9	990.0	1,705.3	701.9
Net debt <sup>(4)</sup>	<b>1,477.9</b>	1,317.1	1,301.5	1,828.7	693.5
Net debt to funds from operations (ratio) <sup>(4)</sup>	<b>0.6</b>	0.5	0.4	0.8	1.0
Return on average capital employed ("ROACE") (%) <sup>(9)</sup>	<b>17</b>	23	35	18	(18)
Proved plus probable reserves (MMboe) <sup>(10)(11)</sup>	<b>n/a</b>	1,994.3	1,828.6	1,760.6	929.0
Proved plus probable reserves per share (boe) <sup>(10)(11)</sup>	<b>n/a</b>	3.3	2.8	2.8	2.6

- (1) Reported production amount is based on Company's interest before royalty burdens.
- (2) Represents average daily production divided by the diluted weighted average common shares outstanding for the six months ended June 30, 2024, and for the respective years ended December 31, 2023, 2022, 2021, and 2020.
- (3) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
- (4) Refer to Note 8 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
- (5) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for free funds flow is cash flow from operating activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
- (6) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar ratios presented by other entities. Includes a non-GAAP financial measure component of free funds flow. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
- (7) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.
- (8) Refer to Note 6 "Long-term Debt" in the financial statements. Long-term debt includes current and long-term portions.
- (9) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar ratios presented by other entities. Includes non-GAAP financial measure components of adjusted EBIT and average capital employed. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
- (10) Crude oil, condensate, natural gas, and NGLs reserves ("reserves") as determined by ARC's independent qualified reserve evaluator with an effective date of December 31 for the years shown in accordance with the Canadian Oil and Gas Evaluation Handbook.
- (11) Reserves are the gross interest reserves before deduction of royalties and without including any royalty interests. For more information, see ARC's AIF and the news release entitled "ARC Resources Ltd. Reports Record Production, Year-end Results and Reserves" dated February 8, 2024, available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

# QUARTERLY RESULTS <sup>(1)</sup>

Trends in net income, cash flow from operating activities, and funds from operations are primarily associated with fluctuations in commodity sales from production which reflect changes in production levels and commodity prices. Net income is also impacted by changes in the value of risk management contracts and impairment or reversal of impairment of property, plant and equipment ("PP&E").

**Exhibit 1**



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

## ANNUAL GUIDANCE

ARC's 2024 guidance and a review of 2024 year-to-date results are outlined below:

**Table 2**

	<b>2024 Guidance</b>	<b>2024 YTD Actual</b>	<b>% Variance from 2024 Guidance</b>
Production			
Crude oil and condensate (bbl/d)	87,000 - 91,500	<b>78,693</b>	(10)
Natural gas (MMcf/d)	1,325 - 1,340	<b>1,304</b>	(2)
NGLs (bbl/d)	42,000 - 45,000	<b>45,203</b>	—
Total (boe/d)	350,000 - 360,000	<b>341,187</b>	(3)
Expenses (\$/boe) <sup>(1)</sup>			
Operating	4.50 - 4.90	<b>4.87</b>	—
Transportation	5.50 - 6.00	<b>5.29</b>	(4)
General and administrative ("G&A") expense before share-based compensation expense	1.05 - 1.25	<b>1.36</b>	9
G&A - share-based compensation expense	0.55 - 0.65	<b>0.85</b>	31
Interest and financing <sup>(2)</sup>	0.90 - 1.00	<b>0.91</b>	—
Current income tax expense, as a per cent of funds from operations <sup>(1)</sup>	10 - 15	<b>9</b>	(10)
Capital expenditures (\$ billions) <sup>(3)</sup>	1.75 - 1.85	<b>1.0</b>	n/a

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

(2) Excludes accretion of ARC's asset retirement obligation ("ARO").

(3) Refer to the section entitled "About ARC Resources Ltd." contained within this MD&A for historical capital expenditures.

Production is currently below the guidance range with expectations to be at the low end of the guidance range for 2024. Subsequent to June 30, 2024, in response to weak natural gas prices, ARC has elected to curtail approximately 250 MMcf per day of natural gas production from the Sunrise area to preserve value for periods when natural gas prices are higher. Despite the production curtailment, 2024 production guidance is unchanged.

G&A expense before share-based compensation expense and G&A - share-based compensation expense are currently above the guidance range, but expected to trend towards the respective guidance ranges through the remainder of the year.

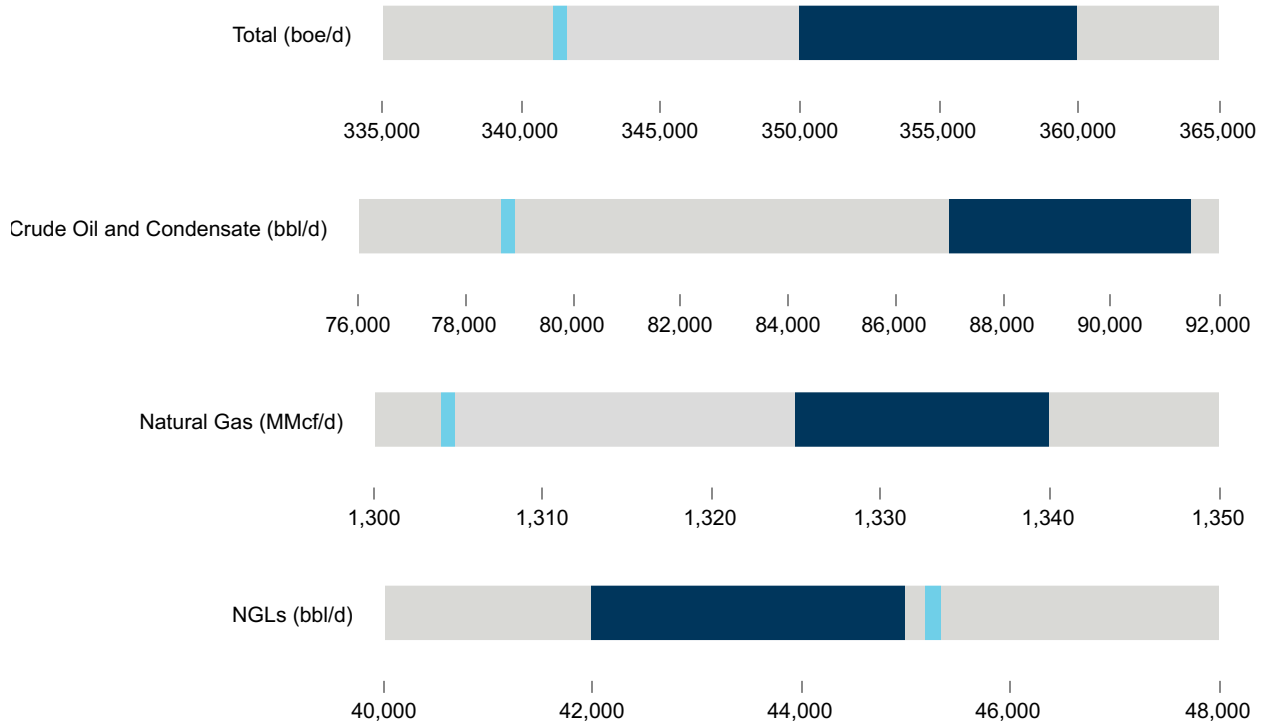
Transportation expense and current income tax expense as a per cent of funds from operations are currently below their respective guidance ranges, but are expected to trend towards the respective guidance ranges through the remainder of the year.

For more information regarding ARC's 2024 guidance, refer to the news release dated August 1, 2024, entitled "ARC Resources Ltd. Reports Second Quarter 2024 Results", available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Exhibit 2

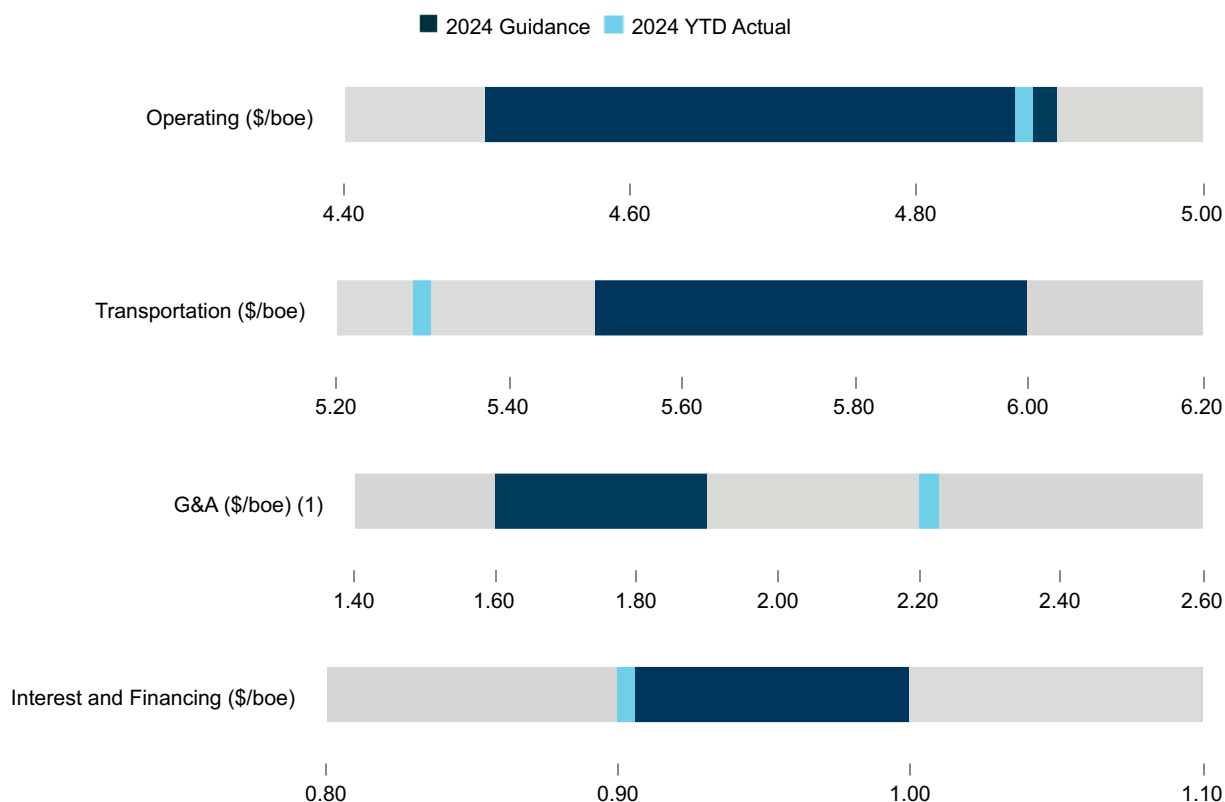
2024 Production Guidance

2024 Guidance 2024 YTD Actual



## Exhibit 2a

### 2024 Expense Guidance



(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

## 2024 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

### Financial Highlights

Table 3

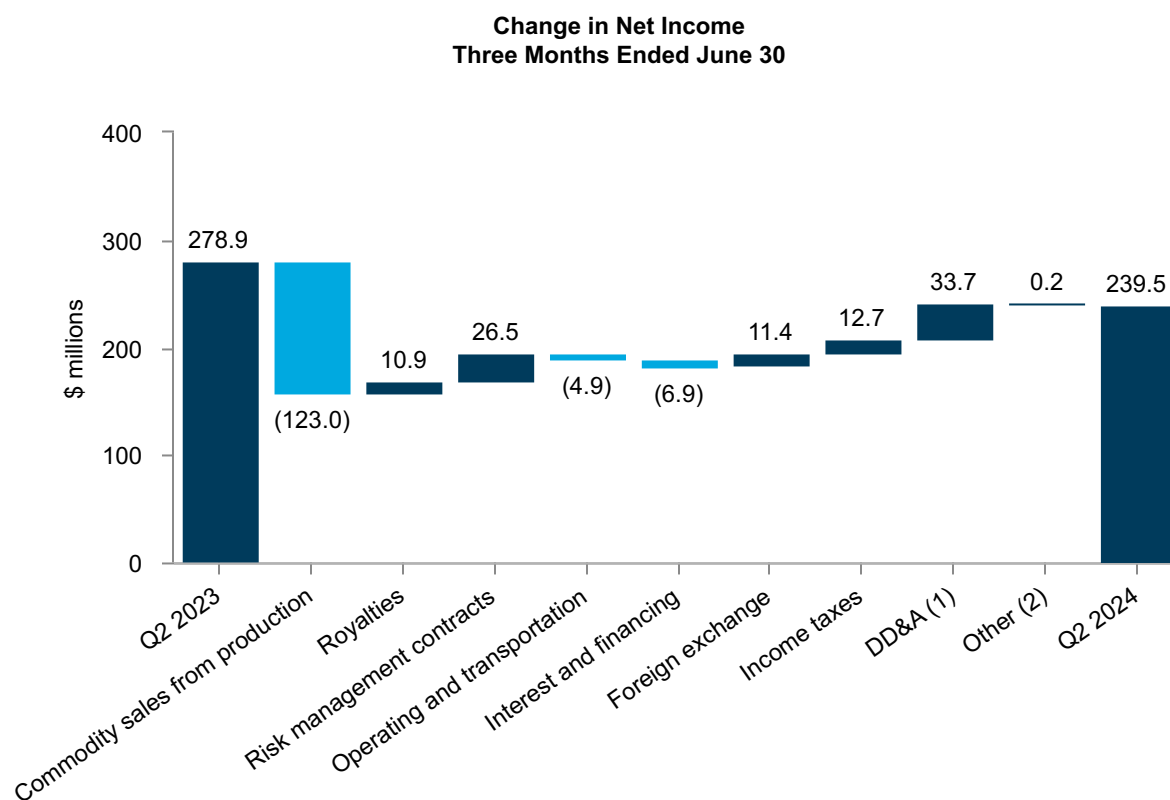
(\$ millions, except per share and production data)	Three Months Ended				Six Months Ended			
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change	
Net income	185.4	<b>239.5</b>	278.9	(14)	<b>424.9</b>	853.8	(50)	
Net income per share	0.31	<b>0.40</b>	0.46	(13)	<b>0.71</b>	1.39	(49)	
Cash flow from operating activities	636.3	<b>543.0</b>	550.9	(1)	<b>1,179.3</b>	1,091.2	8	
Cash flow from operating activities per share	1.06	<b>0.91</b>	0.90	1	<b>1.97</b>	1.77	11	
Funds from operations	606.9	<b>502.8</b>	560.8	(10)	<b>1,109.7</b>	1,278.2	(13)	
Funds from operations per share	1.01	<b>0.84</b>	0.92	(9)	<b>1.85</b>	2.08	(11)	
Free funds flow	102.3	<b>(29.5)</b>	144.3	(120)	<b>72.8</b>	374.3	(81)	
Free funds flow per share	0.17	<b>(0.05)</b>	0.24	(121)	<b>0.12</b>	0.61	(80)	
Dividends declared per share <sup>(1)</sup>	0.17	<b>0.17</b>	0.17	—	<b>0.34</b>	0.32	6	
Average daily production (boe/d)	352,328	<b>330,046</b>	343,630	(4)	<b>341,187</b>	341,018	—	

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

## Net Income

In the second quarter of 2024, ARC recognized net income of \$239.5 million (\$0.40 per share), a decrease of \$39.4 million from ARC's second quarter 2023 net income of \$278.9 million (\$0.46 per share). The decrease in net income is primarily attributed to a decrease in commodity sales from production of \$123.0 million, driven by lower production due to scheduled maintenance activity and a lower average realized commodity price. This was partially offset by a decrease in depletion, depreciation and amortization ("DD&A") of \$33.7 million, and an increased gain on risk management contracts of \$26.5 million.

### Exhibit 3



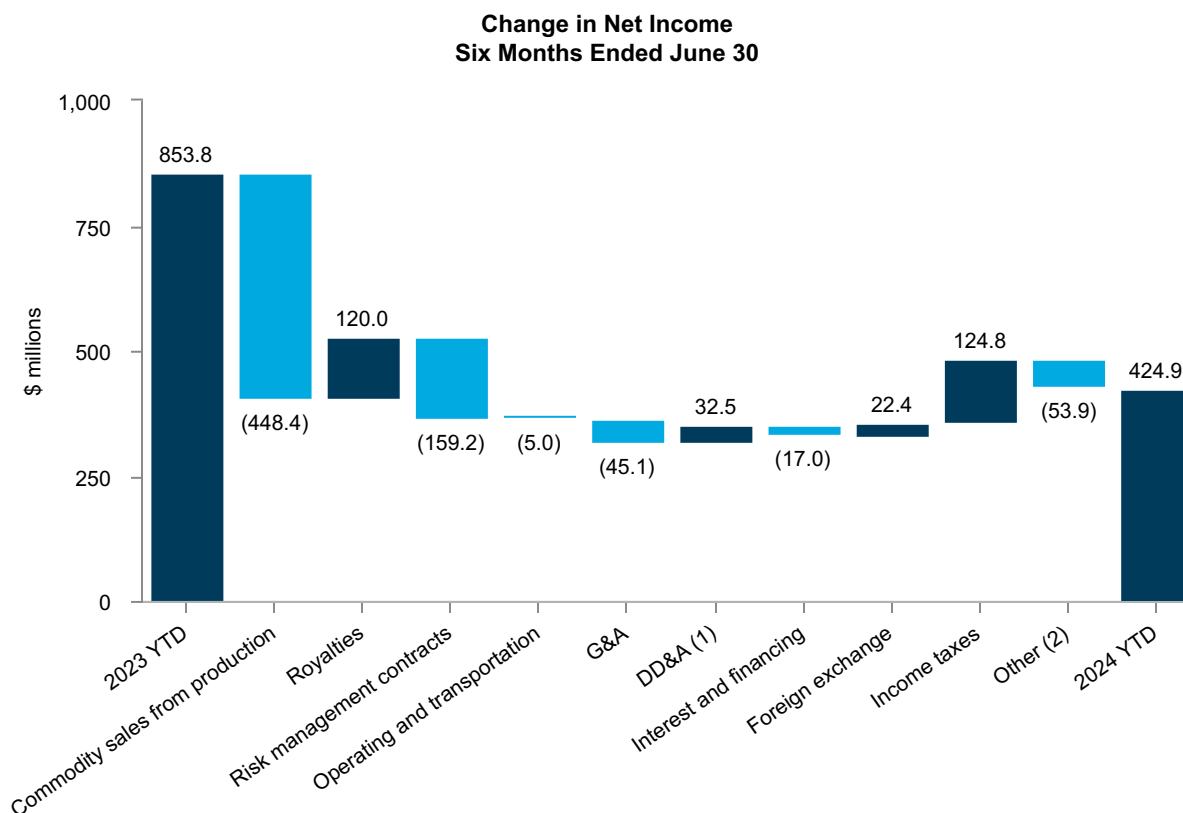
(1) Includes DD&A and impairment of PP&E

(2) Includes sales of commodities purchased from third parties, interest and other income, commodities purchased from third parties, G&A, and impairment of financial assets.



For the six months ended June 30, 2024, ARC recognized net income of \$424.9 million (\$0.71 per share) compared to \$853.8 million (\$1.39 per share) for the same period of the prior year. The \$428.9 million decrease in net income is primarily attributed to a decrease in commodity sales from production of \$448.4 million, associated with a lower average realized commodity price, and a decreased gain on risk management contracts of \$159.2 million. This was partially offset by a decrease in income taxes of \$124.8 million and a decrease in royalties of \$120.0 million.

**Exhibit 3a**



(1) Includes DD&A and impairment of PP&E.

(2) Includes sales of commodities purchased from third parties, interest and other income, commodities purchased from third parties, impairment of financial assets, and gain on disposal of crude oil and natural gas assets.

## Cash Flow from Operating Activities and Funds from Operations

Cash flow from operating activities for the three months ended June 30, 2024, was \$543.0 million, a decrease of \$7.9 million from ARC's second quarter 2023 cash flow from operating activities of \$550.9 million. For the six months ended June 30, 2024, cash flow from operating activities increased to \$1.2 billion from \$1.1 billion for the same period in 2023. The decrease in cash flow from operating activities for the three months ended June 30, 2024, compared to the same period in the prior year, reflects lower funds from operations, partially offset by positive changes in non-cash working capital. The increase in cash flow from operating activities for the six months ended June 30, 2024 compared to the six months ended June 30, 2023, reflects positive changes in non-cash working capital, partially offset by lower funds from operations.

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

Refer to Note 8 "Capital Management" in the financial statements and to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A. Table 4 is a reconciliation of ARC's net income to funds from operations and its most directly comparable GAAP measure, cash flow from operating activities:

**Table 4**

(\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income	185.4	<b>239.5</b>	278.9	<b>424.9</b>	853.8
Adjusted for the following non-cash items:					
DD&A and impairment of PP&E	340.2	<b>314.6</b>	348.3	<b>654.8</b>	687.3
Deferred taxes	(4.7)	<b>29.2</b>	56.5	<b>24.5</b>	146.9
Unrealized loss (gain) on risk management contracts	93.5	<b>(81.9)</b>	(128.3)	<b>11.6</b>	(387.9)
Unrealized loss (gain) on foreign exchange	(10.2)	<b>(3.0)</b>	2.1	<b>(13.2)</b>	2.0
Gain on disposal of crude oil and natural gas assets	—	—	—	—	(25.9)
Other	2.7	<b>4.4</b>	3.3	<b>7.1</b>	2.0
<b>Funds from operations</b>	<b>606.9</b>	<b>502.8</b>	<b>560.8</b>	<b>1,109.7</b>	<b>1,278.2</b>
Net change in other liabilities	(6.7)	<b>1.5</b>	13.9	<b>(5.2)</b>	0.2
Change in non-cash working capital	36.1	<b>38.7</b>	(23.8)	<b>74.8</b>	(187.2)
<b>Cash flow from operating activities</b>	<b>636.3</b>	<b>543.0</b>	<b>550.9</b>	<b>1,179.3</b>	<b>1,091.2</b>

Details of the change in funds from operations from the three and six months ended June 30, 2023 to the three and six months ended June 30, 2024 are included in Table 5 below:

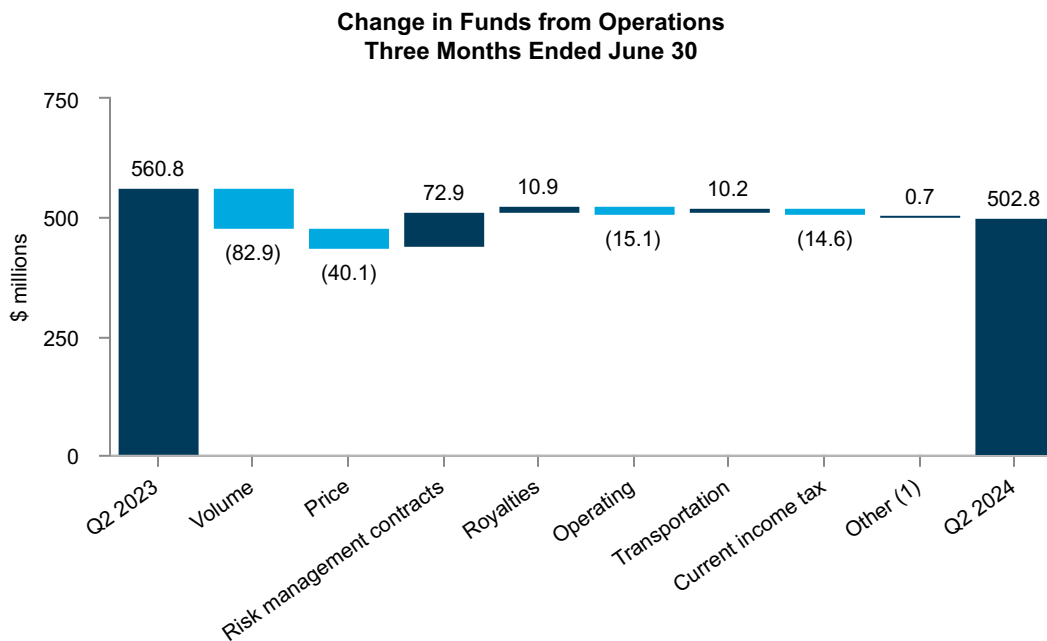
**Table 5**

	Three Months Ended June 30		Six Months Ended June 30	
	\$ millions	\$/share	\$ millions	\$/share
Funds from operations – 2023	560.8	0.92	1,278.2	2.08
Production volume variance				
Crude oil and liquids	(82.1)	(0.13)	(43.9)	(0.07)
Natural gas	(0.8)	—	27.0	0.04
Commodity price variance				
Crude oil and liquids	74.1	0.12	(2.6)	—
Natural gas	(114.2)	(0.19)	(428.9)	(0.70)
Sales of commodities purchased from third parties	56.7	0.09	(74.2)	(0.12)
Interest and other income	1.4	—	(0.2)	—
Realized gain on risk management contracts	72.9	0.12	240.3	0.39
Royalties	10.9	0.02	120.0	0.20
Expenses				
Commodities purchased from third parties	(57.9)	(0.10)	55.2	0.09
Operating	(15.1)	(0.03)	(14.6)	(0.02)
Transportation	10.2	0.02	9.6	0.02
G&A	1.3	—	(45.1)	(0.07)
Interest and financing	(6.4)	(0.01)	(16.3)	(0.03)
Current income tax	(14.6)	(0.02)	2.4	—
Realized gain on foreign exchange	6.3	0.01	7.2	0.01
Other	(0.7)	—	(4.4)	(0.01)
Weighted average shares, diluted	—	0.02	—	0.04
Funds from operations – 2024	502.8	0.84	1,109.7	1.85

Funds from operations for the three months ended June 30, 2024, was \$502.8 million (\$0.84 per share), a decrease of \$58.0 million from \$560.8 million (\$0.92 per share) for the three months ended June 30, 2023. For the six months ended June 30, 2024, funds from operations was \$1.1 billion (\$1.85 per share), a decrease of \$168.5 million from \$1.3 billion (\$2.08 per share) for the six months ended June 30, 2023.

The decrease in funds from operations for the three months ended June 30, 2024, is primarily due to lower commodity sales from production, resulting from a decrease in production due to scheduled maintenance activity and a lower average realized commodity price. This was partially offset by a realized gain on risk management contracts compared to a realized loss in the same period of the prior year.

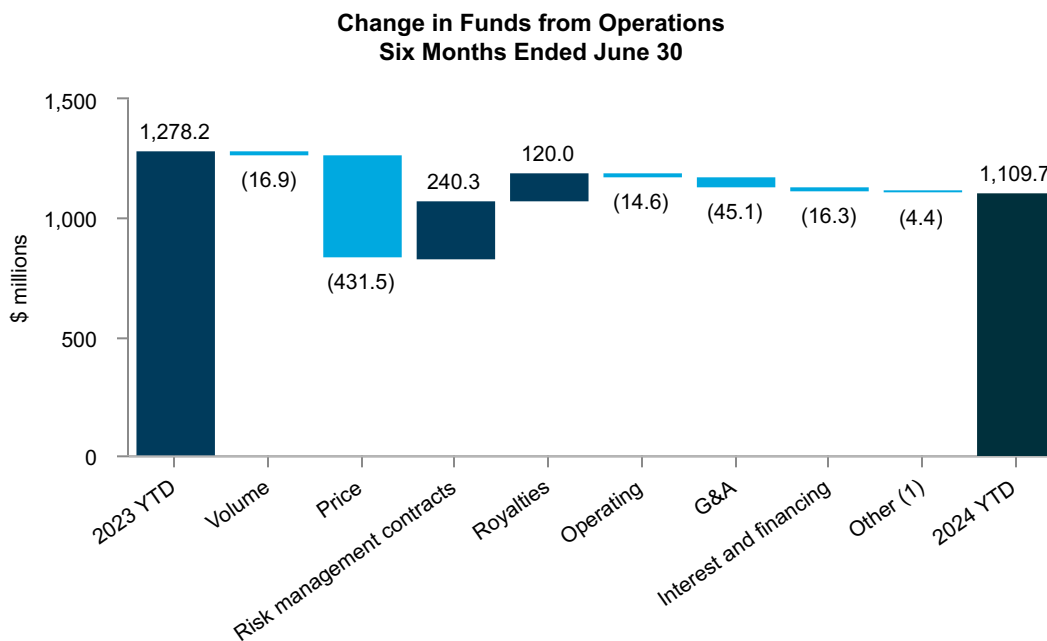
**Exhibit 4**



(1) Includes commodities purchased from third parties, sale of commodities purchased from third parties, interest and financing, foreign exchange, interest and other income, G&A, and other non-cash items.

The decrease in funds from operations for the six months ended June 30, 2024, is primarily due to lower commodity sales from production, resulting from a lower average realized commodity price. This was partially offset by a realized gain on risk management contracts compared to a realized loss in the same period of the prior year and a decrease in royalties.

**Exhibit 4a**



(1) Includes sale of commodities purchased from third parties, commodities purchased from third parties, transportation, foreign exchange, current tax, interest and other income, and other non-cash items.

## Net Income Sensitivity

Table 6 illustrates sensitivities of operating items to business environment and operational changes and the resulting impact on net income:

**Table 6**

	Assumption	Change	Impact on Annual Net Income	
			Notional Amount (\$ millions)	\$/share
<b>Business Environment</b> <sup>(1)</sup>				
Crude oil price (\$/bbl)	91.10	10 %	247.5	0.41
Natural gas price (\$/Mcf)	2.53	10 %	125.0	0.21
Cdn\$/US\$ exchange rate	1.36	5 %	165.8	0.28
Interest rate on floating-rate debt	6.78 %	1 %	3.0	0.01
<b>Operational</b> <sup>(5)</sup>				
Crude oil and liquids production (bbl/d)	123,896	5 %	127.3	0.21
Natural gas production (MMcf/d)	1,304	5 %	27.6	0.05
Royalties (\$/boe)	4.16	5 %	19.5	0.03
Operating (\$/boe)	4.87	5 %	22.8	0.04
Transportation (\$/boe)	5.29	5 %	24.8	0.04
G&A (\$/boe)	2.21	5 %	10.4	0.02

(1) Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change at the same time. The subsequent impact on risk management contracts is not included.

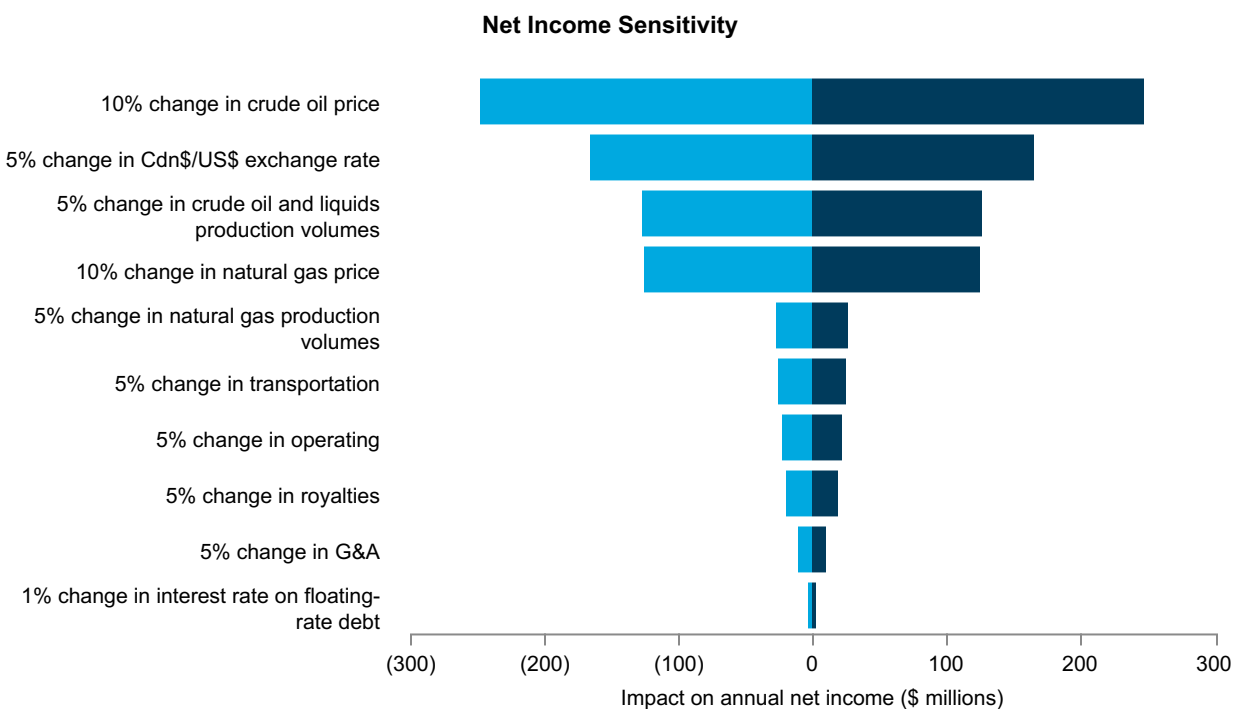
(2) Prices and rates are indicative of ARC's average realized prices for the six months ended June 30, 2024. Refer to Table 10 contained within this MD&A for additional details. The calculated impact on net income is indicative of changes in the underlying benchmark prices and differentials and would only be applicable within a limited range of these amounts.

(3) Includes the impact on crude oil, condensate, and NGLs prices.

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

(5) Operational assumptions are based upon results for the six months ended June 30, 2024 and the calculated impact on net income would only be applicable within a limited range of these amounts.

### Exhibit 5



## Production

Table 7

Production	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Crude oil (bbl/d)	8,076	<b>6,403</b>	8,076	(21)	<b>7,240</b>	7,981	(9)
Condensate (bbl/d)	74,596	<b>68,310</b>	75,464	(9)	<b>71,453</b>	73,287	(3)
NGLs (bbl/d)	49,411	<b>40,994</b>	45,202	(9)	<b>45,203</b>	46,991	(4)
Crude oil and liquids (bbl/d)	132,083	<b>115,707</b>	128,742	(10)	<b>123,896</b>	128,259	(3)
Natural gas (MMcf/d)	1,322	<b>1,286</b>	1,289	—	<b>1,304</b>	1,277	2
Total production (boe/d)	352,328	<b>330,046</b>	343,630	(4)	<b>341,187</b>	341,018	—
Natural gas production (%)	63	<b>65</b>	63	2	<b>64</b>	62	2
Crude oil and liquids production (%)	37	<b>35</b>	37	(2)	<b>36</b>	38	(2)

For the three months ended June 30, 2024, total production decreased four per cent as compared to the same period in the prior year. Total production for the six months ended June 30, 2024 was relatively unchanged as compared to the six months ended June 30, 2023.

For the three months ended June 30, 2024, crude oil and liquids production decreased 10 per cent as compared to the same period in the prior year. The decrease was primarily the result of downtime associated with scheduled maintenance activities in the Kakwa area. For the six months ended June 30, 2024, crude oil and liquids production decreased three per cent as compared to the same period in the prior year. The decrease was primarily due to downtime associated with scheduled maintenance activities in the Kakwa area, partially offset by new wells coming on-stream in the Greater Dawson area.

Natural gas production for the three months ended June 30, 2024 was relatively unchanged as compared to the three months ended June 30, 2023, and reflects downtime associated with scheduled maintenance activities in the Kakwa and Greater Dawson areas, offset by new wells coming on-stream in the Sunrise area. For the six months ended June 30, 2024, natural gas production increased by two per cent as compared to the same period in the prior year. The increase was primarily the result of new wells coming on-stream in the Sunrise area, partially offset by downtime associated with scheduled maintenance activities in the Kakwa and Greater Dawson areas.

Exhibit 6

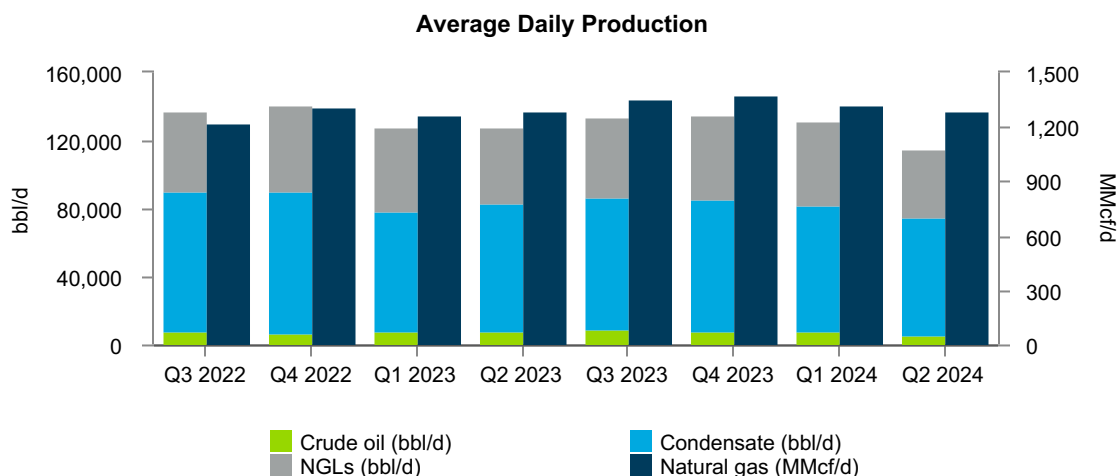


Table 8 summarizes ARC's production by core area for the three months ended June 30, 2024 and June 30, 2023:

**Table 8**

<b>Three Months Ended June 30, 2024</b>					
<b>Production</b>	<b>Total</b>	<b>Crude Oil</b>	<b>Condensate</b>	<b>Natural Gas</b>	<b>NGLs</b>
<b>Core Area</b>	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	<b>159,756</b>	22	54,265	441.5	31,880
Greater Dawson	<b>88,299</b>	397	11,741	411.8	7,525
Sunrise	<b>61,057</b>	—	284	364.1	98
Ante Creek	<b>18,052</b>	5,820	531	60.3	1,654
Attachie	<b>2,922</b>	—	1,489	8.1	77
All other	<b>(40)</b>	164	—	0.2	(240)
<b>Total</b>	<b>330,046</b>	<b>6,403</b>	<b>68,310</b>	<b>1,286.0</b>	<b>40,994</b>

<b>Three Months Ended June 30, 2023</b>					
<b>Production</b>	<b>Total</b>	<b>Crude Oil</b>	<b>Condensate</b>	<b>Natural Gas</b>	<b>NGLs</b>
<b>Core Area</b>	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	187,727	15	64,697	519.3	36,456
Greater Dawson	89,420	875	8,792	433.8	7,456
Sunrise	45,536	—	350	270.6	89
Ante Creek	18,539	6,971	491	56.6	1,648
Attachie	2,413	—	1,130	7.4	55
All other	(5)	215	4	1.6	(502)
<b>Total</b>	<b>343,630</b>	<b>8,076</b>	<b>75,464</b>	<b>1,289.3</b>	<b>45,202</b>

**Exhibit 7**

**Production by Core Area  
Three Months Ended June 30, 2024**

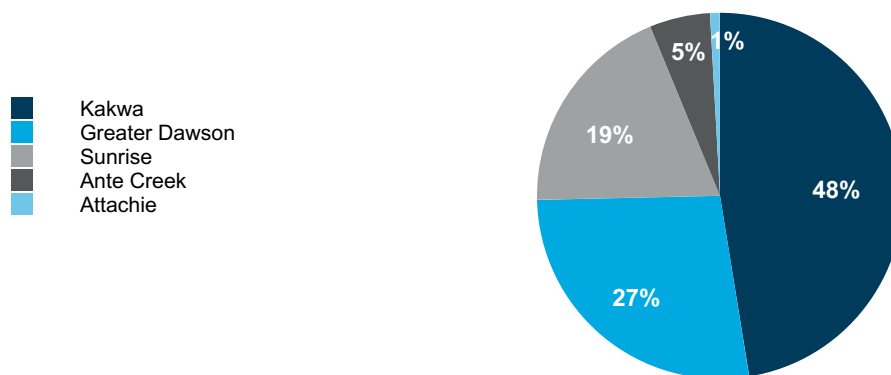


Table 8a summarizes ARC's production by core area for the six months ended June 30, 2024 and June 30, 2023:

**Table 8a**

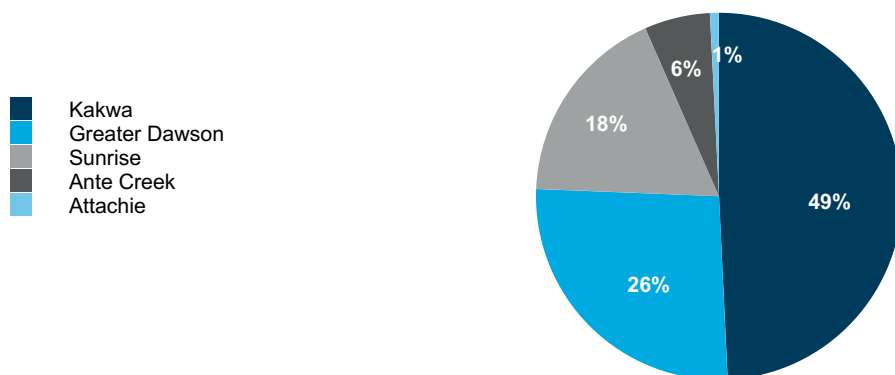
Six Months Ended June 30, 2024					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	167,817	22	58,269	445.1	35,335
Greater Dawson	89,891	577	10,988	423.9	7,676
Sunrise	60,477	—	234	361.0	82
Ante Creek	19,784	6,463	598	65.5	1,811
Attachie	2,695	—	1,363	7.6	69
All other	523	178	1	0.7	230
<b>Total</b>	<b>341,187</b>	<b>7,240</b>	<b>71,453</b>	<b>1,303.8</b>	<b>45,203</b>

Six Months Ended June 30, 2023					
Production	Total	Crude Oil	Condensate	Natural Gas	NGLs
Core Area	(boe/d)	(bbl/d)	(bbl/d)	(MMcf/d)	(bbl/d)
Kakwa	184,814	15	63,155	500.4	38,249
Greater Dawson	87,810	925	8,074	431.9	6,834
Sunrise	45,600	—	298	271.5	45
Ante Creek	19,421	6,804	544	62.3	1,694
Attachie	2,513	—	1,185	7.6	56
All other	860	237	31	2.9	113
<b>Total</b>	<b>341,018</b>	<b>7,981</b>	<b>73,287</b>	<b>1,276.6</b>	<b>46,991</b>

**Exhibit 7a**

**Production by Core Area  
Six Months Ended June 30, 2024**





## Commodity Sales from Production

For the three and six months ended June 30, 2024, commodity sales from production decreased by 11 per cent and 17 per cent, respectively, as compared to the same periods in 2023. The decrease for the three months ended June 30, 2024 is due to a decrease in production volumes and lower average realized natural gas prices. The decrease for the six months ended June 30, 2024 is primarily due to lower average realized natural gas prices.

A breakdown of commodity sales from production by product and percentage of commodity sales from production by product type is outlined in Tables 9 and 9a:

**Table 9**

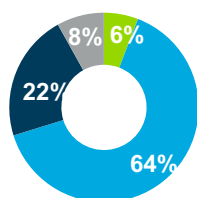
Commodity Sales from Production, by Product (\$ millions)	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Crude oil	61.6	58.4	64.8	(10)	120.0	130.6	(8)
Condensate	642.0	645.0	641.6	1	1,287.0	1,307.6	(2)
Natural gas	383.2	217.4	332.4	(35)	600.6	1,002.5	(40)
NGLs	115.3	80.9	85.9	(6)	196.2	211.5	(7)
Commodity sales from production	1,202.1	1,001.7	1,124.7	(11)	2,203.8	2,652.2	(17)

**Table 9a**

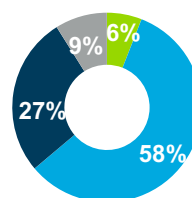
% of Commodity Sales from Production by Product Type	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Crude oil and liquids	68	78	70	8	73	62	11
Natural gas	32	22	30	(8)	27	38	(11)
Commodity sales from production	100	100	100	—	100	100	—

**Exhibit 8**

**Commodity Sales from Production by Product  
Three Months Ended  
June 30, 2024**



**Commodity Sales from Production by Product  
Six Months Ended  
June 30, 2024**



## Commodity Prices

A listing of benchmark commodity prices and ARC's average realized commodity prices are outlined in Table 10:

**Table 10**

	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
<b>Average Benchmark Prices</b>							
WTI crude oil (US\$/bbl)	76.91	<b>80.66</b>	73.56	10	<b>78.81</b>	74.77	5
Cdn\$/US\$ exchange rate	1.35	<b>1.37</b>	1.34	2	<b>1.36</b>	1.35	1
WTI crude oil (Cdn\$/bbl)	103.83	<b>110.50</b>	98.57	12	<b>107.18</b>	100.94	6
Peace Sour Price at Edmonton (Cdn\$/bbl)	85.00	<b>101.42</b>	88.66	14	<b>93.20</b>	89.28	4
Condensate Stream Price at Edmonton (Cdn\$/bbl)	98.82	<b>105.73</b>	96.88	9	<b>102.31</b>	102.42	—
NYMEX Henry Hub Last Day Settlement (US\$/MMBtu)	2.24	<b>1.89</b>	2.10	(10)	<b>2.07</b>	2.76	(25)
Chicago Citygate Monthly Index (US\$/MMBtu)	2.49	<b>1.60</b>	1.99	(20)	<b>2.05</b>	3.16	(35)
AECO 7A Monthly Index (Cdn\$/Mcf)	2.05	<b>1.44</b>	2.35	(39)	<b>1.74</b>	3.34	(48)
<b>ARC Average Realized Commodity Prices <sup>(1)</sup></b>							
Crude oil (\$/bbl)	83.83	<b>100.28</b>	88.13	14	<b>91.10</b>	90.42	1
Condensate (\$/bbl)	94.58	<b>103.73</b>	93.43	11	<b>98.96</b>	98.58	—
Natural gas (\$/Mcf)	3.19	<b>1.86</b>	2.83	(34)	<b>2.53</b>	4.34	(42)
NGLs (\$/bbl)	25.65	<b>21.69</b>	20.89	4	<b>23.85</b>	24.87	(4)
Average realized commodity price (\$/boe)	37.49	<b>33.35</b>	35.97	(7)	<b>35.49</b>	42.97	(17)

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

### Benchmark Commodity Prices

Average WTI crude oil prices increased five per cent in the second quarter of 2024 compared to the prior quarter and 10 per cent compared to the second quarter of 2023. Heightened geopolitical tensions and positive near-term demand indicators increased crude oil prices during the quarter. This was partially offset by the announcement that coordinated production curtailments amongst certain crude oil-producing countries would be reduced later this year.

The Edmonton condensate benchmark price increased seven per cent in the second quarter of 2024 compared to the prior quarter and nine per cent compared to the second quarter of 2023. Canadian condensate differentials remained strong relative to other grades as demand from oil sands operations absorbed local and imported condensate supply, despite the seasonal reduction in blending requirements.

Average NYMEX Henry Hub natural gas prices decreased 16 per cent in the second quarter of 2024 compared to the prior quarter and 10 per cent compared to the second quarter of 2023. The impacts of planned and unplanned outages at US liquefied natural gas ("LNG") export facilities were exacerbated by a surplus in US natural gas inventories relative to normal seasonal levels. There was considerable price volatility throughout the quarter as previously announced US production curtailments were largely maintained, and natural gas demand from the power generation sector fluctuated significantly.

The AECO 7A Monthly Index decreased 30 per cent in the second quarter of 2024 compared to the prior quarter and 39 per cent compared to the second quarter of 2023. The combined effects of strong Canadian natural gas production and elevated local inventories resulted in AECO prices underperforming relative to other natural gas benchmark prices.

### ARC's Average Realized Commodity Prices

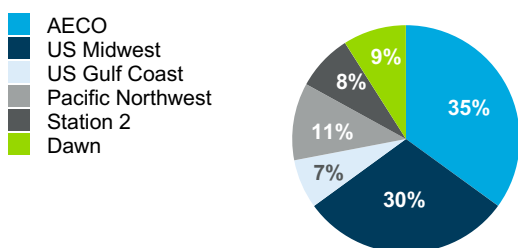
For the three and six months ended June 30, 2024, ARC's average realized crude oil price increased 14 per cent and one per cent, respectively, compared to the same periods in 2023. The increase for the three months ended June 30, 2024 reflects an increase in the WTI benchmark price and improved differentials between WTI and Peace Sour benchmark prices, compared to the same periods of the prior year. The increase for the six months ended June 30, 2024 is the result of an increased WTI benchmark price, partially offset by wider differentials between WTI and Peace Sour benchmark prices.

For the three months ended June 30, 2024, ARC's average realized condensate price increased 11 per cent, compared to the same period of the prior year. The increase is due to an increase in the WTI benchmark price. For the six months ended June 30, 2024, ARC's average realized condensate price was relatively unchanged, compared to the same period of the prior year, due to an increase in the WTI benchmark price, offset by wider differentials between WTI and Edmonton condensate benchmark prices.

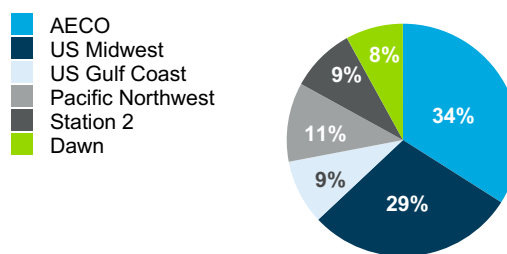
ARC's natural gas sales are physically diversified to multiple sales points within North America, each with different index-based pricing. ARC's average realized natural gas price decreased 34 per cent and 42 per cent for the three and six months ended June 30, 2024, respectively, compared to the same periods of the prior year. The decrease is primarily due to benchmark price declines in all North American markets.

**Exhibit 9**

**Natural Gas Sales by Sales Point  
Three Months Ended  
June 30, 2024**



**Natural Gas Sales by Sales Point  
Six Months Ended  
June 30, 2024**



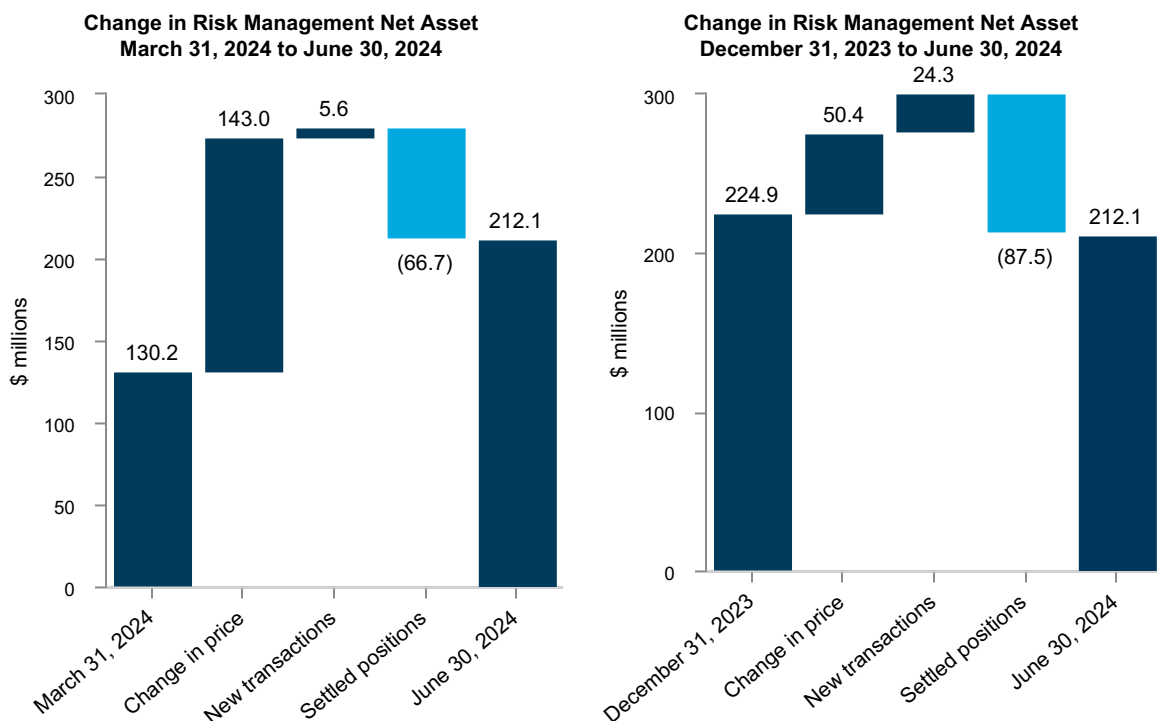
During the six months ended June 30, 2024, as part of its natural gas market diversification strategy, ARC entered into a long-term liquefaction tolling services agreement and other ancillary agreements (the "Agreements") with Cedar LNG Partners LP ("Cedar LNG"), a partnership between the Haisla Nation and Pembina Pipeline Corporation, advancing the Cedar LNG Project (the "Project"). ARC will deliver approximately 200 MMcf per day of natural gas for liquefaction by the Project for a term of 20 years commencing with commercial operations, anticipated in late 2028. On June 25, 2024, Cedar LNG announced a positive final investment decision for the project, satisfying all the conditions precedent of the Agreement.

In addition to the agreement with Cedar LNG, ARC entered into a non-binding Heads of Agreement with an investment-grade rated company for the associated LNG offtake, the equivalent of approximately 1.5 million tonnes per annum of LNG.

## Risk Management Contracts

The fair value of ARC's risk management contracts at June 30, 2024 was a net asset of \$212.1 million, representing the expected value of settlement of ARC's contracts at the balance sheet date after adjustments for credit risk. This comprises a net asset of \$0.2 million from crude oil contracts, a net asset of \$213.0 million from natural gas contracts, and a net liability of \$1.1 million from foreign currency contracts.

### Exhibit 10



Tables 11 and 11a summarize the gain or loss on risk management contracts for the three and six months ended June 30, 2024 compared to the same periods in 2023:

**Table 11**

Risk Management Contracts (\$ millions)	Crude Oil & Condensate	Natural Gas	Embedded Derivative <sup>(1)</sup>	NGLs and Foreign Currency	Q2 2024 Total	Q2 2023 Total
Realized gain (loss) on risk management contracts <sup>(2)</sup>	(3.2)	67.6	—	(0.6)	<b>63.8</b>	(9.1)
Unrealized gain (loss) on risk management contracts <sup>(3)</sup>	2.7	70.4	13.4	(4.6)	<b>81.9</b>	128.3
Gain (loss) on risk management contracts	<b>(0.5)</b>	<b>138.0</b>	<b>13.4</b>	<b>(5.2)</b>	<b>145.7</b>	119.2

(1) Represents the change in fair value of embedded derivatives contained within certain natural gas sales contracts.

(2) Represents actual cash settlements under the respective contracts recognized in net income during the period.

(3) Represents the change in fair value of the contracts recognized in net income during the period.

**Table 11a**

<b>Risk Management Contracts</b> (\$ millions)	<b>Crude Oil &amp; Condensate</b>	<b>Natural Gas</b>	<b>Embedded Derivative<sup>(1)</sup></b>	<b>NGLs and Foreign Currency</b>	<b>2024 YTD Total</b>	<b>2023 YTD Total</b>
Realized gain (loss) on risk management contracts <sup>(2)</sup>	(19.6)	100.9	—	(0.6)	<b>80.7</b>	(159.6)
Unrealized gain (loss) on risk management contracts <sup>(3)</sup>	(18.2)	13.8	17.4	(24.6)	<b>(11.6)</b>	387.9
Gain (loss) on risk management contracts	<b>(37.8)</b>	<b>114.7</b>	<b>17.4</b>	<b>(25.2)</b>	<b>69.1</b>	228.3

(1) Represents the change in fair value of embedded derivatives contained within certain natural gas sales contracts.

(2) Represents actual cash settlements under the respective contracts recognized in net income during the period.

(3) Represents the change in fair value of the contracts recognized in net income during the period.

ARC's realized gain on risk management contracts for the three and six months ended June 30, 2024, primarily reflects cash settlements received on AECO natural gas contracts, partially offset by cash settlements paid on WTI crude oil contracts. The realized gain on risk management contracts for the three and six months ended June 30, 2024, compares to a realized loss on risk management contracts for the same periods of the prior year and is primarily the result of lower average realized commodity prices relative to contract prices.

ARC's unrealized gain on risk management contracts for the three months ended June 30, 2024, primarily reflects the revaluation of AECO natural gas contracts outstanding with lower forward pricing compared to the beginning of the period. The decrease in the unrealized gain on risk management contracts for the three months ended June 30, 2024, as compared to the same period of the prior year, is primarily due to an increase in amounts received for contract settlements.

ARC's unrealized loss on risk management contracts for the six months ended June 30, 2024, primarily reflects the settlement of AECO natural gas contracts and the revaluation of WTI crude oil and foreign currency contracts outstanding with higher forward pricing compared to the beginning of the period. ARC's unrealized loss on risk management contracts for the six months ended June 30, 2024, as compared to the same period of the prior year, is primarily the result of lower average commodity prices relative to contract prices and a decrease in amounts paid for contract settlement.

### **Embedded Derivatives**

ARC is party to two separate long-term natural gas supply agreements, whereby ARC delivers natural gas to specified North American delivery points and receives international pricing in exchange. These contracts have been determined to contain embedded derivatives that are required by IFRS Accounting Standards to be valued separately from their host contracts.

	<b>Volume (MMBtu/d)</b>	<b>Term</b>	<b>Delivery Point</b>	<b>Pricing Formula</b>	<b>Anticipated Commencement</b>
Agreement 1	140,000	15 years	Chicago	JKM less transport & liquefaction	2027
Agreement 2	140,000	15 years	Gulf Coast	TTF less transport, liquefaction & regasification	2029

In respect of these contracts, ARC recognized an unrealized gain on risk management contracts of \$13.4 million and \$17.4 million for the three and six months ended June 30, 2024 (unrealized loss of \$18.7 million and \$7.7 million for the three and six months ended June 30, 2023), respectively. At June 30, 2024, the combined fair value of ARC's embedded derivatives was \$11.4 million (liability of \$6.0 million at December 31, 2023). The combined fair value reflects the estimated differentials between forward pricing at the respective delivery points and those contained in the pricing formulas. Due to the long-term nature of these agreements and multiple variables impacting the estimated valuations, it is anticipated that the estimated fair value of ARC's natural gas embedded derivative contracts will fluctuate over time as the agreements mature. For further information, refer to Note 9 "Financial Instruments and Market Risk Management" in the financial statements.

## Netback and Netback per boe

The components of ARC's netback and netback per boe for the three and six months ended June 30, 2024 compared to the same periods in 2023 are summarized in Tables 12 and 12a:

**Table 12**

Netback (\$ millions) <sup>(1)</sup>	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Commodity sales from production	1,202.1	<b>1,001.7</b>	1,124.7	(11)	<b>2,203.8</b>	2,652.2	(17)
Royalties	(133.0)	<b>(125.8)</b>	(136.7)	(8)	<b>(258.8)</b>	(378.8)	(32)
Operating	(136.6)	<b>(165.6)</b>	(150.5)	10	<b>(302.2)</b>	(287.6)	5
Transportation	(171.5)	<b>(156.7)</b>	(166.9)	(6)	<b>(328.2)</b>	(337.8)	(3)
Netback	761.0	<b>553.6</b>	670.6	(17)	<b>1,314.6</b>	1,648.0	(20)

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

**Table 12a**

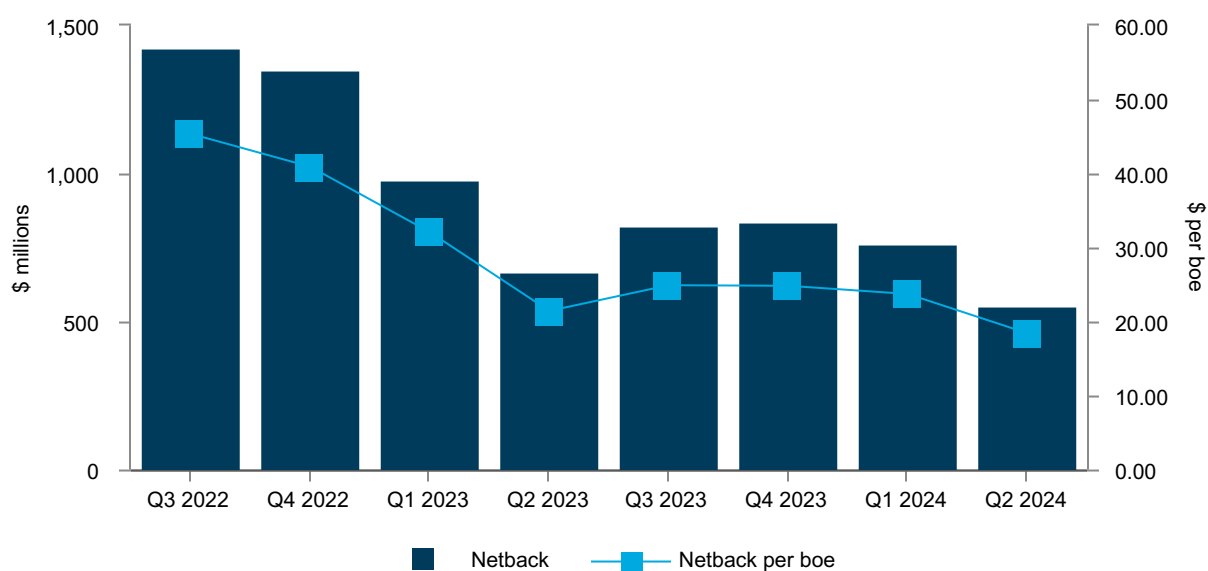
Netback per boe (\$ per boe) <sup>(1)</sup>	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Commodity sales from production	37.49	<b>33.35</b>	35.97	(7)	<b>35.49</b>	42.97	(17)
Royalties <sup>(2)</sup>	(4.15)	<b>(4.19)</b>	(4.38)	(4)	<b>(4.16)</b>	(6.14)	(32)
Operating	(4.26)	<b>(5.51)</b>	(4.81)	15	<b>(4.87)</b>	(4.66)	5
Transportation	(5.35)	<b>(5.22)</b>	(5.34)	(2)	<b>(5.29)</b>	(5.47)	(3)
Netback per boe	23.73	<b>18.43</b>	21.44	(14)	<b>21.17</b>	26.70	(21)

(1) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar ratios presented by other entities. Includes a non-GAAP financial measure component of netback. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

(2) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

**Exhibit 11**

### Netback and Netback per boe



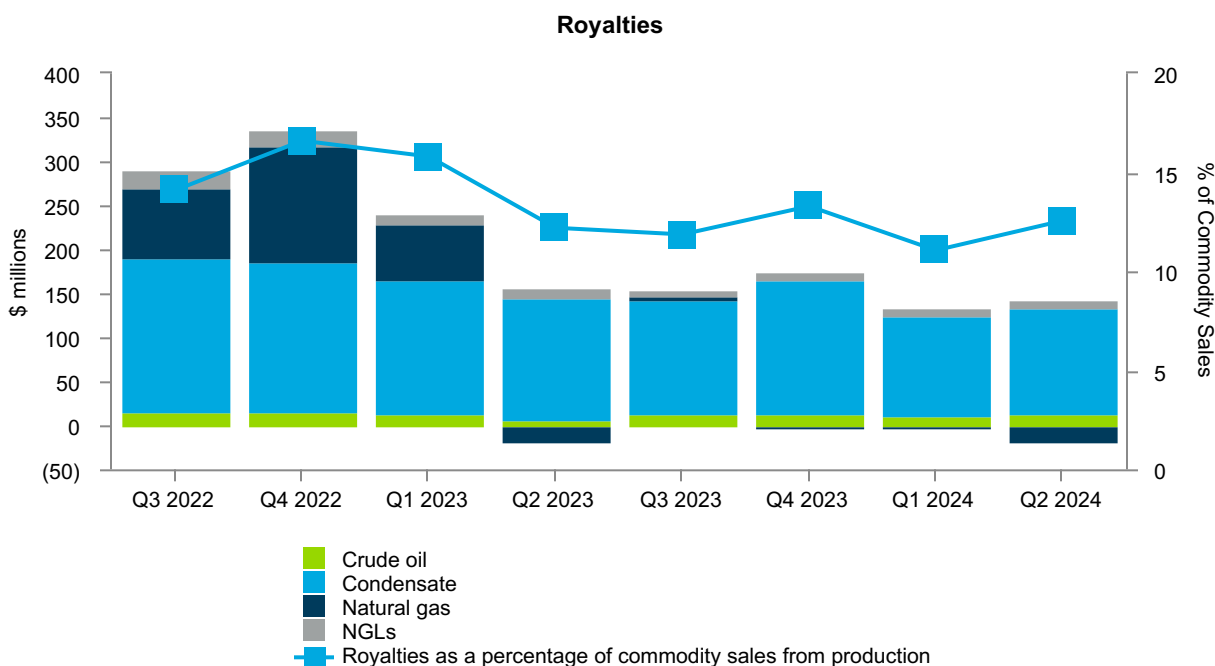
## Royalties

Royalties for the three and six months ended June 30, 2024 decreased eight per cent and 32 per cent, respectively, to \$125.8 million and \$258.8 million (\$136.7 million and \$378.8 million for the same periods in 2023). The decrease in royalties for the three months ended June 30, 2024, is primarily due to lower production volumes as compared to the same period in 2023. The decrease in royalties for the six months ended June 30, 2024, reflects lower average royalty rates due to decreased commodity prices compared to the same period in 2023.

Royalties as a percentage of commodity sales from production<sup>(1)</sup> increased to 13 per cent (\$4.19 per boe) in the second quarter of 2024 from 12 per cent (\$4.38 per boe) in the second quarter of 2023. For the six months ended June 30, 2024, royalties represented 12 per cent (\$4.16 per boe) of commodity sales from production as compared to 14 per cent (\$6.14 per boe) for the same period in 2023. The increase in royalties as a percentage of commodity sales from production for the three months ended June 30, 2024, compared to the same period in 2023, is primarily due to an increase of crude oil and liquids sales, with higher associated royalty rates, as a percentage of total commodity sales. The decrease in royalties as a percentage of commodity sales from production for the six months ended June 30, 2024, reflects lower average royalty rates primarily due to decreased natural gas prices compared to the same period in 2023.

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

### Exhibit 12



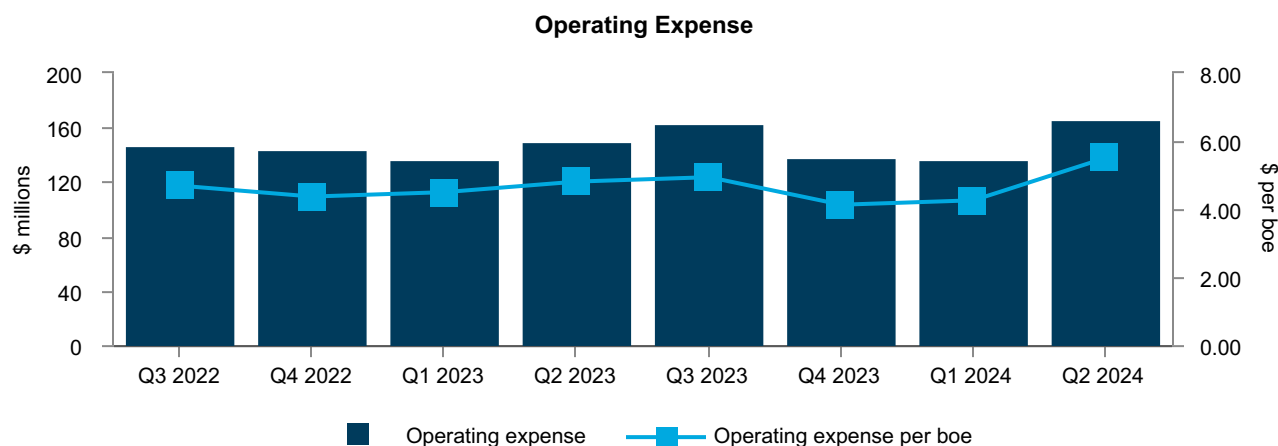
## Operating

Operating expense for the three months ended June 30, 2024 was \$165.6 million, an increase of 10 per cent from \$150.5 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, operating expense was \$302.2 million, an increase of five per cent from \$287.6 million in the same period of the prior year.

Operating expense per boe for the three months ended June 30, 2024 was \$5.51 per boe, an increase of 15 per cent from \$4.81 per boe for the three months ended June 30, 2023. For the six months ended June 30, 2024, operating expense was \$4.87 per boe, an increase of five per cent from \$4.66 per boe in the same period of the prior year.

The increase in operating expense for the three and six months ended June 30, 2024, as compared to the same periods of the prior year, primarily reflects increased scheduled maintenance activity in the Greater Dawson area.

### Exhibit 13



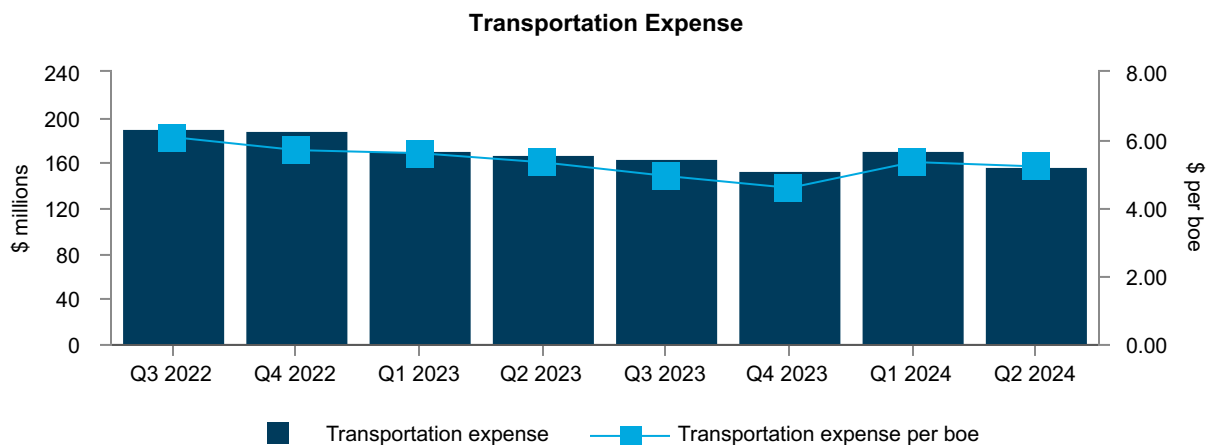
## Transportation

Transportation expense for the three and six months ended June 30, 2024 was \$156.7 million and \$328.2 million, a decrease of six per cent and three per cent, from \$166.9 million and \$337.8 million for the three and six months ended June 30, 2023, respectively.

Transportation expense per boe for the three and six months ended June 30, 2024 was \$5.22 per boe and \$5.29 per boe, a decrease of two per cent and three per cent from \$5.34 per boe and \$5.47 per boe for the three and six months ended June 30, 2023, respectively.

The decrease in transportation expense for the three and six months ended June 30, 2024, relative to the same periods in 2023, primarily reflects lower fuel gas charges and lower trucking costs, partially offset by an increase in natural gas pipeline tariffs.

### Exhibit 14



## G&A

G&A expense before share-based compensation expense increased 20 per cent to \$41.2 million in the second quarter of 2024 from \$34.3 million in the second quarter of 2023. For the six months ended June 30, 2024, ARC's G&A expense before share-based compensation expense was \$84.2 million, a 20 per cent increase from \$70.3 million in 2023. The increase for the three and six months ended June 30, 2024 is primarily due to increased consulting and information technology costs related to an enterprise system implementation project in 2024.



During the three months ended June 30, 2024, ARC recognized G&A expense of \$14.5 million associated with its share-based compensation plans, compared to \$22.7 million during the same period of the prior year. The decrease for the three months ended June 30, 2024 is due to the revaluation of ARC's share-based compensation plans, reflecting a smaller increase in ARC's share price and the average performance multiplier associated with certain plans, compared to the same period of the prior year.

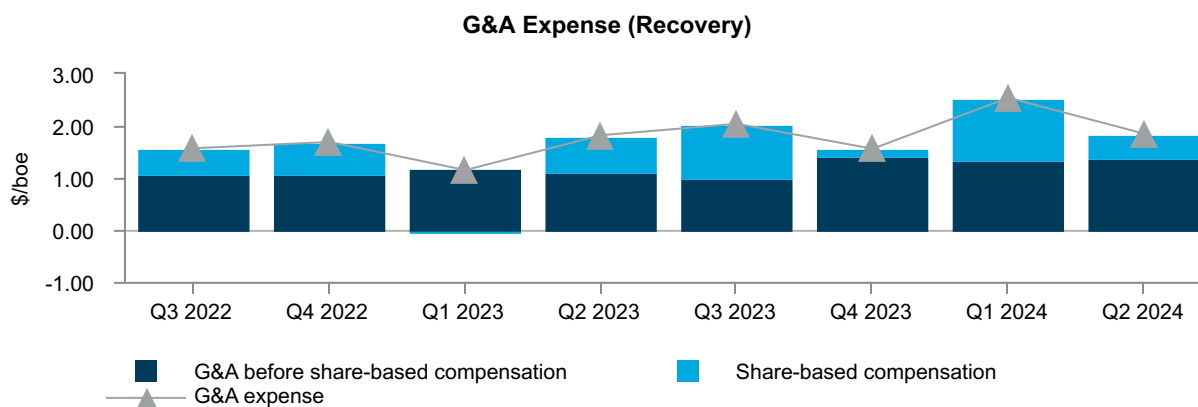
During the six months ended June 30, 2024, ARC recognized G&A expense of \$52.9 million associated with its share-based compensation plans, compared to \$21.7 million during the same period of the prior year. The increase for the six months ended June 30, 2024 is primarily due to an increase in ARC's share price over the period, compared to a decrease in the same period of the prior year, impacting the amount of cash payments made in the periods as well as the valuation of the liability associated with ARC's share-based compensation plans.

Table 13 is a breakdown of G&A expense:

**Table 13**

G&A Expense (\$ millions, except per boe)	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
G&A expense before share-based compensation expense	43.0	41.2	34.3	20	84.2	70.3	20
G&A – share-based compensation expense	38.4	14.5	22.7	(36)	52.9	21.7	144
G&A expense	81.4	55.7	57.0	(2)	137.1	92.0	49
G&A expense before share-based compensation expense per boe	1.34	1.37	1.10	25	1.36	1.14	19
G&A – share-based compensation expense per boe	1.20	0.48	0.72	(33)	0.85	0.35	143
G&A expense per boe	2.54	1.85	1.82	2	2.21	1.49	48

**Exhibit 15**



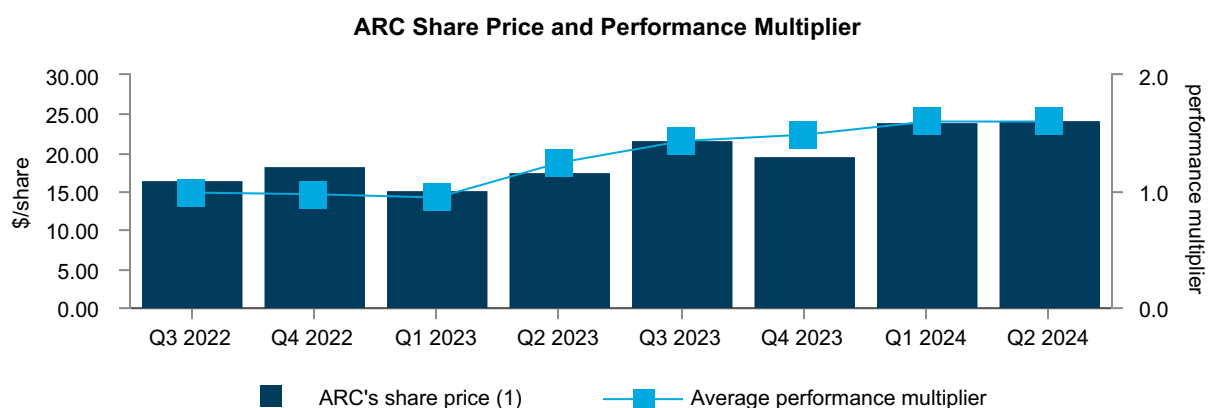
## Share-based Compensation Plans

For a description of ARC's various share-based compensation plans and related accounting policies, refer to Note 3 "Summary of Material Accounting Policies" and Note 20 "Share-based Compensation Plans" of ARC's audited consolidated financial statements as at and for the year ended December 31, 2023.

## Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plans

At June 30, 2024, ARC had 1.8 million RSUs and 3.3 million PSUs outstanding under these plans. For the three and six months ended June 30, 2024, ARC recognized G&A in relation to its RSU and PSU Plans of \$13.1 million and \$45.4 million (\$19.0 million and \$20.4 million for the three and six months ended June 30, 2023), respectively. The change in expense recognized for the three and six months ended June 30, 2024 reflects the change in valuation of awards outstanding throughout the respective period associated with increases to share price and average performance multiplier factor for PSUs.

**Exhibit 16**



(1) Denotes ARC's closing share price on the Toronto Stock Exchange ("TSX") on the last trading day of each respective quarter.

Table 14 shows the changes to the outstanding RSU and PSU awards for plans that existed prior to a business combination (the "Legacy Plans") during the six months ended June 30, 2024:

**Table 14**

<b>Legacy Plans</b> (number of awards, thousands)	<b>RSUs</b>	<b>PSUs <sup>(1)</sup></b>	<b>Total RSUs and PSUs</b>
Balance, December 31, 2023	1,985	3,516	5,501
Granted	<b>366</b>	<b>871</b>	<b>1,237</b>
Distributed	<b>(506)</b>	<b>(1,100)</b>	<b>(1,606)</b>
Forfeited	<b>(38)</b>	<b>(37)</b>	<b>(75)</b>
<b>Balance, June 30, 2024</b>	<b>1,807</b>	<b>3,250</b>	<b>5,057</b>

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

At June 30, 2024, there are an additional 3,000 RSU awards outstanding related to plans acquired through a business combination (the "Acquired Plans").

Due to the variability in the expected future payments under the plans, ARC estimates that between \$44.1 million and \$202.8 million could be paid out in 2024 through 2027 based on possible future changes to ARC's period-end share price, accrued dividends, market performance relative to peers, and corporate scorecard results. Table 15 is a summary of the range of future expected payments under the RSU and PSU Plans based on variability of the performance multiplier and awards outstanding under the RSU and PSU Plans as at June 30, 2024:

**Table 15**

<b>Value of RSU and PSU Awards as at June 30, 2024</b> (awards thousands and \$ millions, except per share)	<b>Performance Multiplier</b>		
	<b>—</b>	<b>1.0</b>	<b>2.0</b>
Estimated awards to vest <sup>(1)</sup>			
RSUs	1,807	1,807	1,807
PSUs	—	3,250	6,500
<b>Total awards</b>	<b>1,807</b>	<b>5,057</b>	<b>8,307</b>
Share price <sup>(2)</sup>	24.41	24.41	24.41
Value of RSU and PSU awards upon vesting	<b>44.1</b>	<b>123.4</b>	<b>202.8</b>
2024	13.9	33.6	53.3
2025	18.4	42.5	66.6
2026	9.1	34.4	59.7
2027	2.7	12.9	23.2

(1) Includes additional estimated awards to be issued under the Legacy Plans for dividends accrued to-date.

(2) Per share outstanding. Values will fluctuate over the vesting period based on the volatility of the underlying share price. Assumes a future share price equal to the TSX closing price at June 30, 2024.

### Share Option Plans

At June 30, 2024, ARC had 0.4 million share options outstanding under the Legacy Plans, with a weighted average exercise price of \$10.35. At June 30, 2024, ARC had 0.8 million share options outstanding under the Acquired Plans, with a weighted average exercise price of \$21.14. All share options were exercisable at June 30, 2024.

### Long-term Restricted Share Award ("LTRSA") Plan

At June 30, 2024, ARC had 0.9 million restricted shares outstanding under the LTRSA Plan. ARC recognized G&A of \$0.2 million and \$0.5 million relating to the LTRSA Plan during the three and six months ended June 30, 2024 (\$0.3 million and \$0.6 million for the three and six months ended June 30, 2023), respectively.

### Deferred Share Unit ("DSU") Plans

At June 30, 2024, ARC had 0.8 million DSUs outstanding under the Legacy Plans and 0.3 million DSUs outstanding under the Acquired Plans. For the three and six months ended June 30, 2024, G&A expense of \$1.2 million and \$7.0 million was recognized in relation to the DSU Plans (\$3.4 million and \$0.6 million for the three and six months ended June 30, 2023), respectively.

## Interest and Financing

Interest and financing for the three and six months ended June 30, 2024 was \$32.6 million and \$63.8 million (\$1.09 per boe and \$1.03 per boe), respectively, compared to \$25.7 million and \$46.8 million (\$0.82 per boe and \$0.76 per boe) for the same periods of the prior year. The increase for the three and six months ended June 30, 2024, as compared to the same periods of the prior year, is primarily the result of an increase in the amount of lease obligations outstanding, an increase in the amount of long-term debt outstanding and an increase in short-term borrowing costs related to draws on ARC's credit facility. A breakdown of interest and financing expense is shown in Table 16:

**Table 16**

Interest and Financing (\$ millions, except per boe amounts)	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Bank debt and long-term notes	14.2	15.3	12.9	19	29.5	23.4	26
Lease obligations	13.6	13.7	9.7	41	27.3	17.1	60
Accretion on ARO	3.4	3.6	3.1	16	7.0	6.3	11
Interest and financing	31.2	32.6	25.7	27	63.8	46.8	36
Interest and financing per boe	0.97	1.09	0.82	33	1.03	0.76	36

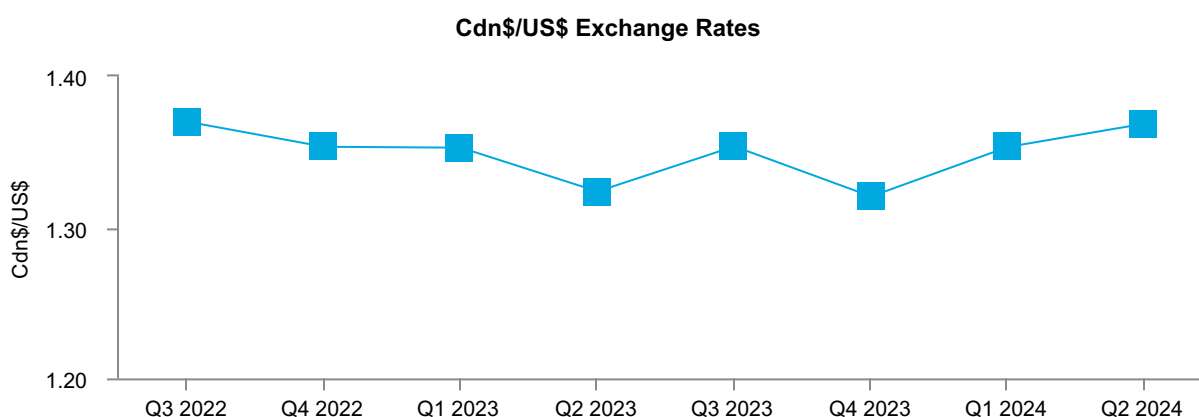
## Foreign Exchange Gain and Loss

Table 17 details the realized and unrealized components of ARC's foreign exchange gain and loss:

**Table 17**

Foreign Exchange Gain and Loss (\$ millions)	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Unrealized gain (loss) on US dollar-denominated accounts receivable	10.2	3.0	(2.1)	243	13.2	(2.0)	760
Realized gain (loss) on US dollar-denominated transactions	0.4	1.4	(4.9)	129	1.8	(5.4)	133
Foreign exchange gain (loss)	10.6	4.4	(7.0)	163	15.0	(7.4)	303

**Exhibit 17**



For the three and six months ended June 30, 2024, ARC recognized an unrealized loss on foreign currency translation adjustment in other comprehensive income of \$2.1 million and \$6.4 million (unrealized gain of \$3.5 million and \$4.8 million for the three and six months ended June 30, 2023), respectively.

## Taxes

ARC recognized current income tax of \$37.6 million and \$97.6 million for the three and six months ended June 30, 2024, respectively, compared to \$23.0 million and \$100.0 million for the same periods in 2023. The increase for the three months ended June 30, 2024, reflects the relative change in expected taxable income compared to the same period of 2023. The decrease for the six months ended June 30, 2024, reflects lower income tax pools available to be claimed compared to the same period of the prior year.

For the three months ended June 30, 2024, ARC recognized deferred income tax of \$29.2 million, compared to \$56.5 million for the same period in 2023. The decrease primarily relates to lower income tax pools claimed relative to DD&A expense and a lower unrealized gain on risk management contracts for the three months ended June 30, 2024, compared to the same period of 2023.

For the six months ended June 30, 2024, ARC recognized deferred income tax of \$24.5 million, compared to \$146.9 million for the same period in 2023. The decrease primarily relates to an unrealized loss on risk management contracts for the six months ended June 30, 2024, as compared to an unrealized gain on risk management contracts for the same period of 2023.

The income tax pools, which are detailed in Table 18, are deductible at various rates and annual deductions associated with the initial tax pools will decline over time.

**Table 18**

Income Tax Pool Type (\$ millions)	June 30, 2024	Annual Deductibility
Canadian oil and gas property expense	824.6	10% declining balance
Canadian development expense	2,094.1	30% declining balance
Undepreciated capital cost	1,744.0	Primarily 25% declining balance
Other	40.2	Various rates, 5% declining balance to 20%
<b>Total federal tax pools</b>	<b>4,702.9</b>	

## DD&A and Impairment of PP&E

For the three and six months ended June 30, 2024, ARC recognized DD&A of \$311.4 million and \$651.6 million, respectively, compared to \$348.3 million and \$685.2 million for the three and six months ended June 30, 2023. The decrease in DD&A for the three months ended June 30, 2024 compared to the same period in the prior year, is primarily due to a lower DD&A rate reflecting updated reserves and future development costs, and a decrease in production. The decrease for the six months ended June 30, 2024 compared to the same period in the prior year, is primarily due to a lower DD&A rate reflecting updated reserves and future development costs.

A breakdown of DD&A expense is summarized in Table 19:

**Table 19**

DD&A Expense (\$ millions, except per boe amounts)	Three Months Ended				Six Months Ended		
	March 31, 2024	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Depletion of crude oil and natural gas assets	313.1	<b>289.9</b>	325.9	(11)	<b>603.0</b>	639.4	(6)
Depreciation of corporate assets	5.9	<b>0.2</b>	5.6	(96)	<b>6.1</b>	10.6	(42)
Depreciation of right-of-use ("ROU") assets under lease	21.2	<b>21.3</b>	16.8	27	<b>42.5</b>	35.2	21
DD&A expense	340.2	<b>311.4</b>	348.3	(11)	<b>651.6</b>	685.2	(5)
DD&A expense per boe <sup>(1)</sup>	10.61	<b>10.37</b>	11.14	(7)	<b>10.49</b>	11.10	(5)

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

For both the three and six months ended June 30, 2024, ARC recognized impairment charges of \$3.2 million (\$nil and \$2.1 million for the three and six months ended June 30, 2023, respectively) related to certain non-core assets.

## Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions

ARC's cash flow used in investing activities was \$643.4 million and \$1.1 billion during the three and six months ended June 30, 2024, respectively, compared to \$464.4 million and \$861.8 million for the three and six months ended June 30, 2023. In addition to cash flow used in investing activities, Management uses the non-GAAP financial measure of capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC excludes acquisition and disposition activities from its annual capital expenditure budget, as well as the accounting impact of any accrual changes or payments under certain lease arrangements. Refer to Table 22 in the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for a reconciliation of ARC's capital expenditures to its most directly comparable GAAP measure, cash flow used in investing activities.

Capital expenditures were \$532.3 million and \$1.0 billion for the three and six months ended June 30, 2024, respectively, compared to \$416.5 million and \$903.9 million for the three and six months ended June 30, 2023. Capital expenditures for the three and six months ended June 30, 2024 included the drilling of 39 and 77 crude oil and natural gas wells and the completion of 41 and 65 crude oil and natural gas wells, respectively, across ARC's asset base. Additional investment during the three and six months ended June 30, 2024 has been focused on the Attachie Phase I development, with first commissioning volumes expected for late 2024 and full-productive capacity anticipated in the first quarter of 2025.

For information regarding ARC's planned capital expenditures for 2024, refer to the news releases dated February 8, 2024 and November 2, 2023 entitled "ARC Resources Ltd. Reports Record Production, Year-end Results and Reserves", and "ARC Resources Ltd. Reports Third Quarter 2023 Results and Announces 2024 Budget", available on ARC's website at [www.arcreources.com](http://www.arcreources.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

A breakdown of capital expenditures and acquisitions for the three months ended June 30, 2024 and June 30, 2023 is shown in Table 20:

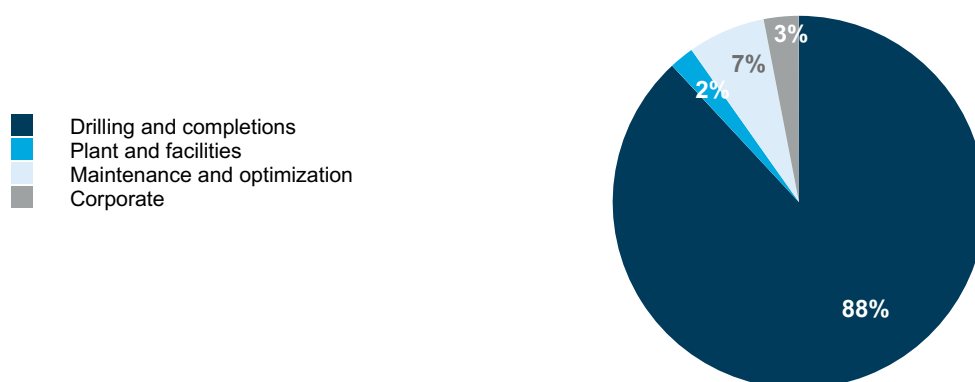
**Table 20**

Capital Expenditures (\$ millions)	Three Months Ended June 30						
	2024			2023			% Change
	E&E <sup>(1)</sup>	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	—	1.5	1.5	—	1.2	1.2	25
Drilling and completions	2.1	468.1	470.2	0.3	360.1	360.4	30
Plant and facilities	5.2	6.2	11.4	2.0	33.2	35.2	(68)
Maintenance and optimization	—	35.7	35.7	—	8.6	8.6	315
Corporate	—	13.5	13.5	—	11.1	11.1	22
Capital expenditures	7.3	525.0	532.3	2.3	414.2	416.5	28
Acquisitions	—	5.0	5.0	—	—	—	100
Capital expenditures and acquisitions	7.3	530.0	537.3	2.3	414.2	416.5	29

(1) Exploration and evaluation ("E&E").

Exhibit 18

**Capital Expenditures by Classification  
Three Months Ended June 30, 2024**



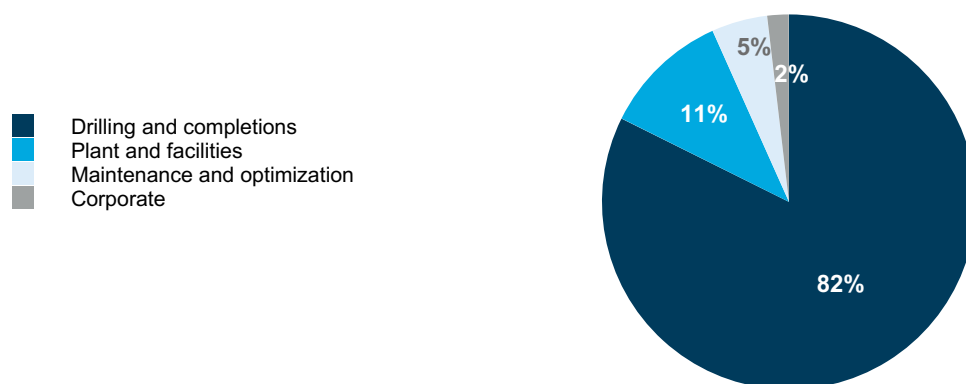
A breakdown of capital expenditures, acquisitions, and dispositions for the six months ended June 30, 2024 and June 30, 2023 is shown in Table 20a:

**Table 20a**

	Six Months Ended June 30						
	2024			2023			% Change
Capital Expenditures (\$ millions)	E&E	PP&E	Total	E&E	PP&E	Total	
Geological and geophysical	0.1	4.1	4.2	—	4.3	4.3	(2)
Drilling and completions	1.7	848.6	850.3	0.7	812.1	812.8	5
Plant and facilities	8.0	105.3	113.3	2.7	61.7	64.4	76
Maintenance and optimization	—	49.8	49.8	—	18.6	18.6	168
Corporate	—	19.3	19.3	—	3.8	3.8	408
Capital expenditures	9.8	1,027.1	1,036.9	3.4	900.5	903.9	15
Acquisitions	—	5.1	5.1	0.5	3.0	3.5	46
Dispositions	—	—	—	—	(76.5)	(76.5)	(100)
Capital expenditures and net acquisitions and dispositions	9.8	1,032.2	1,042.0	3.9	827.0	830.9	25

**Exhibit 18a**

**Capital Expenditures by Classification  
Six Months Ended June 30, 2024**



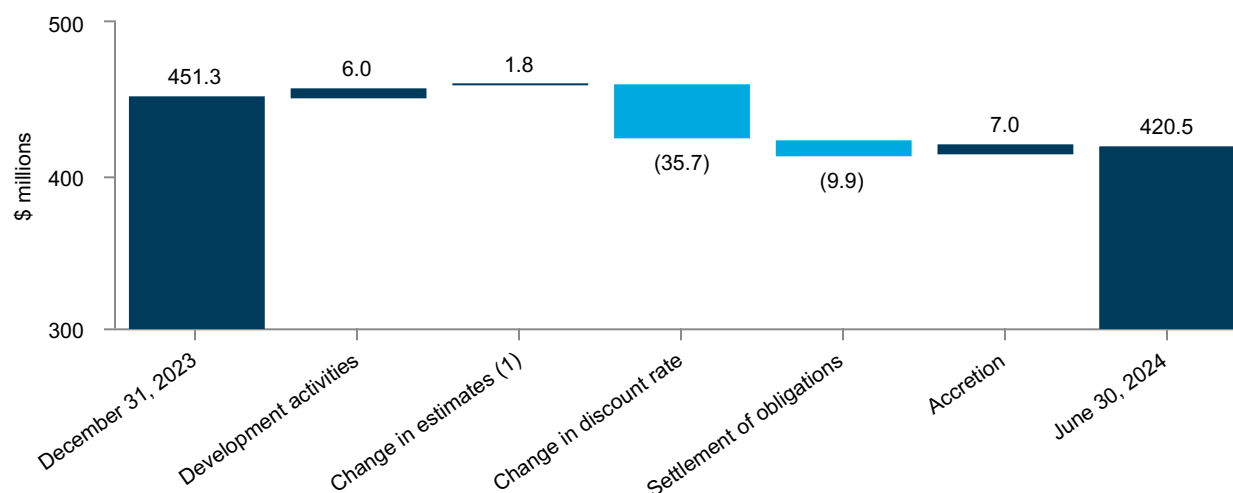
**Asset Retirement Obligation**

ARC maintains a planned and scheduled approach to its abandonment and reclamation activities. At June 30, 2024, ARC recognized ARO of \$420.5 million (\$451.3 million at December 31, 2023), for the future abandonment and reclamation of ARC’s crude oil and natural gas assets, of which \$17.0 million is classified as current and \$403.5 million is classified as long-term (\$17.0 million and \$434.3 million at December 31, 2023, respectively). The estimated ARO includes assumptions in respect of actual future costs to abandon wells and decommission and reclaim assets, the time frame in which such costs will be incurred, and annual inflation factors. The future liability has been discounted at a liability-specific risk-free rate of 3.4 per cent (3.0 per cent at December 31, 2023).

Accretion charges of \$3.6 million and \$7.0 million for the three and six months ended June 30, 2024 (\$3.1 million and \$6.3 million for the same periods in 2023), respectively, have been recognized in interest and financing in the unaudited condensed interim consolidated statements of income to reflect the increase in ARO associated with the passage of time. Actual spending under ARC’s program for the three and six months ended June 30, 2024 was \$3.4 million and \$9.9 million (\$2.9 million and \$9.4 million for the same periods in 2023).

**Exhibit 19**

**Change in ARO  
December 31, 2023 to June 30, 2024**



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



## Capitalization, Financial Resources and Liquidity

### Capital Management

ARC's capital management objective is to fund dividend payments, lease payments, current period abandonment and reclamation expenditures, and capital expenditures necessary for the replacement of production declines using only funds from operations. Profitable growth activities will be financed with a combination of funds from operations and other sources of capital. ARC believes that investing in development activities that prioritize profitability over production growth creates significant long-term shareholder value.

Maintaining targeted debt levels, paying a sustainable dividend, and exercising capital discipline to manage a moderate pace of development and control its corporate decline rate are the basis for ARC's current capital allocation framework. ARC takes a portfolio approach by periodically evaluating its capital allocation priorities, considering returns to shareholders through sustainable dividend increases and/or share repurchases, and long-term development investments.

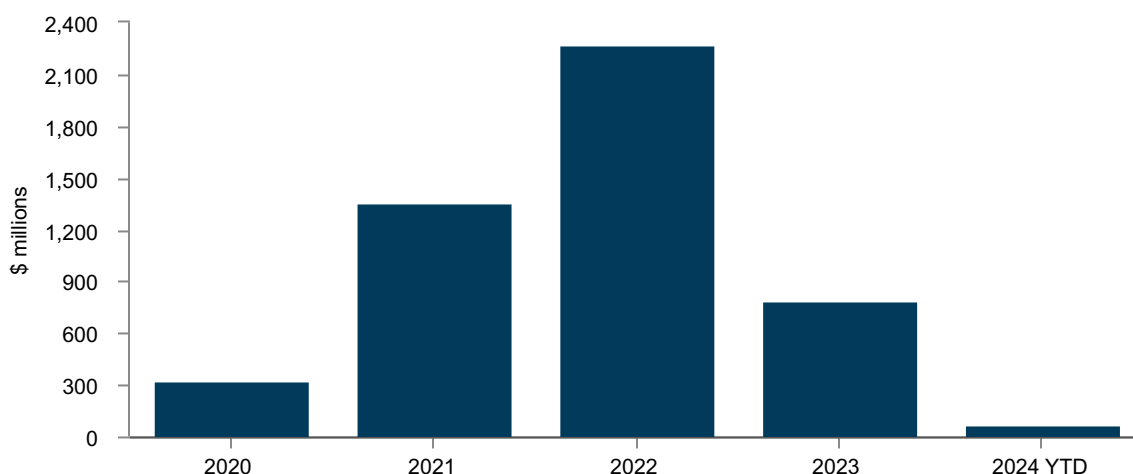
ARC uses free funds flow, defined as funds from operations less capital expenditures, as an indicator of the funds available for capital allocation. For the three months ended June 30, 2024, ARC did not generate any free funds flow, as capital expenditures exceeded funds from operations (\$144.3 million of free funds flow for the three months ended June 30, 2023), as ARC invests significant capital expenditures while it readies its Attachie Phase I development for commissioning. For the six months ended June 30, 2024, free funds flow was \$72.8 million (\$374.3 million for the six months ended June 30, 2023). For the calculation of free funds flow, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

ARC plans to distribute essentially all free funds flow in 2024 to shareholders through dividends and repurchase of shares. During the six months ended June 30, 2024, ARC distributed 322 per cent of free funds flow to shareholders, reflecting the difference in timing between dividend payments and share repurchases that have been made consistently throughout 2024 and free funds flow, of which a larger proportion is forecast to be generated in the last half of the year. Currently, ARC believes that the optimal mechanism to return shareholder capital is through a combination of a sustainable base dividend that grows over time, and continued share repurchases.

During the six months ended June 30, 2024, ARC's board of directors (the "Board") declared quarterly dividends of \$0.34 per share, and repurchased 1.3 million common shares under its normal course issuer bid ("NCIB").

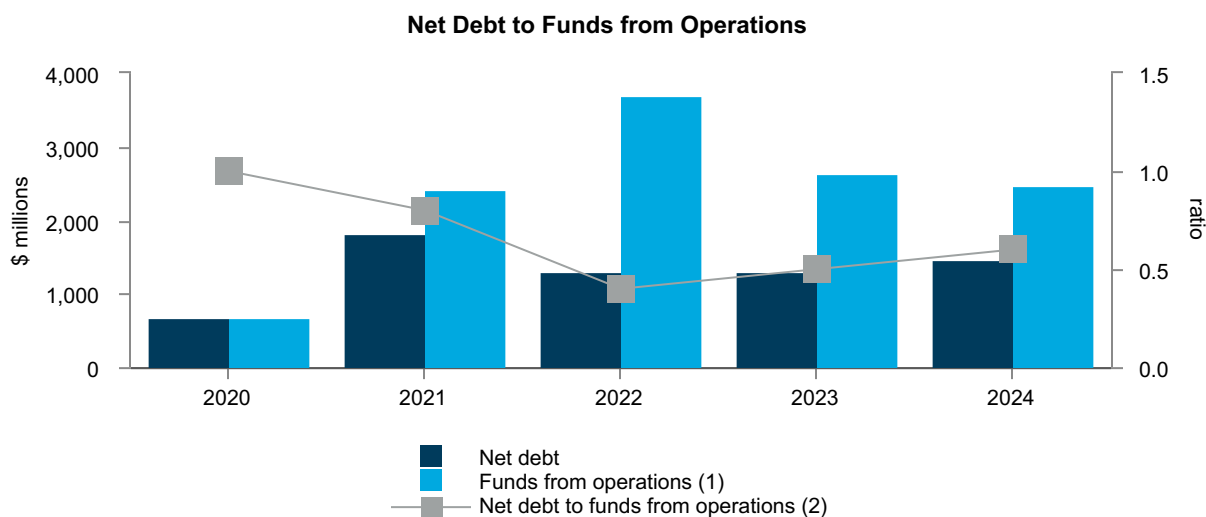
#### Exhibit 20

Free Funds Flow



ARC maintains financial flexibility through its strong balance sheet. ARC manages its capital structure for the long term, with the objective of having its net debt less than 1.5 times funds from operations. At June 30, 2024, ARC's net debt was 0.6 times its funds from operations.

## Exhibit 21



(1) 12-month trailing funds from operations.

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

### Long-term Debt

During the six months ended June 30, 2024, the maturity date of ARC's unsecured extendible revolving credit facility was extended to February 2028 and the borrowing capacity was reduced to \$1.7 billion from \$1.8 billion.

At June 30, 2024, ARC had total available credit capacity of \$2.7 billion, of which \$1.4 billion was drawn under its credit facility and senior notes. At June 30, 2024, ARC's long-term debt had a weighted average interest rate of 4.0 per cent. For more information, refer to Note 6 "Long-term Debt" in the financial statements.

At June 30, 2024, ARC was in compliance with the financial covenants related to its credit facility as follows:

**Table 21**

Covenant Description	Position at June 30, 2024
Consolidated Debt not to exceed 60 per cent of Total Capitalization	15 %
Consolidated Tangible Assets of the Restricted Group must exceed 80 per cent of Consolidated Tangible Assets	100 %

### Lease Obligations

At June 30, 2024, ARC had lease obligations of \$1.0 billion, of which \$88.2 million is due within one year. ARC's lease obligations primarily relate to office space, equipment used in ARC's operations, and processing facilities. For further information, refer to Note 5 "Lease Obligations" in the financial statements.

### Shareholders' Equity

During the six months ended June 30, 2024, ARC repurchased 1.3 million common shares under its NCIB at a weighted average price per share of \$24.13 for a total of \$30.4 million, inclusive of all costs. Shares were cancelled upon repurchase.

At June 30, 2024, ARC has recognized a liability of \$5.4 million (\$5.6 million at December 31, 2023) for share repurchases estimated to take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The transaction has been recognized as a reduction to share capital of \$2.3 million and a reduction to retained earnings of \$3.1 million.

At June 30, 2024, there were 596.7 million common shares outstanding and 1.2 million share options outstanding under ARC's share option plans. For more information, refer to the section entitled "Share Option Plans" contained within this MD&A.

At June 30, 2024, ARC had 0.9 million restricted shares outstanding under its LTRSA Plan. For more information on the restricted shares outstanding and held in trust under ARC's LTRSA Plan, refer to the section entitled "Long-term Restricted Share Award Plan" contained within this MD&A.

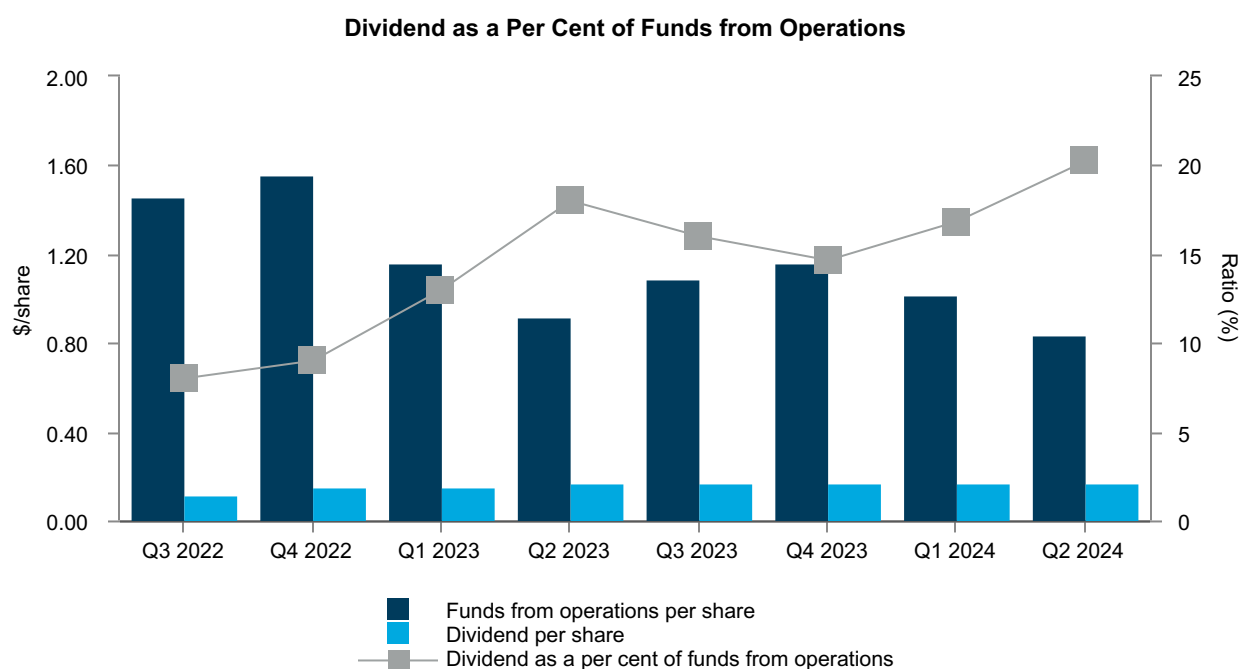
## Dividends

ARC's business strategy is focused on value creation and long-term returns to shareholders, with the dividend being an important component. In the second quarter of 2024, ARC declared dividends totaling \$101.6 million (\$0.17 per share) compared to \$103.7 million (\$0.17 per share) in the same period of 2023. ARC declared dividends of \$203.2 million (\$0.34 per share) for the six months ended June 30, 2024 and \$195.6 million (\$0.32 per share) for the same period in 2023.

ARC's dividend as a per cent of funds from operations<sup>(1)</sup> increased from an average of 18 per cent and 15 per cent for the three and six months ended June 30, 2023, respectively, to an average of 20 per cent and 18 per cent for the three and six months ended June 30, 2024, respectively. The increase in dividend as a per cent of funds from operations for the three months ended June 30, 2024, as compared to the same period of the prior year, reflects the decrease in funds from operations. The increase in dividend as a per cent of funds from operations for the six months ended June 30, 2024, as compared to the same period of the prior year, reflects the decrease in funds from operations and a higher dividend per share.

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

### Exhibit 22



The actual amount of future monthly dividends is proposed by Management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operational results.

Please refer to ARC's website at [www.arcresources.com](http://www.arcresources.com) for details of the estimated quarterly dividend amounts and dividend dates for 2024.

## Contractual Obligations and Commitments

The following table is a summary of ARC's contractual obligations and commitments as at June 30, 2024:

**Table 22**

	Payments Due by Period				Total
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	
Debt repayments	—	835.0	—	550.0	1,385.0
Interest payments <sup>(1)</sup>	29.7	48.7	38.1	38.1	154.6
Purchase and service commitments <sup>(2)</sup>	159.4	108.1	467.8	7,790.9	8,526.2
Transportation commitments	638.6	1,226.9	896.8	4,429.8	7,192.1
<b>Total contractual obligations and commitments</b>	<b>827.7</b>	<b>2,218.7</b>	<b>1,402.7</b>	<b>12,808.8</b>	<b>17,257.9</b>

(1) Fixed interest payments on senior notes.

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

The increase in contractual obligations and commitments during the six months ended June 30, 2024, primarily relates to liquefaction and transportation amounts committed under the terms of the Agreements entered into with Cedar LNG.

## Off-Balance Sheet Financing

ARC does not have any guarantees or off-balance sheet arrangements that have been excluded from the balance sheets other than commitments disclosed in Note 13 "Commitments & Contingencies" of the financial statements.

## Critical Accounting Estimates

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

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

- estimated commodity sales from production at a specific reporting date for which actual revenues have not yet been received, including associated estimated credit losses;
- estimated royalty obligations, transportation, and operating expenses at a specific reporting date for which costs have been incurred but have not yet been settled;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A charges that are based on estimates of reserves that ARC expects to recover in the future;
- estimated future recoverable value of PP&E, E&E, and goodwill and any associated impairment charges or reversals;
- estimated fair values of financial instruments, including embedded derivatives, that are subject to fluctuation depending upon the underlying forward curves for commodity prices, foreign exchange rates and interest rates, as well as volatility curves, and the risk of non-performance;
- estimated value of ARO that is dependent upon estimates of future costs and timing of expenditures;
- estimated value of ROU assets and lease obligations that are dependent upon estimates of discount rates and timing of lease payments;
- estimated compensation expense under ARC's share-based compensation plans including the PSUs awarded under the PSU Plans that are dependent on the final number of PSU awards that eventually vest based on a performance multiplier; and
- estimated fair values of assets acquired and liabilities assumed in a business combination.

ARC has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements, refer to Note 5 "Management Judgments and Estimation Uncertainty" in the audited consolidated financial statements for the year ended December 31, 2023.

## CONTROL ENVIRONMENT

### Internal Control over Financial Reporting ("ICFR")

ARC is required to comply with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). The certification of interim filings for the interim period ended June 30, 2024 requires that ARC disclose in the interim MD&A any changes in ARC's ICFR that occurred during the period that have materially affected, or are reasonably likely to materially affect, ARC's ICFR. ARC confirms that no such changes were made to its ICFR during the three and six months ended June 30, 2024.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, ARC employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS Accounting Standards, such as net income, cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

### Non-GAAP Financial Measures

#### Capital Expenditures

ARC uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes or payments under certain lease arrangements. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Table 23 details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

**Table 23**

Capital Expenditures (\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flow used in investing activities	499.8	<b>643.4</b>	464.4	<b>1,143.2</b>	861.8
Acquisition of crude oil and natural gas assets	(0.1)	<b>(5.0)</b>	—	<b>(5.1)</b>	(0.5)
Disposal of crude oil and natural gas assets	—	—	—	—	73.6
Long-term investments	(2.8)	<b>(1.3)</b>	(3.2)	<b>(4.1)</b>	(4.4)
Change in non-cash investing working capital	3.0	<b>(109.6)</b>	(44.8)	<b>(106.6)</b>	(28.8)
Other <sup>(1)</sup>	4.7	<b>4.8</b>	0.1	<b>9.5</b>	2.2
Capital expenditures	504.6	<b>532.3</b>	416.5	<b>1,036.9</b>	903.9

(1) Comprises non-cash capitalized costs related to the Company's ROU asset depreciation and share-based compensation.

## Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds available after capital expenditures to manage debt levels, pay dividends, and return capital to shareholders through share repurchases. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. Table 24 details the calculation of free funds flow and the reconciliation of cash flow from operating activities to free funds flow.

**Table 24**

Free Funds Flow (\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flow from operating activities	636.3	<b>543.0</b>	550.9	<b>1,179.3</b>	1,091.2
Net change in other liabilities	6.7	<b>(1.5)</b>	(13.9)	<b>5.2</b>	(0.2)
Change in non-cash operating working capital	(36.1)	<b>(38.7)</b>	23.8	<b>(74.8)</b>	187.2
Funds from operations	606.9	<b>502.8</b>	560.8	<b>1,109.7</b>	1,278.2
Capital expenditures	(504.6)	<b>(532.3)</b>	(416.5)	<b>(1,036.9)</b>	(903.9)
Free funds flow	102.3	<b>(29.5)</b>	144.3	<b>72.8</b>	374.3

## Netback

ARC computes netback as commodity sales from production less royalties, operating, and transportation expense. Management believes that netback is a key industry performance indicator and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. ARC's netback is disclosed in Table 12 within this MD&A which includes its most directly comparable GAAP measure, commodity sales from production.

## Adjusted EBIT

ARC calculates adjusted EBIT as net income (loss) plus interest and financing, less accretion of ARO, plus total income taxes (recovery). ARC uses adjusted EBIT as a measure of long-term operating performance and as a component in the calculation for ROACE, which is calculated by ARC for the 12 months preceding the period end, on an annual basis, and a four-year basis. Table 25 contains a reconciliation of adjusted EBIT to the most directly comparable GAAP measure, net income (loss).

**Table 25**

Adjusted EBIT (\$ millions)	Twelve Months Ended	Twelve Months Ended December 31				2020 - 2023 Average <sup>(1)</sup>
	June 30, 2024	2023	2022	2021	2020	
Net income (loss)	<b>1,167.6</b>	1,596.5	2,302.3	786.6	(547.2)	1,034.6
Add interest and financing	<b>122.5</b>	105.5	97.2	126.1	45.6	93.6
Less accretion of ARO	<b>(13.9)</b>	(13.2)	(11.0)	(9.5)	(6.3)	(10.0)
Add income taxes (recovery)	<b>336.0</b>	460.8	675.9	208.5	(207.7)	284.4
Adjusted EBIT	<b>1,612.2</b>	2,149.6	3,064.4	1,111.7	(715.6)	1,402.6

(1) Average for the years ended December 31, 2020, 2021, 2022 and 2023.

## Average Capital Employed

ARC calculates average capital employed as the total of net debt plus current and long-term portions of lease obligations and shareholders' equity. ARC uses average capital employed as a measure of long-term capital management and operating performance, and as a component in the calculation for ROACE. Table 26 contains a reconciliation of average capital employed to the most directly comparable GAAP measure, shareholders' equity.

**Table 26**

Average Capital Employed (\$ millions)	Twelve Months Ended	Twelve Months Ended December 31				2020 - 2023 Average <sup>(1)</sup>
	June 30, 2024	2023	2022	2021	2020	
Net debt - beginning of period	<b>1,281.1</b>	1,301.5	1,828.7	693.5	894.0	894.0
Current portion of lease obligations	<b>56.7</b>	92.4	109.3	15.3	16.3	16.3
Long-term portion of lease obligations	<b>803.2</b>	702.9	760.0	33.9	29.9	29.9
Shareholders' equity - beginning of period	<b>7,124.5</b>	6,653.5	5,927.5	2,790.6	3,439.9	3,439.9
Opening capital employed (A)	<b>9,265.5</b>	8,750.3	8,625.5	3,533.3	4,380.1	4,380.1
Net debt - end of period	<b>1,477.9</b>	1,317.1	1,301.5	1,828.7	693.5	1,317.1
Current portion of lease obligations	<b>88.2</b>	85.2	92.4	109.3	15.3	85.2
Long-term portion of lease obligations	<b>934.2</b>	974.6	702.9	760.0	33.9	974.6
Shareholders' equity - end of period	<b>7,628.0</b>	7,427.8	6,653.5	5,927.5	2,790.6	7,427.8
Closing capital employed (B)	<b>10,128.3</b>	9,804.7	8,750.3	8,625.5	3,533.3	9,804.7
Average capital employed (A+B)/2	<b>9,696.9</b>	9,277.5	8,687.9	6,079.4	3,956.7	7,092.4

(1) Average for the years ended December 31, 2020, 2021, 2022, and 2023.

## Non-GAAP Ratios

### Netback per boe

ARC calculates netback per boe as netback divided by weighted average daily production. Netback is a non-GAAP financial measure component of netback per boe. Management believes that netback per boe is a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. ARC's netback per boe is disclosed in Table 12a within this MD&A.

### Free Funds Flow per Share

ARC presents free funds flow per share by dividing free funds flow by the Company's diluted or basic weighted average common shares outstanding. Free funds flow is a non-GAAP financial measure. Management believes that free funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

## Return on Average Capital Employed

ARC calculates ROACE, expressed as a percentage, as adjusted EBIT divided by the average capital employed. The components adjusted EBIT and average capital employed are non-GAAP financial measures. ARC uses ROACE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital it has been provided and to demonstrate to shareholders the returns generated over the long term. ROACE is calculated by ARC for the 12 months preceding the period end, on an annual basis, and a four-year basis in Table 27:

**Table 27**

ROACE (\$ millions)	Twelve Months Ended	Twelve Months Ended December 31				2020 - 2023 Average <sup>(1)</sup>
	June 30, 2024	2023	2022	2021	2020	
Adjusted EBIT	<b>1,612.2</b>	2,149.6	3,064.4	1,111.7	(715.6)	1,402.6
Divided by average capital employed	<b>9,696.9</b>	9,277.5	8,687.9	6,079.4	3,956.7	7,092.4
ROACE (%)	<b>17</b>	23	35	18	(18)	20

(1) Average for the years ended December 31, 2020, 2021, 2022, and 2023.

## Capital Management Measures

### Funds from Operations

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

Funds from operations for the three and six months ended June 30, 2024 and 2023 is calculated as follows in Table 28:

**Table 28**

Funds from Operations (\$ millions)	Three Months Ended			Six Months Ended	
	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flow from operating activities	636.3	<b>543.0</b>	550.9	<b>1,179.3</b>	1,091.2
Net change in other liabilities	6.7	<b>(1.5)</b>	(13.9)	<b>5.2</b>	(0.2)
Change in non-cash operating working capital	(36.1)	<b>(38.7)</b>	23.8	<b>(74.8)</b>	187.2
Funds from operations	606.9	<b>502.8</b>	560.8	<b>1,109.7</b>	1,278.2



## Net Debt and Net Debt to Funds from Operations

Net debt and net debt to funds from operations are used by Management as key measures to assess the Company's liquidity position at a point in time. Net debt and net debt to funds from operations is reflective of the measures used by Management to monitor its liquidity in light of operating and capital budgeting decisions. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Table 29 details the composition of ARC's net debt and net debt to funds from operations as at June 30, 2024 and December 31, 2023:

**Table 29**

Net Debt (\$ millions, except ratio amounts)	June 30, 2024	December 31, 2023
Long-term debt	1,379.5	1,148.9
Accounts payable and accrued liabilities	585.1	753.3
Dividends payable	101.6	101.7
Cash and cash equivalents, accounts receivable, and prepaid expense	(588.3)	(686.8)
Net debt	1,477.9	1,317.1
Funds from operations <sup>(1)</sup>	2,471.1	2,639.6
Net debt to funds from operations (ratio) <sup>(2)</sup>	0.6	0.5

(1) 12-month trailing funds from operations.

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

## Supplementary Financial Measures

**"Average realized commodity price"** is comprised of total commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"Average realized condensate price"** is comprised of condensate commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's condensate production.

**"Average realized crude oil price"** is comprised of crude oil commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's crude oil production.

**"Average realized natural gas price"** is comprised of natural gas commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's natural gas production.

**"Average realized NGLs price"** is comprised of NGLs commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by the Company's NGLs production.

**"Cash flow from operating activities per basic share"** is comprised of cash flow from operating activities, as determined in accordance with IFRS Accounting Standards, divided by basic weighted average common shares outstanding.

**"Cash flow from operating activities per diluted share"** is comprised of cash flow from operating activities, as determined in accordance with IFRS Accounting Standards, divided by diluted weighted average common shares outstanding.

**"Commodity sales from production per basic share"** is comprised of commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by basic weighted average common shares.

**"Commodity sales from production per diluted share"** is comprised of commodity sales from production, as determined in accordance with IFRS Accounting Standards, divided by diluted weighted average common shares.

**"Current income tax expense, as a per cent of funds from operations"** is comprised of current income tax expense, as determined in accordance with IFRS Accounting Standards, divided by funds from operations.

**"Current income tax expense per share"** is comprised of current income tax expense, as determined in accordance with IFRS Accounting Standards, divided by diluted weighted average common shares.

**"DD&A expense per boe"** is comprised of DD&A expense, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"Dividend as a per cent of funds from operations"** is comprised of dividends declared, as determined in accordance with IFRS Accounting Standards, divided by funds from operations.

**"Dividends declared per share"** is comprised of dividends declared, as determined in accordance with IFRS Accounting Standards, divided by the number of shares outstanding at the dividend record date.

**"Funds from operations per basic share"** is comprised of funds from operations divided by basic weighted average common shares.

**"Funds from operations per diluted share"** is comprised of funds from operations divided by diluted weighted average common shares.

**"G&A expense per boe"** is comprised of G&A expense, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"G&A expense before share-based compensation expense per boe"** is comprised of G&A expense as determined in accordance with IFRS Accounting Standards, excluding share-based compensation expense, divided by the Company's total production.

**"G&A – share-based compensation expense per boe"** is comprised of G&A expense as determined in accordance with IFRS Accounting Standards, excluding G&A expense not attributable to share-based compensation plans, divided by the Company's total production.

**"Interest and financing expense per boe"** is comprised of interest and financing expense, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"Operating expense per boe"** is comprised of operating expense, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"Royalties as a percentage of commodity sales from production"** is comprised of royalties, as determined in accordance with IFRS Accounting Standards, divided by commodity sales from production, as determined in accordance with IFRS Accounting Standards.

**"Royalties per boe"** is comprised of royalties, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

**"Transportation expense per boe"** is comprised of transportation expense, as determined in accordance with IFRS Accounting Standards, divided by the Company's total production.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy," and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: ARC's 2024 annual and revised guidance, production guidance, expense guidance and guidance with respect to current income tax expense as a per cent of funds from operations and ARC's expectations related thereto and planned 2024 capital expenditures under the heading "Annual Guidance"; the Agreements with Cedar LNG and the anticipated volumes under the non-binding Heads of Agreement under the heading "Commodity Prices"; the terms, including the anticipated timing of commencement, volumes, delivery points and pricing formulas, under certain of ARC's long-term natural gas supply agreements and the expectation that the estimated fair value of such contracts may fluctuate over time under the heading "Risk Management Contracts"; the anticipated vesting of RSUs and PSUs, expected variability of future payments under the RSU and PSU Plans, the estimated range of future expected payments under such plans and expectations regarding the value of RSUs and PSUs upon vesting under the heading "Restricted Share Unit and Performance Share Unit Plans"; expectations regarding ARC's available tax pools under the heading "Taxes"; anticipated timing of commissioning volumes for and full productive capacity of the Attachie Phase I development under the heading "Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions"; ARC's estimated ARO under the heading "Asset Retirement Obligation"; ARC's capital management objectives, the anticipated sources of financing for profitable growth activities, ARC's belief that investing in development activities that prioritize profitability over production growth creates significant long-term shareholder value, ARC's plans to allocate free funds flow in 2024 to shareholders, through dividends and the repurchase of shares, and debt reduction and ARC's target net debt to funds from operations under the heading "Capitalization, Financial Resources and Liquidity"; ARC's intentions to continue paying dividends and the amounts thereof; and similar statements.

The forward-looking information and statements contained in this MD&A reflect material factors, expectations, and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; assumptions regarding ARC's share price; ARC's ability to issue securities and to repurchase its securities under its NCIB; that the terms and conditions of the sale and purchase agreement to be entered into pursuant to the non-binding Heads of Agreement will be substantially similar to those currently contemplated in the Heads of Agreement; that the Project will be completed on timelines anticipated; that counterparties to ARC's various agreements will comply with their contractual obligations; assumptions regarding the successful implementation of future agreements; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability and cost of labour and interest, exchange and effective tax rates; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2024 and in the future; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty, and regulatory regimes; the accuracy of the estimates of ARC's reserve volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. ARC believes the material factors, expectations, and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: the success of business integration; changes in commodity prices; inflation; changes in the demand for or supply of ARC's products; public health crises, and any related actions taken by governments and businesses; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to crude oil and natural gas interests and operations on Indigenous lands; suspension of or changes to guidance, and the associated impact to production; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; market access constraints or transportation interruptions, unanticipated operating results or production declines; risks and uncertainties related to political instability abroad (including the ongoing Israeli-Hamas and Russian-Ukrainian conflicts); changes in development plans of ARC or by third-party operators of ARC's properties; increased debt levels or debt service requirements; inaccurate estimation of ARC's reserve volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed in ARC's public disclosure documents. Readers should also

carefully consider the risks discussed in the section entitled "Risk Factors" contained within the MD&A for the year ended December 31, 2023.

Forward-looking information and statements in this MD&A pertaining to dividend increases and the repurchase of ARC's outstanding common shares, while based on ARC's current intentions and beliefs, are not guaranteed and should not be unduly relied upon. Any decisions with respect to dividends and/or share repurchases are subject to the approval of the Board.

The forward-looking information in this MD&A also includes financial outlooks and other related forward-looking information (including production and financial-related metrics) relating to ARC, including, but not limited to: the expectations of ARC regarding funds from operations, capital expenditures and production. The internal projections, expectations, or beliefs are based on the 2024 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions, commodity prices, and industry conditions and regulations. These financial outlook and other related forward-looking statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted, and as such, undue reliance should not be placed on financial outlook and/or forward-looking statements. The financial outlook and forward-looking information contained in this MD&A is as of the date of this MD&A, and ARC does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

## GLOSSARY

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

### Measurement

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

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

### Financial and Business Environment

AECO	Alberta Energy Company
AIF	annual information form
ARO	asset retirement obligation
DD&A	depletion, depreciation and amortization
DSU	Deferred Share Unit
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IFRS	International Financial Reporting Standards
JKM	Japan Korea Marker
LNG	liquefied natural gas
LTRSA	Long-term Restricted Share Award
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
PP&E	property, plant and equipment
PSU	Performance Share Unit
ROU	Right-of-use
RSU	Restricted Share Unit
TSX	Toronto Stock Exchange
TTF	Title Transfer Facility
WTI	West Texas Intermediate

## QUARTERLY HISTORICAL REVIEW

(\$ millions, except per share amounts)	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>FINANCIAL</b>								
Commodity sales from production	1,001.7	1,202.1	1,300.2	1,308.0	1,124.7	1,527.5	2,024.4	2,056.9
Per share, basic <sup>(1)</sup>	1.68	2.01	2.16	2.15	1.84	2.47	3.22	3.15
Per share, diluted <sup>(1)</sup>	1.67	2.01	2.16	2.15	1.84	2.47	3.21	3.14
Net income	239.5	185.4	506.3	236.4	278.9	574.9	741.0	867.8
Per share, basic	0.40	0.31	0.84	0.39	0.46	0.93	1.18	1.33
Per share, diluted	0.40	0.31	0.84	0.39	0.46	0.93	1.18	1.32
Cash flow from operating activities	543.0	636.3	698.9	604.2	550.9	540.3	878.3	1,103.6
Per share, basic <sup>(1)</sup>	0.91	1.07	1.16	1.00	0.90	0.87	1.40	1.69
Per share, diluted <sup>(1)</sup>	0.91	1.06	1.16	0.99	0.90	0.87	1.39	1.68
Funds from operations	502.8	606.9	699.2	662.2	560.8	717.4	986.2	953.0
Per share, basic <sup>(1)</sup>	0.84	1.02	1.16	1.09	0.92	1.16	1.57	1.46
Per share, diluted <sup>(1)</sup>	0.84	1.01	1.16	1.09	0.92	1.16	1.56	1.45
Free funds flow	(29.5)	102.3	154.7	260.8	144.3	230.0	602.9	580.1
Per share, basic <sup>(1)</sup>	(0.05)	0.17	0.26	0.43	0.24	0.37	0.96	0.89
Per share, diluted <sup>(1)</sup>	(0.05)	0.17	0.26	0.43	0.24	0.37	0.96	0.89
Cash flow used in investing activities	643.4	499.8	434.3	394.6	464.4	397.4	350.7	351.9
Dividends declared	101.6	101.6	101.7	103.0	103.7	91.9	93.4	76.7
Per share	0.17	0.17	0.17	0.17	0.17	0.15	0.15	0.12
Total assets	12,593.4	12,325.5	12,382.9	11,924.9	11,573.8	11,513.4	11,623.9	11,520.7
Total liabilities	4,965.4	4,827.1	4,955.1	4,775.4	4,449.3	4,518.4	4,970.4	5,300.0
Net debt	1,477.9	1,336.1	1,317.1	1,243.5	1,281.1	1,264.7	1,301.5	1,541.3
Weighted average shares, basic	596.6	596.7	601.0	607.2	609.7	617.6	628.3	653.7
Weighted average shares, diluted	598.2	598.4	602.8	609.0	611.5	619.2	630.3	655.4
Shares outstanding, end of period	596.7	596.7	596.9	605.0	608.4	611.2	620.9	637.6
<b>CAPITAL EXPENDITURES</b>								
Geological and geophysical	1.5	2.7	1.4	2.6	1.2	3.1	1.3	3.9
Drilling and completions	470.2	380.1	387.5	352.3	360.4	452.4	338.6	304.9
Plant and facilities	11.4	101.9	132.9	30.5	35.2	29.2	27.0	55.9
Maintenance and optimization	35.7	14.1	14.6	9.4	8.6	10.0	10.7	11.5
Corporate	13.5	5.8	8.1	6.6	11.1	(7.3)	5.7	(3.3)
Capital expenditures	532.3	504.6	544.5	401.4	416.5	487.4	383.3	372.9
Acquisitions	5.0	0.1	22.0	—	—	3.5	0.3	1.1
Dispositions	—	—	(66.3)	(0.1)	—	(76.5)	(0.1)	(4.6)
Capital expenditures and net acquisitions and dispositions	537.3	504.7	500.2	401.3	416.5	414.4	383.5	369.4
<b>OPERATING</b>								
Production								
Crude oil and condensate (bbl/d)	74,713	82,672	85,805	87,098	83,540	78,969	90,135	90,352
Natural gas (MMcf/d)	1,286	1,322	1,380	1,353	1,289	1,264	1,310	1,227
NGLs (bbl/d)	40,994	49,411	49,474	47,557	45,202	48,800	51,311	47,108
Total (boe/d)	330,046	352,328	365,248	360,177	343,630	338,377	359,730	342,034
Average realized commodity prices								
Crude oil (\$/bbl)	100.28	83.83	93.34	104.91	88.13	92.78	103.58	111.41
Condensate (\$/bbl)	103.73	94.58	99.09	103.21	93.43	104.10	107.24	110.35
Natural gas (\$/Mcf)	1.86	3.19	3.33	3.16	2.83	5.89	8.31	9.29
NGLs (\$/bbl)	21.69	25.65	21.97	19.63	20.89	28.59	28.86	20.72
Oil equivalent (\$/boe)	33.35	37.49	38.69	39.47	35.97	50.16	61.17	65.37
<b>TRADING STATISTICS <sup>(2)</sup></b>								
(\$, based on intra-day trading)								
High	26.18	24.32	23.77	22.05	18.44	18.07	20.49	19.51
Low	23.45	19.44	19.02	17.63	15.38	14.33	17.05	13.12
Close	24.41	24.15	19.67	21.68	17.67	15.33	18.25	16.59
Average daily volume (thousands)	3,648	3,343	4,271	3,705	4,009	5,949	4,259	5,315

(1) Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

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

**Q2** 2024



Financial  
**Statements**



# ARC RESOURCES LTD.

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

As at

(Cdn\$ millions)	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	3.2	1.1
Inventory	1.2	29.1
Accounts receivable	468.1	583.0
Prepaid expense	117.0	102.7
Risk management contracts (Note 9)	131.5	177.5
	<b>721.0</b>	893.4
Risk management contracts (Note 9)	84.7	61.5
Long-term investments	24.1	19.7
Exploration and evaluation assets	317.4	307.6
Property, plant and equipment (Note 3)	10,229.6	9,836.5
Right-of-use assets (Note 4)	968.4	1,016.0
Goodwill	248.2	248.2
<b>Total assets</b>	<b>12,593.4</b>	<b>12,382.9</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	585.1	753.3
Current portion of lease obligations (Note 5)	88.2	85.2
Current portion of other deferred liabilities	21.5	20.8
Current portion of asset retirement obligation (Note 7)	17.0	17.0
Dividends payable (Note 10)	101.6	101.7
Risk management contracts (Note 9)	3.6	3.6
	<b>817.0</b>	981.6
Risk management contracts (Note 9)	0.5	10.5
Long-term portion of lease obligations (Note 5)	934.2	974.6
Long-term debt (Note 6)	1,379.5	1,148.9
Long-term incentive compensation liability (Note 12)	70.0	58.4
Other deferred liabilities	115.3	125.9
Asset retirement obligation (Note 7)	403.5	434.3
Deferred taxes	1,245.4	1,220.9
<b>Total liabilities</b>	<b>4,965.4</b>	<b>4,955.1</b>
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital (Note 10)	6,274.7	6,268.2
Contributed surplus	31.5	36.1
Retained earnings	1,346.1	1,141.4
Accumulated other comprehensive loss	(24.3)	(17.9)
<b>Total shareholders' equity</b>	<b>7,628.0</b>	<b>7,427.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,593.4</b>	<b>12,382.9</b>
Commitments and contingencies (Note 13)		

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



# ARC RESOURCES LTD.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

For the three and six months ended June 30

(Cdn\$ millions, except per share amounts)	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Commodity sales from production (Note 11)	1,001.7	1,124.7	2,203.8	2,652.2
Royalties	(125.8)	(136.7)	(258.8)	(378.8)
Sales of commodities purchased from third parties	277.3	220.6	515.0	589.2
Revenue from commodity sales	1,153.2	1,208.6	2,460.0	2,862.6
Interest and other income	3.2	1.3	5.1	4.8
Gain on risk management contracts (Note 9)	145.7	119.2	69.1	228.3
Total revenue, interest and other income, and gain on risk management contracts	1,302.1	1,329.1	2,534.2	3,095.7
Commodities purchased from third parties	274.0	216.1	515.5	570.7
Operating	165.6	150.5	302.2	287.6
Transportation	156.7	166.9	328.2	337.8
General and administrative	55.7	57.0	137.1	92.0
Interest and financing	32.6	25.7	63.8	46.8
Impairment (reversal of impairment) of financial assets	1.0	(0.8)	0.6	(8.7)
Depletion, depreciation and amortization and impairment of property, plant and equipment (Note 3)	314.6	348.3	654.8	687.3
Loss (gain) on foreign exchange	(4.4)	7.0	(15.0)	7.4
Gain on disposal of crude oil and natural gas assets	—	—	—	(25.9)
Total expenses	995.8	970.7	1,987.2	1,995.0
Net income before income taxes	306.3	358.4	547.0	1,100.7
Provision for income taxes				
Current	37.6	23.0	97.6	100.0
Deferred	29.2	56.5	24.5	146.9
Total income taxes	66.8	79.5	122.1	246.9
Net income	239.5	278.9	424.9	853.8
Net income per basic and diluted share (Note 10)	0.40	0.46	0.71	1.39

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

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

For the three and six months ended June 30

(Cdn\$ millions)	Three Months Ended		Six Months Ended	
	<b>2024</b>	2023	<b>2024</b>	2023
Net income	<b>239.5</b>	278.9	<b>424.9</b>	853.8
Items that may be reclassified to the consolidated statements of income in subsequent periods:				
Net unrealized gain (loss) on foreign currency translation adjustment	<b>(2.1)</b>	3.5	<b>(6.4)</b>	4.8
Comprehensive income	<b>237.4</b>	282.4	<b>418.5</b>	858.6

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

# ARC RESOURCES LTD.

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

For the six months ended June 30

(Cdn\$ millions)	Shareholders' Capital (Note 10)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
December 31, 2022	6,497.6	39.9	139.1	(23.1)	6,653.5
Comprehensive income	—	—	853.8	4.8	858.6
Recognized under share-based compensation plans (Note 12)	0.3	0.3	—	—	0.6
Recognized on exercise of share options (Note 12)	7.2	(1.7)	—	—	5.5
Repurchase of shares for cancellation (Note 10)	(134.1)	—	(68.8)	—	(202.9)
Change in liability for share purchase commitment (Note 10)	4.7	—	0.1	—	4.8
Dividends declared (Note 10)	—	—	(195.6)	—	(195.6)
<b>June 30, 2023</b>	<b>6,375.7</b>	<b>38.5</b>	<b>728.6</b>	<b>(18.3)</b>	<b>7,124.5</b>
December 31, 2023	6,268.2	36.1	1,141.4	(17.9)	7,427.8
Comprehensive income	—	—	<b>424.9</b>	<b>(6.4)</b>	<b>418.5</b>
Recognized under share-based compensation plans (Note 12)	<b>1.2</b>	<b>(0.7)</b>	—	—	<b>0.5</b>
Recognized on exercise of share options (Note 12)	<b>18.5</b>	<b>(3.9)</b>	—	—	<b>14.6</b>
Repurchase of shares for cancellation (Note 10)	<b>(13.9)</b>	—	<b>(16.5)</b>	—	<b>(30.4)</b>
Change in liability for share purchase commitment (Note 10)	<b>0.7</b>	—	<b>(0.5)</b>	—	<b>0.2</b>
Dividends declared (Note 10)	—	—	<b>(203.2)</b>	—	<b>(203.2)</b>
<b>June 30, 2024</b>	<b>6,274.7</b>	<b>31.5</b>	<b>1,346.1</b>	<b>(24.3)</b>	<b>7,628.0</b>

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

# ARC RESOURCES LTD.

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

For the three and six months ended June 30

	Three Months Ended		Six Months Ended	
(Cdn\$ millions)	2024	2023	2024	2023
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income	239.5	278.9	424.9	853.8
Add items not involving cash:				
Unrealized loss (gain) on risk management contracts	(81.9)	(128.3)	11.6	(387.9)
Depletion, depreciation and amortization and impairment of property, plant and equipment (Note 3)	314.6	348.3	654.8	687.3
Unrealized loss (gain) on foreign exchange	(3.0)	2.1	(13.2)	2.0
Gain on disposal of crude oil and natural gas assets	—	—	—	(25.9)
Deferred taxes	29.2	56.5	24.5	146.9
Other (Note 14)	4.4	3.3	7.1	2.0
Net change in other liabilities (Note 14)	1.5	13.9	(5.2)	0.2
Change in non-cash working capital (Note 14)	38.7	(23.8)	74.8	(187.2)
Cash flow from operating activities	543.0	550.9	1,179.3	1,091.2
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>				
Draw of long-term debt under revolving credit facilities	1,596.8	1,049.4	3,296.3	1,786.5
Repayment of long-term debt	(1,361.8)	(984.4)	(3,066.3)	(1,656.5)
Proceeds from exercise of share options	8.4	5.4	14.6	5.5
Repurchase of shares	(16.3)	(54.8)	(31.4)	(205.6)
Repayment of lease obligations	(21.5)	(14.0)	(42.6)	(30.5)
Cash dividends paid	(101.6)	(91.9)	(203.3)	(185.3)
Change in non-cash working capital (Note 14)	(1.5)	—	(1.3)	—
Cash flow from (used in) financing activities	102.5	(90.3)	(34.0)	(285.9)
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>				
Acquisition of crude oil and natural gas assets	(5.0)	—	(5.1)	(0.5)
Disposal of crude oil and natural gas assets	—	—	—	73.6
Property, plant and equipment development expenditures (Note 3)	(520.2)	(414.1)	(1,017.6)	(898.3)
Exploration and evaluation asset expenditures	(7.3)	(2.3)	(9.8)	(3.4)
Long-term investments	(1.3)	(3.2)	(4.1)	(4.4)
Change in non-cash working capital (Note 14)	(109.6)	(44.8)	(106.6)	(28.8)
Cash flow used in investing activities	(643.4)	(464.4)	(1,143.2)	(861.8)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2.1	(3.8)	2.1	(56.5)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1.1	4.4	1.1	57.1
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	3.2	0.6	3.2	0.6
The following are included in cash flow from operating activities:				
Income taxes paid in cash	58.7	83.6	101.5	389.4
Interest paid in cash	21.0	14.0	55.2	38.1

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

## 1. Structure of the Business

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

ARC was incorporated in Alberta, Canada and the Company's registered office and principal place of business is located at 1200, 308 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 0H7. ARC's common shares are traded on the Toronto Stock Exchange under the symbol ARX.

## 2. Basis of Preparation

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These financial statements are condensed as they do not include all of the information required by IFRS Accounting Standards for annual financial statements and therefore should be read in conjunction with ARC's audited consolidated financial statements for the year ended December 31, 2023. All financial information is reported in millions of Canadian dollars ("Cdn\$"), unless otherwise noted as United States dollars ("US\$").

The financial statements have been prepared on a historical cost basis, except those items that are presented at fair value as detailed in the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies" of ARC's audited consolidated financial statements for the year ended December 31, 2023. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except for income taxes. Income taxes on net income in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual net income.

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

These financial statements were authorized for issue by ARC's board of directors (the "Board") on August 1, 2024.

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

<b>Cost</b>	<b>Development and Production Assets</b>	<b>Corporate Assets</b>	<b>Total</b>
Balance, December 31, 2023	17,167.7	131.3	17,299.0
Additions	<b>1,015.3</b>	<b>11.8</b>	<b>1,027.1</b>
Acquisitions	<b>5.1</b>	—	<b>5.1</b>
Change in asset retirement cost	<b>(27.9)</b>	—	<b>(27.9)</b>
<b>Balance, June 30, 2024</b>	<b>18,160.2</b>	<b>143.1</b>	<b>18,303.3</b>
<b>Accumulated Depletion, Depreciation and Amortization ("DD&amp;A")</b>			
Balance, December 31, 2023	(7,351.0)	(111.5)	(7,462.5)
DD&A	<b>(601.9)</b>	<b>(6.1)</b>	<b>(608.0)</b>
Impairment	<b>(3.2)</b>	—	<b>(3.2)</b>
<b>Balance, June 30, 2024</b>	<b>(7,956.1)</b>	<b>(117.6)</b>	<b>(8,073.7)</b>
<b>Carrying Amounts</b>			
Balance, December 31, 2023	9,816.7	19.8	9,836.5
<b>Balance, June 30, 2024</b>	<b>10,204.1</b>	<b>25.5</b>	<b>10,229.6</b>

For the three and six months ended June 30, 2024, \$13.1 million and \$30.1 million of direct and incremental overhead charges were capitalized to PP&E (\$13.8 million and \$20.1 million for the three and six months ended June 30, 2023), respectively. Future development costs of \$10.0 billion were included in the determination of DD&A for the six months ended June 30, 2024 (\$9.1 billion for the six months ended June 30, 2023).

#### 4. Right-of-Use ("ROU") Assets

Cost	Leases			Other	Total
	Buildings	Equipment and Vehicles	Facilities	Service Contracts	
Balance, December 31, 2023	40.2	88.9	1,157.9	8.2	1,295.2
Modifications	—	4.9	—	—	4.9
<b>Balance, June 30, 2024</b>	<b>40.2</b>	<b>93.8</b>	<b>1,157.9</b>	<b>8.2</b>	<b>1,300.1</b>
<b>Accumulated Depreciation</b>					
Balance, December 31, 2023	(23.9)	(54.7)	(195.0)	(5.6)	(279.2)
Depreciation	(0.9)	(11.0)	(40.2)	(0.4)	(52.5)
<b>Balance, June 30, 2024</b>	<b>(24.8)</b>	<b>(65.7)</b>	<b>(235.2)</b>	<b>(6.0)</b>	<b>(331.7)</b>
<b>Carrying Amounts</b>					
Balance, December 31, 2023	16.3	34.2	962.9	2.6	1,016.0
<b>Balance, June 30, 2024</b>	<b>15.4</b>	<b>28.1</b>	<b>922.7</b>	<b>2.2</b>	<b>968.4</b>

#### 5. Lease Obligations

Carrying Amount	
Balance, December 31, 2023	1,059.8
Modifications	5.2
Repayments	(42.6)
<b>Balance, June 30, 2024</b>	<b>1,022.4</b>
Lease obligations due within one year	88.2
Lease obligations due beyond one year	934.2

#### 6. Long-term Debt

	June 30, 2024	December 31, 2023
Syndicated credit facilities	385.0	155.0
Senior notes		
2.354% note	450.0	450.0
3.465% note	550.0	550.0
Total senior notes	1,000.0	1,000.0
Unamortized debt issuance costs	(5.5)	(6.1)
<b>Total long-term debt outstanding</b>	<b>1,379.5</b>	<b>1,148.9</b>

During the six months ended June 30, 2024, the maturity date of ARC's unsecured extendible revolving credit facility was extended to February 2028 and the borrowing capacity was reduced to \$1.7 billion from \$1.8 billion.

ARC's total available credit capacity is \$2.7 billion (\$2.8 billion at December 31, 2023), of which \$1.4 billion was drawn at June 30, 2024 (\$1.2 billion at December 31, 2023). At June 30, 2024, ARC was in compliance with all of its debt covenants.

At June 30, 2024, the fair value of all long-term debt outstanding was \$1.3 billion (\$1.1 billion at December 31, 2023).

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

ARC has estimated the net present value of its total ARO to be \$420.5 million at June 30, 2024 (\$451.3 million at December 31, 2023) based on a total future undiscounted liability of \$577.9 million (\$576.8 million at December 31, 2023). Management estimates that these payments are expected to be made over the next 58 years with costs being incurred evenly over those years. The Bank of Canada's long-term risk-free bond rate of 3.4 per cent (3.0 per cent at December 31, 2023) and an average inflation rate of 2.0 per cent (2.0 per cent at December 31, 2023) were used to calculate the present value of ARO at June 30, 2024.

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

	Six Months Ended June 30, 2024	Year Ended December 31, 2023
Balance, beginning of period	451.3	394.3
Development activities	6.0	6.4
Change in estimates <sup>(1)</sup>	1.8	38.1
Change in discount rate	(35.7)	31.4
Settlement of obligations	(9.9)	(17.9)
Accretion	7.0	13.2
Assets disposed in period	—	(14.2)
Balance, end of period	<b>420.5</b>	451.3
Expected to be incurred within one year	<b>17.0</b>	17.0
Expected to be incurred beyond one year	<b>403.5</b>	434.3

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

## 8. Capital Management

ARC actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. ARC has the ability to manage its capital structure by issuing or repurchasing shares, or issuing or repaying debt. During the six months ended June 30, 2024, ARC repurchased 1.3 million common shares under its normal course issuer bid ("NCIB").

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

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

### Funds from Operations

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

Funds from operations for the three and six months ended June 30, 2024 and 2023 is calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Cash flow from operating activities	543.0	550.9	1,179.3	1,091.2
Net change in other liabilities (Note 14)	(1.5)	(13.9)	5.2	(0.2)
Change in non-cash operating working capital (Note 14)	(38.7)	23.8	(74.8)	187.2
Funds from operations	<b>502.8</b>	560.8	<b>1,109.7</b>	1,278.2

## Net Debt and Net Debt to Funds from Operations

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

ARC manages its capital structure for the long term, with the objective of having its net debt less than 1.5 times funds from operations. At June 30, 2024, ARC's net debt was 0.6 times its funds from operations.

The following table details the composition of ARC's net debt and net debt to funds from operations as at June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Long-term debt	1,379.5	1,122.0
Accounts payable and accrued liabilities	585.1	595.5
Dividends payable	101.6	103.7
Cash and cash equivalents, accounts receivable, and prepaid expense	(588.3)	(540.1)
Net debt	1,477.9	1,281.1
Funds from operations <sup>(1)</sup>	2,471.1	3,217.4
Net debt to funds from operations (ratio) <sup>(2)</sup>	0.6	0.4

(1) 12-month trailing funds from operations.

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

## 9. Financial Instruments and Market Risk Management

### Financial Instruments

At June 30, 2024, ARC's financial instruments include cash and cash equivalents, accounts receivable, long-term investments, risk management contracts, accounts payable and accrued liabilities, dividends payable, lease obligations, and long-term debt.

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

Risk management contracts and fair value disclosure for ARC's long-term debt are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The fair value of ARC's long-term debt is disclosed in Note 6 "Long-term Debt". There were no transfers between levels in the fair value hierarchy for the six months ended June 30, 2024.

The carrying values of ARC's accounts receivable, accounts payable and accrued liabilities, and dividends payable as at June 30, 2024 approximate their fair values due to the short-term nature of these instruments.

### Embedded Derivatives

ARC's natural gas embedded derivative contracts are classified as Level 3 within the fair value hierarchy, as the fair values have been determined using a discounted cash flow valuation technique, which models incorporate significant unobservable inputs. For additional information regarding the significant unobservable inputs and sensitivity of the fair value of ARC's embedded derivatives, refer to Note 16 "Financial Instruments and Market Risk Management" of ARC's audited consolidated financial statements for the year ended December 31, 2023.

ARC recognizes a gain (loss) on risk management contracts in the unaudited condensed interim consolidated statements of income ("statements of income") related to its natural gas embedded derivatives. The gain (loss) is determined by the relative movements in fair value compared to the prior period balance sheet date. For the three and six months ended June 30, 2024, ARC recognized a gain of \$13.4 million and \$17.4 million (loss of \$18.7 million and \$7.7 million for the three and six months ended June 30, 2023), respectively. At June 30, 2024, the combined fair value of the natural gas embedded derivatives was \$11.4 million (liability of \$6.0 million at December 31, 2023).



## Financial Assets and Financial Liabilities Subject to Offsetting

The following is a summary of ARC's financial assets and financial liabilities that are subject to offsetting as at June 30, 2024 and December 31, 2023:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset on Balance Sheets	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets Prior to Credit Risk Adjustment	Credit Risk Adjustment	Net Amounts of Financial Assets (Liabilities) Recognized on Balance Sheets
<b>As at June 30, 2024</b>					
Risk management contracts					
Current asset	176.7	(44.6)	132.1	(0.6)	131.5
Long-term asset	151.3	(66.3)	85.0	(0.3)	84.7
Current liability	(48.4)	44.6	(3.8)	0.2	(3.6)
Long-term liability	(66.8)	66.3	(0.5)	—	(0.5)
Net position	212.8	—	212.8	(0.7)	212.1
<b>As at December 31, 2023</b>					
Risk management contracts					
Current asset	218.5	(39.9)	178.6	(1.1)	177.5
Long-term asset	121.6	(59.7)	61.9	(0.4)	61.5
Current liability	(43.7)	39.9	(3.8)	0.2	(3.6)
Long-term liability	(70.3)	59.7	(10.6)	0.1	(10.5)
Net position	226.1	—	226.1	(1.2)	224.9

## Risk Management Contracts

The following table summarizes ARC's risk management contracts as at June 30, 2024:

<b>Risk Management Contracts Positions Summary <sup>(1)</sup></b>												
As at June 30, 2024	2024 (remainder)		2025		2026		2027		2028		2029	
<b>Crude Oil – WTI</b>	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day	US\$/bbl	bbl/day
Ceiling	102.73	19,000	84.93	20,000	87.50	3,000	—	—	—	—	—	—
<b>Floor</b>	71.05	19,000	70.63	20,000	70.00	3,000	—	—	—	—	—	—
Sold Floor	55.00	19,000	56.25	20,000	55.00	3,000	—	—	—	—	—	—
Sold Swaption <sup>(2)</sup>	—	—	90.50	5,000	90.00	3,600	—	—	—	—	—	—
<b>Total Crude Oil Volumes (bbl/day)</b>		<b>19,000</b>		<b>20,000</b>		<b>3,000</b>		<b>—</b>		<b>—</b>		<b>—</b>
<b>Natural Gas – NYMEX Henry Hub <sup>(3)</sup></b>	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Ceiling	—	—	4.62	90,000	—	—	—	—	—	—	—	—
<b>Floor</b>	—	—	3.00	90,000	—	—	—	—	—	—	—	—
Sold Ceiling	—	—	7.60	50,000	—	—	—	—	—	—	—	—
<b>Natural Gas – AECO 7A</b>	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day	Cdn\$/GJ	GJ/day
Ceiling	4.13	250,000	4.93	170,000	4.91	100,000	—	—	—	—	—	—
<b>Floor</b>	3.12	250,000	2.90	170,000	3.00	100,000	—	—	—	—	—	—
Swap	3.25	26,522	—	—	—	—	—	—	—	—	—	—
<b>Total Natural Gas Volumes (MMBtu/day)</b>		<b>262,092</b>		<b>251,129</b>		<b>94,782</b>		<b>—</b>		<b>—</b>		<b>—</b>
<b>Natural Gas – AECO Basis (Differential to NYMEX Henry Hub)</b>	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day	US\$/MMBtu	MMBtu/day
Sold Swap	(0.91)	58,207	(0.89)	200,000	(1.05)	92,500	(1.05)	92,500	(1.05)	92,500	(1.05)	21,075
<b>Total AECO Basis Volumes (MMBtu/day)</b>		<b>58,207</b>		<b>200,000</b>		<b>92,500</b>		<b>92,500</b>		<b>92,500</b>		<b>21,075</b>
<b>Foreign Exchange</b>	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)	Notional (US\$ Millions)	Rate (Cdn\$/US\$)
Ceiling	420.0	1.3839	300.0	1.3992	—	—	—	—	—	—	—	—
<b>Floor</b>	420.0	1.3157	300.0	1.3350	—	—	—	—	—	—	—	—

- (1) The prices and volumes in this table represent averages for several contracts representing different periods. The average price for the portfolio of options listed above does not have the same payoff profile as the individual option contracts. Viewing the average price of a group of options is purely for indicative purposes. All positions are financially settled against the benchmark prices.
- (2) The sold swaption allows the counterparty, at a specific future date, to enter into a swap with ARC at the above-detailed terms. These volumes are not included in the total commodity volumes until such time that the option is exercised.
- (3) Natural gas prices referenced to NYMEX Henry Hub Last Day Settlement.

## 10. Shareholders' Capital

(thousands of shares)	Six Months Ended June 30, 2024	Year Ended December 31, 2023
Common shares, beginning of period	596,853	620,888
Repurchase of shares for cancellation	(1,260)	(25,252)
Issued on exercise of share options and long-term incentive awards	1,075	1,206
Unvested restricted shares held in trust pursuant to the LTRSA Plan <sup>(1)</sup>	(9)	(22)
Restricted shares vested pursuant to the LTRSA Plan	59	33
<b>Common shares, end of period</b>	<b>596,718</b>	<b>596,853</b>

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

During the six months ended June 30, 2024, ARC repurchased 1.3 million common shares under its NCIB at a weighted average price per share of \$24.13 for a total of \$30.4 million, inclusive of all costs. Shares are cancelled upon repurchase.

At June 30, 2024, ARC has recognized a liability of \$5.4 million (\$5.6 million at December 31, 2023) for share repurchases estimated to take place during its internal blackout period under an automatic share purchase plan agreement with an independent broker. The transaction has been recognized as a reduction to share capital of \$2.3 million and a reduction to retained earnings of \$3.1 million.

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

(thousands of shares)	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Weighted average common shares	<b>596,623</b>	609,737	<b>596,678</b>	613,668
Dilutive impact of share-based compensation <sup>(1)</sup>	<b>1,534</b>	1,763	<b>1,612</b>	1,692
Weighted average common shares, diluted	<b>598,157</b>	611,500	<b>598,290</b>	615,360

(1) For both the three and six months ended June 30, 2024, 0.3 million of share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (0.7 million for both the three and six months ended June 30, 2023).

Dividends declared for the three and six months ended June 30, 2024 were \$0.17 and \$0.34 per share (\$0.17 and \$0.32 for the three and six months ended June 30, 2023), respectively.

## 11. Commodity Sales from Production

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

Commodity Sales from Production, by Product	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Crude oil	<b>58.4</b>	64.8	<b>120.0</b>	130.6
Condensate	<b>645.0</b>	641.6	<b>1,287.0</b>	1,307.6
Natural gas	<b>217.4</b>	332.4	<b>600.6</b>	1,002.5
Natural gas liquids	<b>80.9</b>	85.9	<b>196.2</b>	211.5
Total commodity sales from production	<b>1,001.7</b>	1,124.7	<b>2,203.8</b>	2,652.2

At June 30, 2024, accounts receivable from contracts with customers, which are included in accounts receivable, were \$410.2 million (\$500.8 million at December 31, 2023).

## 12. Share-based Compensation Plans

### Long-term Incentive Plans

The following table summarizes the changes in the Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), and Deferred Share Unit ("DSU") awards under plans that existed prior to a business combination (the "Legacy Plans") for the six months ended June 30, 2024:

Legacy Plans (number of awards, thousands)	RSUs	PSUs <sup>(1)</sup>	DSUs
Balance, December 31, 2023	1,985	3,516	841
Granted	<b>366</b>	<b>871</b>	<b>54</b>
Distributed	<b>(506)</b>	<b>(1,100)</b>	<b>(139)</b>
Forfeited	<b>(38)</b>	<b>(37)</b>	—
<b>Balance, June 30, 2024</b>	<b>1,807</b>	<b>3,250</b>	<b>756</b>

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

The following table summarizes the changes in the remaining RSU and DSU awards under plans acquired through a business combination (the "Acquired Plans") for the six months ended June 30, 2024:

<b>Acquired Plans</b> (number of awards, thousands)	<b>RSUs</b>	<b>DSUs</b>
Balance, December 31, 2023	7	416
Granted <sup>(1)</sup>	—	7
Distributed	(4)	(157)
<b>Balance, June 30, 2024</b>	<b>3</b>	<b>266</b>

(1) Grants relate to additional performance awards.

Compensation charges relating to the RSUs, PSUs, and DSUs granted under the Legacy Plans and Acquired Plans are reconciled as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	<b>2024</b>	2023	<b>2024</b>	2023
General and administrative ("G&A")	<b>14.3</b>	22.4	<b>52.4</b>	21.0
Operating	<b>1.5</b>	2.0	<b>4.4</b>	1.3
PP&E	<b>4.3</b>	7.3	<b>15.4</b>	6.2
Total compensation charge	<b>20.1</b>	31.7	<b>72.2</b>	28.5
Cash payment	<b>4.8</b>	0.8	<b>44.1</b>	53.7

At June 30, 2024, compensation amounts of \$72.0 million were recognized in accounts payable and accrued liabilities on the balance sheets (\$55.4 million at December 31, 2023) and \$70.0 million was included in long-term incentive compensation liability (\$58.4 million at December 31, 2023).

### Share Option Plans

At June 30, 2024, all outstanding share options were vested and exercisable. The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Legacy Plans for the six months ended June 30, 2024 were as follows:

<b>Legacy Plans</b>	<b>Share Options</b> (number of units, thousands)	<b>Weighted Average</b> <b>Exercise Price (\$)</b>
Balance, December 31, 2023	1,344	11.49
Exercised	(924)	13.32
<b>Balance, June 30, 2024</b>	<b>420</b>	<b>10.35</b>

The changes in total share options outstanding and related weighted average exercise prices of share options outstanding under the Acquired Plans for the six months ended June 30, 2024 were as follows:

<b>Acquired Plans</b>	<b>Share Options</b> (number of units, thousands)	<b>Weighted Average</b> <b>Exercise Price (\$)</b>
Balance, December 31, 2023	927	20.22
Exercised	(147)	15.33
<b>Balance, June 30, 2024</b>	<b>780</b>	<b>21.14</b>

The following table summarizes information regarding share options outstanding at June 30, 2024:

Range of Exercise Price per Common Share (\$)	Number of Share Options Outstanding (thousands)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Term (years)
5.98 - 14.00	613	12.24	2.0
14.01 - 22.00	59	17.97	3.2
22.01 - 27.89	528	25.52	2.4
<b>Total</b>	<b>1,200</b>	<b>18.37</b>	<b>2.2</b>

### LTRSA Plan

The changes in total LTRSA outstanding and related fair value per restricted share for the six months ended June 30, 2024 were as follows:

	Granted Prior to 2020		Granted Subsequent to 2019	
	LTRSA (number of awards, thousands)	Fair Value per Restricted Share (\$)	LTRSA (number of awards, thousands)	Fair Value per Restricted Share (\$)
Balance, December 31, 2023	760	12.03	212	6.75
Restricted shares purchased	7	23.13	2	23.13
Distributed	(59)	24.35	—	—
<b>Balance, June 30, 2024</b>	<b>708</b>	<b>11.13</b>	<b>214</b>	<b>6.91</b>

ARC recognized G&A expense of \$0.2 million and \$0.5 million relating to the LTRSA Plan for the three and six months ended June 30, 2024 (\$0.3 million and \$0.6 million for the three and six months ended June 30, 2023), respectively.

## 13. Commitments and Contingencies

The following is a summary of ARC's contractual obligations and commitments as at June 30, 2024:

	Payments Due by Period				
	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Debt repayments	—	835.0	—	550.0	1,385.0
Interest payments <sup>(1)</sup>	29.7	48.7	38.1	38.1	154.6
Purchase and service commitments <sup>(2)</sup>	159.4	108.1	467.8	7,790.9	8,526.2
Transportation commitments	638.6	1,226.9	896.8	4,429.8	7,192.1
<b>Total contractual obligations and commitments</b>	<b>827.7</b>	<b>2,218.7</b>	<b>1,402.7</b>	<b>12,808.8</b>	<b>17,257.9</b>

(1) Fixed interest payments on senior notes.

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

During the six months ended June 30, 2024, ARC entered into a long-term liquefaction tolling services agreement and other ancillary agreements (the "Agreements") with Cedar LNG Partners LP ("Cedar LNG") advancing the Cedar LNG Project (the "Project"). ARC will deliver approximately 200 MMcf per day of natural gas for liquefaction by the Project for a term of 20 years commencing with commercial operations, anticipated in late 2028. On June 25, 2024, Cedar LNG announced a positive final investment decision for the Project, satisfying all the conditions precedent of the Agreements.

## 14. 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 expense which is included in both operating and G&A expense line items.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Operating	14.1	11.9	30.8	22.9
G&A	31.3	38.6	83.1	61.6
<b>Total employee compensation expense</b>	<b>45.4</b>	<b>50.5</b>	<b>113.9</b>	<b>84.5</b>

### Presentation in the Statements of Cash Flows

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

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
<b>Change in Non-cash Working Capital</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Accounts receivable	16.1	126.7	107.9	452.0
Accounts payable and accrued liabilities	(92.0)	(129.0)	(154.0)	(589.8)
Inventory	17.8	(5.7)	27.3	(15.9)
Prepaid expense	(14.3)	(60.6)	(14.3)	(62.3)
<b>Total change in non-cash working capital</b>	<b>(72.4)</b>	<b>(68.6)</b>	<b>(33.1)</b>	<b>(216.0)</b>
Relating to:				
Operating activities	38.7	(23.8)	74.8	(187.2)
Financing activities	(1.5)	—	(1.3)	—
Investing activities	(109.6)	(44.8)	(106.6)	(28.8)
<b>Total change in non-cash working capital</b>	<b>(72.4)</b>	<b>(68.6)</b>	<b>(33.1)</b>	<b>(216.0)</b>

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
<b>Other Non-cash Items</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Accretion of asset retirement obligation	3.6	3.1	7.0	6.3
Share-based compensation expense	0.2	0.3	0.5	0.7
ARO settlements	—	—	—	(0.4)
Modified and terminated leases	0.5	—	0.5	(0.4)
Impairment (reversal of impairment) of financial assets	1.0	(0.8)	0.6	(8.7)
Other income	(0.5)	—	(0.5)	—
Other amortization	(0.4)	0.7	(1.0)	4.5
<b>Total other non-cash items</b>	<b>4.4</b>	<b>3.3</b>	<b>7.1</b>	<b>2.0</b>

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
<b>Net Change in Other Liabilities</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Long-term incentive compensation liability	11.2	21.0	11.6	6.7
Risk management contracts	—	3.2	1.2	0.6
ARO cash settlements	(3.4)	(2.9)	(9.9)	(9.4)
Other deferred liabilities	(6.3)	(7.4)	(7.3)	2.3
Debt issuance costs	—	—	(0.8)	—
<b>Total net change in other liabilities</b>	<b>1.5</b>	<b>13.9</b>	<b>(5.2)</b>	<b>0.2</b>

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

<b>Financing Liabilities</b>	<b>Current Financial Liabilities</b>	<b>Long-term Financial Liabilities</b>	<b>Total Financial Liabilities from Financing Activities</b>
December 31, 2022	92.4	1,692.9	1,785.3
Cash flows			
Draw of long-term debt	—	1,786.5	1,786.5
Repayment of long-term debt	—	(1,656.5)	(1,656.5)
Repayment of lease obligations	(30.5)	—	(30.5)
Reclassified to current			
Lease obligations	(3.6)	3.6	—
Non-cash changes			
Lease modification and termination	(1.6)	96.7	95.1
Other	—	2.0	2.0
<b>Balance, June 30, 2023</b>	<b>56.7</b>	<b>1,925.2</b>	<b>1,981.9</b>
Balance, December 31, 2023	85.2	2,123.5	2,208.7
Cash flows			
Draw of long-term debt	—	<b>3,296.3</b>	<b>3,296.3</b>
Repayment of long-term debt	—	<b>(3,066.3)</b>	<b>(3,066.3)</b>
Repayment of lease obligations	<b>(42.6)</b>	—	<b>(42.6)</b>
Reclassified to current			
Lease obligations	<b>45.6</b>	<b>(45.6)</b>	—
Non-cash changes			
Lease modification	—	<b>5.2</b>	<b>5.2</b>
Other	—	<b>1.4</b>	<b>1.4</b>
Other Changes	—	<b>(0.8)</b>	<b>(0.8)</b>
<b>Balance, June 30, 2024</b>	<b>88.2</b>	<b>2,313.7</b>	<b>2,401.9</b>
Lease obligations due within one year	<b>88.2</b>	—	<b>88.2</b>
Lease obligations due beyond one year	—	<b>934.2</b>	<b>934.2</b>
Long-term debt due beyond one year	—	<b>1,379.5</b>	<b>1,379.5</b>

# Shareholder Information

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## Independent Reserves Evaluator

GLJ Ltd.

## Auditors

PricewaterhouseCoopers LLP

## Legal Counsel

Burnet, Duckworth & Palmer LLP

## Corporate Calendar

**November 6, 2024** | Q3 2024 Results

## Stock Exchange Listing

ARC Resources Ltd. shares are traded on the Toronto Stock Exchange under the symbol **ARX**.

## Shareholder Inquiries

ARC's financial reports, annual regulatory filings and news releases are available on [www.arcresources.com](http://www.arcresources.com).

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