
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2021**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **001-36120**



ANTERO RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

80-0162034
(IRS Employer Identification No.)

1615 Wynkoop Street, Denver, Colorado
(Address of principal executive offices)

80202
(Zip Code)

(303) 357-7310

(Registrant's telephone number, including area code)
Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	AR	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The registrant had 313,864,919 shares of common stock outstanding as of July 23, 2021.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this Quarterly Report on Form 10-Q may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. Words such as “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “potential,” or “continue,” and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. When considering these forward-looking statements, investors should keep in mind the risk factors and other cautionary statements in this Quarterly Report on Form 10-Q. These forward-looking statements are based on management’s current beliefs, based on currently available information, as to the outcome and timing of future events. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- our ability to execute our business strategy;
- our production and oil and gas reserves;
- our financial strategy, liquidity and capital required for our development program;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- natural gas, natural gas liquids (“NGLs”), and oil prices;
- impacts of world health events, including the coronavirus (“COVID-19”) pandemic;
- timing and amount of future production of natural gas, NGLs, and oil;
- our hedging strategy and results;
- our ability to meet minimum volume commitments and to utilize or monetize our firm transportation commitments;
- our future drilling plans;
- our projected well costs and cost savings initiatives, including with respect to water handling services provided by Antero Midstream Corporation;
- competition and government regulations;
- pending legal or environmental matters;
- marketing of natural gas, NGLs, and oil;
- leasehold or business acquisitions;
- costs of developing our properties;
- operations of Antero Midstream Corporation;
- general economic conditions;
- credit markets;
- uncertainty regarding our future operating results; and
- our other plans, objectives, expectations and intentions contained in this Quarterly Report on Form 10-Q.

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We caution investors that these forward-looking statements are subject to all of the risks and uncertainties incidental to our business, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, commodity price volatility, inflation, availability of drilling, completion, and production equipment and services, environmental risks, drilling and completion and other operating risks, marketing and transportation risks, regulatory changes, the uncertainty inherent in estimating natural gas, NGLs, and oil reserves and in projecting future rates of production, cash flows and access to capital, the timing of development expenditures, conflicts of interest among our stockholders, impacts of world health events (including the COVID-19 pandemic), cybersecurity risks and the other risks described or referenced under the heading “Item 1A. Risk Factors” herein, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Form 10-K”), which is on file with the Securities and Exchange Commission (“SEC”).

Reserve engineering is a process of estimating underground accumulations of natural gas, NGLs, and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data, and the price and cost assumptions made by reservoir engineers. In addition, the results of drilling, testing, and production activities, or changes in commodity prices, may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas, NGLs, and oil that are ultimately recovered.

Should one or more of the risks or uncertainties described or referenced in this Quarterly Report on Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION
ANTERO RESOURCES CORPORATION
 Condensed Consolidated Balance Sheets
 (In thousands)

	December 31, 2020	(Unaudited) June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ —	4,541
Accounts receivable	28,457	36,145
Accrued revenue	425,314	493,740
Derivative instruments	105,130	1,056
Other current assets	15,238	14,958
Total current assets	<u>574,139</u>	<u>550,440</u>
Property and equipment:		
Oil and gas properties, at cost (successful efforts method):		
Unproved properties	1,175,178	1,076,562
Proved properties	12,260,713	12,479,785
Gathering systems and facilities	5,802	5,802
Other property and equipment	74,361	77,231
	<u>13,516,054</u>	<u>13,639,380</u>
Less accumulated depletion, depreciation, and amortization	(3,869,116)	(4,095,539)
Property and equipment, net	<u>9,646,938</u>	<u>9,543,841</u>
Operating leases right-of-use assets	2,613,603	2,486,044
Derivative instruments	47,293	19,396
Investment in unconsolidated affiliate	255,082	237,668
Other assets	13,790	10,944
Total assets	<u>\$ 13,150,845</u>	<u>12,848,333</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 26,728	39,612
Accounts payable, related parties	69,860	85,471
Accrued liabilities	343,524	433,050
Revenue distributions payable	198,117	267,926
Derivative instruments	31,242	733,994
Short-term lease liabilities	266,024	269,611
Deferred revenue, VPP	45,257	41,453
Other current liabilities	2,302	11,980
Total current liabilities	<u>983,054</u>	<u>1,883,097</u>
Long-term liabilities:		
Long-term debt	3,001,593	2,415,163
Deferred income tax liability	412,252	214,292
Derivative instruments	99,172	204,525
Long-term lease liabilities	2,348,785	2,217,336
Deferred revenue, VPP	156,024	137,322
Other liabilities	59,694	58,184
Total liabilities	<u>7,060,574</u>	<u>7,129,919</u>
Commitments and contingencies (Notes 13 and 14)		
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value; authorized - 50,000 shares; none issued	—	—
Common stock, \$0.01 par value; authorized - 1,000,000 shares; 268,672 shares and 313,527 shares issued and outstanding as of December 31, 2020 and June 30, 2021, respectively	2,686	3,135
Additional paid-in capital	6,195,497	6,363,774
Accumulated deficit	(430,478)	(969,444)
Total stockholders' equity	<u>5,767,705</u>	<u>5,397,465</u>
Noncontrolling interests	322,566	320,949
Total equity	<u>6,090,271</u>	<u>5,718,414</u>
Total liabilities and equity	<u>\$ 13,150,845</u>	<u>12,848,333</u>

See accompanying notes to unaudited condensed consolidated financial statements.

ANTERO RESOURCES CORPORATION
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2020	2021
Revenue and other:		
Natural gas sales	\$ 367,415	626,520
Natural gas liquids sales	212,197	464,381
Oil sales	8,322	51,906
Commodity derivative fair value losses	(168,015)	(831,840)
Marketing	64,285	165,453
Amortization of deferred revenue, VPP	—	11,279
Gain on sale of assets	—	2,288
Other income (loss)	707	(619)
Total revenue	<u>484,911</u>	<u>489,368</u>
Operating expenses:		
Lease operating	24,742	21,645
Gathering, compression, processing, and transportation	631,845	641,362
Production and ad valorem taxes	19,992	33,694
Marketing	113,053	198,994
Exploration	231	5,638
Impairment of oil and gas properties	37,350	9,303
Depletion, depreciation, and amortization	214,035	187,330
Accretion of asset retirement obligations	1,111	1,331
General and administrative (including equity-based compensation expense of \$7,973 and \$4,249 in 2020 and 2021, respectively)	38,403	32,177
Contract termination and rig stacking	11,071	844
Total operating expenses	<u>1,091,833</u>	<u>1,132,318</u>
Operating loss	<u>(606,922)</u>	<u>(642,950)</u>
Other income (expense):		
Equity in earnings of unconsolidated affiliate	20,228	17,477
Transaction expense	(6,138)	(185)
Interest expense, net	(51,811)	(49,963)
Gain (loss) on early extinguishment of debt	39,171	(23,065)
Loss on convertible note equitization	—	(11,731)
Total other income (expense)	<u>1,450</u>	<u>(67,467)</u>
Loss before income taxes	<u>(605,472)</u>	<u>(710,417)</u>
Provision for income tax benefit	142,404	175,966
Net loss and comprehensive loss including noncontrolling interests	<u>(463,068)</u>	<u>(534,451)</u>
Less: net income (loss) and comprehensive income (loss) attributable to noncontrolling interests	236	(10,984)
Net loss and comprehensive loss attributable to Antero Resources Corporation	<u>\$ (463,304)</u>	<u>(523,467)</u>
Loss per share—basic	\$ (1.73)	(1.70)
Loss per share—diluted	\$ (1.73)	(1.70)
Weighted average number of shares outstanding:		
Basic	268,386	307,879
Diluted	268,386	307,879

See accompanying notes to unaudited condensed consolidated financial statements.

ANTERO RESOURCES CORPORATION
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2020	2021
Revenue and other:		
Natural gas sales	\$ 778,497	1,346,889
Natural gas liquids sales	469,870	904,700
Oil sales	43,968	96,592
Commodity derivative fair value gains (losses)	397,818	(1,009,596)
Marketing	110,358	330,243
Amortization of deferred revenue, VPP	—	22,429
Gain on sale of assets	—	2,288
Other income	1,505	21
Total revenue	<u>1,802,016</u>	<u>1,693,566</u>
Operating expenses:		
Lease operating	50,386	46,192
Gathering, compression, processing, and transportation	1,220,469	1,246,439
Production and ad valorem taxes	45,691	78,391
Marketing	206,326	361,071
Exploration	441	5,857
Impairment of oil and gas properties	126,570	43,365
Depletion, depreciation, and amortization	413,712	381,356
Accretion of asset retirement obligations	2,215	2,119
General and administrative (including equity-based compensation expense of \$11,302 and \$9,891 in 2020 and 2021, respectively)	69,624	76,251
Contract termination and rig stacking	11,071	935
Total operating expenses	<u>2,146,505</u>	<u>2,241,976</u>
Operating loss	<u>(344,489)</u>	<u>(548,410)</u>
Other income (expense):		
Interest expense, net	(104,913)	(92,706)
Equity in earnings (loss) of unconsolidated affiliate	(107,827)	36,171
Gain (loss) on early extinguishment of debt	119,732	(66,269)
Loss on convertible note equitizations	—	(50,777)
Impairment of equity method investment	(610,632)	—
Transaction expense	(6,138)	(2,476)
Total other expenses	<u>(709,778)</u>	<u>(176,057)</u>
Loss before income taxes	(1,054,267)	(724,467)
Provision for income tax benefit	252,389	178,912
Net loss and comprehensive loss including noncontrolling interests	<u>(801,878)</u>	<u>(545,555)</u>
Less: net income (loss) and comprehensive income (loss) attributable to noncontrolling interests	236	(6,589)
Net loss and comprehensive loss attributable to Antero Resources Corporation	<u>\$ (802,114)</u>	<u>(538,966)</u>
Loss per share—basic		
	\$ (2.90)	(1.78)
Loss per share—diluted		
	\$ (2.90)	(1.78)
Weighted average number of shares outstanding:		
Basic	276,306	302,343
Diluted	276,306	302,343

See accompanying notes to unaudited condensed consolidated financial statements.

ANTERO RESOURCES CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Earnings (Deficit)	Noncontrolling Interests	Total Equity
	Shares	Amount				
Balances, December 31, 2019	295,941	\$ 2,959	6,130,365	837,419	—	6,970,743
Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes	178	2	(34)	—	—	(32)
Repurchases and retirements of common stock	(27,193)	(272)	(42,418)	—	—	(42,690)
Equity-based compensation	—	—	3,329	—	—	3,329
Net loss and comprehensive loss	—	—	—	(338,810)	—	(338,810)
Balances, March 31, 2020	268,926	2,689	6,091,242	498,609	—	6,592,540
Issuance of common units in Martica Holdings, LLC	—	—	—	—	300,000	300,000
Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes	464	5	(305)	—	—	(300)
Distributions to noncontrolling interest	—	—	—	—	(3,413)	(3,413)
Repurchases and retirements of common stock	(1,000)	(10)	(743)	—	—	(753)
Equity-based compensation	—	—	7,973	—	—	7,973
Net income (loss) and comprehensive income (loss)	—	—	—	(463,304)	236	(463,068)
Balances, June 30, 2020	268,390	\$ 2,684	6,098,167	35,305	296,823	6,432,979
Balances, December 31, 2020	268,672	\$ 2,686	6,195,497	(430,478)	322,566	6,090,271
Issuance of common shares	31,388	314	238,551	—	—	238,865
Issuance of common units in Martica Holdings, LLC	—	—	—	—	51,000	51,000
Equity component of 2026 Convertible Notes, net	—	—	(116,381)	—	—	(116,381)
Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes	1,130	11	(5,656)	—	—	(5,645)
Distributions to noncontrolling interest	—	—	—	—	(24,699)	(24,699)
Equity-based compensation	—	—	5,642	—	—	5,642
Net income (loss) and comprehensive income (loss)	—	—	—	(15,499)	4,395	(11,104)
Balances, March 31, 2021	301,190	3,011	6,317,653	(445,977)	353,262	6,227,949
Issuance of common shares	11,588	116	125,262	—	—	125,378
Equity component of 2026 Convertible Notes, net	—	—	(79,497)	—	—	(79,497)
Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes	749	8	(3,893)	—	—	(3,885)
Distributions to noncontrolling interest	—	—	—	—	(21,329)	(21,329)
Equity-based compensation	—	—	4,249	—	—	4,249
Net loss and comprehensive loss	—	—	—	(523,467)	(10,984)	(534,451)
Balances, June 30, 2021	313,527	\$ 3,135	6,363,774	(969,444)	320,949	5,718,414

See accompanying notes to unaudited condensed consolidated financial statements.

ANTERO RESOURCES CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2020	2021
Cash flows provided by (used in) operating activities:		
Net loss including noncontrolling interests	\$ (801,878)	(545,555)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	415,927	383,475
Impairments	737,202	43,365
Commodity derivative fair value losses (gains)	(397,818)	1,009,596
Gains (losses) on settled commodity derivatives	524,838	(64,951)
Payments for derivative monetizations	—	(4,569)
Gain on sale of assets	—	(2,288)
Equity-based compensation expense	11,302	9,891
Deferred income tax benefit	(252,389)	(178,912)
Equity in (earnings) loss of unconsolidated affiliate	107,827	(36,171)
Dividends of earnings from unconsolidated affiliate	85,511	74,040
Amortization of deferred revenue	—	(22,429)
Amortization of debt issuance costs, debt discount, debt premium and other	4,433	7,877
(Gain) loss on early extinguishment of debt	(119,732)	66,269
Loss on convertible note equitizations	—	50,777
Changes in current assets and liabilities:		
Accounts receivable	(27,329)	(7,687)
Accrued revenue	63,023	(68,425)
Other current assets	789	631
Accounts payable including related parties	(21,182)	6,681
Accrued liabilities	15,722	64,499
Revenue distributions payable	(29,560)	69,809
Other current liabilities	(46)	16,349
Net cash provided by operating activities	<u>316,640</u>	<u>872,272</u>
Cash flows provided by (used in) investing activities:		
Additions to unproved properties	(21,672)	(29,473)
Drilling and completion costs	(552,227)	(273,956)
Additions to other property and equipment	(1,234)	(2,320)
Settlement of water earnout	125,000	—
Proceeds from asset sales	—	2,351
Change in other liabilities	—	(77)
Change in other assets	525	597
Net cash used in investing activities	<u>(449,608)</u>	<u>(302,878)</u>
Cash flows provided by (used in) financing activities:		
Repurchases of common stock	(43,443)	—
Issuance of senior notes	—	1,800,000
Repayment of senior notes	(496,541)	(1,234,698)
Borrowings (repayments) on bank credit facilities, net	374,000	(1,017,000)
Payment of debt issuance costs	—	(22,440)
Sale of noncontrolling interest	300,000	51,000
Distributions to noncontrolling interests in Martica Holdings LLC	—	(46,028)
Employee tax withholding for settlement of equity compensation awards	(331)	(9,530)
Convertible note equitizations	—	(85,648)
Other	(717)	(509)
Net cash provided by (used in) financing activities	<u>132,968</u>	<u>(564,853)</u>
Net increase in cash and cash equivalents	—	4,541
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>4,541</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 101,885	58,126
Increase (decrease) in accounts payable and accrued liabilities for additions to property and equipment	\$ (61,305)	42,589

See accompanying notes to unaudited condensed consolidated financial statements.

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

(1) Organization

Antero Resources Corporation (individually referred to as “Antero” and together with its consolidated subsidiaries “Antero Resources,” or the “Company,”) is engaged in the development, production, exploration and acquisition of natural gas, NGLs, and oil properties in the Appalachian Basin in West Virginia and Ohio. The Company targets large, repeatable resource plays where horizontal drilling and advanced fracture stimulation technologies provide the means to economically develop and produce natural gas, NGLs, and oil from unconventional formations. The Company’s corporate headquarters is located in Denver, Colorado.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) applicable to interim financial information and should be read in the context of the Company’s December 31, 2020 consolidated financial statements and notes thereto for a more complete understanding of the Company’s operations, financial position, and accounting policies. The Company’s December 31, 2020 consolidated financial statements were included in Antero Resources’ 2020 Annual Report on Form 10-K, which was filed with the SEC.

These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information, and, accordingly, do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly the Company’s financial position as of December 31, 2020 and June 30, 2021 and its results of operations for the three and six months ended June 30, 2020 and 2021 and cash flows for the six months ended June 30, 2020 and 2021. The Company has no items of other comprehensive income or loss; therefore, its net income or loss is equal to its comprehensive income or loss. Operating results for the period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the full year because of the impact of fluctuations in prices received for natural gas, NGLs, and oil, natural production declines, the uncertainty of exploration and development drilling results, fluctuations in the fair value of derivative instruments, the impacts of COVID-19 and other factors.

(b) Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Antero Resources Corporation, its wholly owned subsidiaries, and its variable interest entity (“VIE”), Martica Holdings LLC, (“Martica”), for which the Company is the primary beneficiary. The noncontrolling interest reflected in the Company’s unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2021 represents the Company’s interest in Martica owned by third parties. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information on Martica.

(c) Cash and Cash Equivalents

The Company considers all liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. From time to time, the Company may be in the position of a “book overdraft” in which outstanding checks exceed cash and cash equivalents. The Company classifies book overdrafts in accounts payable and revenue distributions payable within its unaudited condensed consolidated balance sheets, and classifies the change in accounts payable associated with book overdrafts as an operating activity within its unaudited condensed consolidated statements of cash flows. As of December 31, 2020, the book overdrafts included within accounts payable and revenue distributions payable were \$11 million and \$15 million, respectively.

(d) Earnings (Loss) Per Common Share

Earnings (loss) per common share—basic for each period is computed by dividing net income (loss) attributable to Antero by the basic weighted average number of shares outstanding during the period. Earnings (loss) per common share—diluted for each period is computed after giving consideration to the potential dilution from outstanding equity awards and shares of common stock issuable upon conversion of the 2026 Convertible Notes (as defined below in Note 7—Long-Term Debt), calculated using the if-converted method. The Company includes restricted stock unit (“RSUs”) awards, performance share unit (“PSUs”) awards and stock

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

options in the calculation of diluted weighted average shares outstanding based on the number of common shares that would be issuable if the end of the period was also the end of the performance period required for the vesting of the awards. During periods in which the Company incurs a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effects of all equity awards and the 2026 Convertible Notes are anti-dilutive.

The following is a reconciliation of the Company's basic weighted average shares outstanding to diluted weighted average shares outstanding during the periods presented (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Basic weighted average number of shares outstanding	268,386	307,879	276,306	302,343
Add: Dilutive effect of RSUs	—	—	—	—
Add: Dilutive effect of outstanding stock options	—	—	—	—
Add: Dilutive effect of PSUs	—	—	—	—
Add: Dilutive effect of 2026 Convertible Notes	—	—	—	—
Diluted weighted average number of shares outstanding	<u>268,386</u>	<u>307,879</u>	<u>276,306</u>	<u>302,343</u>
Weighted average number of outstanding securities excluded from calculation of diluted earnings per common share ⁽¹⁾ :				
RSUs	6,165	6,642	5,697	6,767
Outstanding stock options	454	380	454	404
PSUs	1,595	2,769	1,595	2,584
2026 Convertible Notes	—	18,778	—	18,778

(1) The potential dilutive effects of these awards were excluded from the computation of diluted earnings (loss) per common share because the inclusion of these awards would have been anti-dilutive.

(e) Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences resulting from net operating loss carryforwards for income tax purposes and the differences between the financial statement and tax basis of assets and liabilities. The effect of changes in tax laws or tax rates is recognized in income during the period such changes are enacted. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

During the three months ended June 30, 2021, West Virginia enacted a new tax law that is effective January 1, 2022 on a prospective basis that is expected to reduce the Company's net income or loss that is apportioned to West Virginia. As a result of this tax law change, the Company's deferred income tax liability was reduced by \$34 million as of June 30, 2021, which includes a \$48 million increase in deferred tax assets, partially offset by a \$14 million increase in valuation allowance.

(f) Recently Issued Accounting Standards

Convertible Instruments

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which eliminates the cash conversion model in Accounting Standards Codification ("ASC") 470-20, *Debt with Conversion and Other Options*, that require separate accounting for conversion features, and instead, allows the debt instrument and conversion features to be accounted for as a single debt instrument. The new standard becomes effective for the Company on January 1, 2022, and early adoption is permitted. The Company is evaluating the transition method it plans to use for adoption on January 1, 2022. However, the Company has utilized the modified retrospective approach to quantify the expected impact of this standard on its financial statements.

Upon adoption of this new standard, the Company expects to reclassify between \$15 million and \$30 million, net of deferred income taxes and equity issuance costs, to long-term debt and deferred income tax liability, as applicable, from stockholders' equity, which amount is subject to adjustment for any conversions or other transactions until adoption of this new standard. Additionally,

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annual interest expense for the 2026 Convertible Notes will be based on an effective interest rate of 4.8% as compared to 15.1% for the three and six months ended June 30, 2021. The Company does not believe that adoption of the standard will impact its operational strategies or development prospects.

Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. This ASU removes certain exceptions to the general principles in ASC 740, *Income Taxes* ("ASC 740") and also simplifies portions of ASC 740 by clarifying and amending existing guidance. It is effective for interim and annual reporting periods after December 15, 2020. The Company adopted this ASU on January 1, 2021, and it did not have a material impact on the Company's unaudited condensed consolidated financial statements.

(3) Transactions

(a) Conveyance of Overriding Royalty Interest

On June 15, 2020, the Company announced the consummation of a transaction with an affiliate of Sixth Street Partners, LLC ("Sixth Street") relating to certain overriding royalty interests across the Company's existing asset base (the "ORRIs"). In connection with the transaction, the Company contributed the ORRIs to Martica and Sixth Street contributed \$300 million in cash (subject to customary adjustments) and agreed to contribute up to an additional \$102 million in cash if certain production thresholds attributable to the ORRIs are achieved in the third quarter of 2020 and first quarter of 2021. All cash contributed by Sixth Street at the initial closing was distributed to the Company. The Company met the applicable production thresholds related to the third quarter of 2020 and first quarter of 2021 as of September 31, 2020 and March 31, 2021, respectively. The Company received a \$51 million cash distribution during each of the fourth quarter of 2020 and the second quarter of 2021.

The ORRIs include an overriding royalty interest of 1.25% of the Company's working interest in all of its proved operated developed properties in West Virginia and Ohio, subject to certain excluded wells (the "Initial PDP Override"), and an overriding royalty interest of 3.75% of the Company's working interest in all of its undeveloped properties in West Virginia and Ohio (the "Development Override"). Wells turned to sales after April 1, 2020 and prior to the later of (a) the date on which the Company turns to sales 2.2 million lateral feet (net to the Company's interest) of horizontal wells burdened by the Development Override and (b) the earlier of (i) April 1, 2023 and (ii) the date on which the Company turns to sales 3.82 million lateral feet (net to the Company's interest) of horizontal wells are subject to the Development Override.

The ORRIs also include an additional overriding royalty interest of 2.00% of the Company's working interest in the properties underlying the Initial PDP Override (the "Incremental Override"). The Incremental Override (or a portion thereof, as applicable) may be re-conveyed to the Company (at the Company's election) if certain production targets attributable to the ORRIs are achieved through March 31, 2023. Any portion of the Incremental Override that may not be re-conveyed to the Company based on the Company failing to achieve such production volumes through March 31, 2023 will remain with Martica.

Prior to Sixth Street achieving an internal rate of return of 13% and 1.5x cash-on-cash return (the "Hurdle"), Sixth Street will receive all distributions in respect of the Initial PDP Override and the Development Override, and the Company will receive all distributions in respect of the Incremental Override, unless certain production targets are not achieved, in which case Sixth Street will receive some or all of the distributions in respect of the Incremental Override. Following Sixth Street achieving the Hurdle, the Company will receive 85% of the distributions in respect of the ORRIs to which Sixth Street was entitled immediately prior to the Hurdle being achieved.

The conveyance of the ORRIs from the Company to Martica was accounted for as a transaction between entities under common control. As a result, the contributed ORRIs have been recorded by Martica at their historical cost.

(b) Volumetric Production Payment Transaction

On August 10, 2020, the Company completed a volumetric production payment transaction and received net proceeds of approximately \$216 million (the "VPP"). In connection with the VPP, the Company entered into a purchase and sale agreement, together with a conveyance agreement and production and marketing agreement, with J.P. Morgan Ventures Energy Corporation ("JPM-VEC") to convey, effective July 1, 2020, an overriding royalty interest in dry gas producing properties in West Virginia (the "VPP Properties") equal to 136,589,000 MMBtu over the expected seven-year term of the VPP.

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The Company has accounted for the VPP as a conveyance under ASC 932, *Extractive Activities—Oil and Gas* (“ASC 932”), and the net proceeds were recorded as deferred revenue in the unaudited condensed consolidated balance sheet as of the transaction closing. Deferred revenue is recognized as volumes are delivered using the units-of-production method over the term of the VPP. Under the production and marketing agreement, Antero and its affiliates provide certain marketing services as JPM-VEC’s agent, and any income or expenses related to these services will be recorded as marketing revenue or marketing expenses as appropriate.

Contemporaneously with the VPP, the Company executed a call option related to the production volumes associated with its retained interest in the VPP properties, which is collateralized by a mortgage on the VPP properties. Additionally, the production and marketing agreement contains an embedded put option related to the production volumes for the Company’s retained interest in the VPP properties, which has been bifurcated from the production and marketing arrangement and accounted for as a derivative instrument recorded at fair value. See Note 11—Derivative Instruments to the unaudited condensed consolidated financial statements for more information on the Company’s derivative instruments.

(c) Drilling Partnership

On February 17, 2021, Antero Resources announced the formation of a drilling partnership with QL Capital Partners (“QL”), an affiliate of Quantum Energy Partners, for the Company’s 2021 through 2024 drilling program. Under the terms of the arrangement, each year in which QL participates represents an annual tranche, and QL will be conveyed a working interest in any wells spud by Antero Resources during such tranche year. For 2021, Antero Resources and QL agreed to a capital budget for such annual tranche, and for each subsequent year through 2024, Antero Resources will propose a capital budget and estimated internal rate of return (“IRR”) for all wells to be spud during such year and, subject to the mutual agreement of the parties that the estimated IRR for the year exceeds a specified return, QL will be obligated to participate in such tranche. Antero Resources develops and manages the drilling program associated with each tranche, including the selection of wells. Additionally, for each annual tranche in which QL participates, Antero Resources and QL will enter into an assignment, bill of sale and conveyance pursuant to which QL will be conveyed a proportionate working interest percentage in each well spud in that year, which conveyance will not be subject to any reversion.

Under the terms of the arrangement, QL will fund 20% of development capital for wells spud in 2021 and is expected to fund between 15% and 20% of development capital for wells spud from 2022 through 2024, which funding amounts represent QL’s proportionate working interest in such wells. Additionally, Antero Resources may receive a carry in the form of a one-time payment from QL for each annual tranche if the IRR for such tranche exceeds certain specified returns, which will be determined no earlier than December 31 following the end of each tranche year. Capital costs in excess of, and cost savings below, a specified percentage of budgeted amounts for each annual tranche will be for Antero Resources’ account. Subject to the preceding sentence, for any wells included in a tranche, QL is obligated and responsible for its working interest share of costs and liabilities, and is entitled to its working interest share of revenues, associated with such wells for the life of such wells. If Antero Resources presents a capital budget for an annual tranche with an estimated IRR equal to or exceeding a specified return that QL in good faith believes is less than such specified return and QL elects not to participate, Antero Resources will not be obligated to offer QL the opportunity to participate in subsequent annual tranches.

The Company has accounted for the drilling partnership as a conveyance under ASC 932 and such conveyances are recorded in the unaudited condensed consolidated financial statements as QL obtains its proportionate working interest in each well. No gain or loss was recognized for the interests conveyed during the three and six months ended June 30, 2021.

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(4) Revenue

(a) Disaggregation of Revenue

The table set forth below presents revenue disaggregated by type and the reportable segment to which it relates (in thousands). See Note 16—Reportable Segments for more information on reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,		Reportable Segment
	2020	2021	2020	2021	
Revenues from contracts with customers:					
Natural gas sales	\$ 367,415	626,520	778,497	1,346,889	Exploration and production
Natural gas liquids sales (ethane)	26,644	43,417	53,440	79,527	Exploration and production
Natural gas liquids sales (C3+ NGLs)	185,553	420,964	416,430	825,173	Exploration and production
Oil sales	8,322	51,906	43,968	96,592	Exploration and production
Marketing	64,285	165,453	110,358	330,243	Marketing
Total revenue from contracts with customers	652,219	1,308,260	1,402,693	2,678,424	
Income (loss) from derivatives, deferred revenue and other sources	(167,308)	(818,892)	399,323	(984,858)	
Total revenue	\$ 484,911	489,368	1,802,016	1,693,566	

(b) Transaction Price Allocated to Remaining Performance Obligations

For the Company's product sales that have a contract term greater than one year, the Company utilized the practical expedient in ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), which does not require the disclosure of the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under the Company's product sales contracts, each unit of product delivered to the customer represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required. For the Company's product sales that have a contract term of one year or less, the Company utilized the practical expedient in ASC 606, which does not require the disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

(c) Contract Balances

Under the Company's sales contracts, the Company invoices customers after its performance obligations have been satisfied, at which point payment is unconditional. Accordingly, the Company's contracts do not give rise to contract assets or liabilities. As of December 31, 2020 and June 30, 2021, the Company's receivables from contracts with customers were \$425 million and \$494 million, respectively.

(5) Equity Method Investment

(a) Summary of Equity Method Investment

As of June 30, 2021, Antero owned approximately 29.2% of Antero Midstream Corporation's common stock, which is reflected in Antero's unaudited condensed consolidated financial statements using the equity method of accounting.

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The following table sets forth a reconciliation of Antero's investment in unconsolidated affiliate for the six months ended June 30, 2021 (in thousands):

Balance as of December 31, 2020 ⁽¹⁾	\$	255,082
Equity in earnings of unconsolidated affiliate		36,171
Dividends from unconsolidated affiliate		(74,040)
Elimination of intercompany profit		20,455
Balance as of June 30, 2021 ⁽¹⁾	\$	<u>237,668</u>

(1) The Company's investment in Antero Midstream Corporation as of December 31, 2020 and June 30, 2021 was \$1.1 billion and \$1.4 billion, respectively, based on the quoted market share price of Antero Midstream Corporation.

(b) Summarized Financial Information of Antero Midstream Corporation

The tables set forth below present summarized financial information of Antero Midstream Corporation (in thousands).

Balance Sheet

	December 31, 2020	June 30, 2021
Current assets	\$ 93,931	92,438
Noncurrent assets	5,516,981	5,448,304
Total assets	<u>\$ 5,610,912</u>	<u>5,540,742</u>
Current liabilities	\$ 94,005	117,837
Noncurrent liabilities	3,098,621	3,094,469
Stockholders' equity	2,418,286	2,328,436
Total liabilities and stockholders' equity	<u>\$ 5,610,912</u>	<u>5,540,742</u>

Statement of Operations

	Six Months Ended June 30,	
	2020	2021
Revenues	\$ 463,444	456,908
Operating expenses	847,882	171,922
Income (loss) from operations	(384,438)	284,986
Net income (loss)	(304,492)	163,664

(6) Accrued Liabilities

Accrued liabilities as of December 31, 2020 and June 30, 2021 consisted of the following items (in thousands):

	December 31, 2020	June 30, 2021
Capital expenditures	\$ 32,372	43,532
Gathering, compression, processing, and transportation expenses	152,724	150,465
Marketing expenses	68,193	75,496
Interest expense, net	25,645	64,345
Accrued production and ad valorem taxes	37,371	34,404
Derivative settlements payable	3,425	29,720
Other	23,794	35,088
Total accrued liabilities	<u>\$ 343,524</u>	<u>433,050</u>

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(7) Long-Term Debt

Long-term debt as of December 31, 2020 and June 30, 2021 consisted of the following items (in thousands):

	December 31, 2020	June 30, 2021
Credit Facility ^(a)	\$ 1,017,000	—
5.125% senior notes due 2022 ^(b)	660,516	—
5.625% senior notes due 2023 ^(c)	574,182	—
5.00% senior notes due 2025 ^(d)	590,000	590,000
8.375% senior notes due 2026 ^(e)	—	500,000
7.625% senior notes due 2029 ^(f)	—	700,000
5.375% senior notes due 2030 ^(g)	—	600,000
4.25% convertible senior notes due 2026 ^(h)	287,500	81,570
Total principal	<u>3,129,198</u>	<u>2,471,570</u>
Unamortized premium (discount), net	(111,886)	(29,782)
Unamortized debt issuance costs	(15,719)	(26,625)
Long-term debt	<u>\$ 3,001,593</u>	<u>2,415,163</u>

(a) Senior Secured Revolving Credit Facility

Antero Resources has a senior secured revolving credit facility (the “Credit Facility”) with a consortium of bank lenders. Borrowings under the Credit Facility are subject to borrowing base limitations based on the collateral value of Antero Resources’ assets and are subject to regular semi-annual redeterminations. As of June 30, 2021, the borrowing base under the Credit Facility was \$2.85 billion and lender commitments were \$2.64 billion. The borrowing base was re-affirmed in the semi-annual redetermination in April 2021. The next redetermination of the borrowing base is scheduled to occur in October 2021. The Credit Facility is scheduled to mature on October 26, 2022.

Antero Resources was in compliance with all of the financial covenants under the Credit Facility as of December 31, 2020 and June 30, 2021.

As of June 30, 2021, Antero Resources did not have an outstanding balance under the Credit Facility and had outstanding letters of credit of \$742 million. As of December 31, 2020, Antero Resources had an outstanding balance under the Credit Facility of \$1.0 billion, with a weighted average interest rate of 3.26%, and outstanding letters of credit of \$730 million. Commitment fees on the unused portion of the Credit Facility are due quarterly at rates ranging from 0.300% to 0.375% (subject to certain exceptions) of the unused portion based on utilization.

(b) 5.125% Senior Notes Due 2022

On May 6, 2014, Antero Resources issued \$600 million of 5.125% senior notes due December 1, 2022 (the “2022 Notes”) at par. On September 18, 2014, Antero Resources issued an additional \$500 million of the 2022 Notes at 100.5% of par. The Company repurchased or otherwise redeemed all of the 2022 Notes between 2019 and the first quarter of 2021. The 2022 Notes were unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2022 Notes ranked pari passu to Antero Resources’ other outstanding senior notes. The 2022 Notes were guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources’ existing subsidiaries that guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2022 Notes was payable on June 1 and December 1 of each year. See “—Debt Repurchase Program” below for further details on 2022 Notes repurchases.

(c) 5.625% Senior Notes Due 2023

On March 17, 2015, Antero Resources issued \$750 million of 5.625% senior notes due June 1, 2023 (the “2023 Notes”) at par. The Company repurchased or otherwise fully redeemed all of the 2023 Notes between 2020 and the second quarter of 2021. The 2023 Notes were unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2023 Notes ranked pari passu to Antero Resources’ other outstanding senior notes. The 2023 Notes were guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources’ existing subsidiaries that

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guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2023 Notes was payable on June 1 and December 1 of each year. See “—Debt Repurchase Program” below for further details on 2023 Notes repurchases and redemption.

(d) 5.00% Senior Notes Due 2025

On December 21, 2016, Antero Resources issued \$600 million of 5.00% senior notes due March 1, 2025 (the “2025 Notes”) at par. The Company repurchased \$10 million of the 2025 Notes from time to time during 2020, and as of June 30, 2021, \$590 million principal amount of the 2025 Notes remained outstanding. The 2025 Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2025 Notes rank pari passu to Antero Resources’ other outstanding senior notes. The 2025 Notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources’ existing subsidiaries that guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2025 Notes is payable on March 1 and September 1 of each year. Antero Resources may redeem all or part of the 2025 Notes at any time at redemption prices ranging from 102.5% currently to 100.00% on or after March 1, 2023. If Antero Resources undergoes a change of control followed by a rating decline, the holders of the 2025 Notes will have the right to require Antero Resources to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2025 Notes, plus accrued and unpaid interest.

(e) 8.375% Senior Notes Due 2026

On January 4, 2021, Antero Resources issued \$500 million of 8.375% senior notes due July 15, 2026 (the “2026 Notes”) at par. The 2026 Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2026 Notes rank pari passu to Antero Resources’ other outstanding senior notes. The 2026 Notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources’ existing subsidiaries that guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2026 Notes is payable on January 15 and July 15 of each year. Antero Resources may redeem all or part of the 2026 Notes at any time on or after January 15, 2024 at redemption prices ranging from 104.188% on or after January 15, 2024 to 100.00% on or after January 15, 2026. In addition, on or before January 15, 2024, Antero Resources may redeem up to 35% of the aggregate principal amount of the 2026 Notes, but in an amount not greater than the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 108.375% of the principal amount of the 2026 Notes, plus accrued and unpaid interest. At any time prior to January 15, 2024, Antero Resources may also redeem the 2026 Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2026 Notes plus a “make-whole” premium and accrued and unpaid interest. If Antero Resources undergoes a change of control followed by a rating decline, the holders of the 2026 Notes will have the right to require Antero Resources to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2026 Notes, plus accrued and unpaid interest.

(f) 7.625% Senior Notes Due 2029

On January 26, 2021, Antero Resources issued \$700 million of 7.625% senior notes due February 1, 2029 (the “2029 Notes”) at par. The 2029 Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2029 Notes rank pari passu to Antero Resources’ other outstanding senior notes. The 2029 Notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources’ existing subsidiaries that guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2029 Notes is payable on February 1 and August 1 of each year. Antero Resources may redeem all or part of the 2029 Notes at any time on or after February 1, 2024 at redemption prices ranging from 103.813% on or after February 1, 2024 to 100.00% on or after February 1, 2027. In addition, on or before February 1, 2024, Antero Resources may redeem up to 35% of the aggregate principal amount of the 2029 Notes, but in an amount not greater than the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 107.625% of the principal amount of the 2029 Notes, plus accrued and unpaid interest. At any time prior to February 1, 2024, Antero Resources may also redeem the 2029 Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2029 Notes plus a “make-whole” premium and accrued and unpaid interest. If Antero Resources undergoes a change of control followed by a rating decline, the holders of the 2029 Notes will have the right to require Antero Resources to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2029 Notes, plus accrued and unpaid interest.

(g) 5.375% Senior Notes Due 2030

On June 1, 2021, Antero Resources issued \$600 million of 5.375% senior notes due March 1, 2030 (the “2030 Notes”) at par. The 2030 Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2030 Notes rank pari passu to Antero Resources’ other outstanding senior notes. The 2030 Notes are

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guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Resources' existing subsidiaries that guarantee the Credit Facility and certain of its future restricted subsidiaries. Interest on the 2030 Notes is payable on March 1 and September 1 of each year. Antero Resources may redeem all or part of the 2030 Notes at any time on or after March 1, 2025 at redemption prices ranging from 102.688% on or after March 1, 2025 to 100.00% on or after March 1, 2028. In addition, on or before March 1, 2025, Antero Resources may redeem up to 35% of the aggregate principal amount of the 2030 Notes, but in an amount not greater than the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.375% of the principal amount of the 2030 Notes, plus accrued and unpaid interest. At any time prior to March 1, 2025, Antero Resources may also redeem the 2030 Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2030 Notes plus a "make-whole" premium and accrued and unpaid interest. If Antero Resources undergoes a change of control followed by a rating decline, the holders of the 2030 Notes will have the right to require Antero Resources to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2030 Notes, plus accrued and unpaid interest.

(h) 4.25% Convertible Senior Notes Due 2026

On August 21, 2020, Antero Resources issued \$250 million in aggregate principal amount of 4.25% convertible senior notes due 2026 (the "2026 Convertible Notes"). On September 2, 2020, Antero Resources issued an additional \$37.5 million of the 2026 Convertible Notes. During the six months ended June 30, 2021, the Company completed the equitization transactions described below under "—Partial Equitizations of 2026 Convertible Notes," that extinguished \$206 million principal amount of the 2026 Convertible Notes, and as of June 30, 2021, \$82 million principal amount of the 2026 Convertible Notes remained outstanding. The 2026 Convertible Notes were issued pursuant to an indenture and are senior, unsecured obligations of Antero Resources. The 2026 Convertible Notes bear interest at a fixed rate of 4.25% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, commencing on March 1, 2021. Proceeds from the issuance of the 2026 Convertible Notes totaled \$278.5 million, net of initial purchasers' fees and issuance cost of \$9 million. Each capitalized term used in this subsection but not otherwise defined in this Quarterly Report on Form 10-Q has the meaning as set forth in the indenture governing the 2026 Convertible Notes.

The initial conversion rate is 230.2026 shares of Antero Resources' common stock per \$1,000 principal amount of 2026 Convertible Notes, subject to adjustment upon the occurrence of specified events. As of June 30, 2021, the if-converted value of the 2026 Convertible Notes was \$283 million, which exceeded the principal amount of the 2026 Convertible Notes by \$201 million. The 2026 Convertible Notes will mature on September 1, 2026, unless earlier repurchased, redeemed or converted. Before May 1, 2026, note holders will have the right to convert their 2026 Convertible Notes only upon the occurrence of the following events:

- during any calendar quarter (and only during such calendar quarter) commencing after the calendar quarter ending on September 30, 2020, if the Last Reported Sale Price per share of Antero Resources' common stock exceeds 130% of the Conversion Price for each of at least 20 Trading Days (whether or not consecutive) during the 30 consecutive Trading Days ending on, and including, the last Trading Day of the immediately preceding calendar quarter (the "Stock Price Condition");
- during the five consecutive Business Days immediately after any 10 consecutive trading day period (such 10 consecutive Trading Day period, the "Measurement Period") if the trading Price per \$1,000 principal amount of 2026 Convertible Notes, as determined following a request by a noteholder in accordance with the procedures set forth below, for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of common stock on such trading day and the conversion rate on such trading day;
- if Antero Resources calls any or all of the 2026 Convertible Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of certain specified corporate events as set forth in the indenture governing the 2026 Convertible Notes.

From and after May 1, 2026, noteholders may convert their 2026 Convertible Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date.

Upon conversion, Antero Resources may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of Antero Resources' common stock or a combination of cash and shares of Antero Resources' common stock, at Antero Resources' election, in the manner and subject to the terms and conditions provided in the indenture governing the 2026 Convertible

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Notes. The 2026 Convertible Notes have met the Stock Price Condition allowing holders of the 2026 Convertible Notes to exercise their conversion right as of June 30, 2021.

The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the indenture governing the 2026 Convertible Notes. In addition, following certain corporate events, as described in the indenture governing the 2026 Convertible Notes, that occur prior to the maturity date, Antero Resources will increase the conversion rate for a holder who elects to convert its 2026 Convertible Notes in connection with such a corporate event.

If certain corporate events that constitute a Fundamental Change occur, then noteholders may require Antero Resources to repurchase their 2026 Convertible Notes at a cash repurchase price equal to the principal amount of the 2026 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving Antero Resources and certain de-listing events with respect to Antero Resources' common stock.

Upon issuance, the Company separately accounted for the liability and equity components of the 2026 Convertible Notes. The liability component was recorded at the estimated fair value of a similar debt instrument without the conversion feature. The difference between the principal amount of the 2026 Convertible Notes and the estimated fair value of the liability component was recorded as a debt discount and will be amortized to interest expense, together with debt issuance costs, over the term of the 2026 Convertible Notes using the effective interest method, with an effective interest rate of 15.1% per annum. As of the issuance date, the fair value of the 2026 Convertible Notes was estimated at \$172 million, resulting in a debt discount at inception of \$116 million. The equity component, representing the value of the conversion option, was computed by deducting the fair value of the liability component from the initial proceeds of the 2026 Convertible Notes issuance. This equity component was recorded, net of deferred taxes and issuance costs, in additional paid-in capital within the unaudited condensed consolidated balance sheet and statement of stockholders' equity and will not be remeasured as long as it continues to meet the conditions for equity classification.

Transaction costs related to the 2026 Convertible Notes issuance were allocated to the liability and equity components based on their relative fair values. Issuance costs attributable to the liability component were recorded within debt issuance costs on the unaudited condensed consolidated balance sheet and are amortized over the term of the 2026 Convertible Notes using the effective interest method. Issuance costs attributable to the equity component were recorded as a charge to additional paid-in capital within the unaudited condensed consolidated balance sheet and statement of stockholders' equity.

Partial Equitizations of 2026 Convertible Notes

On January 12, 2021, the Company completed a registered direct offering (the "January Share Offering") of an aggregate of 31.4 million shares of its common stock at a price of \$6.35 per share to certain holders of the 2026 Convertible Notes. The Company used the proceeds from the January Share Offering and approximately \$63 million of borrowings under the Credit Facility to repurchase from such holders \$150 million aggregate principal amount of the 2026 Convertible Notes in privately negotiated transactions (the "January Convertible Note Repurchase," and, collectively with the January Share Offering, the "January Equitization Transactions"). The 2026 Convertible Notes have an initial conversion rate of 230.2026 shares of the Company's common stock per \$1,000 principal amount, and the January Equitization Transactions had the effect of increasing this conversion rate to 275.3525 shares of common stock per \$1,000 principal amount. The Company accounted for this transaction as an inducement of the 2026 Convertible Notes, and as a result, the Company recorded a \$39 million loss on convertible note equitization in the unaudited condensed consolidated statements of operations and comprehensive loss for the six months ended June 30, 2021 for the consideration paid in excess of the original terms of the 2026 Convertible Notes. Additionally, the January Equitization Transactions resulted in a loss on early extinguishment of debt of \$41 million in the unaudited condensed consolidated statement of operations and comprehensive loss for the six months ended June 30, 2021.

On May 13, 2021, the Company completed a registered direct offering (the "May Share Offering") of an aggregate of 11.6 million shares of its common stock at a price of \$11.01 per share to certain holders of the 2026 Convertible Notes. The Company used the proceeds from the May Share Offering and approximately \$26 million of borrowings under the Credit Facility to repurchase from such holders \$56 million aggregate principal amount of the 2026 Convertible Notes in privately negotiated transactions (the "May Convertible Note Repurchase," and, collectively with the May Share Offering, the "May Equitization Transactions"). The 2026 Convertible Notes have an initial conversion rate of 230.2026 shares of the Company's common stock per \$1,000 principal amount, and the May Equitization Transactions had the effect of increasing this conversion rate to 245.2802 shares of common stock per \$1,000 principal amount. The Company accounted for this transaction as an inducement of the 2026 Convertible Notes, and as a result, the Company recorded a \$12 million loss on convertible note equitization in the unaudited condensed consolidated statements

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of operations and comprehensive loss for the three and six months ended June 30, 2021 for the consideration paid in excess of the original terms of the 2026 Convertible Notes. Additionally, the May Equitization Transactions resulted in a loss on early extinguishment of debt of \$21 million in the unaudited condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2021.

The 2026 Convertible Notes consist of the following (in thousands):

	December 31, 2020	June 30, 2021
Liability component:		
Principal	\$ 287,500	81,570
Less: unamortized note discount	(112,265)	(29,782)
Less: unamortized debt issuance costs	(5,852)	(1,732)
Net carrying value	\$ 169,383	50,056
Equity component ⁽¹⁾	\$ 115,601	32,779

(1) As of December 31, 2020, the equity component attributable to the outstanding 2026 Convertible Notes was recorded in additional paid-in capital, net of \$3 million of issuance costs and \$28 million of deferred taxes. As of June 30, 2021, the equity component attributable to the outstanding 2026 Convertible Notes was recorded in additional paid-in capital net of \$1 million of issuance costs and \$8 million of deferred taxes.

Interest expense recognized on the 2026 Convertible Notes related to the stated interest rate, amortization of the debt discount and debt issuance costs totaled \$2.8 million and \$7.2 million for the three and six months ended June 30, 2021, respectively.

(i) Debt Repurchase Program

During the three and six months ended June 30, 2020, Antero Resources repurchased \$236 million and \$619 million, respectively, principal amount of debt at a weighted average discount of 17% and 19%, respectively. The Company recognized a gain of \$39 million and \$120 million for the three and six months ended June 30, 2020, respectively, on the early extinguishment of the debt repurchased.

During the first quarter of 2021, the Company redeemed the remaining \$661 million of the 2022 Notes at par, plus accrued and unpaid interest, and as a result, the 2022 Notes were fully retired as of February 10, 2021. The Company redeemed the remaining \$574 million of the 2023 Notes at par, plus accrued and unpaid interest, during the second quarter of 2021. The 2023 Notes were fully retired as of June 1, 2021.

(j) Subsequent Event

On July 1, 2021, Antero Resources redeemed \$175 million of the principal amount of its 2026 Notes at a redemption price of 108.375% of the principal amount thereof, plus accrued and unpaid interest. Immediately following the redemption, there were \$325 million aggregate principal amount of 2026 Notes outstanding. The \$15 million premium to the principal amount redeemed along with the write-off of a proportional amount of unamortized debt issuance costs will be included in the Company's loss on early debt extinguishment during the third quarter of 2021.

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(8) Asset Retirement Obligations

The following table sets forth a reconciliation of the Company's asset retirement obligations for the six months ended June 30, 2021 (in thousands):

Asset retirement obligations—December 31, 2020	\$	54,452
Obligations incurred		637
Accretion expense		2,119
Revisions to prior estimates		(589)
Asset retirement obligations—June 30, 2021	\$	<u>56,619</u>

Asset retirement obligations are included in other liabilities on the Company's unaudited condensed consolidated balance sheets.

(9) Equity-Based Compensation and Cash Awards

On June 17, 2020, Antero Resources' stockholders approved the Antero Resources Corporation 2020 Long-Term Incentive Plan (the "2020 Plan"), which replaced the Antero Resources Corporation Long-Term Incentive Plan (the "2013 Plan"), and the 2020 Plan became effective as of such date. The 2020 Plan provides for grants of stock options (including incentive stock options), stock appreciation rights, restricted stock awards, RSU awards, vested stock awards, dividend equivalent awards, and other stock-based and cash awards. The terms and conditions of the awards granted are established by the Compensation Committee of Antero Resources' Board of Directors. Employees, officers, non-employee directors and other service providers of the Company and its affiliates are eligible to receive awards under the 2020 Plan. No further awards will be granted under the 2013 Plan on or after June 17, 2020.

The 2020 Plan provides for the reservation of 10,050,000 shares of the Company's common stock, plus the number of certain shares that become available again for delivery from the 2013 Plan in accordance with the share recycling provisions described below. The share recycling provisions allow for all or any portion of an award (including an award granted under the 2013 Plan that was outstanding as of June 17, 2020) that expires or is cancelled, forfeited, exchanged, settled for cash, or otherwise terminated without actual delivery of the shares to be considered not delivered and thus available for new awards under the 2020 Plan. Further, any shares withheld or surrendered in payment of any taxes relating to awards that were outstanding under either the 2013 Plan as of June 17, 2020 or are granted under the 2020 Plan (other than stock options and stock appreciation rights) will again be available for new awards under the 2020 Plan.

A total of 7,677,911 shares were available for future grant under the 2020 Plan as of June 30, 2021.

Antero Midstream Partners LP's ("Antero Midstream Partners") general partner was authorized to grant up to 10,000,000 common units representing limited partner interests in Antero Midstream Partners under the Antero Midstream Partners LP Long-Term Incentive Plan (the "AMP Plan") to non-employee directors of its general partner and certain officers, employees, and consultants of Antero Midstream Partners and its affiliates (which include Antero Resources). Antero Resources deconsolidated Antero Midstream Partners on March 12, 2019, and on such date each outstanding phantom unit award under the AMP Plan, was assumed by Antero Midstream Corporation and converted into 1.8926 RSUs (all such RSUs, the "Converted AM RSU Awards") under the Antero Midstream Corporation Long Term Incentive Plan (the "AMC Plan"). Each RSU award under the AMC Plan represents a right to receive one share of Antero Midstream Corporation common stock.

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The Company's equity-based compensation expense, by type of award, was as follows for the three and six months ended June 30, 2020 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2021	2020	2021
RSU awards	\$ 4,080	3,392	\$ 5,958	6,630
PSU awards	2,631	223	3,553	1,759
Converted AM RSU Awards ⁽¹⁾	1,262	284	1,422	802
Equity awards issued to directors	—	350	369	700
Total expense	\$ 7,973	4,249	\$ 11,302	9,891

(1) Antero Resources recognized compensation expense for equity awards granted under both the 2013 Plan and the AMP Plan because the awards under the AMP Plan are accounted for as if they are distributed by Antero Midstream Partners to Antero Resources. Antero Resources allocates a portion of equity-based compensation expense related to grants prior to the deconsolidation of Antero Midstream Partners on March 12, 2019 to Antero Midstream Partners based on its proportionate share of Antero Resources' labor costs.

(a) Restricted Stock Unit Awards

A summary of RSU award activity for the six months ended June 30, 2021 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Total awarded and unvested—December 31, 2020	8,432,397	\$ 4.06
Granted	1,425,168	9.50
Vested	(2,987,376)	4.58
Forfeited	(255,284)	4.83
Total awarded and unvested—June 30, 2021	6,614,905	\$ 4.96

As of June 30, 2021, there was approximately \$28 million of unamortized equity-based compensation expense related to unvested RSUs. That expense is expected to be recognized over a weighted average period of approximately 2.7 years.

(b) Performance Share Unit Awards

PSU Awards Based on Absolute Total Shareholder Return ("TSR")

In April 2021, the Company granted PSU awards to certain of its executive officers that vest based on Antero Resources' absolute TSR determined as of the last day of each of three one-year performance periods ending on April 15, 2022, April 15, 2023, and April 15, 2024, and one cumulative three-year performance period ending on April 15, 2024, in each case, subject to the executive officer's continued employment through April 15, 2024. The number of shares of common stock that may ultimately be earned following the end of the cumulative three-year performance period with respect to the TSR PSUs ranges from zero to 200% of the target number of TSR PSUs originally granted. Expense related to these PSUs is recognized on a graded-vested basis over the term of each performance period. Forfeitures are accounted for as they occur by reversing the expense previously recognized for awards that were forfeited during the period.

PSU Awards Based on Leverage Ratio

In April 2021, the Company granted PSUs to certain of its executive officers that vest based on the Company's total debt less cash and cash equivalents divided by the Company's Adjusted EBITDAX (as defined and described in Item 2 below under "Non-GAAP Financial Measures") determined as of the last day of each of three one-year performance periods ending on December 31, 2021, December 31, 2022, and December 31, 2023, in each case, subject to the executive officer's continued employment through December 31, 2023 ("Leverage Ratio PSUs"). The number of shares of common stock that may ultimately be earned with respect to the Leverage Ratio PSUs ranges from zero to 200% of the target number of Leverage Ratio PSUs originally granted. Expense related to the Leverage Ratio PSUs is recognized based on the number of shares of common stock that are expected to be issued at the end of

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each measurement period, and such expense is reversed if the likelihood of achieving the performance condition becomes improbable. As of June 30, 2021, the likelihood of achieving the performance conditions related to the Leverage Ratio PSUs was probable.

A summary of PSU award activity for the six months ended June 30, 2021 is as follows:

	Number of Units	Weighted Average Grant Date Fair Value
Total awarded and unvested—December 31, 2020	2,547,798	\$ 12.66
Granted	437,246	10.36
Forfeited	(67,000)	2.97
Cancelled (unearned)	(1,112,639)	19.19
Total awarded and unvested—June 30, 2021	<u>1,805,405</u>	<u>\$ 8.44</u>

The following table presents information regarding the weighted average fair values for market-based PSUs granted during the six months ended June 30, 2021, and the assumptions used to determine the fair values:

Dividend yield	— %
Volatility	85 %
Risk-free interest rate	0.32 %
Weighted average fair value of awards granted—Absolute TSR	\$ 11.99

As of June 30, 2021, there was approximately \$9 million of unamortized equity-based compensation expense related to unvested PSUs. That expense is expected to be recognized over a weighted average period of approximately 2.2 years.

(c) Stock Options

A summary of stock option activity for the six months ended June 30, 2021 is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value (in thousands)
Outstanding—December 31, 2020	432,461	\$ 50.64	4.1	\$ —
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	(75,167)	50.00		
Outstanding—June 30, 2021	<u>357,294</u>	<u>\$ 50.78</u>	<u>3.5</u>	<u>\$ —</u>
Vested—June 30, 2021	357,294	\$ 50.78	3.5	\$ —
Exercisable—June 30, 2021	357,294	\$ 50.78	3.5	\$ —

Intrinsic values are based on the exercise price of the options and the closing price of Antero Resources' common stock on the referenced dates.

As of June 30, 2021, all stock options were fully vested resulting in no unamortized equity-based compensation expense.

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(d) *Converted AM RSU Awards*

A summary of the Converted AM RSU Awards for the six months ended June 30, 2021 is as follows:

	Number of Units	Weighted Average Grant Date Fair Value
Total awarded and unvested—December 31, 2020	296,390	\$ 15.06
Granted	—	
Vested	(190,066)	15.56
Forfeited	(2,075)	13.25
Total awarded and unvested—June 30, 2021	<u>104,249</u>	<u>\$ 14.20</u>

As of June 30, 2021, there was less than \$1.0 million of unamortized equity-based compensation expense related to unvested Converted AM RSU Awards. Such expense is expected to be recognized over a weighted average period of 0.7 years, and the Company's proportionate share will be allocated to it as it is recognized.

(e) *Cash Awards*

In January 2020, the Company granted cash awards of approximately \$3.3 million to certain executives under the 2013 Plan, and compensation expense for these awards is recognized ratably over the vesting period for each of three tranches through January 20, 2023. In July 2020, the Company granted additional cash awards in the aggregate of \$2.6 million to certain non-executive employees under the 2020 Plan that vest ratably over four years. As of June 30, 2021, the Company has recorded approximately \$2.2 million in Other liabilities in the unaudited condensed consolidated balance sheet related to unvested cash awards.

(10) *Fair Value*

The carrying values of accounts receivable and accounts payable as of December 31, 2020 and June 30, 2021 approximated market values because of their short-term nature. The carrying values of the amounts outstanding under the Credit Facility as of December 31, 2020 and June 30, 2021 approximated fair value because the variable interest rates are reflective of current market conditions.

The fair value and carrying value of the senior notes and 2026 Convertible Notes as of December 31, 2020 and June 30, 2021 as follows (in thousands):

	December 31, 2020		June 30, 2021	
	Fair Value ⁽¹⁾	Carrying Value ⁽²⁾	Fair Value ⁽¹⁾	Carrying Value ⁽²⁾
5.125% senior notes due 2022	\$ 658,468	658,400	—	—
5.625% senior notes due 2023	562,698	571,370	—	—
5.00% senior notes due 2025	560,500	585,440	603,275	585,938
8.375% senior notes due 2026	—	—	566,250	494,463
7.625% senior notes due 2029	—	—	775,250	691,361
5.375% senior notes due 2030	—	—	612,360	593,345
4.25% convertible senior notes due 2026	430,963	169,383	291,384	50,056
Total	<u>\$ 2,212,629</u>	<u>1,984,593</u>	<u>2,848,519</u>	<u>2,415,163</u>

(1) Fair values are based on Level 2 market data inputs.

(2) Carrying values are presented net of unamortized debt issuance costs and debt discounts or premiums.

See Note 11—Derivative Instruments to the unaudited condensed consolidated financial statements for information regarding the fair value of derivative financial instruments.

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(11) Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations, and it uses derivative instruments to manage its commodity price risk. In addition, the Company periodically enters into contracts that contain embedded features that are required to be bifurcated and accounted for separately as derivatives.

(a) Commodity Derivative Positions

The Company periodically enters into natural gas, NGLs, and oil derivative contracts with counterparties to hedge the price risk associated with its production. These derivatives are not entered into for trading purposes. To the extent that changes occur in the market prices of natural gas, NGLs, and oil, the Company is exposed to market risk on these open contracts. This market risk exposure is generally offset by the change in market prices of natural gas, NGLs, and oil recognized upon the ultimate sale of the Company's production.

The Company was party to various fixed price commodity swap contracts that settled during the three and six months ended June 30, 2020 and 2021. The Company enters into these swap contracts when management believes that favorable future sales prices for the Company's production can be secured. Under these swap agreements, when actual commodity prices upon settlement exceed the fixed price provided by the swap contracts, the Company pays the difference to the counterparty. When actual commodity prices upon settlement are less than the contractually provided fixed price, the Company receives the difference from the counterparty. In addition, the Company has entered into basis swap contracts in order to hedge the difference between the New York Mercantile Exchange ("NYMEX") index price and a local index price.

The Company's derivative contracts have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized in the Company's statements of operations.

As of June 30, 2021, the Company's fixed price natural gas, oil and NGL swap positions excluding Martica, the Company's consolidated VIE, were as follows:

Commodity / Settlement Period		Index	Contracted Volume	Weighted Average Price
Natural Gas				
July-December 2021	Henry Hub		2,160,000 MMBtu/day	\$ 2.77 /MMBtu
January-December 2022	Henry Hub		1,155,486 MMBtu/day	2.50 /MMBtu
January-December 2023	Henry Hub		43,000 MMBtu/day	2.37 /MMBtu
Propane				
July-October 2021	Mont Belvieu Propane-OPIS TET		45,650 Bbl/day	\$ 31.30 /Bbl
Butane				
July-December 2021	Mont Belvieu Butane-OPIS Non-TET		5,825 Bbl/day	\$ 34.07 /Bbl
July-December 2021	Mont Belvieu Butane-OPIS TET		2,900 Bbl/day	\$ 31.68 /Bbl
Natural Gasoline				
July-December 2021	Mont Belvieu Natural Gasoline-OPIS Non-TET		8,875 Bbl/day	\$ 50.36 /Bbl
Isobutane				
July-December 2021	Mont Belvieu Isobutane-OPIS Non-TET		5,150 Bbl/day	\$ 35.25 /Bbl
Oil				
July-December 2021	West Texas Intermediate		3,000 Bbl/day	\$ 55.16 /Bbl

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In addition, the Company has a call option agreement, which entitles the holder the right, but not the obligation, to enter into a fixed price swap agreement on December 21, 2023 to purchase 427,500 MMBtu per day at a price of \$2.77 per MMBtu for the year ending December 31, 2024.

As of June 30, 2021, the Company's natural gas basis swap positions, which settle on the pricing index to basis differential of the Columbia Gas Transmission pipeline ("TCO") to the NYMEX Henry Hub natural gas price were as follows:

Commodity / Settlement Period	Index to Basis Differential	Contracted Volume	Weighted Average Hedged Differential
Natural Gas			
July-December 2021	NYMEX to TCO	40,000 MMBtu/day	\$ 0.414 /MMBtu
January-December 2022	NYMEX to TCO	60,000 MMBtu/day	0.515 /MMBtu
January-December 2023	NYMEX to TCO	50,000 MMBtu/day	0.525 /MMBtu
January-December 2024	NYMEX to TCO	50,000 MMBtu/day	0.530 /MMBtu

The Company also entered into NGL derivative contracts, which establish a contractual price for the settlement month as a fixed percentage of the West Texas Intermediate Crude Oil index ("WTI") price for the settlement month. When the percentage of the contractual price is above the contracted percentage, the Company pays the difference to the counterparty. When it is below the contracted percentage, the Company receives the difference from the counterparty. As of June 30, 2021, the Company had natural gas and NGL contracts that fix the Mont Belvieu index price for natural gasoline to percentages of WTI as follows:

Commodity / Settlement Period	Index to Basis Differential	Contracted Volume	Weighted Average Payout Ratio
Gas Liquids			
July-December 2021	Mont Belvieu Natural Gasoline to WTI	9,325 Bbl/day	78 %

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As of June 30, 2021, the Company's fixed price natural gas, oil and NGL swap positions for Martica, the Company's consolidated VIE, were as follows:

Commodity / Settlement Period	Index	Contracted Volume	Weighted Average Price
Natural Gas			
July-December 2021	Henry Hub	47,119 MMBtu/day	\$ 2.61 /MMBtu
January-December 2022	Henry Hub	38,356 MMBtu/day	2.39 /MMBtu
January-December 2023	Henry Hub	35,616 MMBtu/day	2.35 /MMBtu
January-December 2024	Henry Hub	23,885 MMBtu/day	2.33 /MMBtu
January-March 2025	Henry Hub	18,021 MMBtu/day	2.53 /MMBtu
Ethane			
July-December 2021	Mont Belvieu Purity Ethane-OPIS	1,025 Bbl/day	\$ 7.01 /Bbl
January-March 2022	Mont Belvieu Purity Ethane-OPIS	521 Bbl/day	6.68 /Bbl
Propane			
July-December 2021	Mont Belvieu Propane-OPIS Non-TET	1,115 Bbl/day	\$ 18.64 /Bbl
January-December 2022	Mont Belvieu Propane-OPIS Non-TET	934 Bbl/day	19.20 /Bbl
Natural Gasoline			
July-December 2021	Mont Belvieu Natural Gasoline-OPIS Non-TET	351 Bbl/day	\$ 31.57 /Bbl
January-December 2022	Mont Belvieu Natural Gasoline-OPIS Non-TET	282 Bbl/day	34.37 /Bbl
January-December 2023	Mont Belvieu Natural Gasoline-OPIS Non-TET	247 Bbl/day	40.74 /Bbl
Oil			
July-December 2021	West Texas Intermediate	126 Bbl/day	\$ 40.81 /Bbl
January-December 2022	West Texas Intermediate	112 Bbl/day	43.51 /Bbl
January-December 2023	West Texas Intermediate	99 Bbl/day	44.88 /Bbl
January-December 2024	West Texas Intermediate	43 Bbl/day	44.02 /Bbl
January-March 2025	West Texas Intermediate	39 Bbl/day	45.06 /Bbl

(b) Embedded Derivatives

The VPP includes an embedded put option tied to NYMEX pricing for the production volumes associated with the Company's retained interest in the VPP properties of 100,340,000 MMBtu remaining through December 31, 2026 at a weighted average strike price of \$2.58 per MMBtu. The embedded put option is not clearly and closely related to the host contract, and therefore, the Company bifurcated this derivative instrument and reflected it at fair value in the unaudited condensed consolidated financial statements.

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(c) Summary

The following table presents a summary of the fair values in thousands of the Company's derivative instruments and where such values are recorded in the unaudited condensed consolidated balance sheets as of December 31, 2020 and June 30, 2021. None of the Company's derivative instruments are designated as hedges for accounting purposes.

	Balance Sheet Location	December 31, 2020	June 30, 2021
Asset derivatives not designated as hedges for accounting purposes:			
Commodity derivatives—current	Derivative instruments	\$ 97,144	—
Embedded derivatives—current	Derivative instruments	7,986	1,056
Commodity derivatives—noncurrent	Derivative instruments	14,689	—
Embedded derivatives—noncurrent	Derivative instruments	32,604	19,396
Total asset derivatives		152,423	20,452
Liability derivatives not designated as hedges for accounting purposes:			
Commodity derivatives—current ⁽¹⁾	Derivative instruments	31,242	733,994
Commodity derivatives—noncurrent ⁽¹⁾	Derivative instruments	99,172	204,525
Total liability derivatives		130,414	938,519
Net derivatives assets (liabilities)		\$ 22,009	(918,067)

(1) As of June 30, 2021, approximately \$50 million of commodity derivative liabilities, including \$29 million of current commodity derivatives and \$21 million of noncurrent commodity derivatives, are attributable to the Company's consolidated VIE, Martica. As of December 31, 2020, approximately \$14 million of commodity derivative liabilities, including \$7 million of current commodity derivatives and \$7 million of noncurrent commodity derivatives, are attributable to the Company's consolidated VIE, Martica.

The following table presents the gross values of recognized derivative assets and liabilities, the amounts offset under master netting arrangements with counterparties, and the resulting net amounts presented in the unaudited condensed consolidated balance sheets as of the dates presented, all at fair value (in thousands):

	December 31, 2020			June 30, 2021		
	Gross Amounts on Balance Sheet	Gross Amounts Offset on Balance Sheet	Net Amounts of Assets (Liabilities) on Balance Sheet	Gross Amounts on Balance Sheet	Gross Amounts Offset on Balance Sheet	Net Amounts of Assets (Liabilities) on Balance Sheet
Commodity derivative assets	\$ 181,375	(69,542)	111,833	\$ 29,803	(29,803)	—
Embedded derivative assets	\$ 40,590	—	40,590	\$ 20,452	—	20,452
Commodity derivative liabilities	\$ (199,956)	69,542	(130,414)	\$ (968,322)	29,803	(938,519)

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The following is a summary of derivative fair value gains and losses and where such values are recorded in the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2020 and 2021 (in thousands):

	Statement of Operations Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2021	2020	2021
Commodity derivative fair value gains (losses) ⁽¹⁾	Revenue	\$ (168,015)	(819,725)	\$ 397,818	(989,692)
Embedded derivative fair value gains (losses) ⁽¹⁾	Revenue	\$ —	(12,115)	\$ —	(19,904)

⁽¹⁾ The fair value of derivative instruments was determined using Level 2 inputs.

(12) Leases

The Company leases certain office space, processing plants, drilling rigs and completion services, gas gathering lines, compressor stations, and other office and field equipment. Leases with an initial term of 12 months or less are considered short-term and are not recorded on the balance sheet. Instead, the short-term leases are recognized in expense on a straight-line basis over the lease term.

Most leases include one or more options to renew, with renewal terms that can extend the lease from one to 20 years or more. The exercise of the lease renewal options is at the Company's sole discretion. The depreciable lives of the leased assets are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain of the Company's lease agreements include minimum payments based on a percentage of produced volumes over contractual levels and others include rental payments adjusted periodically for inflation.

The Company considers all contracts that have assets specified in the contract, either explicitly or implicitly, that the Company has substantially all of the capacity of the asset, and has the right to obtain substantially all of the economic benefits of that asset, without the lessor's ability to have a substantive right to substitute that asset, as leased assets. For any contract deemed to include a leased asset, that asset is capitalized on the balance sheet as a right-of-use asset and a corresponding lease liability is recorded at the present value of the known future minimum payments of the contract using a discount rate on the date of commencement. The leased asset classification is determined at the date of recording as either operating or financing, depending upon certain criteria of the contract.

The discount rate used for present value calculations is the discount rate implicit in the contract. If an implicit rate is not determinable, a collateralized incremental borrowing rate is used at the date of commencement. As new leases commence or previous leases are modified the discount rate used in the present value calculation is the current period applicable discount rate.

The Company has made an accounting policy election to adopt the practical expedient for combining lease and non-lease components on an asset class basis. This expedient allows the Company to combine non-lease components such as real estate taxes, insurance, maintenance, and other operating expenses associated with the leased premises with the lease component of a lease agreement on an asset class basis when the non-lease components of the agreement cannot be easily bifurcated from the lease payment. Currently, the Company is only applying this expedient to certain office space agreements.

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(a) *Supplemental Balance Sheet Information Related to Leases*

The Company's lease assets and liabilities as of December 31, 2020 and June 30, 2021 consisted of the following items (in thousands):

Leases	Balance Sheet Classification	December 31, 2020	June 30, 2021
Operating Leases			
Operating lease right-of-use assets:			
Processing plants	Operating lease right-of-use assets	\$ 1,302,290	1,256,391
Drilling rigs and completion services	Operating lease right-of-use assets	29,894	20,264
Gas gathering lines and compressor stations ⁽¹⁾	Operating lease right-of-use assets	1,241,090	1,172,477
Office space	Operating lease right-of-use assets	36,879	35,012
Vehicles	Operating lease right-of-use assets	2,704	1,327
Other office and field equipment	Operating lease right-of-use assets	746	573
Total operating lease right-of-use assets		<u>\$ 2,613,603</u>	<u>2,486,044</u>
Short-term operating lease obligation	Short-term lease liabilities	\$ 265,178	269,070
Long-term operating lease obligation	Long-term lease liabilities	2,348,425	2,216,974
Total operating lease obligation		<u>\$ 2,613,603</u>	<u>2,486,044</u>
Finance Leases			
Finance lease right-of-use assets:			
Vehicles	Other property and equipment	\$ 1,206	903
Total finance lease right-of-use assets ⁽²⁾		<u>\$ 1,206</u>	<u>903</u>
Short-term finance lease obligation	Short-term lease liabilities	\$ 845	541
Long-term finance lease obligation	Long-term lease liabilities	361	362
Total finance lease obligation		<u>\$ 1,206</u>	<u>903</u>

⁽¹⁾ Gas gathering lines and compressor stations leases includes \$1.1 billion and \$1.0 billion related to Antero Midstream Corporation as of December 31, 2020 and June 30, 2021, respectively. See “—Related party lease disclosure” for additional discussion.

⁽²⁾ Financing lease assets are recorded net of accumulated amortization of \$3 million as of both December 31, 2020 and June 30, 2021. The processing plants, gathering lines and compressor stations that are classified as lease liabilities are classified as such under ASC 842, *Leases*, because Antero is the sole customer of the assets and because Antero makes the decisions that most impact the economic performance of the assets.

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

(b) Supplemental Information Related to Leases

Costs associated with operating leases were included in the unaudited condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2020 and 2021 (in thousands):

Cost	Classification	Location	Three Months Ended June 30,		Six Months Ended June 30,	
			2020	2021	2020	2021
Operating lease cost	Statement of operations	Gathering, compression, processing, and transportation	\$ 350,853	385,022	\$ 703,496	761,952
Operating lease cost	Statement of operations	General and administrative	2,789	2,736	5,670	5,224
Operating lease cost	Statement of operations	Contract termination and rig stacking	5,841	844	5,841	844
Operating lease cost	Statement of operations	Lease operating	—	44	—	66
Operating lease cost	Balance sheet	Proved properties ⁽¹⁾	26,265	28,432	59,259	57,191
Total operating lease cost			<u>\$ 385,748</u>	<u>417,078</u>	<u>\$ 774,266</u>	<u>825,277</u>
Finance lease cost:						
Amortization of right-of-use assets	Statement of operations	Depletion, depreciation, and amortization	\$ 414	132	\$ 559	259
Total finance lease cost			<u>\$ 414</u>	<u>132</u>	<u>\$ 559</u>	<u>259</u>
Short-term lease payments			\$ 29,441	24,456	\$ 92,158	41,298

(1) Capitalized costs related to drilling and completion activities.

(c) Supplemental Cash Flow Information Related to Leases

The following is the Company's supplemental cash flow information related to leases for the six months ended June 30, 2020 and 2021 (in thousands):

	Six Months Ended June 30,	
	2020	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 661,797	716,582
Investing cash flows from operating leases	63,279	44,747
Financing cash flows from finance leases	717	509
Noncash activities:		
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 113,762	6,849

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

(d) Maturities of Lease Liabilities

The table below is a schedule of future minimum payments for operating and financing lease liabilities as of June 30, 2021 (in thousands):

	Operating Leases	Financing Leases	Total
Remainder of 2021	\$ 306,812	377	307,189
2022	579,918	424	580,342
2023	574,333	76	574,409
2024	565,566	67	565,633
2025	493,563	22	493,585
2026	442,971	—	442,971
Thereafter	1,115,499	—	1,115,499
Total lease payments	4,078,662	966	4,079,628
Less: imputed interest	(1,592,618)	(63)	(1,592,681)
Total	<u>\$ 2,486,044</u>	<u>903</u>	<u>2,486,947</u>

(e) Lease Term and Discount Rate

The following table sets forth the Company's weighted average remaining lease term and discount rate as of December 31, 2020 and June 30, 2021:

	December 31, 2020		June 30, 2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	8.0 years	1.5 years	7.5 years	2.0 years
Weighted average discount rate	13.7 %	6.2 %	13.8 %	5.5 %

(f) Related Party Lease Disclosure

The Company has a gathering and compression agreement with Antero Midstream Corporation, whereby Antero Midstream Corporation receives a low-pressure gathering fee per Mcf, a high-pressure gathering fee per Mcf and a compression fee per Mcf, in each case subject to annual adjustments based on the consumer price index. If and to the extent the Company requests that Antero Midstream Corporation construct new high pressure lines and compressor stations, the gathering and compression agreement contains minimum volume commitments that require Antero Resources to utilize or pay for 75% of the high pressure gathering capacity and 70% of the compression capacity of the requested capacity of such new construction for 10 years. In December 2019, the Company and Antero Midstream Corporation agreed to extend the initial term of the gathering and compression agreement to 2038 and established a growth incentive fee program whereby low pressure gathering fees will be reduced from 2020 through 2023 to the extent the Company achieves certain volumetric targets at certain points during such time. Upon completion of the initial contract term, the gathering and compression agreement will continue in effect from year to year until such time as the agreement is terminated, effective upon an anniversary of the effective date of the agreement, by either the Company or Antero Midstream Corporation on or before the 180th day prior to the anniversary of such effective date. The Company achieved the volumetric targets during each of the first and second quarter of 2020, and Antero Midstream Corporation provided a rebate of \$12 million and \$24 million for the three and six months ended June 30, 2020, respectively. The Company did not achieve the volumetric target during either the first or second quarters of 2021.

For the three and six months ended June 30, 2020, gathering and compression fees paid by Antero related to this agreement were \$166 million and \$321 million, respectively. For the three and six months ended June 30, 2021, gathering and compression fees paid by Antero related to this agreement were \$184 million and \$361 million, respectively. As of December 31, 2020 and June 30, 2021, \$55 million and \$66 million were included within Accounts payable, related parties, respectively, on the unaudited condensed consolidated balance sheets as due to Antero Midstream Corporation related to this agreement.

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

(13) Commitments

The following table sets forth a schedule of future minimum payments for firm transportation, drilling rig and completion services, processing, gathering and compression, and office and equipment agreements, which include leases that have remaining lease terms in excess of one year as of June 30, 2021 (in thousands).

	Firm Transportation (a)	Processing, Gathering and Compression (b)	Land Payment Obligations (c)	Operating and Financing Leases (d)	Imputed Interest for Leases (d)	Total
Remainder of 2021	\$ 541,109	27,403	2,576	138,486	168,703	878,277
2022	1,042,280	52,265	400	269,013	311,329	1,675,287
2023	1,072,523	59,140	—	300,301	274,108	1,706,072
2024	1,045,442	59,262	—	333,935	231,698	1,670,337
2025	1,024,783	47,960	—	306,723	186,862	1,566,328
2026	1,018,812	14,783	—	299,354	143,617	1,476,566
Thereafter	6,033,138	98,596	—	839,135	276,364	7,247,233
Total	<u>\$ 11,778,087</u>	<u>359,409</u>	<u>2,976</u>	<u>2,486,947</u>	<u>1,592,681</u>	<u>16,220,100</u>

(a) Firm Transportation

The Company has entered into firm transportation agreements with various pipelines in order to facilitate the delivery of its production to market. These contracts commit the Company to transport minimum daily natural gas or NGLs volumes at negotiated rates or pay for any deficiencies at specified reservation fee rates. The amounts in this table are based on the Company's minimum daily volumes at the reservation fee rate. The values in the table represent the gross amounts that the Company is committed to pay; however, the Company will record in the unaudited condensed consolidated financial statements its proportionate share of costs based on its working interest.

(b) Processing, Gathering, and Compression Service Commitments

The Company has entered into various long-term gas processing, gathering and compression service agreements. Certain of these agreements were determined to be leases. The minimum payment obligations under the agreements that are not leases are presented in this column.

The values in the table represent the gross amounts that the Company is committed to pay; however, the Company will record in the unaudited condensed consolidated financial statements its proportionate share of costs based on its working interest.

(c) Land Payment Obligations

The Company has entered into various land acquisition agreements. Certain of these agreements contain minimum payment obligations over various terms. The values in the table represent the minimum payments due under these arrangements. None of these agreements were determined to be leases.

(d) Leases, including imputed interest

The Company has obligations under contracts for services provided by drilling rigs and completion fleets, processing, gathering, and compression services agreements, and office and equipment leases. The values in the table represent the gross amounts that Antero Resources is committed to pay; however, the Company will record in its financial statements its proportionate share of costs based on its working interests. Refer to Note 12—Leases to the unaudited condensed consolidated financial statements for more information on the Company's operating and finance leases.

ANTERO RESOURCES CORPORATION

Notes to Unaudited Condensed Consolidated Financial Statements

(14) Contingencies

Environmental

In June 2018, the Company received a Notice of Violation (“NOV”) from the U.S. Environmental Protection Agency (“EPA”) Region III for alleged violations of the federal Clean Air Act and the West Virginia State Implementation Plan. The NOV alleges that combustion devices at these facilities did not meet applicable air permitting requirements. Separately, in June 2018, the Company received an information request from the EPA Region III pursuant to Section 114(a) of the Clean Air Act relating to the facilities that were inspected in September 2017 as well as additional Antero Resources facilities for the purpose of determining if the additional facilities have the same alleged compliance issues that were identified during the September 2017 inspections. Subsequently, the West Virginia Department of Environmental Protection (“WVDEP”) and the EPA Region V (covering Ohio facilities) each conducted its own inspections, and the Company has separately received NOV’s from WVDEP and the EPA Region V related to similar issues being investigated by the EPA Region III. The Company continues to negotiate with the EPA and WVDEP to resolve the issues alleged in the NOV’s and the information request. The Company’s operations at these facilities are not suspended, and management does not expect these matters to have a material adverse effect on the Company’s financial condition, results of operations, or cash flows.

WGL

The Company and Washington Gas Light Company and WGL Midstream, Inc. (collectively, “WGL”) were involved in multiple contractual disputes involving firm gas sales contracts executed June 20, 2014 (the “Contracts”) that the Company began delivering gas under in January 2016. In late 2015, WGL asserted that the natural gas index price specified in the Contracts was no longer appropriate and sought to invoke an alternative index clause in the Contracts. This dispute was referred to arbitration. In January 2017, the arbitration panel ruled in the Company’s favor and found that the natural gas index price specified in the Contracts should remain.

In March of 2017, WGL filed a lawsuit against the Company in Colorado district court claiming that the Company breached contractual obligations by failing to deliver “TCO pool” gas, ultimately seeking damages of more than \$40 million. Subsequently, after WGL failed to take certain volumes of gas required under the Contracts, the Company filed a separate lawsuit against WGL to recover damages that WGL refused to pay. These two lawsuits were consolidated and tried in June 2019. On June 20, 2019, the Company was awarded a jury verdict of approximately \$96 million in damages against WGL. In addition, the jury rejected WGL’s claim against the Company, finding that the Company did not breach the Contracts. On December 10, 2020, the Colorado Court of Appeals affirmed the judgment of the trial court in favor of the Company. In February 2021, the Company and its royalty owners received a gross payment of approximately \$107 million from WGL, which was in full satisfaction and discharge of the June 2019 judgment entered in favor of the Company.

Other

The Company is party to various other legal proceedings and claims in the ordinary course of its business, including, but not limited to, royalty claims. The Company believes that certain of these matters will be covered by insurance and that the outcome of other matters will not have a material adverse effect on the Company’s unaudited condensed consolidated financial position, results of operations, or cash flows.

(15) Related Parties

Substantially all of Antero Midstream Corporation’s revenues were and are derived from transactions with Antero Resources. See Note 16—Reportable Segments to the unaudited condensed consolidated financial statements for the operating results of the Company’s reportable segments.

(16) Reportable Segments

Management evaluated how the Company is organized and managed and identified the following segments: (i) the exploration, development, and production of natural gas, NGLs, and oil; (ii) marketing and utilization of excess firm transportation capacity and (iii) midstream services through the Company’s equity method investment in Antero Midstream Corporation. All of the Company’s assets are located in the United States and substantially all of its production revenues are attributable to customers located

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Notes to Unaudited Condensed Consolidated Financial Statements

in the United States; however, some of the Company's production revenues are attributable to customers who then transport the Company's production to foreign countries for resale or consumption.

Operating segments are evaluated based on their contribution to consolidated results, which is primarily determined by the respective operating income (loss) of each segment. General and administrative expenses were allocated to the midstream segment based on the nature of the expenses and on a combination of the segments' proportionate share of the Company's consolidated property and equipment, capital expenditures, and labor costs, as applicable. General and administrative expenses related to the marketing segment are not allocated because they are immaterial. Other income, income taxes, and interest expense are primarily managed and evaluated on a consolidated basis. Intersegment sales were transacted at prices which approximate market. Accounting policies for each segment are the same as the Company's accounting policies described in Note 2—Summary of Significant Accounting Policies to the unaudited condensed consolidated financial statements.

The operating results and assets of the Company's reportable segments were as follows for the three months ended June 30, 2020 and 2021 (in thousands):

	Three Months Ended June 30, 2020				
	Exploration and Production	Marketing	Midstream Services	Elimination of Intersegment Transactions	Consolidated Total
Sales and revenues:					
Third-party	\$ 419,919	64,285	—	—	484,204
Intersegment	707	—	219,736	(219,736)	707
Total	<u>\$ 420,626</u>	<u>64,285</u>	<u>219,736</u>	<u>(219,736)</u>	<u>484,911</u>
Operating expenses:					
Lease operating	\$ 24,742	—	—	—	24,742
Gathering, compression, processing, and transportation	631,845	—	42,067	(42,067)	631,845
Impairment of oil and gas properties	37,350	—	—	—	37,350
Depletion, depreciation, and amortization	214,035	—	27,745	(27,745)	214,035
General and administrative	38,403	—	12,422	(12,422)	38,403
Other	32,405	113,053	2,776	(2,776)	145,458
Total	<u>978,780</u>	<u>113,053</u>	<u>85,010</u>	<u>(85,010)</u>	<u>1,091,833</u>
Operating income (loss)	<u>\$ (558,154)</u>	<u>(48,768)</u>	<u>134,726</u>	<u>(134,726)</u>	<u>(606,922)</u>
Equity in earnings of unconsolidated affiliates	\$ 20,228	—	20,947	(20,947)	20,228
Investments in unconsolidated affiliates	\$ 279,805	—	729,823	(729,823)	279,805
Segment assets	\$ 13,711,749	32,241	5,715,055	(5,715,055)	13,743,990
Capital expenditures for segment assets	\$ 263,522	—	55,431	(55,431)	263,522

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Notes to Unaudited Condensed Consolidated Financial Statements

	Three Months Ended June 30, 2021				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Sales and revenues:					
Third-party	\$ 324,534	165,453	250,455	(250,455)	489,987
Intersegment	(619)	—	(17,668)	17,668	(619)
Total	<u>\$ 323,915</u>	<u>165,453</u>	<u>232,787</u>	<u>(232,787)</u>	<u>489,368</u>
Operating expenses:					
Lease operating	\$ 21,645	—	—	—	21,645
Gathering, compression, processing, and transportation	641,362	—	39,555	(39,555)	641,362
Impairment of oil and gas properties	9,303	—	—	—	9,303
Depletion, depreciation, and amortization	187,330	—	26,619	(26,619)	187,330
General and administrative	32,177	—	14,251	(14,251)	32,177
Other	41,507	198,994	963	(963)	240,501
Total	<u>933,324</u>	<u>198,994</u>	<u>81,388</u>	<u>(81,388)</u>	<u>1,132,318</u>
Operating income (loss)	<u>\$ (609,409)</u>	<u>(33,541)</u>	<u>151,399</u>	<u>(151,399)</u>	<u>(642,950)</u>
Equity in earnings of unconsolidated affiliates	\$ 17,477	—	21,515	(21,515)	17,477
Investments in unconsolidated affiliates	\$ 237,668	—	707,518	(707,518)	237,668
Segment assets	\$ 12,788,108	60,225	5,540,742	(5,540,742)	12,848,333
Capital expenditures for segment assets	\$ 182,591	—	45,976	(45,976)	182,591

The operating results and assets of the Company's reportable segments were as follows for the six months ended June 30, 2020 and 2021 (in thousands):

	Six Months Ended June 30, 2020				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Sales and revenues:					
Third-party	\$ 1,690,153	110,358	—	—	1,800,511
Intersegment	1,505	—	463,444	(463,444)	1,505
Total	<u>\$ 1,691,658</u>	<u>110,358</u>	<u>463,444</u>	<u>(463,444)</u>	<u>1,802,016</u>
Operating expenses:					
Lease operating	\$ 50,386	—	—	—	50,386
Gathering, compression, processing, and transportation	1,220,469	—	90,795	(90,795)	1,220,469
Impairment of oil and gas properties	126,570	—	—	—	126,570
Impairment of midstream assets	—	—	664,544	(664,544)	—
Depletion, depreciation, and amortization	413,712	—	55,088	(55,088)	413,712
General and administrative	69,624	—	25,959	(25,959)	69,624
Other	59,418	206,326	11,496	(11,496)	265,744
Total	<u>1,940,179</u>	<u>206,326</u>	<u>847,882</u>	<u>(847,882)</u>	<u>2,146,505</u>
Operating income (loss)	<u>\$ (248,521)</u>	<u>(95,968)</u>	<u>(384,438)</u>	<u>384,438</u>	<u>(344,489)</u>
Equity in earnings (loss) of unconsolidated affiliates	\$ (107,827)	—	40,024	(40,024)	(107,827)
Investments in unconsolidated affiliates	\$ 279,805	—	729,823	(729,823)	279,805
Segment assets	\$ 13,711,749	32,241	5,715,055	(5,715,055)	13,743,990
Capital expenditures for segment assets	\$ 575,133	—	123,414	(123,414)	575,133

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Notes to Unaudited Condensed Consolidated Financial Statements

	Six Months Ended June 30, 2021				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Sales and revenues:					
Third-party	\$ 1,363,302	330,243	—	—	1,693,545
Intersegment	21	—	456,908	(456,908)	21
Total	<u>\$ 1,363,323</u>	<u>330,243</u>	<u>456,908</u>	<u>(456,908)</u>	<u>1,693,566</u>
Operating expenses:					
Lease operating	\$ 46,192	—	—	—	46,192
Gathering, compression, processing, and transportation	1,246,439	—	78,869	(78,869)	1,246,439
Impairment of oil and gas properties	43,365	—	—	—	43,365
Impairment of midstream assets	—	—	1,379	(1,379)	—
Depletion, depreciation, and amortization	381,356	—	53,469	(53,469)	381,356
General and administrative	76,251	—	32,181	(32,181)	76,251
Other	87,302	361,071	6,024	(6,024)	448,373
Total	<u>1,880,905</u>	<u>361,071</u>	<u>171,922</u>	<u>(171,922)</u>	<u>2,241,976</u>
Operating income (loss)	<u>\$ (517,582)</u>	<u>(30,828)</u>	<u>284,986</u>	<u>(284,986)</u>	<u>(548,410)</u>
Equity in earnings of unconsolidated affiliates	\$ 36,171	—	42,259	(42,259)	36,171
Investments in unconsolidated affiliates	\$ 237,668	—	707,518	(707,518)	237,668
Segment assets	\$ 12,788,108	60,225	5,540,742	(5,540,742)	12,848,333
Capital expenditures for segment assets	\$ 305,749	—	74,365	(74,365)	305,749

(17) Subsidiary Guarantors

Each of the Company's wholly owned subsidiaries has fully and unconditionally guaranteed Antero Resources' senior notes. In the event a subsidiary guarantor is sold or disposed of (whether by merger, consolidation, the sale of a sufficient amount of its capital stock so that it no longer qualifies as a "Subsidiary" of Antero (as defined in the indentures governing the notes) or the sale of all or substantially all of its assets (other than by lease)) and whether or not the subsidiary guarantor is the surviving entity in such transaction to a person that is not Antero or a restricted subsidiary of Antero, such subsidiary guarantor will be released from its obligations under its subsidiary guarantee if the sale or other disposition does not violate the covenants set forth in the indentures governing the notes.

In addition, a subsidiary guarantor will be released from its obligations under the indentures and its guarantee, upon the release or discharge of the guarantee of other Indebtedness (as defined in the indentures governing the notes) that resulted in the creation of such guarantee, except a release or discharge by or as a result of payment under such guarantee; if Antero designates such subsidiary as an unrestricted subsidiary and such designation complies with the other applicable provisions of the indentures governing the notes or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the notes.

The following tables present summarized financial information of Antero and its guarantor subsidiaries (in thousands). The Company's wholly owned subsidiaries are not restricted from making distributions to the Company.

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Notes to Unaudited Condensed Consolidated Financial Statements

Balance Sheet

	<u>December 31, 2020</u>	<u>June 30, 2021</u>
	<u>Parent (Antero)</u> <u>and Guarantor Subsidiaries</u>	<u>Parent (Antero)</u> <u>and Guarantor Subsidiaries</u>
Accounts receivable, non-guarantor subsidiaries	\$ —	—
Accounts receivable, related parties	—	—
Other current assets	543,841	515,013
Total current assets	<u>543,841</u>	<u>515,013</u>
Noncurrent assets	11,783,502	11,536,439
Total assets	<u>\$ 12,327,343</u>	<u>12,051,452</u>
Accounts payable, non-guarantor subsidiaries	\$ —	—
Accounts payable, related parties	69,860	85,471
Other current liabilities	906,348	1,765,747
Total current liabilities	<u>976,208</u>	<u>1,851,218</u>
Noncurrent liabilities	6,070,388	5,226,192
Total liabilities	<u>\$ 7,046,596</u>	<u>7,077,410</u>

Statement of Operations

	<u>Six Months Ended June 30, 2021</u>
	<u>Parent (Antero)</u> <u>and Guarantor Subsidiaries</u>
Revenues	\$ 1,679,332
Operating expenses	2,221,153
Loss from operations	<u>(541,821)</u>
Net loss and comprehensive loss including noncontrolling interests	<u>(538,966)</u>
Net loss and comprehensive loss attributable to Antero Resources Corporation	<u>\$ (538,966)</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions, or beliefs about future events may, and often do, vary from actual results, and the differences can be material. Some of the key factors that could cause actual results to vary from our expectations include changes in natural gas, NGLs, and oil prices, the timing of planned capital expenditures, our ability to fund our development programs, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, the condition of the capital markets generally, as well as our ability to access them, impacts of world health events, including the COVID-19 pandemic, potential shut-ins of production due to lack of downstream demand or storage capacity, and uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting our business, as well as those factors discussed below, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. See "Cautionary Statement Regarding Forward-Looking Statements." Also, see the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors." We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

In this section, references to "Antero," the "Company," "we," "us," and "our" refer to Antero Resources Corporation and its subsidiaries, unless otherwise indicated or the context otherwise requires.

Our Company

We are an independent oil and natural gas company engaged in the development, production, exploration and acquisition of natural gas, NGLs, and oil properties located in the Appalachian Basin. We focus on unconventional reservoirs, which can generally be characterized as fractured shale formations. Our management team has worked together for many years and has a successful track record of reserve and production growth as well as significant expertise in unconventional resource plays. Our strategy is to leverage our team's experience delineating and developing natural gas resource plays to profitably grow our reserves and production, primarily on our existing multi-year inventory of drilling locations.

We have assembled a portfolio of long-lived properties that are characterized by what we believe to be low geologic risk and repeatability. Our drilling opportunities are focused in the Marcellus Shale and Utica Shale of the Appalachian Basin. As of June 30, 2021, we held approximately 513,000 net acres of rich gas and dry gas properties located in the Appalachian Basin in West Virginia and Ohio. Our corporate headquarters are in Denver, Colorado.

2021 Developments and Highlights

COVID-19 Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments tried to slow the spread of the virus by imposing social distancing guidelines, travel restrictions and stay-at-home orders, among other actions, which caused a significant decrease in activity in the global economy and the demand for oil and, to a lesser extent, natural gas and NGLs. The imbalance between the supply of and demand for oil, as well as the uncertainty around the extent and timing of an economic recovery, caused extreme market volatility and a substantial adverse effect on commodity prices in 2020. As vaccines have become widely available, social distancing guidelines, travel restrictions and stay-at-home orders have eased, activity in the global economy has increased and commodity prices have improved. However, new variants of the virus could cause further commodity market volatility and resulting financial market instability, and these are variables beyond our control that may adversely impact our generation of funds from operating cash flows, distributions from unconsolidated affiliate, available borrowings under our senior secured revolving credit facility (the "Credit Facility") and our ability to access the capital markets.

As a producer of natural gas, NGLs and oil, we are recognized as an essential business under various federal, state and local regulations related to the COVID-19 pandemic. As such, we have continued to operate throughout the pandemic as permitted under these regulations while taking steps to protect the health and safety of our employees and contract workers. We have implemented protocols to reduce the risk of an outbreak within our field operations, and these protocols have not reduced production or efficiency in a significant manner. While a substantial portion of our non-field level employees operated in remote work from home arrangements through June 30, 2021, we expect to be transitioning to full-time in-office arrangements during the third quarter of 2021.

We have been able to maintain a consistent level of effectiveness through these arrangements, including maintaining our day-to-day operations, our financial reporting systems and our internal control over financial reporting.

Our natural gas, NGLs and oil producing properties are located in the liquids-rich Appalachian Basin. We have hedged through fixed price contracts the sale of 2.2 Bcf per day of natural gas at a weighted average price of \$2.77 per MMBtu for the remainder of 2021. Our hedges cover a substantial majority of our expected natural gas production for the remainder of 2021. We also have fixed priced contracts for the sale of 45,650 barrels per day of propane at a weighted average price of \$31.30 per barrel and 3,000 barrels per day of oil at a weighted average price of \$55.16 per barrel for the remainder of 2021. All of our hedges are financial hedges and do not have physical delivery requirements. As such, any decreases in anticipated production, such as a result of decreased development activity, will not impact our ability to realize the benefits of our hedges.

Our supply chain has not experienced any significant interruptions. The lack of a market or available storage for any one NGL product or oil could result in our having to delay or discontinue well completions and commercial production or shut in production for other products because we cannot curtail the production of individual products in a meaningful way without reducing production of other products. Potential impacts of these constraints may include partial shut-in of production, although we are not able to determine the extent of shut-ins or for how long they may last. However, because some of our wells produce rich gas, which is processed, and some produce dry gas, which does not require processing, we can change the mix of products that we produce and wells that we complete to adjust our production to address takeaway capacity constraints for certain products. For example, we can shut-in rich gas wells and still produce from our dry gas wells if processing or storage capacity of NGL products becomes further limited or constrained. Prior to the COVID-19 pandemic, we had developed a diverse set of buyers and destinations, as well as in-field and off-site storage capacity for our condensate volumes. As a result of the pandemic, we have expanded our customer base and its condensate storage capacity within the Appalachian Basin.

In April 2021, the borrowing base supporting our Credit Facility was subject to its semi-annual redetermination and was re-affirmed at \$2.85 billion. Lender commitments remained unchanged at \$2.64 billion, providing us with a consistent amount of available borrowings. Our next semi-annual borrowing base redetermination is in October 2021, which could impact our available borrowings and liquidity. As of June 30, 2021, we had no borrowings under our Credit Facility and had outstanding letters of credit of \$742 million.

In addition, our borrowing capacity is directly impacted by the amount of financial assurance we are required to provide in the form of letters of credit to third parties, primarily pipeline capacity providers. The amount of financial assurance we provided has not increased during the COVID-19 pandemic and, thus far, we have not experienced any losses due to counterparty risk. However, our ability to limit any additional financial assurance we are required to provide, as well as to protect ourselves from the counterparty risk of our financial hedges, may be limited in the future. Since the onset of the COVID-19 pandemic, we have timely serviced our debt and other obligations, and we have not materially modified the terms of any agreements.

Financing and Asset Sales Program Highlights

Redemption of Senior Notes

We fully redeemed all of our outstanding 5.125% senior notes due December 1, 2022 (the “2022 Notes”) at par, plus accrued and unpaid interest in the first quarter of 2021. During the second quarter of 2021, we fully redeemed all of our outstanding 5.625% senior notes due June 1, 2023 (the “2023 Notes”) at par, plus accrued and unpaid interest.

On July 1, 2021, we redeemed \$175 million of the principal amount of our 8.375% senior notes due July 15, 2026 (the “2026 Notes”) at a redemption price of 108.375% of the principal amount thereof, plus accrued and unpaid interest, which was funded with borrowings on our Credit Facility. Immediately following the redemption, there were \$325 million aggregate principal amount of 2026 Notes outstanding. The \$15 million premium to the principal amount redeemed along with the write-off of a proportional amount of unamortized debt issuance costs will be included in our loss on early debt extinguishment during the third quarter of 2021. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Issuance of Senior Notes

On January 4, 2021, we issued \$500 million of our 2026 Notes at par. On January 26, 2021, we issued \$700 million of 7.625% senior notes due February 1, 2029 (the “2029 Notes”) at par. On June 1, 2021, we issued \$600 million of 5.375% senior notes due March 1, 2030 (the “2030 Notes”). The 2026 Notes, 2029 Notes and 2030 Notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2026 Notes, 2029 Notes and 2030 Notes rank pari passu to our other outstanding senior notes. The 2026 Notes, 2029 Notes and 2030 Notes are guaranteed on a full and

unconditional and joint and several senior unsecured basis by our existing subsidiaries that guarantee the Credit Facility and certain of our future restricted subsidiaries. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Convertible Notes Equitizations

On January 12, 2021, we completed a registered direct offering (the “January Share Offering”) of an aggregate of 31.4 million shares of our common stock at a price of \$6.35 per share to certain holders of our 4.25% convertible senior notes due 2026 (the “2026 Convertible Notes”). We used the proceeds from the January Share Offering and approximately \$63 million of borrowings under the Credit Facility to repurchase from such holders \$150 million aggregate principal amount of the 2026 Convertible Notes in privately negotiated transactions (the “January Convertible Note Repurchase,” and collectively with the January Share Offering, the “January Equitization Transactions”).

On May 13, 2021, we completed a registered direct offering (the “May Share Offering”) of an aggregate of 11.6 million shares of our common stock at a price of \$11.01 per share to certain holders of our 2026 Convertible Notes. We used the proceeds from the May Share Offering and approximately \$26 million of borrowings under the Credit Facility to repurchase from such holders \$56 million aggregate principal amount of the 2026 Convertible Notes in privately negotiated transactions (the “May Convertible Note Repurchase,” and collectively with the May Share Offering, the “May Equitization Transactions”). See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Drilling Partnership

On February 17, 2021, we announced the formation of a drilling partnership with QL Capital Partners (“QL”), an affiliate of Quantum Energy Partners, for our 2021 through 2024 drilling program. Under the terms of the arrangement, each year in which QL participates represents an annual tranche, and QL will be conveyed a working interest in any wells spud by us during such tranche year. For 2021, together with QL, we agreed to a capital budget for such annual tranche, and for each subsequent year through 2024, we will propose a capital budget and estimated internal rate of return (“IRR”) for all wells to be spud during such year and, subject to the mutual agreement of the parties that the estimated IRR for the year exceeds a specified return, QL will be obligated to participate in such tranche. We develop and manage the drilling program associated with each tranche, including the selection of wells. Additionally, for each annual tranche in which QL participates, together with QL, we will enter into an assignment, bill of sale and conveyance pursuant to which QL will be conveyed a proportionate working interest percentage in each well spud in that year, which conveyance will not be subject to any reversion.

Under the terms of the arrangement, QL will fund 20% of development capital for wells spud in 2021 and is expected to fund between 15% and 20% of development capital for wells spud from 2022 through 2024, which funding amounts represent QL’s proportionate working interest in such wells. Additionally, we may receive a carry in the form of a one-time payment from QL for each annual tranche if the IRR for such tranche exceeds certain specified returns, which will be determined no earlier than December 31 following the end of each tranche year. Capital costs in excess of, and cost savings below, a specified percentage of budgeted amounts for each annual tranche will be for our account. Subject to the preceding sentence, for any wells included in a tranche, QL is obligated and responsible for its working interest share of costs and liabilities, and is entitled to its working interest share of revenues, associated with such wells for the life of such wells. If we present a capital budget for an annual tranche with an estimated IRR equal to or exceeding a specified return that QL in good faith believes is less than such specified return and QL elects not to participate, we will not be obligated to offer QL the opportunity to participate in subsequent annual tranches. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information.

Overriding Royalty Interest Additional Contributions

On June 15, 2020, we announced the consummation of a transaction with an affiliate of Sixth Street Partners, LLC (“Sixth Street”) relating to certain overriding royalty interests across our existing asset base (the “ORRIs”). In connection with the transaction, we contributed the ORRIs to a newly formed subsidiary, Martica Holdings LLC (“Martica”). At the initial closing, Sixth Street contributed \$300 million in cash (subject to customary adjustments) and agreed to contribute up to an additional \$102 million in cash if certain production thresholds attributable to the ORRIs were achieved in the third quarter of 2020 and first quarter of 2021. All cash contributed by Sixth Street was distributed to us. We met the applicable production thresholds related to the third quarter of 2020 and first quarter of 2021 as of September 30, 2020 and March 31, 2021, respectively. We received a \$51 million cash distribution during each of the fourth quarter of 2020 and the second quarter of 2021. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information.

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Hedge Position (Excluding Martica)

We are exposed to certain risks relating to our ongoing business operations, and we use derivative instruments to manage our commodity price risk. In addition, we periodically enter into contracts that contain embedded features that are required to be bifurcated and accounted for separately as derivatives. The table below excludes derivative instruments attributable to Martica, our consolidated variable interest entity (“VIE”), since all gains or losses from such contracts are fully attributable to the noncontrolling interests in Martica. As of June 30, 2021, our fixed price natural gas, oil and NGL swap positions excluding Martica, our consolidated VIE, were as follows:

Commodity / Settlement Period	Index	Contracted Volume	Weighted Average Price
Natural Gas			
July-December 2021	Henry Hub	397 Bcf	\$ 2.77 /MMBtu
January-December 2022	Henry Hub	422 Bcf	2.50 /MMBtu
January-December 2023	Henry Hub	16 Bcf	2.37 /MMBtu
		835 Bcf	2.62 /MMBtu
Propane			
July-October 2021	Mont Belvieu Propane-OPIS TET	4,200 MBbl	\$ 31.30 /Bbl
Butane			
July-December 2021	Mont Belvieu Butane-OPIS Non-TET	1,072 MBbl	\$ 34.07 /Bbl
July-December 2021	Mont Belvieu Butane-OPIS TET	534 MBbl	\$ 31.68 /Bbl
Natural Gasoline			
July-December 2021	Mont Belvieu Natural Gasoline-OPIS Non-TET	1,633 MBbl	\$ 50.36 /Bbl
Isobutane			
July-December 2021	Mont Belvieu Isobutane-OPIS Non-TET	948 MBbl	\$ 35.25 /Bbl
Oil			
July-December 2021	West Texas Intermediate	552 MBbl	\$ 55.16 /Bbl

In addition, we have a call option agreement, which entitles the holder, if exercised, to enter into a fixed price swap agreement for approximately 156 Bcf at a price of \$2.77 per MMBtu in 2024.

As of June 30, 2021, our natural gas basis swap positions, which settle on the pricing index to basis differential of the Columbia Gas Transmission pipeline (“TCO”) to the NYMEX Henry Hub natural gas price were as follows:

Commodity / Settlement Period	Index to Basis Differential	Contracted Volume	Weighted Average Hedged Differential
Natural Gas			
July-December 2021	NYMEX to TCO	8 Bcf	\$ 0.414 /MMBtu
January-December 2022	NYMEX to TCO	22 Bcf	0.515 /MMBtu
January-December 2023	NYMEX to TCO	18 Bcf	0.525 /MMBtu
January-December 2024	NYMEX to TCO	18 Bcf	0.530 /MMBtu
		66 Bcf	0.511 /MMBtu

As of June 30, 2021, we had natural gas and NGL contracts that fix the Mont Belvieu index price for natural gasoline to percentages of WTI as follows:

Commodity / Settlement Period	Index to Basis Differential	Contracted Volume	Weighted Average Payout Ratio
Gas Liquids			
July-December 2021	Mont Belvieu Natural Gasoline to WTI	1,716 MBbl	78 %

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As of June 30, 2021, we also had an embedded put option tied to NYMEX pricing for the production volumes associated with our retained interest in the VPP (as defined below) properties of 100 Bcf remaining through December 31, 2026 at a weighted average strike price of \$2.58 per MMBtu.

We believe our hedge position provides some certainty to cash flows supporting our future operations and capital spending plans. As of June 30, 2021, the estimated fair value of our commodity derivative contracts was a net liability of approximately \$918 million. Please see Note 11—Derivative Instruments to the unaudited condensed consolidated financial statements for more information.

Results of Operations

We have three operating segments: (i) the exploration, development and production of natural gas, NGLs, and oil; (ii) marketing and utilization of excess firm transportation capacity; and (iii) midstream services through our equity method investment in Antero Midstream Corporation. Revenues from Antero Midstream Corporation's operations were primarily derived from intersegment transactions for services provided to our exploration and production operations by Antero Midstream Partners. All intersegment transactions were eliminated upon consolidation, including revenues from water handling and treatment services provided by Antero Midstream Partners LP ("Antero Midstream Partners"), which we capitalized as proved property development costs. Marketing revenues are primarily derived from activities to purchase and sell third-party natural gas and NGLs and to market and utilize excess firm transportation capacity. See Note 16—Reportable Segments to the unaudited condensed consolidated financial statements.

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2021

The operating results of our reportable segments were as follows for the three months ended June 30, 2021 and 2021 (in thousands):

	Three Months Ended June 30, 2020				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Revenue and other:					
Natural gas sales	\$ 367,415	—	—	—	367,415
Natural gas liquids sales	212,197	—	—	—	212,197
Oil sales	8,322	—	—	—	8,322
Commodity derivative fair value losses	(168,015)	—	—	—	(168,015)
Gathering, compression, water handling and treatment	—	—	237,342	(237,342)	—
Marketing	—	64,285	—	—	64,285
Other income (loss)	707	—	(17,606)	17,606	707
Total	\$ 420,626	64,285	219,736	(219,736)	484,911
Operating expenses:					
Lease operating	\$ 24,742	—	—	—	24,742
Gathering and compression	202,773	—	42,067	(42,067)	202,773
Processing	242,592	—	—	—	242,592
Transportation	186,480	—	—	—	186,480
Production and ad valorem taxes	19,992	—	—	—	19,992
Marketing	—	113,053	—	—	113,053
Exploration	231	—	—	—	231
Impairment of oil and gas properties	37,350	—	—	—	37,350
Depletion, depreciation, and amortization	214,035	—	27,745	(27,745)	214,035
Accretion of asset retirement obligations	1,111	—	61	(61)	1,111
General and administrative (excluding equity-based compensation)	30,430	—	9,725	(9,725)	30,430
Equity-based compensation	7,973	—	2,697	(2,697)	7,973
Contract termination and rig stacking and other expenses	11,071	—	2,715	(2,715)	11,071
Total	978,780	113,053	85,010	(85,010)	1,091,833
Operating income (loss)	\$ (558,154)	(48,768)	134,726	(134,726)	(606,922)
Equity in earnings of unconsolidated affiliates	\$ 20,228	—	20,947	(20,947)	20,228

	Three Months Ended June 30, 2021				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Revenue and other:					
Natural gas sales	\$ 626,520	—	—	—	626,520
Natural gas liquids sales	464,381	—	—	—	464,381
Oil sales	51,906	—	—	—	51,906
Commodity derivative fair value losses	(831,840)	—	—	—	(831,840)
Gathering, compression, water handling and treatment	—	—	250,455	(250,455)	—
Marketing	—	165,453	—	—	165,453
Amortization of deferred revenue, VPP	11,279	—	—	—	11,279
Gain on sale of assets	2,288	—	—	—	2,288
Other income (loss)	(619)	—	(17,668)	17,668	(619)
Total	<u>\$ 323,915</u>	<u>165,453</u>	<u>232,787</u>	<u>(232,787)</u>	<u>489,368</u>
Operating expenses:					
Lease operating	\$ 21,645	—	—	—	21,645
Gathering and compression	224,073	—	39,555	(39,555)	224,073
Processing	209,627	—	—	—	209,627
Transportation	207,662	—	—	—	207,662
Production and ad valorem taxes	33,694	—	—	—	33,694
Marketing	—	198,994	—	—	198,994
Exploration	5,638	—	—	—	5,638
Impairment of oil and gas properties	9,303	—	—	—	9,303
Depletion, depreciation, and amortization	187,330	—	26,619	(26,619)	187,330
Accretion of asset retirement obligations	1,331	—	114	(114)	1,331
General and administrative (excluding equity-based compensation)	27,928	—	11,192	(11,192)	27,928
Equity-based compensation	4,249	—	3,059	(3,059)	4,249
Contract termination and rig stacking and other expenses	844	—	849	(849)	844
Total	<u>933,324</u>	<u>198,994</u>	<u>81,388</u>	<u>(81,388)</u>	<u>1,132,318</u>
Operating income (loss)	<u>\$ (609,409)</u>	<u>(33,541)</u>	<u>151,399</u>	<u>(151,399)</u>	<u>(642,950)</u>
Equity in earnings of unconsolidated affiliates	\$ 17,477	—	21,515	(21,515)	17,477

Exploration and Production Segment

The following table sets forth selected operating data of the exploration and production segment for the three months ended June 30, 2020 compared to the three months ended June 30, 2021:

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Change
	2020	2021		
Production data ⁽¹⁾:				
Natural gas (Bcf)	215	208	(7)	(3)%
C2 Ethane (MBbl)	4,622	4,356	(266)	(6)%
C3+ NGLs (MBbl)	11,935	10,440	(1,495)	(13)%
Oil (MBbl)	1,004	940	(64)	(6)%
Combined (Bcfe)	320	303	(17)	(5)%
Daily combined production (MMcfe/d)	3,521	3,324	(197)	(6)%
Average prices before effects of derivative settlements ⁽²⁾:				
Natural gas (per Mcf)	\$ 1.71	3.01	1.30	76 %
C2 Ethane (per Bbl)	\$ 5.76	9.97	4.21	73 %
C3+ NGLs (per Bbl)	\$ 15.55	40.32	24.77	159 %
Oil (per Bbl)	\$ 8.29	55.22	46.93	566 %
Weighted Average Combined (per Mcfe)	\$ 1.83	3.78	1.95	107 %
Average realized prices after effects of derivative settlements ⁽²⁾:				
Natural gas (per Mcf)	\$ 2.79	2.91	0.12	4 %
C2 Ethane (per Bbl)	\$ 5.66	9.97	4.31	76 %
C3+ NGLs (per Bbl)	\$ 20.23	35.95	15.72	78 %
Oil (per Bbl)	\$ 33.47	52.05	18.58	56 %
Weighted Average Combined (per Mcfe)	\$ 2.81	3.55	0.74	26 %
Average costs (per Mcfe):				
Lease operating	\$ 0.08	0.07	(0.01)	(13)%
Gathering and compression	\$ 0.63	0.74	0.11	17 %
Processing	\$ 0.76	0.69	(0.07)	(9)%
Transportation	\$ 0.58	0.69	0.11	19 %
Production taxes	\$ 0.06	0.11	0.05	83 %
Marketing, net	\$ 0.15	0.11	(0.04)	(27)%
Depletion, depreciation, amortization and accretion	\$ 0.67	0.62	(0.05)	(7)%
General and administrative (excluding equity-based compensation)	\$ 0.09	0.09	—	— %

(1) Production data excludes volumes related to the volumetric production payment transaction (the "VPP"). Please see Note 3— Transactions to the unaudited condensed consolidated financial statements for more information.

(2) Average sales prices shown in the table reflect both the before and after effects of our settled commodity derivatives. Our calculation of such after effects includes gains on settlements of commodity derivatives, which do not qualify for hedge accounting because we do not designate or document them as hedges for accounting purposes. Oil and NGLs production was converted at 6 Mcf per Bbl to calculate total Bcfe production and per Mcfe amounts. This ratio is an estimate of the equivalent energy content of the products and does not necessarily reflect their relative economic value.

Natural gas sales. Revenues from sales of natural gas increased from \$367 million for the three months ended June 30, 2020 to \$627 million for the three months ended June 30, 2021, an increase of \$260 million, or 71%. Lower natural gas production volumes during the three months ended June 30, 2021 accounted for an approximate \$11 million decrease in year-over-year natural gas sales revenue (calculated as the change in year-to-year volumes times the prior year average price), and increases in commodity prices (excluding the effects of derivative settlements) accounted for an approximate \$271 million increase in year-over-year gas sales revenue (calculated as the change in the year-to-year average price excluding the net proceeds from the litigation times current year production volumes).

NGLs sales. Revenues from sales of NGLs increased from \$212 million for the three months ended June 30, 2020 to \$464 million for the three months ended June 30, 2021, an increase of \$252 million, or 119% (calculated as the change in year-over-year volumes times the change in year-to-year average price). Lower NGLs production volumes accounted for an approximate \$25 million decrease in year-over-year NGL revenues (calculated as the change in year-to-year volumes times the prior year average price), and increases in commodity prices, excluding the effects of derivative settlements, accounted for an approximate \$277 million increase in year-over-year revenues (calculated as the change in the year-to-year average price times current year production volumes).

Oil sales. Revenues from sales of oil increased from \$8 million for the three months ended June 30, 2020 to \$52 million for the three months ended June 30, 2021, an increase of \$44 million, or 524% (calculated as the change in year-over-year volumes times the change in year-to-year average price). Lower oil production volumes accounted for less than \$1 million decrease in year-over-year oil revenues (calculated as the change in year-to-year volumes times the prior year average price), and increases in commodity prices, excluding the effects of derivative settlements, accounted for an approximate \$44 million increase in year-over-year revenues (calculated as the change in the year-to-year average price times current year production volumes).

Commodity derivative fair value gains (losses). To achieve more predictable cash flows, and to reduce our exposure to price fluctuations, we enter into fixed for variable price swap contracts, basis swap contracts and collar contracts when management believes that favorable future sales prices for our production can be secured. Because we do not designate these derivatives as accounting hedges, they do not receive hedge accounting treatment. Consequently, all mark-to-market gains or losses, as well as cash receipts or payments on settled derivative instruments, are recognized in our statements of operations. For the three months ended June 30, 2020 and 2021, our commodity hedges resulted in derivative fair value losses of \$168 million and \$832 million, respectively. For the three months ended June 30, 2020, commodity derivative fair value losses included \$314 million of cash proceeds for gains on settled derivatives. For the three months ended June 30, 2021, commodity derivative fair value losses included \$70 million of cash payments on commodity settled derivatives losses as well as \$5 million for payments on derivative monetizations.

Commodity derivative fair value gains or losses vary based on future commodity prices and have no cash flow impact until the derivative contracts are settled or monetized prior to settlement. Derivative asset or liability positions at the end of any accounting period may reverse to the extent future commodity prices increase or decrease from their levels at the end of the accounting period, or as gains or losses are realized through settlement. We expect continued volatility in commodity prices and the related fair value of our derivative instruments in the future.

Amortization of deferred revenue, VPP. The three months ended June 30, 2021 includes amortization of \$11 million of deferred revenues associated with the VPP that closed during the third quarter of 2020, which relate to the production volumes delivered under the terms of the agreement during such period at approximately \$1.61 per MMBtu. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information on this transaction.

Lease operating expense. Lease operating expense decreased from \$25 million for the three months ended June 30, 2020 to \$22 million for the three months ended June 30, 2021, a decrease of \$3 million or 13%. On a per unit basis, lease operating expenses were \$0.08 per Mcfe for the three months ended June 30, 2020 decreased to \$0.07 per Mcfe for each of the three months ended June 30, 2021 primarily due to cost savings initiatives.

Gathering, compression, processing, and transportation expense. Gathering, compression, processing, and transportation expense increased from \$632 million for the three months ended June 30, 2020 to \$641 million for the three months ended June 30, 2021, an increase of \$9 million or 2%. This increase is primarily a result of higher gathering and compression and transportation costs, partially offset by lower processing costs between periods. Gathering and compression costs increased from \$0.63 per Mcfe for the three months ended June 30, 2020 to \$0.74 per Mcfe for the three months ended June 30, 2021, primarily due to higher fuel costs as a result of increased natural gas prices and \$12 million in incentive fee rebates from Antero Midstream Corporation received during the three months ended June 30, 2020 that were not received during the three months ended June 30, 2021. Processing costs decreased from \$0.76 per Mcfe for the three months ended June 30, 2020 to \$0.69 per Mcfe for the three months ended June 30, 2021, due to lower terminal fees between periods. Transportation costs increased from \$0.58 per Mcfe for the three months ended 2020 to \$0.69 per Mcfe for the three months ended June 30, 2021 primarily due to increased usage on the Rockies Express Pipeline.

Production and ad valorem tax expense. Production and ad valorem taxes increased from \$20 million for the three months ended June 30, 2020 to \$34 million for the three months ended June 30, 2021, an increase of \$14 million, or 69% primarily due to higher commodity prices between periods. Production and ad valorem taxes as a percentage of natural gas revenues was relatively consistent at 5% in each of the three months ended June 30, 2020 and 2021.

Impairment of oil and gas properties. Impairment of oil and gas properties decreased from \$37 million for the three months ended June 30, 2020 to \$9 million for the three months ended June 30, 2021, a decrease of \$28 million, or 75%, primarily related to lower impairments of expiring leases between periods. During both periods, we recognized impairments primarily related to expiring leases and initial costs related to pads we no longer plan to place into service.

Depletion, depreciation, and amortization expense. DD&A expense decreased from \$214 million for the three months ended June 30, 2020 to \$187 million for the three months ended June 30, 2021, a decrease of \$27 million, or 12%, primarily as a result of increased proved reserve volumes due to higher commodity prices as well as lower production volumes between periods. DD&A

expense decreased from \$0.67 per Mcfe for the three months ended June 30, 2020 to \$0.62 per Mcfe for the three months ended June 30, 2021, primarily as a result of increased proved reserve volumes between periods.

General and administrative expense. General and administrative expense (excluding equity-based compensation expense) decreased from \$30 million for the three months ended June 30, 2020 to \$28 million for the three months ended June 30, 2021, a decrease of \$2 million, or 8%. The decrease was primarily due to lower employee headcount during 2021. We had 524 and 504 employees as of June 30, 2020 and 2021, respectively. On a per-unit basis, general and administrative expense excluding equity-based compensation was \$0.09 per Mcfe for both the three months ended June 30, 2020 and 2021, respectively.

Equity-based compensation expense. Noncash equity-based compensation expense decreased from \$8 million for the three months ended June 30, 2020 to \$4 million for the three months ended June 30, 2021, primarily due to equity award forfeitures partially offset by new awards granted to employees. When an equity award is forfeited, expense previously recognized for the award is reversed. Please see Note 9—Equity Based Compensation and Cash Awards to the unaudited condensed consolidated financial statements for more information on equity-based compensation awards.

Marketing Segment

Marketing. Where feasible, we purchase and sell third-party natural gas and NGLs and market our excess firm transportation capacity, or engage third parties to conduct these activities on our behalf, to optimize the revenues from these transportation agreements. We have entered into long-term firm transportation agreements for a significant portion of our current and expected future production to secure guaranteed capacity to favorable markets.

Net marketing expenses decreased from \$49 million, or \$0.15 per Mcfe, for the three months ended June 30, 2020 to \$34 million, or \$0.11 per Mcfe, for the three months ended June 30, 2021. The decrease in net marketing expense was driven by higher marketing volumes and margins that mitigated some of our excess firm transportation expense.

Marketing revenues increased from \$64 million for the three months ended June 30, 2020 to \$165 million for the three months ended June 30, 2021, an increase of \$101 million.

Marketing expenses increased from \$113 million for the three months ended June 30, 2020 to \$199 million for the three months ended June 30, 2021, an increase of \$86 million, or 76%. Marketing expenses include firm transportation costs related to current excess firm capacity as well as the cost of third-party purchased gas and NGLs. Firm transportation costs included in the expenses above were \$41 million and \$19 million for the three months ended June 30, 2020 and 2021, respectively.

Equity Method Investment in Antero Midstream Corporation

Antero Midstream Corporation. Revenue from the Antero Midstream Corporation segment increased from \$220 million for the three months ended June 30, 2020 to \$233 million for the three months ended June 30, 2021, an increase of \$13 million, or 6%, primarily due to higher gathering and compression revenues as a result of increased throughput between periods, partially offset by lower water handling revenue as a result of operational efficiencies. Total operating expenses related to the segment decreased from \$85 million for the three months ended June 30, 2020 to \$81 million for the three months ended June 30, 2021, primarily due to lower water handling operating expenses as a result of operational efficiencies, partially offset by increased gathering and compression expenses due to higher throughput volumes.

Items Not Allocated to Segments

Interest expense. Our interest expense decreased from \$52 million for the three months ended June 30, 2020 to \$50 million for the three months ended June 30, 2021, a decrease of \$2 million or 4%, primarily due to the reduction in debt as a result of the repurchase of certain our unsecured senior notes and increased interest income between periods, partially offset by interest that accrued on the 2026 Convertible Notes, 2026 Notes, 2029 Notes and 2030 Notes, each of which was issued after June 30, 2020.

Gain (loss) on early extinguishment of debt. During the three months ended June 30, 2020, we recognized a gain on early extinguishment of debt of \$39 million related to \$236 million principal amount of debt that we repurchased at a weighted average discount of 17%. During the three months ended June 30, 2021, we equitized \$56 million aggregate principal amount of our 2026 Convertible Notes in the May Equitization Transactions and as a result, we recognized a loss of \$21 million which represents the difference between the fair value of the liability component of the 2026 Convertible Notes and the carrying value of such notes. Additionally, during the three months ended June 30, 2021, we redeemed the remaining balance of \$574 million of our 2023 Notes at

par, plus accrued and unpaid interest and recognized a \$2 million loss on early extinguishment of debt. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Loss on convertible note equitization. During the three months ended June 30, 2021, we recognized a loss of \$12 million for the May Equitization Transactions, which represents the consideration paid in excess of the original terms of the 2026 Convertible Notes. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Transaction expense. We incurred transaction expense of \$6 million for the three months ended June 30, 2020, which expenses included legal and transaction fees associated with the sale of our overriding royalty interest and the creation of Martica. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information on this transaction.

Income tax benefit. Income tax benefit increased from \$142 million, with an effective tax rate of 24%, for the three months ended June 30, 2020 to \$176 million, with an effective tax rate of 25%, for the three months ended June 30, 2021, an increase of \$34 million. The increase was primarily due to a higher loss before income taxes between periods.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2021

The operating results of our reportable segments were as follows for the six months ended June 30, 2020 and 2021 (in thousands):

	Six Months Ended June 30, 2020				Consolidated Total
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	
Revenue and other:					
Natural gas sales	\$ 778,497	—	—	—	778,497
Natural gas liquids sales	469,870	—	—	—	469,870
Oil sales	43,968	—	—	—	43,968
Commodity derivative fair value gains	397,818	—	—	—	397,818
Gathering, compression, water handling and treatment	—	—	498,655	(498,655)	—
Marketing	—	110,358	—	—	110,358
Other income (loss)	1,505	—	(35,211)	35,211	1,505
Total	\$ 1,691,658	110,358	463,444	(463,444)	1,802,016
Operating expenses:					
Lease operating	50,386	—	—	—	50,386
Gathering and compression	395,781	—	90,795	(90,795)	395,781
Processing	452,828	—	—	—	452,828
Transportation	371,860	—	—	—	371,860
Production and ad valorem taxes	45,691	—	—	—	45,691
Marketing	—	206,326	—	—	206,326
Exploration	441	—	—	—	441
Impairment of oil and gas properties	126,570	—	—	—	126,570
Impairment of midstream assets	—	—	664,544	(664,544)	—
Depletion, depreciation, and amortization	413,712	—	55,088	(55,088)	413,712
Accretion of asset retirement obligations	2,215	—	103	(103)	2,215
General and administrative (excluding equity-based compensation)	58,322	—	19,924	(19,924)	58,322
Equity-based compensation	11,302	—	6,035	(6,035)	11,302
Contract termination and rig stacking and other expenses	11,071	—	11,393	(11,393)	11,071
Total	1,940,179	206,326	847,882	(847,882)	2,146,505
Operating loss	\$ (248,521)	(95,968)	(384,438)	384,438	(344,489)
Equity in earnings (loss) of unconsolidated affiliates	\$ (107,827)	—	40,024	(40,024)	(107,827)

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	Six Months Ended June 30, 2021				
	Exploration and Production	Marketing	Equity Method Investment in Antero Midstream Corporation	Elimination of Intersegment Transactions and Unconsolidated Affiliates	Consolidated Total
Revenue and other:					
Natural gas sales	\$ 1,346,889	—	—	—	1,346,889
Natural gas liquids sales	904,700	—	—	—	904,700
Oil sales	96,592	—	—	—	96,592
Commodity derivative fair value gains	(1,009,596)	—	—	—	(1,009,596)
Gathering, compression, water handling and treatment	—	—	492,244	(492,244)	—
Marketing	—	330,243	—	—	330,243
Amortization of deferred revenue, VPP	22,429	—	—	—	22,429
Gain on sale of assets	2,288	—	—	—	2,288
Other income	21	—	(35,336)	35,336	21
Total	<u>\$ 1,363,323</u>	<u>330,243</u>	<u>456,908</u>	<u>(456,908)</u>	<u>1,693,566</u>
Operating expenses:					
Lease operating	\$ 46,192	—	—	—	46,192
Gathering and compression	444,361	—	78,869	(78,869)	444,361
Processing	393,947	—	—	—	393,947
Transportation	408,131	—	—	—	408,131
Production and ad valorem taxes	78,391	—	—	—	78,391
Marketing	—	361,071	—	—	361,071
Exploration	5,857	—	—	—	5,857
Impairment of oil and gas properties	43,365	—	—	—	43,365
Impairment of midstream assets	—	—	1,379	(1,379)	—
Depletion, depreciation, and amortization	381,356	—	53,469	(53,469)	381,356
Accretion of asset retirement obligations	2,119	—	233	(233)	2,119
General and administrative (excluding equity-based compensation)	66,360	—	25,110	(25,110)	66,360
Equity-based compensation	9,891	—	7,071	(7,071)	9,891
Contract termination and rig stacking and other expenses	935	—	5,791	(5,791)	935
Total	<u>1,880,905</u>	<u>361,071</u>	<u>171,922</u>	<u>(171,922)</u>	<u>2,241,976</u>
Operating income (loss)	<u>\$ (517,582)</u>	<u>(30,828)</u>	<u>284,986</u>	<u>(284,986)</u>	<u>(548,410)</u>
Equity in earnings of unconsolidated affiliates	\$ 36,171	—	42,259	(42,259)	36,171

Exploration and Production Segment

The following table sets forth selected operating data of the exploration and production segment for the six months ended June 30, 2020 compared to the six months ended June 30, 2021:

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Change
	2020	2021		
Production data ^{(1) (2):}				
Natural gas (Bcf)	423	415	(8)	(2)%
C2 Ethane (MBbl)	9,227	8,761	(466)	(5)%
C3+ NGLs (MBbl)	22,767	20,366	(2,401)	(11)%
Oil (MBbl)	1,941	1,900	(41)	(2)%
Combined (Bcfe)	627	601	(26)	(4)%
Daily combined production (MMcfe/d)	3,444	3,323	(121)	(4)%
Average prices before effects of derivative settlements ^{(3):}				
Natural gas (per Mcf)	\$ 1.84	3.24	1.40	76 %
C2 Ethane (per Bbl)	\$ 5.79	9.08	3.29	57 %
C3+ NGLs (per Bbl)	\$ 18.29	40.52	22.23	122 %
Oil (per Bbl)	\$ 22.65	50.84	28.19	124 %
Weighted Average Combined (per Mcfe)	\$ 2.06	3.90	1.84	89 %
Average realized prices after effects of derivative settlements ^{(3):}				
Natural gas (per Mcf)	\$ 2.84	3.23	0.39	14 %
C2 Ethane (per Bbl)	\$ 5.74	8.74	3.00	52 %
C3+ NGLs (per Bbl)	\$ 21.34	37.82	16.48	77 %
Oil (per Bbl)	\$ 40.15	48.90	8.75	22 %
Weighted Average Combined (per Mcfe)	\$ 2.90	3.80	0.90	31 %
Average costs (per Mcfe):				
Lease operating	\$ 0.08	0.08	—	— %
Gathering and compression	\$ 0.63	0.74	0.11	17 %
Processing	\$ 0.72	0.65	(0.07)	(10)%
Transportation	\$ 0.59	0.68	0.09	15 %
Production and ad valorem taxes	\$ 0.07	0.13	0.06	86 %
Marketing expense, net	\$ 0.15	0.05	(0.10)	(67)%
Depletion, depreciation, amortization, and accretion	\$ 0.66	0.64	(0.02)	(3)%
General and administrative (excluding equity-based compensation)	\$ 0.09	0.11	0.02	22 %

- (1) Production data excludes volumes related to the volumetric production payment transaction (the "VPP"). Please see Note 3— Transactions to the unaudited condensed consolidated financial statements for more information.
- (2) Average sales prices shown in the table reflect both the before and after effects of our settled commodity derivatives. Our calculation of such after effects includes gains on settlements of commodity derivatives, which do not qualify for hedge accounting because we do not designate or document them as hedges for accounting purposes. Oil and NGLs production was converted at 6 Mcf per Bbl to calculate total Bcfe production and per Mcfe amounts. This ratio is an estimate of the equivalent energy content of the products and does not necessarily reflect their relative economic value.
- (3) The average realized price for the six months ended June 30, 2021 includes \$85 million of net litigation proceeds related to a favorable litigation judgment. See Note 14—Contingencies to the unaudited condensed consolidated financial statements for further discussion on the litigation proceeds. Excluding the effect of the litigation proceeds received, the average realized price would have been \$3.04 per Mcf.

Natural gas sales. Revenues from sales of natural gas increased from \$778 million for the six months ended June 30, 2020 to \$1.3 billion, which included litigation proceeds of \$85 million, for the six months ended June 30, 2021, an increase of \$568 million, or 73%. Please see Note 14— Contingencies to the unaudited condensed consolidated financial statements for more information on the litigation proceeds.

Excluding net litigation proceeds, lower natural gas production volumes during the six months ended June 30, 2021 accounted for an approximate \$14 million decrease in year-over-year natural gas sales revenue (calculated as the change in year-to-year volumes times the prior year average price excluding the net proceeds from the litigation), and increases in commodity prices (excluding the effects of derivative settlements) accounted for an approximate \$497 million increase in year-over-year gas sales revenue (calculated as the change in the year-to-year average price excluding the net proceeds from the litigation times current year production volumes).

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NGLs sales. Revenues from sales of NGLs increased from \$470 million for the six months ended June 30, 2020 to \$905 million for the six months ended June 30, 2021, an increase of \$435 million, or 93% (calculated as the change in year-over-year volumes times the change in year-to-year average price). Lower NGLs production volumes accounted for an approximate \$47 million decrease in year-over-year NGL revenues (calculated as the change in year-to-year volumes times the prior year average price), and increases in commodity prices, excluding the effects of derivative settlements, accounted for an approximate \$482 million increase in year-over-year revenues (calculated as the change in the year-to-year average price times current year production volumes).

Oil sales. Revenues from sales of oil increased from \$44 million for the six months ended June 30, 2020 to \$97 million for the six months ended June 30, 2021, an increase of \$53 million, or 120% (calculated as the change in year-over-year volumes times the change in year-to-year average price). Lower oil production volumes accounted for a \$1 million decrease in year-over-year oil revenues (calculated as the change in year-to-year volumes times the prior year average price), and increases in commodity prices, excluding the effects of derivative settlements, accounted for an approximate \$54 million increase in year-over-year revenues (calculated as the change in the year-to-year average price times current year production volumes).

Commodity derivative fair value gains (losses). To achieve more predictable cash flows, and to reduce our exposure to price fluctuations, we enter into fixed for variable price swap contracts, basis swap contracts and collar contracts when management believes that favorable future sales prices for our production can be secured. Because we do not designate these derivatives as accounting hedges, they do not receive hedge accounting treatment. Consequently, all mark-to-market gains or losses, as well as cash receipts or payments on settled derivative instruments, are recognized in our statements of operations. For the six months ended June 30, 2020, our commodity hedges resulted in derivative fair value gains of \$398 million. For the six months ended June 30, 2021, our commodity hedges resulted in derivative fair value loss of \$1.0 billion. Commodity derivative fair value losses included \$525 million of cash proceeds for gains on settled derivatives for the six months ended June 30, 2020. For the six months ended June 30, 2021, commodity derivative fair value losses included \$65 million of cash payments on commodity derivative losses as well as \$5 million for payments on derivative monetizations.

Commodity derivative fair value gains or losses vary based on future commodity prices and have no cash flow impact until the derivative contracts are settled or monetized prior to settlement. Derivative asset or liability positions at the end of any accounting period may reverse to the extent future commodity prices increase or decrease from their levels at the end of the accounting period, or as gains or losses are realized through settlement. We expect continued volatility in commodity prices and the related fair value of our derivative instruments in the future.

Amortization of deferred revenue, VPP. The six months ended June 30, 2021 includes amortization of \$22 million of deferred revenues associated with the VPP that closed during the third quarter of 2020, which relate to the production volumes delivered under the terms of the agreement during such period at approximately \$1.61 per MMBtu. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information on this transaction.

Lease operating expense. Lease operating expense decreased from \$50 million for the six months ended June 30, 2020 to \$46 million for the six months ended June 30, 2021, a decrease of \$4 million or 8% primarily due to cost savings initiatives. On a per unit basis, lease operating expenses were \$0.08 per Mcfe for each of the six months ended June 30, 2020 and 2021.

Gathering, compression, processing, and transportation expense. Gathering, compression, processing, and transportation expense remained relatively flat at \$1.2 billion for both the six months ended June 30, 2020 and 2021. Gathering and compression costs increased from \$0.63 per Mcfe for the six months ended June 30, 2020 to \$0.74 per Mcfe for the six months ended June 30, 2021, primarily due to higher fuel costs as a result of increased natural gas prices and \$24 million in incentive fee rebates from Antero Midstream Corporation received during the six months ended June 30, 2020 that were not received during the six months ended June 30, 2021. Processing costs decreased from \$0.72 per Mcfe for the six months ended June 30, 2020 to \$0.65 per Mcfe for the six months ended June 30, 2021, due to lower terminal fees between periods. Transportation costs increased from \$0.59 per Mcfe for the six months ended June 30, 2020 to \$0.68 per Mcfe for the six months ended June 30, 2021 primarily due to increased usage on the Rockies Express Pipeline.

Production and ad valorem tax expense. Production and ad valorem taxes increased from \$46 million for the six months ended June 30, 2020 to \$78 million for the six months ended June 30, 2021, an increase of \$32 million, or 72% primarily due to higher commodity prices between periods and \$5 million for the litigation judgment. Production and ad valorem taxes as a percentage of natural gas revenues was relatively consistent at 6% in each of the six months ended June 30, 2020 and 2021.

Impairment of oil and gas properties. Impairment of oil and gas properties decreased from \$127 million for the six months ended June 30, 2020 to \$43 million for the six months ended June 30, 2021, a decrease of \$84 million, or 66%, primarily related to

lower impairments of expiring leases between periods. During both periods, we recognized impairments primarily related to expiring leases as well as design and initial costs related to pads we no longer plan to place into service.

Depletion, depreciation, and amortization expense. DD&A expense decreased from \$414 million for the six months ended June 30, 2020 to \$381 million for the six months ended June 30, 2021, a decrease of \$33 million, or 8%, primarily as a result of increased proved reserve volumes between periods due to higher commodity prices as well as lower production volumes between periods. DD&A per Mcfe remained relatively consistent at \$0.66 per Mcfe and \$0.64 per Mcfe during the six months ended June 30, 2020 and 2021, respectively.

General and administrative expense. General and administrative expense (excluding equity-based compensation expense) increased from \$58 million for the six months ended June 30, 2020 to \$66 million for the six months ended June 30, 2021, an increase of \$8 million, or 14%. The increase was primarily due to higher salary and wage expense between periods, which includes our annual incentive program that was significantly reduced during 2020. We had 524 and 504 employees as of June 30, 2020 and 2021, respectively. On a per-unit basis, general and administrative expense excluding equity-based compensation increased by \$0.02 per Mcfe, from \$0.09 per Mcfe during the six months ended June 30, 2020 to \$0.11 per Mcfe during the six months ended June 30, 2021 as a result of lower production volumes and higher overall costs between periods.

Equity-based compensation expense. Noncash equity-based compensation expense decreased from \$11 million for the six months ended June 30, 2020 to \$10 million for the six months ended June 30, 2021, primarily due to equity award forfeitures partially offset by new awards granted to employees. When an equity award is forfeited, expense previously recognized for the award is reversed. Please see Note 9—Equity Based Compensation and Cash Awards to the unaudited condensed consolidated financial statements for more information on equity-based compensation awards.

Marketing Segment

Marketing. Where feasible, we purchase and sell third-party natural gas and NGLs and market our excess firm transportation capacity, or engage third parties to conduct these activities on our behalf, to optimize the revenues from these transportation agreements. We have entered into long-term firm transportation agreements for a significant portion of our current and expected future production to secure guaranteed capacity to favorable markets.

Net marketing expenses decreased from \$96 million, or \$0.15 per Mcfe, for the six months ended June 30, 2020 to \$31 million, or \$0.05 per Mcfe, for the six months ended June 30, 2021. The decrease was driven by higher marketing volumes and margins that mitigated some of our excess firm transportation expense.

Marketing revenues increased from \$110 million for the six months ended June 30, 2020 to \$330 million for the six months ended June 30, 2021, an increase of \$220 million.

Marketing expenses increased from \$206 million for the six months ended June 30, 2020 to \$361 million for the six months ended June 30, 2021, an increase of \$155 million, or 75%. Marketing expenses include firm transportation costs related to current excess firm capacity as well as the cost of third-party purchased gas and NGLs. Firm transportation costs included in the expenses above were \$88 million and \$53 million for the six months ended June 30, 2020 and 2021, respectively.

Equity Method Investment in Antero Midstream Corporation

Antero Midstream Corporation. Revenue from the Antero Midstream Corporation segment decreased from \$463 million for the six months ended June 30, 2020 to \$457 million for the six months ended June 30, 2021, a decrease of \$6 million, or 1%, primarily due to lower fresh water delivery revenue as a result of decreased well completions period-over-period, partially offset by higher gathering and compression revenues as a result of increased throughput between periods. Total operating expenses related to the segment decreased from \$848 million for the six months ended June 30, 2020 to \$172 million for the six months ended June 30, 2021, was primarily due to impairments by Antero Midstream Corporation during the six months ended June 30, 2020 of \$89 million on its freshwater pipelines and equipment and impairment of goodwill of \$575 million. Antero Midstream Corporation's impairment expense was \$1 million for the six months ended June 30, 2021 due to a lower of cost of market adjustment for pipe inventory.

Items Not Allocated to Segments

Interest expense. Our interest expense decreased from \$105 million for the six months ended June 30, 2020 to \$93 million for the six months ended June 30, 2021 primarily due to the reduction in debt as a result of our debt repurchases of our unsecured

senior notes and increased interest income between periods, partially offset by interest that accrued on the 2026 Convertible Notes, 2026 Notes, 2029 Notes and 2030 Notes, each of which was issued after June 30, 2020.

Impairment of equity investment. As of March 31, 2020, we determined that events and circumstances indicated that the carrying value of our equity method investment in Antero Midstream Corporation had experienced an other-than-temporary decline and we recorded an impairment of \$611 million. The fair value of the equity method investment in Antero Midstream Corporation was based on the quoted market share price of Antero Midstream Corporation as of March 31, 2020. There was no such impairment for the six months ended June 30, 2021.

Gain (loss) on early extinguishment of debt. During the six months ended June 30, 2020, we recognized a gain on early extinguishment of debt of \$120 million related to \$619 million principal amount of debt that we repurchased at a weighted average discount of 19%. During the six months ended June 30, 2021, we equitized \$206 million aggregate principal amount of our 2026 Convertible Notes in privately negotiated exchange transactions and as a result, we recognized a loss of \$61 million which represents the difference between the fair value of the liability component of the 2026 Convertible Notes and the carrying value of such notes. Additionally, during the six months ended June 30, 2021, we redeemed the remaining balance of \$661 million of our 2022 Notes at par, plus accrued and unpaid interest and the remaining balance of \$574 million of our 2023 Notes at par, plus accrued and unpaid interest and recognized a \$5 million loss on early extinguishment of debt. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Loss on convertible note equitization. During the six months ended June 30, 2021, we recognized a loss of \$51 million for the January Equitization Transactions and the May Equitization Transactions, which represents the consideration paid in excess of the original terms of the 2026 Convertible Notes. See Note 7—Long-Term Debt to the unaudited condensed consolidated financial statements for more information.

Transaction expense. Transaction expense decreased from \$6 million for the six months ended June 30, 2020 to \$2 million for the six months ended June 30, 2021, a decrease of \$4 million or 66%. Transaction expenses for the six months ended June 30, 2020 included legal and transaction fees associated with the sale of our overriding royalty interest and the creation of Martica. For the six months ended June 30, 2021, transaction expense included legal and transaction fees associated with the drilling partnership. See Note 3—Transactions to the unaudited condensed consolidated financial statements for more information on this transaction.

Income tax benefit. Income tax benefit decreased from \$252 million, with an effective tax rate of 24%, for the six months ended June 30, 2020 to \$179 million, with an effective tax rate of 25%, for the six months ended June 30, 2021, a decrease of \$73 million. The decrease was primarily due to lower loss before income taxes between periods.

Capital Resources and Liquidity

Sources and Uses of Cash

Our primary sources of liquidity have been through net cash provided by operating activities including proceeds from derivatives, as well as borrowings under the Credit Facility, issuances of debt and equity securities, and additional contributions from our asset sales program, including our drilling partnership. Our primary use of cash has been for the exploration, development, and acquisition of oil and natural gas properties. As we develop our reserves, we continually monitor what capital resources, including equity and debt financings, are available to meet our future financial obligations, planned capital expenditure activities, and liquidity requirements. Our future success in growing our proved reserves and production will be highly dependent on net cash provided by operating activities and the capital resources available to us. For information about the impacts of COVID-19 on our capital resources and liquidity, see “—COVID-19 Pandemic.”

Based on strip prices as of June 30, 2021, we believe that net cash provided by operating activities, distributions from unconsolidated affiliate, available borrowings under the Credit Facility, capital market transactions and the effects of the drilling partnership will be sufficient to meet our cash requirements, including normal operating needs, debt service obligations, capital expenditures, and commitments and contingencies for at least the next 12 months.

2021 Capital Budget and Capital Spending

On February 17, 2021, we announced our net capital budget for 2021 is \$635 million, which includes: \$590 million for drilling and completion and \$45 million for leasehold expenditures. We do not include acquisitions in our capital budget. We periodically review our capital expenditures and adjust our budget and its allocation based on commodity prices, takeaway constraints, operating cash flow and liquidity, and on July 28, 2021, we announced a \$22.5 million increase for our leasehold expenditures to \$65

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million for 2021 to reflect accelerated leasing activity focused on organically expanding our core liquids rich inventory. As a result, our total net capital budget for 2021 was revised to \$657.5 million.

For the six months ended June 30, 2021, our total consolidated capital expenditures, which excludes QL's working interest share of such costs, were approximately \$341 million, including drilling and completion costs of \$307 million, leasehold acquisitions of \$31 million, and other capital expenditures of \$3 million.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2020 and 2021:

	Six Months Ended June 30,	
	2020	2021
Net cash provided by operating activities	\$ 316,640	872,272
Net cash used in investing activities	(449,608)	(302,878)
Net cash provided by (used in) financing activities	132,968	(564,853)
Net increase in cash and cash equivalents	\$ —	4,541

Operating Activities. Net cash provided by operating activities was \$317 million and \$872 million for the six months ended June 30, 2020 and 2021, respectively. Net cash provided by operating activities increased primarily due to increases in commodity prices both before and after the effects of settled commodity derivatives, decreased net marketing expense as well as decreased cash utilized for working capital, partially offset by increases in gathering, compression and transportation costs and production and ad valorem taxes between periods.

Our net operating cash flows are sensitive to many variables, the most significant of which is the volatility of natural gas, NGLs, and oil prices, as well as volatility in the cash flows attributable to settlement of our commodity derivatives. Prices for natural gas, NGLs, and oil are primarily determined by prevailing market conditions. Regional and worldwide economic activity, weather, infrastructure capacity to reach markets, storage capacity and other variables influence the market conditions for these products. For example, the impact of the COVID-19 outbreak has reduced domestic and international demand for natural gas, NGLs, and oil. These factors are beyond our control and are difficult to predict.

Investing Activities. Cash flows used in investing activities decreased from \$450 million for the six months ended June 30, 2020 to \$303 million for the six months ended June 30, 2021, primarily due to a decrease in capital expenditures of \$269 million during the six months ended June 30, 2020 as compared to the same period in 2021, which was partially offset by \$125 million in settlement of the water earnout impacting the six months ended June 30, 2020.

Financing Activities. Net cash flows provided by (used in) financing activities changed from \$133 million net cash flows provided by financing activities for the six months ended June 30, 2020 to \$565 million net cash used in financing activities for the six months ended June 30, 2021. During the six months ended June 30, 2021, we issued \$500 million aggregate principal amount of 2026 Notes, \$700 million aggregate principal amount of 2029 Notes and \$600 million aggregate principal amount of 2030 Notes (net of \$22 million of aggregate debt issuance costs), of which proceeds were used to (i) redeem \$661 million aggregate principal amount of our 2022 Notes, which were fully retired, (ii) redeem \$574 million of our 2023 Notes, which were fully retired and (iii) partially repay borrowings on our Credit Facility. Also, during the six months ended June 30, 2021, we completed the January Share Offering and the May Share Offering and used the proceeds and approximately \$89 million of borrowings under the Credit Facility to repurchase \$206 million aggregate principal amount of the 2026 Convertible Notes in privately negotiated transactions. Additionally, during the six months ended June 30, 2021, we received a \$51 million payment from Martica and distributed \$46 million to the noncontrolling interest in Martica. Further, we repaid the remaining outstanding balance on our Credit Facility with net cash provided by operating activities. During the six months ended June 30, 2020, we repurchased (i) \$619 million principal amount of debt at a weighted average discount of 19% for \$497 million of cash and (ii) \$43 million of our common stock at weighted average price of \$1.54 per share.

Debt Agreements

Senior Secured Revolving Credit Facility

Our Credit Facility is with a consortium of bank lenders. Borrowings under the Credit Facility are subject to borrowing base limitations based on the collateral value of our assets and are subject to regular redeterminations. The borrowing base was re-affirmed

at \$2.85 billion in the semi-annual redetermination in April 2021. The next redetermination of the borrowing base is scheduled to occur in October 2021. The Credit Facility is scheduled to mature on October 26, 2022.

As of June 30, 2021, we had no borrowings and had \$742 million of letters of credit outstanding under the Credit Facility.

We were in compliance with the applicable covenants and ratios as of December 31, 2020 and June 30, 2021. As of June 30, 2021, our current ratio was 3.0 to 1.0 and our interest coverage ratio was 13.8 to 1.0.

For more information on the terms, conditions, and restrictions under the Credit Facility, please refer to the 2020 Form 10-K.

Senior Notes and Convertible Senior Notes

Please refer to Note 7—Long Term Debt to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the 2020 Form 10-K for information on our senior notes.

Non-GAAP Financial Measures

Adjusted EBITDAX is a non-GAAP financial measure that we define as net income (loss), including noncontrolling interests, before interest expense, interest income, gains or losses from commodity derivatives, amortization of deferred revenue, gain on sale of assets but including net cash receipts or payments on derivative instruments included in derivative gains or losses other than payments from derivative monetizations, income taxes, impairments, depletion, depreciation, amortization, and accretion, exploration expense, equity-based compensation, gain (loss) on early extinguishment of debt, contract termination and rig stacking costs, equity in earnings (loss) of unconsolidated affiliate, transaction fees and loss on convertible note equityization.

Adjusted EBITDAX as used and defined by us, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with GAAP. Adjusted EBITDAX should not be considered in isolation or as a substitute for operating income or loss, net income or loss, cash flows provided by operating, investing, and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. Adjusted EBITDAX provides no information regarding our capital structure, borrowings, interest costs, capital expenditures, working capital movement, or tax position. Adjusted EBITDAX does not represent funds available for discretionary use because those funds may be required for debt service, capital expenditures, working capital, income taxes, exploration expenses, and other commitments and obligations. However, our management team believes Adjusted EBITDAX is useful to an investor in evaluating our financial performance because this measure:

- is widely used by investors in the oil and natural gas industry to measure operating performance without regard to items excluded from the calculation of such term, which may vary substantially from company to company depending upon accounting methods and the book value of assets, capital structure and the method by which assets were acquired, among other factors;
- helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital and legal structure from our operating structure;
- is used by our management team for various purposes, including as a measure of our operating performance, in presentations to our Board of Directors, and as a basis for strategic planning and forecasting; and
- is used by our Board of Directors as a performance measure in determining executive compensation.

There are significant limitations to using Adjusted EBITDAX as a measure of performance, including the inability to analyze the effects of certain recurring and non-recurring items that materially affect our net income or loss, the lack of comparability of results of operations of different companies, and the different methods of calculating Adjusted EBITDAX reported by different companies.

The following table represents a reconciliation of our net income (loss), including noncontrolling interest, to Adjusted EBITDAX and a reconciliation of our Adjusted EBITDAX to net cash provided by operating activities per our unaudited condensed consolidated statements of cash flows, in each case, for the three and six months ended June 30, 2020 and 2021 (in thousands). Adjusted EBITDAX also excludes the noncontrolling interests in Martica and these adjustments are disclosed in the table below as Martica related adjustments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2021	2020	2021
Reconciliation of net loss to Adjusted EBITDAX:				
Net loss and comprehensive loss attributable to Antero Resources Corporation	\$ (463,304)	(523,467)	(802,114)	(538,966)
Net income (loss) and comprehensive income (loss) attributable to noncontrolling interests	236	(10,984)	236	(6,589)
Unrealized commodity derivative losses	481,927	756,998	127,020	940,076
Payments for derivative monetizations	—	4,569	—	4,569
Amortization of deferred revenue, VPP	—	(11,279)	—	(22,429)
Gain on sale of assets	—	(2,288)	(31)	(2,288)
Interest expense, net	51,811	49,963	104,913	92,706
Loss (gain) on early extinguishment of debt	(39,171)	23,065	(119,732)	66,269
Loss on convertible note equitizations	—	11,731	—	50,777
Provision for income tax benefit	(142,404)	(175,966)	(252,389)	(178,912)
Depletion, depreciation, amortizations, and accretion	215,146	188,661	415,927	383,475
Impairment of oil and gas properties	37,350	9,303	126,570	43,365
Impairment of equity method investment	—	—	610,632	—
Exploration expense	231	5,638	441	5,857
Equity-based compensation expense	7,973	4,249	11,302	9,891
Equity in (earnings) loss of unconsolidated affiliate	(20,228)	(17,477)	107,827	(36,171)
Dividends from unconsolidated affiliate	42,755	31,284	85,511	74,040
Contract termination and rig stacking	11,071	844	11,071	935
Transaction expense	6,138	185	6,138	2,476
	<u>189,531</u>	<u>345,029</u>	<u>433,322</u>	<u>889,081</u>
Martica related adjustments ⁽¹⁾	(3,100)	(25,677)	(3,100)	(50,239)
Adjusted EBITDAX	<u>\$ 186,431</u>	<u>319,352</u>	<u>430,222</u>	<u>838,842</u>

Reconciliation of our Adjusted EBITDAX to net cash provided by operating activities:

Adjusted EBITDAX	\$ 186,431	319,352	430,222	838,842
Martica related adjustments ⁽¹⁾	3,100	25,677	3,100	50,239
Interest expense, net	(51,811)	(49,963)	(104,913)	(92,706)
Exploration expense	(231)	(5,638)	(441)	(5,857)
Changes in current assets and liabilities	(6,310)	21,370	1,417	81,857
Transaction expense	(6,138)	(185)	(6,138)	(2,476)
Payments for derivative monetizations	—	(4,569)	—	(4,569)
Other items	(9,078)	2,497	(6,607)	6,942
Net cash provided by operating activities	<u>\$ 115,963</u>	<u>308,541</u>	<u>316,640</u>	<u>872,272</u>

(1) Adjustments reflect noncontrolling interests in Martica not otherwise adjusted in amounts above.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our unaudited condensed consolidated financial statements. Our more significant accounting policies and estimates include the successful efforts method of accounting for our production activities, estimates of natural gas, NGLs, and oil reserve quantities and standardized measures of future cash flows, and impairment of proved properties. We provide an expanded discussion of our more significant accounting policies,

estimates and judgments in the 2020 Form 10-K. We believe these accounting policies reflect our more significant estimates and assumptions used in the preparation of our unaudited condensed consolidated financial statements. Also, see Note 2—Summary of Significant Accounting Policies to the consolidated financial statements, included in the 2020 Form 10-K, for a discussion of additional accounting policies and estimates made by management.

We evaluate the carrying amount of our proved natural gas, NGLs, and oil properties for impairment for the Utica and Marcellus Shale properties, by property, when events or changes in circumstances indicate that a property's carrying amount may not be recoverable. Under GAAP for successful efforts accounting, if the carrying amount exceeds the estimated undiscounted future net cash flows (measured using future prices), we estimate the fair value of our proved properties and record an impairment charge for any excess of the carrying amount of the properties over the estimated fair value of the properties.

Based on future prices as of June 30, 2021, the estimated undiscounted future net cash flows exceeded the carrying amount and no further evaluation was required. We have not recorded any impairment expenses associated with our proved properties during the three and six months ended June 30, 2020 and 2021.

Estimated undiscounted future net cash flows are very sensitive to commodity price swings at current commodity price levels and a relatively small decline in prices could result in the carrying amount exceeding the estimated undiscounted future net cash flows at the end of a future reporting period, which would require us to further evaluate if an impairment charge would be necessary. If future prices decline from June 30, 2021, the fair value of our properties may be below their carrying amounts and an impairment charge may be necessary. We are unable, however, to predict future commodity prices with any reasonable certainty.

New Accounting Pronouncements

Please refer to Note 2—Summary of Significant Accounting Policies to the unaudited condensed consolidated financial statements for information on new accounting pronouncements.

Off-Balance Sheet Arrangements

As of June 30, 2021, we did not have any off balance sheet arrangements other than contractual commitments for firm transportation, gas processing and fractionation, gathering, and compression services and land payment obligations. Please refer to Note 13—Commitments to the unaudited condensed consolidated financial statements for further information on off balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term "market risk" refers to the risk of loss arising from adverse changes in natural gas, NGLs, and oil prices, as well as interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Commodity Hedging Activities

Our primary market risk exposure is in the price we receive for our natural gas, NGLs, and oil production. Pricing is primarily driven by spot regional market prices applicable to our U.S. natural gas production and the prevailing worldwide price for oil. Pricing for natural gas, NGLs, and oil has, historically, been volatile and unpredictable, and we expect this volatility to continue in the future. The prices we receive for our production depend on many factors outside of our control, including volatility in the differences between commodity prices at sales points and the applicable index price.

To mitigate some of the potential negative impact on our cash flows caused by changes in commodity prices, we enter into financial derivative instruments for a portion of our natural gas, NGLs, and oil production when management believes that favorable future prices can be secured.

Our financial hedging activities are intended to support natural gas, NGLs, and oil prices at targeted levels and to manage our exposure to natural gas, NGLs, and oil price fluctuations. These contracts may include commodity price swaps whereby we will receive a fixed price and pay a variable market price to the contract counterparty, collars that set a floor and ceiling price for the hedged production, basis differential swaps or embedded options. These contracts are financial instruments and do not require or

allow for physical delivery of the hedged commodity. As of June 30, 2021, our commodity derivatives included fixed price swaps and basis differential swaps at index-based pricing.

As of June 30, 2021, we had in place natural gas swaps covering portions of our projected production through 2023. Our commodity hedge position as of June 30, 2021 is summarized in Note 11—Derivative Instruments to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Under the Credit Facility, we are permitted to hedge up to 75% of our projected production for the next 60 months. We may enter into hedge contracts with a term greater than 60 months, and for no longer than 72 months, for up to 65% of our estimated production. Based on our production and our fixed price swap contracts and embedded put option that settled during the six months ended June 30, 2021, our revenues would have decreased by approximately \$15 million for each \$0.10 decrease per MMBtu in natural gas prices and \$1.00 decrease per Bbl in oil and NGLs prices, excluding the effects of changes in the fair value of our derivative positions which remain open as of June 30, 2021.

All derivative instruments, other than those that meet the normal purchase and normal sale scope exception or other derivative scope exceptions, are recorded at fair market value in accordance with GAAP and are included in our consolidated balance sheets as assets or liabilities. The fair values of our derivative instruments are adjusted for non-performance risk. Because we do not designate these derivatives as accounting hedges, they do not receive hedge accounting treatment; therefore, all mark-to-market gains or losses, as well as cash receipts or payments on settled derivative instruments, are recognized in our statements of operations. We present total gains or losses on commodity derivatives (for both settled derivatives and derivative positions which remain open) within operating revenues as “Commodity derivative fair value gains (losses).”

Mark-to-market adjustments of derivative instruments cause earnings volatility but have no cash flow impact relative to changes in market prices until the derivative contracts are settled or monetized prior to settlement. We expect continued volatility in the fair value of our derivative instruments. Our cash flows are only impacted when the associated derivative contracts are settled or monetized by making or receiving payments to or from the counterparty. As of June 30, 2021, the estimated fair value of our commodity derivative instruments was a net liability of \$918 million comprised of current and noncurrent assets and liabilities. As of December 31, 2020, the estimated fair value of our commodity derivative instruments was a net asset of \$22 million comprised of current and noncurrent assets and liabilities.

By removing price volatility from a portion of our expected production through December 2023, we have mitigated, but not eliminated, the potential negative effects of changing prices on our operating cash flows for those periods. While mitigating the negative effects of falling commodity prices, these derivative contracts also limit the benefits we would receive from increases in commodity prices above the fixed hedge prices.

Counterparty and Customer Credit Risk

Our principal exposures to credit risk are through receivables resulting from the following: commodity derivative contracts (\$20 million as of June 30, 2021); and the sale of our natural gas, NGLs and oil production (\$434 million as of June 30, 2021), which we market to energy companies, end users, and refineries.

By using derivative instruments that are not traded on an exchange to hedge exposures to changes in commodity prices, we expose ourselves to the credit risk of our counterparties. Credit risk is the potential failure of a counterparty to perform under the terms of a derivative contract. When the fair value of a derivative contract is positive, the counterparty is expected to owe us, which creates credit risk. To minimize the credit risk in derivative instruments, it is our policy to enter into derivative contracts only with counterparties that are creditworthy financial institutions that management deems to be competent and competitive market makers. The creditworthiness of our counterparties is subject to periodic review. We have commodity hedges in place with 17 different counterparties, 13 of which are lenders under our Credit Facility. As of June 30, 2021, we did not have derivative asset by bank counterparties under our Credit Facility. The estimated fair value of our commodity derivative assets has been risk-adjusted using a discount rate based upon the counterparties’ respective published credit default swap rates (if available, or if not available, a discount rate based on the applicable Reuters bond rating) as of June 30, 2021 for each of the European and American banks. We believe that all of these institutions, currently, are acceptable credit risks. Other than as provided by the Credit Facility, we are not required to provide credit support or collateral to any of our counterparties under our derivative contracts, nor are they required to provide credit support to us. As of June 30, 2021, we did not have any past-due receivables from, or payables to, any of the counterparties to our derivative contracts.

We are also subject to credit risk due to the concentration of our receivables from several significant customers for sales of natural gas, NGLs, and oil. We generally do not require our customers to post collateral. The inability or failure of our significant customers to meet their obligations to us, or their insolvency or liquidation, may adversely affect our financial results.

Interest Rate Risks

Our primary exposure to interest rate risk results from outstanding borrowings under the Credit Facility, which has a floating interest rate. The average annualized interest rate incurred on the Credit Facility during the six months ended June 30, 2021 was approximately 3.69%. We estimate that a 1.0% increase in the applicable average interest rates for the six months ended June 30, 2021 would have resulted in an estimated \$1.2 million increase in interest expense.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2021 at a level of reasonable assurance.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

The information required by this item is included in Note 14—Contingencies to our unaudited condensed consolidated financial statements and is incorporated herein.

ITEM 1A. RISK FACTORS

We are subject to certain risks and hazards due to the nature of the business activities we conduct. For a discussion of these risks, see “Item 1A. Risk Factors” in the 2020 Form 10-K. There have been no material changes to the risks described in such report. We may experience additional risks and uncertainties not currently known to us. Furthermore, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**Issuer Purchases of Equity Securities**

The following table sets forth our share purchase activity for each period presented:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan
April 1, 2021 - April 30, 2021 ⁽¹⁾	437,546	\$ 9.49	—	\$ —
May 1, 2021 - May 31, 2021	—	—	—	—
June 1, 2021 - June 30, 2021	—	—	—	—
Total	437,546	\$ 9.49	—	\$ —

(1) The total number of shares purchased represent shares of our common stock transferred to us in order to satisfy tax withholding obligations incurred upon the vesting of restricted stock and RSUs held by our employees.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Antero Resources Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission File No. 001-36120) filed on October 17, 2013).
3.2	Amended and Restated Bylaws of Antero Resources Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (Commission File No. 001-36120) filed on October 17, 2013).
4.1	Indenture, dated as of June 1, 2021, by and among Antero Resources Corporation, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission File No. 001-36120) filed on June 1, 2021).
4.2	Form of 5.375% Senior Note due 2030 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission File No. 001-36120) filed on June 1, 2021).
10.1*	Form of Performance Share Unit Grant Notice and Performance Share Unit Agreement under the Antero Resources Corporation 2020 Long-Term Incentive Plan.
22.1	List of Guarantor Subsidiaries (incorporated by reference to Exhibit 22.1 to the Company's Annual Report on Form 10-K (Commission File No. 001-36120) filed on February 17, 2021).
31.1*	Certification of the Company's Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (18 U.S.C. Section 7241).
31.2*	Certification of the Company's Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (18 U.S.C. Section 7241).
32.1*	Certification of the Company's Chief Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (18 U.S.C. Section 1350).
32.2*	Certification of the Company's Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (18 U.S.C. Section 1350).
101*	The following financial information from this Quarterly Report on Form 10-Q of Antero Resources Corporation for the quarter ended June 30, 2021 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) Condensed Consolidated Statements of Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

The exhibits marked with the asterisk symbol (*) are filed or furnished with this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANTERO RESOURCES CORPORATION

By: /s/ MICHAEL N. KENNEDY
Michael N. Kennedy
Chief Financial Officer and Senior Vice President–Finance

Date: July 28, 2021

**ANTERO RESOURCES CORPORATION
2020 LONG-TERM INCENTIVE PLAN**

PERFORMANCE SHARE UNIT GRANT NOTICE

Pursuant to the terms and conditions of the Antero Resources Corporation 2020 Long-Term Incentive Plan, as amended from time to time (the “Plan”), Antero Resources Corporation (the “Company”) hereby grants to the individual listed below (“you” or the “Participant”) an award (this “Award”) of Performance Share Units (the “PSUs”) subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant: []

Date of Grant: []

Target PSUs: _____ PSUs (the “Target Amount of PSUs”)

Performance Periods: [] to []

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Performance Share Unit Grant Notice (this “Grant Notice”). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations arising under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Blank;
Signature Page Follows]



IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

ANTERO RESOURCES CORPORATION

By: _____
Alvyn A. Schopp
Chief Administrative Officer and Regional
Senior Vice President

PARTICIPANT

[Name of Participant]

SIGNATURE PAGE TO
PERFORMANCE SHARE UNIT GRANT NOTICE

EXHIBIT A

PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (this "Agreement") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached (the "Date of Grant") by and between Antero Resources Corporation, a Delaware corporation (the "Company"), and [_____] ("Employee"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award.** Effective as of the Date of Grant, the Company hereby grants to Employee the Target Amount of PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent earned, each PSU represents the right to receive one share of Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goals, the number of shares of Stock that may be earned hereunder in respect of this Award may range from [_____] % to [_____] % of the Target Amount of PSUs. Unless and until the PSUs have become earned in the manner set forth in the Grant Notice and this Agreement, Employee will have no right to receive any Stock or other payments in respect of the PSUs. Prior to settlement of this Award, the PSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Earning of PSUs.**

(a) Following [_____] , the Committee will determine the level of achievement of the Performance Goals for the applicable Performance Period as set forth in Exhibit B. The number of PSUs, if any, that shall become earned with respect to each Performance Period will be determined by the Committee in accordance with the Grant Notice and Exhibit B following the end of such Performance Period but shall not become vested until [_____] (and any PSUs that have not been earned following the applicable Performance Period or do not become vested at [_____] shall be automatically forfeited). Unless and until the PSUs have become earned and been settled in accordance with Section 3, Employee will have no right to receive any dividends or other distributions with respect to the PSUs. In the event of the termination of Employee's employment prior to [_____] , except as otherwise provided in Section 2(b) and 2(c) below, all of the PSUs, whether earned pursuant to a prior Performance Period or not (and all rights arising from such PSUs and from being a holder thereof), will terminate automatically without any further action by the Company and will be automatically forfeited without further notice and at no cost to the Company.

(b) [_____]

(c) [_____]

3. **Settlement of PSUs.** Except as provided in Sections 2(b) and 2(c), subject to Employee's continued employment through [_____] , as soon as administratively practicable following the Committee's determination of the level of achievement of the

Performance Goals for [_____], but in no event later than 60 days following [_____], Employee (or Employee's permitted transferee, if applicable) shall be issued a number of shares of Stock equal to the number of PSUs subject to this Award that become earned for each Performance Period based on the level of achievement of the Performance Goals as determined by the Committee in accordance with Section 2. Any fractional PSU that becomes earned hereunder shall be rounded down at the time shares of Stock are issued in settlement of such PSU. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to Employee pursuant to this Agreement. All shares of Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to Employee or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 3 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

4. **Rights as Stockholder.** Neither Employee nor any person claiming under or through Employee shall have any of the rights or privileges of a holder of shares of Stock in respect of any shares that may become deliverable hereunder unless and until certificates representing such shares have been issued or recorded in book entry form on the records of the Company or its transfer agents or registrars, and delivered in certificate or book entry form to Employee or any person claiming under or through Employee.

5. **Tax Withholding.** To the extent that the receipt, vesting or settlement of the PSUs results in compensation income or wages to Employee for federal, state, local and/or foreign tax purposes, the Company shall have the authority and the right to deduct or withhold (or cause one of its Affiliates to deduct or withhold), or to require Employee to remit to the Company (or one of its Affiliates), an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to such event. In satisfaction of the foregoing requirement, unless otherwise determined by the Committee, the Company or one of its Affiliates shall withhold, or cause to be surrendered, from any remuneration (including any of the shares of Stock that may be issuable under this Agreement) then or thereafter payable to Employee an amount equal to the aggregate amount of taxes required to be withheld with respect to such event. If such tax obligations are satisfied through net settlement or the surrender of previously owned shares of Stock, the maximum number of shares of Stock that may be so withheld (or surrendered) shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to the PSUs, as determined by the Committee. Employee acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of the PSUs or disposition of the underlying shares of Stock and that Employee has been advised, and hereby is advised, to consult a tax advisor. Employee acknowledges and agrees that none of the Board, the Committee, the Company or any of its Affiliates have made any representation or warranty as to the tax consequences to Employee as a result of the receipt of the PSUs, the earning of the PSUs or the forfeiture of any of the PSUs. Employee represents that Employee is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation,

attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **Non-Transferability.** During the lifetime of Employee, the PSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the PSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the PSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Employee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

7. **Compliance with Securities Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Stock hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No shares of Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, shares of Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Stock hereunder, the Company may require Employee to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

8. **Legends.** If a stock certificate is issued with respect to shares of Stock delivered hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the SEC, any applicable laws or the requirements of any stock exchange on which the Stock is then listed. If the shares of Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

9. **Execution of Receipts and Releases.** Any issuance or transfer of shares of Stock or other property to Employee or Employee's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require Employee or Employee's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate;

provided, however, that any review period under such release will not modify the date of settlement with respect to earned PSUs.

10. **No Right to Continued Employment or Awards.**

(a) For purposes of this Agreement, Employee shall be considered to be employed by the Company as long as Employee remains an employee of the Company or any Affiliate, or a corporation or other entity (or a parent or subsidiary of such corporation or other entity) assuming or substituting a new award for this Award. Without limiting the scope of the preceding sentence, it is specifically provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the "Affiliate" status of the entity or other organization that employs Employee. Nothing in the adoption of the Plan, nor the award of the PSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon Employee the right to continued employment by, or a continued service relationship with, the Company or any such Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, Employee's employment by the Company, or any such Affiliate, or any other entity shall be on an at-will basis, and the employment relationship may be terminated at any time by either Employee or the Company, or any such Affiliate, or other entity for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, and such determination shall be final, conclusive and binding for all purposes.

(b) The grant of the PSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be at the sole discretion of the Company.

11. **Notices.** Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of Employee, such notices or communications shall be effectively delivered if hand delivered to Employee at Employee's principal place of employment or if sent by registered or certified mail to Employee at the last address Employee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal executive offices.

12. **Consent to Electronic Delivery; Electronic Signature.** In lieu of receiving documents in paper format, Employee agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which Employee has access. Employee hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

13. **Agreement to Furnish Information.** Employee agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

14. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the PSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment and/or severance agreement between the Company (or an Affiliate or other entity) and Employee in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of Employee shall be effective only if it is in writing and signed by both Employee and an authorized officer of the Company.

15. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

16. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without Employee's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon Employee and Employee's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

17. **Clawback.** Notwithstanding any provision in this Agreement, the Grant Notice or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any SEC rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

18. **Counterparts.** The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or pdf attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

19. **Severability.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such

provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

20. **Nonqualified Deferred Compensation Rules.** If Employee is deemed to be a “specified employee” within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when Employee becomes eligible for settlement of the PSUs upon his “separation from service” within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following Employee’s separation from service and (b) Employee’s death. Notwithstanding the foregoing, the Company makes no representations that the payments provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with the Nonqualified Deferred Compensation Rules.

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Exhibit A-6

EXHIBIT B

PERFORMANCE SHARE UNIT PERFORMANCE GOAL

[_____]

Exhibit B-1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Paul M. Rady, President and Chief Executive Officer of Antero Resources Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 of Antero Resources Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 28, 2021

/s/ Paul M. Rady

Paul M. Rady

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Michael N. Kennedy, Chief Financial Officer of Antero Resources Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 of Antero Resources Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 28, 2021

/s/ Michael N. Kennedy
Michael N. Kennedy
Chief Financial Officer

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF ANTERO RESOURCES CORPORATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report on Form 10-Q of Antero Resources Corporation for the quarter ended June 30, 2021, I, Paul M. Rady, President and Chief Executive Officer of Antero Resources Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fairly presents, in all material respects, the financial condition and results of operations of Antero Resources Corporation for the periods presented therein.

Date: July 28, 2021

/s/ Paul M. Rady

Paul M. Rady

President and Chief Executive Officer

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF ANTERO RESOURCES CORPORATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report on Form 10-Q of Antero Resources Corporation for the quarter ended June 30, 2021, I, Michael N. Kennedy, Chief Financial Officer of Antero Resources Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fairly presents, in all material respects, the financial condition and results of operations of Antero Resources Corporation for the periods presented therein.

Date: July 28, 2021

/s/ Michael N. Kennedy

Michael N. Kennedy

Chief Financial Officer
