

FOR THE THREE MONTHS ENDED MARCH 31, 1998



1st quarter

ARC

ENERGY TRUST

(\$thousands, except per unit amounts)	Three Months Ended	
	March 31, 1998	March 31, 1997
Financial		
Revenue before royalties	17,521	16,332
Per unit	0.68	0.90
Cash flow	8,252	9,053
Per unit	0.32	0.50
Net income	436	3,713
Per unit	0.02	0.21
Cash distributions	7,681	7,640
Per unit	0.30	0.40
Working capital	5,382	(1,402)
Long term debt	69,550	26,308
Unitholders' equity	204,895	168,932
Weighted average units	25,604,000	18,085,556
Units outstanding at end of period	25,604,000	19,100,000

Operating

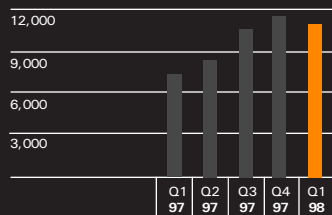
Production

Crude oil (Bbls/d)	4,365	2,707
Natural gas (Mmcf/d)	41.1	28.42
Natural gas liquids (Bbls/d)	2,113	1,775
Total (Boe/d)	10,583	7,324

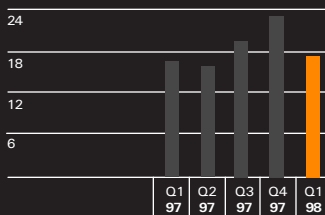
Average prices

Crude oil (\$/Bbl)	20.13	29.41
Natural gas (\$/Mcf)	1.83	2.24
Natural gas liquids (\$/Bbl)	14.75	21.24
Oil equivalent (\$/Boe)	18.40	24.78

Production (Boe/d)



Revenue Before Royalties (\$ Millions)

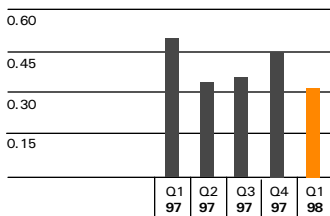


FIRST QUARTER HIGHLIGHTS

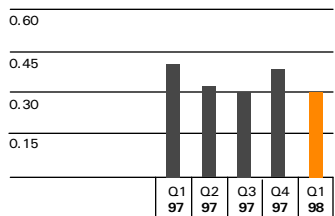
- ◆ Despite significantly reduced commodity prices, ARC Energy Trust (the “Trust”) continued to perform well in the first quarter of 1998 with cash flow of \$0.32 per unit and cash distributions of \$0.30 per unit.
- ◆ Production for the first quarter averaged 10,583 barrels of oil equivalent per day, which was 45 percent greater than first quarter 1997 production.
- ◆ Operating costs averaged \$4.66 per barrel of oil equivalent compared to \$5.49 per barrel of oil equivalent in the first quarter of 1997.
- ◆ Total costs including general and administrative expenses and management fees were \$5.75 per barrel of oil equivalent compared to \$6.44 in the first quarter of 1997.

	<i>Three Months Ended</i>	
<i>(based on daily closing price)</i>	March 31, 1998	<i>March 31, 1997</i>
Trust Unit Trading		
Prices (\$)		
High	11.40	12.30
Low	9.40	10.60
Close	10.25	10.90
Average daily volume (000s)	35	47

**Cash Flow
(\$/Unit)**



**Cash Distributions
(\$/Unit)**



MESSAGE TO UNITHOLDERS

The first quarter of 1998 was characterized by weak commodity prices and a corresponding challenging equity market for the oil and gas sector. Despite the weakness in the equity markets, ARC Energy Trust's (the "Trust") unit price has remained relatively strong and is outperforming all of the other new large cap conventional oil and gas royalty trusts. The Trust continues to be the top performer in terms of total returns to unitholders among all new conventional oil and gas royalty trusts. As Manager of the Trust, ARC Financial Corporation is committed to maintaining the Trust's position as one of the top performers in the sector.

Financial and Operating Performance

First quarter production reflected a 45 percent increase over one year ago, averaging 10,583 barrels of oil equivalent per day compared to 7,324 barrels of oil equivalent per day in the first quarter of 1997. Production volumes were lower than the average for the fourth quarter of 1997 as a result of three minor property dispositions completed late in the year.

There were numerous positive results in the Trust's operations during the first quarter of 1998. In particular, our position as operator of the Trust's key assets in the Pembina area, which was effective October 1, 1997, has been fully implemented and the benefits of our efforts to enhance value are becoming increasingly evident. During the first quarter we experienced improved performance in production volumes, reduced operating costs and less maintenance related downtime in the area.

During the first quarter, the Trust participated in the drilling of an oil well in the Meekwap area that production tested over 1,800 barrels of oil equivalent per day (188 Boe/d net to the Trust). Sustained performance at this level will add over 50 percent to the existing field production capacity. Other potential drilling locations in the area have been identified and the operator is soliciting partner approval to proceed immediately with another location.

Other first quarter activities included development drilling, recompletion and tie-ins in the Progress, Buick Creek, Mitsue, Marten Hills and Minnehik Buck Lake areas. In addition, production and waterflood optimization activities were undertaken in the Pembina, House Mountain and Midale areas.

Oil and natural gas liquids prices were highly depressed in the first quarter, averaging \$20.13 and \$14.75 per barrel, respectively, while natural gas prices performed relatively well with an average price received by the Trust of \$1.83 per thousand cubic feet. Revenues for the three months totaled \$17.5 million for an overall average selling price of \$18.40 per barrel of oil equivalent which was 26 percent lower than the equivalent period in 1997.

Royalties and operating costs of \$2.91 and \$4.66 per barrel of oil equivalent, respectively, resulted in an average netback of \$10.83 per barrel of oil equivalent for the quarter.

Cash flow and earnings for the quarter totaled \$8.3 million and \$436,000, respectively.

Cash Distributions

Despite downward pressure on cash flow caused by weak prices, the Trust was able to maintain its regular monthly distributions to unitholders of \$0.10 per unit in each of the first three months of 1998. We will continue to monitor commodity prices and their impact on distributable income. Provided that commodity prices remain consistent with current forward market expectations, monthly distributions are expected to remain at \$0.10 per unit.

Year 2000 Computer Plan

The Manager has undertaken a review of the extent of potential Year 2000 computer problems which could exist for the Trust by identifying information

systems which may require remedial action. The Trust's Year 2000 computer plan continues to be implemented and is proceeding according to schedule at minimal financial cost. To date, no material potential future risks have been identified.

Outlook

Notwithstanding the low commodity prices encountered in the first quarter, we have a positive outlook for the remainder of the year. Although we are concerned about the current depressed level of oil prices, we believe the probability is that oil prices will recover later in the year. Also, we are encouraged by the strength of near term natural gas prices. Furthermore, forward market prices for natural gas for 1999 and beyond are the strongest they have been in over ten years.

Within market cycles, new opportunities develop. The reduced cash flow in the oil and gas sector has resulted in additional properties becoming available in the acquisition market and we believe that we are well positioned to capitalize on these opportunities. We will continue to pursue asset acquisition and rationalization opportunities which will enhance unitholder value and contribute to the long term going concern strategy of the Trust.

Respectfully submitted on behalf of the Board of Directors.

Mac H. Van Wielingen
Director, Vice-Chairman
and Chief Executive Officer

John P. Dielwart
Director and President

**COMBINED STATEMENT OF INCOME
AND ACCUMULATED EARNINGS**

<i>(\$ thousands)</i>	<i>Three Months Ended</i>	
	March 31, 1998	<i>March 31, 1997</i>
Revenue		
Oil, natural gas, natural gas liquids and sulphur sales	\$ 17,521	\$ 16,332
Royalties	(2,771)	(2,605)
	14,750	13,727
Expenses		
Operating	4,437	3,616
General and administrative	803	411
Management fee	316	311
Interest on long term debt	908	312
Capital taxes	34	24
Depletion, depreciation and amortization	7,816	5,340
	14,314	10,014
Net income	436	3,713
Accumulated earnings, beginning of period	16,273	7,108
Accumulated earnings, end of period	\$ 16,709	\$ 10,821

**COMBINED STATEMENT OF ROYALTY DISTRIBUTIONS
AND ACCUMULATED ROYALTY DISTRIBUTIONS**

<i>(\$ thousands, except per unit amounts)</i>	<i>Three Months Ended</i>	
	March 31, 1998	March 31, 1997
Net income	\$ 436	\$ 3,713
Depletion, depreciation and amortization	7,816	5,340
Cash from operations	8,252	9,053
Cash from operations (99 percent)	8,170	8,962
Add:		
General and administrative expense reimbursement (residual 1percent)	82	91
Deduct:		
Capital expenditures	(768)	(1,145)
Discretionary debt payment	(890)	-
Reclamation fund contributions and actual reclamation costs	(475)	(705)
Current period accruals	1,562	437
Royalty distributions	7,681	7,640
Accumulated royalty distributions, beginning of period	47,822	14,580
Accumulated royalty distributions, end of period	\$ 55,503	\$ 22,220
Royalty distributions per unit	\$ 0.30	\$ 0.40

COMBINED BALANCE SHEET

<i>(\$ thousands)</i>	<i>As at March 31, 1998</i>	<i>As at December 31, 1997</i>
Assets		
Current assets		
Cash	\$ 3,602	\$ 2,983
Accounts receivable	8,672	12,767
	12,274	15,750
Reclamation fund	3,478	3,016
Property, plant and equipment	271,538	275,402
Total assets	\$ 287,290	\$ 294,168
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,332	\$ 8,543
Royalty distributions payable	2,560	2,560
	6,892	11,103
Long term debt	69,550	65,955
Future site reclamation and abandonment	5,953	4,970
Total liabilities	82,395	82,028
Unitholders' equity		
Unitholders' capital	243,689	243,689
Accumulated earnings	16,709	16,273
Accumulated royalty distributions	(55,503)	(47,822)
Total unitholders' equity	204,895	212,140
Total liabilities and unitholders' equity	\$ 287,290	\$ 294,168

**COMBINED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

<i>(\$ thousands)</i>	<i>Three Months Ended</i>	
	<i>March 31, 1998</i>	<i>March 31, 1997</i>
Operating activities		
Net income	\$ 436	\$ 3,713
Add items not involving cash:		
Depletion, depreciation and amortization	7,816	5,340
	8,252	9,053
Increase in non-cash working capital	(115)	2,192
	8,137	11,245
Financing activities		
Issue of special warrants, net of expenses	-	11,420
Increase/(decrease) in long term debt	3,595	(11,690)
Royalty distributions	(7,681)	(7,640)
	(4,086)	(7,910)
Investing activities		
Acquisition of properties, net	-	(2,314)
Reclamation fund contributions and expenditures	(475)	(733)
Purchase of capital assets	(2,957)	(1,145)
	(3,432)	(4,192)
Increase/(decrease) in cash	619	(857)
Cash, beginning of period	2,983	8,132
Cash, end of period	\$ 3,602	\$ 7,275



ARC
ENERGY • TRUST

Suite 4300, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2