

FOR THE SIX MONTHS ENDED JUNE 30, 1998



2nd quarter

ARC

ENERGY TRUST

(\$thousands, except per unit amounts)	Three Months Ended	
	June 30, 1998	June 30, 1997
Financial		
Revenue before royalties	16,474	15,593
Per unit	0.64	0.71
Cash flow	7,801	7,739
Per unit	0.30	0.35
Net income	287	753
Per unit	0.01	0.03
Cash distributions	7,681	8,192
Per unit	0.30	0.32
Working capital	8,389	3,080
Long term debt	63,296	26,173
Unitholders' equity	197,501	224,817
Weighted average units	25,604,000	21,957,143
Units outstanding at end of period	25,604,000	25,600,000

Operating

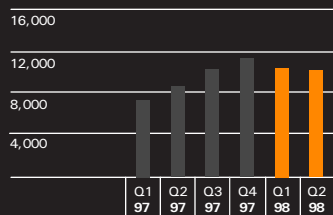
Production

Crude oil (Bbls/d)	4,472	3,472
Natural gas (Mmcfd)	38.74	32.96
Natural gas liquids (Bbls/d)	1,834	1,797
Total (Boe/d)	10,180	8,564

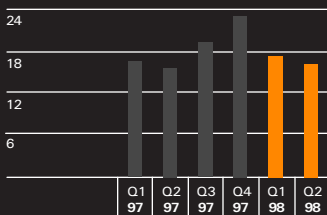
Average prices

Crude oil (\$/Bbl)	18.85	26.10
Natural gas (\$/Mcf)	1.88	1.46
Natural gas liquids (\$/Bbl)	13.09	16.84
Oil equivalent (\$/Boe)	17.78	20.01

Production (Boe/d)



Revenue Before Royalties (\$ Millions)

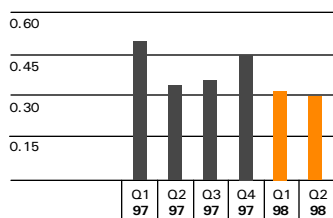


SECOND QUARTER HIGHLIGHTS

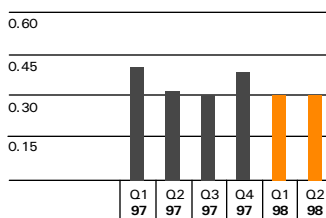
- ◆ Despite continued low oil prices, ARC Energy Trust (the “Trust”) maintained its strong performance in the second quarter of 1998 with both cash flow and cash distributions of \$0.30 per unit.
- ◆ Production for the second quarter averaged 10,180 barrels of oil equivalent per day, which was 19 percent greater than second quarter 1997 production.
- ◆ Operating costs averaged \$4.77 per barrel of oil equivalent compared to \$5.14 per barrel of oil equivalent in the second quarter of 1997.
- ◆ An average netback of \$10.73 per barrel of oil equivalent for the six months ended June 30, 1998 was achieved with cost reductions partially offsetting lower commodity prices.

<i>(based on daily closing price)</i>	<i>Year Ended December 31, 1997</i>	<i>Three Months Ended March 31, 1998</i>	<i>June 30, 1998</i>
Trust Unit Trading			
Prices (\$)			
High	13.00	11.40	10.50
Low	10.15	9.40	8.85
Close	10.45	10.25	9.25
Average daily volume (000s)	55	35	33

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



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



MESSAGE TO UNITHOLDERS

The second quarter of 1998 continued to be characterized by severely low oil prices which created a challenging environment for the oil and gas sector. Despite the resulting weakness in oil and gas equities, ARC Energy Trust's (the "Trust") unit price remained relatively strong and outperformed all other large cap conventional oil and gas royalty trusts on the basis of total returns. Through the second quarter, the Trust also continued to outperform oil and gas equities in general, as measured by the TSE Oil and Gas Index, again on the basis of total returns. As Manager of the Trust, ARC Financial Corporation is absolutely committed to generating superior returns for its investors and we are constantly monitoring our performance in this regard.

Financial and Operating Performance

Second quarter production reflected a 19 percent increase over one year ago, averaging 10,180 barrels of oil equivalent per day compared to 8,564 barrels of oil equivalent per day in the second quarter of 1997. Production volumes were slightly lower than the first quarter level as a result of temporary shut-ins in several areas due to forest fires, routine maintenance activities and plant turnarounds in several key properties.

Oil production increased in the second quarter to 4,472 barrels per day up from 3,472 barrels per day in 1997 due to properties acquired in 1997 and successful drilling results. At Meekwap, the Trust participated in two successful oil wells. The first well is producing at 1,545 barrels of oil equivalent per day (160 barrels of oil equivalent per day net to the Trust) with no water production. The second well has been averaging 916 barrels of oil equivalent per day (95 barrels of oil equivalent per day net to the Trust) of clean oil since being drilled in June. Field production capacity has been increased by 60 percent with the drilling of these two wells. Based on these results, the operator is reviewing further drilling opportunities in the field.

Other second quarter activities included development drilling, recompletions 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 continued to be depressed in the second quarter, averaging \$18.85 and \$13.09 per barrel, respectively, while natural gas prices were relatively strong with an average price received by the Trust of \$1.88 per thousand cubic feet. Revenues for the three months totaled \$16.5 million for an overall average selling price of \$17.78 per barrel of oil equivalent which was 13 percent lower than the equivalent period in 1997.

Royalties and operating costs of \$2.39 and \$4.77 per barrel of oil equivalent, respectively, resulted in an average netback of \$10.62 per barrel of oil equivalent for the quarter. Cash flow and earnings for the quarter totaled \$7.8 million and \$287,000, respectively.

Acquisition and Disposition Activity

The Manager of the Trust is continuing to actively pursue acquisition opportunities. However, given the turmoil in world and North American financial markets which has prevailed in recent months, funding acquisitions with new equity is currently a challenge for the oil and gas sector, including royalty trusts. The Manager will continue to seek attractive acquisition opportunities and take advantage of financing opportunities as they develop.

During the second quarter, the Manager completed the disposition of two properties for total proceeds of \$12.9 million. These dispositions were part of an ongoing asset management program and involved primarily non-producing assets. First quarter 1998 production from the properties was approximately 170 barrels of oil equivalent per day. Established reserves associated with the properties were 2.3 million barrels of oil equivalent, of which only 23 percent was in the proved producing category.

Approximately one half of the proceeds from these dispositions was applied against existing debt. The balance was used to maintain current monthly

distributions as part of the Manager's plans and initiatives to stabilize distributions during periods of acute commodity price volatility.

Cash Distributions

Despite weak oil prices, the Trust was able to maintain its regular monthly distributions to unitholders of \$0.10 per unit in each of the first six months of 1998. This was accomplished through cost reductions, production enhancements and the previously referenced distribution stabilization initiatives.

Outlook

Although the average oil price in 1998 could be the lowest experienced since the mid 1980's, we remain confident that oil prices will recover from their current depressed levels. We see the current situation as cyclical and the result of the combined impact of a number of macro economic factors that are dynamic and which will ultimately rebalance. Importantly, the weak Canadian dollar has offset a portion of the oil price decline in Canadian dollar terms and also natural gas prices are strong. Broadly, the existing environment is challenging but we continue to have a positive outlook for the Trust.

The prevailing market continues to offer attractive acquisition opportunities. The Manager of the Trust 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**

(\$ thousands)	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	June 30, 1998	<i>June 30, 1997</i>	June 30, 1998	<i>June 30, 1997</i>
Revenue				
Oil, natural gas, natural gas liquids and sulphur sales	\$ 16,474	\$ 15,593	\$ 33,995	\$ 31,925
Royalties	(2,218)	(2,482)	(4,989)	(5,087)
	14,256	13,111	29,006	26,838
Expenses				
Operating	4,416	4,004	8,853	7,620
General and administrative	802	524	1,605	935
Management fee	305	273	621	584
Interest on long term debt	896	528	1,804	840
Capital taxes	36	43	70	67
Depletion, depreciation and amortization	7,514	6,986	15,330	12,326
	13,969	12,358	28,283	22,372
Net income	287	753	723	4,466
Accumulated earnings, beginning of period	16,709	3,713	16,273	7,108
Accumulated earnings, end of period	\$ 16,996	\$ 4,466	\$ 16,996	\$ 11,574

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

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	June 30,	<i>June 30,</i>	June 30,	<i>June 30,</i>
<i>(\$ thousands, except per unit amounts)</i>	1998	<i>1997</i>	1998	<i>1997</i>
Net income	\$ 287	\$ 753	\$ 723	\$ 4,466
Depletion, depreciation and amortization	7,514	6,986	15,330	12,326
Cash from operations	7,801	7,739	16,053	16,792
Cash from operations (99 percent)	7,723	7,662	15,892	16,624
Add:				
General and administrative expense reimbursement (residual 1 percent)	78	77	161	168
Proceeds from disposition of royalty interests	12,942	-	12,942	-
Deduct:				
Capital expenditures	(768)	(438)	(1,536)	(1,583)
Discretionary debt payment	(6,891)	-	(7,781)	-
Reclamation fund contributions and actual reclamation costs	(60)	(449)	(535)	(1,154)
Current period accruals	(5,343)	1,340	(3,781)	1,777
Royalty distributions	7,681	8,192	15,362	15,832
Accumulated royalty distributions, beginning of period	55,503	22,220	47,822	14,580
Accumulated royalty distributions, end of period	\$ 63,184	\$ 30,412	\$ 63,184	\$ 30,412
Royalty distributions per unit	\$ 0.30	\$ 0.32	\$ 0.60	\$ 0.72

COMBINED BALANCE SHEET

<i>(\$ thousands)</i>	<i>As at June 30, 1998</i>	<i>As at December 31, 1997</i>
Assets		
Current assets		
Cash	\$ 8,836	\$ 2,983
Accounts receivable	6,584	12,767
	15,420	15,750
Reclamation fund	3,526	3,016
Property, plant and equipment	255,847	275,402
Total assets	\$ 274,793	\$ 294,168
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,471	\$ 8,543
Royalty distributions payable	2,560	2,560
	7,031	11,103
Long term debt	63,296	65,955
Future site reclamation and abandonment	6,965	4,970
Total liabilities	77,292	82,028
Unitholders' equity		
Unitholders' capital	243,689	243,689
Accumulated earnings	16,996	16,273
Accumulated royalty distributions	(63,184)	(47,822)
Total unitholders' equity	197,501	212,140
Total liabilities and unitholders' equity	\$ 274,793	\$ 294,168

**COMBINED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

<i>(\$ thousands)</i>	<i>Six Months Ended</i>	
	June 30, 1998	June 30, 1997
Operating activities		
Net income	\$ 723	\$ 4,466
Add items not involving cash:		
Depletion, depreciation and amortization	15,330	12,326
	16,053	16,792
Decrease (increase) in non-cash working capital	2,112	(2,025)
	18,165	14,767
Financing activities		
Issue of special warrants, net of expenses	-	75,349
Decrease in long term debt	(2,659)	(11,825)
Royalty distributions	(15,362)	(15,832)
	(18,021)	47,692
Investing activities		
Acquisition of properties, net of dispositions	11,523	(58,725)
Reclamation fund contributions and expenditures	(535)	(1,149)
Purchase of capital assets	(5,279)	(3,177)
	5,709	(63,051)
Increase (decrease) in cash	5,853	(592)
Cash, beginning of period	2,983	8,132
Cash, end of period	\$ 8,836	\$ 7,540

CORPORATE INFORMATION

Directors, Officers and Senior Personnel of ARC Resources Ltd.

Walter DeBoni ⁽¹⁾

Chairman

Mac H. Van Wielingen

Director, Vice-Chairman and Chief Executive Officer

John P. Dielwart

Director and President

John M. Beddome ⁽¹⁾

Director

Frederic C. Coles ⁽¹⁾

Director

Michael M. Kanovsky ⁽¹⁾

Director

John M. Stewart

Director

Allan R. Twa

Secretary

Nancy V. Lever

Vice-President, Planning

Steven W. Sinclair

Vice-President, Finance

Doug J. Bonner

Vice-President, Engineering

Susan D. Healy

Manager, Land

Myron M. Stadnyk

Manager, Operations

(1) Member of Audit Committee

Trustee

Montreal Trust Company of Canada

Corporate Trust Department
600, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

Bankers

Royal Bank of Canada
Calgary, Alberta

Auditors

Arthur Andersen & Co.
Calgary, Alberta

Engineering Consultants

Gilbert Laustsen Jung
Associates Ltd.
Calgary, Alberta

Sproule Associates Limited
Calgary, Alberta

Legal Counsel

Burnet, Duckworth
& Palmer
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: AET.UN

Executive Office

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For Investor Information Contact:

Steven W. Sinclair
Vice-President, Finance

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Barrel of oil equivalence ("Boe"): 10 Mcf = 1 barrel

The background of the entire page is a blurred, high-contrast black and white image of a technical drawing or blueprint. It features a grid of lines and various irregular shapes, suggesting a complex engineering or architectural plan. The drawing is oriented diagonally, with the top-left corner being the darkest and the bottom-right corner being the lightest.

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