

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998



3rd quarter

ARC

ENERGY TRUST



ARC
ENERGY • TRUST

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

(\$thousands, except per unit amounts)	Three Months Ended	
	September 30, 1998	September 30, 1997
Financial		
Revenue before royalties	16,362	19,122
Per unit	0.64	0.75
Cash flow	6,294	9,372
Per unit	0.25	0.37
Net income (loss)	(253)	1,589
Per unit	(0.01)	0.06
Cash distributions	7,682	7,680
Per unit	0.30	0.30
Working capital	3,968	5,370
Long term debt	63,633	67,161
Unitholders' equity	189,566	218,720
Weighted average units	25,604,000	25,600,000
Units outstanding at end of period	25,604,000	25,600,000

Operating

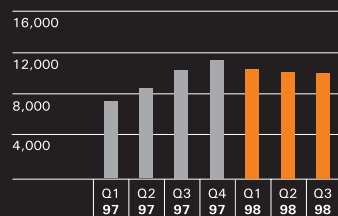
Production

Crude oil (Bbls/d)	4,498	3,961
Natural gas (Mmcf/d)	36.18	44.34
Natural gas liquids (Bbls/d)	2,041	2,058
Total (Boe/d)	10,157	10,453

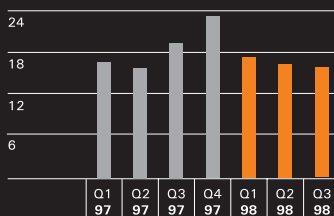
Average prices

Crude oil (\$/Bbl)	18.61	25.37
Natural gas (\$/Mcf)	1.92	1.62
Natural gas liquids (\$/Bbl)	11.65	17.55
Oil equivalent (\$/Boe)	17.51	19.88

Production (Boe/d)



Revenue Before Royalties (\$ Millions)

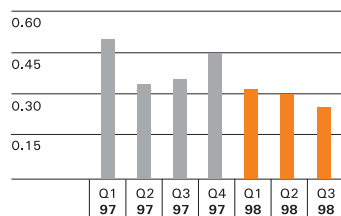


THIRD QUARTER HIGHLIGHTS

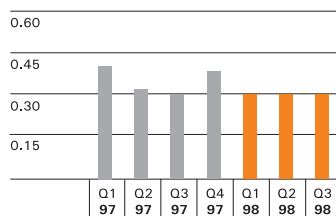
- ◆ ARC Energy Trust ("the Trust") maintained its distributions at \$0.10 per unit per month through the third quarter in spite of world oil prices being at their lowest level in over 10 years.
- ◆ Continued stable production resulted in third quarter average production of 10,157 barrels of oil equivalent per day, which was within 3 percent of third quarter 1997 production of 10,453 barrels of oil equivalent per day.
- ◆ For the nine month period ended September 30, 1998, revenues were \$17.89 per boe with royalties and operating costs of \$2.76 per boe and \$5.07 per boe, respectively, yielding a netback of \$10.06 per boe.
- ◆ The Trust's performance in the current weak oil price environment has resulted in continued outperformance on a total return basis relative to the other large cap conventional oil and gas trusts and also to the broad oil and gas index.

<i>(based on daily closing price)</i>	<i>Year Ended</i> <i>December 31,</i> <i>1997</i>	<i>Three Months Ended</i>		
		<i>March 31,</i> <i>1998</i>	<i>June 30,</i> <i>1998</i>	<i>September 30,</i> <i>1998</i>
Trust Unit Trading				
Prices (\$)				
High	13.00	11.40	10.50	9.25
Low	10.15	9.40	8.85	7.00
Close	10.45	10.25	9.25	8.95
Average daily volume (000s)	55	35	33	25

Cash Flow (\$/Unit)



Cash Distributions (\$/Unit)



MESSAGE TO UNITHOLDERS

ARC Energy Trust has maintained its distributions at \$0.10 per unit per month through the first three quarters of 1998, despite year to date West Texas Intermediate oil prices which were 28 percent below the comparable period in 1997. The Trust has also continued to benefit from successful production optimization and property rationalization activities. The combination of these factors in a weak oil price environment, has resulted in the Trust continuing to outperform all other large cap conventional oil and gas royalty trusts on the basis of total returns. Also, for the fifth straight quarter, the Trust outperformed oil and gas equities in general, as measured by the TSE Oil and Gas Producers Index, again on the basis of total returns. As Manager of the Trust, ARC Financial Corporation is continuing to deliver superior returns for its investors and is strongly committed to maintaining this performance.

Financial and Operating Performance

Production during the third quarter was 10,157 barrels of oil equivalent per day which was within 3 percent of the 1997 third quarter production of 10,453 barrels of oil equivalent per day. Year to date production of 10,305 barrels of oil equivalent per day was 17 percent greater than the comparable period in 1997. For the first nine months of 1998, oil production increased 31 percent to 4,445 barrels per day, natural gas production increased 9 percent to 38.6 million cubic feet per day and natural gas liquids production increased 6 percent to 1,996 barrels per day.

Third quarter activities included development drilling, recompletions and tie-ins in the Midale, Niton, Progress, Buick Creek, Medicine River 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 weak and declined slightly in the third quarter to \$18.61 and \$11.65 per barrel, respectively. Natural gas prices increased slightly during the quarter to \$1.92 per thousand cubic feet.

Revenues for the three months totaled \$16.4 million for an overall average selling price of \$17.51 per barrel of oil equivalent which was 13 percent lower than the \$20.15 received in the equivalent period in 1997. Cash flow for the quarter was \$6.4 million.

Royalties and operating costs of \$2.96 and \$5.80 per barrel of oil equivalent, respectively, resulted in an average netback of \$8.75 per barrel of oil equivalent for the quarter. The third quarter operating costs reflect significant maintenance activities on a number of key facilities; year to date operating costs and average netbacks are \$5.07 and \$10.06 per barrel of oil equivalent, respectively. Earnings for the nine month period ending September 30, 1998 totaled \$470 thousand.

Acquisition and Disposition Activity

During the first half of 1998, the acquisition market for oil and gas assets was very strong and we were not prepared to pay the prices required in the market. Although the market has changed during the second half and better opportunities have developed, our challenge has been the turbulent financial markets which have severely constrained the availability of new equity.

Although we have not made any material acquisitions to date in 1998, we have been very active consolidating and optimizing our asset base. We have completed or are in the process of completing 10 acquisitions for a total of approximately \$15 million. This has been offset by 4 dispositions for a comparable aggregate amount. As a result of these transactions, we have increased the Trust's reserves by approximately 1.1 million barrels of oil equivalent which replaces 30 percent of our 1998 production at a net effective price of \$0.29 per barrel of oil equivalent. Virtually all of the acquisitions were of additional interests in existing Trust properties and all of the dispositions were of non-strategic assets.

Cash Distributions

Despite the continued 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 nine months of 1998. This was accomplished through production enhancements, optimizations, cost reductions and a distribution stabilization initiative wherein we have included a portion of the proceeds of disposition of some non-producing assets.

Outlook

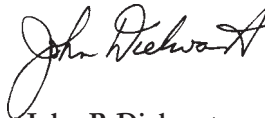
The outlook for oil prices remains highly uncertain with near month delivery prices having fallen below \$13.00 US per barrel. The current 1999 forward price is \$14.50 US per barrel which is roughly comparable to the expected full year 1998 price. The weak Canadian dollar has mitigated the impact of the low oil price while natural gas prices are at their highest level in 10 years which enhances the outlook for 1999.

With stable production and the current outlook for 1999 prices, we expect to maintain our current distributions. However, should the oil price remain materially below \$15.00 US per barrel for an extended period, we will have to reassess our distribution policy.

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 September 30,</i>		<i>Nine Months Ended September 30,</i>	
	1998	1997	1998	1997
Revenue				
Oil, natural gas, natural gas liquids and sulphur sales	\$ 16,362	\$ 19,122	\$ 50,357	\$ 51,047
Royalties	(2,762)	(2,724)	(7,751)	(7,811)
	13,600	16,398	42,606	43,236
Expenses				
Operating	5,422	5,370	14,275	12,990
General and administrative	772	781	2,377	1,716
Management fee	246	344	867	928
Interest on long term debt	832	501	2,636	1,341
Capital taxes	34	30	104	96
Depletion, depreciation and amortization	6,547	7,783	21,877	20,109
	13,853	14,809	42,136	37,180
Net income (loss)	(253)	1,589	470	6,056
Accumulated earnings, beginning of period	16,996	11,574	16,273	7,107
Accumulated earnings, end of period	\$ 16,743	\$ 13,163	\$ 16,743	\$ 13,163

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

<i>(\$ thousands, except per unit amounts)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	1998	<i>1997</i>	1998	<i>1997</i>
Net income (loss)	\$ (253)	\$ 1,589	\$ 470	\$ 6,056
Depletion, depreciation and amortization	6,547	7,783	21,877	20,109
Cash from operations	6,294	9,372	22,347	26,165
Cash from operations (99 percent)	6,231	9,278	22,124	25,903
Add:				
General and administrative expense reimbursement (residual 1 percent)	63	94	223	261
Proceeds from disposition of royalty interests	-	-	11,634	-
Deduct:				
Capital expenditures	(768)	(768)	(2,304)	(2,351)
Discretionary debt payment	(890)	-	(8,671)	-
Reclamation fund contributions and actual reclamation costs	(45)	(440)	(580)	(1,594)
Current period accruals	3,091	(484)	618	1,293
Royalty distributions	7,682	7,680	23,044	23,512
Accumulated royalty distributions, beginning of period	63,184	30,412	47,822	14,580
Accumulated royalty distributions, end of period	\$ 70,866	\$ 38,092	\$ 70,866	\$ 38,092
Royalty distributions per unit	\$.30	\$.30	\$.90	\$ 1.02

COMBINED BALANCE SHEET

<i>(\$ thousands)</i>	<i>As at September 30, 1998</i>	<i>As at December 31, 1997</i>
Assets		
Current assets		
Cash	\$ 2,128	\$ 2,983
Accounts receivable	7,527	12,767
	9,655	15,750
Reclamation fund	3,564	3,016
Property, plant and equipment	253,108	275,402
Total assets	\$ 266,327	\$ 294,168
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,127	\$ 8,543
Royalty distributions payable	2,560	2,560
	5,687	11,103
Long term debt	63,633	65,955
Future site reclamation and abandonment	7,441	4,970
Total liabilities	76,761	82,028
Unitholders' equity		
Unitholders' capital	243,689	243,689
Accumulated earnings	16,743	16,273
Accumulated royalty distributions	(70,866)	(47,822)
Total unitholders' equity	189,566	212,140
Total liabilities and unitholders' equity	\$ 266,327	\$ 294,168

**COMBINED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

<i>(\$ thousands)</i>	<i>Nine Months Ended September 30,</i>	
	1998	1997
Operating activities		
Net income	\$ 470	\$ 6,056
Add items not involving cash:		
Depletion, depreciation and amortization	21,877	20,109
	22,347	26,165
Increase in non-cash working capital	(176)	(11,856)
	22,171	14,309
Financing activities		
Issue of new trust units, net of expenses	-	75,343
Increase (decrease) in long term debt	(2,322)	25,323
Royalty distributions	(23,044)	(23,512)
	(25,366)	77,154
Investing activities		
Acquisition of properties, net of dispositions	10,951	(93,557)
Reclamation fund contributions and expenditures	(580)	(1,589)
Purchase of capital assets	(8,031)	(4,449)
	2,340	(99,595)
Decrease in cash	(855)	(8,132)
Cash, beginning of period	2,983	8,132
Cash, end of period	\$ 2,128	\$ 0

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 LLP
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

ARC Energy Trust
c/o ARC Financial Corporation
4300, 400 - 3rd Avenue S.W.
Calgary, Alberta
T2P 4H2

Telephone: (403) 292-0680

Toll Free in Canada:

1-888-ARC-4900

1-888-272-4900

Facsimile: (403) 292-0577

E-mail:

arc_energy_trust@arcfinancial.com

Website: www.arcfinancial.com

For Investor Information Contact:

Steven W. Sinclair

Vice-President, Finance

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