

ARC Energy Trust

Interim Report for the Three Months Ended March 31, 1999

Q1

The completion of the acquisition of two other royalty trusts dominated first quarter activities and establishes ARC Energy Trust as one of the clear leaders within the conventional oil and gas trust sector. With the acquisitions, the Trust's total capitalization increased to approximately \$500 million resulting in increased coverage by analysts, greater institutional investor interest and liquidity for investors. The Trust's expanded asset base increases the optimization and development programs available to be pursued in the future, which will enhance distributions and maximize long-term investor returns.

(\$ thousands, except per unit amounts)	Three Months Ended	
	March 31, 1999	March 31, 1998
Financial		
Revenue before royalties	21,884	17,521
Per unit	0.66	0.68
Cash flow	9,562	8,252
Per unit	0.29	0.32
Net income	206	436
Per unit	0.01	0.02
Cash distributions	9,901	7,681
Per unit*	0.30	0.30
Working capital (deficiency)	(2,473)	5,382
Long-term debt	162,351	69,550
Unitholders' equity	307,997	204,895
Weighted average units (thousands)	33,386	25,604
Units outstanding at end of period (thousands)**	48,197	25,604
* Based on the number of units outstanding at each cash distribution date		
** Includes units reserved for issuance to the Manager		
Operating		
Production		
Crude oil (Bbl/d)	6,192	4,365
Natural gas (Mmcf/d)	48.2	41.1
Natural gas liquids (Bbl/d)	2,262	2,113
Total (Boe/d)	13,270	10,583
Average prices		
Crude oil (\$/Bbl)	17.69	20.13
Natural gas (\$/Mcf)	2.21	1.83
Natural gas liquids (\$/Bbl)	11.54	14.75
Oil equivalent (\$/Boe)	18.32	18.40

The combination of the skills of our management and employees relating to the financial fundamentals of the energy sector through to the attention paid to optimizing production allowed ARC Energy Trust to maintain distributions through the most depressed oil price environment in twenty years.

The price of oil averaged only \$US14.40 per barrel in 1998 (its lowest level since 1977), and was only \$US13.13 per barrel in the first quarter of 1999, which was 18 percent lower than the first quarter of 1998. Notwithstanding this severe cyclical downturn for oil prices, ARC Energy Trust maintained its distributions at \$0.10 per unit per month for the seventh consecutive quarter. The Trust's distributions have been the most stable of all the conventional oil and gas royalty trusts. As a result, the Trust continued to outperform all other large cap conventional oil and gas royalty trusts on the basis of total returns. Also, for the seventh 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.

On March 12, 1999, the Trust completed the acquisitions of Starcor Energy Royalty Fund ("Starcor") and Orion Energy Trust ("Orion"). The Trust's first quarter results include the impact of these acquisitions effective March 1, 1999.

Financial and Operating Performance

Production during the first quarter was 13,270 barrels of oil equivalent per day which was 25 percent greater than 1998 first quarter production of 10,583 barrels of oil equivalent per day. Production for the month of March 1999 incorporating the Starcor and Orion acquisitions was 19,113 barrels of oil equivalent per day consisting of 11,797 barrels per day of oil and natural gas liquids and 73.2 million cubic feet per day of natural gas.

First quarter activities included active development

drilling and tie-in programs in Buick Creek, Marten Hills, Pembina, Lobstick, Innisfail and Pouce Coupe. Also, in the quarter, the Trust drilled its first horizontal well on lands acquired late in 1998 in southeast Saskatchewan. The 100 percent working interest Midale non-unit well is the first of a multi-well program slated for the property.

Optimization and development opportunities are currently being evaluated for the newly acquired Starcor and Orion assets and several initiatives commenced in the first quarter.

Revenues for the three months totaled \$21.9 million for an overall average selling price of \$18.32 per barrel of oil equivalent which was within 1 percent of \$18.40 received in the equivalent period in 1998.

Royalties and operating costs of \$2.57 and \$5.59 per barrel of oil equivalent, respectively, resulted in an average netback of \$10.16 per barrel of oil equivalent for the quarter. Cash flow and earnings for the quarter totaled \$9.6 million and \$207,000, respectively.

Acquisition and Disposition Activity

On March 12, 1999, the Trust completed the acquisitions of Starcor and Orion which have increased reserves and production by approximately 90 percent. These acquisitions include significant interests in our main core areas of Pembina and Caroline as well as a new natural gas core area at Jenner; the reserves were acquired at a price of \$5.13 per barrel of oil equivalent. The assets are of very high quality, comparable to our existing assets, and increase the Trust's reserve life index from 11.6 years to 12.2 years.

With these acquisitions, the Trust's market capitalization increased from \$185 million to approximately \$350 million. This increased size has many advantages including increased coverage by analysts, more attention from institutional investors and greater liquidity for all unitholders. We also believe the Trust will enjoy enhanced access to capital markets which is essential to our successful going concern strategy.

As part of the normal course management of our assets, the increased size of the asset base has

prompted a review of all of the Trust's properties. As a result of this review, we have identified a number of minor and non-core properties which are candidates for disposition. Accordingly, we expect to divest up to \$30 million in properties during the balance of the year.

As part of the acquisitions of Starcor and Orion, 4,261,899 warrants were issued. These warrants are exercisable until June 15, 2000 at \$7.25 per unit and trade on the Toronto Stock Exchange under the symbol AET.WT.

Cash Distributions

Despite weak oil prices, the Trust was able to maintain its regular monthly distribution to unitholders of \$0.10 per unit during the first quarter. This was accomplished by deferring reclamation fund contributions to later in the year and 100 percent debt financing our capital expenditures during the quarter. The Trust will continue its conservative policy of partially funding its capital program with up to 10% of the cash available for distribution for the full year.

Outlook

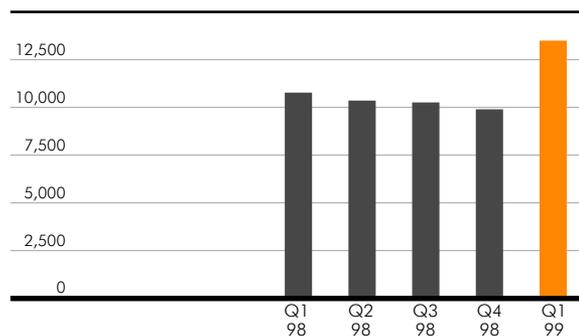
In mid-March, OPEC announced a new round of production cuts which took effect on April 1, 1999. In response to this announcement, oil prices rebounded sharply to the \$18.00 US per barrel level by late April. Based upon actual prices through April and forward markets for the balance of the year, the oil price is expected to exceed \$16.00 US per barrel. At this level, we expect to maintain our distributions at \$0.10 per unit per month through the year with additional quarterly top-ups possible depending upon actual prices received.

Respectfully submitted on behalf of the Board of Directors.

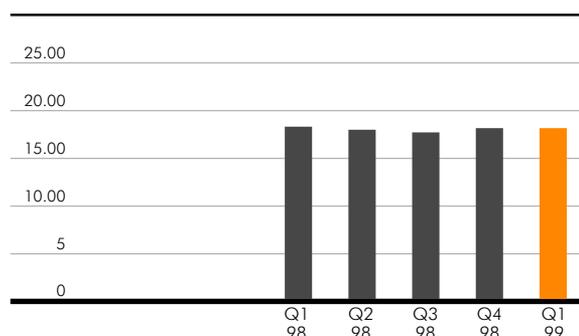
Mac H. Van Wielingen
 Mac H. Van Wielingen
 Director, Vice-Chairman
 and Chief Executive Officer

John P. Dielwart
 John P. Dielwart
 Director and President

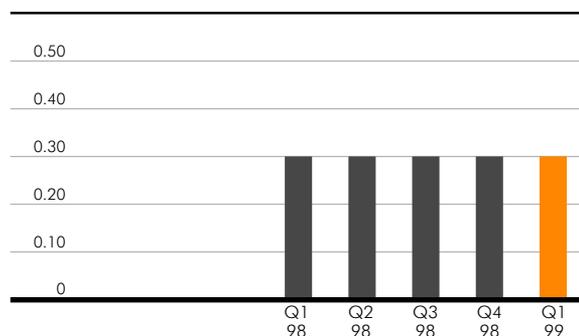
Production (Boe/d)



Sales Price (\$/Boe)



Cash Distributions (\$/unit)



Trust Unit Trading (AET.UN)

(based on daily closing price)	Three Months Ended	
	March 31, 1999	March 31, 1998
Prices (\$)		
High	7.50	11.40
Low	6.15	9.40
Close	7.30	10.25
Average daily volume (000s)	55	35

COMBINED BALANCE SHEET

(\$ thousands)	As at March 31, 1999	As at December 31, 1998
Assets		
Current assets		
Cash	\$ 555	\$ 1,390
Trust unit subscription receivable from the Manager	2,560	-
Accounts receivable	20,831	7,747
	23,946	9,137
Reclamation fund	4,560	4,504
Property, plant and equipment	477,657	245,374
Total assets	\$ 506,163	\$ 259,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,010	\$ 7,535
Royalty distributions payable	4,780	2,560
Payable to the Manager	3,629	730
	26,419	10,825
Long-term debt	162,351	72,499
Future site reclamation and abandonment	9,396	8,368
Total liabilities	198,166	91,692
Unitholders' Equity		
Unitholders' capital	394,058	243,689
Accumulated earnings	2,386	2,180
Accumulated royalty distributions	(88,447)	(78,546)
Total unitholders' equity	307,997	167,323
Total liabilities and unitholders' equity	\$ 506,163	\$ 259,015

COMBINED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

(\$ thousands)	Three Months Ended	
	March 31, 1999	March 31, 1998
Revenue		
Oil, natural gas, natural gas liquids and sulphur sales	\$ 21,884	\$ 17,521
Royalties	(3,068)	(2,771)
	18,816	14,750
Expenses		
Operating	6,678	4,437
General and administrative	926	803
Management fee	339	316
Interest on long-term debt	1,259	908
Capital taxes	52	34
Depletion, depreciation and amortization	9,356	7,816
	18,610	14,314
Net income	206	436
Accumulated earnings, beginning of period	2,180	16,273
Accumulated earnings, end of period	\$ 2,386	\$ 16,709

COMBINED CASH FLOW STATEMENT

(\$ thousands)	Three Months Ended	
	March 31, 1999	March 31, 1998
Cash flow from operating activities		
Net income	\$ 206	\$ 436
Add items not involving cash:		
Depletion, depreciation and amortization	9,356	7,816
	9,562	8,252
Increase in non-cash working capital accounts	(4,197)	(876)
	5,365	7,376
Cash flow from financing activities		
Increase in long term debt, net	15,852	3,595
Royalty distributions	(7,681)	(7,681)
	8,171	(4,086)
Cash flow from investing activities		
Acquisition of properties, net of dispositions	(9,383)	-
Reclamation fund contributions and actual costs incurred	(69)	(475)
Purchase of capital assets	(2,630)	(2,196)
Purchase of working capital in conjunction with property acquisitions	(2,289)	-
	(14,371)	(2,671)
Increase/(decrease) in cash	(835)	619
Cash, beginning of period	1,390	2,983
Cash, end of period	\$ 555	\$ 3,602

The Trust has adopted the accounting recommendation regarding cash flow statements of the Canadian Institute of Chartered Accountants effective January 1, 1999.

COMBINED STATEMENT OF ROYALTY DISTRIBUTIONS AND ACCUMULATED ROYALTY DISTRIBUTIONS

(\$ thousands, except per unit amounts)	Three Months Ended	
	March 31, 1999	March 31, 1998
Net income	\$ 206	\$ 436
Depletion, depreciation and amortization	9,356	7,816
Cash from operations	9,562	8,252
Cash from operations (99 percent)	9,466	8,170
Add (deduct):		
General and administrative expense reimbursement (residual 1 percent)	96	82
Capital expenditures	-	(768)
Discretionary debt payment	-	(890)
Reclamation fund contributions and actual reclamation costs incurred	(69)	(475)
Current period accruals	408	1,562
Royalty distributions	9,901	7,681
Accumulated royalty distributions, beginning of period	78,546	47,822
Accumulated royalty distributions, end of period	\$ 88,447	\$ 55,503
Royalty distributions per unit	\$ 0.30	\$ 0.30

Distribution Reinvestment and Optional Cash Payment Program

New ARC Energy Trust unitholders should be aware of the Trust Distribution Reinvestment Program (DRIP) under which a unitholder can elect to reinvest cash distributions into new ARC Energy Trust units. Irrespective of whether distributions are reinvested, a unitholder can elect to make optional cash payments under the DRIP plan to acquire up to \$3,000 of additional trust units per distribution date. All units acquired under the DRIP program are purchased at prevailing market prices without any additional fees or commissions. For further details on the DRIP program contact Montreal Trust.



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CORPORATE INFORMATION

Directors, Officers and Senior Personnel of ARC Resources Ltd.

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

John P. Dielwart
Director and President

John M. Beddome ⁽¹⁾⁽²⁾
Director

Frederic C. Coles ⁽¹⁾⁽²⁾
Director

Michael M. Kanovsky ⁽¹⁾⁽²⁾
Director

John M. Stewart
Director

Allan R. Twa
Secretary

Nancy V. Lever
Vice-President, Planning

Doug J. Bonner
Vice-President, Engineering

Steven W. Sinclair
Vice-President, Finance

Myron M. Stadnyk
Manager, Operations

Susan D. Healy
Manager, Land

(1) Member of Audit Committee

(2) Member of Reserve Audit Committee

Trustee

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Corporate Trust Department
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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
AET.WT

Executive Office

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For Investor Information

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or Contact:

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