Continued strengthening of oil prices in the third quarter coupled with strong natural gas prices resulted in vastly improved cash flow, earnings and income available for distribution to ARC Energy Trust Unitholders. Extra cash distributions of $0.15 per unit will be paid in the fourth quarter bringing total distributions for the quarter and the year to $0.45 per unit and $1.35 per unit, respectively. The manager of the Trust has elected to use this period of strong commodity prices to make discretionary debt repayments to further strengthen the Trust's already strong balance sheet.

After averaging $15.38 US per barrel during the first half of 1999, oil prices increased to $22.70 US per barrel for West Texas Intermediate in the third quarter as a result of OPEC's production cuts and increasing worldwide demand which have significantly reduced the level of inventories of crude oil and refined oil products. As we head into the 1999/2000 winter heating season, oil prices are at their highest level in almost three years while western Canadian gas prices are at historic highs. While the severity of this year's winter (or lack thereof) will dictate the absolute level of prices for the near months, the supply/demand fundamentals for oil and gas markets are expected to remain favorable for the foreseeable future regardless of the nature of this winter heating season.

A series of short-term crude oil hedges were implemented in the second quarter to ensure distributions were maintained through 1999. Approximately one half of the Trust's total third quarter liquids production was hedged at an average fixed price of $18.00 US per barrel compared to an actual average market price of $22.70 US per barrel, which dampened the Trust's third quarter financial results. However, the Trust's liquids production is completely open for the fourth quarter allowing the Trust to fully benefit from prevailing strong crude oil prices. During the balance of 1999, the Manager of the Trust will be implementing new hedges for its 2000 production. The Trust's hedging program adopts a portfolio approach which is intended to provide more income certainty and stabilize distributions to Unitholders by locking in prices for up to 50 percent of production for the next 12 months and up to 25 percent for the following 12 months.

Financial and Operating Performance

Production during the third quarter was 19,030 barrels of oil equivalent per day which was 87 percent greater than 1998 third quarter production of 10,157 barrels of oil equivalent per day. Year to date production of 17,113 barrels of oil equivalent per day was 66 percent greater than the comparable period in 1998. For the first nine months of 1999, oil production increased 84 percent to 8,160 barrels per day, natural gas production increased 66 percent to 64.0 million cubic feet per day and natural gas liquids production increased 28 percent to 2,552 barrels per day.

In the third quarter, the Trust drilled three additional wells in the second stage of a multi-well program in the Lindale Cardium Unit. As a result of the wells drilled to date in 1999, unit production has climbed from 450 barrels per day (240 barrels per day net) to 1,100 barrels per day (530 barrels per day net) currently. Other third quarter activities included development drilling, recompletions, and tie-ins at Weyburn, Buick Creek, Valhalla, and Minnehik Buck Lake.

Oil prices during the quarter increased 36 percent while natural gas liquids prices increased 61 percent relative to the third quarter of 1998 to $25.33 per barrel and $18.75 per barrel, respectively. Natural gas prices increased to $2.70 per thousand cubic feet, 40 percent greater than the third quarter 1998. Revenues for the three months totaled $43.8 million for an overall average selling price of $25.05 per barrel of oil equivalent which was 43 percent greater than the $17.51 per barrel received in the equivalent period in 1998.

Royalties and operating costs of $3.90 and $5.62 per barrel of oil equivalent, respectively, resulted in an average netback for the third quarter of $15.53 per barrel of oil equivalent for the quarter. Cash flow and earnings for the quarter totaled $23.2 million and $9.5 million, respectively.

Acquisition and Disposition Activity

The Trust completed a number of minor acquisitions and dispositions during the third quarter. A formal process is currently under way to dispose of up to $30 million of non-core assets by the end of the year.

Cash Distributions

With the recovery of oil prices, the Trust easily maintained its regular monthly distributions to Unitholders of $0.10 per unit during the third quarter. As at September 30, 1999, the Trust had accumulated an accrued undistributed working capital surplus of $6.1 million or $0.11 per unit. During the current period of strong commodity prices, the board of directors of the Trust has determined that a portion of the cash available for distribution in excess of the regular monthly distribution of $0.10 per unit will be paid to Unitholders with the balance used to further strengthen the financial position of the Trust through discretionary debt reduction. The relative portions which will be distributed to Unitholders and applied against debt will reflect the prevailing market conditions and will be reviewed on an ongoing basis. For the fourth quarter of 1999, 50 percent of the surplus cash available will be distributed through extra distributions to Unitholders and 50 percent will be used to make discretionary debt repayments.

To date in the fourth quarter, additional working capital surpluses have been generated and extra cash distributions of $0.05 per unit have been paid and/or declared for each of October, November and December 15th payment dates bringing total 1999 distributions to $1.35 per unit. The Trust will not be adjusting its regular monthly distributions but will continue to provide extra distributions to Unitholders to the extent warranted by ongoing cash flow. Although the extra distributions are being paid on a monthly basis during the fourth quarter, in 2000 the Trust will return to quarterly top-up distributions.

Issue of New Units

In the third quarter, the Trust completed a bought-deal financing under which 4.6 million new trust units were issued at a price of $7.90 per unit for total gross proceeds of $36.3 million. The net proceeds of this financing were used to fund the Trust's 1999 capital program with the balance applied against the Trust's existing debt. As a result, the Manager will not be reducing distributions by 10 percent during 1999 to fund a portion of the capital program such that the financing was non-dilutive. At September 30, 1999, the Trust's debt was approximately $131 million.

In conjunction with the acquisitions of Starcor and Orion, 4.3 million warrants were issued and listed for trading on the Toronto Stock Exchange under the symbol AET.WT. These warrants are exercisable at any time until June 15, 2000 at $7.25 per unit. As at September 30, 1999, 337,560 warrants had been exercised leaving 3.9 million warrants outstanding. The warrants, if exercised, would provide $28.5 million of proceeds to fund a large portion of the Trust's year 2000 capital budget.

Year 2000 Plan Update

The Manager has completed its review of Year 2000 computer issues for the Trust and upgraded systems to be fully Year 2000 compliant. Although the Manager believes all computer systems are fully Year 2000 compliant within its own administrative and field operations, it remains susceptible to potential problems with third-party vendors including outside operators of facilities.

Outlook

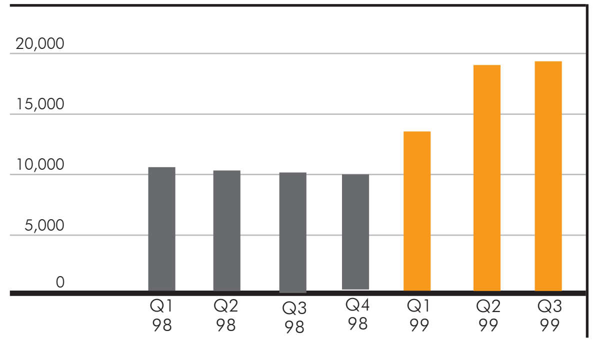
As of mid November, oil prices are very strong at $25.00 US per barrel while Canadian natural gas prices are at their highest sustained levels since deregulation. The Canadian oil and gas industry has never before experienced the combination of strong prices for both oil and gas as well as production essentially at maximum capability. As commodity prices are expected to remain strong for the foreseeable future, the Trust's cash available for distribution is expected to be at its highest level since inception in 1996. The Manager will use this opportunity to balance the objective of maximizing distributions with the longer term objective of maintaining financial strength and stability for the benefit of all Unitholders.

Respectfully submitted on behalf of the Board of Directors.

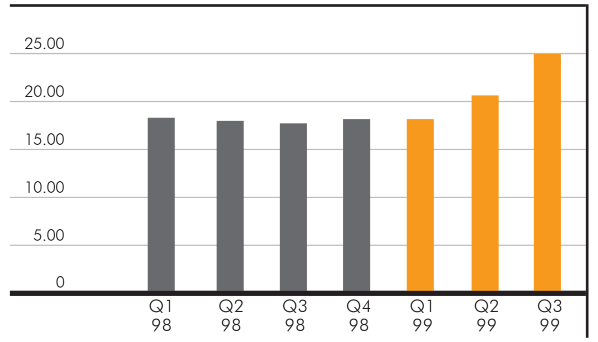
Mac H. Van Wielingen
Director, Vice-Chairman
and Chief Executive Officer

John P. Dielwart
Director and President

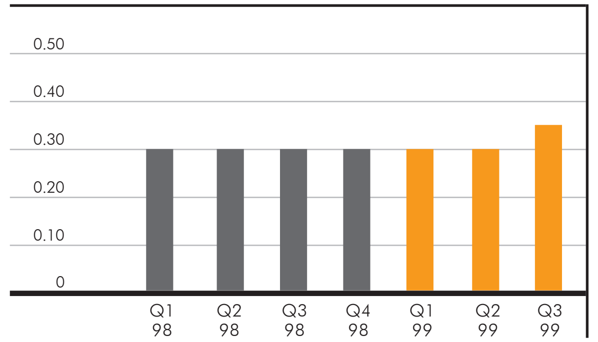
Production (Boe/d)



Sales Price ($/Boe)



Cash Distributions ($/unit)



Trust Unit Trading (AET.UN)

(based on daily closing price)	Year Ended December 31, 1998	Three Months Ended March 31, 1999	June 30, 1999	September 30, 1999
Prices ($)				
High	11.40	7.50	8.25	9.25
Low	6.10	6.15	7.15	7.85
Close	6.15	7.30	8.00	9.25
Average daily volume (000s)	32	55	63	101

Trust Warrant Trading (AET.WT)

(based on daily closing price)	Three Months Ended March 31, 1999*	June 30, 1999	September 30, 1999
Prices ($)			
High	.80	1.03	1.95
Low	.11	.55	.86
Close	.55	.93	1.95
Average daily volume (000s)	34	24	21

* Warrants began trading on March 17th, 1999

COMBINED BALANCE SHEET

($ thousands)	As at September 30, 1999	As at December 31, 1998
Assets		
Current assets		
Cash	**$ 955**	$ 1,390
Accounts receivable	**23,583**	7,747
	24,538	9,137
Reclamation fund	**5,898**	4,504
Property, plant and equipment	**464,695**	245,374
Total assets	**$ 495,131**	$ 259,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 18,212**	$ 7,535
Royalty distributions payable	**7,973**	2,560
Payable to the Manager	**311**	730
	26,496	10,825
Long-term debt	**130,870**	72,499
Future site reclamation and abandonment	**12,257**	8,368
Total liabilities	**169,623**	91,692
Unitholders' Equity		
Unitholders' capital	**430,879**	243,689
Accumulated earnings	**15,571**	2,180
Accumulated royalty distributions	**(120,942)**	(78,546)
Total unitholders' equity	**325,508**	167,323
Total liabilities and unitholders' equity	**$ 495,131**	$ 259,015

COMBINED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

($ thousands)	Three Months Ended September 30, 1999	1998	Nine Months Ended September 30, 1999	1998
Revenue				
Oil, natural gas, natural gas liquids and sulphur sales	**$ 43,849**	$ 16,362	**$ 101,544**	$ 50,357
Royalties	**(6,820)**	(2,762)	**(15,108)**	(7,751)
	37,029	13,600	**86,436**	42,606
Expenses				
Operating	**9,842**	5,422	**26,049**	14,275
General and administrative	**1,162**	772	**3,117**	2,377
Management fee	**835**	246	**1,862**	867
Interest on long-term debt	**1,882**	832	**5,182**	2,636
Capital taxes	**85**	34	**229**	104
Depletion, depreciation and amortization	**13,674**	6,547	**36,606**	21,877
	27,480	13,853	**73,045**	42,136
Net income	**9,549**	(253)	**13,391**	470
Accumulated earnings, beginning of period	**6,022**	16,996	**2,180**	16,273
Accumulated earnings, end of period	**$ 15,571**	$ 16,743	**$ 15,571**	$ 16,743

COMBINED STATEMENT OF CASH FLOW

($ thousands)		September 30, 1999		Nine Months Ended September 30, 1998
Cash flow from operating activities				
Net income	**$**	**13,391**	$	470
Add items not involving cash:				
Depletion, depreciation and amortization		**36,606**		21,877
		49,997		22,347
Change in non-cash working capital accounts		**(8,106)**		1,194
		41,891		23,541
Cash flow from financing activities				
Increase (decrease) in long term debt, net		**(15,629)**		(2,322)
Issue of trust units and warrants, net of expenses		**36,978**		-
Royalty distributions		**(36,983)**		(23,044)
		(15,634)		(25,366)
Cash flow from investing activities				
Acquisition of properties, net of dispositions		**(13,071)**		10,951
Reclamation fund contributions and actual costs incurred		**(1,549)**		(580)
Purchase of capital assets		**(11,972)**		(9,401)
Purchase of working capital in conjunction with property acquisitions		**(100)**		-
		(26,692)		970
Increase/(decrease) in cash		**(435)**		(855)
Cash, begining of period		**1,390**		2,983
Cash, end of period	**$**	**955**	$	2,128

At September 30, 1999 interest paid was $6,011,896 compared to $2,677,018 at September 30, 1998. The increase in 1999 is due to prepaid interest on bankers' acceptances and increased bank debt. Taxes paid totalled $215,457 in 1999 and $185,787 in 1998.

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

COMBINED STATEMENT OF ROYALTY DISTRIBUTIONS AND ACCUMULATED ROYALTY DISTRIBUTIONS

($ thousands, except per unit amounts)	Three Months Ended September 30, 1999	1998	Nine Months Ended September 30, 1999	1998
Net income	**$ 9,549**	$ (253)	**$ 13,391**	$ 470
Depletion, depreciation and amortization	**13,674**	6,547	**36,606**	21,877
Cash from operations	**23,223**	6,294	**49,997**	22,347
Cash from operations (99 percent)	**22,991**	6,231	**49,497**	22,124
Add (deduct):				
General and administrative expense reimbursement (residual 1percent)	**232**	63	**500**	223
Capital expenditures	**-**	(768)	**-**	(2,304)
Proceeds from disposition of royalty interests	**5,050**	-	**5,050**	11,634
Discretionary debt payment	**(2,996)**	(890)	**(2,996)**	(8,671)
Reclamation fund contributions and actual reclamation costs incurred	**(1,398)**	(45)	**(1,549)**	(580)
Current period accruals	**(5,780)**	3,091	**(8,106)**	618
Royalty distributions	**18,099**	7,682	**42,396**	23,044
Accumulated royalty distributions, beginning of period	**102,843**	63,184	**78,546**	47,822
Accumulated royalty distributions, end of period	**$ 120,942**	$ 70,866	**$ 120,942**	$ 70,866
Royalty distributions per unit	**$ 0.35**	$ 0.30	**$ 0.95**	$ 0.90

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 purchased under the DRIP program are made at prevailing market prices without any additional fees or commissions. For further details on the DRIP program contact Montreal Trust.

ARC ENERGY • TR

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

www.arcfinancial.com

CORPORATE INFORMATION

Directors and Officers of ARC Resources Ltd.

Walter DeBoni [1][2]
Chairman

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

Doug J. Bonner
Vice-President, Engineering

Susan D. Healy
Vice-President, Land

Nancy V. Lever
Vice-President, Planning

Steven W. Sinclair
Vice-President, Finance

Myron M. Stadnyk
Vice-President, Operations

(1) Member of Audit Committee
(2) Member of Reserve Audit Committee

For Investor Information
Visit our Website at www.arcfinancial.com
or Contact:

Steven W. Sinclair
Vice-President, Finance

Trustee

Montreal Trust Company of Canada
Corporate Trust Department
600, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8
Telephone: (403) 267-6510
Facsimile: (403) 267-6598

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
AET.WT

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 Address:
arc_energy_trust@arcfinancial.com

ARC Energy Trust

Interim Report for the Nine Months Ended September 30, 1999

Q3

The Canadian oil and gas industry has never before experienced the combination of strong prices for both oil and gas as well as production essentially at maximum capability. As a result, the Trust's total cash available for distribution is currently at its highest level since inception in 1996. The Manager will use this opportunity to balance the objective of maximizing distributions with the longer term objective of maintaining financial strength and stability for the benefit of all Unitholders.

($ thousands, except per unit amounts)	Three Months Ended September 30, 1999	September 30, 1998
Financial		
Revenue before royalties	**43,849**	16,362
Per unit	**0.85**	0.64
Cash flow	**23,223**	6,294
Per unit	**0.45**	0.25
Net income	**9,549**	(253)
Per unit	**0.19**	(0.01)
Cash distributions	**18,099**	7,682
Per unit*	**0.35**	0.30
Working capital	**(1,958)**	3,968
Long-term debt	**130,870**	63,633
Unitholders' equity	**325,508**	189,566
Weighted average units (thousands)	**51,469**	25,604
Units outstanding at end of period (thousands)	**53,153**	25,604

* Based on the number of units outstanding at each cash distribution date

Operating		
Production		
Crude oil (Bbl/d)	**9,250**	4,498
Natural gas (Mmcf/d)	**71.66**	36.18
Natural gas liquids (Bbl/d)	**2,614**	2,041
Total (Boe/d)	**19,030**	10,157
Average prices		
Crude oil ($/Bbl)	**25.33**	18.61
Natural gas ($/Mcf)	**2.70**	1.92
Natural gas liquids ($/Bbl)	**18.75**	11.65
Oil equivalent ($/Boe)	**25.05**	17.51