ARC ENERGY TRUST

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2000

Q2

The Trust achieved record results in the second quarter as a result of continued high commodity prices and completion of a major acquisition which closed on April 4, 2000. During the first half of the year, 25 percent of the Trust's cash available for distribution was directed towards discretionary debt repayments. We expect to exit the year with a debt to cash flow ratio of approximately 1.0 despite the fact that our first quarter $135 million acquisition was funded 63% by debt. The Trust's current distribution policy provides it with significant flexibility to withstand material commodity price reductions without materially affecting distributions. The Trust has never been better positioned to deliver near-term as well as long-term value to our Unitholders.

	Three Months Ended	
($ thousands, except per unit amounts)	**June 30, 2000**	June 30, 1999
Financial		
Revenue before royalties	**78,124**	35,811
Per unit	**1.25**	0.74
Cash flow	**46,164**	17,211
Per unit	**0.74**	0.36
Net income	**28,947**	3,636
Per unit	**0.46**	0.08
Cash distributions	**28,066**	14,396
Per unit*	**0.45**	0.30
Working capital	**17,320**	230
Long-term debt	**189,935**	168,135
Unitholders' equity	**396,574**	297,811
Weighted average units (thousands)	**62,303**	48,249
Units outstanding at end of period (thousands)	**63,684**	48,276

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

Operating		
Production		
Crude oil (Bbl/d)	**12,492**	9,005
Natural gas (Mmcf/d)	**76.55**	71.93
Natural gas liquids (Bbl/d)	**2,903**	2,778
Total (Boe/d)	**23,050**	18,975
Average prices		
Crude oil ($/Bbl)	**37.15**	20.45
Natural gas ($/Mcf)	**3.95**	2.32
Natural gas liquids ($/Bbl)	**30.91**	15.10
Oil equivalent ($/Boe)	**37.25**	20.74

Exceptionally strong commodity prices continued during the second quarter which led to record financial results for the Trust including net income for the quarter of $28.9 million. Cash available for distribution increased to a record level of $40.7 million ($0.65 per unit) resulting in actual distributions for the quarter of $28.1 million ($0.45 per unit) and discretionary debt repayments of $9.4 million ($0.15 per unit). The Manager's debt reduction initiative which was introduced in the third quarter of 1999 has resulted in discretionary debt repayments of $25.4 million to date which has significantly strengthened the Trust's balance sheet. With the continued strength in commodity prices, the current policy of applying 50 percent of the monthly cash available for distribution above $0.10 per unit to debt repayment will be maintained to further strengthen the Trust's already strong balance sheet.

Second quarter prices for West Texas Intermediate crude oil averaged $28.77 US per barrel, a slight increase from the price achieved in the first quarter. With an average exchange rate of $0.676 US per $Cdn., the Edmonton light, sweet oil reference price achieved a record level of $41.60 per barrel. While crude oil prices were comparable to first quarter levels, natural gas prices increased dramatically during the second quarter. Second quarter natural gas prices for NYMEX and AECO were $3.45 US per mmbtu (+33 percent) and $4.26 Cdn. per mcf (+28 percent), respectively. The combination of these commodity prices created the strongest business environment experienced to date by the Trust.

A comparison of second quarter 2000 commodity prices versus the comparable period in 1999 and the first quarter of 2000 is as follows:

	Q2 1999	Q1 2000	Q2 2000	Current Aug. 15 2000*
W.T.I ($US/bbl)	17.64	28.72	28.77	30.05
Edm. ($Cdn/bbl)	24.55	41.35	41.60	43.10
NYMEX ($US/mmbtu)	2.06	2.60	3.45	4.23
AECO ($Cdn/mcf)	2.67	3.32	4.26	5.28

* Forward strip for balance of 2000 as of August 15, 2000

A series of short-term oil and gas price hedges were implemented for the second quarter to protect unitholder distributions. Approximately 45 percent of the Trust's total second quarter liquids production was hedged at an average price of $25.95 US per barrel compared to an average market price of $28.77 US per barrel. Approximately 36 percent of second quarter natural gas production was hedged at an average AECO price of $3.32 per mcf compared to an average market price of $4.26 per mcf.

Financial and Operating Performance

Production during the second quarter was 23,050 barrels of oil equivalent per day which was 21 percent greater than 1999 second quarter production of 18,975 barrels of oil equivalent per day. In the first six months of 2000, oil production increased 39 percent to 10,577 barrels per day, natural gas production increased 21 percent to 72.9 million cubic feet per day and natural gas liquids production increased 12 percent to 2,832 barrels per day. Second quarter activities included tie-in of wells completed during the winter drilling programs in third party operated areas including Marten Hills, Valhalla and Wildmere. Infill drilling continues in Midale and House Mountain. On ARC operated properties, successful infill drilling continued in the Lindale Cardium Unit and commenced in our Jenner field. ARC assumed operatorship of newly acquired properties effective April 4, 2000. Major properties include Ante Creek, Valhalla, Youngstown and Oungre. Extensive well reviews have been completed for all new areas and optimization activities have commenced.

Oil and gas liquids prices increased to $37.15 and $30.91 per barrel, respectively, which represented increases of 82 percent and 105 percent compared to prices in the second quarter of 1999. Natural gas prices increased to $3.95 per thousand cubic feet, 70 percent greater than the second quarter 1999. Revenues for the three months totaled $78.1 million for an overall average selling price of $37.25 per barrel of oil equivalent which was 80 percent greater than the $20.74 per barrel received in the equivalent period in 1999.

Royalties and operating costs of $6.75 and $5.48 per barrel of oil equivalent, respectively, resulted in an average netback of $25.02 per barrel of oil equivalent for the quarter. Cash flow and earnings for the quarter totaled $46.2 million and $28.9 million, respectively, both of which are record levels.

Cash Distributions

With the strong commodity prices, cash available for distribution during the quarter increased to a record $40.7 million ($0.65 per unit) resulting in actual distributions of $28.1 million ($0.45 per unit) and discretionary debt repayments of $9.4 million ($0.15 per unit). As indicated above, the previously announced policy of splitting the cash available for distribution in excess of the regular monthly distribution of $0.10 per unit equally between additional distributions to Unitholders and discretionary debt payments remained in effect for the quarter. With the high level of cash flow and distributions, the taxable portion of distributions in 2000 is expected to be 30 - 35 percent.

As announced on August 17, 2000, the third quarter distribution will be comparable to the second quarter with an extra distribution of $0.15 per unit to be paid on September 15, 2000. These distributions increase the trailing twelve month distributions to $1.80 per unit resulting in the trust units trading at approximately a 15.4 percent cash on cash yield based on the Trust's August 15, 2000 closing price of $11.70 per unit. The Trust's actual cash available for distribution during the twelve month period ending September 15, 2000 totaled $2.45 per unit which represents a cash on cash yield of 20.9 percent if we followed similar distribution policies as some other trusts.

Exercise of Warrants

As of the June 15, 2000, expiry date, virtually all of the remaining ARC Energy Trust warrants were exercised resulting in an increase in the number of units outstanding to 63.7 million. Total cash proceeds of $25.2 million have been received in 2000 in respect of warrant exercises.

Management Appointment and Corporate Activities

It was announced at the Annual General Meeting in May that John Dielwart was named Chief Executive Officer of the Trust and will also retain his previous positions as Director and President of the Trust. Mac Van Wielingen will remain as Vice-Chairman and Director of the Trust and Chairman of the management company.

On May 23, 2000, the Board of Directors approved the transfer of the Trust's management contract between subsidiaries of ARC Financial Holdings Ltd. At the Annual Meeting, unitholders approved two special resolutions one of which expanded the scope of energy related activities the Manager can pursue on behalf of the Trust and the other which allows for the conversion of ARC Resources Ltd. shares into trust units to give the Manager greater flexibility to pursue corporate acquisition opportunities which may arise in the future.

Outlook

The oil and gas industry continues to benefit from high commodity prices. The fate of oil prices lies firmly in the hands of the OPEC cartel which raised output in the second quarter to temper the very high prices which prevailed for most of the quarter. Key OPEC members, Saudi Arabia and Venezuela have publicly stated that OPEC "will not tolerate low prices". In this context, market expectations for the balance of the year are that oil prices will remain in the upper $20.00 US per barrel range. Natural gas prices will be driven by North American market fundamentals which are exceptionally strong and are expected to remain strong for some time to come. Record high gas prices are expected to prevail for the balance of 2000 and beyond. In this pricing environment, the Trust's financial results will continue to be at record levels for the balance of the year.

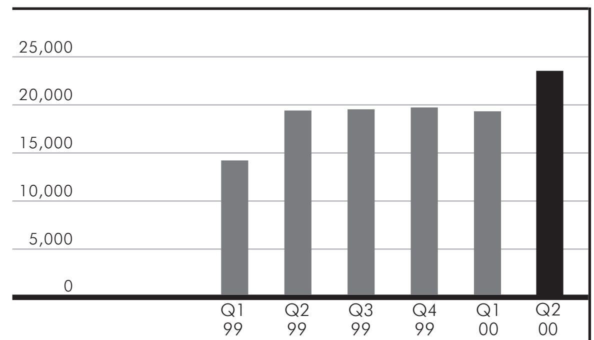
In the prevailing period of record industry cash flow, the cost of acquisitions has escalated sharply. However, the Trust has a very active development program underway on our existing assets and a major acquisition was completed at a very attractive price earlier this year. We therefore will not be materially affected by the current high cost of new acquisitions. Our success to date has been our ability to source and complete asset acquisitions on attractive terms in all phases of the market. The Manager will continue to pursue strategic and timely acquisitions consistent with this past performance and consistent with our absolute commitment to deliver superior returns to the Trust's Unitholders.

Respectfully submitted on behalf of the Board of Directors.

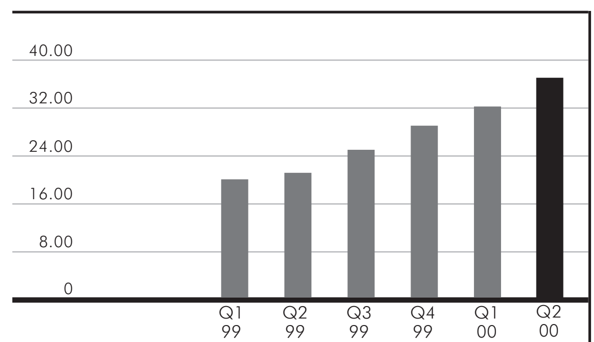
Mac H. Van Wielingen
Director and Vice-Chairman

John P. Dielwart
Director, President and
Chief Executive Officer

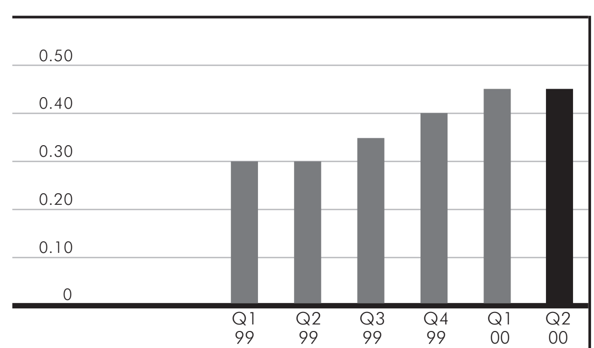
Production (Boe/d)



Sales Price ($/Boe)



Cash Distributions ($/unit)



Trust Unit Trading (AET.UN)

	Three Months Ended			
(based on daily closing price)	Sept. 30, 1999	Dec. 31, 1999	March 31, 2000	June 30, 2000
Prices ($)				
High	9.25	9.20	9.20	10.95
Low	7.85	8.40	8.55	8.65
Close	9.25	8.75	8.75	10.80
Average daily volume (000s)	101	51	88	194

Trust Warrant Trading (AET.WT)

	Three Months Ended			
(based on daily closing price)	Sept. 30, 1999	Dec. 31, 1999	March 31, 2000	*June 14, 2000
Prices ($)				
High	1.95	1.94	1.84	3.10
Low	.86	1.01	1.05	1.31
Close	1.95	1.30	1.31	3.06
Average daily volume (000s)	21	8	70	31

* Warrants ceased trading on June 14th, 2000

COMBINED BALANCE SHEET

($ thousands)	As at June 30, 2000	As at December 31, 1999
Assets		
Current assets		
Cash	**$ 1,264**	$ 9,240
Properties held for sale	**-**	4,800
Accounts receivable	**41,376**	29,145
	42,640	43,185
Reclamation fund	**9,489**	7,165
Property, plant and equipment	**575,506**	455,269
Total assets	**$ 627,635**	$ 505,619
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 18,389**	$ 21,386
Royalty distributions payable	**6,369**	5,361
Payable to the Manager	**562**	677
	25,320	27,424
Long-term debt	**189,935**	141,000
Future site reclamation and abandonment	**15,806**	13,185
Total liabilities	**231,061**	181,609
Unitholders' Equity		
Unitholders' capital	**513,456**	434,314
Accumulated earnings	**78,433**	32,015
Accumulated royalty distributions	**(195,315)**	(142,319)
Total unitholders' equity	**396,574**	324,010
Total liabilities and unitholders' equity	**$ 627,635**	$ 505,619

COMBINED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

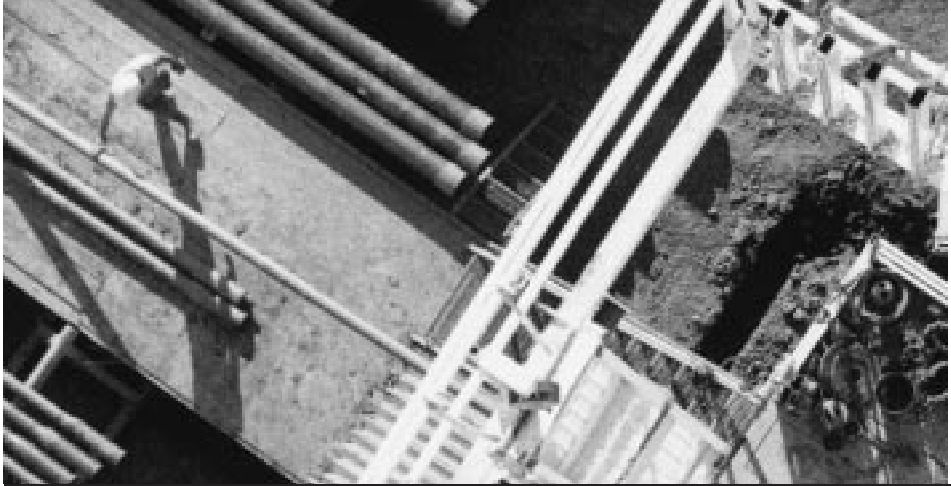
	Three Months Ended		Six Months Ended	
($ thousands)	**June 30, 2000**	June 30, 1999	**June 30, 2000**	June 30, 1999
Revenue				
Oil, natural gas, natural gas liquids and sulphur sales	**$ 78,124**	$ 35,811	**$ 132,570**	$ 57,695
Royalties	**(14,162)**	(5,220)	**(23,838)**	(8,288)
	63,962	30,591	**108,732**	49,407
Expenses				
Operating	**11,485**	9,529	**20,742**	16,207
General and administrative	**1,592**	1,029	**2,837**	1,955
Management fee	**1,599**	688	**2,688**	1,027
Interest on long-term debt	**3,056**	2,041	**4,656**	3,300
Capital taxes	**66**	93	**159**	144
Depletion, depreciation and amortization	**17,217**	13,575	**31,232**	22,932
	35,015	26,955	**62,314**	45,565
Net income	**28,947**	3,636	**46,418**	3,842
Accumulated earnings, beginning of period	**49,486**	2,386	**32,015**	2,180
Accumulated earnings, end of period	**$ 78,433**	$ 6,022	**$ 78,433**	$ 6,022

COMBINED CASH FLOW STATEMENT

($ thousands)	Six Months Ended June 30, 2000	June 30, 1999
Cash flow from operating activities		
Net income	**$ 46,418**	$ 3,842
Add items not involving cash:		
Depletion, depreciation and amortization	**31,232**	22,932
	77,650	26,774
Increase in non-cash working capital accounts	**(10,715)**	(5,331)
	66,935	21,443
Cash flow from financing activities		
Increase (decrease) in long term debt, net	**48,935**	21,636
Issue of Trust units, net of expenses	**79,142**	-
Royalty distributions	**(51,988)**	(22,030)
	76,089	(394)
Cash flow from investing activities		
Acquisition of properties, net of dispositions	**(131,308)**	(14,765)
Reclamation fund contributions and actual costs incurred	**(2,656)**	(151)
Purchase of capital assets	**(17,036)**	(6,549)
Purchase of working capital in conjunction with property acquisitions	**-**	(100)
	(151,000)	(21,565)
Increase/(decrease) in cash	**(7,976)**	(516)
Cash, beginning of period	**9,240**	1,390
Cash, end of period	**$ 1,264**	$ 874

COMBINED STATEMENT OF ROYALTY DISTRIBUTIONS AND ACCUMULATED ROYALTY DISTRIBUTIONS

($ thousands, except per unit amounts)	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Net income	**$ 28,947**	$ 3,636	**$ 46,418**	$ 3,842
Depletion, depreciation and amortization	**17,217**	13,575	**31,232**	22,932
Cash from operations	**46,164**	17,211	**77,650**	26,774
Cash from operations (99 percent)	**45,702**	17,039	**76,874**	26,506
Add (deduct):				
General and administrative expense reimbursement (residual 1percent)	**462**	172	**776**	268
Capital expenditures	**(4,519)**	-	**(7,499)**	-
Proceeds from disposition of royalty interests	**5,287**	-	**8,071**	-
Discretionary debt payment	**(6,188)**	-	**(11,855)**	-
Reclamation fund contributions and actual reclamation costs incurred	**(969)**	(20)	**(2,656)**	(151)
Current period accruals	**(11,709)**	(2,795)	**(10,715)**	(2,326)
Royalty distributions	**28,066**	14,396	**52,996**	24,297
Accumulated royalty distributions, beginning of period	**167,249**	88,447	**142,319**	78,546
Accumulated royalty distributions, end of period	**$ 195,315**	$ 102,843	**$ 195,315**	$ 102,843
Royalty distributions per unit	**$ 0.45**	$ 0.30	**$ 0.90**	$ 0.60



CORPORATE INFORMATION

Directors, Officers and Senior Personnel of ARC Resources Ltd.

Walter DeBoni (1)(2)
Chairman

Mac H. Van Wielingen
Director and Vice-Chairman

John P. Dielwart
Director, President and
Chief Executive Officer

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 and
Chief Financial Officer

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:

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Vice-President, Finance and
Chief Financial Officer

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Calgary, Alberta

Engineering Consultants
Gilbert Laustsen Jung Associates Ltd.
Calgary, Alberta

Legal Counsel
Burnet, Duckworth & Palmer
Calgary, Alberta

Stock Exchange Listing
The Toronto Stock Exchange
Trading Symbol: AET.UN

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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. If 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.

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