

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
FINANCIAL				
(\$CDN thousands, except per unit and per boe amounts)				
Revenue before royalties	180,596	113,625	552,307	327,196
Per unit ⁽¹⁾	1.09	0.91	3.73	2.79
Per boe	33.86	29.13	37.89	28.11
Cash flow ⁽³⁾	87,511	56,603	306,564	162,474
Per unit ⁽¹⁾	0.53	0.45	2.07	1.38
Per boe	16.41	14.51	21.03	13.96
Net income (loss)	41,217	(3,505)	232,199	40,297
Per unit ⁽¹⁾	0.25	(0.03)	1.54	0.34
Cash distributions	73,890	47,644	200,725	135,557
Per unit	0.45	0.39	1.35	1.17
Working capital (deficit)	(26,763)	330	(26,763)	330
Long-term debt	385,923	271,533	385,923	271,533
OPERATING				
Production				
Crude oil (bbl/d)	23,522	20,809	22,897	20,789
Natural gas (mmcf/d)	182.0	109.1	158.6	109.9
Natural gas liquids (bbl/d)	4,105	3,408	4,067	3,521
Total (boe/d 6:1)	57,968	42,394	53,396	42,632
Average prices				
Crude oil (\$/bbl)	32.76	33.68	35.41	32.10
Natural gas (\$/mcf)	5.44	4.11	6.43	4.12
Natural gas liquids (\$/bbl)	30.92	25.23	32.89	22.89
Oil equivalent (\$/boe 6:1)	33.86	29.13	37.89	28.11
SUPPLEMENTAL				
(thousands)				
Trust units outstanding at end of period	164,500	122,928	164,500	122,928
Trust units issuable for Exchangeable shares	3,030	3,342	3,030	3,342
Total Trust units & Exchangeable shares at end of period	167,530	126,270	167,530	126,270
Weighted average Trust units & Exchangeable shares ⁽²⁾	166,365	124,794	147,889	117,336
TRUST UNIT TRADING STATISTICS				
(\$CDN, except volumes)				
High	13.88	12.98	13.88	13.44
Low	12.51	11.05	10.89	11.05
Close	13.55	12.80	13.55	12.80
Average daily volume	550,503	255,731	441,657	316,919

(1) Per unit amounts (with the exception of per unit distributions) are based on weighted average units. See Note 10 of the September 30, 2003 unaudited consolidated interim financial statements.

(2) Includes Exchangeable shares converted at the end of period exchange ratio.

(3) Management uses cash flow (before changes in non-cash working capital) to analyze operating performance and leverage. Cash flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Cash flow as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. All references to cash flow throughout this report are based on cash flow before changes in non-cash working capital.

MESSAGE TO UNITHOLDERS

In the third quarter of 2003, ARC Energy Trust (“ARC” or “the Trust”) received the full benefit from the Star Oil & Gas Ltd. (“Star”) acquisition completed in the second quarter of this year. Production volumes are slightly ahead of budget and drilling activity continues at a record pace as ARC pursues development opportunities on its pre-existing assets as well as those acquired with Star.

To take advantage of the development opportunities acquired through the Star assets, the Board of Directors of ARC approved an increase in ARC’s 2003 capital budget to \$150 million. ARC’s third quarter capital expenditures were \$45.1 million. Year-to-date, ARC has spent \$98.2 million on its capital development program of which \$97.3 million was funded from cash flow.

During the third quarter, ARC completed its largest shallow gas drilling program in its history in the Hatton, Horsham and Jenner areas in southeast Alberta and southwest Saskatchewan. A total of 137 successful wells were drilled in these areas, many of which were on lands acquired with Star. ARC is systematically bringing these new wells onto production with 101 wells tied in by quarter end, adding an incremental five mmcf/d of gas production.

As part of its ongoing program of asset optimization, the Trust disposed of certain non-core assets to high-grade its portfolio of properties. ARC’s previously announced dispositions of \$77 million of assets to third parties closed on August 14. Approximately 3,700 boe/d of production was divested with proceeds directed toward the reduction of debt. Also in the third quarter, all the remaining convertible debentures issued as part of the Star acquisition were converted into trust units. The combination of the conversion of debentures and the disposition of non-core assets has improved the capital structure of the Trust. The Trust’s debt was reduced to \$386 million or 1.1 times annualized third quarter cash flow.

The appreciation in the Canadian dollar exchange rate vis-à-vis the U.S. dollar negatively impacted the Trust’s cash flow in the third quarter. For every \$0.01 increase in the Canadian dollar exchange rate, the Trust’s cash available for distribution decreases by approximately \$0.03 per unit per year prior to any hedging and by \$0.02 per unit per year taking into account 2003 hedging contracts. Commodity prices remained relatively strong in the third quarter with West Texas Intermediate oil prices up slightly to US\$30.22 from US\$28.90 in the second quarter. However, when the rising Canadian dollar is taken into account, the average price for oil at Edmonton in Canadian dollars remained constant at approximately \$41 per

barrel in the second and third quarters. Canadian natural gas prices were down by 10 per cent from \$6.99/mcf in the second quarter to \$6.29/mcf in the third quarter. ARC mitigates fluctuations in commodity prices and foreign exchange through its hedging strategy. Though ARC may give up the potential benefit of higher prices through hedging of a portion of its production, the hedging program helps to protect cash flow and stabilize distributions throughout the year.

ARC previously announced that distributions for the fourth quarter will remain at \$0.15 per unit. This level has been in effect since February 2003. Third quarter cash flow was down compared to the second quarter due to reduced Canadian dollar commodity prices in the third quarter, second quarter non-recurring cash flow of \$11.9 million on termination of foreign exchanges hedges, and higher operating costs associated with scheduled seasonal maintenance activities. ARC distributed approximately 84 per cent of third quarter cash flow to unit holders bringing the year-to-date pay out ratio to 65 per cent in respect of 2003 operations. The payout ratio would have been 67 per cent taking into account that \$4.1 million of cash flow was effectively re-invested by holders of the exchangeable shares. The remainder of the cash flow has been used to fund a portion of the third quarter capital development program and the reclamation fund contribution.

The trading volume of the trust's units averaged 551,000 units per day in the third quarter, up from 503,000 in the second quarter. Though some of the activity can be attributed to higher U.S. investor activity, the Trust's foreign ownership is still relatively low at approximately 15 per cent.

ARC takes great pride in its excellent team of employees that enhance the business opportunities of the Trust. I am therefore pleased to acknowledge that Les Avery, ARC's superintendent for southeast Saskatchewan was awarded the Oilman of the Year award for southeast Saskatchewan. It is a great honor for Les and ARC.

ARC is focused on capitalizing on the development opportunities in our assets. The Board has approved a \$175 million capital budget for 2004, the largest in ARC's history. This program is expected to maintain production at a rate of approximately 55,000 boe/d throughout 2004.

Subsequent to the third quarter, the Trust issued 14.5 million trust units at a price of \$13.40 per unit for gross proceeds of \$194 million. The net proceeds of this issue of \$185 million will be initially used to repay outstanding bank indebtedness and to subsequently fund a portion of ongoing capital expenditures of approximately \$50

million for the balance of 2003 and a portion of ARC's 2004 capital program. The offering will further strengthen ARC's balance sheet to enable ARC to be in a good position to take advantage of opportunities as they present themselves.

ARC's assets are opportunity rich and we expect to be able to substantially maintain production through internal development programs for at least the next 12 months. We look forward to another busy quarter of development activities on ARC's properties as we get an early start on our winter drilling program. A major focus for this quarter will be the continued exploitation of our properties in Dawson and in Ante Creek. We will continue to exploit the opportunities on our properties and expect to continue to provide superior returns to our unitholders.



John P. Dielwart
*Director, President and
Chief Executive Officer*
November 10, 2003

OPERATIONAL AND DEVELOPMENT ACTIVITIES

Properties ⁽¹⁾	3 mos. ended September 30/03 Mboe/d	YE 2002 ⁽²⁾ Established Reserves mmboe	% of Total Reserves	RLI ⁽³⁾ Years
Northern AB & BC	20.4	98	37	13.2
SE Sask	9.0	43	16	13.1
SE AB & SW Sask	10.9	51	19	12.8
Central AB	10.3	30	12	8.0
Pembina	7.4	43	16	15.9
Total	58.0	265	100	12.5

(1) Provincial references: AB is Alberta, BC is British Columbia, Sask is Saskatchewan

(2) Prior to \$77 million dispositions which closed on August 14

(3) Current RLI is modestly overstated due to the timing of August 14 asset sales

The third quarter was the most active in ARC's history for drilling and development activity. ARC capitalized on the portfolio of high-quality assets acquired from Star with the completion of its largest shallow gas well drilling program since inception and through numerous optimization activities.

ARC's third quarter production was slightly above target at 57,968 boe/d. ARC is on track to meet fourth quarter production targets of 56,000 boe/d following the completion of the sale of \$77 million of assets to third parties which closed in mid-August. The disposition was approximately 3,700 boe/d of production, equating to established reserves at January 1, 2003 of 9.3 million barrels of oil equivalent, of which 40 per cent were crude oil and natural gas liquids.

ARC completed a large shallow gas drilling program which began in the second quarter in the southeast Alberta and southwest Saskatchewan areas. In total, 137 operated shallow gas wells were drilled in the third quarter. Forty-seven wells were drilled in Horsham, 42 wells in Hatton, 20 wells in Jenner South and 28 wells in Jenner North. The Hatton and Horsham wells are now on production and have added incremental production of 3.9 mmcf/d. Twelve of the Jenner South wells were completed and on stream by the end of the third quarter with incremental production of 1.1 mmcf/d. The remaining Jenner South and Jenner North wells are expected to be completed and on production in the fourth quarter. In the Princess area, 15 net non-operated shallow gas wells were drilled and brought on stream with initial production of 1.3 mmcf/d incremental to ARC.

In addition to its large shallow gas program, ARC has a large internal development inventory to draw upon as it works to maintain production. In southeast Saskatchewan, ARC drilled five horizontal wells in the third quarter, achieving a net

ARC COMPLETED ITS
LARGEST SHALLOW
GAS DRILLING
PROGRAM IN ITS
HISTORY IN THE
SOUTHEAST ALBERTA
AND SOUTHWEST
SASKATCHEWAN
AREAS

ALL REMAINING
DEBENTURES
ISSUED FOR THE
STAR OIL & GAS
LTD. ACQUISITION
WERE CONVERTED
INTO UNITS

CASH FLOW OF
\$87.5 MILLION WAS
A RECORD THIRD
QUARTER FOR THE
TRUST

production uplift of approximately 300 boe/d. Two horizontal wells were drilled in Tatagwa in the third quarter. These wells will be completed and placed on stream in the fourth quarter. In Lougheed, an expanded waterflood reversed production declines – a significant accomplishment for ARC. In the Ante Creek area, added compression resulted in an uplift of approximately 300 boe/d. ARC continues to develop its interests in the Pembina area. In the third quarter, we completed and tied-in three vertical infill wells and are preparing to drill two more vertical wells.

The fourth quarter will see a continued high level of development activity. Further drilling is planned in the Ante Creek and Dawson areas. Also in Ante Creek, ARC continues to construct waterflood facilities in a pilot project to enhance ultimate recoveries. Completions and tie-ins of previously drilled wells will continue into the fourth quarter.

NET INCOME OF
\$41.2 MILLION WAS
A RECORD THIRD
QUARTER FOR THE
TRUST

During the third quarter, operating costs increased to \$7.35 per boe from \$6.87 boe in the first half of the year. This increase was primarily due to seasonal maintenance and workover costs, especially in non-operated areas. ARC had extensive turnarounds during August and September this year that had an effect on production. It is expected that some turnaround activity will continue into the fourth quarter, however ARC expects operating costs to moderate in the fourth quarter.

ARC's capital expenditures in the third quarter were \$45.1 million. ARC's capital expenditures year-to-date are \$98.2 million of which \$97.3 million have been funded from cash flow.

ENVIRONMENT AND SAFETY MANAGEMENT

ARC is committed to conducting its operations in a safe and environmentally responsible manner. Through the third quarter, ARC maintained its safety record of zero lost-time accidents for employees and direct contractors. We continued to perform flare pit remediations, well abandonment and reclamations to proactively address environmental concerns.

ARC continues to strive to be a leader in environmental stewardship therefore we are pleased to be the recipients of the gold level VCR award from Canada's Voluntary Climate Registry. This registry is the industry's voluntary effort to reduce greenhouse gas emissions and document the efforts year-over-year.

ARC'S DISPOSITIONS
OF \$77 MILLION OF
ASSETS TO THIRD
PARTIES CLOSED ON
AUGUST 14

ACQUISITIONS AND DISPOSITIONS

For the nine month period ended September 30, 2003, the Trust completed the acquisition of Star Oil & Gas Ltd. ("Star") for total consideration of \$721.6 million. Subsequent to closing of the Star acquisition, the Trust sold certain Star properties to a third party for total consideration of \$78.2 million. In addition, the Trust acquired \$5.1 million of properties and disposed of \$84.8 million of non-core properties.

PRICE RISK MANAGEMENT PROGRAM

The Trust actively manages commodity price risk by entering into hedging contracts to protect revenue from fluctuations in commodity prices. This risk management program helps to provide stability for cash distributions to unitholders, but could, in periods of high commodity prices, result in lost opportunity for the Trust. During the third quarter, revenues would have been \$10.4 million higher had ARC been completely un-hedged.

For the fourth quarter of 2003, 52 per cent of crude oil and natural gas liquids are hedged at an average WTI price of US\$27.31/bbl. The Trust is hedging into 2004, with 30 per cent of forecasted oil production hedged currently at WTI average prices of US\$26.89/bbl.

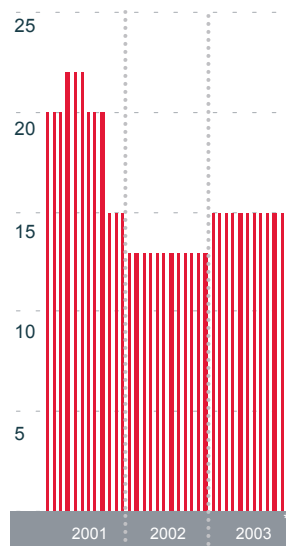
Approximately 43 per cent of ARC's gas production was hedged in the third quarter at AECO prices averaging \$5.76/mcf, which was \$0.54/mcf below the average AECO market price of \$6.29/mcf. Currently, approximately 37 per cent of October to December gas is hedged at an AECO average price of \$5.86/mcf. Approximately 20 per cent of 2004 gas is hedged at an AECO average price of \$5.66/mcf.

CASH DISTRIBUTIONS AND UNITHOLDER RETURNS

Third quarter distributions declared were \$0.45 per unit, resulting in 12-month trailing distributions of \$1.74 per unit.

The payout ratio was 65 per cent in respect of 2003 operations and would have been 67 per cent taking into account that \$4.1 million of cash flow was effectively re-invested by holders of the exchangeable shares. The high level of withholding resulted in ARC paying 99 per cent of its year-to-date capital program from cash flow with the balance of cash flow withheld directed towards convertible debenture interest and a reclamation fund contribution. This surplus cash flow will be available later in the year, if required, to maintain distributions at current levels.

MONTHLY CASH DISTRIBUTIONS
(CDN cents/trust unit)



* Estimate based on current market outlook and subject to change based on actual market conditions

Cash flow and cash distributions per unit were as follows:

Per unit	2003 Q3	2003 YTD	2002 Q3	2002 YTD
Cash flow	0.53	2.07	0.45	1.38
Reclamation fund contributions	(0.01)	(0.03)	(0.01)	(0.03)
Convertible debenture interest	-	(0.03)	-	-
Capital expenditures funded by cash flow	(0.27)	(0.66)	(0.06)	(0.20)
Discretionary debt borrowings	0.19	-	-	-
Other	0.01	-	0.01	0.02
Cash distributions	0.45	1.35	0.39	1.17

On October 16, 2003, the Trust announced that the November 17, 2003 distribution would be \$0.15 per trust unit and that subject to confirmation, the December and January 2004 distributions are also expected to be \$0.15 per trust unit.

Actual and estimated cash distributions through the end of the fourth quarter are as follows:

Ex-Distribution Date	Record Date	Distribution Payment Date	Total Distribution
December 27, 2002	December 31, 2002	January 15, 2003	0.13
January 29, 2003	January 31, 2003	February 17, 2003	0.15
February 26, 2003	February 28, 2003	March 17, 2003	0.15
March 27, 2003	March 31, 2003	April 15, 2003	0.15
April 28, 2003	April 30, 2003	May 15, 2003	0.15
May 28, 2003	May 31, 2003	June 16, 2003	0.15
June 26, 2003	June 30, 2003	July 15, 2003	0.15
July 29, 2003	July 31, 2003	August 15, 2003	0.15
August 27, 2003	August 31, 2003	September 15, 2003	0.15
September 26, 2003	September 30, 2003	October 15, 2003	0.15
October 29, 2003	October 31, 2003	November 17, 2003	0.15
November 26, 2003	November 30, 2003	December 15, 2003	0.15*

* Estimated

TAXABILITY OF 2003 CASH DISTRIBUTIONS

The taxable portion of unitholder cash distributions for calendar year 2003 is approximately 80 per cent. The balance is considered return of capital and is tax deferred. The exact percentage will be communicated to unitholders in February 2004. Information that provides year-by-year taxability of distributions may be found at the Investor Relations section of our website, www.arcresources.com.

Taxability of 2003 cash distributions:

	YTD ⁽¹⁾ Distribution	Return of Capital		Taxable Portion	
		\$/unit	%	\$/unit	%
2003 est ⁽²⁾	\$1.48 ⁽³⁾	\$0.30	20%	\$1.18	80%
2002	\$1.58	\$0.51	32%	\$1.07	68%
2001	\$2.41	\$0.77	32%	\$1.64	68%
2000	\$1.86	\$1.02	55%	\$0.84	45%
1999	\$1.25	\$0.99	79%	\$0.26	21%
1998	\$1.20	\$1.08	90%	\$0.12	10%
1997	\$1.40	\$1.09	78%	\$0.31	22%
1996	\$0.81	\$0.81	100%	-	-

(1) Based on cash payments in the respective calendar year.

(2) Estimated taxable portion of 2003 distributions is approximately 80 per cent.

(3) 2003 total distributions based on actual payments to October 15, 2003.

Investors who wish to participate in the returns of the Trust on a more tax effective basis, and who do not need monthly cash distributions, may want to purchase ARC Resources Exchangeable shares which trade on the TSX under the symbol ARX.

DISTRIBUTION RE-INVESTMENT AND OPTIONAL CASH PAYMENT PROGRAM

Registered unitholders may participate in ARC's Distribution Re-investment Plan ("DRIP") by electing to re-invest cash distributions into new trust units. Additionally, a registered unitholder may choose to make optional cash payments between \$500 and \$3,000 per month to acquire additional trust units on each distribution date. Effective August 6, 2003, the Board of Directors approved that units under the DRIP plan be issued at a five per cent discount to the prevailing market price without any additional fees or commissions. Due to U.S. securities legislation, the DRIP plan is available to Canadian residents only. Information and the DRIP form may be accessed at the Investor Relations section of our website.

Unitholders electing to re-invest distributions or make optional cash payments to acquire trust units from treasury under the DRIP plan resulted in an additional 263,000 trust units being issued in the quarter at an average price of \$12.81 for a total of \$3.4 million in proceeds. Year-to-date, 489,000 trust units have been issued at an average price of \$12.53 for total proceeds of \$6.1 million.

STATEMENT OF PRIVACY PRACTICES

ARC respects the privacy and confidentiality of personal information that has been collected about its employees, contractors, vendors, landowners, unitholders and other business associates in order to maintain ARC's records and information. ARC only collects and uses information that is necessary for it to administer its business effectively, efficiently and in a safe and reliable fashion. This information is only for

the appropriate internal use of ARC and will not be shared or used for other purposes unless permitted or required by law.

In accordance with the Personal Information Protection and Electronic Documents Act which will come into effect for the private sector on January 1, 2004, ARC will post its Statement of Privacy Practices on its website as of that date. This Statement of Privacy Practices: (i) explains ARC's practices with respect to the collection, use, disclosure and protection of personal information by ARC; and (ii) provides information on how to access, correct and update personal information, and how to contact ARC with privacy-related questions or comments. Please reference the Corporate and Unitholder Information page for contact information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2003 and the audited consolidated financial statements and MD&A for the year ended December 31, 2002.

Management uses cash flow (before changes in non-cash working capital) to analyze operating performance and leverage. Cash flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Cash flow as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. All references to cash flow throughout this MD&A are based on cash flow before changes in non-cash working capital.

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of ARC. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the MD&A as at and for the years ended December 31, 2002 and 2001, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Highlights

All of the remaining convertible debentures that were issued as partial consideration for the Star Oil & Gas Ltd. ("Star") acquisition were converted into trust units in the third quarter.

Cash flow of \$87.5 million (\$0.53 per unit) was a record third quarter for the Trust and was primarily attributed to increased production volumes as a result of the Star acquisition and continued strong commodity prices in the quarter. The continued strengthening of the Canadian dollar relative to the U.S. dollar negatively impacted third quarter revenue and cash flow. The increase in the CAD/USD exchange rate by 17 per cent since the beginning of the year had a negative impact on the Canadian dollar commodity prices realized by the Trust and other Canadian energy companies.

The Trust declared distributions of \$73.9 million in the quarter (\$0.45 per unit), representing 84 per cent of third quarter cash flow. The payout ratio would have been 86 per cent of cash flow taking into account that holders of the exchangeable shares have effectively re-invested approximately \$1.4 million. In respect of the first nine months of 2003, the Trust has distributed \$200.7 million (\$1.35 per unit) representing 65 per cent of year-to-date cash flow. The payout ratio would have been 67 per cent of cash flow taking into account that holders of the exchangeable shares would have effectively re-invested \$4.1 million.

On August 14, 2003, ARC Energy Trust ("ARC" or "the Trust") completed the disposition of certain of its existing minor, non-core properties for total consideration of \$77 million before final closing adjustments. The disposition of the minor, non-core properties will allow the Trust to focus on development opportunities in its core areas.

Subsequent to the quarter end, the Trust issued 14.5 million trust units at \$13.40 per unit to raise gross proceeds of \$194 million (\$185 million net of commission and fees) on a bought deal basis. The proceeds of this equity offering will initially be used to repay outstanding indebtedness and to subsequently fund a portion of ongoing capital expenditures for the remainder of 2003 and 2004.

The Trust has obtained Board of Director approval to proceed with a \$175 million capital expenditure program in 2004.

Acquisition of Star Oil & Gas Ltd.

On April 16, 2003, ARC completed the acquisition of Star Oil & Gas Ltd. (“Star”) for total consideration of \$721.6 million after closing adjustments. This transaction was funded through a combination of bank debt and the issuance to the vendor of \$320 million in Special Convertible subordinated debentures. In related transactions that closed on or before May 2, 2003, ARC sold certain producing properties and undeveloped acreage comprising part of the acquired assets to third parties for \$78.2 million.

The results of the Trust incorporate operations of the acquired Star properties from the closing date of the transaction of April 16, 2003.

Production

	2003 Q3	2002 Q3	Variance % Q3	2003 YTD	2002 YTD	Variance % YTD
Oil (bbl/day)	23,522	20,809	13	22,897	20,789	10
Gas (mmcf/day)	182.0	109.1	67	158.6	109.9	44
NGL (bbl/day)	4,105	3,408	20	4,067	3,521	16
Total (boe/d)	57,968	42,394	37	53,396	42,632	25

The acquisition of Star (net of related property dispositions) resulted in an increase in production of approximately 19,200 boe/d. The Star assets were more heavily weighted to natural gas production than the existing ARC production and resulted in an increase in the Trust’s third quarter natural gas production from 43 per cent in 2002 to 52 per cent of total production in 2003.

Third quarter production volumes of 57,968 boe/d were 37 per cent higher than the third quarter of 2002. Third quarter oil production was 23,522 barrels per day, natural gas production was 182 million cubic feet per day and natural gas liquids production was 4,105 barrels per day.

For the first nine months of 2003, oil production was 22,897 barrels per day, natural gas production was 158.6 million cubic feet per day and natural gas liquids production was 4,067 barrels per day. Year-to-date, 2003 production was 53,396 boe/d compared to 42,632 boe/d for the same period in 2002, representing a 25 per

cent increase. The increase in third quarter and year-to-date production was primarily attributed to the acquisition of Star that closed on April 16, 2003.

Third quarter and year-to-date production were impacted by the sale of several minor properties with production of approximately 3,700 boe/d that closed on August 14, 2003.

ARC expects fourth quarter 2003 production to average approximately 55,800 boe/d after incorporating production declines on existing properties and the positive impact of ongoing development activities on the assets.

Prices and Marketing

	2003 Q3	2002 Q3	Variance % Q3	2003 YTD	2002 YTD	Variance % YTD
Benchmark prices						
AECO gas (\$/mcf)	6.29	3.25	94	7.07	3.68	92
WTI oil (U.S. \$/bbl)	30.22	28.25	7	30.96	25.42	22
CAD/USD Foreign exchange rate	0.72	0.64	13	0.70	0.64	9
WTI oil (CDN equivalent\$/bbl)	41.72	44.17	(6)	44.25	39.90	11
Average ARC prices*						
Natural gas (\$/mcf)	5.44	4.11	32	6.43	4.12	56
Oil (\$/bbl)	32.76	33.68	(3)	35.41	32.10	10
Natural gas liquids (\$/bbl)	30.92	25.23	23	32.89	22.89	44
Total oil equivalent (\$/boe)	33.86	29.13	16	37.89	28.11	35

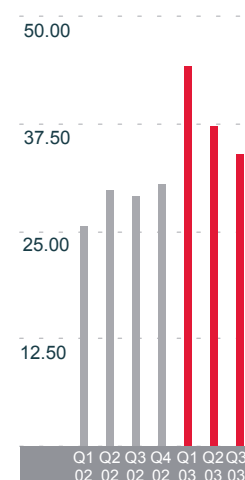
*Includes commodity and foreign currency hedging gains and losses. See hedging section for details.

Third quarter West Texas Intermediate (“WTI”) crude oil price increased to US\$30.22/bbl from US\$28.25/bbl in the same period of 2002 and third quarter AECO gas price increased 94 per cent to \$5.97/GJ (\$6.29/mcf) from \$3.08/GJ (\$3.25/mcf) in the same period of 2002. As a result of the 13 per cent increase in the third quarter CAD/USD exchange rate over the comparative quarter of 2002, the third quarter Canadian-dollar-equivalent oil price decreased by six per cent despite a seven per cent increase in U.S. denominated WTI crude oil price. For the first nine months of 2003, the Canadian-dollar-equivalent oil price increased by only 11 per cent despite an increase of 22 per cent in the U.S. denominated WTI crude oil price from the same period in 2002.

The Trust has entered into foreign exchange hedging contracts to somewhat mitigate the impact that fluctuations in the CAD/USD exchange rate have on cash flow. In addition, certain of the Trust’s payments are denominated in U.S. dollars which partially offsets the negative impact of CAD/USD exchange rate fluctuations.

In July 2003, the Trust announced the formation of Energy Trust Marketing Ltd. (“ETML”), a natural gas marketing company, which is jointly owned by ARC, four

AVERAGE
SELLING PRICE
(\$CDN/boe)



other Alberta based energy trusts, and the management of ETML. ETML will enhance ARC's options for marketing its natural gas production.

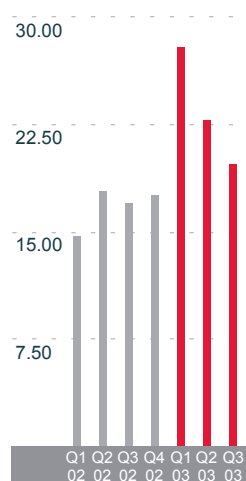
Hedging and Risk Management

ARC's third quarter 2003 prices include hedging losses of \$0.16/mcf for natural gas and \$3.59/barrel for oil. This compares to a hedging gain in the third quarter of 2002 of \$0.90/mcf for natural gas and a hedging loss of \$3.76/barrel for oil.

For 2003, ARC has hedged approximately 55 per cent of oil volumes at WTI average price of US\$27.16/bbl and 38 per cent of natural gas volumes at an AECO average price of \$6.12/mcf utilizing a variety of contracts under which the quantity and price of amounts hedged vary depending on the market price of the commodity. The Trust currently has hedges in place for the fourth quarter on 52 per cent of forecast oil production and 37 per cent of forecast natural gas production at average WTI and AECO hedged prices of US\$27.31/bbl and \$5.86/mcf, respectively. For 2004, ARC has hedged approximately 30 per cent of forecast oil production at an average WTI price of US\$26.89/bbl and 20 per cent of forecast natural gas production at an average AECO price of \$5.66/mcf.

Year-to-date cash flow from operations includes \$11.9 million that was received upon termination of foreign exchange hedge contracts. This one-time cash settlement was included in second quarter and year-to-date cash flow from operations and is being amortized to earnings over the term of the original contracts to March 2004. The Trust has entered into new foreign exchange hedge contracts to manage its exposure to fluctuations in CAD/USD exchange rate (see Note 5 to the unaudited interim consolidated financial statements for details on ARC's commodity and foreign exchange hedging contracts).

NETBACK
(\$CDN/boe)



Revenue

Revenue, prior to hedging transactions, was \$191 million (\$180.6 million after hedging) for the third quarter of 2003 compared to \$116.5 million (\$113.6 million after hedging) for the third quarter of 2002. The increase in revenue relates to the increase in gas prices together with increased volumes. Included in third quarter revenue of \$180.6 million is \$7 million of other revenue primarily attributed to gains on foreign exchange hedging contracts of which \$5.3 million was a non-cash amount.

	2003 Q3	2002 Q3	Variance % Q3	2003 YTD	2002 YTD	Variance % YTD
(\$ Millions, includes hedging)						
Oil revenue	70.9	64.5	10	221.4	182.2	22
Gas revenue	91.0	41.3	120	278.2	123.7	125
Condensate & NGL revenue	11.7	7.9	48	36.5	22.0	66
Other revenue	7.0	(0.1)	-	16.2	(0.7)	-
Total revenue	180.6	113.6	59	552.3	327.2	69

For the first nine months of 2003, revenue after hedging increased by \$225.1 million to \$552.3 million compared to the same period in 2002. This 69 per cent increase in revenue is attributed to increased production volumes and higher commodity prices. Revenue for the nine months ended September 30, 2003 includes \$16.2 million of other revenue primarily attributed to gains on foreign exchange hedging contracts, of which \$7.7 million was a non-cash amount.

Operating Netbacks

Operating netbacks for the third quarter increased 15 per cent to \$19.61/boe from \$17.08/boe for the same period of 2002. For the first nine months of 2003, operating netbacks increased to \$22.98/boe from \$16.51/boe in the same period for 2002 - a 39 per cent increase. Higher commodity prices were the most significant contributor to higher netbacks in the current quarter and year-to-date. In particular, the 92 per cent increase in the natural gas price in 2003 positively impacted the netback as the Trust increased its weighting of natural gas production as a percentage of total third quarter production from 43 per cent to 52 per cent with the Star acquisition.

Total royalties increased to \$6.90/boe in the third quarter of 2003 compared to \$5.51/boe in the same period of 2002. Royalties as a percentage of pre-hedged revenue increased to 19.3 per cent for the third quarter as compared to 18.5 per cent for the same period in 2002. For the first nine months of 2003, royalties were \$114.6 million (\$7.86/boe and 19.6 per cent of pre-hedged revenue), as compared to \$60.3 million (\$5.18/boe and 18.7 per cent of pre-hedged revenue) for the same period in 2002. The higher royalty rate in 2003 is attributed to the higher commodity price environment and the increased gas weighting of the Trust's production as the Trust's effective royalty rate on natural gas is higher than oil.

Operating costs, net of processing income, increased to \$7.35/boe (\$39.2 million) in the third quarter of 2003 from \$6.54/boe (\$25.5 million) for the same period in 2002. For the first nine months of 2003, operating costs were \$7.05/boe (\$102.7 million) as compared to \$6.42/boe (\$74.7 million) for the same period of 2002. The increase in total operating costs from 2002 to 2003 was primarily due to the acquisition of additional oil and gas properties. High workover and maintenance activities during the summer months typically result in increased operating costs in the third quarter compared to the first half of the year. This trend of relatively high seasonal operating costs was the key contributing factor to increased operating costs in total and per boe in the third quarter compared to the first half of 2003.

The components of operating netbacks are shown below:

	2003	2002	Variance	2003	2002	Variance
\$/Boe	Q3	Q3	% Q3	YTD	YTD	% YTD
Market price oil and gas	\$34.50	\$29.87	16	\$38.95	\$27.69	41
Cash hedging gain/(loss)	(2.15)	(1.17)	(84)	(2.39)	0.18	-
Non-cash hedging gain/(loss)	0.20	0.44	(55)	0.22	0.31	(29)
Other revenue	1.31	(0.01)	-	1.11	(0.07)	-
Selling price	33.86	29.13	16	37.89	28.11	35
Royalties	(6.90)	(5.51)	(25)	(7.86)	(5.18)	(52)
Operating costs	(7.35)	(6.54)	(12)	(7.05)	(6.42)	(10)
Operating netback	\$19.61	\$17.08	15	\$22.98	\$16.51	39

General and Administrative Expenses

General and administrative expenses (“G&A”), net of operating recoveries on operated properties, increased in the third quarter 2003 to \$5.2 million (\$0.97/boe) from \$3.8 million (\$0.97/boe) for the same period in 2002. The increase in total G&A costs was due primarily to costs associated with an increase in staffing levels as a result of the Star acquisition. For the first nine months of 2003, G&A of \$0.96/boe was effectively unchanged compared to the prior year. ARC expects fourth quarter G&A per boe to be consistent with the third quarter.

The Trust’s G&A costs per boe are continually monitored internally by management and are benchmarked against other comparable-sized trusts.

Prior to the internalization of the management contract in the third quarter of 2002, the Manager received three per cent of net operating revenue. In the third quarter of 2002, Management fees amounted to \$1.3 million (\$0.34/boe). Management fees to the end of the third quarter of 2002 were \$5.2 million (\$0.44/boe). There were no management fees payable subsequent to the internalization that occurred on August 28, 2002.

Interest Expense

Interest expense increased to \$4.8 million (\$0.89/boe) for the third quarter of 2003 from \$3 million (\$0.77/boe) for the same period in 2002. This increase in interest expense is the result of increased debt balances following the Star acquisition. In the third quarter of 2003, proceeds of \$77 million from the minor property disposition were applied to partially reduce the debt balance. The partial reduction of the debt balance served to reduce interest charges in the third quarter relative to the second quarter of 2003.

Interest expense for the nine months ended September 30, 2003 was \$14.7 million (\$1.01/boe) compared to \$9.1 million (\$0.78/boe) for the same period in 2002. The higher debt balance as a result of the Star acquisition was the key contributor to the higher interest expense.

On April 16, 2003, the Trust issued \$320 million of convertible debentures to the shareholders of Star as partial consideration for the acquisition. Throughout the second and third quarters, the debentures were fully converted to trust units and as of September 30, 2003, there were no remaining debentures outstanding. Due to the equity classification of the debentures, interest on the debentures has not been included in interest expense but has been recorded as a reduction of accumulated earnings. In the third quarter, \$0.2 million of interest on the convertible debentures was paid to debenture holders, bringing the total interest paid to debenture holders to \$4.1 million for the year-to-date.

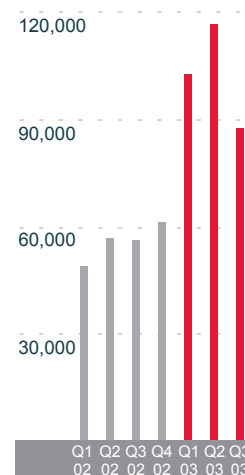
Foreign Currency Gains and Losses

ARC has \$65 million in U.S. denominated long-term debt that is subject to changes in the CAD/USD exchange rate. Unrealized gains or losses are recorded each period based on the change in the Canadian-dollar-equivalent value of foreign denominated debt balances. These unrealized gains and losses are recorded in net income each reporting period and are based on changes in the CAD/USD exchange rate.

Due to the relative stability of the Canadian dollar in relation to the U.S. dollar during the third quarter of 2003, ARC recorded a \$0.3 million non-cash foreign exchange loss compared to a \$2.3 million non-cash foreign exchange loss in the third quarter of 2002. For the nine months ended September 30, 2003, the total realized and unrealized foreign exchange gain amounted to \$14.7 million compared to \$0.3 million in 2002. The significant gain for the nine month period ended September 30, 2003, is the result of a 17 per cent increase in the CAD/USD exchange rate since the beginning of the year. These amounts are primarily unrealized gains relating to the translation of U.S. debt balances and have no impact on cash flow.

The \$11.9 million cash settlement received upon termination of foreign exchange hedge contracts was included in second quarter and year-to-date cash flow from operations. The settlement amount was recorded on the balance sheet and is being amortized into income over the remaining term of the contracts that were to expire at various dates through March 2004. A non-cash amortization gain of \$5 million was included in third quarter revenue and a \$6.6 million non-cash amortization gain was included in year-to-date revenue. As at September 30, 2003, \$5.3 million of the foreign exchange termination settlement remains to be amortized to future periods, of which \$3.9 million will be amortized in the fourth quarter of 2003 and \$1.4 million in the first quarter of 2004.

CASH FLOW
(\$CDN millions)



Depletion, Depreciation and Future Site Reclamation Expenses

The depletion, depreciation and amortization (“DD&A”) rate for the third quarter increased to \$11.65/boe from \$10.55/boe for the third quarter of 2002. The DD&A rate for the third quarter includes a provision for future site reclamation of \$0.71/boe in 2003 and \$0.68/boe in 2002. The increase in the DD&A rate is due primarily to the \$794 million fair value of the Star assets being added to PP&E and included in the depletable base effective April 16, 2003.

The goodwill value of \$156.8 million was determined based on the excess of total consideration paid plus the future income tax liability less the fair value of the Star assets. The future income tax liability arises based on the difference between the value allocated to Star’s net assets and their respective tax basis. The fair value of the Star assets of \$794 million was determined based on a 10 per cent discounted value of established reserves as per an independent reserve evaluation, which compares favourably to the \$721.6 million consideration paid after closing adjustments. The difference represents ARC’s view of the discounted present value of the tax pool deficiency which is also different from the amount of future taxes which must be provided on the acquisition under Canadian GAAP.

Accounting standards required that the goodwill balance be assessed for impairment at least annually and if such an impairment exists that it be charged to income in the period in which the impairment occurs. The Trust has determined that there is no goodwill impairment as of September 30, 2003.

Taxes

Capital taxes for the third quarter of 2003 were \$0.8 million compared to \$0.4 million for the same period of 2002. Year-to-date 2003, capital taxes were \$1.1 million compared to \$1.2 million for the same period in 2002.

For the three months ended September 30, 2003, a future income tax recovery of \$9.7 million was included in income compared to a \$7.7 million recovery for the comparable period in 2002. For the nine months ended September 30, 2003, a future income tax recovery of \$77.2 million was included in net income. The significant year-to-date future income tax recovery is due to substantive enactment of legislation to reduce future income tax rates. The tax rate reductions were substantively enacted late in the second quarter and will be phased in over five years commencing in 2003. The rate changes incorporate a reduction in the applicable tax rate on resource income from 28 per cent to 21 per cent, provide for the deduction of crown royalties and eliminate the deduction for resource allowance. ARC’s expected future income tax rate incorporating these changes is 35 per cent compared to 42 per cent as at December 31, 2002. Of the \$77.2 million year-to-

date future income tax recovery, \$65 million was attributed to the reduction in the future tax rate to 35 per cent from 42 per cent. On November 7, 2003, Royal Assent was received, thereby legislating the future tax rate reductions.

A future tax liability of \$242 million was recorded upon acquisition of Star as a result of the fair market value of the assets acquired being in excess of the associated tax basis. The future tax liability was based on the tax rate at the time of acquisition of approximately 42 per cent. The subsequent substantively enacted reduction in the future income tax rates resulted in a \$37 million recovery of the future income tax liability recorded on the Star acquisition.

In the Trust's structure, payments are made between ARC Resources Ltd. and the Trust, transferring both income and future tax liability to individual unitholders. ARC expects that future income taxes will not be paid by ARC Resources Ltd.

Capital Expenditures and Net Acquisitions

Total capital expenditures of \$45.1 million and net property dispositions of \$81.2 million were completed in the third quarter. This compares to capital expenditures of \$16.1 million and net property acquisitions of \$46 million in the third quarter of 2002. For the first nine months of 2003, capital expenditures were \$98.2 million and net property dispositions were \$157.9 million, compared to capital expenditures and net property acquisitions of \$61.6 million and \$57.2 million, respectively, in the equivalent period in 2002.

In addition to year-to-date capital expenditures and net property dispositions, the Trust also completed the corporate acquisition of Star for total consideration of \$721.6 million after closing adjustments. Property, plant and equipment ("PP&E") increased by \$794 million as a result of the acquisition. PP&E includes an incremental amount to reflect the acquired assets at fair value after consideration of the future income tax liability recorded on the acquisition.

The Trust's 2003 capital budget prior to the Star acquisition of \$115 million was designed to maintain production. ARC received Board of Directors approval for an increase in the 2003 capital budget to \$150 million in August 2003. The increase in the 2003 capital budget is focused on additional drilling opportunities associated with the acquired Star properties.

A breakdown of capital expenditures by category is shown below:

(\$ Millions)	2003 Q3	2002 Q3	Variance % Q3	2003 YTD	2002 YTD	Variance % YTD
Geological & geophysical expenditures	1.1	0.6	83	2.8	1.4	100
Development drilling	31.7	12.0	164	72.5	49.2	47
Plant and facilities	11.9	3.1	284	21.0	10.0	110
Other capital expenditures	0.4	0.4	-	1.9	1.0	90
Total capital expenditures	45.1	16.1	180	98.2	61.6	59
Producing property net acquisitions	(81.2)	46.0	-	(157.9)	57.2	-
Corporate acquisition ⁽¹⁾	0.3	-	-	721.6	-	-
Total capital expenditures and net acquisitions	(35.8)	62.1	-	661.9	118.8	457
Total capital expenditures financed with cash flow	44.2	7.8	466	97.3	23.5	314
Total capital expenditures financed with debt & equity	(80.0)	54.3	(247)	564.6	95.3	492

⁽¹⁾ Corporate acquisition of \$721.6 million represents total consideration after closing adjustments. PP&E increased by an additional \$72.5 million as a result of a future income tax liability upon acquisition.

Capitalization and Financial Resources

(\$ Millions)	Sept. 30, 2003	Dec. 31, 2002	Sept. 30, 2002
Long-term debt	\$385.9	\$337.7	\$271.5
Less: working capital/(deficit)	(26.8)	(10.1)	0.3
Net debt obligations ⁽¹⁾	412.7	347.8	271.2
Trust units outstanding & issuable, end of period ⁽²⁾	167,530	126,444	126,270
Trust unit price, end of period	\$13.55	\$11.90	\$12.80
Market value of trust units	2,270.0	1,504.7	1,594.0
Total ARC capitalization	\$2,682.7	\$1,852.5	\$1,865.2
Net debt as a percentage of total capitalization ⁽¹⁾	15.4%	18.8%	14.5%
Quarterly cash flow	87.5	61.5	56.6
Net debt to annualized cash flow ⁽³⁾	1.2	1.41	1.2

⁽¹⁾ Net debt represents long-term debt less working capital.

⁽²⁾ Based on trust units outstanding and units issuable for exchangeable shares at the period end.

⁽³⁾ Based on annualized quarterly cash flow.

⁽⁴⁾ Total capitalization as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Total capitalization is not intended to represent the total funds from equity and debt received by the trust.

Working capital deficit at September 30, 2003, was \$26.8 million. The working capital deficit is partially attributed to accrued but unpaid costs associated with ARC's year-to-date capital expenditure program.

At September 30, 2003, total long-term debt outstanding was \$385.9 million with a maximum borrowing base of \$620 million. Proceeds of \$77 million received upon closing of the minor property disposition were applied to partially reduce the long-term debt balance in the quarter. The Trust's borrowing base was reduced to \$620 million from \$650 million in the third quarter as a result of the \$77 million disposition package and resultant decrease in the reserve base.

During the third quarter, the remaining \$44 million of convertible debentures were converted into 3.7 million trust units. For the nine months ended September 30, 2003, 27 million trust units were issued upon conversion of the entire \$320 million of convertible debentures issued in conjunction with the Star acquisition.

At September 30, 2003 there were 164.5 million trust units issued and outstanding, a 33 per cent increase from the 123.3 million trust units issued and outstanding at December 31, 2002. The significant increase in the number of trust units outstanding is mainly attributable to the February 25, 2003 equity offering of 12.5 million trust units at \$11.50 per trust unit (before issuance costs) and the issuance of 27 million trust units at \$11.84 per trust unit upon conversion of the \$320 million convertible debentures.

Subsequent to the quarter end, the Trust issued 14.5 million trust units at \$13.40 per unit to raise gross proceeds of \$194.3 million (\$184.6 million net of commission and fees) on a bought deal basis. The proceeds of this equity offering will initially be used to repay outstanding indebtedness and to subsequently fund a portion of ongoing capital expenditures for the remainder of 2003 and 2004.

Cash Distributions

Total cash distributions of \$73.9 million (\$0.45 per trust unit) were made to unitholders in respect of the third quarter of 2003 compared to \$47.6 million (\$0.39 per trust unit) in respect of the third quarter 2002. Cash distributions in respect of the third quarter of 2003 represented 84 per cent of cash flow. The payout ratio would have been 86 per cent of cash flow taking into account that holders of the exchangeable shares have effectively re-invested approximately \$1.4 million. This payout ratio is unchanged compared to the third quarter of 2002. The remaining 16 per cent of third quarter cash flow (\$13.6 million) was directed towards funding a portion of the third quarter capital expenditure program, making a \$1.7 million contribution to the reclamation fund and paying convertible debenture interest of \$0.2 million.

On a year-to-date basis, ARC has declared cash distributions of \$200.7 million (\$1.35 per unit), representing 65 per cent of year-to-date cash flow. If cash had been paid out to the owners of exchangeable shares, the payout ratio would have been 67 per cent. The remaining 35 per cent of cash flow (\$105.9 million) was used to fund 99 per cent of ARC's year-to-date capital expenditures (\$97.3 million), make contributions to the reclamation fund (\$4.5 million), and make interest payments on the convertible debentures (\$4.1 million). For the same nine month period of 2002, cash distributions were \$135.6 million (\$1.17 per unit), representing 83 per cent of cash flow.

To September 30, 2003, the Trust declared total cumulative distributions since inception of \$889.7 million (\$11.99 per trust unit) to unitholders.

Monthly cash distributions for the fourth quarter have been set at \$0.15 per unit subject to confirmation as commodity price fluctuations may occur.

With higher than expected commodity prices in the first three quarters of 2003, ARC is currently forecasting that approximately 80 per cent of distributions paid in 2003 will be taxable to unitholders, with the remainder treated as a tax deferred return of capital.

Following is a sensitivity analysis, which indicates the impact on annual cash flow and distributions as a result of changes in commodity prices, foreign exchange rates and interest rates:

	Assumption	Change	Impact on Annual Cash Flow			Impact on Annual Distributions ⁽²⁾	
			\$000's	\$/Unit	%	\$000's	\$/Unit
Business environment							
Price per barrel of oil (US\$WTI) ⁽¹⁾	\$30.28	\$1.00	\$10,026	\$0.06	2.3%	\$8,021	\$0.05
Price per mcf of natural gas (CDN\$AECO) ⁽¹⁾	\$6.13	\$0.10	\$4,659	\$0.03	1.1%	\$3,727	\$0.02
CAD/USD exchange rate	\$0.75	\$0.01	\$7,089	\$0.03	1.6%	\$5,671	\$0.03
Interest rate on debt	4.7%	1%	\$3,400	\$0.02	0.8%	\$2,960	\$0.02

⁽¹⁾ Analysis does not include the effect of hedging.

⁽²⁾ Analysis assumes a 20 per cent holdback on distributions.

Financial Reporting and Regulatory Update

There are several impending changes in the financial reporting and securities regulatory environment, which will impact the Trust and all public companies in the near term. Canadian securities regulators and the Canadian Institute of Chartered Accountants ("CICA") are undertaking these measures to increase investor confidence through increased transparency, consistency and comparability of financial statements and financial information. As well, the changes have been brought about by a goal of harmonizing Canadian standards more closely with those in the United States.

The Trust has determined that the following new and amended standards will directly impact the Trust's financial statements and financial reporting in the near term:

Asset Retirement Obligations - The CICA issued Section 3110 which harmonizes Canadian GAAP with SFAS No.143 "Accounting for Asset Retirement Obligations". The new standard requires that companies recognize the liability associated with future site reclamation costs in the financial

statements. The Canadian standard will be effective for fiscal years beginning on or after January 1, 2004, however earlier adoption is recommended. ARC is currently evaluating the impact of this new standard.

Stock Based Compensation and Other Stock Based Payments - In September 2003, the CICA issued an amendment to section 3870 “Stock based compensation and other stock based payments”. The amended section is effective for fiscal years beginning on or after January 1, 2004, however earlier adoption is recommended. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Trust is currently evaluating the impact of this new standard.

Hedging Relationships - In December 2001, the CICA issued Accounting Guideline 13 “Hedging Relationships” which deals with the identification, designation, documentation and measurement of effectiveness of hedging relationships for the purposes of applying hedge accounting. Accounting Guideline 13 is intended to harmonize Canadian GAAP with SFAS No.133 “Accounting for Derivatives Instruments and Hedging Activities”. The guideline is effective for fiscal years beginning on or after July 1, 2003. The Trust is currently evaluating the impact of this new guideline.

Full Cost Accounting Guideline - In September 2003, the CICA issued Accounting Guideline 16 “Oil and Gas Accounting – Full Cost” to replace CICA Accounting Guideline 5. The new guideline proposes amendments to the ceiling test calculation applied by the Trust. The new guideline is effective for fiscal years beginning on or after January 1, 2004. The Trust is currently reviewing the new guideline for implementation, however the Trust does not expect the new guideline to have a financial statement impact at this time.

Exchangeable Share Accounting – On November 10, 2003 the CICA issued a draft EIC (D37) on “Income Trusts – Exchangeable Units”. The EIC proposes that the retained interest of the exchangeable share holders should be presented on the balance sheet as a non-controlling interest separate and distinct from unitholder’s equity. The draft EIC is effective for fiscal years ending on or after December 31, 2003. The Trust is currently reviewing the impact of this new EIC.

Outlook

The fourth quarter will be busy with an active drilling and development program on ARC's expanded asset base. With the disposition of minor properties completed, the Trust can now focus on major properties with significant upside, with the objective to replace production declines with internal development opportunities.

The equity offering announced on October 30, 2003 raised \$185 million of net proceeds for the Trust, reducing the Trust's debt to approximately \$230 million or approximately 0.7 times annualized third quarter cash flow. This low level of debt provides the Trust the financial flexibility to proceed forward with both 2003 fourth quarter capital expenditures of approximately \$50 million and the 2004 capital expenditure program of \$175 million.

QUARTERLY REVIEW

	2003				2002		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FINANCIAL							
(\$CDN thousands, except per unit amounts)							
Revenue before royalties	180,596	195,081	176,629	117,639	113,625	112,707	100,864
Per unit ⁽¹⁾	1.09	1.34	1.34	0.93	0.91	0.98	0.90
Cash flow	87,511	116,546	102,506	61,495	56,603	56,677	49,194
Per unit ⁽¹⁾	0.53	0.80	0.78	0.49	0.45	0.49	0.44
Net income (loss)	41,217	125,994	64,988	27,596	(3,505)	28,831	14,970
Per unit ⁽¹⁾	0.25	0.84	0.49	0.22	(0.03)	0.25	0.13
Cash distributions	73,890	67,495	59,340	48,060	47,644	44,684	43,229
Per unit ⁽²⁾	0.45	0.45	0.45	0.39	0.39	0.39	0.39
Working capital (deficit)	(26,763)	(29,107)	(6,676)	(10,067)	330	3,690	3,625
Long-term debt	385,923	437,881	219,907	337,728	271,533	213,364	316,446
Weighted average units (thousands) ⁽³⁾	166,365	145,546	131,379	126,370	124,794	115,235	111,838
Units outstanding and issuable at period end	167,530	163,184	139,239	126,444	126,270	122,359	111,957
CAPITAL EXPENDITURES							
(\$thousands)							
Geological & geophysical expenditures	1,171	656	998	556	619	519	272
Development drilling	31,661	23,834	17,037	21,047	12,025	13,538	23,464
Plant and facilities	11,917	4,831	4,204	4,265	3,115	2,944	4,033
Other capital expenditures	391	1,325	224	861	380	285	355
Total capital expenditures	45,140	30,646	22,463	26,729	16,139	17,286	28,124
Producing property net acquisitions	(81,166)	(79,750)	3,000	61,952	46,018	9,344	1,799
Corporate acquisition	258	721,332	-	-	-	-	-
Total capital expenditures and net acquisitions	(35,768)	672,228	25,463	88,681	62,157	26,630	29,923
OPERATING							
Production							
Crude oil (bbl/d)	23,522	24,078	21,065	20,256	20,809	20,366	21,196
Natural gas (mmcf/d)	182.0	175.7	117.3	109.2	109.1	106.9	113.9
Natural gas liquids (bbl/d)	4,105	4,397	3,696	3,355	3,408	3,527	3,631
Total (boe/d 6:1)	57,968	57,759	44,313	41,808	42,394	41,713	43,805
Average prices							
Crude oil (\$/bbl)	32.76	33.71	40.41	30.20	33.68	32.40	30.22
Natural gas (\$/mcf)	5.44	6.39	8.04	5.26	4.11	4.67	3.61
Natural gas liquids (\$/bbl)	30.92	28.83	39.99	27.49	25.23	23.38	20.17
Oil equivalent (\$/boe 6:1)	33.86	37.12	44.29	30.58	29.13	29.69	25.58
TRUST UNIT TRADING STATISTICS							
Prices (\$CDN, except volumes)							
High	13.88	12.84	12.34	12.74	12.98	13.44	13.18
Low	12.51	11.29	10.89	11.04	11.05	11.85	11.35
Close	13.55	12.50	11.59	11.90	12.80	12.77	13.14
Average daily volume (thousands)	551	503	313	269	256	252	446

(1) Based on weighted average trust units and exchangeable shares

(2) Based on number of trust units outstanding at each cash distribution date

(3) Includes trust units issuable for outstanding exchangeable shares based on the period end exchange ratio

CONSOLIDATED BALANCE SHEET

As at September 30 and December 31 (unaudited)

(\$CDN thousands)

	2003	2002
ASSETS		
Current assets		
Cash	\$ -	\$ 835
Accounts receivable	95,817	49,631
Prepaid expenses	5,782	6,965
	101,599	57,431
Reclamation fund	15,790	12,924
Property, plant and equipment (Note 3)	1,977,122	1,397,563
Goodwill (Notes 1 and 3)	156,762	-
Total assets	\$ 2,251,273	\$ 1,467,918
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,718	\$ 51,454
Cash distributions payable	24,644	16,044
	128,362	67,498
Long-term debt (Notes 3 and 4)	385,923	337,728
Site reclamation and abandonment (Note 3)	49,911	36,421
Commodity and foreign currency contracts (Note 5)	10,226	9,210
Retention bonuses	3,000	4,000
Future income taxes (Notes 3 and 11)	309,465	144,395
Total liabilities	886,887	599,252
UNITHOLDERS' EQUITY		
Unitholders' capital (Note 7)	1,644,842	1,172,199
Exchangeable shares (Note 8)	30,999	35,326
Accumulated earnings	578,217	350,088
Accumulated cash distributions (Note 2)	(889,672)	(688,947)
Total unitholders' equity	1,364,386	868,666
Total liabilities and unitholders' equity	\$ 2,251,273	\$ 1,467,918

See accompanying notes to consolidated financial statements.

Approval on behalf of the Board:



MAC H. VAN WIELINGEN
Director



JOHN P. DIELWART
Director

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

(\$CDN thousands, except per unit amounts)

(unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Revenue				
Oil, natural gas, natural gas liquids and sulphur sales	\$ 180,596	\$ 113,625	\$ 552,307	\$ 327,196
Royalties	(36,817)	(21,493)	(114,587)	(60,249)
	143,779	92,132	437,720	266,947
Expenses				
Operating	\$ 39,185	\$ 25,506	\$ 102,702	74,711
General and administrative	5,164	3,782	13,982	11,302
Management fee	-	1,340	-	5,161
Interest on long-term debt	4,770	3,015	14,715	9,091
Depletion, depreciation and amortization	62,111	41,131	164,869	122,073
Capital taxes	779	410	1,147	1,212
(Gain)/loss on foreign exchange translation	253	2,305	(14,664)	(287)
Internalization of management contract	-	25,892	-	25,892
	112,262	103,381	282,751	249,155
Income/(loss) before future income tax recovery	31,517	(11,249)	154,969	17,792
Future income tax recovery (Note 11)	9,700	7,744	77,230	22,505
Net income	41,217	(3,505)	232,199	40,297
Accumulated earnings, beginning of period	537,180	325,324	350,088	281,522
Interest on convertible debentures (Note 6)	(180)	-	(4,070)	-
Accumulated earnings, end of period	578,217	321,819	578,217	321,819
Net income per unit (Note 10)				
Basic	0.25	(0.03)	1.54	0.34
Diluted	0.25	(0.03)	1.50	0.34

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(\$CDN thousands)

(unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Cash flow from operating activities				
Net income	\$ 41,217	\$ (3,505)	\$ 232,199	\$ 40,297
Add items not involving cash:				
Future income tax recovery	(9,700)	(7,744)	(77,230)	(22,505)
Depletion, depreciation and amortization	62,111	41,131	164,869	122,073
Internalization of management contract	-	25,892	-	25,892
Amortization of commodity and foreign currency contracts	(6,401)	(1,568)	(10,344)	(3,086)
Unrealized (gain) loss on foreign exchange	284	2,397	(14,818)	(197)
Cash received on terminated hedge contracts (Note 5)	-	-	11,888	-
Cash flow before change in non-cash working capital	87,511	56,603	306,564	162,474
Change in non-cash working capital	(2,608)	1,987	7,193	2,125
	84,903	58,590	313,757	164,599
Cash flow from financing activities				
Borrowing (repayments) of long-term debt, net	(52,243)	55,772	(126,488)	(22,760)
Interest on convertible debentures	(180)	-	(4,070)	-
Issue of trust units	5,820	2,057	156,340	127,645
Trust unit issue costs	(100)	(110)	(8,024)	(6,450)
Cash distributions paid	(73,232)	(49,058)	(192,125)	(136,165)
Payment of retention bonus	(1,000)	-	(1,000)	-
	(120,935)	8,661	(175,367)	(37,730)
Cash flow from investing activities				
Acquisition of Star, net of cash received	(258)	-	(196,444)	-
Acquisition of oil and gas properties	469	(47,240)	(5,086)	(59,887)
Proceeds on disposition of oil and gas properties	80,697	1,222	153,002	2,726
Capital expenditures	(43,455)	(13,851)	(86,251)	(59,800)
Reclamation fund contributions and actual expenditures	(1,421)	(928)	(4,446)	(4,100)
Acquisition of ARC Resources Management Ltd.	-	(5,419)	-	(5,419)
	36,032	(66,216)	(139,225)	(126,480)
Increase (decrease) in cash	-	1,035	(835)	389
Cash, beginning of period	-	-	835	646
Cash, end of period	-	1,035	-	1,035

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003 and 2002 (unaudited)

(all tabular amounts in thousands, except per unit and volume amounts)

1. SUMMARY OF ACCOUNTING POLICIES

The interim financial statements follow the same accounting policies as the most recent annual financial statements in addition to the following item. The note disclosure requirements for annual financial statements provide additional disclosure than is required for interim financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements included in the Trust's 2002 annual report.

- a) Under the terms of section 1581 of the CICA handbook, goodwill must be recorded upon a corporate acquisition when the total purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired company. The goodwill balance is not amortized but instead is assessed for impairment each reporting period. Impairment is determined based on the fair value of the reporting entity (the consolidated Trust) compared to the book value of the reporting entity. Any impairment will be charged to earnings in the period in which the fair value of the reporting entity is below the book value.

2. RECONCILIATION OF CASH FLOW AND DISTRIBUTIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Cash flow before changes in non-cash working capital	87,511	56,603	306,564	162,474
Add (deduct):				
Cash withheld to fund capital expenditures	(44,195)	(7,836)	(97,304)	(23,454)
Reclamation fund contributions and interest earned on fund	(1,677)	(1,122)	(4,465)	(3,500)
Interest on convertible debentures	(180)	-	(4,070)	-
Current period accruals and cash withheld	32,431	(1)	-	37
Cash distributions	73,890	47,644	200,725	135,557
Accumulated cash distributions, beginning of period	815,782	593,243	688,947	505,330
Accumulated cash distributions, end of period	889,672	640,887	889,672	640,887
Cash distributions per unit	0.45	0.39	1.35	1.17
Accumulated cash distributions per unit, beginning of period	11.54	9.86	10.64	9.08
Accumulated cash distributions per unit, end of period	11.99	10.25	11.99	10.25

Cash distributions per trust unit reflect the sum of the per trust unit amounts paid monthly to unitholders.

3. ACQUISITION OF STAR OIL & GAS

Effective April 16, 2003, the Trust acquired all of the issued and outstanding shares of Star Oil & Gas Ltd. ("Star"). The transaction was accounted for using the purchase method of accounting with the allocation of the purchase price and consideration paid as follows:

Net assets acquired	
Working capital (including cash of \$5.7 million)	18,103
Property, plant and equipment	794,043
Site reclamation and abandonment liability	(5,019)
Future income taxes	(242,299)
Goodwill (Note 1)	156,762
Total net assets acquired	721,590
Financed by:	
Cash fees paid	2,177
Cash paid for shares	199,913
Convertible debentures	320,000
Debt assumed	199,500
Total purchase price	721,590

The future income tax liability was determined based on the enacted income tax rate of 42 per cent as at April 16, 2003.

Certain properties acquired in conjunction with the Star acquisition were subsequently sold to third parties for proceeds of \$78.2 million. These transactions closed on May 2, 2003.

These consolidated financial statements incorporate operations of Star effective April 16, 2003.

4. LONG-TERM DEBT

The Trust has US\$65 million of senior secured notes (the "Notes") and five revolving credit facilities that provide the Trust with a combined maximum of \$527 million of credit facilities at September 30, 2003. Combined, the Trust has a borrowing capacity of \$620 million.

The lenders review the credit facilities by April 30 each year and determine whether they will extend the revolving periods for another year. In the event that the revolving periods are not extended, the loan balance will become repayable over a two year term period with 20 per cent of the loan balance payable on April 30, 2005 followed by three quarterly payments of five per cent of the loan balance and a lump sum payment of 65 per cent of the loan balance at the end of the term period. The lenders have completed their review of the credit facility for 2003 with the next annual review date being April 30, 2004.

5. FINANCIAL INSTRUMENTS

During the second quarter, the Trust terminated foreign exchange contracts with four different counterparties. The settlement resulted in a cash payment to the Trust for \$11.9 million. To September 30, 2003, \$6.6 million of the payment had been amortized to earnings and the remaining \$5.3 million has been recorded on the balance sheet as a deferred credit.

The following derivative contracts were outstanding as at September 30, 2003. Settlement of these contracts, which have no book value, would have resulted in a net payment by the Trust of \$4 million as at September 30, 2003.

Commodity Contracts	Daily Quantity	Average Contract Prices (\$) ⁽¹⁾	Price Index	Term
Crude oil fixed price contracts	6,000 bbls	37.52	WTI	October 2003 – December 2003
	4,500 bbls	37.06	WTI	January 2004 – March 2004
Crude oil fixed price contracts (embedded put option) ⁽²⁾	4,000 bbls	33.78 (27.01)	WTI	October 2003 – December 2003
	4,000 bbls	35.48 (28.70)	WTI	January 2004 – June 2004
	5,000 bbls	36.13 (29.17)	WTI	April 2004
	4,000 bbls	35.48 (28.70)	WTI	May 2004 – June 2004
	2,000 bbls	35.16 (28.36)	WTI	July 2004 – December 2004
Crude oil collared contracts (embedded put option) ⁽²⁾	4,000 bbls	33.76 – 39.03 (28.36)	WTI	October 2003 – December 2003
	2,000 bbls	32.41 – 37.14 (27.01)	WTI	January 2004 – December 2004
Crude oil fixed price contracts (embedded extension option) ⁽³⁾	2,000 bbls	35.11	WTI	January 2004 – June 2004
Natural gas fixed price contracts	52,823 GJ	5.47	AECO	October 2003
	15,000 GJ	6.75	AECO	November 2003 – March 2004
	10,000 mmbtu	5.22	NYMEX	November 2003 – March 2004
	5,000 GJ	6.25	AECO	April 2004 – October 2004
	10,000 mmbtu	4.65	NYMEX	April 2004 – October 2004
Natural gas collared contracts	15,000 GJ	5.00 – 6.63	AECO	April 2004 – October 2004
Natural gas three way collared contracts (embedded put option) ⁽²⁾	20,000 mmbtu	6.75 – 10.06 (5.40)	NYMEX	October 2003
	20,000 mmbtu	6.75 – 11.48 (5.40)	NYMEX	November 2003 – March 2004
Natural gas fixed differential contracts ⁽⁴⁾	20,000 mmbtu	0.6475	NYMEX	October 2003
	20,000 mmbtu	0.6850	NYMEX	November 2003 – March 2004

Electricity Contract	Hourly Quantity	Contract Price (\$)	Term
Fixed price electricity contract	5 MW/h	\$63.00	October 2003 – December 2010

Foreign Currency Contracts	Average Monthly Contract Amount (US\$000)	Average Contract Rate	Term
Fixed rate foreign exchange contracts (sell)	5,220	1.3807	October 2003 – December 2004

Of the remaining \$10.2 million deferred credit on the balance sheet, \$4.9 million relates to the following natural gas contract which was assumed in conjunction with the Startech acquisition. Settlement of this contract would have resulted in a net payment by the Trust of \$4.3 million as at September 30, 2003.

Commodity Contracts	Daily Quantity	Average Contract Prices (\$) ⁽¹⁾	Price Index	Term
Natural gas fixed price contracts	4,000 GJ	2.71	AECO	October 2003 – October 2004

(1) Commodity contracts denominated in US\$ have been converted to CDN\$ at the period end exchange rate of 1.35.

(2) Counterparty may exercise a put option if index falls below the specified price (as denoted in brackets) on a monthly settlement basis.

(3) The counterparty has the option to exercise the contract on or before December 31, 2003. The option was exercised fixing the price at US\$26.00 (CDN\$35.11) for the period January 2004 to June 2004.

(4) The differential between the NYMEX and AECO price indices has been fixed.

6. CONVERTIBLE DEBENTURES

In conjunction with the Star acquisition, the Trust issued \$320 million of convertible debentures to the shareholder of Star.

From May 30, 2003 to August 5, 2003, all \$320 million of the convertible debentures were converted into trust units. A total of 27,027,027 units were issued as a result of the conversions.

Based on the terms of the convertible debentures, interest of \$0.18 million in the quarter (\$4.1 million for the nine months ended September 30, 2003) has been recorded as a reduction of the accumulated earnings in accordance with the equity classification of the debentures.

The convertible debentures were subordinated to senior debt and paid a quarterly coupon commencing on June 30, 2003 of eight per cent per annum to March 31, 2005 and increasing to 10 per cent per annum from June 30, 2005 through to maturity on June 30, 2008. The Trust had the right to redeem the debentures in full at any time with cash or the Trust could have redeemed \$40 million per quarter commencing on June 30, 2003 using a combination of cash and trust units. The Trust had the right to satisfy payment at maturity by issuing trust units. Holders of the convertible debentures could have converted the debentures into trust units at \$11.84 per unit through June 30, 2005 and \$11.38 per unit after June 30, 2005 to maturity.

7. UNITHOLDERS' CAPITAL

TRUST UNITS	Number of Trust Units	\$
Balance, beginning of period	123,305	1,172,199
Issued for cash	12,500	143,750
Issued on conversion of ARML exchangeable shares (Note 8)	60	708
Issued on conversion of ARL exchangeable shares (Note 8)	370	3,619
Issued on exercise of employee rights	749	6,470
Issued on conversion of convertible debentures (Note 6)	27,027	320,000
Distribution re-investment program	489	6,120
Trust unit issue costs	-	(8,024)
Balance, end of period	164,500	1,644,842

8. EXCHANGEABLE SHARES

ARL EXCHANGEABLE SHARES	Number of Shares	\$
Balance, beginning of period	637	7,238
Exchanged for trust units	(270)	(3,619)
Issued on conversion of ARML exchangeable shares	1,735	27,380
Balance, end of period	2,102	30,999
Exchange ratio, end of period	1.44148	-
Trust units issuable upon conversion	3,030	30,999

ARML EXCHANGEABLE SHARES	Number of Shares	\$
Balance, beginning of period	2,206	28,088
Exchanged for trust units	(56)	(708)
Converted to ARL exchangeable shares	(2,150)	(27,380)
Balance, end of period	-	-

On May 16, 2003, the Trust merged ARC Resources Ltd. ("ARL") and ARML and in turn converted all issued and outstanding ARML exchangeable shares into ARL exchangeable shares. Pursuant to the merger, holders of ARML exchangeable shares received 0.80676 ARL exchangeable shares for each ARML exchangeable share. This transaction had no impact on the total number of trust units outstanding or issuable for exchangeable shares. The terms of the ARL exchangeable shares were revised upon conversion to carry the same terms and provisions as had applied to the ARML exchangeable shares.

9. UNIT BASED COMPENSATION PLAN

	Number of Rights	Weighted Average Exercise Price
Balance, beginning of period	3,041	\$ 10.64
Granted	2,941	12.10
Exercised	(750)	8.78
Cancelled	(223)	11.73
Balance before reduction of exercise price	5,009	11.73
Reduction of exercise price	-	(0.35)
Balance, end of period	5,009	\$ 11.38

The Trust has elected to continue to measure compensation cost associated with new rights issued on or after January 1, 2002 based on the intrinsic value of the award at the date of the grant and recognize that cost over the vesting period. As the exercise price of the rights granted approximates the market price of the trust units at the time of the grant date, no compensation cost has been provided in the statement of income.

As it is not possible to determine the fair value of rights granted under the plan, compensation cost for proforma disclosure purposes has been determined based on the excess of the unit price over the exercise price at the date of the financial statements. For the nine month period ended September 30, 2003, net income would have decreased by \$2.04 million for the estimated compensation cost associated with rights granted under the plan on or after January 1, 2002 as the adjusted exercise price of the rights was lower than the market price of the trust units.

10. NET INCOME PER TRUST UNIT

Net income (loss) per unit is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net income				
Basic ⁽¹⁾	\$ 0.25	\$ (0.03)	\$ 1.54	\$ 0.34
Diluted ⁽²⁾	0.25	(0.03)	1.50	0.34

(1) Basic per unit calculations for the nine months ended September 30 are based on the weighted average number of trust units outstanding in 2003 of 147,888,750 (117,336,480 in 2002), which includes outstanding exchangeable shares converted at the period-end exchange ratio. Net income has been adjusted for interest paid on convertible debentures in the basic net income per unit calculation.

Basic per unit calculations for the three months ended September 30 are based on the weighted average number of trust units outstanding in 2003 of 166,365,245 (124,794,000 in 2002), which includes outstanding exchangeable shares converted at the period end exchange ratio. Net income has been adjusted for interest paid on convertible debentures in the basic net income per unit calculation.

(2) Diluted calculations include 6,456,691 additional trust units for the nine months ended September 30, 2003 (nil additional trust units in 2002) for the dilutive impact of employee rights and convertible debentures. Diluted calculations include 1,157,019 additional trust units for the three months ended September 30, 2003 (635,000 in 2002) for the dilutive impact of employee rights and convertible debentures. There were no adjustments to net income in calculating diluted per share amounts for the three or nine months.

11. INCOME TAX

During the second quarter of 2003, the Canadian federal and Alberta provincial governments substantively enacted reductions in corporate income tax rates. The enacted rates are to be phased in over five years commencing in 2003. As a result, the Trust's income tax rate applied to temporary differences decreased to approximately 35 per cent compared to 42 per cent as at December 31, 2002.

Canadian GAAP requires that the future income tax liability recorded on the Star acquisition be determined based on the enacted rates at the time of closing and that any subsequent rate changes be reflected as a future income tax recovery rather than an adjustment to the purchase price. Upon acquisition of Star, the Trust recorded a future income tax liability of \$242 million based on an enacted income tax rate of 42 per cent at the time of closing on April 16, 2003. The future income tax rate reductions were not substantively enacted until after closing the Star acquisition.

As a result of the change in substantively enacted rates, the Trust recorded a future income tax recovery of \$65 million in the second quarter. Of this amount, \$37 million was attributed the future income tax liability recorded on the Star acquisition.

On November 7, 2003, Royal Assent was received, thereby legislating the reductions in corporate income tax rates.

12. SUBSEQUENT EVENT

On November 17, 2003 the Trust issued 14.5 million trust units at \$13.40 per trust unit for net proceeds of \$184,585,000 (net of issue costs of \$9,715,000) pursuant to a public offering prospectus dated November 10, 2003. The net proceeds of the offering were initially used to repay outstanding bank indebtedness and to subsequently fund a portion of ongoing capital expenditures of approximately \$50 million for the balance of 2003 and a portion of the Trust's 2004 capital program.

CORPORATE AND UNITHOLDER INFORMATION

DIRECTORS

Mac H. Van Wielingen ^{(1) (3) (4) (5)}
Chairman

Walter DeBoni ^{(1) (3) (4)}
Vice-Chairman

John P. Dielwart
President and Chief Executive Officer

John M. Beddome ^{(2) (4)}

Frederic C. Coles ^{(2) (3)}

Fred J. Dymont ^{(1) (2)}

Michael M. Kanovsky ^{(1) (2)}

John M. Stewart ^{(3) (4) (5)}

- (1) Member of Audit Committee
- (2) Member of Reserve Audit Committee
- (3) Member of Human Resources and Compensation Committee
- (4) Member of Policy and Board Governance Committee
- (5) Member of Management Advisory Committee

OFFICERS

John P. Dielwart
President and Chief Executive Officer

Doug J. Bonner
Vice-President, Engineering

David P. Carey
Vice-President, Business Development

Susan D. Healy
Vice-President, Land

Steven W. Sinclair
Vice-President, Finance
and Chief Financial Officer

Myron M. Stadnyk
Vice-President, Operations

Allan R. Twa
Corporate Secretary

Danny G. Geremia
Treasurer

EXECUTIVE OFFICE

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ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates
Ltd.
Calgary, Alberta

LEGAL COUNSEL

Burnet Duckworth & Palmer LLP
Calgary, Alberta



Canada's Climate Change Voluntary Challenge and Registry. The industry's voluntary effort to reduce greenhouse gas emissions and document the efforts year over year.

CORPORATE CALENDAR

2004
January 16 Announcement of Q1 distribution Monthly Amounts
May 12 Annual General Meeting

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Trading Symbols:
AET.UN (Trust Units)
ARX (Exchangeable Shares)

INVESTOR INFORMATION

Visit our website at
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or contact:
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(403) 503-8600 or
1-888-272-4900 (Toll Free)

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Members commit to continuous improvement in the responsible management, development and use of our natural resources; protection of our environment; and, the health and safety of our workers and the general public

