

ARC ENERGY TRUST (AET.UN)

1998 INCOME TAX INFORMATION

R E V E N U E C A N A D A A C C O U N T N U M B E R T 1 6 - 4 0 7 3 - 8 6

THE INFORMATION CONTAINED HEREIN IS BASED ON ARC ENERGY TRUST'S UNDERSTANDING OF THE INCOME TAX ACT (CANADA) AND THE REGULATIONS THEREUNDER. UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR CIRCUMSTANCES.

- **Legal Status of the Trust:** ARC Energy Trust ("the Trust") is a legal entity and is subject to Canadian income tax on a similar basis to that of an individual. The Trust has a December 31 year end and each year the Trust must perform an income tax calculation and allocate the taxable income to Unitholders of record on December 31.
- **Taxation of Cash Distributions:** a) No amounts are to be reported for tax purposes in respect of cash distributions received by a Registered Retirement Savings Plan, Registered Pension Plan, Registered Retirement Income Fund or Deferred Profit Sharing Plan or any other such registered plans (collectively referred to as "Pension Plans"). b) For cash distributions received by a Canadian resident outside of a Pension Plan 10% of the 1998 distributions are taxable income and the remaining 90% are tax deferred and deemed a return of capital.

Record Date	Taxable Amount (Box 26 Other income)	Tax Deferred Amount (Return of Capital)	Total Cash Distribution
January 31, 1998	\$.01	\$.09	\$.10
February 28, 1998	.01	.09	.10
March 31, 1998	.01	.09	.10
April 30, 1998	.01	.09	.10
May 31, 1998	.01	.09	.10
June 30, 1998	.01	.09	.10
July 31, 1998	.01	.09	.10
August 31, 1998	.01	.09	.10
September 30, 1998	.01	.09	.10
October 31, 1998	.01	.09	.10
November 30, 1998	.01	.09	.10
December 31, 1998	.01	.09	.10
Total	\$.12	\$ 1.08	\$ 1.20

- A T3 Supplementary Slip will be issued by ARC Energy Trust to registered Unitholders for 1998 by March 10, 1999.
- **Tax upon the disposition of Royalty Trust Units:** In most circumstances the return of capital distributions will reduce the Unitholder's cost base of their units. The cost base of the unit is required in the calculation of a capital gain or capital loss (assuming the Units are capital property of the Unitholder) upon the disposition of the Trust units. Unitholders should maintain a record of all distributions that are classified as partially or entirely a capital distribution while holding ARC Energy Trust units. **For investors in the \$10.00 per unit initial public offering in July 1996 the cost base of units still held as at December 31, 1998, is \$7.02 per unit taking into account the return of capital of \$.81 in 1996, \$1.089 in 1997 and \$1.08 in 1998.**
- **Estimate of Tax on 1999 Distributions:** The 1999 distributions are anticipated to be approximately 10% taxable with the remaining 90% to be classified as a return of capital, based upon current expectation of oil and natural gas prices. A rebound in oil prices would increase the taxable portion of distributions but should also allow for additional cash distributions above the regular monthly distributions.
- For further information please contact Steven Sinclair, Vice President Finance at the above address.