ARC ENERGY TRUST

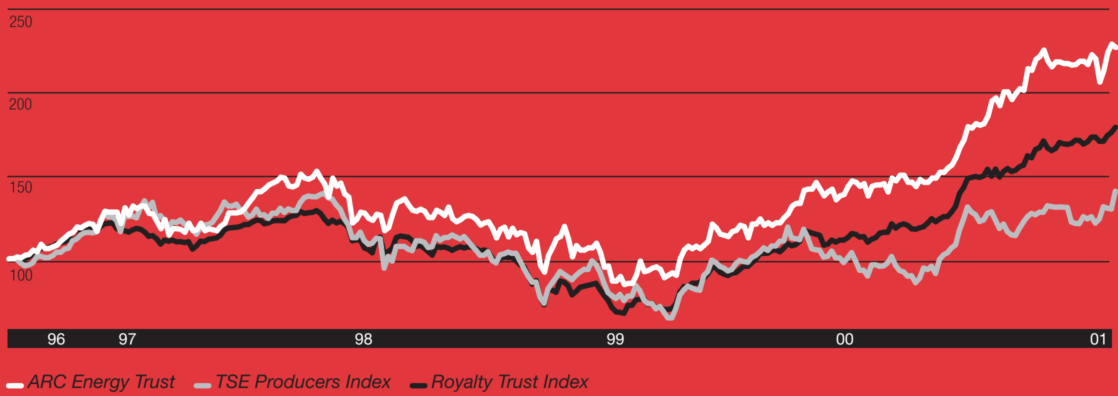
producing **superior returns**

ANNUAL REPORT 2000

ARC Energy Trust is one of Canada's largest royalty trusts with a foundation of high quality assets and established unique expertise in the acquisition, development and exploitation of oil and gas properties in Canada. Since its inception in 1996, ARC Energy Trust has consistently provided investors with a superior rate of return and a reserves and production profile that has established ARC Energy Trust as a leader in the industry. Growth has been driven by strategic acquisitions supplemented by property exploitation and development that has generated substantial internal reserve additions. In executing its acquisition strategy, ARC calls upon the expertise and resources of its affiliates within ARC Financial Group. This relationship allows ARC to access unique acquisition opportunities and minimize third party financial services fees. ARC's asset development and exploitation activities are carried out by a large, diverse and highly qualified team of technical professionals.

ARC Energy Trust is managed by ARC Resources Management Ltd. The Trust units trade under the symbol AET.UN and exchangeable shares under the symbol ARX on the Toronto Stock Exchange.

TOTAL RETURN PERFORMANCE
(percent)



Since inception ARC has outperformed the Toronto Stock Exchange Oil and Gas Producers Index by roughly three times, delivering an annualized 20 percent total return. ARC's performance has also been well ahead of its peers within the Royalty Trust Index.

Expertise is our **advantage**

MANAGEMENT

Unique management expertise and a high level of management commitment has established ARC as a leader in the royalty trust sector. Management has earned a reputation for completing value adding acquisitions which have resulted in ARC becoming a top quartile performer in the trust sector. This expertise has extended to the establishment of innovative policies and strategies for the benefit of unitholders. Management's proven expertise is combined with an absolute commitment to generate superior returns for unitholders.

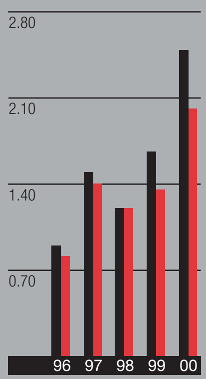
FINANCIAL

ARC is unique in its financial expertise in that it benefits from the extensive resources of the ARC Financial Group. This affiliation provides access to industry research, strategy and corporate financial analysis which is considered among the best in the oil and gas industry. This has been a critical factor in ARC's ability to execute value-adding acquisitions and financings for the benefit of unitholders.

TECHNICAL

Among oil and gas trusts, ARC has one of the most aggressive programs of development and exploitation. ARC has established a highly-skilled and dedicated technical team to unlock additional value from the asset base or reduce costs through optimization. With the large increase in undeveloped lands through the acquisition of Startech Energy Inc., ARC has amassed a substantial inventory of development opportunities. Based on ARC's technical expertise, there is the potential to replace 100 percent of production in 2001 and to add substantial reserves and production thereafter from internally-generated development opportunities.

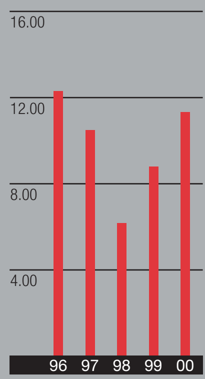
CASH AVAILABLE FOR DISTRIBUTION PER UNIT
($/unit)



■ *Cash available*
■ *Cash distributions*

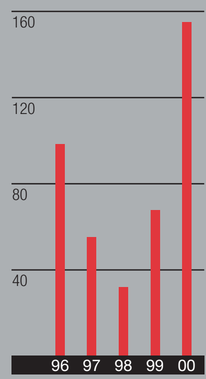
Unitholders have received stable distributions during commodity price lows, and significant growth during periods of pricing strength. Distributions in 2000 have reflected the impact of accretive acquisitions made during 2000 and in prior years.

UNIT MARKET PRICE
($ per unit at December 31)



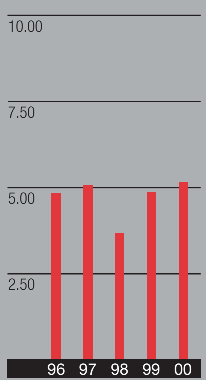
ARC's effective management has been rewarded with an increase in the Trust's unit price in 2000, following the commodity price slump of 1998 and 1999.

AVERAGE DAILY TRADING VOLUME
(thousands)



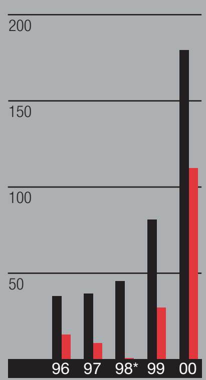
Two equity financings in 2000 increased liquidity and resulted in significant growth in trading volumes. Overall interest and investment in royalty trusts also appears to be increasing.

ACQUISITION, FINDING AND DEVELOPMENT COSTS
($/boe)



Finding and development costs for 2000 are expected to be in the top quartile for all Canadian oil and gas companies. The figures above include all capital expenditures incurred in the year divided by the change in established reserves during the year.

NET INCOME AND CASH FLOW
($ millions)

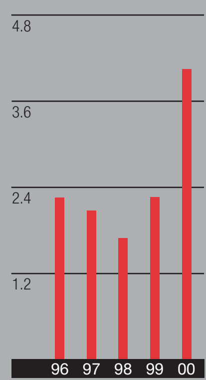


■ *Cash flow*
■ *Net income*

* represents net income before ceiling test write-down

Historically, ARC's finding and development costs have been low by industry standards. This has resulted in net income being over 60 percent of cash flow in 2000.

RECYCLE RATIO



Higher commodity prices and operating netbacks in 2000 combined with continued low F&D costs led to a substantial improvement in ARC's recycle ratio to 3.9.

1996 data throughout this document is for the six month period ending December 31.

FINANCIAL HIGHLIGHTS

Years ended December 31, ($ thousands, $ per unit)	2000	1999	% Change
FINANCIAL			
Revenue before royalties	**316,270**	155,191	104
Per unit	**4.97**	3.34	49
Cash flow	**179,349**	80,814	122
Per unit	**2.82**	1.74	62
Net income	**110,872**	29,835	272
Per unit	**1.74**	0.64	171
Cash distributions	**128,958**	63,773	102
Per unit*	**2.01**	1.35	49
Working capital	**6,339**	15,761	(60)
Long-term debt	**115,068**	141,000	(18)
Unitholders' equity	**482,255**	324,010	49
Weighted average units (thousands)	**63,681**	46,480	37
Units outstanding at year-end (thousands)	**72,524**	53,607	35

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

	2000	1999	% Change
OPERATING			
Production			
Crude oil (bbl/d)	**11,528**	8,408	37
Natural gas (mmcf/d)	**77.17**	66.46	16
Natural gas liquids (bbl/d)	**2,965**	2,687	10
Total (boe/d 6:1)	**27,355**	22,172	23
Total (boe/d 10:1)	**22,210**	17,741	25
Average prices			
Crude oil ($/bbl)	**36.74**	24.85	48
Natural gas ($/mcf)	**4.48**	2.54	76
Natural gas liquids ($/bbl)	**31.52**	17.43	81
Oil equivalent ($/boe 6:1)	**31.59**	19.15	65
Oil equivalent ($/boe 10:1)	**38.91**	23.97	62
Reserves			
Proved (mboe 6:1)	**108,437**	82,141	32
Proved (mboe 10:1)	**92,192**	68,547	34
Proved plus risked probable (mboe 6:1)	**130,147**	99,879	30
Proved plus risked probable (mboe 10:1)	**111,054**	83,813	33
TRUST UNIT TRADING (based on daily closing price)			
Prices ($)			
High	**12.15**	9.25	31
Low	**8.45**	6.15	37
Close	**11.30**	8.75	29
Average daily volume (thousands)	**155**	68	127

CONVERSION: Natural gas is converted to barrels of oil equivalent at 6:1 throughout this document unless otherwise noted. Comparable units at 10:1 are provided on page 56.

MAC H. VAN WIELINGEN AND JOHN P. DIELWART

Our results for 2000 were **outstanding**. Not only did ARC once again stand out as one of the **top performing** royalty trusts, we also rank among the **top companies** in the oil and gas sector overall.

Unitholder distributions in 2000 increased to $2.01 per unit, a 49 percent increase over 1999, and the highest in our history. When combined with the growth in our trading price on the TSE, unitholders realized a total return on investment of 55 percent in 2000. While there is no question these results are exceptional, this is not a stand alone year for ARC. Our results over the past five years have generated a compound annual total return of 20 percent to those unitholders participating in our Dividend Reinvestment Plan. Over the same time period, the oil and gas royalty trust index and TSE oil and gas producers index averaged total annual returns of 13.7 and 7.8 percent, respectively. As important as this performance has been, we are equally proud of the leadership role we have played in the royalty trust sector, particularly with respect to the management of our capital structure and distribution policies. ARC Energy Trust has set standards and introduced innovations that have been widely modeled by other trusts in our industry.

The past year marked our fifth year in business. ARC Energy Trust was founded in 1996 and we can now clearly look back at the objectives that were set at inception and measure our performance. Our fundamental objective was, and still remains, to deliver superior returns to our investors which is exactly what we have done. We are widely regarded as a leader in the royalty trust sector as a result of both our financial performance as well as our financial management. We have reacted to the different market cycles with strategies and policies which have resulted in stable distributions at the low end of the commodity price cycle and an exceptionally strong balance sheet at the high end of the cycle. Revisions in 2000 to our distribution policy result in a greater proportion of cash available for distribution to be used to fund capital programs. This will allow us to be less reliant on both debt and new equity in the future while at the same time enhancing the sustainability of ARC's production and hence distributions.

Our financial performance is a function of numerous factors, some of which are outside our control – commodity prices, for example. Our commitment to unitholders is to maintain stability in the areas within our control and to actively manage risk relating to those factors outside of our control. We have assembled a very high quality asset base with tremendous opportunities to continue to deliver superior returns over the long term and through the inevitable market cycles.

OUR RECORD REMAINS

- ARC has consistently outperformed both the TSE Oil and Gas Producers Index and the Royalty Trust Index.
- ARC has delivered top quartile returns since inception despite having one of the most conservative distribution policies.
- Commodity prices are cyclic in nature and we have delivered distribution stability in the down cycle of 1998/99 and record distributions in 2000.
- We have developed a diverse base of long-life and uniquely high-quality assets.
- The reserve life index stands at 12.1 years, up marginally from 12.0 years in 1999.
- We have clearly demonstrated our ability to consistently grow through acquisitions.
- We have assembled an exceptional technical team with a strong track record of optimizing our asset portfolio and creating value for unitholders.
- We replaced over 400 percent of production in 2000.
- Finding and development costs of $5.16 for 2000 are expected to be in the top quartile of all Canadian oil and gas companies.
- ARC has grown to become one of Canada's largest oil and gas royalty trusts and has excellent liquidity in the marketplace.

We attribute our superior performance to our commitment to develop and maintain unique expertise within our organization which we believe is our strategic advantage. This expertise encompasses every aspect of our business and is a fundamental characteristic that defines who we are.

Since inception, our philosophy has been to pursue what we describe as both strategic and opportunistic growth. Strategic growth relates to decisions we make based on an understanding of market cycles, capital market fundamentals, our capital structure and the type of opportunities that will enhance our existing asset base and operations. We see opportunistic growth as encompassing decisions and transactions that will add significant value, as compared to pursuing growth for the sake of growth. We aggressively search out opportunities which will enhance our already high quality asset base and add fundamental value for unitholders.

In addition to optimizing our asset base, our expertise has been demonstrated in how we manage our business in terms of the changing industry environment. We assess our operations in terms of developments within the oil and gas industry, particularly changes in the acquisition market and commodity markets. This leads to a continual assessment of our financial position and policies and, when changes would benefit our unitholders, we revise our policies, as occurred this year with our distributions. We are considered a leader in the trust sector as we continually develop business strategies to seize strategic opportunities and actively manage each component of our operations in order to maximize value for our unitholders.

ACHIEVING SUPERIOR PERFORMANCE

In 2000, we were able to capitalize on high commodity prices in combination with acquisitions and production growth from our asset base. We increased production 23 percent to 27,355 barrels of oil equivalent per day (boe/d). Production of crude oil and natural gas liquids (NGL) increased 31 percent to 14,493 bbl/d, while natural gas was up 16 percent to more than 77 million cubic feet per day (mmcf/d).

Our 2000 performance was significantly impacted by the strength of commodity prices. The price for West Texas Intermediate crude averaged US$30.35 per barrel (bbl), up from US$19.25 in 1999. Gas pricing saw similar growth rising to an average Cdn $4.92 per thousand cubic feet (mcf) at the AECO Hub in Alberta, up from $2.54 in 1999. This commodity price growth was a fundamental factor behind our exceptional returns. In 2000, we averaged a liquids price of $35.67 per bbl, while our gas price was $4.48 per mcf. This represents increases over 1999 of 55 and 76 percent, respectively.

OPPORTUNISTIC ACQUISITIONS ADD VALUE

ARC has a history of originating and completing significant transactions that have added significant value to the Trust. This is an area where we believe we have tremendous business expertise to add value for ARC unitholders. We typically work outside of the broad acquisition market to pursue assets that best fit our strategies and investment criteria, which allows us to identify unique opportunities. We are selective in our acquisitions which can best be seen in the high quality asset base we have assembled.

In 1999, we acquired Starcor Energy Royalty Fund and Orion Energy Trust under very attractive terms at the bottom of the oil price cycle. To date, these are the only transactions of this kind completed among royalty trusts.

Early in 2000, we acquired a package of two major and 11 minor producing oil and gas properties in Alberta and Saskatchewan. We added daily production of 5,000 boe, primarily light oil, for a very low cost of $4.88 per boe for established reserves. This added significant value for our unitholders at a time when rising commodity prices were beginning to put upward pressure on prices in the acquisition market.

SUBSTANTIAL GROWTH WITH THE 2001 STARTECH ACQUISITION

Our most innovative and largest acquisition to date was Startech Energy Inc., which was announced prior to year end. This $485 million acquisition, which became effective January 31, 2001, has added substantial value for unitholders. Daily production acquired totaled 15,700 boe and added established reserves of 58 million boe. The transaction added high quality properties with definite synergies with our current landholdings. As part of the transaction, we acquired Lougheed which is a significant oil field in southeast Saskatchewan and which we believe possesses material upside potential. At the same time, the higher-risk exploration plays, which are outside of our investment criteria, were left with Startech shareholders in a new company. This unique splitting of assets unlocked the respective value of the properties. For our unitholders, we were able to complete the acquisition under attractive terms at a price that we believe will be in the top quartile for acquisitions in 2001. For Startech shareholders, we were able to unlock existing value and allow them to retain the exploration upside.

TECHNICAL EXPERTISE MAXIMIZES LONG-TERM RETURNS

Among oil and gas trusts, ARC is one of the most aggressive in terms of the optimization and exploitation of its properties. Once we have purchased a property, we bring our technical expertise to bear in order to maximize its long-term value. We are continually working to improve the performance of our properties. We have a large inventory of development opportunities which we believe will allow us to substantially replace production for at least two years without additional acquisitions.

Our paramount goal is to maintain or increase reserves and production and maximize returns to unitholders in the context of the prevailing commodity price environment. As a result, we develop properties to ensure that the long-term value is maximized versus potentially over capitalizing properties in search of near term production growth which often occurs among exploration and production companies. Our large inventory of development opportunities provides the flexibility to conduct programs cost-effectively and to pursue projects where the benefits will flow through most effectively to our unitholders on a long-term basis.

Our development program in 2000 was just over $50 million, up from $24.2 million in 1999. This program, combined with acquisitions and minor property dispositions, resulted in ARC replacing over 400 percent of 2000 production at a net cost of $5.16 per boe for established reserves. With an average netback of $20.26 per boe, this resulted in a 2000 recycle ratio of 3.9.

Extensive development was undertaken at Pembina, Midale and House Mountain. Through our acquisition early in the year, we established a major new core area in northern Alberta at Ante Creek. Our acquisition activities also expanded an important ARC operated gas property at Jenner, which saw extensive development drilling in 2000.

As we proceed in 2001, the Startech acquisition has significantly expanded our development opportunities. We have already begun a thorough assessment of the properties and are preparing development plans for 2001 and beyond.

MANAGING DISTRIBUTIONS

The strategic management of distributions is a key objective for ARC. In the past year, we distributed our base level of $0.10 per unit per month plus unitholders received an additional $0.81 per unit primarily as a result of higher commodity prices. Total distributions for the year reached a record $2.01 per unit. However, as we have seen over the past several years, it is very difficult to predict oil or gas prices over the longer term.

To allow us to better manage the level of distributions, an important revision was made to ARC's distribution policy in October 2000. We are now reinvesting up to 20 percent of cash flow in operations and distributing the remainder to unitholders. Strategically, this provides the flexibility to fund between 65 and 100 percent of development expenditures, depending on commodity prices. We are confident that this new policy will allow us to sustain higher distributions over the long term.

IN CLOSING

We are absolutely committed to continuing our record as a top performer in the royalty trust sector and within the entire industry. We are confident that through our strategies and proven expertise we will continue to deliver fundamental value and superior returns to our 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

March 23, 2001

ACQUISITIONS

- ARC proactively sources acquisition opportunities and has acquired most of its assets outside of the broad auction market.
- All acquisitions must meet explicit acquisition criteria.
- Properties are evaluated for their synergies with existing operations and their fit within the ARC property portfolio.
- ARC actively targets acquisitions that will add new high-quality core areas with growth potential.

FINANCING

- ARC benefits from the extensive financial expertise of its affiliates in the ARC Financial Group.
- With ARC's financial expertise, acquisitions are negotiated under terms and prices that maximize long-term unitholder value and which are accretive to distributions.
- ARC has been able to maintain a strong financial position through the timely issue of new equity to support major transactions.

PURCHASE AND INTEGRATION

- Once a property is acquired, it is quickly integrated into the ARC asset base.
- Integration includes full technical evaluation of the property and its facilities, focused on optimizing production and reservoir performance.

DEVELOPMENT AND OPTIMIZATION

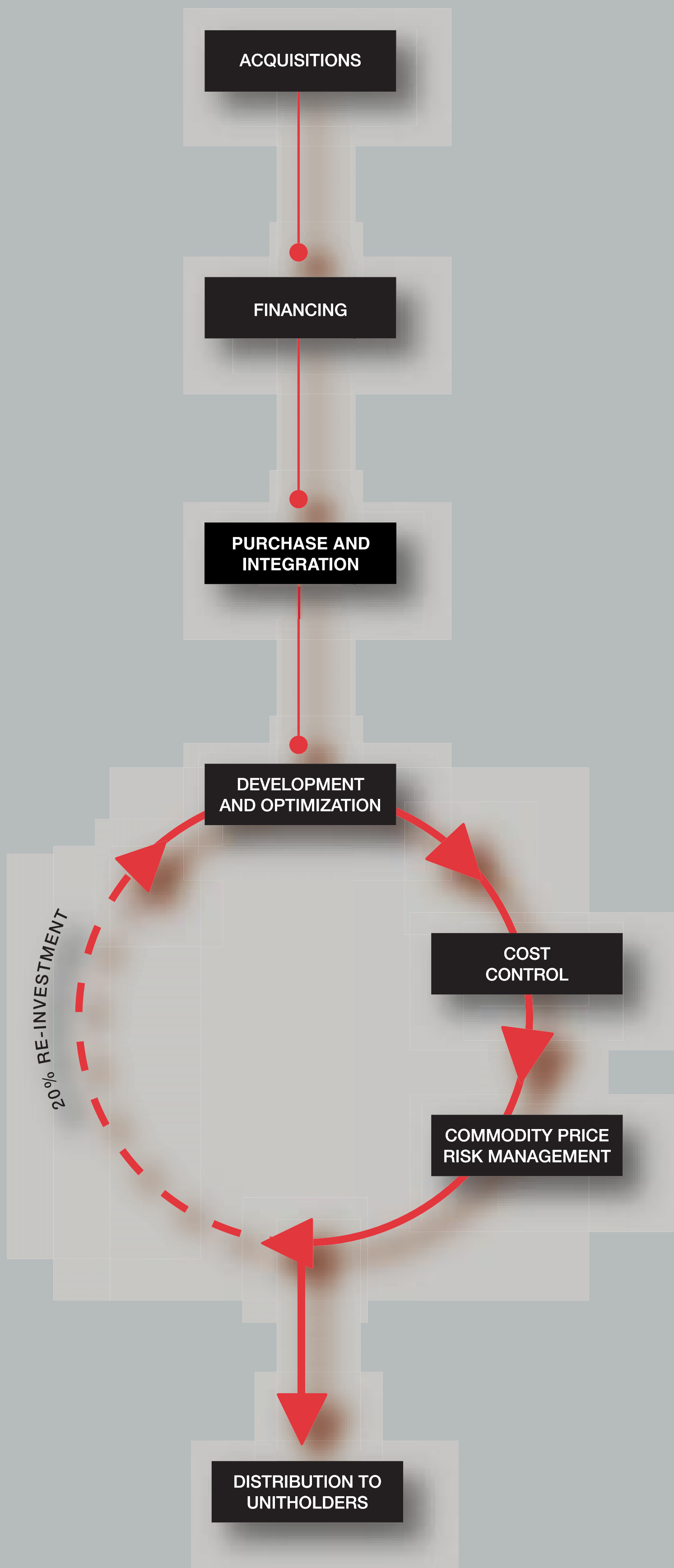
- Operational plans are put in place for property development or optimization of field operations.
- Technical teams comprised of geologists, geophysicists and engineers work to implement optimization and development programs.
- Development plans are fine-tuned depending on drilling results or success with other activities.
- All assets are reviewed at least annually and categorized as grow, hold or divest.
- Property dispositions routinely occur to high grade our asset base.

COST CONTROL

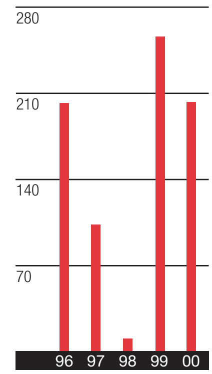
- Control of operating costs underlies all development and optimization activities.
- ARC's large asset base creates economies of scale to enhance cost control and improve netbacks.
- The disposition program targets those properties with high operating costs and little upside or limited remaining reserve life.
- Disposition of non-core properties reduces general and administrative expenses.

COMMODITY PRICE RISK MANAGEMENT

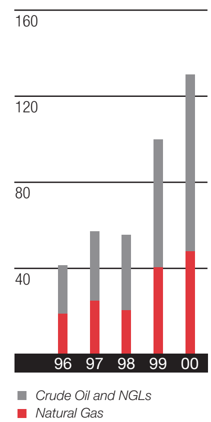
- Commodity prices are monitored on a continuous basis.
- Commodity price risk is reduced through maintaining a portfolio of sales contracts with different terms and of varying duration.
- An active hedging program is in place to lock-in prices on up to 50 percent of production. This manages risk and enhances revenue predictability.



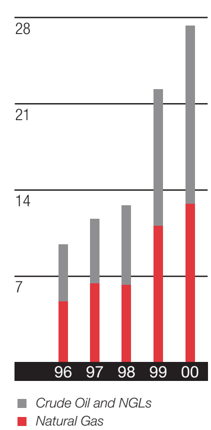
CAPITAL EXPENDITURES INCLUDING ACQUISITIONS
($ millions)



ESTABLISHED RESERVES
(proved and risked probable)
(mmboe)



PRODUCTION
(mboe/d)



ACQUISITIONS & DIVESTMENTS

The Startech acquisition is ARC's largest to date and has provided **tremendous** new **opportunities** in existing and **new core** areas.

ARC's acquisition of high quality oil and gas assets is an essential element in maximizing unitholder returns. Effective management of ARC's assets also requires the disposition of non-strategic or underperforming oil and gas properties. In 2000, ARC continued to actively manage its asset base, while completing a number of value-adding transactions.

Overall, ARC acquired 35.5 million barrels of oil equivalent (mmboe) of established reserves at an aggregate cost of $171.5 million. These reserves were acquired at a cost of $4.83 per boe, which is very low compared to average prices paid in 2000 in the acquisition market and well below the industry's average finding and development costs.

ARC selectively divested a number of non-core assets selling 1.5 mmboe of reserves for $17.6 million. Divestment proceeds were $11.73 per boe, which highlights our ability to attract premium value for assets no longer strategic to ARC.

In aggregate ARC's net acquisitions were 34.0 mmboe at a cost of $4.53 per boe.

2000 ACQUISITIONS

ARC completed a significant transaction in March 2000, acquiring a group of oil and gas producing properties in Alberta and Saskatchewan for $135 million. The reserve acquisition price was $4.88 per boe and represented a unique opportunity to positively impact all of ARC's key operating and financial measures.

The key property in the transaction was Ante Creek, which has become a new core property for ARC. Following extensive technical evaluation, a seven well infill drilling program was initiated late in the year. This program confirmed a large number of additional drilling locations which will be pursued in 2001 and beyond. The other assets in the acquisition were all high quality, mature properties with long-term upside potential.

Several other important acquisitions were completed in 2000. ARC purchased additional gas assets directly offsetting ARC's existing Jenner core area which has allowed consolidation of the two properties and created operational synergies in the area. The Jenner property has a large number of development drilling locations which are currently being pursued.

ARC increased its ownership interest in a key asset, the Pembina MIPA property, from 83 percent to 100 percent. ARC also acquired a mature producing oil property at Smiley, Saskatchewan which has development upside and optimization opportunities for operating cost reductions.

2000 DISPOSITIONS

ARC continually reviews its asset base to identify non-core assets for disposition. Divested properties generally have high operating costs, low netbacks, little upside, or limited remaining reserve life, which presents a near-term abandonment liability.

ARC selectively divested a number of these assets late in the year for $11.73/boe which was at a significant premium to the average of industry transactions. This process of selective divestment provides additional financial strength to our balance sheet, reduces general and administrative expenses, mitigates future abandonment liabilities and also aids in focusing our exploitation and development activities on meaningful ARC properties.

STARTECH ACQUISITION

On December 1, 2000 ARC Energy Trust announced an agreement to acquire Startech Energy Inc. The transaction included issuing new equity and assuming Startech debt and resulted in an acquisition value of $485 million. Startech shareholders where given the option of receiving 0.96 of an ARC Energy Trust Unit or 0.96 of an Exchangeable Share of a subsidiary of ARC Energy Trust. In addition, Startech shareholders received a share of a newly incorporated company (Impact Energy Inc.) containing minor producing properties and the exploration prospects of Startech.

Effective January 31, 2001, ARC Resources Ltd. and Startech were amalgamated under the name ARC Resources Ltd.

The acquisition of Startech provides ARC with complementary oil and gas assets as well as significant entries into several new core areas. The acquisition resulted in the consolidation of Startech's shallow gas assets at Brooks with ARC's nearby core shallow gas property at Jenner. Numerous development opportunities and synergies are expected to emerge.

Startech had a considerable southeast Saskatchewan presence where ARC had been acquiring select assets. ARC was looking for a strategic, large acquisition to allow the development of a new major core area. Startech's assets at Lougheed and other fields represented such an opportunity to create a much larger presence when combined with ARC's Midale, Weyburn and Oungre interests.

IMPACT OF STARTECH ACQUISITION

	2000 Actual	2000 with Startech[1]	% Change
Reserves (mmboe 6:1)			
Proved	**108**	156	+44
Established	**130**	188	+45
Production (boe/d 6:1)	**27,355**	43,526	+59
Cash flow ($ millions)	**179**	261	+46
Net debt[2] ($ millions)	**109**	274	+151
Debt/Cash flow	**0.6**	1.0	+67

(1) includes properties sold to Impact Energy Inc.

(2) long-term debt net of working capital

Pursuant to the plan of arrangement with Startech, ARC issued a new class of securities in the form of ARC Resources Ltd. Exchangeable Shares (Exchangeable Shares). The Exchangeable Shares are listed and trade on the TSE under the symbol "ARX". The shares were originally offered to former Startech shareholders to enable a tax deferred rollover and defer any capital gains tax on the conversion of ownership from Startech common shares to ARC units. Key terms of the Exchangeable Shares are as follows:

- No cash dividends or distributions are anticipated to be paid on the Exchangeable Shares. Instead, the conversion ratio into ARC Energy Trust units increases monthly to reflect the payment of any cash distributions by ARC.
- As such, the exchange ratio on January 31, 2001 was 1 to 1.0 (increased to 1 to 1.0349 with the February 15 and March 15 distributions of $0.20 made by ARC Energy Trust). The exchange ratio will increase in the future on the 15th day of each month by the amount of the cash distribution paid by ARC Energy Trust divided by the 10-day weighted average trading price of AET.UN prior to the applicable record date.
- Holders of Exchangeable Shares can exchange all or a portion of their holdings at any time by giving notice to Computershare Investor Services.
- The Exchangeable Shares have voting rights at any meeting of ARC Energy Trust unitholders.
- The Exchangeable Shares are redeemable by ARC on or after February 1, 2004 and have a final redemption date of February 1, 2010. Redemption and retractions are satisfied by ARC Energy Trust issuing trust units equal to the exchange ratio in effect at that time.
- No cash payments will be made on the Exchangeable Shares. Instead this cash flow will be reinvested in development, drilling and exploitation activities with the mandate to increase ARC's oil and natural gas reserve base and net asset value.


ARC

ARC has one of the most active development and exploitation programs of all the oil and gas trusts. ARC's technical expertise has led to significant increases in value in the asset base since inception. When combined with a highly selective acquisition and divestment program, ARC has consistently increased production and reserves at a low cost.

In 2000, ARC replaced 404 percent of production at a net effective cost of $5.16 per boe, which is well below the industry range of $8.00 to $12.00. Since inception, ARC's replacement costs have been $4.88 per boe. The Startech acquisition in January 2001 has significantly expanded ARC's opportunity base in existing areas of operation and in new areas that ARC had targeted for expansion.

Production volumes for 2000 increased 23 percent to an average 27,355 boe per day from 22,172 in 1999. Natural gas volumes grew 16 percent to 77.2 mmcf per day; oil production increased 37 percent to 11,528 bbl per day, and production of natural gas liquids and condensate grew 10 percent to 2,965 bbl per day.

Exploitation and development capital expenditures for 2000 were up significantly to $50.4 million from $24.2 million in 1999. Capital commitments were ramped up in the fall and winter drilling season as we pursued activities to unlock value in the asset base. The majority of activities focused on drilling and tie-in of low risk development wells and optimization of production facilities and waterflood projects.

PRODUCTION BY AREA

(boe/d)	
Northern Alberta & B.C.	**11,521**
Pembina	**4,917**
Central Alberta	**5,969**
Southeast Alberta & Southwest Saskatchewan	**2,467**
Southeast Saskatchewan	**2,481**
Total	**27,355**

TOTAL NET UNDEVELOPED ACRES

Northern Alberta & B.C.	**33,170**
Pembina	**2,285**
Central Alberta	**4,805**
Southeast Alberta & Southwest Saskatchewan	**5,245**
Southeast Saskatchewan	**3,240**
Other	**36,955**
Total	**85,700**

Total net undeveloped acreage was 61,192 acres at December 31, 1999

MAJOR PROPERTIES

ARC has grown its asset base through a deliberate acquisition strategy aimed at building a foundation of solid reserves capable of long-term production of crude oil and natural gas. The most recent acquisition of Startech Energy Inc. substantially expanded the base of core properties and added substantial reserves and production in existing and new areas. In addition 285,000 acres of undeveloped land were acquired.

MAP OF LAND
BC, ALTA. SASK.

This area became a major core area for ARC with the acquisition in 2000 of producing assets in the Swan Hills area and at Ante Creek. ARC acquired the properties for their significant upside and numerous opportunities for enhancing production and reserves.

ANTE CREEK

In March 2000, ARC acquired a 100 percent working interest in the large, partially-developed Ante Creek Montney A oil pool. In addition ARC acquired a significant block of undeveloped acreage in the area.

- Extensive geological, geophysical and engineering work confirmed locations for drilling new wells with the potential to extend the Montney oil pool.
- In October 2000, ARC began a program to drill seven new locations. The first well commenced production in December 2000 and stabilized at a rate of 100 barrels of oil per day which was beyond our original expectations. The remaining six wells were successfully drilled, completed and tied-in during the first quarter of 2001.
- Additional compression was installed to increase gas production.
- Production optimization included acid squeezes to increase oil productivity in existing wells.
- The initial drilling successes have confirmed numerous other locations which will be followed up starting in summer 2001.
- Analysis is underway to determine whether waterflooding will improve ultimate recovery from the Montney pool once delineation drilling is complete.

HOUSE MOUNTAIN UNIT #1

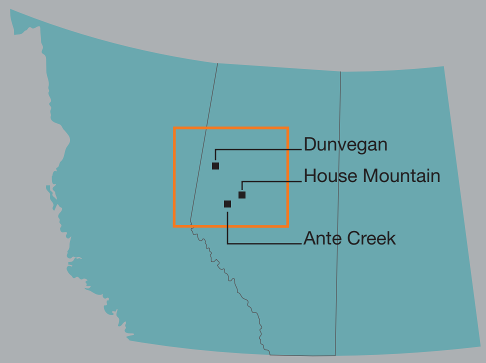
Apache Canada Ltd. operates this oil unit on behalf of ARC and other owners. ARC owns 9.2 percent of the unit.

- The operator pursued production enhancement in 2000 via drilling and waterflood optimization.
- For 2001, numerous production enhancing and increased reserves recovery programs are expected including horizontal re-entry production well drilling, well re-activations, fracture stimulations and further waterflood optimization.

DUNVEGAN UNIT

As part of the Startech acquisition, ARC increased its working interest to five percent in the non-operated Dunvegan Unit.

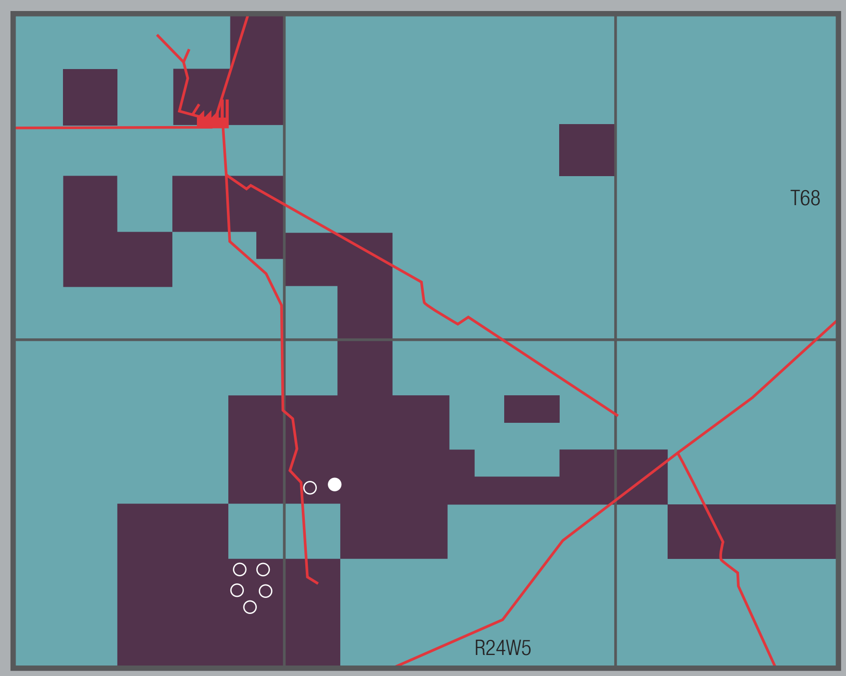
- The Dunvegan gas field is operated by Anderson Exploration Ltd., with most of the unit's liquids-rich natural gas reserves contained in the Mississippian Debolt formation at a depth of approximately 4,800 feet.
- Although discovered in the early 1970s, numerous development drilling opportunities exist and will be pursued in 2001 and beyond.



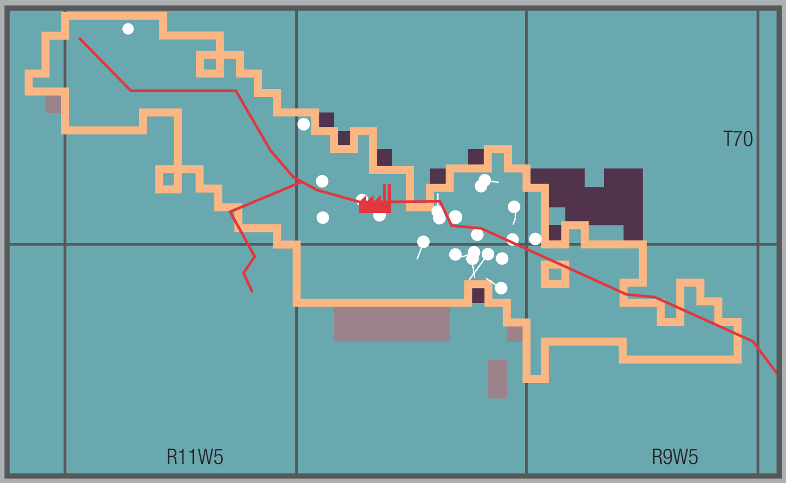
LEGEND

- ARC lands
- Startech lands
- Pipeline
- Unit outline
- ARC production facility
- 2000 oil wells
- 2000 gas wells
- 2001 locations

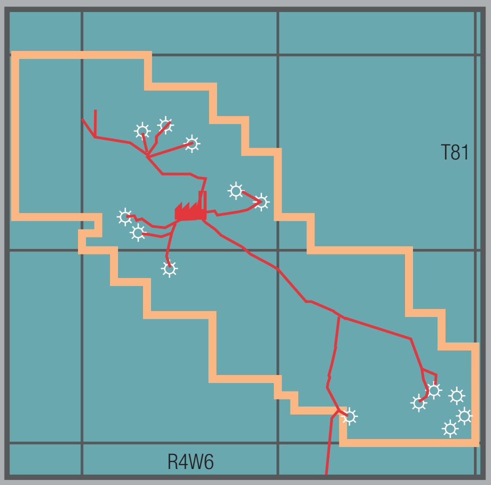
ANTE CREEK



HOUSE MOUNTAIN



DUNVEGAN



PEMBINA

Pembina was ARC's first major core operated area; numerous development activities continue to maximize unitholder value. These include cost-cutting initiatives, as well as low-cost activities to increase production and reserves. Development drilling has successfully added low-cost reserves and production. The Pembina fields produce high quality, sweet oil at fairly shallow depths.

LINDALE CARDIUM UNIT

- A successful production infill drilling program was combined with several new water injection wells to support higher production levels and increase ultimate reserves recovery.
- In 2001 ARC plans to drill select infill production wells to maintain production rates.

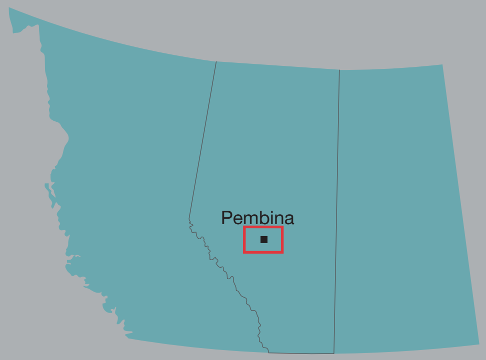
MIPA

In 2000, ARC increased its working interest in most of this core area to 100 percent.

- ARC's development program included drilling seven new vertical and three horizontal re-entry production wells.
- ARC is currently reviewing the field looking for additional infill drilling opportunities.
- Geological studies have identified shallow gas drilling locations which, when combined with existing infrastructure, should result in further low-cost reserve additions in 2001.

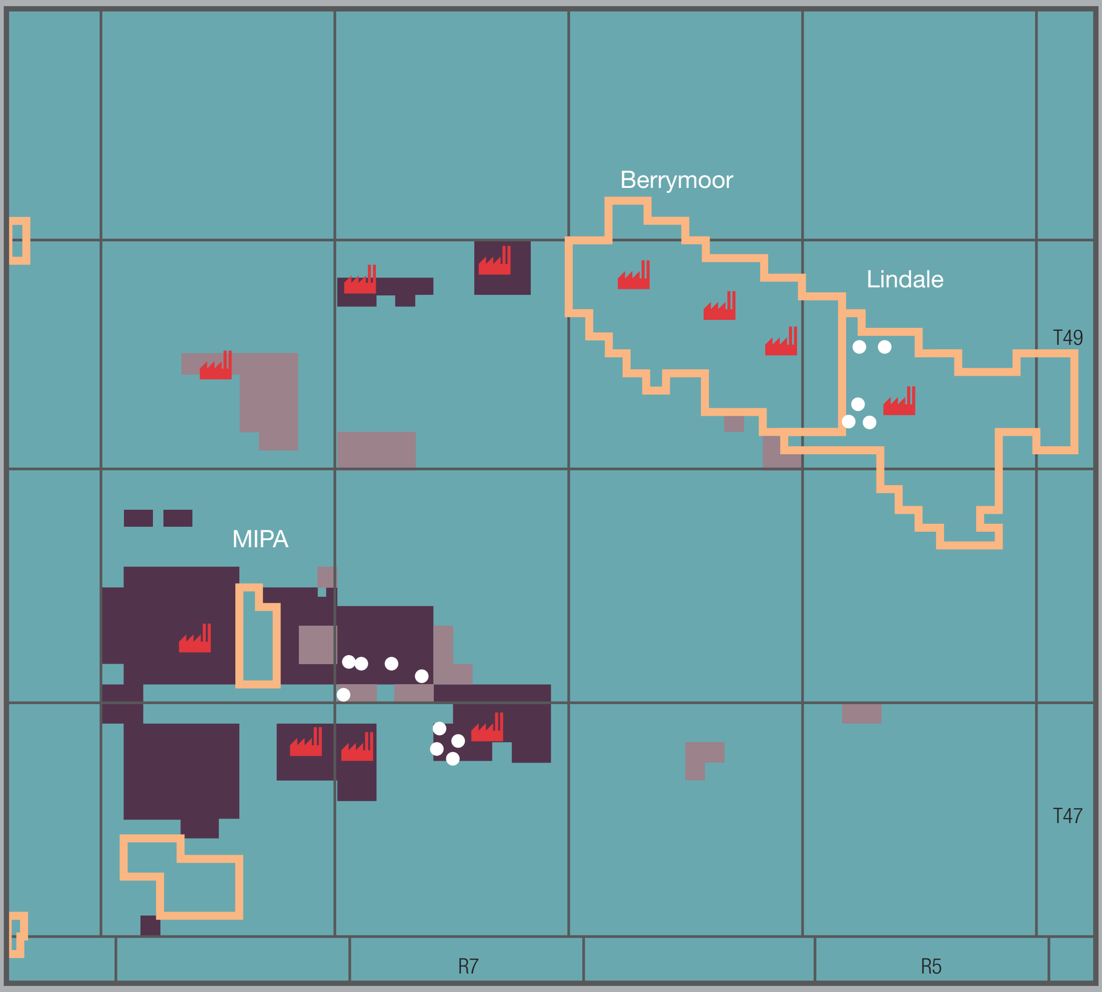
OTHER PEMBINA PROPERTIES

- Acquisition of additional interests continued in 2000 along with select divestments of lower performance properties.
- Optimization efforts continued in all areas and included recompletions, refracturing wells, chemical stimulations and redrills.
- Several minor Pembina properties were acquired via the Startech acquisition and will be integrated into ARC's asset base in 2001.


Pembina

LEGEND
ARC lands
Startech lands
Unit outline
ARC production facility
2000 oil wells

PEMBINA


Berrymoor
Lindale
T49
MIPA
T47
R7
R5

ARC's interests in this area started with a non-operated interest in the Caroline Swan Hills Beaverhill Lake Unit. Acquisitions completed in 1999 added several major operated fields and established Central Alberta as a major core area. The area is comprised of a number of adjacent fields with diverse geological zones which creates many different development prospects. Technical studies by the inter-disciplinary team of engineers, geologists, and geophysicists began to yield positive results in 2000. Numerous successful development opportunities have been undertaken based on the team's recommendations.

SUNDRE

The Sundre Rundle B Unit and Sundre Rundle Unit #1 are both operated by ARC. These two oil producing units are under waterflood. The fairly deep, sour oil production requires extra technical efforts to ensure successful optimization.

- Technical analysis identified opportunities for optimization and artificial lift upgrades and re-perforations which were completed during the year.
- Based on detailed geological studies and reservoir simulations, a horizontal re-entry oil production well was successfully drilled late in the 2000 winter drilling season.
- A 3D seismic program shot late in the year is being analyzed for new drilling locations.
- Production optimization will continue in 2001. Several infill horizontal re-entry wells will likely be drilled once seismic data has been fully interpreted.
- Waterflood optimization and injector conversions will continue to stabilize production rates.

CAROLINE CARDIUM E POOL SOUTH UNIT

ARC operates the Caroline Cardium E Pool South Unit which is an oil pool under waterflood.

- Production optimization in 2000 included acid and fracture stimulations, artificial lift upgrades, and re-activating a recently acquired non-producing well.
- A successful infill well was drilled in the fourth quarter of 2000.
- Based on prior successes, further optimization and fracturing programs will be undertaken in 2001.
- Several infill wells will be drilled in 2001 based on positive drilling results in 2000.

EAST GARRINGTON

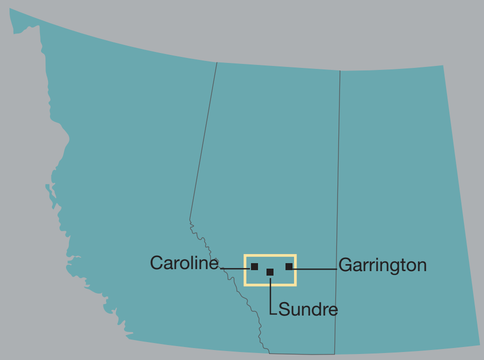
ARC operates this 90 percent working interest, non-unit area. Sweet oil and liquids-rich gas are produced from the Cardium and Glauconitic formations.

- A program of artificial lift installation has proven very effective at optimizing gas production.
- The area's production increased 100 percent through highly successful Cardium zone recompletions in several wells. Numerous additional Cardium recompletion candidates have been identified for the 2001 program.
- Late in 2000 and in January 2001, additional lands were acquired in the area with a number of the existing wells having Cardium recompletion potential.

CAROLINE SWAN HILLS BEAVERHILL LAKE UNIT

Shell Canada Ltd. operates this major gas unit with ARC holding a minor working interest.

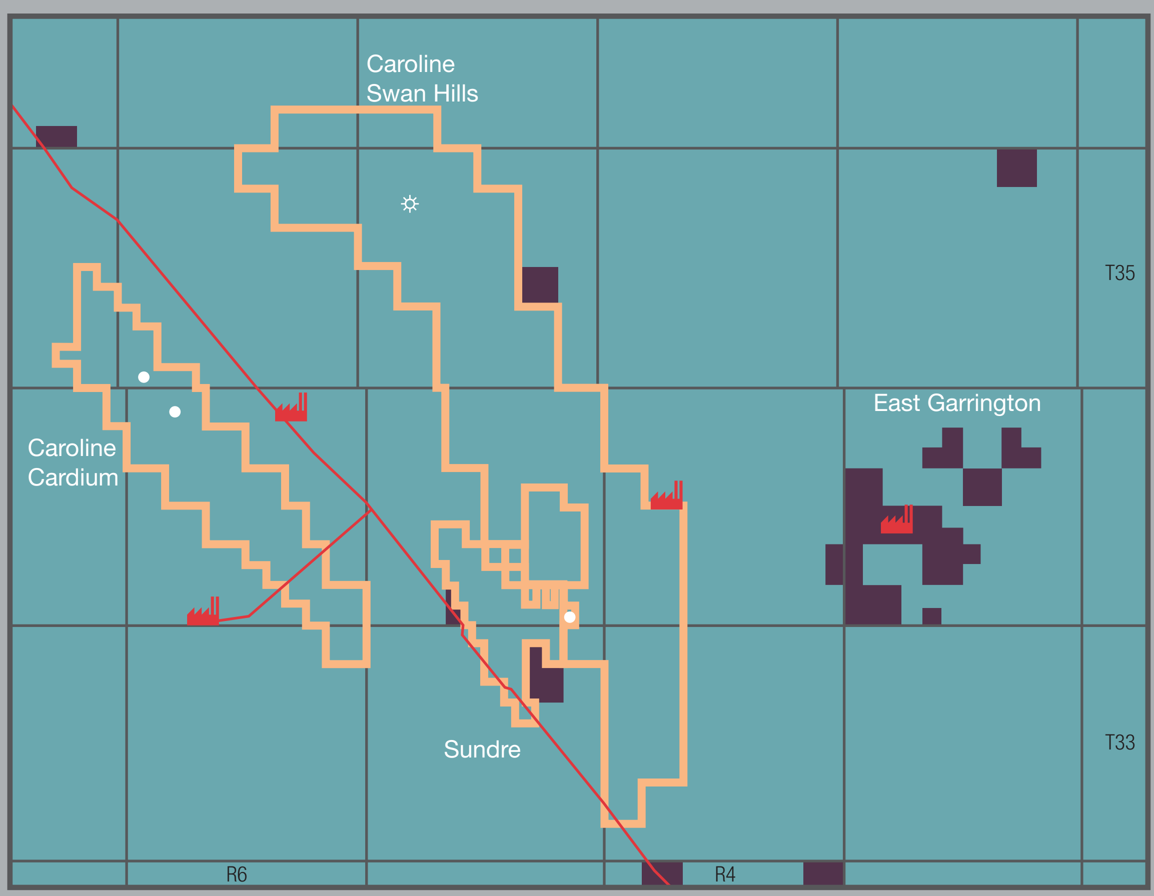
- Gas production was maintained in 2000 and the gas plant was kept completely full by a tubinghead pressure reduction project which increased production from seven wells.
- A very prolific new gas well was drilled late in 2000.
- Gas production should remain flat through 2001 as plans call for continuing the tubinghead pressure reduction project and the tie-in of the successful 2000 gas well.



LEGEND

- ARC lands
- Pipeline
- Unit outline
- ARC production facility
- 2000 gas wells
- 2000 oil wells

CAROLINE/SUNDRE



Development in this core area began in 1999 with the acquisition of the Jenner shallow gas assets. These assets are ideal for ARC as the shallow gas operations are mature, low cost and have high netbacks. There are also opportunities to enhance production and reserves and to continue to reduce operating costs. Development activities added significant production and reserves in 2000. Expansion of this area continued with the acquisition of additional Jenner lands in 2000. In 2001, the Startech acquisition has added a significant gas production base at the nearby Brooks field.

JENNER

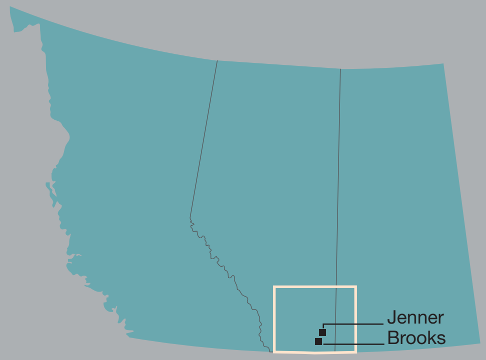
ARC operates the majority of its production in this high working interest area. Production comes from multiple shallow gas zones including the Belly River, Medicine Hat, Milk River and Second White Specks.

- ARC drilled 24 successful infill wells on its 100 percent-owned Jenner lands in 2000.
- Another 24 successful infill wells were drilled by another operator on lands in the Jenner property in which ARC has a 50 percent working interest.
- ARC acquired additional interests offsetting our existing lands and achieved success by increasing production and reducing operating costs through optimization activities.
- The discovery of six new uphole Belly River gas pools added new production and reserves. Costs were low as existing wellbores were utilized for recompletion into the new zones.
- A farm-in program on nearby lands resulted in five new gas wells being drilled which earned ARC a 100 percent working interest in five sections of land. The farm-in program has continued in 2001 with four additional earning wells drilled in the first quarter.
- In 2001, a further 20 infill wells are expected to be drilled on ARC lands.
- Further Belly River development will continue on the recently acquired lands.
- Gathering system optimization could include pipeline and tubing changes to increase production as additional wells are brought onstream.
- Compression optimization will take place in 2001 with a change out of equipment resulting in lower operating costs.

BROOKS

The Startech acquisition added Brooks, a high quality, 100 percent working interest shallow gas field. The field's proximity to ARC's existing Jenner assets will result in significant operational synergies for the area.

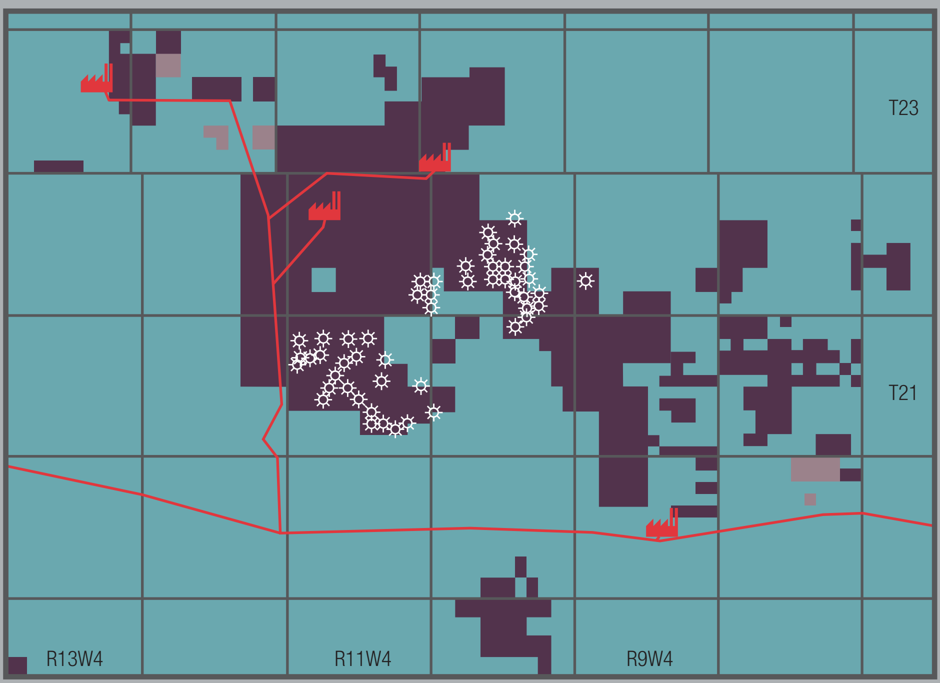
- Sixty shallow gas wells were drilled at Brooks in 2000 targeting the Milk River and Medicine Hat formations. Eight additional wells were drilled to access gas reserves in the Belly River zone.
- A 24-section farm-in was initiated to test seven deeper zones. Sixteen square miles of 3D seismic has been shot. The first two wells resulted in the discovery of four new pools.
- ARC will continue the farm-in program by drilling additional earning wells in 2001.



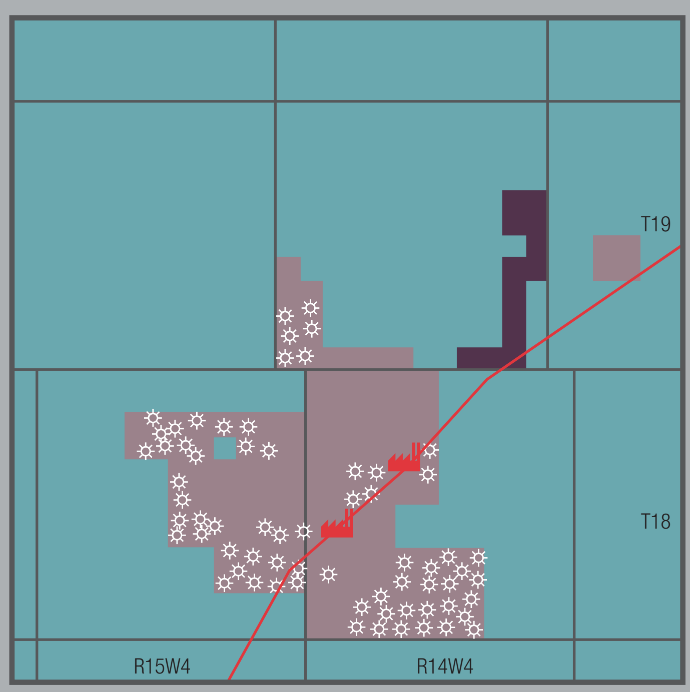
LEGEND

- ARC lands
- Startech lands
- Pipeline
- ARC production facility
- 2000 gas wells

JENNER



BROOKS



Over time, ARC has accumulated large non-operated working interest positions in the Midale and Weyburn units. Minor operated non-unit lands have been acquired and a few locations have been drilled. ARC had been reviewing opportunities to acquire a higher working interest entry into this area. The Startech acquisition offered such an opportunity. ARC now has a major operated presence in Lougheed and other southeast Saskatchewan properties.

MIDALE UNIT

ARC is now the second largest working interest owner in the Midale Unit at 12.5 percent. Operated by Apache Canada Ltd., activities have centered on development and horizontal drilling to enhance performance of the waterflood.

- Aggressive drilling of infill development wells continued in 2000 along with monitoring and optimization of the waterflood.
- Plans for 2001 include drilling 23 horizontal and 12 vertical production wells, as well as 19 horizontal injection wells to provide waterflood support for new production.

WEYBURN UNIT

ARC is the third largest working interest owner in the Weyburn Unit, which is operated by PanCanadian Petroleum Ltd. ARC increased its interest in the unit in 2000 and again in 2001 through the Startech transaction. ARC now has a 6.5 percent interest.

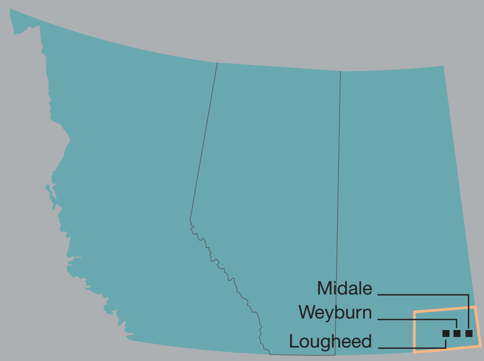
- In October 2000, large-scale CO_2 flooding of the unit began ahead of schedule and on budget.
- Optimization of the waterflood has continued including infill drilling to improve waterflood and CO_2 flood production and recoveries.
- The operator will continue to monitor the CO_2 and waterflood recovery projects, adjust injection practices and drill additional infill wells in 2001.

LOUGHEED

Lougheed was an important element in the Startech acquisition as ARC has gained a major position in Southeast Saskatchewan. As operator, ARC plans to actively manage the assets to optimize the property.

Lougheed is the western extension of the Mississippian Midale beds which are the producing horizon for the Midale and Weyburn units. The reservoir is high quality and similar, if not better, than the two offsetting units.

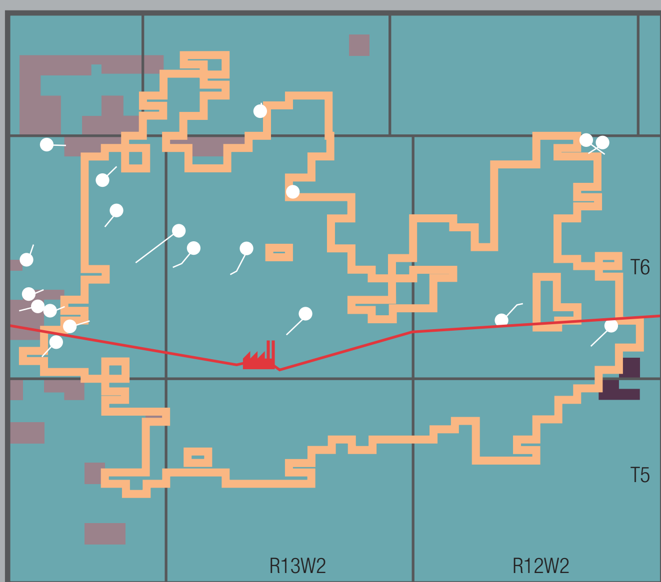
- The Lougheed area is much less mature than the Weyburn and Midale units with the result that current third party reserve assignments incorporate significantly lower ultimate recovery relative to both Weyburn and Midale. However, ARC sees similar development opportunities and expects ultimate recovery to approach that of the more mature units.
- ARC will continue some of the development and drilling activities initiated by Startech, but longer-term plans will be finalized as the year progresses.



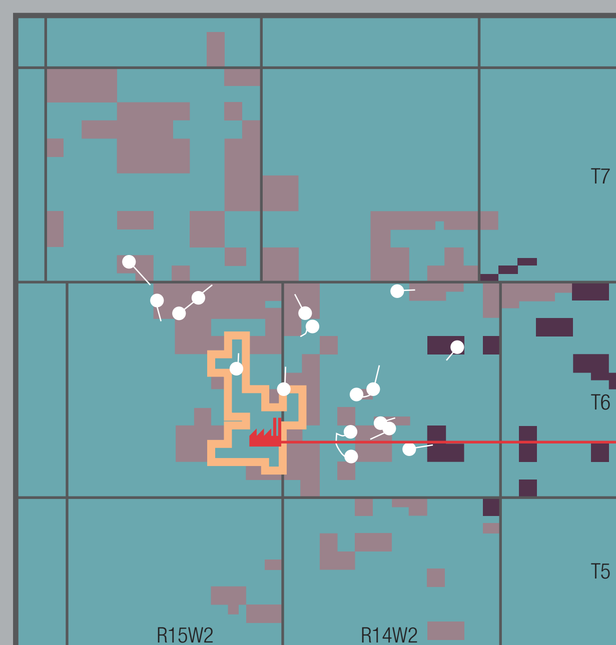
LEGEND

- ARC lands
- Startech lands
- Pipeline
- Unit outline
- ARC production facility
- 2000 oil wells

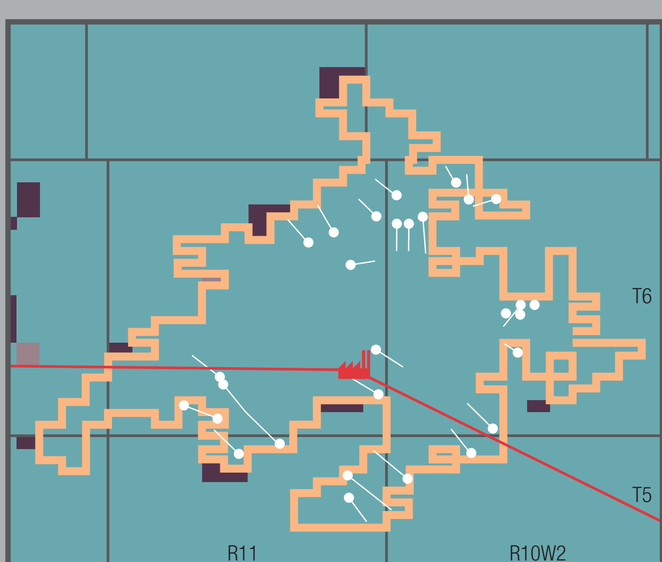
WEYBURN



LOUGHEED

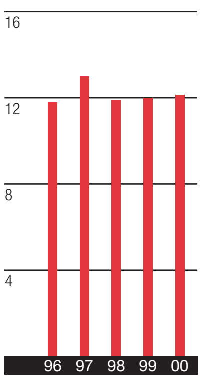


MIDALE



RESERVES

RESERVE LIFE INDEX
(years)



Based on an independent engineering evaluation conducted by Gilbert Laustsen Jung Associates Ltd. (GLJ) effective December 31, 2000, ARC had proved plus risked probable reserves of 286.4 bcf of natural gas and 82,419 mbbls of crude oil and natural gas liquids. Approximately 63 percent of ARC's reserves are crude oil and natural gas liquids and 37 percent are natural gas on a 6:1 boe basis. On an oil equivalent basis, reserves at December 31, 2000 were 130,147 mboe, an increase of 30 percent from the previous year.

The following tables summarize ARC's reserves of natural gas, crude oil, and natural gas liquids as evaluated by GLJ. These reserves reflect ARC's interest before royalties. Probable reserves are risked at 50 percent to calculate the established reserves. All gas to oil equivalencies are calculated on a 6:1 basis. All estimates of future net cash flow in these tables are calculated without any provision for income taxes, general and administrative costs, or management fees, but include provisions for future well abandonment liabilities.

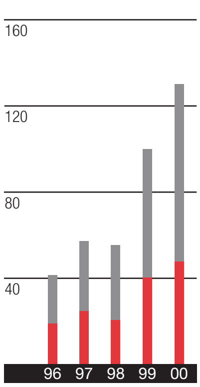
Reserve Life Index (RLI) is calculated by dividing the reserves by annual production (either current year annual production or the independent evaluator's forecast of the first year's production). This provides a simplified representation of the number of years of reserves remaining if production remained constant at that rate. The actual productive life of the reserves is significantly longer due to a declining production rate over time. To account for the impact and timing of acquisition and divestment activity, the following tables use the independent evaluator's forecast of the first year's production in determining RLI, as this results in a more consistent representation over time.

RESERVE SUMMARY AND RESERVE LIFE INDEX

	2000	1999	1998	1997	1996
Crude Oil					
Proved producing (mbbl)	**46,075**	32,454	20,090	18,554	10,729
Proved non-producing (mbbl)	**12,438**	7,541	2,677	394	–
Total proved (mbbl)	**58,513**	39,995	22,767	18,948	10,729
Proved reserve life index (years)	**12.3**	12.1	12.1	11.3	10.5
Established (mbbl)	**71,663**	50,245	27,896	24,155	14,147
Established reserve life index (years)	**14.7**	14.8	14.8	14.5	13.9
Natural Gas Liquids					
Proved producing (mbbl)	**8,175**	7,774	6,066	6,956	6,868
Proved non-producing (mbbl)	**1,137**	389	475	500	819
Total proved (mbbl)	**9,312**	8,163	6,542	7,459	7,687
Proved reserve life index (years)	**8.6**	8.1	8.7	8.8	12.0
Established (mbbl)	**10,756**	9,467	7,138	8,218	8,367
Established reserve life index (years)	**9.7**	9.2	9.5	9.7	13.1
Natural Gas					
Proved producing (bcf)	**202.4**	184.2	83.9	97.9	76.5
Proved non-producing (bcf)	**41.3**	19.7	19.7	29.8	24.0
Total proved (bcf)	**243.7**	203.9	103.6	127.7	100.5
Proved reserve life index (years)	**8.8**	7.4	7.2	7.9	9.2
Established (bcf)	**286.4**	241.0	121.9	148.2	112.0
Established reserve life index (years)	**10.0**	9.0	8.5	8.6	10.3
Oil Equivalent (6:1)					
Proved producing (mboe)	**87,987**	70,928	40,139	41,827	30,347
Proved non-producing (mboe)	**20,450**	11,213	6,435	5,861	4,819
Total proved (mboe)	**108,437**	82,141	46,576	47,690	35,166
Proved reserve life index (years)	**10.4**	10.1	10.0	10.9	10.1
Established (mboe)	**130,147**	99,879	55,351	57,073	41,181
Established reserve life index (years)	**12.1**	12.0	11.9	13.0	11.8

Reserve life index is calculated using independent evaluator's forecast of production. Established = proved plus 50 percent probable.

ESTABLISHED RESERVES
(proved and risked probable)
(mmboe)



■ *Crude Oil and NGLs*
■ *Natural Gas*

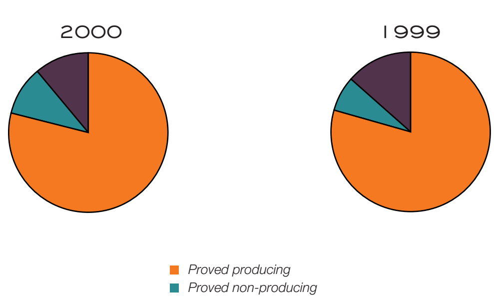
RESERVES RECONCILIATION

	Crude Oil (mbbl)		Natural Gas (bcf)		Natural Gas Liquids (mbbl)		Total (mboe)	
	Proved	Risked Probable	Proved	Risked Probable	Proved	Risked Probable	Proved	Risked Probable
Reserves at December 31, 1996	10,729	3,418	100.5	11.5	7,687	680	35,166	6,015
Acquisitions and divestments	7,961	1,552	38.8	10.3	1,104	232	15,532	3,501
Drilling and development	176	13	4.7	0.3	49	5	1,008	68
Production	(1,334)	–	(14.0)	–	(704)	–	(4,371)	–
Revisions	1,416	224	(2.3)	(1.6)	(677)	(158)	355	(201)
Reserves at December 31, 1997	18,948	5,207	127.7	20.5	7,459	759	47,690	9,383
Acquisitions and divestments	2,465	648	(15.1)	(2.7)	(195)	(36)	(247)	162
Drilling and development	981	844	4.0	1.2	7	(104)	1,655	940
Production	(1,620)	–	(13.8)	–	(737)	–	(4,657)	–
Revisions	1,993	(1,570)	0.8	(0.6)	8	(23)	2,134	(1,693)
Reserves at December 31, 1998	22,767	5,129	103.6	18.4	6,542	596	46,576	8,792
Acquisitions and divestments	17,769	4,286	118.0	15.4	3,375	476	40,817	7,320
Drilling and development	1,992	631	5.8	1.7	204	1	3,168	912
Production	(3,069)	–	(24.3)	–	(981)	–	(8,100)	–
Revisions	536	204	0.7	1.7	(977)	232	(320)	713
Reserves at December 31, 1999	39,995	10,250	203.9	37.1	8,163	1,304	82,141	17,737
Acquisitions and divestments	18,650	3,860	47.7	8.0	1,911	328	28,517	5,527
Drilling and development	2,283	(693)	12.9	1.3	119	(25)	4,556	(497)
Production	(4,219)	–	(28.2)	–	(1,052)	–	(9,977)	–
Revisions	1,805	(267)	7.4	(3.8)	171	(163)	3,200	(1,057)
Reserves at December 31, 2000	**58,513**	**13,150**	**243.7**	**42.7**	**9,312**	**1,444**	**108,437**	**21,710**

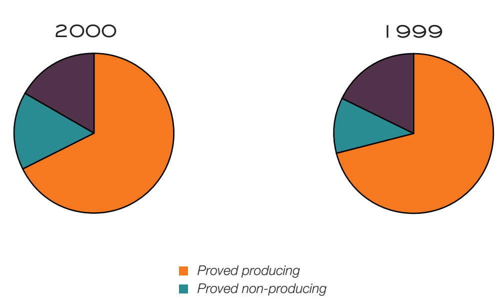
PRESENT VALUE OF RESERVES

($ thousands before income taxes)		**2000**			1999	
Discount Factor	**10%**	**12%**	**15%**	10%	12%	15%
Proved producing	**732,530**	**685,315**	**626,836**	413,791	384,558	348,774
Proved non-producing	**100,389**	**86,651**	**70,391**	40,228	34,451	27,529
Total proved	**832,918**	**771,966**	**697,227**	454,020	419,009	376,303
Risked probable	**111,886**	**96,105**	**78,461**	76,380	65,300	52,789
Established	**944,804**	**868,071**	**775,688**	530,400	484,309	429,091

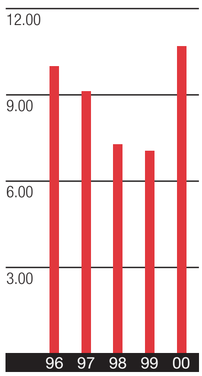
PRESENT VALUE OF RESERVES @ 12%
(percent)



TOTAL RESERVES
(percent)



NET ASSET VALUE PER UNIT
($/unit @ 12%)



NET ASSET VALUE

($ thousands, except per unit amounts)

December 31, 2000	10%	12%
Value of established oil and gas reserves	$ 944,804	$ 868,071
Add: Undeveloped lands	5,698	5,698
Working capital	6,339	6,339
Reclamation fund	9,897	9,897
Less: Debt	(115,068)	(115,068)
Net asset value	851,670	774,937
Units outstanding (thousands)	72,524	72,524
NAV Per Unit	$ 11.74	$ 10.69

2000 ACQUISITION/DISPOSITION SUMMARY

	Purchase Price	Established Reserves	Reserve Purchase Price	Production Rate	Production Purchase Price	Reserve Life Index
	($ millions)	(mmboe)	($/boe)	(boe/d)	($/boe/d)	(years)
Acquisitions	171.5	35.5	4.83	4,746	36,136	20.5
Dispositions	(17.6)	(1.5)	11.73	500	(35,228)	8.3
Net acquisitions	153.9	34.0	4.53	4,246	36,243	22.0

PRICING ASSUMPTIONS

	WTI Crude Oil			Edmonton Crude Oil[3]			Natural Gas[4]		
Year	**2000**[1]	1999[2]	1998[2]	**2000**[1]	1999[2]	1998[2]	**2000**[1]	1999[2]	1998[2]
		(US$/bbl)			(Cdn$/bbl)			(Cdn$/mmbtu)	
1999	–	–	14.67	–	–	21.06	**–**	–	2.25
2000		20.67	16.61	–	28.72	23.07	**–**	2.80	2.28
2001	**27.00**	20.10	18.57	**40.25**	27.24	24.98	**6.70**	2.68	2.31
2002	**24.00**	20.37	20.05	**35.25**	27.18	26.37	**4.85**	2.62	2.37
2003	**21.00**	20.64	20.69	**30.25**	27.39	27.18	**4.35**	2.63	2.45
2004	**21.00**	21.04	21.13	**29.75**	27.86	27.70	**4.20**	2.64	2.53
2005	**21.25**	21.37	21.57	**29.75**	28.37	28.25	**4.20**	2.66	2.61
2006	**21.75**	21.69	22.01	**29.75**	28.76	28.86	**4.10**	2.69	2.66
2007	**22.00**	22.10	22.45	**29.75**	29.24	29.47	**4.05**	2.74	2.72
2008	**22.25**	22.46	22.85	**29.75**	29.79	30.07	**4.05**	2.80	2.78
2009	**22.50**	22.82	23.34	**30.25**	30.34	30.67	**4.10**	2.85	2.84
2010	**23.00**	23.27	23.82	**30.75**	30.81	31.25	**4.20**	2.90	2.89
2011	**23.25**	23.64	24.32	**31.25**	31.33	31.86	**4.25**	2.94	2.96
2012	**23.54**	24.00	24.81	**31.64**	31.89	32.47	**4.30**	3.01	3.01
2013	**23.83**	24.37	25.31	**32.04**	32.44	33.13	**4.36**	3.06	3.07
2014	**24.13**	24.75	25.81	**32.44**	32.97	33.84	**4.41**	3.11	3.12
2015	**24.43**	25.12	26.31	**32.84**	33.53	34.54	**4.47**	3.16	3.18
Thereafter	**1.5%/yr**	1.0%/yr	1.3%/yr	**1.5%/yr**	1.0%/yr	1.3%/yr	**1.5%/yr**	1.0%/yr	1.3%/yr

(1) Gilbert Laustsen Jung Associates Ltd. then current price forecast

(2) Average of GLJ, Sproule Associates Limited and McDaniel & Associates Consultants Ltd. then current price forecasts

(3) Edmonton Refinery Postings for 40° API, 0.4 percent sulphur content crude

(4) Average Alberta plantgate price

Natural gas

During 2000, ARC continued to follow a marketing strategy of diversifying its sales and transportation portfolio and increasing the level of direct control over the marketing of its natural gas production. This diversity provides the combination of control and risk-management required to maximize production netbacks.

US natural gas prices are typically referenced off NYMEX at Henry Hub, Louisiana, while Alberta and British Columbia are referenced off Alberta Energy Company's AECO Hub and Sumas, Washington, respectively. The average natural gas price received during 2000 was $4.48 per mcf as compared to $2.54 for 1999. This price was achieved with a portfolio mix that on average received fixed pricing for 33 percent of total production, AECO pricing for 30 percent, NYMEX pricing for 27 percent and Sumas pricing for the remaining 10 percent of production.

To manage natural gas price volatility and to stabilize the revenue stream, the natural gas portfolio is directed towards maintaining:

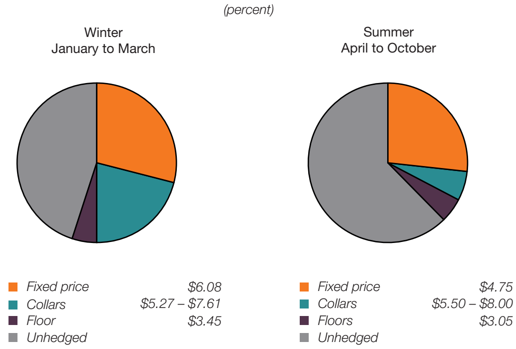
- Balanced exposure to both U.S., Canadian and fixed-price markets;
- Market-sensitive and hedgable price terms and contract flexibility; and
- High utilization of contracted pipeline and processing capacity.

Crude oil and natural gas liquids

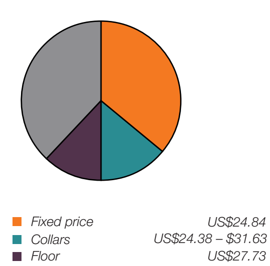
Liquids production in 2000 was comprised of 44 percent light gravity oil (>35° API), 24 percent medium gravity oil (25° to 35° API), four percent condensate and 24 percent natural gas liquids. Heavier gravity crude oil (<25° API) accounted for only four percent of production.

During 2000, average sales prices were $36.74 per bbl for oil and $31.52 per bbl for natural gas liquids; these prices compare to 1999 prices of $24.85 per bbl for oil and $17.43 per bbl for natural gas liquids. Crude oil is sold under 30-day evergreen contracts, while natural gas liquids are sold under annual arrangements. Industry pricing benchmarks for crude oil and natural gas liquids are continuously monitored to ensure optimal netbacks.

GAS HEDGING: 2001
(percent)



OIL HEDGING: 2001
(percent)



ARC's commitment to **safety** can be seen in its **fifth** consecutive year of **no lost time** accidents

ARC is committed to conducting all oil and gas production and development activities in a safe and environmentally responsible manner. This focus is of high priority, particularly as the number of ARC-operated properties has grown significantly over the past year with the addition of two major core operating areas. The dedication of ARC's staff and consultants has resulted in managing exceptional growth while maintaining excellence in safety performance and responsible care of the environment.

HEALTH, SAFETY AND ENVIRONMENTAL STEWARDSHIP

During 2000 ARC remained committed to the principles set out by the Canadian Association of Petroleum Producers (CAPP) Health, Safety and Environment Program. This program includes company benchmarking for performance in regards to environment (air, water and land use) and safety. ARC performed very well in the benchmarking analysis. ARC has participated in the benchmarking analysis since 1998 with an objective of continuous improvement.

SAFETY

ARC continued its excellent safety record with no lost time accidents for employees or consultants during 2000. This was a significant accomplishment as it marked the fifth consecutive year without a lost time accident. This achievement also reflects ARC's level of commitment to protecting the health and safety of employees, contractors and the public.

RECLAMATION FUND

ARC established a reclamation fund in 1996 which ensures that the necessary funds are available for future reclamation of wells and facilities. Total funding during the year net of actual abandonment expenditures was $2.7 million. The balance of the fund as of December 31, 2000 was $9.9 million. During the year ARC continued to pro-actively address abandonments and reclamations to reduce future environmental liabilities.

ENVIRONMENT

ARC conducts activities in accordance with company policies and environmental guidelines with the objective of protection of the environment. Some of the specific highlights during 2000 were:

Air

ARC's focus on air quality issues continued with registration with Canada's Climate Change Voluntary Challenge and Registry (VCR) program in which detailed tracking and management of emissions reduction continues to be a priority. Some of the significant accomplishments in reduction of emissions were:

- ARC installed four vapor recovery units at batteries in Drayton Valley and Sundre which further conserves natural gas at these facilities thereby reducing emissions and flaring.
- Flaring of newly drilled wells was minimized during 2000. Advance planning and installation of pipelines or compression also minimized flaring at Sundre, Caroline, Pembina and Ante Creek.
- ARC eliminated various single well batteries which allowed for additional gas conservation and reduced flaring.
- New compressors are being installed at Jenner to replace existing rental equipment. By optimizing efficiency, 1800 horsepower of compression will be removed which will significantly reduce greenhouse gas emissions.

Land and Water

ARC is pro-actively working to ensure protection of land and water. Policies and procedures were formalized in 2000 to continue its leadership in this area. As part of this process, ARC completed third party reviews of substantially all of its operated assets. In addition, ARC continues to participate in key local groups that provide expertise and training in risk management. Examples of accomplishments during 2000 included:

- ARC adopted a pro-active approach to ensuring that land is protected. Key examples include upgrading water injection lines to corrosion resistant materials in Pembina and upgrading pipeline materials in Jenner and Sundre.
- ARC continues to complete well abandonments as necessary followed immediately with initiation of surface reclamation.
- Preventing contamination on new developments is a priority. For example, drilling programs have been completed with immediate land farming or removal of sumps. Drilling sumps from previous operators have been remediated in the Jenner area.
- Sensitivity to wildlife habitat is an important consideration. At Ante Creek and Lindale, ARC utilized directional wells to ensure wildlife corridors were not disturbed by roads or drilling leases.
- Risk management efforts continue with participation in oil spill co-operatives and detailed emergency response planning.

COMMUNITY INVOLVEMENT

ARC values community participation and encourages employees to volunteer. As evidence of this participation, ARC recently received two awards for its support of the United Way – a platinum award for employee participation and a "Spirit of Gold" award, which recognizes leadership, commitment and exceptional contributions to the annual campaign.

As ARC expands its presence in western Canada, ARC continues to provide meaningful employment in local communities. With the opening of two new field offices in 2000 in Medicine Hat and Estevan, ARC now has five field offices in addition to the Calgary head office. ARC supports all of these communities through financial commitments, active volunteer involvement and participation in local initiatives.


ARC

MANAGEMENT'S DISCUSSION & ANALYSIS

ABBREVIATIONS

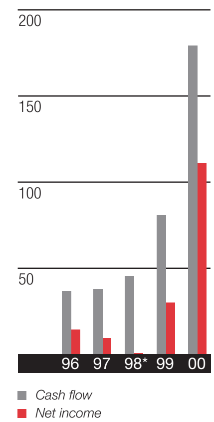
bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent (1boe = 6 mcf)
mboe	thousand barrels of oil equivalent
mbbl	thousand barrels
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmcf	million cubic feet
mmcf/d	million cubic feet per day

HIGHLIGHTS

The following key events occurred in 2000 and early 2001 positively impacting ARC:

- Exceptionally high commodity prices together with property acquisitions resulted in record levels of production, cash flow and cash distributions in 2000. Earnings in 2000 were $110.9 million compared to 1999 earnings of $29.8 million.
- An active developmental drilling and exploitation program was conducted in 2000. The results of the development program along with property acquisitions and minor property dispositions resulted in net reserve additions of 40.2 million boe at an average cost of $5.16 per boe in 2000. This compared to net established reserve additions of 52.6 million boe at an average cost of $4.86 per boe in 1999.
- During the year, ARC completed two equity financings under which 15.1 million Trust units were issued for total gross proceeds of $156.7 million. The proceeds were used to reduce existing debt levels on an interim basis and to partially fund 2000 capital expenditures.
- ARC revised its distribution policy pertaining to cash available for distribution in excess of $0.10 per Trust unit. For the first three quarters, the excess cash available was allocated between discretionary debt repayments and additional distributions to unitholders. In the fourth quarter, the withholdings for discretionary debt repayments were suspended, while the withholdings for funding of capital expenditures were increased from 10 percent to up to 20 percent of cash available for distribution. This revised distribution policy differentiates ARC from its peers by re-directing up to 20 percent of cash flow to fund a substantial portion of the annual capital expenditures. This strategy is designed to substantially replace reserves and production out of cash flow and reduce the need for new equity to fund capital expenditures.
- In December, ARC announced the acquisition of all outstanding shares of Startech Energy Inc. ("Startech"), under a plan of arrangement, for total consideration of approximately $485 million. The transaction closed on January 31, 2001.

NET INCOME AND CASH FLOW
($ millions)



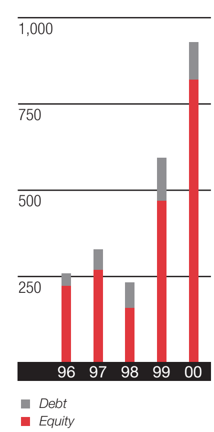
* represents net income before ceiling test write-down

PRODUCTION

Production volumes for 2000 averaged 27,355 boe per day, representing an increase of 23 percent from the 1999 average of 22,172 boe per day. This increase was attributed primarily to a significant property acquisition completed in the first quarter of 2000 as well as ongoing development activities. Crude oil and natural gas liquids represented 53 percent of production in 2000, with natural gas production accounting for the remaining 47 percent of production.

In 2000 ARC added Ante Creek as a new core area with the acquisition of $135 million of properties announced in the first quarter. Production volumes, revenue, royalties, operating costs and resulting netbacks for ARC's major operating areas are shown on the table on the following page.

TOTAL CAPITALIZATION
($ millions)

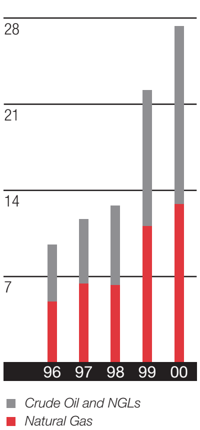


2000 Summary by Area

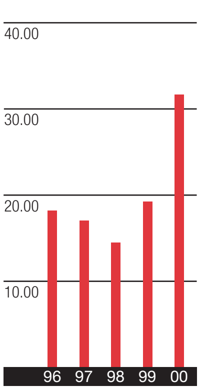
(boe @ 6:1)

	Volume		Revenue		Royalties			Net Operating Costs		Netback	
	per day (mboe)	year (mmboe)	$ millions	$ per boe	$ millions	%	$ per boe	$ millions	$ per boe	$ millions	$ per boe
Northern Alberta and BC	11.5	4.2	123.9	29.37	28.1	22.7	6.79	15.3	3.63	80.4	19.06
Pembina	4.9	1.8	65.4	36.36	9.1	14.0	5.19	14.4	7.97	42.0	23.36
Central Alberta	6.0	2.2	74.0	33.90	14.9	20.1	6.94	11.6	5.30	47.6	21.81
Southeast Alberta and Southwest Saskatchewan	2.5	0.9	20.1	22.24	2.7	13.4	3.04	4.9	5.45	12.5	13.86
Southeast Saskatchewan	2.5	0.9	32.9	36.20	9.4	28.7	10.58	3.1	3.43	20.3	22.33
Total	27.4	10.0	316.3	31.54	64.2	20.3	6.41	49.3	4.92	202.8	20.26

PRODUCTION
(mboe/d)



AVERAGE SELLING PRICE
($/boe)



PRICES

Crude Oil Pricing

West Texas Intermediate (WTI) is the benchmark for North American oil prices and is the crude type that the NYMEX futures contract is based upon. Canadian crude oil prices are based upon refiners' postings, primarily at Edmonton, Alberta and represent the WTI price at Cushing, Oklahoma adjusted for transportation and quality differential and the Canadian/US exchange rate. ARC's average field price reflects the refiners' posted price at Edmonton, Alberta less deductions for transportation from the field and adjustments for ARC's product quality relative to the posted price. ARC's average field price in 2000 was $40.30 per barrel versus $44.33 for the average of the light sweet postings at Edmonton. This indicates the high quality of ARC's crude oil mix which is primarily light sweet crude.

Crude oil prices increased significantly in 1999 as a result of improvements in global supply and demand fundamentals and continued into 2000 due to cutbacks in oil production by OPEC. As world oil demand has increased, most OPEC countries are now producing at or near capacity with the exception of Saudi Arabia and a few smaller members of OPEC. This situation has resulted in most forecasts of future oil prices in the US$20 – $28 per bbl range for the foreseeable future. This view is supported by longer-term oil future contracts. ARC's average oil price, net of all hedging transactions, increased 48 percent in 2000 to $36.74 per bbl as compared to $24.85 per bbl in 1999. In US dollar terms, the benchmark West Texas Intermediate (WTI) oil price averaged US$30.35 per bbl in 2000, up from US$19.25 per bbl in 1999.

Natural Gas Pricing

US natural gas prices are typically referenced off NYMEX at Henry Hub, Louisiana, while Alberta and British Columbia are referenced off Alberta Energy Company's AECO Hub and Sumas, Washington, respectively. The addition of new pipeline capacity from Alberta has dramatically reduced the differential between Henry Hub and AECO over the last two years. Overall, 2000 was very positive for gas prices as increases in electricity demand significantly increased demand for natural gas in North America.

Natural gas prices remain strong, reflecting pipeline expansions that have improved access for Canadian gas to US markets. ARC's average wellhead gas price increased to $4.48 per mcf in 2000 from $2.54 per mcf in 1999. ARC's prices, net of hedging and transportation costs, compare favourably to 2000 and 1999 AECO Hub prices of $4.92 and $2.54 per mcf respectively.

A summary of the financial contracts outstanding as at December 31, 2000 and 1999 is as follows:

	Daily Quantity	Average Contract Prices ($)	Price Index	Term
2000				
Crude oil fixed price contracts	3,844 bbls	36.25	WTI	January to September, 2001
	2,844 bbls	37.59	WTI	October to December, 2001
Crude oil collared contracts	3,500 bbls	37.02 – 48.02	WTI	January to December, 2001
Crude oil put options	5,356 bbls	41.47	WTI	January to December, 2001
Crude oil call options	2,600 bbls	40.91	WTI	January to December, 2001
Natural gas fixed price contracts	2,500 GJ	12.00	AECO	January to March, 2001
Natural gas collared contracts	22,000 GJ	5.52 – 8.08	AECO	January to March, 2001
	5,000 GJ	4.40 – 7.80	AECO	April to October 2001
1999				
Crude oil fixed price contracts	800 bbls	31.38	WTI	January to December 2000
	900 bbls	34.00	WTI	January to September 2000
Crude oil collared contracts	600 bbls	28.25 – 44.50	WTI	January to March 2000
	1,200 bbls	30.00 – 41.00	WTI	January to March 2000
	1,800 bbls	30.00 – 33.35	WTI	April to June 2000

In addition to the above-noted financial contracts the Trust had the following physical fixed price commodity contracts:

	Daily Quantity	Average Contract Prices ($)	Price Index	Term
2000				
Natural gas fixed price contracts	9,000 GJ	4.04	AECO	January to October, 2001
1999				
Natural gas fixed price contracts	5,000 GJ	2.85	AECO	January to October, 2000

Contract prices shown above are based upon the Canadian dollar equivalent of WTI and are an average of prices of contracts that were put in place on a calendar quarter basis, with prices varying by quarter.

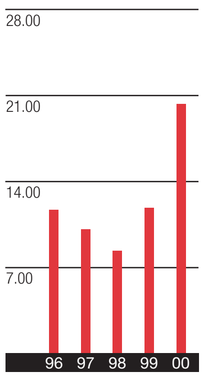
In all the above-noted contracts, ARC has agreed to the fixed price or a price that varies between the floor and the ceiling of the collar. The counterparty to the contracts has accepted the risks and benefits in the event the monthly settlement price of oil is below or above the contract prices.

As at December 31, 2000 ARC would have had to pay approximately $19.7 million to settle the above mentioned financial and physical contracts ($0.5 million in 1999).

REVENUE AND CASH FLOW

Revenues, prior to hedging transactions, increased to $354.7 million in 2000 compared to $163.9 million in 1999. The increase was the result of higher production volumes associated with property acquisitions, the 48 percent increase in the average oil price and the 76 percent increase in the natural gas price. Losses of $38.4 million and $8.7 million were incurred in each of 2000 and 1999 on financial and physical hedging transactions, resulting in production revenue net of hedging losses of $316.3 million and $155.2 million in 2000 and 1999, respectively. Royalties increased to 18.1 percent of revenues prior to hedging transactions in 2000 from 14.2 percent of revenue prior to hedging transactions in 1999, due to significantly higher commodity prices and the resultant increased crown royalty rate. Operating costs in 2000 increased to $4.92 per boe up from $4.42 per boe in 1999. Higher operating costs were attributed to general increases in field activities to maximize production rates to take advantage of very attractive commodity prices.

NETBACK
($/boe)



NETBACKS

Operating netbacks increased to $20.26 per boe in 2000 compared to $11.84 per boe in 1999. The components of operating netbacks are shown below:

($/boe)	2000	1999	1998	1997	1996
Market price	**35.43**	20.25	14.43	16.94	18.13
Hedging loss	**(3.84)**	(1.07)	–	–	–
Selling price	**31.59**	19.18	14.43	16.94	18.13
Royalties	**(6.41)**	(2.92)	(2.06)	(2.80)	(2.87)
Operating costs	**(4.92)**	(4.42)	(4.04)	(4.06)	(3.57)
Netback (6:1)	**20.26**	11.84	8.33	10.08	11.69
Netback (10:1)	**24.95**	14.80	10.38	12.82	14.71

GENERAL AND ADMINISTRATIVE EXPENSES

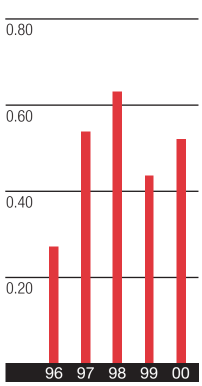
General and administrative expenses, after deduction of the residual one percent royalty reimbursement, increased in 2000 to $0.52 per boe from $0.44 per boe in 1999.

($ thousands, except per boe amounts)	2000	1999	1998	1997	1996
General and administrative expenses	**6,956**	4,381	3,246	2,735	652
Residual 1% of income reimbursed by ARC	**(1,794)**	(808)	(300)	(377)	(184)
Net general and administrative expenses	**5,162**	3,573	2,946	2.358	468
Per boe (6:1)	**0.52**	0.44	0.63	0.54	0.27
Per boe (10:1)	**0.64**	0.55	0.79	0.69	0.34

MANAGEMENT FEES

The Manager receives a management fee of three percent of net operating revenue. Management fees amounted to $6.2 million or $0.62 per boe in 2000 compared to $3.0 million or $0.37 per boe in 1999. The increase in management fees per boe is attributed to the significantly higher commodity prices in 2000. Total 2000 management fees and general and administrative expenses were $1.14 per boe compared to $0.81 per boe in 1999.

G&A PER BOE*
($/boe)



* After one percent reimbursement

INTEREST EXPENSE

Interest expense increased to $10.1 million in 2000 from $7.4 million in 1999 as a result of a higher monthly average debt balance which was attributed to increased capital expenditures and a significant property acquisition in April 2000. Long-term debt which increased during the year was reduced in October with the proceeds of a $96.1 million equity offering. Interest expense was minimized over the course of the year by the issuance of bankers' acceptances which were issued at a discount to the prevailing bank prime interest rates at the time. In October, ARC executed a US$35 million long-term loan with Prudential Capital Inc.

TAXES

Capital taxes paid or payable by ARC based on debt and equity levels at the end of the year amounted to $211,000 in 2000 versus $257,000 in 1999.

DEPLETION, DEPRECIATION AND FUTURE SITE RECLAMATION EXPENSES

The 2000 and 1999 depletion and depreciation rates were $6.23 and $5.66 per boe, respectively. The calculation of the 2000 rate includes an estimated $141 million for future development costs of proved undeveloped reserves, but excludes $12 million for future net realizable salvage value of existing production facilities and $6 million for unevaluated properties. The provision for future site reclamation and abandonment equaled $0.61 per boe in 2000 compared to $0.64 per boe in 1999.

CAPITAL EXPENDITURES

To enhance its asset base, ARC Resources completed one major acquisition in addition to a number of minor property acquisitions and divestments in 2000. Development drilling occurred on a number of properties to maintain or increase production. Total reserve acquisition and development costs for 2000 were $5.16 per boe compared to $4.86 per boe in 1999. A breakdown of capital expenditures by category is shown below:

($ thousands)	2000	1999	1998	1997	1996
Lease rentals and acquisition	**544**	347	593	857	109
Geological and geophysical expenditures	**466**	186	339	74	–
Development drilling	**39,021**	20,974	6,967	7,362	116
Plant facilities	**13,999**	2,743	2,636	462	977
Producing property net acquisitions (net of post-closing adjustments)	**153,877**	231,482	60	93,962	206,231
Total capital expenditures	**207,917**	255,731	10,595	102,717	207,433
Net change in established reserves after production	**30,268**	44,528	(1,722)	15,892	41,181
Annual production	**10,012**	8,093	4,649	4,375	3,501
Annual reserve additions	**40,280**	**52,621**	**2,927**	**20,267**	**44,682**
Annual acquisition, finding and development costs – $/boe	**5.16**	4.86	3.62	5.07	4.64
Three year rolling average	**4.95**	4.87	4.73	4.78	4.64
Cumulative since inception	**4.88**	4.78	4.73	4.78	4.64

ABANDONMENTS

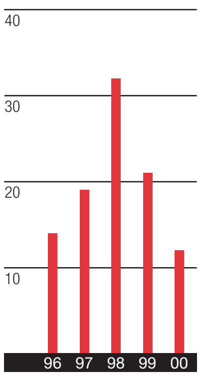
ARC abandons wells and associated well and facility site locations on an ongoing basis. In 2000, actual abandonment and site reclamation costs incurred were $686,000 up from $326,000 in 1999. ARC, in conjunction with ARC Resources, has established a reclamation fund into which $2.7 million cash and interest income was contributed. The balance in the fund was reduced for actual reclamation expenditures of $686,000 thereby resulting in a fund balance of $9.9 million as at December 31, 2000. This fund is invested in short-term market instruments to provide for future abandonment liabilities. Future contributions are currently set at a minimum of $ 3.6 million per year in order to provide the total estimated future abandonment and site reclamation costs including those associated with the Startech properties over a 20-year period. ARC has been active in improving the quality of its oil and gas reserve base by purchasing properties, such as the $135 million property purchase in April of 2000, and then selling smaller, lower quality reserves which tend to have a shorter reserve life and therefore a shorter time period associated with the eventual abandonment of the property. This practise will continue in the future in order to mitigate actual future abandonment costs.

CAPITALIZATION AND FINANCIAL RESOURCES

Working capital at December 31, 2000 was $6.3 million after year-end accruals. Total debt of $115 million including bank debt of $63 million and US$35 million Senior Secured Notes was outstanding at December 31, 2000. Unutilized bank lines of credit of $159 million were available pursuant to a $222 million credit facility in place with three major Canadian financial institutions. The debt is supported by ARC's diverse, mature, high-quality, long-life assets.

Following the closing of the Startech acquisition, ARC's credit facility was increased to $400 million and the number of lenders was increased to include four major Canadian financial institutions.

NET DEBT AS A PERCENTAGE OF CAPITALIZATION
(percent)



End-of-year net debt to total capitalization was approximately 11.7 percent (21.1 percent in 1999) and debt to cash flow payout was approximately five months based upon annualized fourth quarter cash flow (one year in 1999).

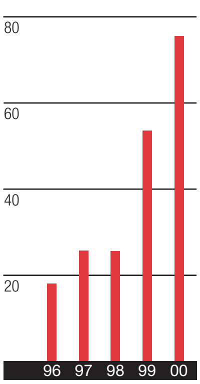
($ thousands)	**2000**	1999	1998	1997	1996
Bank debt	**115,068**	141,000	72,499	65,955	37,998
Less: Working capital (deficiency)	**6,339**	15,761	(1,688)	4,647	1,647
Net debt obligations	**108,729**	125,239	74,187	61,308	36,351
Outstanding units (thousands)	**72,524**	53,607	25,604	25,604	18,000
Market price at end of period	**$ 11.30**	$ 8.75	$ 6.15	$ 10.45	$ 12.25
Total ARC capitalization	**928,250**	594,300	231,651	328,870	256,851
Net debt as a percentage of total capitalization	**11.7%**	21.1%	32.0%	18.6%	14.2%

UNITHOLDERS' EQUITY

ARC's total capitalization increased 56 percent to $928 million during 2000 with the market value of Trust units representing 88 percent of total capitalization. Debt, net of working capital, represented 12 percent of total capitalization. During 2000 the market price of the Trust units increased from $8.75 to $11.30.

In February 2000, ARC completed an equity financing which raised $55.4 million of gross proceeds ($52.3 million net) on the issuance of 6.4 million Trust units at $8.65 per Trust unit. A second offering of 8.7 million units issued at $11.65 per Trust unit resulted in gross proceeds of $101.4 million ($96.1 million net) and was completed in October 2000. The proceeds from the offerings were used to partially fund year 2000 capital expenditures.

UNITS OUTSTANDING
(millions)



In conjunction with the 1999 acquisitions of Starcor Energy Royalty Fund and Orion Energy Trust, 4,261,899 warrants to acquire Trust units were issued. The warrants were exercisable at any time up to June 15, 2000 to obtain one Trust unit at an exercise price of $7.25. During 2000, 3,471,281 warrants were exercised and Trust units issued. As at June 15, 2000, a total of 4,238,299 warrants had been exercised and the remaining 23,600 warrants were cancelled.

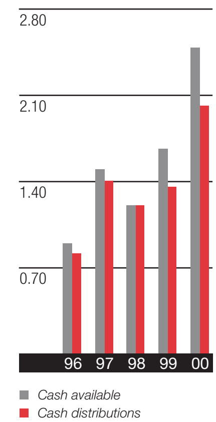
Unitholders electing to reinvest distributions or make optional cash payments to acquire Trust units from treasury under the Distribution Reinvestment Incentive Plan (DRIP) resulted in 80,074 Trust units being issued in 2000. The units were issued at an average price of $9.88 raising a total of $790,000.

During 2000, 804,400 rights were issued to office and field employees, long-term consultants and independent directors at initial exercise prices ranging from $9.10 – $11.65 per Trust unit. The exercise price is adjusted downward over time by the amount, if any, that distributions for the quarter exceed 2.5 percent of net book value of property, plant and equipment. The rights have a five-year term and vest equally over three years from the date of grant. Rights to purchase 1,722,472 Trust units at an average adjusted exercise price of $7.48 were outstanding at December 31, 2000. These rights have an average remaining contractual life of 3.8 years and expire at various dates to November 2005. Of the rights outstanding at December 31, 2000, 129,399 were exercisable at that time.

CASH DISTRIBUTIONS

Total cash distributions of $2.01 per Trust unit were made in 2000 ($1.35 in 1999) for total cumulative distributions since inception of $271.3 million ($6.77 per Trust unit). Actual cash available for distribution is reviewed each quarter and to the extent that excess cash is available, it is distributed to unitholders as part of the next quarter's distribution. During 2000, ARC's distribution policy resulted in the allocation of cash available for distribution above $0.10 per Trust unit per month to discretionary debt reduction, funding of capital expenditures and to the unitholders. This resulted in discretionary debt repayments of $23.9 million, capital expenditure funding of $23.3 million and excess distributions to the unitholders of $52.5 million ($0.81 per Trust unit). ARC revised its distribution policy to cease discretionary debt repayments in the fourth quarter as debt levels had been sufficiently reduced. Likewise, the revised policy resulted in a larger portion of cash being allocated to fund capital expenditures on a prospective basis and an increased distribution to unitholders in the fourth quarter to $0.17 per Trust unit per month.

CASH AVAILABLE FOR DISTRIBUTION PER UNIT
($/unit)

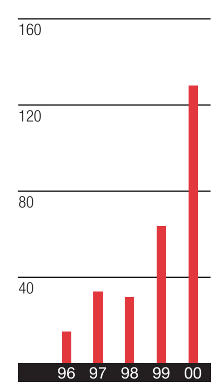


ASSESSMENT OF BUSINESS RISKS

The oil and gas business is subject to numerous risks, including, but not limited to, the following: (a) operational risk associated with the production of oil and natural gas; (b) reserve risk in respect to the quantity and quality of recoverable reserves; (c) market risk relating to the availability of transportation systems to move the product to market; (d) commodity risk as oil and natural gas prices fluctuate due to market forces; (e) financial risks such as the Canadian/US dollars exchange rate, interest rates and debt services obligations; (f) environmental and safety risks associated with well and production facilities; and (g) changing government royalty legislation, income tax laws and incentive programs relating to the oil and gas industry.

The Trust's policies and procedures to mitigate these risks include: (a) acquire mature production to reduce technical risks; (b) acquire long life reserves to ensure relatively stable production and to reduce the economic risks associated with commodity price cycles; (c) maintain a low cost structure to maximize product netbacks; (d) diversify properties to mitigate individual property risk; (e) seek to maintain a relatively balanced commodity exposure; (f) subject all property acquisitions to rigorous review; (g) closely monitor pricing trends and develop a mix of contractual arrangements for the marketing of products; (h) maintain a hedging program to hedge commodity prices and foreign currency rates; (i) continuously obtain the services of technical experts when required; (j) ensure strong third-party operators for non-operated properties; (k) adhere to the Trust's safety program and keep abreast of current operating practices; (l) carry insurance to cover losses and business interruption; and (m) establish and build cash resources to pay for future abandonment and site restoration costs.

CASH DISTRIBUTIONS
($ millions)



OUTLOOK

Record financial performance in 2000 was achieved due to ARC's adherence to its acquisition criteria and ARC's conservative financial policies. These fundamental policies will be observed in 2001 with the goal of maintaining ARC's ability to deliver superior returns to unitholders.

In 2001, acquisitions will continue to be integral to ARC's growth. ARC remains committed to pursuing opportunistic acquisitions to maximize unitholders' value and to striving to maintain its first quartile acquisition finding and development costs. In addition, ARC will maintain its policy of the conservative use of debt, with the objective of debt being less than 20 percent of total capitalization.

As ARC enters 2001, it is now positioned with greater potential to add value through internal development and reserves optimization. This has been enhanced through the Startech acquisition, which added considerable undeveloped lands which will enable ARC to pursue significant development opportunities. In addition to unlocking additional value from the asset base, the development program will continue to focus on cost control to maximize cash flow and returns to unitholders.

The greater emphasis on development and optimization flows through from the revision to the distribution policy in October 2000. By directing up to 20 percent of ARC's cash flow for the development and exploitation activities, considerable latitude is provided to realize additional value from the asset base.

MANAGEMENT'S RESPONSIBILITY

ARC Resources Management Ltd. (the "Manager"), as manager of ARC Energy Trust and ARC Resources Ltd., is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The statements have been prepared in accordance with the accounting policies detailed in the accounting policies note to the consolidated financial statements. In the Manager's opinion, the consolidated financial statements are in accordance with generally accepted accounting principles, have been prepared within acceptable limits of materiality, and have utilized supportable reasonable estimates.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information.

Arthur Andersen LLP, independent auditors appointed by the Trustee, have examined the consolidated financial statements of the Trust. The Audit Committee, consisting of the independent directors of ARC Resources Ltd., has reviewed these statements with management and the auditors, and has recommended them to the Board of Directors for approval. The Board has approved the consolidated financial statements of the Trust.

John P. Dielwart
JOHN P. DIELWART
President and Chief Executive Officer

Steven W. Sinclair
STEVEN W. SINCLAIR
Chief Financial Officer

Calgary, Alberta
February 8, 2001

AUDITORS' REPORT

To the Trustee of ARC Energy Trust and to the Directors of ARC Resources Ltd.:

We have audited the consolidated balance sheet of ARC Energy Trust as at December 31, 2000 and 1999 and the consolidated statements of income and accumulated earnings, cash flows, and cash distributions and accumulated cash distributions for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Calgary, Alberta
February 8, 2001

Arthur Andersen LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at December 31,

($ thousands)	2000	1999
ASSETS		
Current assets		
Cash	$ 3,331	$ 9,240
Properties held for sale	–	4,800
Accounts receivable	48,813	29,145
	52,144	43,185
Reclamation fund (Note 4)	9,897	7,165
Property, plant and equipment (Notes 5 and 6)	600,813	455,269
Total assets	$ 662,854	$ 505,619
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 26,951	$ 21,386
Cash distributions payable	18,131	5,361
Payable to the Manager (Note 11)	723	677
	45,805	27,424
Long-term debt (Note 6)	115,068	141,000
Deferred foreign exchange gain (Note 6)	1,106	–
Site reclamation and abandonment	18,620	13,185
Total liabilities	180,599	181,609
UNITHOLDERS' EQUITY		
Unitholders' capital (Note 8)	610,645	434,314
Accumulated earnings	142,887	32,015
Accumulated cash distributions	(271,277)	(142,319)
Total unitholders' equity	482,255	324,010
Total liabilities and unitholders' equity	$ 662,854	$ 505,619

Approval on behalf of the Board:

MAC H. VAN WIELINGEN
Director

JOHN P. DIELWART
Director

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

For the years ended December 31,

($ thousands)	2000	1999
Revenue		
Oil, natural gas, natural gas liquids and sulphur sales	**$ 316,270**	$ 155,191
Royalties	**(64,188)**	(23,616)
	252,082	131,575
Expenses		
Operating	**49,268**	35,730
General and administrative (Note 11)	**6,956**	4,381
Management fee (Note 11)	**6,193**	2,965
Interest on long-term debt (Note 6)	**10,088**	7,428
Capital taxes	**211**	257
Depletion, depreciation and amortization	**68,494**	50,979
	141,210	101,740
Income before provision for income taxes	**110,872**	29,835
Provision for income taxes (Note 10)	**–**	–
Net income (Note 9)	**110,872**	29,835
Accumulated earnings, beginning of year	**32,015**	2,180
Accumulated earnings, end of year	**$ 142,887**	$ 32,015

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31,

($ thousands)	2000	1999
Cash flow from operating activities		
Net income	$ 110,872	$ 29,835
Add items not involving cash:		
Depletion, depreciation and amortization	68,494	50,979
Amortization of deferred foreign exchange gain	(17)	–
	179,349	80,814
Increase in non-cash working capital accounts	(13,440)	(11,147)
	165,909	69,667
Cash flow from financing activities		
Repayments of long-term debt, net	(24,809)	(5,499)
Issue of Trust units and warrants	183,858	42,260
Trust unit issue costs	(8,317)	(2,005)
Cash distributions	(116,188)	(60,972)
	34,544	(26,216)
Cash flow from investing activities		
Acquisition of Starcor and Orion, net of cash received (Note 3)	–	(21,980)
Acquisition of properties	(171,537)	(11,209)
Proceeds on disposition of properties	22,441	22,173
Purchase of capital assets	(53,848)	(21,598)
Reclamation fund contributions and actual costs incurred	(3,418)	(2,987)
	(206,362)	(35,601)
Increase (decrease) in cash	(5,909)	7,850
Cash, beginning of year	9,240	1,390
Cash, end of year	$ 3,331	$ 9,240

CONSOLIDATED STATEMENT OF CASH DISTRIBUTIONS AND ACCUMULATED CASH DISTRIBUTIONS

For the years ended December 31,

($ thousands, except per unit amounts)	2000	1999
Net income	$ 110,872	$ 29,835
Depletion, depreciation and amortization	68,494	50,979
Amortization of deferred foreign exchange gain	(17)	–
Cash from operations (Note 9)	179,349	80,814
Cash from operations (99 percent)	177,556	80,006
Add (deduct):		
General and administrative reimbursement (residual one percent)	1,793	808
Capital expenditures	(23,331)	–
Proceeds from disposition of royalty interests	17,614	21,566
Discretionary debt repayment	(41,466)	(24,472)
Reclamation fund contributions and actual reclamation costs incurred	(3,418)	(2,987)
Current period accruals	210	(11,148)
Cash distributions	128,958	63,773
Accumulated cash distributions, beginning of year	142,319	78,546
Accumulated cash distributions, end of year	$ 271,277	$ 142,319
Cash distributions per unit (Note 9)	$ 2.01	$ 1.35

1 STRUCTURE OF THE TRUST

ARC Energy Trust ("the Trust") was formed on May 7, 1996 pursuant to a trust indenture (the "Trust Indenture"). Computershare Trust Company of Canada was appointed as Trustee under the Trust Indenture. The beneficiaries of the Trust are the holders of the trust units.

The Trust was created for the purposes of issuing trust units to the public and investing the funds so raised to purchase a royalty in the properties of ARC Resources Ltd. ("ARC Resources"). The Trust Indenture was amended on June 7, 1999 to convert the Trust from a closed-end to an open-ended investment trust. The Trust Indenture was most recently amended on May 23, 2000 to expand the scope of the business to include the investment in all types of energy business related assets including, but not limited to, petroleum and natural gas related assets, oil sands interests, electricity or power generating assets and pipeline, gathering, processing and transportation assets. The operations of the Trust consist of the acquisition, development, exploitation and disposition of these assets and the distribution of net cash proceeds from these activities to the unitholders.

2 SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management following Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimated.

In particular, the amounts recorded for depletion and depreciation of the petroleum and natural gas properties and for site reclamation and abandonment are based on estimates of reserves and future costs. By their nature, these estimates, and those related to future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

Principles of Consolidation

The consolidated financial statements include the accounts of the Trust and its subsidiaries. All inter-entity transactions have been eliminated.

Property, Plant and Equipment

The Trust follows the full-cost method of accounting. All costs of acquiring petroleum and natural gas properties and related development costs are capitalized and accumulated in one cost centre. Maintenance and repairs are charged against income, and renewals and enhancements which extend the economic life of the property, plant and equipment are capitalized. Gains and losses are not recognized upon disposition of petroleum and natural gas properties unless such a disposition would alter the rate of depletion by 20 percent or more.

Depletion, Depreciation and Amortization

Depletion of petroleum and natural gas properties and depreciation of production equipment, except for major gas plant facilities which are depreciated on a straight-line basis over their estimated useful lives, are calculated on the unit-of-production method based on:

(a) total estimated proved reserves;

(b) total capitalized costs plus estimated future development costs of proved undeveloped reserves less estimated net realizable value of production equipment and facilities after the proved reserves are fully produced; and

(c) relative volumes of petroleum and natural gas reserves and production converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Future Site Reclamation and Abandonment

Provisions for future site reclamation and abandonment costs are calculated on the unit-of-production method over the life of the petroleum and natural gas properties based on estimated proved developed and undeveloped reserves. Actual site reclamation costs incurred are charged against the site reclamation and abandonment liability.

Ceiling Test

The Trust places a limit on the aggregate carrying value of property, plant and equipment which may be amortized against revenues of future periods (the "ceiling test"). The ceiling test is a cost recovery test whereby the capitalized costs less accumulated depletion, depreciation and site reclamation and abandonment are limited to an amount equal to estimated undiscounted future net revenues from proved reserves less estimated recurring general and administrative expenses, future site reclamation and abandonment, management fees, future financing costs and income taxes.

Unit-Based Compensation Plan

The Trust has a unit-based compensation plan for employees, independent directors and long-term consultants, which is described in Note 8. No compensation expense is recognized when unit rights are issued. Any consideration received by the Trust on exercise of unit rights is credited to unitholders' capital.

Income Taxes

The Trust follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Trust's corporate subsidiaries and their respective tax base, using enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. Temporary differences arising on acquisitions result in future income tax assets and liabilities.

The Trust is a taxable entity under the *Income Tax Act* (Canada) and is taxable only on income that is not distributed or distributable to the unitholders. As the Trust distributes all of its taxable income to the unitholders and meets the requirements of the *Income Tax Act* (Canada) applicable to the Trust, no provision for income taxes has been made in the Trust.

Hedging

The Trust uses derivative instruments to reduce its exposure to commodity price fluctuations. Gains and losses on these contracts, all of which constitute effective hedges, are recognized as a component of the related transaction.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the monthly average rates of exchange. Translation gains and losses are included in income, except for unrealized gains and losses on long-term monetary items with a fixed or determinable life which are deferred and amortized to income over their remaining term.

Net Income per Trust Unit

Basic net income per trust unit and cash flow from operations per trust unit are computed by dividing earnings and cash flow from operations by the weighted average number of trust units outstanding for the period. Diluted per unit amounts reflect the potential dilution that would occur if contracts to issue trust units were exercised and trust units were issued. The treasury stock method is used to determine the effect of dilutive instruments.

3 ACQUISITIONS

Effective March 12, 1999, the Trust acquired all of the outstanding trust units of Starcor Energy Royalty Fund ("Starcor") and Orion Energy Trust ("Orion") for total consideration of 22.6 million trust units, 4.3 million warrants, the assumption of $74.0 million of debt and a cash payment of $22.9 million. These acquisitions were accounted for using the purchase method of accounting as follows:

Net assets acquired:	
Cash	$ 923
Working capital	2,904
Reclamation Fund	1,718
Property, plant and equipment	241,728
Total net assets acquired	$ 247,273
Financed by:	
Cash	$ 22,903
Trust units issued	148,386
Warrants issued	1,984
Long-term debt acquired	74,000
Total purchase price	$ 247,273

4 RECLAMATION FUND

	2000	1999
Opening balance	$ 7,165	$ 4,504
Contributions, net of actual expenditures	2,274	2,430
Interest earned on fund	458	231
Ending balance	$ 9,897	$ 7,165

A reclamation fund was established to fund future site reclamation and abandonment costs. The Board has approved contributions over a 20-year period which results in minimum annual contributions of $2.8 million ($2.4 million in 1999) based upon properties owned as at December 31, 2000. Contributions to the reclamation fund have been deducted from the cash distributions to the unitholders. During the year, $686,000 ($326,000 in 1999) of actual expenditures were charged against the reclamation fund.

5 PROPERTY, PLANT AND EQUIPMENT

	2000	1999
Property, plant and equipment, at cost	**$ 784,393**	$ 576,476
Accumulated depletion and depreciation	**(183,580)**	(121,207)
Property, plant and equipment, net	**$ 600,813**	$ 455,269

The calculations of 2000 depletion and depreciation included an estimated $140.8 million ($69.0 million in 1999) for future development costs associated with proved undeveloped reserves and excluded $12.0 million ($12.0 million in 1999) for future net realizable value of production equipment and facilities and $5.7 million ($12.0 million in 1999) for unproved properties.

6 LONG-TERM DEBT

	2000	1999
Revolving Credit Facilities	**$ 62,645**	$ 141,000
Senior Secured Notes (US$35 million)	**52,423**	–
Total long-term debt	**$ 115,068**	$ 141,000

The Trust has three revolving credit facilities to a combined maximum of $222 million. The facilities each have a 364 day extendable revolving period and five year term. Borrowings under the facilities bear interest at bank prime (7.5 percent at December 31, 2000) or, at the Trust's option, bankers' acceptance plus a stamping fee. The lenders review the credit facilities by May 1 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 Trust will refinance the balance, or the principal amount will become repayable in quarterly installments over five years. Collateral for the loans is in the form of floating charges on all lands and assignments and negative pledges on specific petroleum and natural gas properties.

During the year, US$35 million of Senior Secured Notes (the "Notes") were issued pursuant to an Uncommitted Master Shelf Agreement. The Notes bear interest at 8.05 percent and require equal principal payments of US$7 million over a five year period commencing in 2004. Security for the Notes is in the form of floating charges on all lands and assignments. The Uncommitted Master Shelf Agreement allows for the issuance of additional US$65 million of Notes at rates and maturity dates to be agreed upon at the date of issuance.

The Trust has not hedged its foreign exchange exposure on the Notes. A foreign exchange gain of $1.1 million was deferred at December 31, 2000 and is being recognized over the term of the Notes.

The payment of principal and interest are allowable deductions in the calculation of cash available for distribution to unitholders. Should the properties securing this debt generate insufficient revenue to repay the outstanding balances, the unitholders have no direct liability.

Interest paid during the year did not differ significantly from interest expense.

7 FINANCIAL INSTRUMENTS

Financial instruments of the Trust carried on the balance sheet consist mainly of current assets, reclamation fund investments, current liabilities and long-term debt. As at December 31, 2000 and 1999, there were no significant differences between the carrying value of these amounts and their estimated fair value.

Substantially all of the Trust's accounts receivable are due from customers in the oil and gas industry and are subject to the normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the associated credit risks.

The Trust utilizes a variety of derivative instruments to reduce its exposure to changes in commodity prices. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received from or paid to counterparties to settle these instruments prior to maturity.

The Trust is exposed to losses in the event of default by the counterparties to these derivative instruments. The Trust manages this risk by dealing only with financially sound counterparties.

A summary of the contracts outstanding at December 31, 2000 is as follows:

	Daily Quantity	Average Contract Prices ($)	Price Index	Term
Crude oil fixed price contracts	3,844 bbls	36.25	WTI	January to September, 2001
	2,844 bbls	37.59	WTI	October to December, 2001
Crude oil collared contracts	3,500 bbls	37.02 – 48.02	WTI	January to December, 2001
Crude oil put options	5,356 bbls	41.47	WTI	January to December, 2001
Crude oil call options	2,600 bbls	40.91	WTI	January to December, 2001
Natural gas fixed price contracts	2,500 GJ	12.00	AECO	January to March, 2001
Natural gas collared contracts	22,000 GJ	5.52 – 8.08	AECO	January to March, 2001
	5,000 GJ	4.40 – 7.80	AECO	April to October, 2001

As at December 31, 2000, settlement of all outstanding contracts would have required a net payment by the Trust of $5.3 million.

8 UNITHOLDERS' CAPITAL

In March 2000, the Trust issued 6.4 million trust units at $8.65 per unit for net proceeds of $52.3 million. A second offering of 8.7 million trust units at $11.65 per unit resulted in net proceeds of $96.1 million in October 2000.

Warrants which were issued upon the acquisition of Starcor and Orion in 1999 expired in the year. Any warrants which had not been exercised as at June 15, 2000 were cancelled.

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		2000		1999
TRUST UNITS	**Number of Trust Units**		Number of Trust Units	
Balance, beginning of year	**53,607**	**$ 432,690**	25,604	$ 243,689
Issued on acquisition of Starcor and Orion	**–**	**–**	22,593	148,386
Issued for cash	**15,100**	**148,398**	4,600	34,335
Issued on exercise of employee rights	**266**	**1,976**	–	–
Issued on exercise of warrants	**3,471**	**26,791**	767	5,921
Dividend reinvestment program	**80**	**790**	43	359
Balance, end of year	**72,524**	**$ 610,645**	53,607	$ 432,690

	2000		1999	
WARRANTS	**Number of Warrants**		Number of Warrants	
Balance, beginning of year	**3,495**	**$ 1,624**	–	$ –
Issued on acquisition of Starcor and Orion	**–**	**–**	4,262	1,984
Exercised	**(3,471)**	**(1,613)**	(767)	(360)
Expired	**(24)**	**(11)**	–	–
Balance, end of year	**–**	**–**	3,495	1,624
Total Unitholders' Capital as at December 31, 2000 and 1999		**$ 610,645**		$ 434,314

A Trust Unit Incentive Rights Plan (the "Plan") was established in 1999 and replaced the existing option plan. All options previously granted under the former plan were cancelled. The Trust is authorized to grant up to 4,000,000 rights to its employees, directors and long-term consultants to purchase trust units. The initial exercise price of rights granted under the plan may not be less than the current market price of the trust units as of the date of grant and the maximum term of each right is not to exceed ten years. The exercise price of the rights is to be adjusted downwards from time to time by the amount, if any, that distributions to unitholders in any calendar quarter exceed a percentage of the Trust's net book value of property, plant and equipment, as determined by the Trust (the "Excess Distribution").

During the year, the Trust granted 804,000 rights (1.2 million in 1999) to employees, independent directors and consultants to purchase trust units at exercise prices ranging from $9.10 to $11.65 per trust unit ($8.20 in 1999). Rights granted under the plan generally have a five year term and vest equally over three years commencing on the first anniversary date of the grant. In accordance with the Plan, the exercise price of the rights granted was reduced as a result of calendar year distributions to unitholders exceeding 10 percent of the Trust's net book value of property, plant and equipment.

A summary of the changes in rights outstanding under the plan is as follows:

	2000		1999	
	Number of Rights	**Weighted Average Exercise Price**	Number of Rights	Weighted Average Exercise Price
Balance, beginning of year	**1,192**	**$ 7.86**	–	$ –
Granted	**804**	**9.20**	1,200	8.20
Exercised	**(266)**	**7.43**	–	–
Cancelled	**(8)**	**7.86**	(8)	8.20
Balance before reduction of exercise price	**1,722**	**8.55**	1,192	8.20
Reduction of exercise price	**–**	**(1.07)**	–	(0.34)
Balance, end of year	**1,722**	**$ 7.48**	1,192	$ 7.86

A summary of the plan as at December 31, 2000 is as follows:

Exercise Price at Grant Date	Adjusted Exercise Price	Number of Rights Outstanding	Remaining Contractual Life of Right (years)	Number of Rights Exercisable
$ 8.20	$ 6.71	918	3.3	129
9.10	8.23	769	4.3	–
11.65	11.26	10	4.9	–
11.35	11.14	25	4.8	–
$ 8.67	$ 7.48	1,722	3.8	129

The Trust has adopted a Unitholders' Rights Plan which provides for the issuance of additional trust units in certain events when one party acquires more than 20 percent of the outstanding units of the Trust.

9 NET INCOME AND CASH FLOW FROM OPERATIONS PER TRUST UNIT

The Trust retroactively adopted the Canadian Institute of Chartered Accountants' new standard for the computation, presentation and disclosure of earnings per share in the fourth quarter. Under the new standard, the treasury stock method is used to determine the dilutive effect of "in the money" rights and other dilutive instruments. Prior period net income and cash flow from operations per trust unit have been restated for this change.

Net income and cash flow from operations per trust unit are as follows:

	2000	1999
Net income		
Basic (1)	**$ 1.74**	$ 0.64
Diluted (2)	**1.72**	0.64
Cash flow from operations (3)		
Basic (1)	**2.82**	1.74
Diluted (2)	**2.79**	1.72

If the imputed earnings method had been used to calculate net income and cash flow from operations per trust unit, the reported amounts would have been as follows:

	2000	1999
Net income		
Basic (1)	**$ 1.74**	$ 0.64
Fully diluted (4)	**1.69**	0.61
Cash flow from operations (3)		
Basic (1)	**2.82**	1.74
Fully diluted (4)	**2.72**	1.60

(1) Basic per unit calculations are based on the weighted average number of trust units outstanding in 2000 of 63,681 (46,480 in 1999).

(2) Diluted calculations include 623 additional trust units (389 additional trust units in 1999) for the dilutive impact of employee rights and warrants. There were no adjustments to net income or cash flow from operations in calculating diluted per share amounts.

(3) Calculated by adding amortization of deferred foreign exchange gain, depletion, depreciation and amortization to net income and dividing by the weighted average number of trust units.

(4) Fully diluted calculations include 2,645 additional trust units (5,124 additional trust units in 1999) and imputed interest of $1.3 million ($1.7 million in 1999) for the dilutive impact of employee rights and warrants.

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

10 INCOME TAXES

Effective January 1, 2000 the Trust adopted the liability method of accounting for income taxes. This change in accounting policy was applied retroactively. There was no change in the previously reported amounts of assets, liabilities, unitholders' equity or net income of the prior period financial statements. In addition, this change in accounting policy had no effect on assets, liabilities, unitholders' equity and net income as at and for the year ended December 31, 2000.

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rate to income before provision for income taxes as follows:

	2000	1999
Income before provision for income taxes	**$ 110,872**	$ 29,835
Expected income tax expense at statutory rates	**49,449**	13,306
Effect on income tax of:		
Net earnings of the Trust	**(44,381)**	(10,173)
Resource allowance	**(7,982)**	(4,151)
Non-deductible crown charges	**3,052**	1,946
Alberta Royalty Tax Credit	**(231)**	(1,165)
Capital Tax	**93**	237
Provision for future income taxes	**$ –**	$ –

The petroleum and natural gas properties and facilities owned by the Trust's corporate subsidiaries have a tax basis of $159.6 million ($106.4 million in 1999) available for future use as deductions from taxable income. Included in this tax basis are non-capital loss carryforwards of $8.1 million ($22.0 million in 1999) which expire in the years 2001 through 2005.

No current income taxes were paid or payable in 2000 or 1999.

11 RELATED PARTY TRANSACTIONS

Pursuant to a reorganization of the ARC Group of Companies on June 9, 2000, ARC Financial Corporation assigned its rights and obligations under the management agreement to ARC Resources Management Ltd. (the "Manager"). Fees payable to the Manager for management, advisory and administrative services include a fee equal to 3 percent of net production revenue; and fees of 1.5 percent, and 1.25 percent of the purchase price of acquisitions and the net proceeds of dispositions, respectively. In 2000, total acquisition and disposition fees paid or payable to the Manager were $2,680,000 ($3,913,000 in 1999). These fees are accounted for as either part of the purchase price or as a reduction of the proceeds of disposition of property, plant and equipment.

During 2000, the Manager was reimbursed $1,006,000 ($1,549,000 in 1999) for general and administrative expenses incurred on behalf of the Trust.

12 CONTINGENCIES

The Trust is involved in litigation and claims associated with normal operations, and is of the opinion that any resulting settlements would not materially affect its financial position or reported results of operations.

13 EVENTS SUBSEQUENT TO DECEMBER 31, 2000

In November 2000, ARC Energy Trust and Startech Energy Inc. ("Startech") executed agreements to facilitate a business combination pursuant to a plan of arrangement. Effective January 31, 2001, the Trust acquired all of the issued and outstanding shares of Startech for total consideration of 22.6 million trust units, 7.4 million exchangeable shares of a subsidiary of the Trust, the assumption of $158 million of debt and a cash payment of $20 million. This transaction has been accounted for using the purchase method of accounting whereby the results of operations of the acquired entity will be included in the financial statements from the date of acquisition. An estimate of the allocation of the purchase price and consideration paid are as follows:

	(unaudited)
Net assets acquired:	
Working capital	$ 11,321
Property, plant and equipment	722,668
Site restoration liability	(5,403)
Deferred hedging losses	(30,695)
Future income taxes	(181,082)
Total net assets acquired	$ 516,809
Financed by:	
Cash	$ 20,000
Trust units issued	338,446
Debt assumed	158,363
Total purchase price	$ 516,809

Final determination of the actual purchase price and the allocation thereof to the fair values of Startech's net assets including goodwill, if appropriate, is still pending.

14 DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), which differ in some respects from GAAP in the United States. The significant differences in GAAP, as applicable to these consolidated financial statements and notes, are described in the Company's Form 40-F report, which is filed with the United States Securities and Exchange Commission.

HISTORICAL REVIEW

Years ended December 31

($ thousands, except per unit amounts)	2000	1999	1998	1997	1996
FINANCIAL					
Revenue before royalties	**316,270**	155,191	67,124	74,103	31,908
Per unit	**$ 4.97**	$ 3.34	$ 2.62	$ 3.24	$ 1.77
Cash flow	**179,349**	80,814	30,040	37,757	18,315
Per unit	**$ 2.82**	$ 1.74	$ 1.17	$ 1.65	$ 1.02
Net income	**110,872**	29,835	(14,093)	9,165	7,108
Per unit	**$ 1.74**	$ 0.64	$ (0.55)	$ 0.40	$ 0.39
Cash distributions	**128,958**	63,773	30,724	33,242	14,580
Per unit*	**$ 2.01**	$ 1.35	$ 1.20	$ 1.40	$ 0.81
Working capital	**6,339**	15,761	(1,688)	4,647	1,647
Long-term debt	**115,068**	141,000	72,499	65,955	37,998
Unitholders' equity	**482,255**	324,010	167,323	212,140	160,834
Weighted average units (thousands)	**63,681**	46,480	25,604	22,837	18,000
Units outstanding at year-end (thousands)	**72,524**	53,607	25,604	25,604	18,000

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

	2000	1999	1998	1997	1996
OPERATING					
Production					
Crude oil (bbl/d)	**11,528**	8,408	4,439	3,656	2,922
Natural gas (mmcf/d)	**77.17**	66.46	37.68	38.40	29.47
Natural gas liquids (bbl/d)	**2,965**	2,687	2,018	1,929	1,732
Total (boe/d 6:1)	**27,355**	22,172	12,737	11,985	9,566
Total (boe/d 10:1)	**22,210**	17,741	10,225	9,425	7,600
Average prices					
Crude oil ($/bbl)	**36.74**	24.85	18.99	26.35	29.76
Natural gas ($/mcf)	**4.48**	2.54	1.93	1.82	1.16
Natural gas liquids ($/bbl)	**31.52**	17.43	13.17	18.27	20.31
Oil equivalent ($/boe 6:1)	**31.59**	19.15	14.41	16.81	16.34
Oil equivalent ($/boe 10:1)	**38.91**	23.97	17.99	21.54	22.31
Established (proved plus risked probable) reserves					
Crude oil and NGL (mbbl)	**82,419**	59,712	35,034	32,373	22,514
Natural gas (bcf)	**286.4**	241.0	121.9	148.2	112.0
Total (mboe 6:1)	**130,147**	99,879	55,351	57,073	41,181
Total (mboe 10:1)	**111,054**	83,813	47,226	47,190	33,710
TRUST UNIT TRADING (based on daily closing price)					
Prices ($)					
High	**12.15**	9.25	11.40	13.00	12.85
Low	**8.45**	6.15	6.10	10.15	9.90
Close	**11.30**	8.75	6.15	10.45	12.25
Average daily volume (thousands)	**155**	68	32	55	98

QUARTERLY REVIEW

Years ended December 31

($ thousands, except per unit amounts)	**2000 4Q**	2000 3Q	2000 2Q	2000 1Q	1999 4Q	1999 3Q	1999 2Q	1999 1Q
FINANCIAL								
Revenue before royalties	**106,374**	77,326	78,124	54,446	53,647	43,849	35,811	21,884
Per unit	**$ 1.54**	$ 1.21	$ 1.25	$ 0.97	$ 1.00	$ 0.85	$ 0.74	$ 0.66
Cash flow	**61,337**	40,362	46,164	31,486	30,818	23,223	17,211	9,562
Per unit	**$ 0.89**	$ 0.63	$ 0.74	$ 0.56	$ 0.58	$ 0.45	$ 0.36	$ 0.29
Net income	**41,752**	22,702	28,947	17,471	16,444	9,549	3,636	206
Per unit	**$ 0.61**	$ 0.36	$ 0.46	$ 0.31	$ 0.31	$ 0.19	$ 0.08	$ 0.01
Cash distributions	**42,789**	33,173	28,066	24,930	21,377	18,099	14,396	9,901
Per unit*	**$ 0.59**	$ 0.52	$ 0.45	$ 0.45	$ 0.40	$ 0.35	$ 0.30	$ 0.30
Working capital	**6,339**	5,253	17,320	9,897	15,761	(1,958)	230	(2,473)
Long-term debt	**115,068**	189,777	189,935	95,000	141,000	130,870	168,135	162,351
Unitholders' equity	**482,255**	387,049	396,574	372,523	324,010	325,508	297,811	307,997
Weighted average units (thousands)	**71,577**	63,791	62,303	56,107	53,461	51,469	48,249	33,386
Units outstanding at quarter-end (thousands)	**72,524**	63,809	63,684	60,486	53,607	53,153	48,276	48,197

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

	2000 4Q	2000 3Q	2000 2Q	2000 1Q	1999 4Q	1999 3Q	1999 2Q	1999 1Q
OPERATING								
Production								
Crude oil (bbl/d)	**12,748**	12,240	12,492	8,661	9,144	9,250	9,005	6,192
Natural gas (mmcf/d)	**86.26**	79.22	76.55	69.3	73.75	71.66	71.93	48.2
Natural gas liquids (bbl/d)	**3,136**	3,053	2,903	2,761	3,088	2,614	2,778	2,262
Total (boe/d 6:1)	**30,261**	28,496	28,153	22,972	24,524	23,807	23,771	16,487
Total (boe/d 10:1)	**24,510**	23,215	23,050	18,357	19,607	19,030	18,975	13,270
Average prices								
Crude oil ($/bbl)	**39.11**	34.08	37.15	36.19	33.38	25.33	20.45	17.69
Natural gas ($/mcf)	**6.46**	4.22	3.95	2.98	2.82	2.70	2.32	2.21
Natural gas liquids ($/bbl)	**37.56**	29.75	30.91	27.24	22.6	18.75	15.1	11.54
Oil equivalent ($/boe 6:1)	**38.78**	29.56	30.41	25.91	23.77	19.99	16.53	14.69
Oil equivalent ($/boe 10:1)	**47.76**	36.21	37.25	32.59	29.74	25.05	20.74	18.32
TRUST UNIT TRADING (based on daily closing price)								
Prices ($)								
High	**10.60**	12.15	10.95	9.20	9.20	9.25	8.25	7.50
Low	**11.65**	10.15	8.65	8.55	8.40	7.85	7.15	6.15
Close	**11.30**	11.30	10.80	8.75	8.75	9.25	8.00	7.30
Average daily volume (thousands)	**189**	143	194	88	51	101	63	55

CONVERSION RATE COMPARISON

	10:1 Conversion				6:1 Conversion			
	2000	1999	1998	1997	**2000**	1999	1998	1997
Production (boe/d)	**22,210**	17,741	10,225	9,425	**27,355**	22,172	12,737	11,985
Production (mmboe)	**8.1**	6.5	3.7	3.4	**10.0**	8.1	4.6	4.4
Netback ($/boe)								
Revenue	**38.91**	23.97	17.97	21.54	**31.59**	19.18	14.43	16.94
Royalties	**(7.90)**	(3.65)	(2.56)	(3.56)	**(6.41)**	(2.92)	(2.06)	(2.80)
Operating costs	**(6.06)**	(5.52)	(5.04)	(5.16)	**(4.92)**	(4.42)	(4.04)	(4.06)
Operating netback	**24.95**	14.80	10.38	12.82	**20.26**	11.84	8.33	10.08
General and administrative expense	**(0.86)**	(0.68)	(0.87)	(0.80)	**(0.69)**	(0.54)	(0.70)	(0.63)
Management fees	**(0.76)**	(0.46)	(0.32)	(0.39)	**(0.62)**	(0.37)	(0.26)	(0.31)
Interest expense	**(1.24)**	(1.15)	(1.10)	(0.61)	**(1.01)**	(0.92)	(0.88)	(0.48)
Current taxes	**(0.03)**	(0.04)	(0.04)	(0.04)	**(0.02)**	(0.03)	(0.03)	(0.03)
Cash netback	**22.07**	12.48	8.05	10.98	**17.92**	9.98	6.46	8.63
Reserves Summary at December 31 (mmboe)								
Proved	**92.2**	68.5	39.7	39.2	**108.4**	82.1	46.6	47.7
Risked probable	**18.9**	15.3	7.5	8.0	**21.7**	17.7	8.8	9.4
Established	**111.1**	83.8	47.2	47.2	**130.1**	99.8	55.4	57.1
Established Reserve Life Index (years)	**12.5**	11.8	11.6	11.1	**12.1**	12.0	11.9	13.0
Reserves additions (mmboe)								
Drilling and development	**3.1**	3.6	2.2	0.7	**4.1**	4.1	2.6	1.1
Revisions	**1.9**	0.2	0.4	0.4	**2.2**	0.4	0.4	1.5
Acquisitions and divestments	**30.3**	39.2	1.1	15.8	**34.0**	48.1	(0.1)	19.0
Established Reserve Replacement								
Production replacement								
(excluding net acquisitions) (percent)	**62**	59	72	34	**62**	55	65	59
Production replacement								
(including net acquisitions) (percent)	**436**	665	101	492	**404**	605	63	495
Finding and development cost								
(including net acquisitions) ($/boe)	**5.79**	5.92	2.81	6.03	**5.09**	4.86	3.59	4.75
All-in replacement cost ($/boe)	**5.87**	5.94	2.85	6.05	**5.16**	4.86	3.68	5.06

HISTORICAL INCOME TAX INFORMATION

Payment Period[1]	Taxable Amount Per Unit[2]	Tax Deferred Amount Per Unit[3]	Tax Deferred Percentage	Total Cash Distribution for Tax Purposes Per Unit
2000	**$ 0.837**	**$ 1.023**	**55%**	**$ 1.86**
1999	0.260	0.990	79%	1.25
1998	0.120	1.080	90%	1.20
1997	0.311	1.089	78%	1.40
1996	0.000	0.810	100%	0.81

(1) For income tax purposes, only cash payments received in each calendar year are subject to Canadian income tax. This results in the December distribution, which is paid to unitholders on January 15, being taxed in the following year.

(2) As at December 31, 2000 the Trust has the benefit of $427.5 million of income tax pools (in addition to the $159.6 million of tax pools in corporate subsidiaries) to reduce the taxable portion of future distributions.

(3) The tax deferred amount reduces the adjusted cost base of a unitholder's investment in the Trust.

CORPORATE INFORMATION

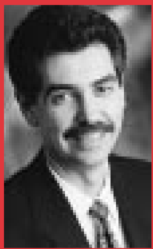

Mac H.Van Wielingen


John P. Dielwart


Doug J. Bonner


Susan D. Healy


Nancy V. Lever


Steven W. Sinclair


Myron M. Stadnyk

DIRECTORS

Walter DeBoni (1)(2)
Chairman

John M. Beddome (1)(2)

John P. Dielwart
President and Chief Executive Officer

Frederic C. Coles (1)(2)

Michael M. Kanovsky (1)(2)

John M. Stewart

Mac H. Van Wielingen
Vice-Chairman

Allan R. Twa
Secretary

OFFICERS

John P. Dielwart
President and Chief Executive Officer

Mac H. Van Wielingen
Vice-Chairman

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

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The Toronto Stock Exchange
Trading Symbols: AET.UN
ARX

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INVESTOR INFORMATION

Visit our website or contact:
Investor Relations
(403) 503-8600 or
1-888-272-4900

NOTICE OF ANNUAL GENERAL MEETING

The Annual Meeting will be held on May 8, 2001, at 3:30 pm in the Belair Room at the Westin Hotel, 320 – 4th Avenue S.W., Calgary, Alberta.

DISTRIBUTION REINVESTMENT AND OPTIONAL CASH PAYMENT PROGRAM

New ARC Energy Trust unitholders should be aware of the 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 Computershare.

CALENDAR

April 12, 2001	Announcement of 2001 Q2 Distribution Monthly Amounts
May 8	Annual Meeting
May 8	2001 Q1 Results
July 13	Announcement of 2001 Q3 Distribution Monthly Amounts
August 16	2001 Q2 Results
October 12	Announcement of 2001 Q4 Distribution Monthly Amounts
November 8	2001 Q3 Results
January 11, 2002	Announcement of 2002 Q1 Distribution Monthly Amounts
February 14	2001 Financial Results

ARC ENERGY TRUST

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